# Procurement in Action

## Session 2: Market Research and Analysis

**Presented by: Procurement Policy Development Department**

**Date: September 20, 2022**

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# Agenda for the Learning Session

1. Public Procurement Proceedings and the Procurement Cycle
2. What is Market Research?
3. Who Does the Market Research?
4. Why, Where, What of Market Research
5. Market Research Tips
6. Market Analysis & the Tools
7. Market Research Report Template
8. Market Research & Analysis for Disposal Activities
9. Case Study & Review; Multiple Choice Quiz; Question & Answer Segment

# Public Procurement Proceedings

The stages of Public Procurement Process …

"procurement proceedings", in relation to public procurement, includes the process of procurement from the **planning stage**, soliciting of tenders, awarding of contracts, and contract management to the formal acknowledgement of completion of the contract;"

… as defined in Section 4 of the Public Procurement and Disposal of Public Property Act, 2015 (as amended).

# The Four Stages of Public Procurement

## Stage 1 – Procurement Planning

- Annual planning for procurement activities following budget allocation
- Detailed planning of individual procurement activities
- Market research and analysis
- Procurement portfolio analysis, risk mitigation, procurement and contract management strategies

## Stage 2 – Solicitation

- Request for quotation/ proposal/Invitation to Bid
- Site visit
- Clarification
- Receipt of bids

## Stage 3 – Evaluation & Award of Contracts

- Evaluation of submissions
- Preparation of evaluation report
- Approval process
- Standstill period (where applicable)
- Contract award

## Stage 4 – Contract Management to Closeout

- Contract performance
- Contrat management
- Vendor relationship management
- Reporting on contractor performance
- Contract close-out

