

Bid or No-Bid?

The Big Question for Sales Professionals

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Summary

Bid/no-bid decisions for sales opportunities are aimed at eliminating opportunities or leads that you have a low probability of winning, permitting greater focus on opportunities that can be won. A positive bid decision initiates all bid and proposal preparation steps. Improving your bid discipline will increase your close rate, increase the total value of sales won, reduce the number of proposals submitted, and probably improve your earnings.

Context

Every sales representative's objective is to win the order without submitting a competitive proposal. Leading sales training methodologies recommend avoiding proposals, and several practitioners suggest that being asked to submit a proposal is a signal that the sales representative has failed. Unfortunately, many buyers must request competitive proposals by law or organizational policy.

Proposals are used for more than just "selecting a vendor"—they are often used as a negotiating tool or a contracting vehicle. Sales professionals need to take proposal development and submission very seriously. A sound bid/no-bid decision is critical to sales effectiveness.

Bid decisions are a milestone event after a positive *pursuit* decision and before a *bid validation* decision. Use the *pursuit decision* to verify that the opportunity fits your organization's strategic direction and capability before expending your time and energy on opportunities that you are unlikely to win. Use the *bid decision* to verify you are positioned to win before committing to an expensive sales effort. Use the *bid validation decision* to confirm that you have addressed all "show stoppers," including requirements that you cannot meet, unacceptable terms and conditions, unreasonable schedule, unacceptable performance warranties or penalties, or reliable information that a competitor is pre-selected. Pursuit, bid, and bid validation decisions tend to be combined into a single bid decision when the sales cycle from opportunity identification to buying decision is less than 30 days.

Reasons to Pay Attention

Sound, consistent, disciplined bid decisions benefit you and your organization. Not all benefits are obvious from either perspective.

PURSUIT DECISION	BID DECISION	BID VALIDATION DECISION
<p>Inputs</p> <ul style="list-style-type: none"> Strategic plan Annual business plan Prospect's strategic direction Identified leads/opportunities <p>Outputs</p> <ul style="list-style-type: none"> Strategic fit agreed Capture manager assigned Capture plan to be prepared Initial budget set Tracking and review process set 	<p>Inputs</p> <ul style="list-style-type: none"> Prospect's strategic direction Prospect's needs and wants Draft bid request Current capture plan Competitive assessment Win strategy Positioning effectiveness report <p>Outputs</p> <ul style="list-style-type: none"> Strategic fit confirmed Proposal manager assigned Proposal plan to be prepared Proposal strategy to be prepared Initial proposal budget set First draft executive summary assigned Solution overview assigned Boilerplate and proof to be assembled Tracking and review process set Risk assessment assigned 	<p>Inputs</p> <ul style="list-style-type: none"> Final bid request Current capture plan Current proposal plan Draft executive summary Solution overview Boilerplate and proof examples Risk assessment <p>Outputs</p> <ul style="list-style-type: none"> Approved capture plan Approved proposal plan Draft executive summary Writers' packages (assignments) set Proposal kickoff set Tracking and review process set

Figure 1. Pursuit, Bid, and Bid Validation Decision Inputs and Outputs. *Customize and further define the inputs, outputs, and responsibilities for each decision milestone for your organization. (Source: Shipley Associates Proposal Guide, page 11)*

Look closely at your organization to see if your bid decision process discipline resembles these **poor practices**:

- Sales people with challenging quotas make pursuit decisions. Sales management requires no-pursuit decisions to be justified. Therefore, you find it easier to pursue everything.
- Bid decisions are initiated by receipt of bid requests. The only valid reason to no-bid is lack of resources, you or others, to prepare the bid.
- A bid validation milestone is not recognized. Any reconsideration of a prior positive bid decision is treated as a bid justification.
- If sales representatives' bids are prepared by others, bids are *free*. *Free* items are over-consumed.

Here is the false logic.

