Time to kill the RFP?
Reinventing Procurement for the 2020s

Mark Newman
Chief Analyst

Our Research Program

In-depth briefings conducted with 35 companies:

- CSPs across 5 continents with a combined user base of 2.5bn mobile subscribers and >1bn fixed
- The world's largest IT vendors and system integrators
- A range of consultants, advisors and legal experts

We conducted briefings both with procurement and technology functions, often within the same parent company.

We gathered opinions from over 300 service providers and vendors through primary research surveys.
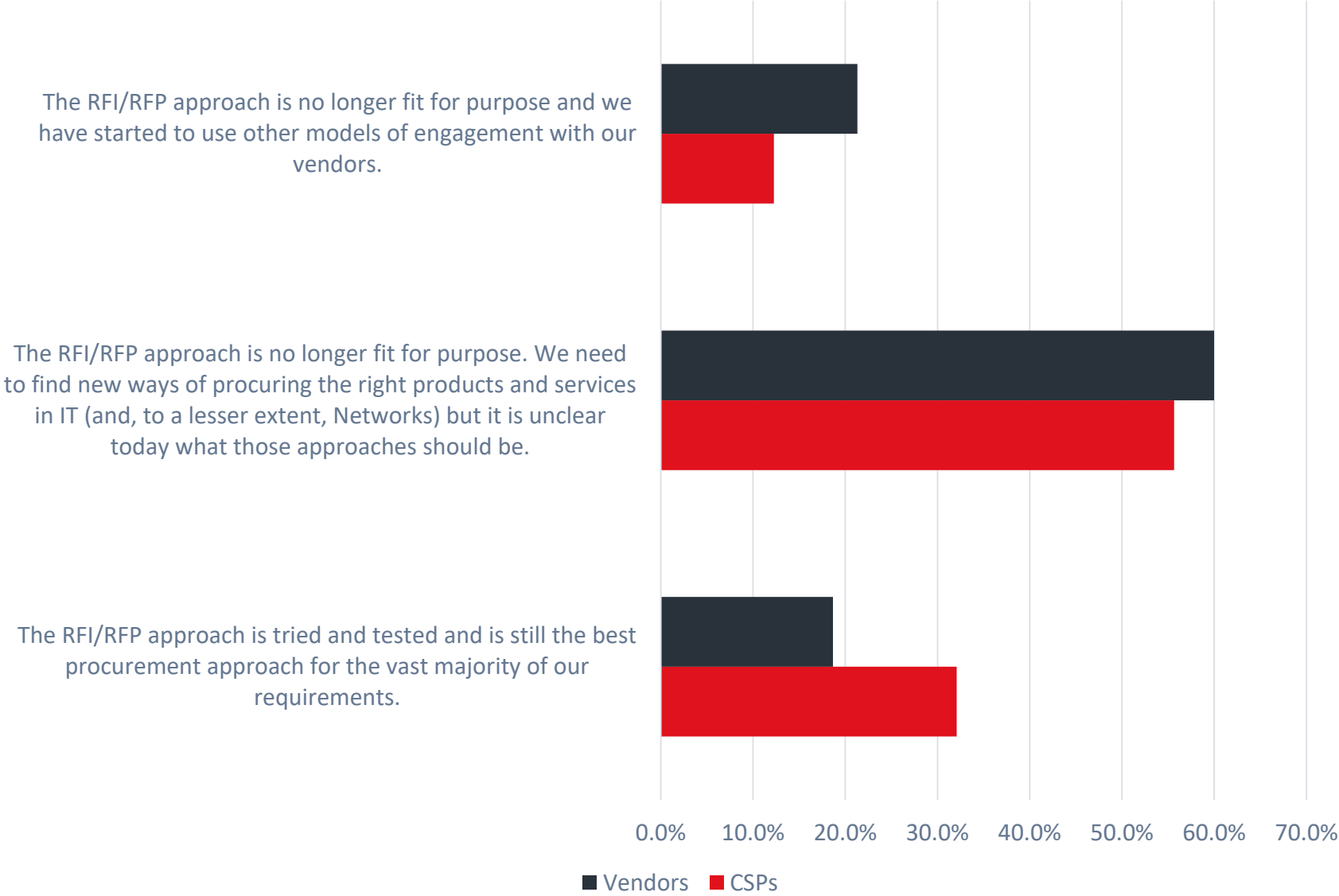
Volume 1, which assesses the state of procurement today and the cost of bad procurement, was published on March 29.