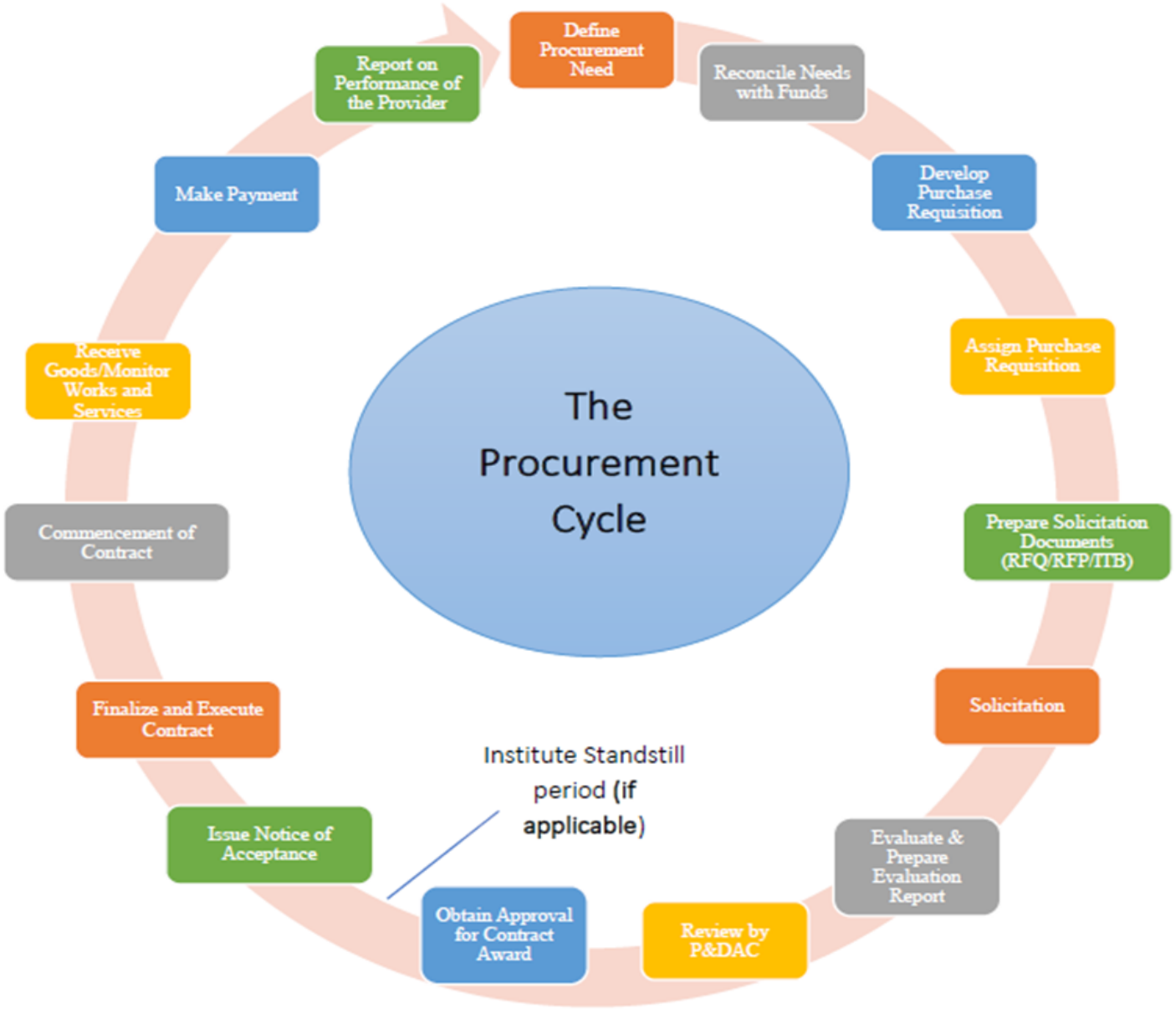
# Procurement Planning

Procurement planning takes place on two levels:

1. The Strategic Level, where the public body focuses on developing the Annual Procurement Plan, and

2. The Operational Level, where the public body first plans, and then executes each round of procurement.

# Market Research & the Procurement Cycle



# Market Research & the Procurement Cycle

- Define Procurement Need – the individual or department (the requisitioner) determines that it is ready to proceed with the procurement of the particular good, work or service identified in the procurement plan. The Requisitioning **Department develops the specifications, terms of reference or scope of services and identifies probable contractors and suppliers.** In the case of larger-sized organisations, these actions are to be completed in collaboration with the procurement unit and other key internal and external stakeholders.

- Reconcile Needs with Funds – The requisitioner confirms the availability of funds prior to initiating the procurement activity. Define Procurement Need Reconcile Needs with Funds Assign Purchase Requisition Develop Purchase Requisition Prepare Solicitation Documents (RFQ/RFP/ITB) Solicitation Evaluate & Prepare Evaluation Report Review by P&DAC Obtain Approval for Contract Award Issue Notice of Acceptance Finalize and Execute Contract Commencement of Contract Receive Goods/Monitor Works and Services Make Payment Report on Performance of the Provider The Procurement Cycle Institute Standstill period (if applicable)

- Prepare Solicitation Documents (RFQ/RFP/ITB) –The procurement unit officer prepares the appropriate solicitation documents.

# What is Market Research?

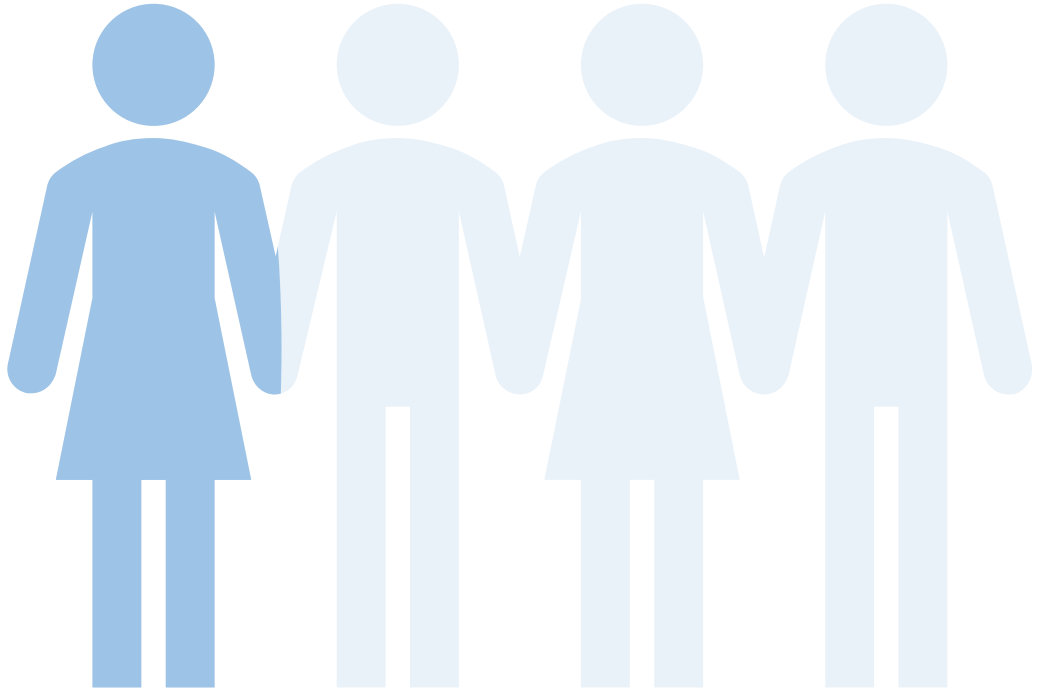
- Market research is the key first step in the sourcing process, particularly if the goods, works or services has not been previously procured. It is also a component of the procurement planning stage of the public procurement process.