If I no-bid, my chance to win is zero. If I bid, my chance of winning is greater than zero; therefore, bid everything, limited only by my resources.

Here is what *best practice* shows:

Improving bid discipline can double or triple win rates. Win rate is defined as the percentage of deals won divided by the number of deals you bid on. Improving the quality of the proposals submitted can improve win rates by 15 to 20 percent.

Organizations that improve their bid discipline will routinely report increased sales revenue, reduced sales cost as a percent of revenue won, improved sales quality (profit margin on sales), and reduced sales force and customer turnover rates.

The person or persons involved in bid decisions vary with the size of the opportunity, size of the organization, and the risk of the opportunity to the bidding organization.

Individual sales representatives usually have the authority to make bid/no-bid decisions for *small* opportunities. As the size of the opportunity increases and when support is required to prepare the bid, then sales and delivery management people become involved. When bid preparation support is not available, many organizations still let sales representatives prepare and submit bids. A best practice

is to define the positions and the responsibility and authority of people in those positions to make bid decisions.

Larger organizations tend to have a written bid decision process. Typically, as the size and the risk of the bid increases, increasingly senior managers make the bid decision. The sales representative's role is limited to making a bid/no-bid recommendation.

Step-by-Step Overview of the Bid Decision

Use a bid/no-bid checklist or decision tree to improve the quality and consistency of your bid decisions. You must tailor the following generic examples to your situation.

Bid/no-bid checklists prompt you to broadly examine each opportunity. Critical bid-killers are often overlooked, both wasting your time and squandering valuable resources.

Use the bid/no-bid checklist to identify what you do not know. Determining what you need to learn is usually more important than making the bid/no bid decision. Tailor the generic bid/no-bid checklist in Figure 3. If you already have a bid/no-bid checklist, add Figure 3 items as appropriate. Checklist items are grouped into four distinct areas: the prospect, the bid request, yourself, and the competition. Not all areas will apply for every opportunity.

Bid/No-Bid Checklist
Questions About the Prospect
<ul style="list-style-type: none"> • Who are the key people making the selection decision? • What are the primary issues driving this decision? What pain are they feeling? • How does it support this organization's strategic direction? • What is the timeframe? Is it reasonable? • Is the opportunity real? Is the budget approved and realistic? • Who established the requirements? Have we influenced the requirements? • What are the client's technical issues? What are the client's business issues?
Questions About the Bid Request
<ul style="list-style-type: none"> • Will a formal bid request be issued? When? • If no formal bid request, have we discussed the prospect's needs in a proposal? • How large and detailed is the requested bid? • What is the specific proposal content and format? • What are the technical requirements? • What are the contractual requirements? • How will the proposal be evaluated? Who are the probable evaluators? • What are the evaluation criteria? How are the requirements weighted? • What pricing/costing information is required?
Questions About Us
<ul style="list-style-type: none"> • Do we have the resources and will to win this opportunity? • Do we have the resources and ability to handle the job if we win? • Can we meet the prospect's requirements? • Do we have any unique differentiators? What favors us? • What is our track record with this type of work and with this prospect? • What are our chances of winning? What are the consequences of losing or not bidding? • Can we meet/accept the terms and conditions?

Bid/No-Bid Checklist
<ul style="list-style-type: none"> • What are the schedule, investment, and personnel risks considering current contracts? • What are the opportunity costs? • Can we manage the risks?
Questions About the Competition
<ul style="list-style-type: none"> • Is there an incumbent? If so, how well have they done? • Who are the probable competitors? Does the prospect favor any of them? • What is the history of probable competitors with this prospect? • What are competitors' probable strategies and solutions? • What are the strengths, weaknesses, and discriminators of each competitor?

Figure 2. Use a Tailored Bid/No-Bid Checklist to Improve Close Rates and Increase Personal Sales Revenue. *The generic bid/no bid checklist shown above must be tailored to fit your organization and market sector. Testing each opportunity against standard bid criteria will eliminate poor opportunities, freeing time and resources to focus on opportunities you are more likely to win.*

Your bid/no-bid checklist tells you what you do not know, but the bid decision is not necessarily obvious. For example, how many *unknowns* are needed to prompt *no-bid decisions*?

