

# EARLY MARKET ENGAGEMENT

## PRINCIPLES AND EXAMPLES OF GOOD PRACTICE

**T**his Guidance is for anyone involved in setting procurement policy and/or conducting procurement exercises in the public sector. It provides an introduction to a number of techniques for successful early market engagement. Illustrated with case studies, it demonstrates how a variety of public sector organisations have benefited from this activity. The final section provides a useful reference to more detailed guidance on these topics.

The OGC's Kelly Programme Team have produced this Guidance, as part of their work on improving two-way communications within industry.

### STRATEGIC SUPPLIER INPUT

Both your organisation and your suppliers can benefit from clear two-way communication when you are first setting your procurement policy. You can benefit from suppliers' knowledge of markets and trends, and develop an understanding of the capacity available to meet planned demand.

Early two-way communication encourages industry to get ready to meet demand, as government initiatives and policies change over time. It also gives industry the opportunity to highlight any possible effects of a policy change on existing markets, allowing you to respond appropriately. Strategic engagement can take several forms and these are discussed below.

### PUBLIC/PRIVATE REFERENCE GROUPS (PPRGs)

PPRGs are a way of facilitating supply side consultation before new policies are implemented. Their composition might include public sector officials, industry groups and CEOs of major suppliers. These groups can inform the feasibility and potential effects of a policy change by providing advice on relevant aspects of market performance and behaviour.

Setting up PPRGs requires concerted effort, resources and management time and they are unlikely to meet frequently. But they can be invaluable in seeking supplier input/buy-in to changing



government policies. Some PPRGs can represent a number of different public sector bodies and could be used to examine cross-cutting issues such as new or changing policy, as well as systematic issues that occur in groups of projects or programmes (see below).

### CASE STUDY – THE SENIOR IT FORUM

The Senior IT Forum was set up following the publication of the *Successful IT: Modernising Government in Action* report and the Computing Services & Software Association (CSSA, now the IT, Telecommunications and Electronics Association, or Intellect) report *Getting IT Right for Government*. Its aim is to identify and address cross-cutting, systemic issues that occur in the acquisition and implementation of Government IT-enabled projects. The Forum is jointly sponsored by eGU, OGC and

Intellect and is chaired by the Government Chief Information Officer and Head of the e-Government Unit. Its membership consists of an equal number of senior representatives from government and the IT industry.

The Senior IT Forum has been responsible for introducing a number of initiatives. These include the introduction of the Senior Responsible Industry Executive (SRIE) role. This is an industry equivalent that works with the SRO (Senior Responsible Owner) to ensure that the two organisations work together to successfully deliver the objectives of the project.

Discovery and Partnering workshops provide a process for integrating the SRIE role at an early stage. The Forum recommends the incorporation of the SRIE role within all new significant government IT procurements.

### SUPPLIER INPUT INTO HORIZON SCANNING

The aim of 'horizon scanning' is to systematically examine potential threats, opportunities and likely future developments in markets, which are at the margins of current thinking.

Strategic discussions with your suppliers can form the cornerstone of this activity, alongside examining wider issues such as global politics and the UK political agenda. It is an opportunity to discuss science and technology innovations and obtain suppliers' views on socio-economic trends shaping society and the labour market. This type of engagement with suppliers helps you to explore novel and unexpected issues, persistent problems or trends within specific markets. This allows you to consider early on what implications these issues will have on the distribution of resources, existing priorities and service delivery.

In the following case study horizon scanning is undertaken by a supplier working in partnership with a public sector body. Further information on horizon scanning can be obtained on these websites: [www.hse.gov.uk/horizons](http://www.hse.gov.uk/horizons) and [www.escience.defra.gov.uk/horizonscanning](http://www.escience.defra.gov.uk/horizonscanning)

### CASE STUDY – HEALTH AND SAFETY EXECUTIVE – HORIZON SCANNING

The Health and Safety Executive (HSE) uses horizon scanning to ensure it is aware of changes in the medium to long-term future that could have an impact on its operations. A new horizon scanning team is being established at the Health and Safety Laboratory (HSL, formerly part of the HSE, now HSE's key supplier) to gather and analyse information on trends and developments across a wide

range of subjects and disciplines.