- Gathering information on the capabilities and limitations in the commercial marketplace, as well as determining the best method to obtain the required goods, works and services. *(NASPO.org)*

# Who Does The Market Research?

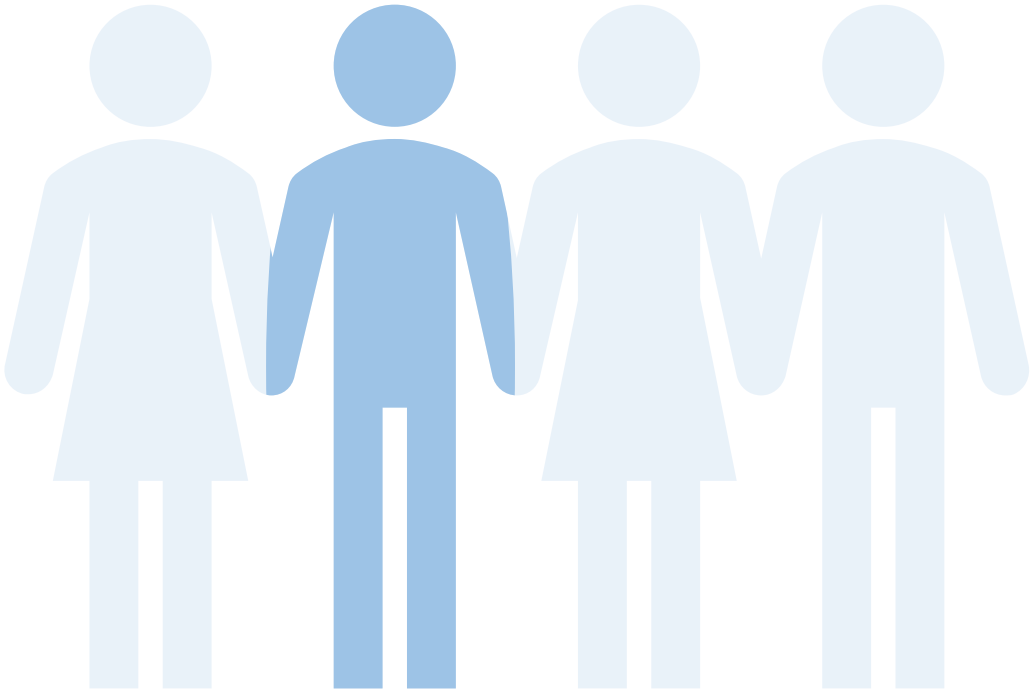
# Who does the Market Research?

Technical Expert/Subject Matter Expert



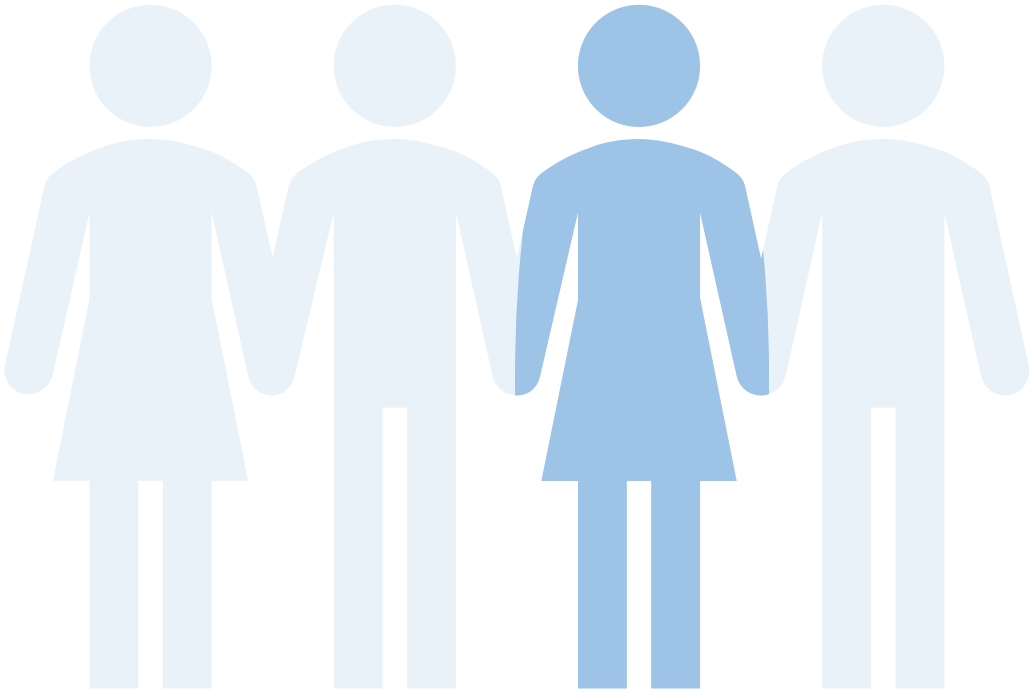
# Who does the Market Research?

