

Procurement from the Buyer's Perspective:

What your customers expect from you



Procurement from the Buyer's Perspective: What your customers want from you

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Introduction

The public sector spends over £230 billion on goods, works and services each year, with the Ministry of Defence (MOD) accounting for around 45% of all UK central government spend.

Public procurement is the largest marketplace in the UK and companies of all sizes are increasingly benefiting from the opportunities on offer.

To help suppliers win more public sector business, since 2013 the Government has:

- cut the Corporation Tax rate
- published the Defence Reform Act to ensure more effective procurement
- launched the Defence Equipment Plan outlining almost £160 billion of planned spend over the next ten years

When supplying to this lucrative marketplace, knowledge is power.

This Industry Report from Defence Contracts International (DCI) examines the results of a recent Local Government Procurement Network (LGPN) survey, which asked public sector buyers from departments including the Ministry of Defence and HMRC what they look for when reviewing a supplier's tender application.

Public sector buyers are your potential customers, so having a working understanding of what the customer is looking for from your bids can be extremely beneficial in your drive to win more business.



The Local Government Procurement Network



The Local Government Procurement Network (LGPN) is a UK-wide network aimed at informing, empowering and connecting all those involved in local government procurement.

It is a dynamic network that creates a platform for intelligent discussion and the raising of standards across the sector.

The public sector procurement market is huge and diverse. It is also undergoing radical change as those involved within it face the challenge of delivering better services with fewer resources. By providing a focus on this critically important sector, the LGPN actively promotes the interests of those engaged with it, assists in the sharing of best practice and ensures that its members have access to the information they need to work more effectively.

The LGPN Survey 2013

In 2013, the Network surveyed its membership of over 2700 public sector procurement professionals from across the UK public sector to find out what they believed their main priorities would be for the coming years, what they saw as being their biggest challenges in procuring for their departments, and what they believed were the most common mistakes suppliers made when bidding for public sector contracts.

The feedback received came from buyers, procurement professionals, purchasing managers and heads of department from influential public sector organisations including the Ministry of Defence, Department for Business, Innovation and Skills; the Scottish Government; the London Procurement Partnership; HM Revenue & Customs; and Transport for London.

The results of this survey provide suppliers with key insight into the way their potential customers in the public sector think and can help organisations such as yours avoid the mistakes most commonly made when bidding for new business.



Public sector priorities for 2014

The LGPN Survey asked the public sector 'What are your top procurement priorities for 2014?' The respondents were asked to rate a selection of proposed priorities as being Not Important, Neutral, Important or Very Important. The figure below illustrates the priorities selected by respondents as Important and Very Important.

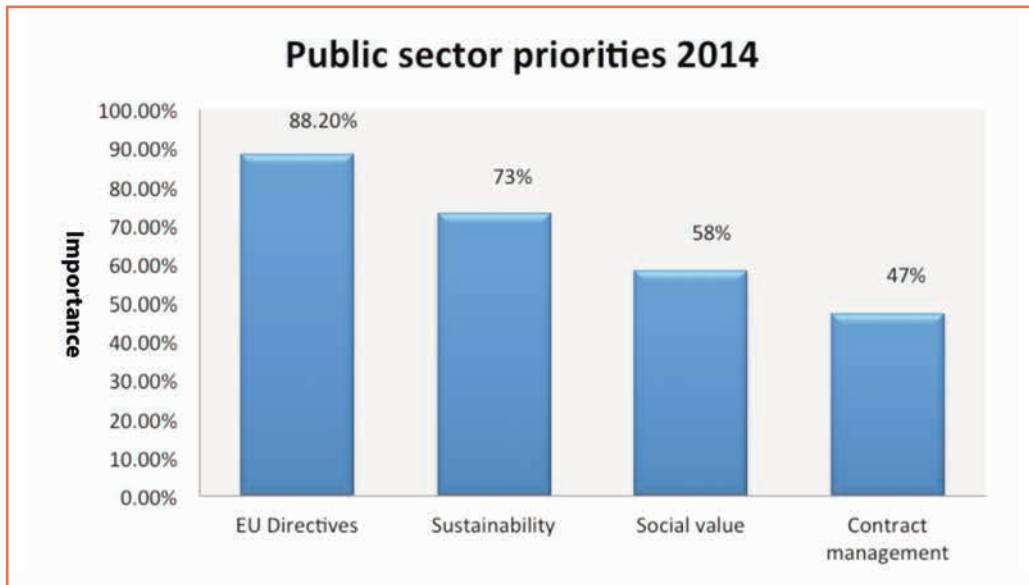


Figure 1: Procurement priorities indicated by percentage of respondents

EU Directives

When asked about the new EU Public Procurement Directive, 88.2% said that they thought this was either Important or Very Important to their procurement plans for the coming year.

The Directive, to be passed into law within the next two years, forms the basis for the legislative systems in Member States governing the public sector's procurement of goods and services in the European Union.

The changes due to be implemented should ensure that the process of bidding for public contracts should be quicker and less costly, enabling both buyers and suppliers to work together more effectively.

