Request for Quote (RFQ): The quotation request as an instrument of operational procurement

Request for Quote (RFQ) refers to the structured quotation request with which buyers obtain binding prices and terms from suppliers for clearly specified services or materials. The RFQ is the central steering instrument of the operational procurement process and creates comparable, documented quotations. In practice, it differs from the Request for Information (RFI) and Request for Proposal (RFP) through its focus on concrete prices for unambiguously defined requirements. Anyone who masters the RFQ process reduces procurement costs, shortens lead times and sustainably improves the negotiating position.

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Key facts at a glance

01 An RFQ is a quotation request for clearly specified products or services with the aim of obtaining binding price offers.

02 It requires a complete technical specification and is thereby distinguished from RFI and RFP.

03 Typically, an RFQ process involves three to eight qualified suppliers to ensure comparability and competition.

04 The RFQ forms the basis for price comparisons, price negotiation in the award procedure and the subsequent purchase order or frame supply agreement.

05 KPIs such as cycle time, quotation rate and savings rate make the effectiveness of the RFQ process measurable.

06 Digital e-procurement solutions are increasingly automating the creation, dispatch and evaluation of RFQs.

Definition: Request for Quote (RFQ)

The Request for Quote (RFQ), in German Angebotsanfrage, is a formal procedure with which a company requests binding quotations from potential suppliers for defined products or services. In the idea-to-delivery or source-to-contract process, it is the instrumental link between the purchase requisition (PR) and the purchase order. The RFQ serves for market sounding, price comparison and preparation of the award decision.

Distinction from RFI and RFP

The Request for Information (RFI) serves purely for market research without any intention to purchase and provides overview information on technologies and the supplier landscape. The Request for Proposal (RFP) requests solution approaches and concepts when the specification is not yet final, e.g. for complex services. The RFQ, by contrast, requires an unambiguous specification, for example drawings, bills of materials or functional specifications, and requests only prices and delivery terms. In practice, the procedures often run sequentially: first RFI for market research, then RFP for concept selection, and finally RFQ for the price request to the shortlist.

Legal classification

In the private sector, the RFQ can be freely designed; general contract and competition law obligations such as equal treatment and confidentiality apply. For public-sector buyers, procurement law and threshold values apply, so formal requirements regarding procedure type, deadlines and documentation must be checked. Even in the private sector, clean documentation, e.g. as a negotiation record, is recommended to ensure traceability and procurement compliance. The concrete design should always be legally reviewed on a case-by-case basis.

Methods and approach: How the RFQ process works

An efficient RFQ process follows a clear sequence from demand determination to the award decision. A complete specification is a prerequisite, as unclear requirements lead to incomparable quotations and subsequent change requests. The key steps can be divided into four phases.

Preparation and specification

The starting point is the purchase requisition (PR) from the user departments. The buyer reviews and consolidates the demand, supplementing technical documents such as drawings, standards, inspection requirements and requirements relating to quality management in procurement. Logistical framework conditions are also important, such as Incoterms CIP or CPT, delivery locations, packaging specifications and quantity structures including planned call-offs. The more precise the specification, the more comparable the quotations and the lower the risk of costly renegotiations.

Supplier selection and dispatch

Based on supplier segmentation, buyers typically select three to eight qualified suppliers. In addition to established sources of supply, new providers should be deliberately included to maintain competition

and test the landed cost. In addition to the technical documents, the RFQ usually also contains commercial terms: payment terms, Incoterms, minimum qualifications and a binding submission deadline. An alternative offer from the supplier regarding alternative materials or processes can reveal valuable cost-saving potential.

Evaluation and award decision

The quotation evaluation should not be based solely on the unit price but on total cost of ownership (TCO), including transport, tooling costs, quality risks and process costs. Evaluation matrices with weighted criteria such as price, delivery time, capacity and sustainability—for example documented along the GRI Standards where corresponding reporting requirements exist—make the decision traceable. The result is recorded in a negotiation record and forms the negotiating basis for the price negotiation in the award procedure.