End User



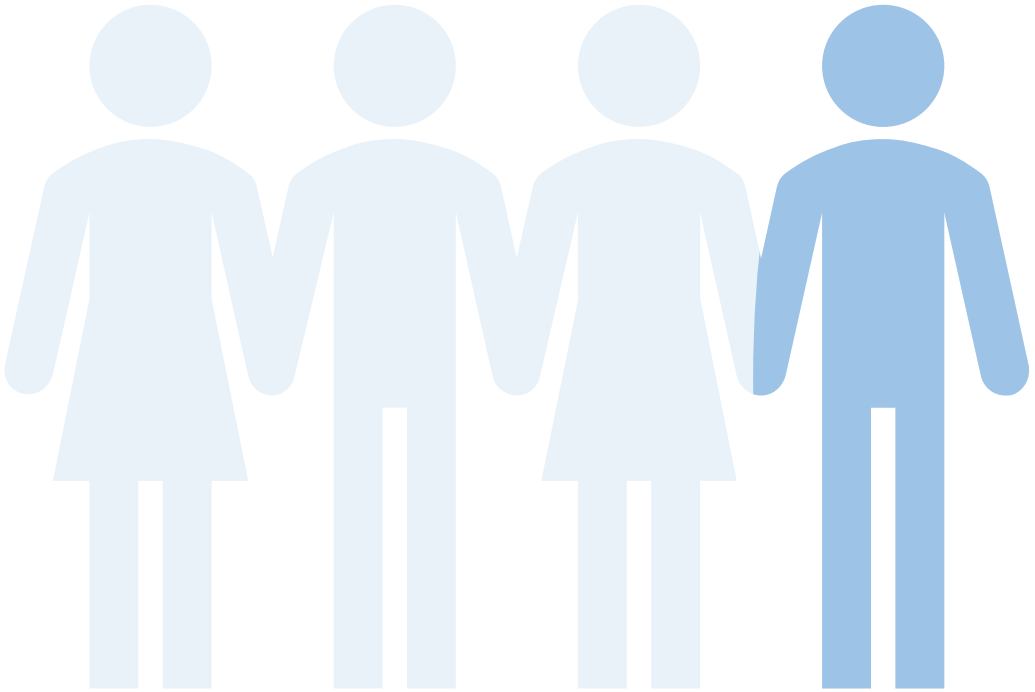
# Who does the Market Research?

Requisitioner



# Who does the Market Research?

Procurement Unit



# Who does the Market Research?

- ☑ Technical Expert/Subject Matter Expert
- ☑ End User
- ☑ Requisitioner
- ☑ Procurement Unit
- ☑ Cross-functional teams

# Who Does the Market Research?

If the nature of the requirement is extremely complex and the requisite internal competency is not available to realistically estimate the cost of the procurement, the procuring entity may request or procure the services of external experts to assist in preparing or reviewing the estimate.

OUTSOURCE

# Why – Undertake Market Research & Analysis?

**Development of procurement strategy**

- Appropriate procurement method and procedure
- Identification and management of risks
- Identification of potential benefits
- Types of contract/arrangement

**Provides a strategic understanding of the market**

- Identify potential sources of supply/suppliers
- Market forces affecting supply (e.g. when to buy)

**Development of requirements and specifications**

- High level requirements
- Detailed specifications
- Industry standards and certifications
- Criteria for evaluation

**Identifies opportunities to realize the objects of the Act**

- Value for money
- Sustainable procurement and sustainable development
- Efficiency from reduced transaction costs from cancelled/unsuccessful procurements

# Where – To Find Information?

- ✓Acquisition history
- ✓Other recent market research
- ✓Interview knowledgeable individuals in industry or procuring entities
- ✓Participate/Attend Tradeshows and Industry Conferences
- ✓Professional Journals, Catalog and/or Product Literature reviewed
- ✓Internet Research
- ✓Telephone conversations with potential suppliers

- Other
  - Published Request for Information (RFI)
  - Conferences with industry
  - Trade Shows
  - Yellow pages

# Request for Information

- A Request for Information (RFI) is a means of gathering supply market information and intelligence as part of the market analysis phase.
- An RFI is often appropriate when there is a significant degree of uncertainty associated with the proposal or the supply market, or when a business case is yet to be developed. It is commonly used for projects that may be unique or complex, and where there is little public information available about the possible market solutions or technical requirements.
- An RFI is usually advertised publicly, but is not used to select vendors and cannot be used to exclude suppliers from any future market approaches that may be undertaken. If the project continues, an acquisition strategy and market approach needs to be developed. (www.spb.sa.gov.au)

# Manufacturer or Product Catalogues

Authoritative source of product data such as:

- ❑ Product images
- ❑ Prices
- ❑ Dimensions
- ❑ Materials
- ❑ Features

- **Do Not:**
  - ✗ Use information directly from the catalogue to develop your solicitation document
  - ✗ Use brand names
- **Do:**
  - ✓ Develop specifications that are fit for purpose
  - ✓ Be generic

