

## Competitive Bids Most Effective in Cost Reduction

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A structured competitive bid will generally result in better pricing than one-on-one negotiations with suppliers. In one clear example, a client had recently secured a 20% cost reduction in facilities services from the incumbent suppliers using face-to-face negotiations.

Nonetheless, we recommended creating a structured RFP to include multiple suppliers as well as the incumbents. We identified an array of 12 qualified local and national suppliers. We developed a detailed scope with floor plans, unusual surface descriptions, number of bathrooms/fixtures, etc. In addition we expanded the scope of the RFP somewhat to make the offering more attractive. Terms and conditions remained the same as with the current suppliers. The client arranged group facility tours with finalists.

Ultimately, the incumbent suppliers won the competitive bid on a “total best value” basis, but the competitive bid netted an additional 20% savings! Because the incumbents won, there were no transition issues or expenses.

Particularly in tough economic times like these, competitive bidding is a most valuable cost-reduction tool to ensure best value... even if some savings have already been realized.

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