Award and follow-up

After the decision, the award follows, often as placement via a purchase order or a frame supply agreement for recurring demand. Unsuccessful bidders should be informed promptly and transparently; this strengthens the market atmosphere and secures participation in future RFQs. Finally, a brief process review is recommended: checking deviations between the quotation and the subsequent invoice is part of effective freight audit and invoice audit.

Key KPIs and metrics of the RFQ process

RFQ processes can be steered using a manageable number of KPIs. These show whether the process is fast, market-effective and cost-reducing. In practice, the following indicators have established themselves.

Cycle time and quotation rate

The cycle time measures the duration from RFQ dispatch to the award decision; in practice, simple standard parts often fall between five and ten working days, with complex drawing parts considerably above that. The quotation rate denotes the proportion of RFQs that received at least one quotation; values below around 80 percent typically indicate unattractive terms, unclear specifications or an overtaxed supplier base.

Savings and price level

The savings rate relates the final price level to the reference price, e.g. the previous year's price or the initial quotation. For competitive RFQs, savings of a few percent up to double-digit figures for initial awards are realistic in practice. Clean reference baselining is important, otherwise paper savings loom. For raw-material-dependent items, price indexing supports the traceability of price fluctuations between two RFQ rounds.

Process quality and compliance

Further KPIs concern process quality: proportion of RFQs with complete specification, rate of change requests after award and compliance with fairness and approval rules. These indicators link the operational RFQ to supply risk management, as incomplete enquiries are frequently the source of later quality and supply risks. Exceedances of approval budgets must be visible and controlled.

Risks and controls in the RFQ process

The RFQ harbours typical pitfalls that can increase procurement costs or strain the supplier relationship. Those who know these risks can effectively limit them through simple control mechanisms.

Specification and communication risks

Incomplete or contradictory specifications lead to incomparable quotations and later additional costs. They can often be avoided through standardised enquiry templates, a joint review of technical documents with the user department and a clear question-and-answer round before the submission deadline. Item data quality in ERP and catalogue systems also determines quotation quality, especially for C-items and services.

Competition and compliance risks

Supplier fields that are too narrow or informal agreements weaken competition; conversely, using quotations one-sidedly for price comparisons without any intention to award damages the supplier relationship. Controls include the four-eyes principle for awards, documented evaluation criteria and clear rules for handling confidential documents. For category managers, a category charter supplements the rules on how RFQs are conducted per commodity group.

Risks after the award

Risks also remain after the award: deviations between quoted and invoiced prices, unclear Incoterms or defective goods. Supplementary controls such as freight audit, goods inspection in line with the principle of control of nonconforming product and regular supplier evaluations close the gap between quotation and actual performance. For critical items, the RFQ should be closely interlinked with the commodity strategy and supply risk management.

Current developments: digitalisation and AI in the RFQ

The RFQ process is digitalising rapidly: instead of email distribution lists and Excel evaluations, more and more procurement departments are using e-sourcing platforms that automate enquiry creation, supplier communication and bid comparison. Artificial intelligence now supports the preparation of specifications, the suggestion of suitable suppliers and the detection of price deviations.

E-sourcing and marketplace platforms

E-sourcing tools manage RFQs as structured, auditable transactions: suppliers complete standardised

forms online, queries run through the system, and price rounds can be conducted as a reverse auction if applicable. For standard and trade items, digital marketplaces are increasingly used, on which technical buyers can compare several suppliers directly. In practice, this often reduces the cycle time by more than half.

AI-supported enquiry creation

Language models and data extraction help to generate structured RFQ data from unstructured documents such as drawings, PDFs or emails. AI tools suggest evaluation criteria, compare quotations across multiple RFQs and identify outlier prices based on price indices and historical data. Limits exist for sensitive documents and decisions with liability implications: the substantive expert review remains the responsibility of the buyers.

Sustainability and data standards

RFQs increasingly also request sustainability data, such as CO emissions, recyclability or supply chain due diligence obligations; a recyclability assessment can be part of the evaluation criteria for certain commodity groups. Standardised identifiers such as the Global Location Number (GLN) facilitate the unambiguous assignment of supplier locations. Sustainability requirements in the RFQ should be formulated in a verifiable and measurable way, otherwise pseudo-verification threatens.

