

Highlighting Procurement: How to Get What You Want



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This thought piece is intended to help operations and procurement teams obtain what they want at the best price.



Too many times clients tell us that their procurement process didn't give them the outcome they wanted and that they're frustrated about that.

Sometimes, you've just got to accept that they're being nice when you've lost!

But a worrying number of times, it's true.

Let's look at two case studies. They're both real life examples, but details have been changed to save the blushes of the parties involved.

THE LEAKY LOGGER

A client ended up procuring a logger that let in water. How?

Their procurement design was 50% of points on technical and 50% of points on price combined into a total score. The technical section had 12 subsections with multiple questions in each subsection with varying numbers of points against each.

The fact that the logger let in water under standard operating conditions, in spite of it being IP68 rated, got lost as a tiny percentage of the final score.

LESSONS

Some technical points are sine qua non. They need to be set up as criteria that must be met for a solution even to be considered.

THE LIFETIME OF REGRET

A client ended up procuring an advanced pressure management solution that gave them endless problems requiring extensive maintenance activity and remedial work, and a frustrating process of trying to obtain assistance from an unresponsive supplier. How?

Their procurement design had 2 rounds: a technical evaluation which was pass/fail, and then a best price. No account was taken of lifetime cost.

This approach inevitably results in the lowest quality product that meets a basic level of technical performance. Not cheap and cheerful, but cheap and regretful.

LESSONS

The procurement approach needs to enable value to be traded off with cost. Cost should include lifetime cost **and** initial purchase price.



HOW CAN YOU AVOID THESE SCENARIOS?

Your procurement process could run as set out in this thought piece.



1. DETERMINE TECHNICAL CRITERIA

Determine the technical criteria that must be met. Set these as a threshold before putting a solution through to the next stage.

These might include water resistance, accuracy, and a minimum battery life under standard operating conditions. They should, however, be kept to a sensible minimum of the things that absolutely must be met for a solution to be implemented. If there's not then there will be few potential suppliers – giving less room for squeezing on price, or no potential suppliers.

2. EVALUATE PERFORMANCE

Evaluate the performance of the product and supplier on a number of equally weighted areas. These might include the technical criteria in stage 1. Score products from 1 to 10 on each area where 1 meets my basic expectations to 10 significantly exceeds my expectations. Wherever possible, use quantified criteria that enable direct comparison between suppliers.



3. REQUEST PRICING

Ensure that you separate purchase price from ongoing cost implications. Refer to i2O's thought piece on Lifetime Cost for why this is so important. Ensure that you understand all the components of purchase price and lifetime cost and interrogate all of these. If varying quantities are relevant then ask for prices at different quantities that are relevant to your purchasing.

4. MAKE A VALUE FOR MONEY ASSESSMENT

Do not automatically select the lowest price supplier based on part 3. It may be the case that some technical criteria that a supplier excels on can drive an enhanced business case for you as a client that enables you to justify paying a higher price. Or it may be that of two offerings with the same price one company is a more useful supplier because it is highly innovative.



CONCLUSION

Effective procurement design isn't about getting the answer you want or even the answer that we want. It is about procuring cost-effectively the most beneficial solution for your utility. Learning from others' mistakes will save you from repeating them.