Bridging the Gap: Understanding the Full Cost of Procurement and Proposal in Public Sector Contracting

A Supplier Community Perspective on the True Investment Behind Every RFP

WHITE PAPER

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The NIGP Business Council

NIGP Business Council

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Your NIGP Business Council

Originally established as the Institute's Enterprise Sponsors Program, the NIGP Business Council ("Council") has evolved over the years to become a team of industry thought leaders collaborating with the NIGP procurement community. Comprised of two representatives from each company, the Business Council has demonstrated a shared commitment to NIGP's values of accountability, ethics, impartiality, professionalism, service, and transparency. The Council is an active partner with NIGP, contributing to the dialogue that increases the value of procurement and creates a space for mutual learning within the supplier-procurement community.

The mission of the NIGP Business Council is to...

Contribute industry content and expertise to public procurement professionals to optimize outcomes for communities.

- **Presentations and whitepapers**
- **Emerging industry trends**
- **Category-specific data**
- **Chapter-level engagement**

In essence, the NIGP Business Council connects the supplier's perspective with the public procurement community and is dedicated to improving the practitioner-supplier relationship. This white paper, along with the dozen other white papers and presentations written and developed by the NIGP Business Council, represents one of the many ways in which the NIGP Business Council supports the educational mission of NIGP.

Executive Summary

In public procurement, the Request for Proposal (RFP) is the cornerstone of competition. Yet, both government agencies and suppliers often underestimate the full cost financial and operational — of engaging in the sourcing process. This white paper offers a perspective from the supplier community on the true cost of proposing, the impact of procurement design on competition, and how deeper collaboration can drive better outcomes for both buyers and suppliers.

We aim to equip procurement practitioners with insights that reveal how their decisions affect supplier engagement and pricing, and to encourage a dialogue that fosters more strategic, efficient, and inclusive sourcing processes.

A Call for Partnership

Procurement is not just a compliance exercise — it's a shared responsibility. Public agencies and suppliers are partners in serving communities. But the cost burdens associated with sourcing are often asymmetrical and misunderstood, especially from the supplier side.

As stewards of public funds and missions, procurement professionals must balance risk, equity, and efficiency. Suppliers, meanwhile, must weigh the opportunity against a real, often **steep cost to propose — ranging from $6,000 to $30,000 (or more) per RFP**. Understanding each other's roles, limitations, and motivations can help both sides reduce unnecessary costs, lower barriers to entry, and improve the quality of procurement outcome.

Why This Matters Now

The current procurement environment is evolving. Amid leadership changes, rising expectations for transparency, and heightened emphasis on supplier diversity and value-for-money, there's an urgent need to rethink how we approach sourcing. A few key drivers:

Competition is stalling

Suppliers opt out when the cost to propose outweighs the contract value or probability of award.

Turnover is Rising

New procurement professionals need better tools and training to understand supplier and supply chain dynamics.

Efficiency Matters

Budgets are tight, timelines are compressed, and public pressure is high.

If we want more responsive and competitive markets, we need procurement practices that attract — not deter — qualified suppliers.

Through a collaborative discussion on this topic, we hope to emphasize the importance of understanding the financial and operational burdens that suppliers endure, which are often underestimated by both government agencies and suppliers themselves.

The white paper highlights several key points from the supplier community's perspective:

KEY POINTS	DETAILS
Cost Burden	• Suppliers incur substantial expenses when preparing proposals, ranging from $6,000 to $30,000 per RFP. • These costs encompass proposal development, strategic planning, insurance, bonding, and involvement in evaluations or demonstrations. • Such expenditures are undertaken without any assurance of return, making the decision to respond to an RFP a critical one for suppliers.
Decision Framework	• Suppliers use "go/no-go" analysis to determine whether to respond to RFPs. • Decision factors include relationship history with entity, quality and alignment of the RFP with industry standards, clarity of requirements, perceived bias towards incumbents, and burdensome requirements. • Entities unknowingly shape supplier engagement decisions through how their RFPs are written.
Impact on Competition	• High proposal costs deter suppliers from participating, leading to fewer bids, higher prices, and lower overall value. • Potentially favors larger firms and incumbents, reinforcing inequities and limiting innovation. • Potential non-starter for small and emerging businesses, due to cost to prepare proposals.
Best Practices	• Reduce barriers and increase competition by assessing internal costs, streamlining RFP requirements, engaging suppliers early and often, being transparent in evaluation criteria, soliciting supplier feedback, and supporting new entrants. • Create a more supplier-friendly procurement environment and improve the quality of procurement outcomes.
Call to Partnership	• Better outcomes through deeper collaboration between entities and suppliers. • Consider how the entity's sourcing processes impacts supplier engagement and plays a role in lowering costs for both parties. • Invite stakeholders to conferences, workshops, and forums to discuss how to make sourcing more efficient, inclusive, and effective.