Volume 2, which proposes various improvements and alternatives to the use of RFPs, is published today (May 14).

We want to use this research to stimulate change in the industry.!

https://inform.tmforum.org/research-reports/reinventing-procurement-2020s/

Is the RFI/P (still) fit for purpose?

The RFI/RFP approach is no longer fit for purpose and we have started to use other models of engagement with our vendors.

The RFI/RFP approach is no longer fit for purpose. We need to find new ways of procuring the right products and services in IT (and, to a lesser extent, Networks) but it is unclear today what those approaches should be.

The RFI/RFP approach is tried and tested and is still the best procurement approach for the vast majority of our requirements.

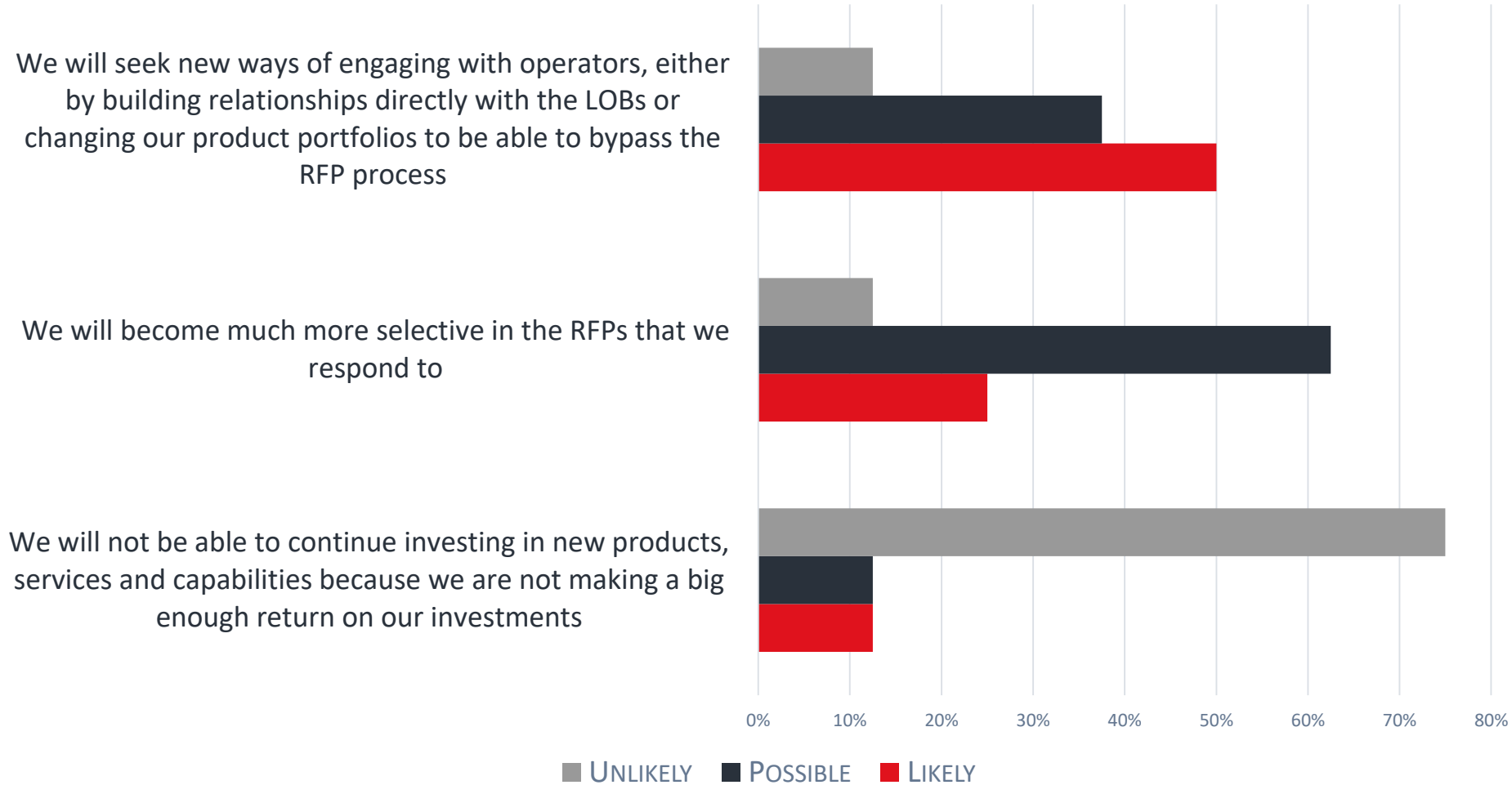0.0%   10.0%   20.0%   30.0%   40.0%   50.0%   60.0%   70.0%

■ Vendors   ■ CSPs

"Telco procurement processes come from the 80's and are for old national incumbent monopolies 10 times the size of most of today's telcos".

