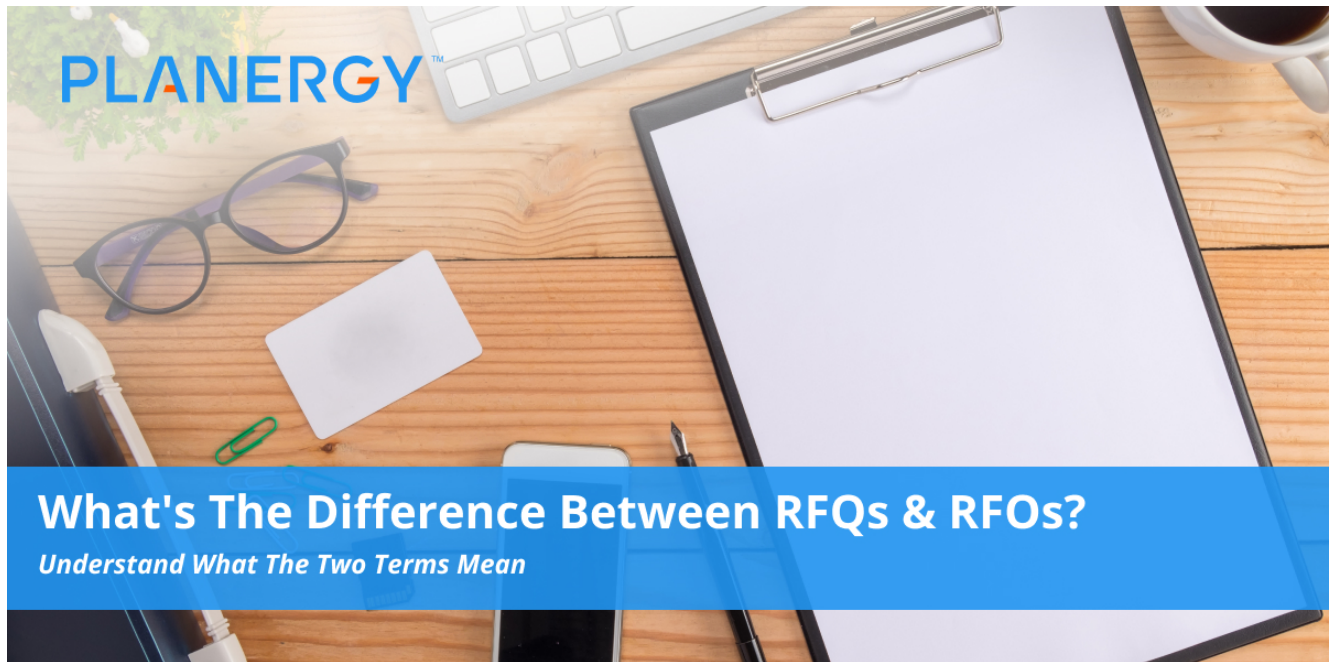


# What's The Difference Between RFQs & RFOs?



In procurement, the jargon can be a little overwhelming, because so much sounds similar.

Add to this the fact that many people use terms interchangeably when those terms have different meanings, and it's no wonder there is confusion in the procurement process.

Trading one for the other could lead to miscommunications between you and your suppliers, which has the potential to start relationships off on the wrong foot.

Let's set the record straight about two of the most commonly used terms: RFQ vs. RFO. While there isn't a significant difference between the two terms, it's still important to know which one to use and when.

# What's The Difference Between RFQs & RFOs?

An RFQ is a Request for Quote, or Request for Quotation. It is sent to multiple potential suppliers and contains the exact details of all the specific requirements of the intended purchase, including:

- Part descriptions or numbers
- Quantity/Volume
- Delivery requirements
- Terms and conditions
- Term of contract
- Other value-add terms or requirements
- Draft contract

You're asking for a price quote, so you can be sure to get the lowest price when you put in the formal purchase order.

An RFO is a Request for Offer. It is sent to multiple potential suppliers and contains the details of all the parameters of a service-based need and provides some flexibility because there is no clearly defined solution, and you're looking for a variety of options to choose from. It is often used in place of a Request for Proposal or an RFP.

The concept of the RFP remains the same with an RFO, but the terminology is being phased out in favor of the RFO.

## When You Should Use an RFQ

Issue an RFQ when you're choosing a supplier based on the price offered and you're seeking the best value.

RFQs are best used when:

- You know exactly what you're looking for and are committed to buying it.
- You're purchasing a commodity or something that you often buy in bulk.
- There is little to no service associated with what you want.
- All you really care about is the best price, and you're fine with ignoring other factors in your vendor selection process.

Send the RFQ to multiple potential bidders - and the lowest bidder wins.

*Make sure your suppliers know you're sending a request for quote, rather than a request for qualifications, another RFQ acronym with a completely different meaning.*

## When You Should Use an RFO

Issue an RFO when you're choosing a supplier based on things other than price.

Sent to multiple suppliers with whom you're considering a partnership or a relationship. RFOs are best used when:

- You have more complex business requirements.
- You're looking for specific solutions to solve a problem - and you're open to suggestions you may not have come up with on your own
- What you want possibly includes professional services.
- You cannot decide based solely on the price because other evaluation criteria are vital to the decision-making process.
- On-going services may or may not be part of what you're looking for, but you at least need help getting the solution set up.

# How RFQs and RFOs Fit in With RFIs and RFTs

Some of the other frequently seen procurement abbreviations are Request for Information (RFI) and Request for Tender (RFT).

## What's an RFI?

Procurement uses RFIs to collection information, market research, so to speak, about suppliers, service providers, and the market so they can decide what step to take before entering into any negotiations.

RFIs contain data that's usual in preparing the RFQ or RFO, and in contract negotiations, such as:

- Supply market state
- Supplier competition
- Alternative pricing strategies
- Supplier options – facilities, finances, motivations, and attitudes
- The scope of product and service offerings by the supplier

These are used when you as the purchaser lack all the information you need to write a detailed request.

You can also use these when you're not completely committed to buying yet. Typically, further requests will be involved before making a final decision.

Reviewing RFI responses helps you shortlist the potential suppliers you want to work with – reducing the number of RFOs you send out.

Similar to an RFI, you also have the Registration of Interest, or ROI, (also known as an Expression of Interest or EOI) that is often used to screen or shortlist

suppliers.

At this point, you're still not necessarily committed to purchasing, and still likely to request more information before making a final decision.

## **What's an RFT?**

RFT is the process procurement uses to select a service provider with a formal response.

It's best to use an RFT when you have clear specifications or criteria. RFTs are just based on qualitative factors and price - unlike RFQ and RFO. Using RFT is not a time or cost-efficient way to procure supply because it lacks defined business requirements.

It serves as an open invitation for suppliers to respond with their solutions. Unless you have proper procurement training, you may find yourself issuing RFQs that are actually RFTs. However, the RFQ has more flexibility than the RFT.

Small businesses willing to do their due diligence at the RFI stage will make their jobs easier when it comes time to move forward with either the RFQ or the RFO, depending on which document the purchase requires.

With a better understanding of what all these terms mean, you can be sure you're using the right documents at the right time. Your management and potential suppliers will appreciate it.

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