The Hidden Cost of an RFP

For Everyone Involved

By understanding the supplier community's perspective, public procurement professionals can make more informed decisions that foster strategic, efficient, and inclusive sourcing processes, ultimately benefiting both the public and the supplier community.

On the Government Side

The RFP process isn't free. Each role — from subject matter experts to legal counsel — represents a time investment, which translates into real financial costs.

Common internal stakeholders:

- Procurement Officers & Buyers
- Risk Management, Finance, and Legal
- Evaluation Committees
- IT, DEI, End Users, and Executive Leadership

The total cost to procure includes:

- Staff salaries and benefits
- Lost productivity from diverted duties
- Administrative overhead
- Legal and compliance costs

On the Supplier Side

For suppliers, the cost to propose becomes a sunk cost. These include:

- Proposal development (writers, pricing, legal)
- Strategic planning and internal reviews
- Insurance and bonding
- Pre-solicitation engagement
- Participation in evaluations or demos

These costs are incurred without any guarantee of return — a dynamic unique to public procurement. And when those costs are too high, suppliers walk away.

The "Go/No-Go" Decision:

Why Suppliers Say No

Every supplier has a decision framework — often called a "go/no-go" analysis — to determine if they will respond to an RFP. Common considerations include:

- Relationship history and responsiveness of the agency
- RFP quality and alignment with industry standards
- Clarity of requirements and fairness of process
- Perceived bias toward incumbents
- Burdensome or non-standard requirements (e.g., notarizations, wet signatures)

Agencies unknowingly shape this decision through the way they write and manage their RFPs.

Real Costs, Real Stories

A 2023 NIGP Business Council (NBC) member survey revealed:

Supplier Cost Per RFP Response:

6K–30K

Annual Proposals Submitted (by a Mid-Sized Supplier):

25–75

Supplier Award Rate (often less than):

25%

That means a supplier may invest hundreds of thousands of dollars annually in pursuit of public contracts — many of which do not materialize. This dynamic often favors larger firms and incumbents, reinforcing inequities and limiting innovation. For small and emerging businesses, it can be a non-starter.

Who's Getting It Right?

Some government entities are taking steps to better understand their own procurement costs and create more supplier-friendly processes. Notable examples:

- **Orange County, CA and University of North Florida (UNF):** Developed detailed costing methodologies for RFP activities.
- **NBC's Supplier Engagement Programs:** Provide insight into supplier behaviors and offer templates to help agencies evaluate their processes.

These models include:

- Defined roles and responsibilities across the RFP lifecycle
- Surveys to determine time and resource investments by role
- Calculated total cost of sourcing for better ROI assessments

Public Procurement Best Practices

To reduce barriers and increase competition, public procurement teams can:

1. **Assess internal costs:** Use time-tracking and role analysis to estimate the cost to procure.
2. **Streamline RFP requirements:** Eliminate non-value-add steps and align with industry standards.
3. **Engage early and often:** Host pre-solicitation meetings to gather input and build trust.
4. **Be transparent:** Publish evaluation criteria and decision rationale clearly.
5. **Solicit supplier feedback:** Post-RFP debriefs can improve future processes and relationships.
6. **Support new entrants:** Reduce complexity and provide technical assistance to newer/smaller suppliers.

A Shared Investment, A Shared Return

Public procurement doesn't happen in a vacuum. Suppliers are making strategic investment decisions — just like you.

And when their cost to propose is too high or the process too opaque, they may walk away. The result? Fewer bids, higher prices, and lower overall value. We urge procurement leaders to consider:

- How does your sourcing process impact supplier engagement?
- What role can you play in lowering costs on both sides?
- How might your next RFP be an invitation — not a barrier — to partnership?

Let's Talk

This white paper is a call to conversation. Let's gather at conferences, workshops, and forums to discuss how we can make sourcing more efficient, inclusive, and effective for all stakeholders. Together, we can design systems that serve the public — and engage the supplier community — more fully.

NBC has developed templates and tools to help your agency begin this journey. Reach out to explore these resources or to join a future panel discussion on this critical topic.

Exhibits

- Cost Analysis Examples: Distributor, Manufacturer, Service Provider
- Orange County, CA, Sourcing Cost Breakdown
- University of North Florida Procurement Cost Template
- NBC "Go/No-Go" Assessment Guide

The 2025 NIGP Business Council

NIGP Business Council

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