

Tendering process: a structured route to supplier selection in industrial procurement

The tendering process is a structured procedure for the systematic solicitation and evaluation of supplier quotations for goods, services or framework agreements. It creates transparency, enables a fair comparison of different providers and reduces the risk of unfavourable individual decisions. For industrial buyers in the DACH region, it is a central instrument of procurement management – from demand identification through to placing the order.

Key facts

- The tendering process structures the bidding phase from needs definition to the award decision according to fixed, comprehensible rules.
- Typical process types are open tendering, restricted tendering and the freely awarded enquiry.
- For orders above the public procurement thresholds, legal requirements apply; in private law, commercial discretion dominates.
- Evaluation criteria should be defined and weighted before bids are opened in order to avoid arbitrariness and renegotiation pressure.
- Digital formats such as cXML-based platforms and e-tendering shorten lead times and improve the comparability of bids.
- Frequent sources of error are unclear specifications, overly short bid deadlines and missing documented evaluation rules.

Definition: tendering process

The tendering process denotes the regulated procedure by which a requiring entity solicits bids from multiple suppliers, makes them comparable and grants an award. It comprises the preparation of the subject matter of the contract, communication with the providers, the evaluation of the submissions and the placing of the order.

Distinction from the request for quotation

The request for quotation (RFQ) is in practice frequently a partial or precursor instrument of the tendering process: it enquires specifically about prices and delivery terms, whereas a full tender additionally comprises qualification evidence, conceptual elements and contractual terms. In industrial practice, both terms are sometimes used synonymously; what matters is a systematic, documented approach. Those procuring recurring parts often meet the demand more simply via a call-off order based on existing framework agreements – a tendering process is then only necessary upon contract renewal.

Overview of process types

In public procurement, a distinction is typically made between open tendering (anyone may submit a bid), restricted tendering (selected candidates) and negotiated procedures. In private industrial

procurement, free design prevails: staged procedures with a pre-qualification, a technology or concept phase and a subsequent commercial bidding phase are common practice. The choice of form is governed by order value, risk, market situation and internal compliance requirements of the procurement policy.

Methods and approach in the tendering process

A sound process follows a clear sequence from needs clarification through to order release. The cleaner the preparation, the more comparable the bids and the lower the subsequent need for changes.

Preparation: demand, specification and criteria

The starting point is a sound demand plan that clarifies quantities, period and recipients. Building on this, the specification formulates technical requirements, quality and logistics requirements as well as legal framework conditions such as the applicable terms and conditions. The evaluation matrix – for example price, quality, logistics capability, sustainability – is ideally defined and internally agreed before bids are opened. For strategic commodity groups, a category vision supports the selection of relevant criteria and target supplier groups.

Execution: market enquiry and bid evaluation

In the operational phase, suitable suppliers are identified – supported, for example, by an ABC analysis of the commodity groups and supplier evaluations –, approached and supplied with uniform documentation. During the bidding phase, queries must be channelled centrally so that all bidders receive the same information. The submissions are then evaluated according to the pre-defined matrix; commercial and technical functions should assess separately in order not to mix technical and price aspects. For complex services, a negotiation or best-and-final-offer round frequently follows.

Conclusion: award, documentation and handover

After the decision, the most suitable bidder receives the award; rejections are justified in factual terms. The entire process documentation – documents, correspondence, evaluation – is archived in an audit-proof manner and supports later audits, for example with an audit checklist. The transition into operational procurement takes place via order release or the framework agreement; with system integration, a cXML-based catalogue or transaction standard handles the transmission of orders.

Key KPIs in the tendering process

Key performance indicators make process quality measurable and provide arguments vis-à-vis management. In practice, a few consistently collected indicators prove their worth.

Time, cost and quality metrics

Key metrics are the lead time from enquiry to award, the number of invited suppliers per tender, the submission rate of valid bids and the savings or price improvement achieved relative to reference prices. The rate of subsequent changes, for example measured via change-order clauses in the contract, also shows how robust the tender documents were. High renegotiation rates typically indicate imprecise requirements or weak market knowledge.

Process and compliance metrics

Also informative are the proportion of single-source awards without a process, compliance with defined

release thresholds and documentation quality. These values frequently feed into procurement cost-centre reporting and internal reviews. In procurement compliance, they support the evidence that award decisions were taken in a rule-compliant and comprehensible manner – an aspect that is regularly checked in public contracts and in group audits.

Risks and controls in the tendering process

Tenders only create genuine value if typical risks are actively managed. Misconduct usually costs not money directly, but rather manifests itself through poor contracts and delivery problems.

Typical risks in practice

Frequent problems are vague technical requirements, overly short bid deadlines, excessive standard terms and conditions as well as bid rigging or collusion in narrow markets. Likewise, a focus on the lowest price without considering total cost of ownership regularly leads to downstream costs. For international procurement, logistics risks must be taken into account, such as delivery delays which can lead to detention charges at terminals, as well as the correct agreement of delivery terms, for example Incoterms CFR.