The new team will call on a variety of sources including the considerable numbers of skilled policy and frontline operational and technical staff in the HSE, who are able to identify emerging issues and evaluate their likely impact. The HSL is the primary means of taking work forward, but other suppliers can also be used, where appropriate, to provide in-depth studies of emerging issues. External input is also obtained through informal networks and advisory committees.

As an example of its horizon scanning activities, the HSE commissioned three separate reviews to help scope the extent of potential health and safety issues, presented by particulate material produced for use in nanotechnologies.

### MARKET SOUNDING

Market sounding is the process of assessing the reaction of the market (that is, all potential suppliers considered collectively) to a proposed requirement and procurement approach. It brings supplier perspectives to public sector procurements at an early stage, offering potential benefits in terms of making the subsequent procurement process more focused and efficient.

Market sounding focuses on suppliers as a whole, rather than the merits of individual suppliers. It includes no element of supplier selection (choosing suitable suppliers) or bid evaluation (looking at proposals and prices). There is no commitment of any kind involved – on either side.

There is no defined process for market sounding; the approach taken will vary from project to project. Market sounding is not part of regulated procurement and is not subject to any detailed procedures or rules. A market sounding exercise will not take the form of a sequence of prescribed steps; it is a question of selecting the approaches that will provide the most useful, balanced view of the market and its likely attitude to the requirement.

It is vital to ensure that the market sounding process remains open, and that the suppliers involved are treated with fairness and equality. All possible efforts should be made to preserve a 'level playing field' and the process should be formally documented.



Market sounding is beneficial at both strategic and project/programmespecific levels and involves gathering knowledge in these key areas:

- **Feasibility:** whether what is sought is actually feasible, or has ever been done.
- **Capability:** the ability of the market (whether through a single supplier or a consortium) to achieve what is required.
- **Maturity:** whether there is an established market for the requirement, and whether there are enough suppliers in existence for a competitive procurement.
- **Capacity:** whether the market can achieve what is required quickly enough, or on a large enough scale.

Other additional areas of interest include the way supply chains work in the market, cultural concerns, and attitudes towards customers.

A key aspect of market sounding is that it can help you translate desired outcomes into a high-level statement of business requirement that is well aligned with the market, which makes it much more likely that the desired outcome will be achieved. Thus market sounding becomes a dialogue between your organisation and 'the market' aimed at resolving the content of the requirement.

Customer flexibility over the content of the requirement provides the opportunity for unforeseen, innovative solutions to be proposed. A key to success is that discussions should centre on means rather than ends: you stay focused on the desired outcome, while suppliers explain how they could help you achieve it. The OGC can provide advice and support to your own market sounding exercises and has also provided written guidance on conducting market sounding exercises: [www.ogc.gov.uk/sdtoolkit/deliveryteam/briefings/procurement/supplierassessment/marketsounding.html](http://www.ogc.gov.uk/sdtoolkit/deliveryteam/briefings/procurement/supplierassessment/marketsounding.html)

## CASE STUDY – ESSEX JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY – SOFT MARKET TESTING

In 2002, Essex County Council, 12 district and borough councils within the county of Essex, along with the unitary authority of Southend-on-Sea formed the Waste Management Advisory Board (WMAB). The WMAB developed a Joint Municipal Waste

Management Strategy for Essex. It is a key strategic document which is being developed in consultation with the public and sets out targets for high recycling and landfill diversion (through mechanical biological treatment/anaerobic digestion).

It also states how the collection and disposal authorities will develop a system of sustainable waste management. In parallel, under the umbrella of the WMAB, three Area Joint Committees have been established to help achieve these targets. The Partnership has been exploring the benefits of a joint procurement exercise to deliver integrated waste management contracts.

The Partnership hosted two soft market-testing events. The first was held in summer 2004. Attendees included major players within the waste industry, bankers, financiers and technology providers. The events had two objectives. Firstly, to inform the marketplace of the Partnership's intentions for an integrated, area approach to waste management. Secondly, to seek feedback from industry regarding whether the project was a viable size and the strategy feasible and what capacity was available to them.

To accomplish this, a series of presentations were made, followed by open discussions and workshops. In addition, one-to-one interviews were used to discuss issues that some attendees were unwilling to reveal in front of their competitors. The feedback gained from the first soft market-testing event enabled Essex CC to test and shape their procurement approach for the integrated project.