Chief Commercial Officer, Cloud SaaS vendor

"In a fast-paced, digitalized and cloud-based environment and as telcos transform to DSPs, it is impossible for a telco to know all requirements from the outset. I would rather work with vendors and set up an environment that allows us to discover things and for innovation to thrive."

Chief Architect, south-east Asian telecoms operator

What will happen if nothing changes? Less R&D, less competition, less innovation?

Chart showing survey responses across three outcomes. Categories: Unlikely (grey), Possible (dark), Likely (red). X-axis from 0% to 80%.

- **We will seek new ways of engaging with operators, either by building relationships directly with the LOBs or changing our product portfolios to be able to bypass the RFP process**: Unlikely ~12%, Possible ~37%, Likely ~50%
- **We will become much more selective in the RFPs that we respond to**: Unlikely ~12%, Possible ~62%, Likely ~25%
- **We will not be able to continue investing in new products, services and capabilities because we are not making a big enough return on our investments**: Unlikely ~75%, Possible ~12%, Likely ~12%

Legend: UNLIKELY | POSSIBLE | LIKELY

How to improve procurement for the 2020s
1. Leverage POCs

Few of today's POCs lead to commercial agreements.

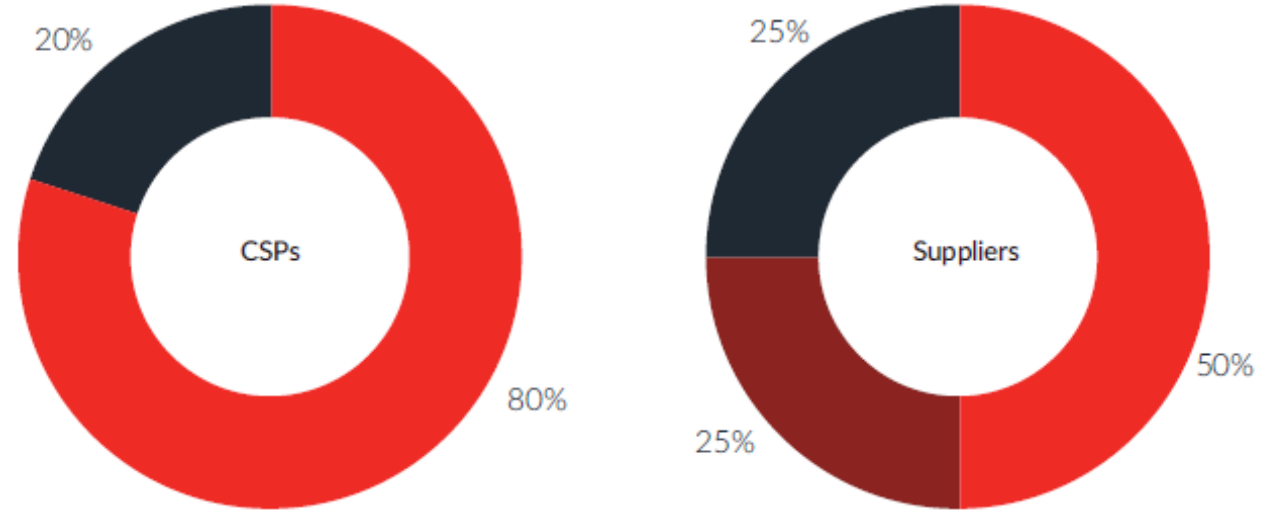Vendors are becoming increasingly selective about running (costly)POCs.

BUT

POCs are sometimes used in the latter stages of procurement processes.

POCS do enable CSPs to see how vendors execute and integrate.

They give technology teams ie the "end users" the opportunity to work together.

Many CSPs are starting to embrace the concept of commercial POCs.

Are POCs useful?