# What to Research?

## The Product or Service

- Quality
- Delivery
- Cost
- Availability
- Alternatives or substitutes

## Market

- Suppliers of the product or service
- Suppliers of alternatives or substitutes
- Market forces
- Supply chain complexity

## Applicable Laws/Regulations

- Import Restrictions
- License Requirements
- Disposal Requirements

# Market Research and Analysis Tips

- Understand why and what you are buying
- Ask the right questions
- Use a mix of research resources
- Identify the right keywords and codes for your research
- Identify the supply base and contractors
- Consider available contract arrangements
- Engage suppliers throughout the process

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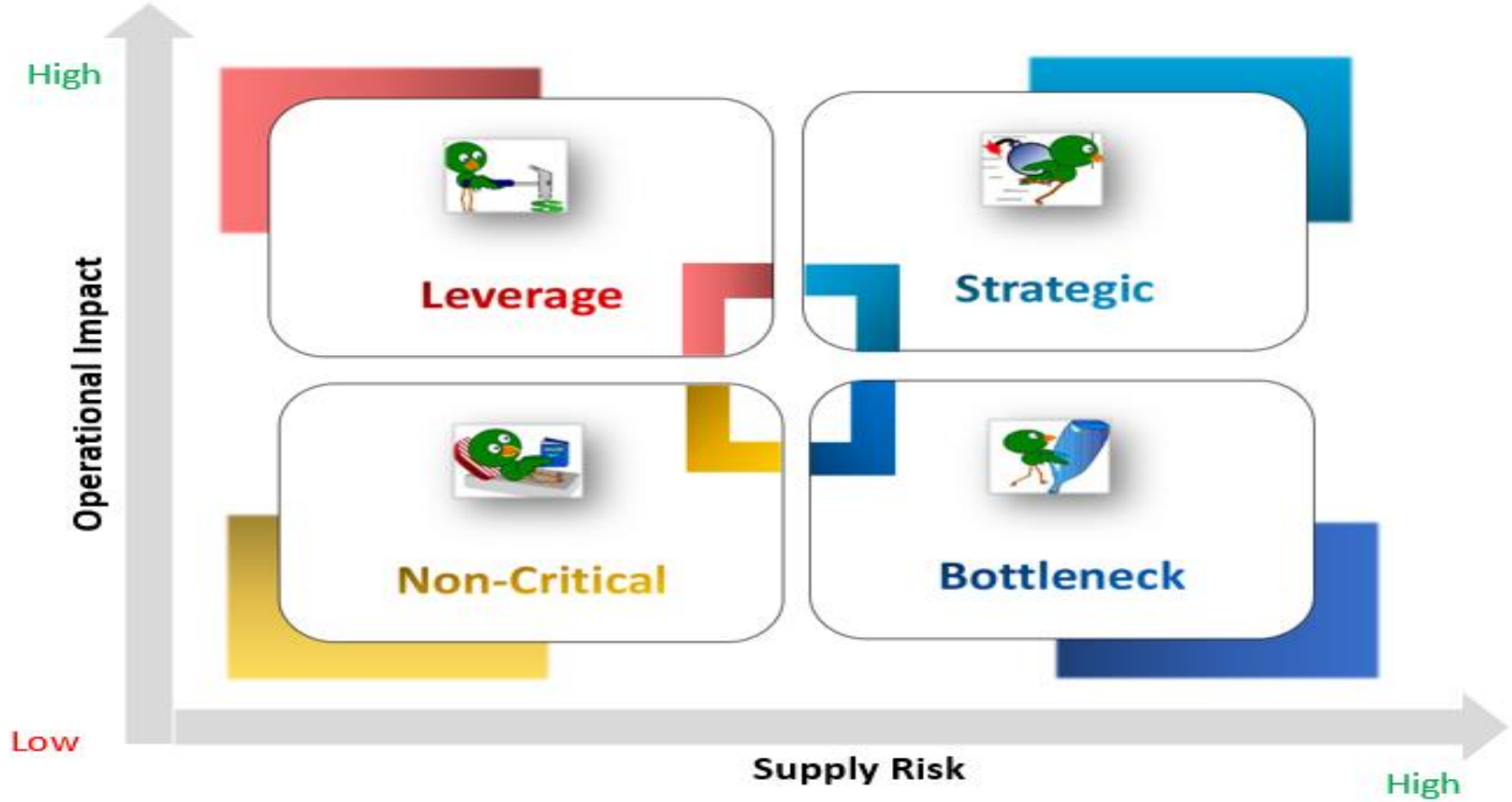
# What is Market Analysis?