The Survey shows that contracting authorities in the UK are preparing the ground now to put these rules into effect, so for suppliers, being ahead of the pack and knowing how to implement the changes ahead of your competitors will stand you in good stead with your potential public sector customers.

As Anita Moritz, Senior ICT Commercial Manager at the Department for Business, Innovation and Skills, explains: *"Government buyers are governed by EU regulations and decisions need to be fully auditable, so if suppliers take some time to understand these it should help them to produce better bids."*



Social value and sustainability

The Survey also highlighted the importance of delivering social and sustainable improvements to local communities as a key objective for buyers in 2014.

When asked about the importance of the Public Services (Social Value) Act 2012, 58% of those surveyed said that implementing the Act was either Important or Very Important. In addition, 73% found sustainable procurement to be an Important or Very Important priority for the year ahead.

The Social Value Act requires public sector agencies, when commissioning a public service such as housing repairs or energy efficiency projects, to consider how the service they are procuring could bring added economic, environmental and social benefits to the community.

As sustainable procurement – such as that promoted through the Act – becomes more important in the decision-making process when awarding contracts, suppliers which give consideration to the lasting environmental or social benefits of their solution when tendering for contracts will be looked on more favourably than those which do not.



Budgets and value for money

When the Survey respondents were asked to name their biggest pressure or concern, the clear front runner was budgets and value for money with 31%, well ahead of 'limited resources' in second place with just 13% of the vote.

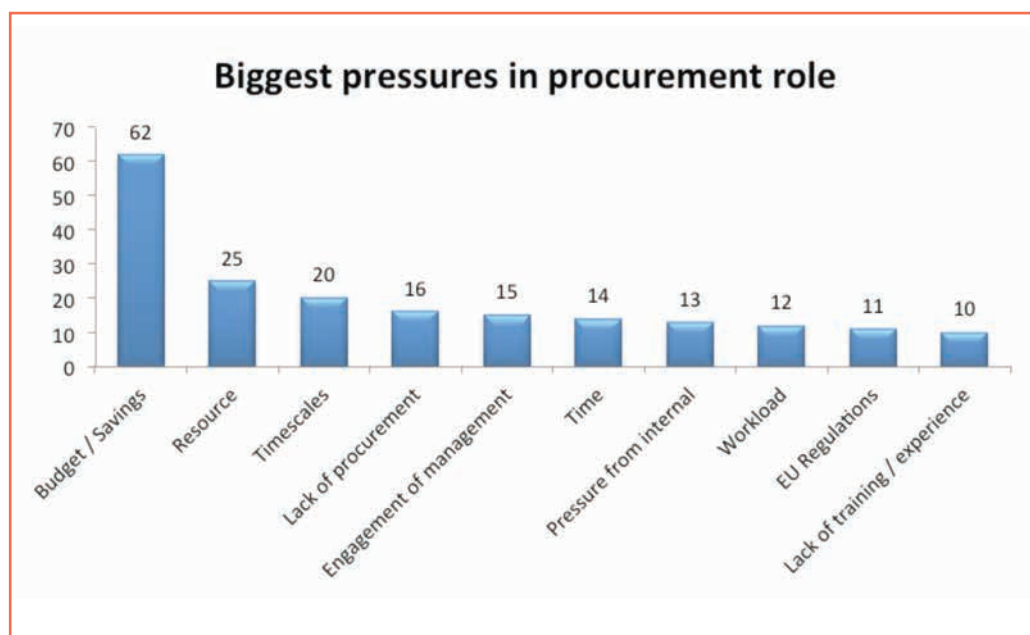


Figure 2: Pressures facing the public sector by percentage

For the defence industry in particular, budgets have been a real source of contention in recent years.

By 2020, the MOD will have reduced in size by over 30,000 military personnel across the Army, RAF and Royal Navy.

Although budgets for now remain limited and value for money continues to be sought across the board, the LGPN Survey results clearly demonstrate the dangers of submitting bids based purely on price alone.

Tammy Girvan, Senior Officer at Glasgow City Council, notes that one of the main assumptions to be avoided by the private sector is that *"cheaper is always the preferred option – wrong."*

In fact, one of the major changes to come about as a result of the new EU Public Procurement Directive is that a focus must be given not just to the best price, but to the best price for the best quality. By deliberately under-pricing, suppliers run the risk of being seen to lack credibility in their proposals, they could put themselves in danger of not being able to run the contract to the budgets set, and could give the impression that the low price reflects the low quality of the solution.



The most common mistakes

The LGPN Survey asked its members 'What are the top three mistakes you feel that suppliers make when dealing with the public sector?'. From a broad range of results, the top three answers were categorised as poor quality submissions, a lack of procurement knowledge and incorrect assumptions about the public sector.

Poor quality submissions

The most common mistake which the public sector highlighted as being detrimental to a supplier's tender application was the overall quality of the submission.

A tender document is likely to be the only information the buyer has about your organisation, and first impressions really do matter.

Be sure to give yourself time to study the tender documentation, evaluate all the questions and do the necessary research; and then write, rewrite and write each answer again until it is as complete and accurate as can be. Give examples, provide evidence and take care not to sell yourself short.