Typical metrics

Metric	Typical value
RFQ cycle time	5–10 working days (standard parts) *Typical benchmark for simple items; drawing parts take considerably longer*
Quotation rate	> 80 % *Proportion of RFQs with at least one response; below this, enquiries are usually unattractive or unclear*
Savings rate	3–10 % versus reference price *Typical order of magnitude for competitive RFQs; varies considerably by commodity group*
Number of bidders per RFQ	3–8 suppliers *Common practice range for sufficient competition at reasonable effort*

Practical example

A medium-sized mechanical engineering company with around 400 employees previously sourced welded steel assemblies from two incumbent suppliers without systematic price comparison. With annual volumes of around EUR 1.2 million, procurement conducted a structured RFQ process for the

first time with five qualified welding and sheet-metal working suppliers. In addition to the unit price, tooling costs, minimum order quantities, Incoterms CIP ex works and inspection scope were requested uniformly. One bidder submitted an alternative offer with optimised sheet thicknesses, which, together with the competitive situation, led in the price negotiation within the award procedure to an overall saving of around nine percent. The award went to two suppliers under a two-year frame supply agreement with an annual price review.

- Complete technical specification with drawings, inspection requirements and packaging specifications in a standardised RFQ template
- Uniform logistical and commercial framework conditions including Incoterms and payment terms for all bidders
- Evaluation based on TCO criteria rather than pure unit prices, documented in an evaluation matrix and a negotiation record
- Award via a frame supply agreement to two suppliers to spread risk

Conclusion

The Request for Quote is the workhorse of operational procurement and far more than a simple price request. Its success depends decisively on the quality of the specification, the composition of the supplier field and the rigour of the evaluation. Those who evaluate RFQs on the basis of total cost of ownership, document the results and implement the terms cleanly in frame agreements or purchase orders secure measurable savings and reduced process costs. Digital e-sourcing tools and AI support significantly shorten lead times but do not replace the expert judgement of buyers. A disciplined RFQ process also strengthens the market atmosphere and thus the company's long-term negotiating position.

Frequently asked questions

? What does RFQ mean in procurement?

RFQ stands for Request for Quote, i.e. a quotation request. With an RFQ, procurement requests binding prices and terms from suppliers for clearly specified products or services. It is the central instrument for price comparison and award preparation in the operational procurement process.

? What is the difference between RFQ and RFP?

An RFQ requests prices for unambiguously defined requirements, e.g. for parts with a finished drawing. An RFP requests solution proposals and concepts when the specification is still open and different solution paths should be possible. In practice, RFP and RFQ often run sequentially: first concept selection, then the price request.

? How many suppliers should be included in an RFQ?

In practice, three to eight qualified suppliers have established themselves as a sensible range. Too few bidders weaken competition, while too many increase effort and demotivate providers. The

selection should take supplier segmentation into account and deliberately include new suppliers as well.

? How does an RFQ process work?

The process typically comprises four steps: specification of the requirement based on the purchase requisition (PR), dispatch of the RFQ to selected suppliers with a defined deadline, evaluation of the quotations based on TCO criteria, and finally price negotiation in the award procedure with the award decision. Clean documentation, e.g. as a negotiation record, accompanies all steps.

? Is an RFQ legally binding?

In the private sector, an RFQ is fundamentally an invitation to submit quotations and is usually not itself binding; the legal effect depends on the wording, e.g. whether quotations are subject to binding periods. Individual claims may arise from offer and acceptance. The legal assessment should be examined on a case-by-case basis, particularly for public tenders.

? When is an RFQ useful and when is it not?

An RFQ is worthwhile for clearly specified requirements with sufficient volume and several potential providers, e.g. for standard parts, purchased parts or services with a clearly defined scope. For strategic innovation topics or small volumes, however, it is often uneconomical; here RFI, RFP or direct negotiations are usually more efficient.

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