Controls and compliance

Effective controls include four-eyes principles for criteria and award, documented conflict-of-interest checks, duplicate detection for supplier and contact master data as well as clear release thresholds. Data quality is a management task: the data owner for supplier and material master data should be named so that evaluation data is up to date and consistent. For raw materials and intermediate products, compliance requirements such as conflict-minerals declarations – more precisely: conflict materials evidence in accordance with conflict minerals regulation – may form part of the requirements list; the specific legal obligations must be examined on a case-by-case basis.

Variation order and contract management

Changes after the award are a frequent cost driver. A clearly worded change-order clause governs how changes to quantities, specifications and deadlines trigger price adjustments. In addition, transparent delivery communication – for example via an advance shipping notice (ASN) – and defined interfaces in the process organisation ensure that the awarded contract is implemented in line with the tender basis.

Current developments: digitalisation and sustainability

The tendering process is increasingly shifting to digital channels and expanding to include sustainability and resilience criteria. For industrial buyers, this changes both the tools and the evaluation content.

E-sourcing and platform-based processes

E-tendering platforms, structured data formats such as cXML and integrated catalogue solutions with a clear catalogue structure shorten lead times and improve comparability. Machine support – for example in drafting tender documents or in the pre-analysis of bidder data – is becoming increasingly widespread, but does not replace expert evaluation. A clean procurement data model remains a prerequisite so that bid data can be consolidated and evaluated on a comparable basis.

Sustainability, resilience and regulation

Sustainability requirements, supply chain integrity and security of supply are moving into evaluation

matrices; relevant criteria include CO2 data, evidence of origin and alternative sourcing strategies. Even in indirect procurement – services, IT, MRO materials – tendering processes are increasingly being standardised in order to avoid maverick buying and a lack of transparency. Companies should anchor their requirements in the procurement policy and conduct regular process audits; the tax and legal assessment of individual arrangements must always be examined on a case-by-case basis.

Typical metrics

Lead time from enquiry to award: typically 4–12 weeks

depending on complexity and process stages

Submission rate of valid bids: frequently > 70 %

low values indicate overly restrictive requirements or weak market knowledge

Suppliers per tender: typically 3–6

balance between competition and processing effort

Renegotiation or change rate: < 10 %

high rates indicate inaccuracies in the specification

Process documentation rate: > 98 %

proportion of audit-proof documented processes

Practical example

A medium-sized mechanical engineering company had previously placed its sheet-metal cuttings mostly individually with incumbent suppliers. As volumes grew, procurement introduced a two-stage tendering process: first a pre-qualification of six providers, then a commercial bidding round with uniform volume forecasts and logistics requirements. The evaluation covered price, process capability, delivery flexibility and CO2 transparency. After the award, a framework agreement with call-off orders and an ASN-linked delivery coordination was concluded.

- Uniform specification with defined tolerances and inspection characteristics for all bidders
- Four-eyes evaluation by engineering and procurement with a matrix fixed in advance
- Framework agreement with change-order clause and release thresholds for additional work
- Audit-proof process documentation as the basis for internal audits

Conclusion

The tendering process is more than a formal compliance exercise: it is the steering instrument with which procurement organisations exploit market transparency, compare prices on a robust basis and document decisions in an audit-proof manner. The lever lies in the preparation – clear requirements, fixed evaluation criteria and adequate deadlines. Digitalisation accelerates the process but changes nothing about the fundamentals. Those who consistently measure process metrics and actively manage risks such as variation-order requirements achieve sustainably better procurement outcomes.

Frequently asked questions

What is a tendering process?

A tendering process is a regulated procedure for soliciting and evaluating quotations from multiple suppliers for goods or services. It comprises needs definition, tender documents, bid deadlines,

evaluation against pre-defined criteria and the award decision. Its objectives are transparency, competitive pressure and robust award decisions.

When is a tender required?

A formal process is legally mandatory in public procurement when contract values exceed the applicable EU thresholds; the specific amounts and exceptions must be examined on a case-by-case basis. In private law, the rule is: no obligation, but internal requirements of the procurement policy or compliance guidelines frequently mandate processes above certain values. In practice, companies orient themselves towards risk classes and order volumes.

What types of tendering processes are there?

In public procurement, typically: open tendering, restricted tendering and negotiated procedures. In industrial procurement, freely designed formats dominate, such as two-stage procedures with pre-qualification, RFQ rounds, auctions and best-and-final-offer. The choice depends on order value, market structure and time pressure.

How does a tendering process work step by step?

A typical sequence: needs clarification and specification, definition of evaluation criteria, supplier selection and dispatch of documents, centralised handling of queries, evaluation of bids against a matrix, negotiation where applicable, award and documentation. This is followed by a framework agreement and order release. Clean process documentation is important for later audits.

What does a tendering process cost?

For private companies, the direct costs are primarily internal working time for documentation, communication and evaluation; in practice, depending on complexity, several person-days to several person-weeks per tender are common. For public tenders, media and platform costs may be added. These are offset by price advantages achieved through competition, which frequently far exceed the effort involved.

What is the difference between a tender and a request for quotation?

A request for quotation is usually a simple, concrete price enquiry for defined line items. A full tender additionally comprises qualification evidence, procedural rules, contractual terms and formal award criteria. In practice, the transition between the two is handled fluidly; what matters is a systematic, documented approach.