The second event was held approximately a year later, and involved the attendees of the first event in addition to smaller contractors. This event was used by Essex CC to inform the marketplace of how the project was moving forward. The feedback received was used to further scope its future procurement strategy, particularly the bidding process it was to adopt.

## MARKET CREATION

OGC has published guidance on market creation, which includes three case studies. It is available at: [www.ogc.gov.uk/sdtkdev/new\\_content/market\\_creation/operationalguidance.html](http://www.ogc.gov.uk/sdtkdev/new_content/market_creation/operationalguidance.html)

At a strategic level, you may need to create a market that will be called upon to satisfy a range of requirements over a period of time, resulting in a number of procurements as specific needs arise. This could be in response to a new policy. A lack of interest in responding to new opportunities might arise from the scale of the requirement(s) (too large or too small), the geographical or organisational scope, perceived problems in the commercial viability of the resulting contract(s), concerns about risk, etc. Early strategic

engagement with suppliers is essential in both identifying the need for market creation and, subsequently, creating the market.

In these instances you need to demonstrate strong marketing skills and be proactive in your approach to the marketplace in order to persuade a possibly reluctant supply side to take an interest in your requirements and to enter and maintain a competition for the supply. This is an unusual position for most public sector bodies, and may require a culture shift in your organisation. It will require the continued strong support of senior customer management, and may involve the participation of specialist consultancy support for the exercise. Market Creation can also be undertaken at a project Uprogramme level and this is discussed below.

### 'SELLING TO' EVENTS

You could host events periodically, in order to encourage new and existing suppliers to consider doing business with your organisation. This gives both sides the opportunity to find out more about each other and to raise and address any queries. It provides you with the opportunity to gain a better understanding of the marketplace and identify any potential capacity issues. It may be useful to engage with your suppliers on specific issues, which may be affecting, or about to affect, the marketplace. You may also identify risks and barriers in the marketplace overall through these events.

These events (in particular 'Meet the Key Supplier' events) can also be used as an opportunity for smaller suppliers to meet with larger ones. They are an effective means of creating strong linkages in your supply chains.

### CASE STUDY – TRADE DAYS AND EVENTS – MINISTRY OF DEFENCE

In the MoD, there is engagement with industry through Industry Days where industry is invited to talk to the MoD, to demonstrate cutting edge products, etc. The MoD procures a wide range of products and services, so it is likely that most suppliers will have something the MoD will want to buy at some stage. Industry Days provide opportunities for smaller suppliers to team up with larger ones in supply chains to work indirectly with the MoD.

The Defence Diversification Agency has run a series of 'Working with MoD' seminars across the UK and they deliver these through local Chambers of Commerce, Business Links, etc. They also attend several exhibitions for informal discussions and provide a brief 'Selling to MoD' presentation at some of these events. Audience sizes can be from 30 people, up to 500 for larger events.

An example of one of these events was a local area network (LAN) systems shop window event in Bath. Integrated Project Teams mixed with prime contractors, many of whom exhibited.

The aims of this were to encourage partnering and discuss ways in which suppliers could work with the MoD now and in the future.

### PROJECT/PROGRAMME SPECIFIC ENGAGEMENT

Early engagement with suppliers on specific procurement projects and programmes also brings benefits. Through this process, a detailed understanding of your requirements, and the market's likely response, can be developed. Greater mutual understanding facilitates effective and efficient outcomes and demonstrable value for money (VfM) gains.

Early supplier engagement can also help to highlight the benefits of innovative solutions, which you may not have otherwise considered. Care must be taken, of course, to ensure that you maintain an objective view of input from suppliers, whose interests will be commercial in nature.

A number of the techniques described above can also be undertaken in a slightly different form (and for different reasons) at project/programme level. They are therefore included below.

### PUBLIC/PRIVATE REFERENCE GROUPS (PPRGs)

PPRGs can be set up to advise on the management of government-wide programmes, or groups of programmes. In particular, they can be beneficial in any sector where demands are being made on the same supply base from a number of sources across the public sector.

PPRGs should be fed information on current and future demand, new and existing legislation affecting that market, details of any known issues and barriers to entry. The PPRG should then be able to make informed decisions for management of projects and programmes, for example by gearing up industry in some areas in order to ensure adequate competition and capacity is available to meet planned demand.

It is a recommendation of the Kelly Programme that PPRGs be set up to advise on major construction programmes.

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