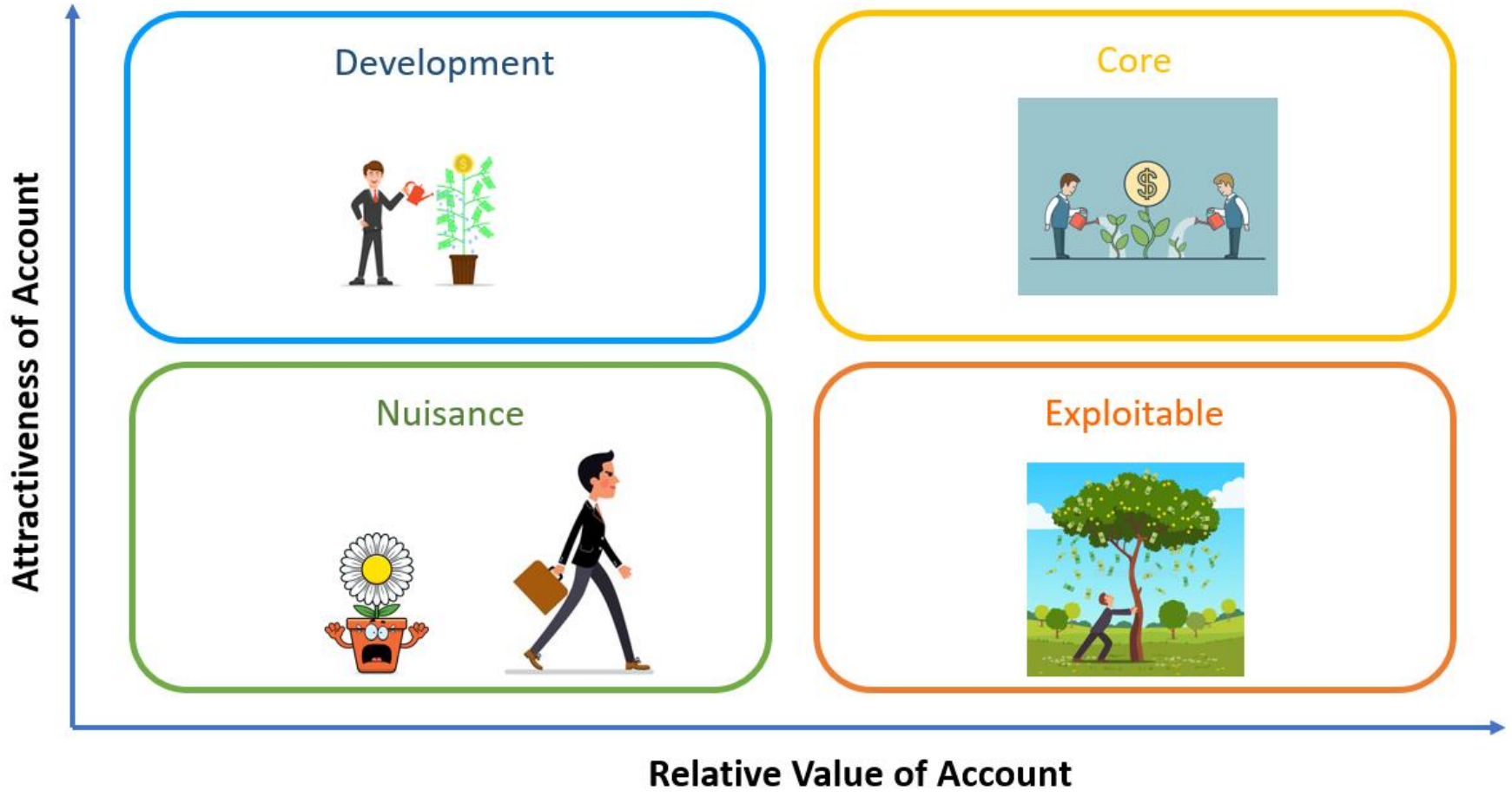
# Market Research & Analysis – Porter's Five Forces

When you understand the forces affecting the **market for your specific procurement activity**, you can adjust your procurement strategy; take fair advantage of a strong position or improve a weak one, and avoid taking wrong steps in your procurement activity.

# Market Research & Analysis – Supply Positioning Model



# Market Research & Analysis – Supplier Preferencing Model



# The Purpose of Analyzing the Data

- Critical to determining appropriate procurement strategy
- Helps identify exact needs
- Identifies new and emerging solutions
- Identifies primary and alternative suppliers
- Identifies risks in the supply market
- Identifies opportunities in the market
- Keeps procurement up-to date on rules and regulations especially in fast changing, dynamic markets
- Helps achieve your strategic, business or programmatic goals
- Contributes to attaining the objects of the Act

**Promote the principles of:**

a) Accountability
b) Integrity
c) Transparency
d) Value for Money
e) Efficiency
f) Fairness
g) Equity
h) Public Confidence
i) Local Industry Development
j) Sustainable Procurement
k) Sustainable Development

# Market Research Report Template

# Market Research Report Template

1. Requirement Information – (Description of goods, works or service)
2. Procurement History
3. Market Research Techniques and Sources
4. Description of Marketplace
5. Sources able to fulfil Requirements
6. Market Analysis Summary

# Market Research Report – Purchase of Company Vehicle

1. Requisitioning Department: Human Resources & Administration

**Requirement Information**

Officers involved in Market Research effort:

| Name | Title |
|---|---|
| Jason Pierre | Human Resources Manager |
| Abigail Williams | Senior Administrative Assistant |

- Time frame in which the market research was conducted: *August 2022 – September 2022*
- Estimated Value of the contract: *$TT500,000.00*

# Market Research Report – Purchase of Company Vehicle

A. Requirement Description

1. What are the components or elements of the supply or service?

2. Are there unique requirements?

3. (For services) - What are the critical performance requirements which the service must meet?

