

# THE RFP PROCESS

*All You Have to Do Is Ask*

by STEPHANIE GALLEGOS

*Consultant, Retirement Plan Services, The Bostonian Group*

The request for proposal (RFP) process from anyone's perspective — client, consultant, or provider — can be cumbersome. The process can often take as long as six months from the time there is a decision to market the plan through conversion. As a member of a retirement consulting practice that conducts more than 20 searches a year across all types of qualified retirement plans, I can suggest some very basic things you can do to set yourself apart from the competition.

This article examines some of the specifics that can help bring structure to the procurement decision and identify up front the risks and benefits, to ensure that the RFP process results in the best possible outcome.

## First Things First

Before we take a deeper look at the RFP process, let's step back and answer a question that consultants hear daily: "How do I get on your short list?" While it may not be the answer you want to hear, the number one driver is *past experience*. As a side note, this question may also get you taken *off* the list.

If you don't have past experience with a consultant and are trying to get in the door, I encourage you to take the time to truly understand a consultant's business model and how you can add value to it. Two questions serve as a good starting point:

1. Can you provide training or support to the consultant's marketing efforts?



2. Can you leverage other individuals in your organization who may have worked with the consultant and can help forge the relationship?

Currently, there are few 403(b) providers committed to the mid-market segment, so if you have a solid 403(b) product you may find that now is a great time to get your foot in the door.

Many consultants have already embraced full fee disclosure and the use of ERISA budgets. In the mid-to-large market space, the ability to disclose the revenue needed to service a plan and create an ERISA

budget for any additional revenue will become a key factor. Some other factors that go into determining the short list of candidates include commitment to the business and market space, investment platform and flexibility, fiduciary support, employee education, and merger and acquisition activity.

### **Understand Why the Client Is Searching**

Now that you are included in the search, how can you set yourself apart? At The Bostonian Group, we require responses to be in an electronic, standardized format that allows us to compile and effectively analyze the data. In today's "green" environment, hard copies are becoming less prevalent. If your plan is to produce something in print to set yourself apart from competitors, this is not the best approach. Instead, the most effective approach is to pick up the phone and have a dialogue with the consultant to understand the key criteria of the search.

This may seem like an obvious statement, but it's not always so. I cannot tell you how often I never hear from the sales representative. If I am running a search with 10 providers and have not had a conversation with a particular sales representative, the chances of that provider's making it to the next step are greatly diminished. Searches are not all about total costs — both billable and investment — but more about overall fit. Showing your interest in the business through all phases of the search is a critical component.

### **Don't Underestimate the Influence of the Consultant in the Search Process**

Providers often underestimate the influence that a consultant has in the search process. The clients are paying for their consultant's objective expertise

and expect a recommendation. During the actual RFP process, the interaction is almost always solely between the consultant and the provider. The consultant is your conduit to express your interest in the business and put forth the intangibles that set you apart and make you the right fit for the client. Without this, an RFP's only salient points often become pricing and the number of education days committed. Reaching out personally is an opportunity to help tell your story; otherwise the RFP document becomes simply a document for the client's due diligence file.

### **What Happens After the RFP Results Are Presented?**

Our goal when presenting the RFP results is to narrow the search down to two or three finalists who will be invited in to formally present to the client. It is most often the case that any of the finalists will do a great job, and at that point, the decision comes down to fit and chemistry.

The finalist presentation meeting usually consists of the relationship manager, communication consultant, ERISA consultant, and investment analyst, depending on the client's needs. It is the time to focus exclusively on how you will solve the client's identified problems, and direct the attention to the retirement program. Be sure to bring the right people, especially the ongoing relationship manager. Clients want to know whom they will work with for the long-term, and they understand that it will not be the salesperson or the conversion specialist. Many of the plan sponsor services, investments, and technologies have become commodities to some extent. The deciding factor is often the effectiveness of the employee education and communication programs. Do they believe your tools will make participants take action?

The next step is the site visit. From our experience in the mid market, it is not commonplace for the



client to conduct a site visit. In the large-market space, site visits are done more often. We always encourage our clients to take the time for this visit.

The most successful site visits incorporate senior management and showcase your intellectual capital on a current topics in the industry that are extremely personalized for each individual.

### Does the 403(b) RFP Process Differ From the 401(k) Process?

While some of the questions may differ and the focus may be much more geared toward the provider's interactions with the participants, especially if there are individual transfers involved, the basic premise still applies: Reach out to the consultant and discover the hot buttons.

If you have a commitment or niche, this is an opportunity to showcase it. We have a significant number of 403(b) clients and almost 80 percent of our business in 2008 has been 403(b). Our experience has found only a few providers who are committed to the mid-market 403(b) market. I will define this market as \$10 million to \$50 million.

#### Other FAQs

**Q:** *Is the incumbent always included in the search?*

**A:** Almost always.

**Q:** *How often does the client stay with the incumbent in a due diligence search?*

**A:** Our experience is less than 10 percent.

**Q:** *How long do we typically give to turn around the RFP?*

**A:** Two and one half weeks

**Q:** *Is it okay to ask for additional time?*

**A:** Yes, it is fine to ask for an additional day with good reason.

**Q:** *If the hard copy is late, will your response be thrown out of the search?*

**A:** No; however, the electronic copy needs to be sent by the deadline.

**Q:** *What are consultants looking for regarding investments and the proposed lineup?*

**A:** Flexibility. Many consultants are now creating the investment lineup as a starting point and only the providers who can accommodate it through their investment platform will be included in the search.

**Q:** *Is there a trend for advisors and/or consultants to move to flat-dollar compensation as opposed to commissions?*

**A:** Absolutely, preferably through an ERISA budget in which you can fully disclose all compensation.

All of the content in this article is based on the experience of one of the largest qualified retirement practices in New England. Our team of 10 individuals with 100-plus years of experience serves over 100 qualified retirement plans including 403(b), 401(a), 401(k), Money Purchase and Defined Benefit plans. We are focused on the mid market but have several plans in the large-market space as well. 🌐



**Stephanie Gallegos** is a Consultant, Retirement Plan Services, for The Bostonian Group. In this capacity, she currently consults with a small group of clients and implements many of the practice's sales initiatives. During her tenure with The Bostonian Group, Gallegos

has conducted dozens of service provider searches and reviewed hundreds of responses to RFPs. Previous to joining the company in 2003, she worked for Charles Schwab. Gallegos holds a B.S. in Business Administration from Colorado State University. She holds her NASD Series 7, 63, and 66 licenses, as well as life, accident, and health. Gallegos can be reached at 617-587-2307 (email, [stephanie.gallegos@bosgroup.com](mailto:stephanie.gallegos@bosgroup.com)).