CSPs: 20%, 80%

Suppliers: 25%, 25%, 50%

- POCs are a useful way for an operator to evaluate different solutions and partners with a view to using learnings from them in a formal procurement process

- POCs very rarely lead to commercial contracts; they are an unneccessary distraction for vendors

- The POC model could (and should) be refined and improved to provide an alternative to the RFP

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How to improve procurement for the 2020s
2. Embrace agile

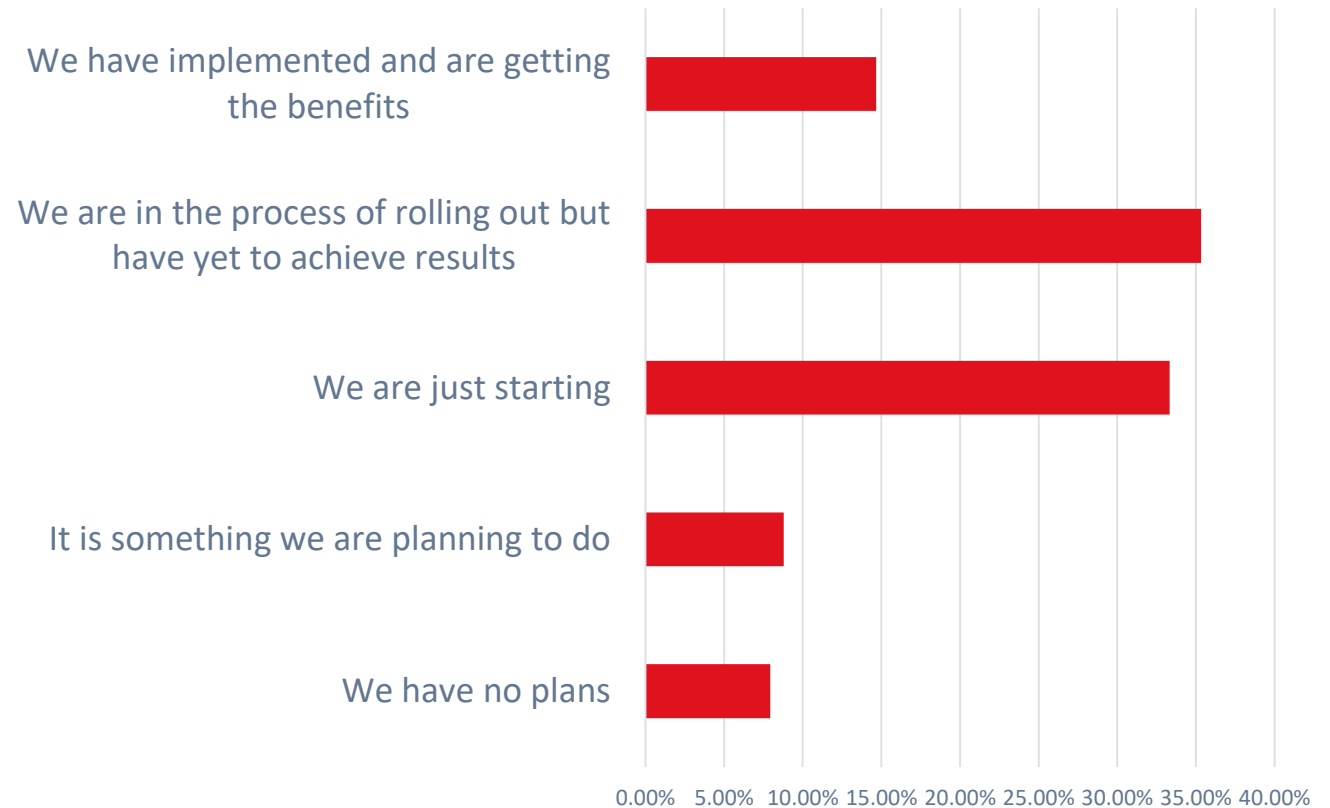For many CSPs agile means doing their own software development (ie no vendors).

Agile development tends to be for new services and capabilities (eg digital).

Finding the right commercial construct with vendors is one of the biggest obstacles.

Many vendors believe that CSPs do not have the right skills or culture to do agile at scale.

However, we spoke to several CIOs (and some procurement functions) who had extremely ambitious plans for agile.

How would you rate your progress in using agile software development?