Use decision trees like the one in Figure 4. to focus on the bid decision. When compared to bid checklists, bid decision trees are less information-driven and are more decision-driven. Notice how easily *great* opportunities are eliminated.

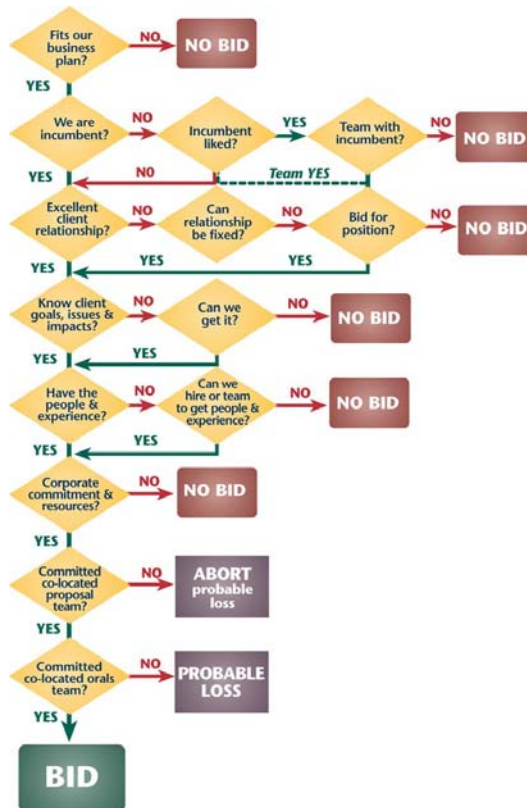


Figure 3. Bid Decision Tree. *Decision trees add discipline to the decision process. Tailor the tree to your organization. Be careful that you do not adapt the facts to fit the decision you want. (Source: Shipley Associates Proposal Guide, page 10)*

Consider using both bid/no-bid checklists and bid decision trees to establish your process.

Mistakes to Avoid ... or Other Final Thoughts

Make the most of a no bid decision. If you elect to bid, proceed. If you elect to no-bid, the pursuit of this opportunity stops, but your *Prospect* strategy continues. A no-bid decision does not mean a lost *Prospect*. Position the *Prospect* for future opportunities.

Always explain why a no bid decision is in the *Prospect's* best interest. *Prospects* never care why no bid decisions are in your best interest. Most *Prospects* encourage competition. Here are some potential explanations:

- The experienced people we need to commit to this project are already committed to another contract.
- With \$250 million invested in the development of code for this product, we cannot waive proprietary data rights.

Consider using your no bid explanation to prompt *Prospects* to modify requirements:

- Rather than promising to meet an unrealistic delivery schedule, we must decline to bid. However, if a September 30 delivery is acceptable, we will submit a competitive bid.
- Agreeing to the penalty clause that you specified would double our price, far exceeding your budget. We welcome the opportunity to discuss penalty clause modifications that would permit us to offer our innovative solution that also meets your stated budget.

Use the following questions to formulate a no bid strategy:

- How can I make the most of no bidding?
- How can I nurture my relationship with this *Prospect*? What can I do to build rapport with various individuals in this organization?
- What specific steps can I take to position my organization favorable for the next opportunity?
- What can I do with the information that I have learned?
- What do I need to tell the *Prospect* now to enhance my credibility and more precisely position my organization for future opportunities?

Make all bid decisions promptly. Delayed bid decisions squander limited sales and bid preparation time.

Finally, avoid adapting the facts to fit the decision you want. Be honest with yourself, your management, and your sales support personnel. Trust is your most valuable commodity.

For more information on improving your bid decision process, contact Shipley Associates at 888.772.9467 (WINS) or visit us at www.shipleywins.com