4. How does industry sell the service and are the requirements written in those terms?

# Market Research Report – Purchase of Company Vehicle

A. Requirement Description

1. What are the components or elements of the supply or service?

The Ministry of Procurement is interested in procuring a SUV type vehicle for business use. The features of the vehicle should include:

- The vehicle must be a SUV type new vehicle;
- Automatic transmission.
- Engine capacity maximum 2500cc;
- Engine power minimum 90 Kw.
- Minimum of 5 seats (including the driver seat) with adequate storage space
- Front and side air bags;
- Fuel deposit (inclusive reserve) – minimum 50 litters.
- Minimum dealership warranty of 3 years.
- Regular service/maintenance (i.e. oil and filters) for 3 years
- Colour of the vehicle: dark blue, grey or black

# Market Research Report – Purchase of Company Vehicle

A. Requirement Description

*2. Are there unique requirements?*

- Anti-theft system (key immobilizer);
- Automatic Emergency Braking System
- High Speed Alert System

# Market Research Report – Purchase of Company Vehicle

A. Requirement Description

*3. For Purchase of Company Vehicle - What are the critical performance requirements which the service must meet?*

- Preventative Maintenance
- Breakdown Maintenance

- Type of items included
- Response Time

# Market Research Report – Purchase of Company Vehicle

A. Requirement Description

*4. For Purchase of Company Vehicle - How does the industry sell the service and are the requirements written in those terms?*

- Preventative maintenance which includes oil changes, tyre rotations, topping off fluids, and changing the brakes.
- Breakdown maintenance would include the provision of a replacement vehicle and time and cost to effect repairs.

# Market Research Report – Purchase of Company Vehicle

**B. Procurement History**

This is a new procurement activity for the Ministry of Procurement ; hence, there is no procurement history for this good.

**B. Procurement History**

- contractor name and business size
- contract number and dollar value
- contract period of performance
- method of acquisition
- Discuss if there is an organisational conflict of interest.

# Market Research Report – Purchase of Company Vehicle

II. Market Research

A. Market Research Techniques and Sources

| ✓ | SOURCES USED IN MARKET RESEARCH | Details of Research/Comments |
|---|---|---|
| | Acquisition history reviewed | |
| | Other recent market research reviewed | |
| | Interviewed knowledgeable individuals in industry or procuring entities | |
| | Participated/Attended Tradeshows and Industry Conferences | |
| ✓ | Professional Journals, Catalogues and/or Product Literature reviewed | Obtained catalogues from various suppliers with detailed specifications, pricing, support services available. |
| ✓ | Internet Research | Conducted Internet research of seven (7) suppliers that provided this service, reviewed data available on various websites. |
| ✓ | Telephone conversations with potential suppliers | (List names of company and representatives) |
| | Other (Please Indicate Method Used) | |

# Market Research Report – Purchase of Company Vehicle

III. Description of the Marketplace, Prevalent Business Practices or any findings from Research

- The market structure for the Purchase of the Company Vehicle can be described as monopolistic competition, where there are many firms offering a similar but not identical product.
- Leverage Item using the Kraljic Matrix – Relatively high spend and low risk of supply
- Supplier Preferencing Model determined that the Ministry of Procurement can be viewed as a 'Exploitable' customer by suppliers in this industry. This means that the value of the account is relatively high, but its attractiveness of the account is considered low.
- Supply Positioning Model revealed that the item is Non-Critical
- Porter's Five Forces, from the perspective of Buyer Power, there is high buyer power due the high competition in the market.

# Market Research Report – Purchase of Company Vehicle

III. Description of the Marketplace, Prevalent Business Practices or any findings from Research

Findings from Research:

- The purchase of the vehicle will be paid in TT, by bank transfer to the bank account designated in the contract (PO). The payment will be executed upon receipt of the vehicle.