How to improve procurement for the 2020s
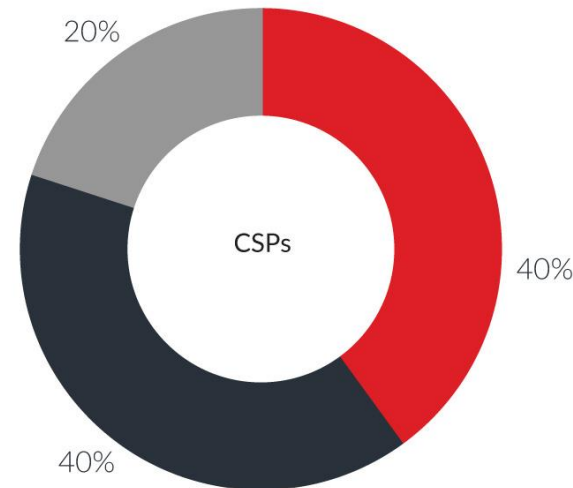## 3. Change the commercial and contractual terms and relationship

"As a service" pricing models are growing in popularity. Some CSPs are beginning to favour vendors with such approaches.

We found a range of different views about the "agility" that as-a-service pricing allows.
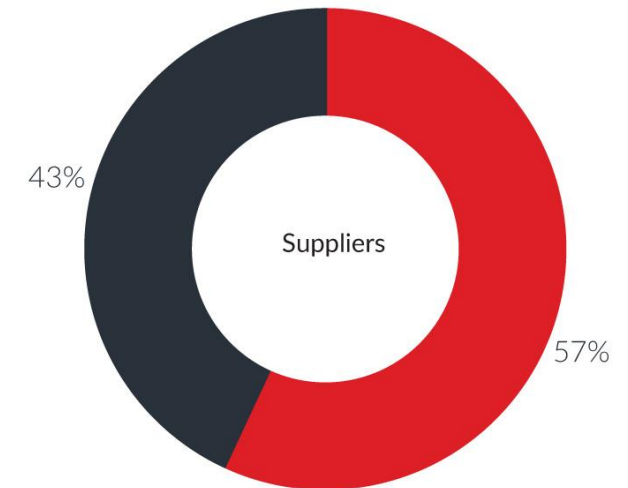
Pricing and contracts that are based on business outcomes (time to market, lead to cash, availability, adoption) are starting to emerge.

CSPs are beginning to think in terms of new systems creating business value rather than merely being measured based on cost.

Are CSPs & suppliers embracing as-a-service models?

CSPs: 20%, 40%, 40%

Suppliers: 43%, 57%

■ We are already using this and are pleased with the results

■ We are starting to experiment with this approach

■ We would like to use this approach in the future

■ Some customers are already using this approach and are pleased with the results

■ Some customers are starting to experiment with this approach

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How to improve procurement for the 2020s
4. Modernise the procurement function

Introduce more technology expertise into the procurement function

Create different categories of procurement and attach distinct, appropriate procurement approaches

Decentralize procurement

Make better use of frame agreements

Introduce a procurement approach for small vendors

Streamline the contractual process

Benefits of centralized procurement

Greater leverage with vendors leads to **lower prices**

Abiility to reuse 'frame agreements' results in **much faster procurement**

Ability to introduce **specialized procurement processes**

Enforcement across regions of standardized approaches

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Proposal for an agile procurement model

Steps in a request-for-partner process

Technology scouting → Issue an ambition statement → Invite prospects → Solicit competitive bids → Award the contract

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Technology teams must be proactive and dynamic in their approach to identifying potential technologies, architectures and suppliers

Proposal for an agile procurement model

Steps in a request-for-partner process

Technology scouting

Issue an ambition statement

Invite prospects

Solicit competitive bids

Award the contract

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This should be a short document (5 pages?) bearing no resemblance to the typical RFP today

Proposal for an agile procurement model

Steps in a request-for-partner process

Technology scouting → **Issue an ambition statement** → **Invite prospects** → **Solicit competitive bids** → **Award the contract**

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Invite three to five potential suppliers who will engage with the relevant technology teams in a proof of concept

Proposal for an agile procurement model

Steps in a request-for-partner process

Technology scouting

Issue an ambition statement

Invite prospects

Solicit competitive bids

Award the contract

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This is the most challenging aspect of the agile procurement model proposal. It will likely involve the business and technology approach used by the preferred bidder.

Proposal for an agile procurement model

Steps in a request-for-partner process

Technology scouting

Issue an ambition statement

Invite prospects

Solicit competitive bids

Award the contract

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Use the principles of minimum viable product (MVP) and minimum testable value (MTV) in contracts which do not set commercial terms until scrum teams are put together and sprints are planned

Proposal for an agile procurement model

Steps in an RFP process

Developing a strategy document → Issuing the RFP → Responding to the RFP → Building the contract

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12-18 months?

Steps in a request-for-partner process

Technology scouting → Issue an ambition statement → Invite prospects → Solicit competitive bids → Award the contract

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3 months?

Questions and discussion