One of the most important pieces of feedback reiterated by several of the LGPN respondents was to make sure to read and answer the tendering questions fully. A common mistake many suppliers make is to attempt to 'oversell' by providing all the information they possibly can, rather than only the precise, relevant information required.

By taking time to read and fully understand the contract specification and responding fully to the questions asked, a supplier has a much better chance of appealing to the buyer's needs.

What the experts say:

"In my professional opinion suppliers should focus on answering the question being asked and keep superfluous information to a minimum. To assist suppliers with submitting a good quality bid, the Evaluation Criteria is always published as part of the tender documentation and therefore can be used as a way of checking that they are keeping on track of what is expected from the buyers and put the right emphasis on information they are providing. Unfortunately, suppliers do not always use this to their advantage."

**Anita Moritz, Senior ICT Commercial Manager,
Department for Business, Innovation and Skills**

Lack of procurement knowledge

Alongside a firm understanding of the buyer's needs, the LGPN Survey also pointed out the benefits that good knowledge of the procurement industry and process can bring to your bids.

An incomplete understanding of the tendering process could mean that you end up breaking the rules without realising it, leading to your bid being rejected.

For example, incorrect use of supporting documents, failure to provide any evidence to support your claims, even something as simple as forgetting to sign the bid can result in an immediate rejection.

Another common mistake pointed out by buyers was a failure to seek clarification as to why your bid was unsuccessful.

If your company hasn't been successful in its bid, this needn't be the end of the process. Options are available for you to challenge the award decision or else seek further clarification and information on the specification.

What the experts say:

"It is critical that suppliers ask questions of the buyer if they are unclear on any aspect of the pre-qualification questionnaire or tender specification.

"Too often suppliers make assumptions on the limited information available; however, the danger of this is that the paucity of detail is often down to a lack of information from the specifier, because clarity hasn't been forthcoming from the in-house client.

"Responses made on this basis will frequently prove to be non-compliant and therefore will fail."

**Eddie Regan, Senior Procurement Consultant,
PASS (Procurement Advice and Support Service)**

In addition, you can learn from those who did win. The Cabinet Office will provide you with best practice examples and information on why certain firms were selected over others. It could be vital information to improve your next bid.

Assumptions about the public sector

The final mistake noted by the LGPN membership was around the assumptions suppliers make regarding the public sector.

The public sector in the UK is under strict obligations to procure quickly, efficiently and to set specifications. A common assumption made by suppliers is to go 'above and beyond' the contract specification and provide more than is requested.

However, in doing so suppliers can be seen to be losing sight of what is at the heart of the contract. The supplier is essentially selling to the end customer rather than to the organisation or promoting the solution they want to supply over what the buyer actually needs, and in doing so are not fully meeting needs to those making the award decision.

Another assumption highlighted was that all public sector organisations are the same, and that what may have impressed one purchasing authority will impress another. By failing to tailor responses to each buyer or by simply 'copying and pasting' answers to bid questions, suppliers are showing little regard for the public sector as a whole and will be seen as not giving each contract the attention it requires.

However, by far the biggest incorrect assumption commonly made by suppliers was that there is simply no point in submitting a bid in the first place, since the public sector is largely a 'closed shop'.



Next steps

Further advice and support

The Government is keen to stress that the UK is 'open for business' in all aspects of public procurement. For defence in particular, the Defence Suppliers Service (DSS) provides advice and guidance to companies interested in becoming defence suppliers to help open up the supply chain. DSS staff can explain how to become a UK defence supplier and some of the processes and procedures that the MOD uses to buy a wide variety of goods and services.

Find out more about how the DSS can help you do more business with the public sector at <http://www.contracts.mod.uk/about-the-mod/dss-and-dio/> or via email at dessrt-dsshelpdesk@mod.uk

Further training

Having a firm understanding of what the buyer is looking for at the tendering stage can be crucial to your success.

DCI aims to provide suppliers of all sizes with support and guidance at every stage of the tender process. Our training partner, PASS (Procurement Advice & Support Service), has 30 years' experience in helping suppliers better understand the complexities of public sector procurement.

The PASS Preparing Perfect Tenders event explains the key issues around drafting a successful tender submission and identifies some of the essential elements that need to be considered when presenting tender responses.

Find out more about the Preparing Perfect Tenders event at http://www.passprocurement.com/private_sector_event/preparing-perfect-tenders/



It all starts with the right opportunities...

Having visibility of the right opportunities for your business from the start is vital in gaining first-mover competitive advantage, and Defence Contracts International gives you more opportunities, intelligence and support than anyone else.

Our unique content and market intelligence, along with our training and events portfolio, means that DCI does more than help you find contracts – we help you win them too, supporting your business at every stage of the tender process.

In 2013-14, DCI published 870,046 global opportunities, making it the clear choice to help you grow your business in the public sector. There's also a subscription that's right for you, whether you sell solely to the MOD or have set your sights wider and are targeting the extended public procurement market.

DCI is the only global defence procurement solution.

Find out more at: **www.dcicontracts.com**



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