# Market Research Report – Purchase of Company Vehicle

IV. Identify Sources Able to fulfill the Requirement

| Name and location of Supplier<br>Column 1 | Name and Job Title of Representative<br>Column 2 | Pre-Qualified (Yes/No)<br>Column 3 | Contact Information (email address)<br>Column 4 | Telephone contact<br>Column 5 |
|---|---|---|---|---|
| Massy Motors | Sales Representative | Yes | | |
| Ford Trinidad | Sales Representative | Yes | | |
| Mitsubishi Trinidad | Sales Representative | Yes | | |
| Lifestyle Motors | Sales Representative | Yes | | |
| Kia Trinidad & Tobago | Sales Representative | Yes | | |
| Toyota | Sales Representative | Yes | | |

# Market Research Report – Purchase of Company Vehicle

- **V. Market Analysis Summary**

➢ *Provide market research summary and conclusions: (Summary and conclusions should be based on the findings within this report).*

*This section should include the following:*

- *Description of the goods/services required (common, easily available, unique characteristics, difficult to source, quantity required, on-off or continuous supply required)*
- *Number of suppliers in the market (one, few, many)*
- *Contracting norms (single year or multi-year)*
- *Access to service (e.g. online only)*
- *Modes of payment (e.g. only through web portal)*

**Signed: Jason Pierre** **Date: 20th September 2022**

**Requisitioning Department Representative**

# Market Research Report – Purchase of Company Vehicle

- **V. Market Analysis Summary**

1. Description of the goods/services required :
   - The vehicle must be a SUV type new vehicle;
   - Automatic transmission.
   - Engine capacity maximum 2500cc;
   - Engine power minimum 90 Kw.
   - Minimum of 5 seats (including the driver seat) with adequate storage space
   - Front and side air bags;
   - Fuel deposit (inclusive reserve) – minimum 50 litters.


- **V. Market Analysis Summary**

1. Description of the goods/services required :

   - Minimum dealership warranty of 3 years.
   - Regular service/maintenance (i.e. oil and filters) for 3 years
   - Colour of the vehicle: dark blue, grey or black
   - Anti-theft system (key immobilizer);
   - Automatic Emergency Braking System
   - High Speed Alert System

# Market Research Report – Purchase of Company Vehicle

**V. Market Analysis Summary**

2. Number of suppliers in the market (one, few, many)

From the market research completed over a period of two (2) month period utilizing internet research, Professional Journals, Catalogue and telephone calls with suppliers, we have been able to identify six (6) potential firms able to meet the requirements outlined.

**V. Market Analysis Summary**

3. Contracting norms (single year or multi-year)

Three-year maintenance service agreement.

# Market Research Report – Purchase of Company Vehicle

**V. Market Analysis Summary**

4. Access to service (e.g. online only)

- Preventative Maintenance – Monday to Saturday 8 am to 4 pm
- Breakdown Maintenance – 24/7 Monday to Sunday

**V. Market Analysis Summary**

5. Modes of payment (e.g. only through web portal)

The purchase of the vehicle will be paid in TT, by bank transfer to the bank account designated in the contract (PO). The payment will be executed upon receipt of the vehicle.

# Market Research Report – Purchase of Company Vehicle

'Assigned' Procurement Officer's Review and Summary of the Independent Market Research

Based on the market research conducted, for the purchase of a company vehicle, it is imperative that the following factors (amongst others) are carefully considered in preparing the solicitation documents:

- Requirements
- Terms and Conditions of Purchase
- Payment Terms

in order to obtain a product that is fit for purpose.

Further, careful communication to and from potential suppliers should be managed properly.

# Market Research Report – Purchase of Company Vehicle

Conclusion and Recommended Procurement Method

Based on the information in the market research report provided by the Requisitioning Department, it is recommended that the Ministry of Procurement engage in a limited bidding type procurement method for the procurement of a Company Vehicle. In this regard, invitations to bid would be issued directly to the selected bidders identified herein.

# Market Research & Analysis Disposal Segment

# Procurement vs Disposal Strategy Development

| Procurement strategy | Disposal strategy |
|---|---|
| ○ Assessment of the procurement need | ○ Assessment of the property for disposal, including its potential uses and its value |
| ○ Stakeholder analysis | ○ Stakeholder analysis |
| ○ Supply market analysis | ○ Demand market analysis |
| ○ Procurement strategy development | ○ Disposal strategy development |

# Demand Market Analysis

## Considerations for Stakeholder & Market Analysis

The demand market (*potential buyers*) most relevant to meeting the disposal need is identified and its operation is described and analysed.

Demand market participants generally focus on meeting the needs of certain customer segments for e.g., employees, recycling companies etc.

Identifying and analysing the demand market most likely to meet the expressed need is essential for framing the disposal strategy.

# Demand Market Analysis (Continued)

## The operation of the relevant demand market is defined through:

- Analysis of the market structure;
- Consideration of how buyers in the market compete with each other;
- Assessing the nature and quality of the supply chain, considering the availability of substitutes;
- Evaluating the buyers' perceptions of the disposal entity as a supplier; and
- Assessment of political, socio/cultural, environmental, economic, regulatory or other external factors that may impact on the operation of the market.

# Demand Market Analysis (Continued)

- Promotes Transparency and Integrity
- It is difficult to subvert a disposal action when the operation of the relevant demand market is documented as a basis for decision making in framing a disposal strategy.

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