THE TRUE COST OF LOSING AN RFP

THE RFP SUCCESS COMPANY

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EXECUTIVE SUMMARY

In today's market, organizations are under increasing pressure to drastically increase RFP win ratios. No company likes wasting time, money and resources on a lost bid. But the after-effects of a loss go much deeper than just time and money. And for many, this loss hangover never goes away.

Many companies mistakenly convey the entirety of this pressure and stress to their team members. However, in doing so, organizations are more likely to perpetuate their loss cycles.

Ending the loss hangover and increasing win ratios (and thus revenues) requires a careful evaluation of the underlying effects of not only the lost RFP, but the full domino effect of consecutive RFP losses.

A foundational key to righting the ship of consecutive losses is an intensive consideration of financial impact, efficient processes, and employee engagement.

INTRODUCTION

Direct Effects of a Lost RFP

The true cost of a lost RFP is much deeper than a missed opportunity on a balance sheet.

We'll seek to uncover the obvious, the less obvious and the forgotten effects of lost RFP opportunities. We'll dissect the immediate impact and the slower burn consequences that are often forgotten by organizations. Lastly, we'll share our findings regarding engaged employees and why they hold the key to winning more RFPs, faster.

Section 1: The Obvious

Money

The most immediate effect of a lost RFP is the absence of new revenue.

Companies depend heavily on their RFP/capture teams to secure opportunity wins on a consistent basis. New contracts equal new revenue, that's obvious.

However, when a company loses an RFP opportunity, the ripple effect is felt throughout the company.

The enormity of loss of revenue becomes more clear when we consider the cost to obtain a new client, versus the cost of retaining an existing one. The cost to acquire a new client is steep. Obtaining a new customer costs a company anywhere from 5 to 25 times the expense of retaining an existing one.

When we win an RFP, we not only win the business now, but we have a much higher potential of winning the business into the future.

If it typically costs a company $15,000/year to effectively retain a customer, obtaining a new customer is loaded with hidden costs totaling anywhere from $75,000 - $375,000. Obviously the more new customers that you have to obtain, the higher your costs, that really add up over time.

Lifetime Customer Value

There is exponential future revenue potential in the customer that you win today.

New contracts don't just equal new revenue in the now - they also create future revenue potential. Conversely, in addition to the potential contract amount that was up for bid, a failed RFP means the company has also lost the potential to repeatedly close with the new client/customer, or, at the very least, delayed the ability.

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Per Loopio, 39% of revenue for RFP-competing companies comes from customer retention which includes RFPs they've previously won. Additionally, on average, loyal customers are worth up to 10x as much as their first purchase (Marketing Tech).

Using the same example above, when you acquire a $500,000 client, long-term potential revenue could be as high as $5,000,000. Adversely, if you lose a $500,000 opportunity, your organization has also missed out on the revenue potential of $5,000,000 from that same loss.

Hard Expenses

Expenses spent completing a failed RFP can be a hard-hitting dose of reality.

In addition to these hard expenses, companies incur a direct hit in terms of employee salary spend. What's interesting is that most companies never calculate this, therefore this number is never known.

Consider these potential costs when calculating hard expenses:

- Labor (total compensation)
- Supplies
- Printing
- Travel
- Equipment wear and tear
- Equipment rental
- Outsourced support

Section 1: Key Takeaway

A loss isn't just a loss!

RFPs represent lifetime client opportunities that become more profitable (and less expensive to retain) over time.

Action Step:

Know your current ROI as well as your potential ROI if you improve your win ratio by just 10%. Calculate your ROI at www.therfpsuccesscompany.com/roi

Section 2: The Less Obvious

Market Credibility

Whether we like it or not, reputation matters.

And a reputation precedes every RFP.

In a recent article, RFPIO asserted peer recommendations influence about 90% of buying decisions.

Successful companies become known in the marketplace. A buzz is created and their name comes up in more conversations. Bid-seekers buy from successful companies, and customers buy from people they trust. When a potential customer hears of successful projects a company has fulfilled, subconscious trust continues to build.

Adversely, when a company repeatedly loses business, they begin to lose precious market credibility.

Truth is, companies with a great market reputation win more RFPs.

Internal Confidence

RFP losses will eventually shake team confidence.

When RFP and Capture Teams begin a downward spiral of consistent losses, team members begin to question the organization's market position, their colleagues' expertise, as well as their own. As team confidence wanes, team members begin experiencing task avoidance, indecision, and inter-team hostility while reporting increased levels of workplace stress. Is this the team you want in charge of creating a winning proposal?

Adversely, winning teams experience a reduction in errors, increased efficiency in time-to-complete key tasks, improved initiative for task completion, perceived camaraderie and less workplace stress. This is the team dynamic that creates all-in staff members that develop consistently rock-solid RFPs time and time again.

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In a recent O.C. Tanner study, appreciation and recognition were the top aspects employees said their manager could give to inspire them to produce consistently solid work. When it comes to inspiring people to give optimal performance, appreciation must be clearly conveyed - especially after a loss. Nothing else comes close to keeping great employees happy—not higher pay, promotion, autonomy or even training.

Competitors Begin to Own You

As confidence wanes within high loss ratio organizations, competitors gain an edge.

When doubt takes hold of RFP and Capture Teams, it's effects are felt throughout the market, despite efforts to keep it 'under wraps'. The ripple effect of doubt and dissension can create an irreparable rift in an organization's culture.

Who would your high-quality team members rather work for? The company that keeps losing, or the competitor that is seen as the leader in the market?

Section 2: Key Takeaway

Get in the driver's seat!

Teams that win together, stay together. Likewise, teams that lose repeatedly, slowly fall apart. If you aren't in the driver's seat, it becomes more and more difficult to attract and retain the high-performing talent that will drive for the wins.

Action Step:

Create your RFP Loss Morale Recovery Plan. What will you do immediately after a loss that will instill confidence in future responses, fellow team members, and market position? What team building can you do immediately after a failed RFP to shed the demotivating impacts of the lost contract?

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Section 3: The Forgotten

Team Motivation and Engagement

Knowing what each employee is motivated by is your job as a leader.

Among those factors are learning opportunities, recognition, harmony, competitiveness, serving the greater good, and structure. When they are rewarded for what they are motivated by, they will be deeply engaged.

When a team loses an RFP, organizations often lessen emphasis on rewarding and motivating team members. Continued losses create a domino effect. Team members begin reporting less motivation and managers report lower performance levels. When these two critical factors decrease, team member engagement numbers rapidly decline as well.

According to Gallup research from 2017, the decreased productivity of each disengaged employee costs an employer $3,400 to $10,000/employee per year in salary. When companies multiply these figures by two to three employees for each RFP/capture team after just a few losses, a budgetary chasm is created.Additionally, disengaged employees only become more expensive with time. According to a March 2019 Gallup study, disengaged employees have 37% higher absenteeism, 18% lower productivity, and 15% lower profitability.

Great Team Members

Great team members stay with great teams.

And great team members leave losing teams.

High-performing, highly-engaged team members are created through great leadership, achievements (which creates confidence), and commitment to purpose. Even the best all-star response teams begin to slowly fall apart after consecutive losses.

Great team members want to work with other great team members. And they want to work for a winning organization.

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High-performers know reputation matters, and staying at a company that continues to lose doesn't aid their professional goals.

High-performers know that, over the course of time, their productivity, skillset, and all-star reputation take a hit when they remain on a losing team.

It's that knowledge that causes great team members to seek other winning teams for better employment opportunities.

A team that 'goes through the motions' sells less

Employee engagement and consecutive sales go hand in hand.

We know that consecutive losses lead to disengaged team members, and disengaged team members ‘go through the motions’. When team members don’t have the momentum and confidence of recent wins, while they may still check the boxes on future proposals, they engage less and performance continues to decline.

And, the statistics between engagement and sales are stark: in a People Metrics study, teams with high levels of engagement sold over 20% more than teams that simply went through the motions (low engagement).

When team members are simply showing up for a paycheck, an organization ceases to progress toward a winning culture thus negatively affecting revenue goals. Ensuring your RFP and Capture Team gets what they need to stay motivated and engaged ensures future top-performers will be clamoring to work for you (and the winning RFP cycle continues!), you become known as the premier employer for candidates with capture team backgrounds, and you have a happy and healthy workforce working towards a winning outcome.

Section 3: Key Takeaway

Know your team!

Team members must be motivated in their own unique ways in order to engage fully. Disengaged team members create an expensive hidden cost and are detrimental to your next RFP submission, and teams that simply ‘go through the motions’ are far less likely to win consistently.

Action Step:

Develop a 3 Motivating Keys file for each member of your RFP or Capture Team. Discover the three top motivating factors each of your staff members express are vital to their workplace contentment. Then, ensure you’re revisiting these at least once per quarter.

CONCLUSION

Losing an RFP costs you so much more than lost revenue.

Understanding the true cost of a lost RFP takes careful consideration of a multitude of factors, and the **most successful companies own this responsibility.**

While untapped future revenue potential and hard expenses are often captured by organizations in the post-RFP loss evaluation process, it is imperative to consider additional loss factors such as market credibility, team confidence, employee engagement, and team morale.

Each one of these factors cost companies tens of thousands of dollars, at minimum, per opportunity.

With increased attention on potential future revenue, hard expenses, employee engagement through outside consulting and training, companies can mitigate RFP loss effects on their bottom line **and** employee morale and engagement.

Are you ready to WIN MORE? DO BETTER?

BOOK A CALL

ABOUT THE RFP SUCCESS® COMPANY

At The RFP Success® Company, we help you Do Better. Win More. We're shaking up the popular opinion that "you win some, you lose some". (And, despite popular opinion, it isn't just a numbers game!) In these interesting & unprecedented times, capture managers, managing directors, business development leaders, and proposal directors need an objective expert to help develop an overall long-term RFP win strategy.

So what's the key to winning MORE RFPs?

- In the highly-competitive RFP arena, you must ensure that all of your capabilities and qualifications paint you & your firm as clear industry experts.
- You must have the **right team** that is motivated and committed to the vision for the win.
- Your **systems and processes** must support the win, and not bog people down.
- You must have a **clear picture of your competitors** and their strengths in the marketplace.

The result? More wins, greater team engagement, better ROI.

The RFP Success® Company specializes in connecting the dots from Capture to Proposal to Results. It's not enough to focus on the RFP that's on your radar today; the best companies have a well-rounded culture and mindset that permeates the entire company. They have highly-engaged team members that are ready to deliver their best, time and time again. And, ***that*** is how you create a high win percentage.

The RFP Success® Company specializes in:

- Strategic RFP function planning
- Capture planning
- Bid strategy
- Proposal enhancement
- Content writing/revision
- Response assistance
- Team training & development
- Process and procedure assessment
- Systems and process improvements

ARE YOU READY TO WIN MORE? DO BETTER?

CONTACT US: Book a Call at https://rfpsuccesschat.as.me/discoverysession
Email us at wecanhelp@rfpsuccess.com
Call us at (866) 473-7411

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SOURCES

Loopio	PeopleMetrics	Forbes
Gallup	Team Readiness	Smarp