Procurement Process Overview
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Procurement vs Purchasing

What is procurement?

**Procurement** is the acquiring of products or services with consideration of the complete supply chain.

- Logistics, delivery and receipt,

**Purchasing** is the transactional process for acquiring the product or service.
Procurement

- High Value
- High Complexity
- Collaborative Procurement

Outcomes
- Solve your business need
- Access the solution for your business
- Value for Money
- Innovation
- Alignment to business values
- Strategic supplier partnership
Procurement Overview

Key Process Stages

Contract Review Flag:
- Contract Expiry
- Poor Performance
- Change of Business Need

I. Market Analysis
II. Stakeholder Engagement
III. Strategy Development
IV. Tender & Evaluation
V. Recommendation
VI. CASE STUDY
Market Analysis

- Review the Market
- Review known and new providers
- Build a context for your business need

**Company Information**
- Turnover
- Staff
- Competitive Advantage

**Industry Specific Information**
- Core Business
- Performance Management
- What is their market value

**Market Information**
- Cost Drivers
- Average profit margin
- Market Innovations
Stakeholder Engagement

- Identify the stakeholders
- Establish a core stakeholder group
- Engaging stakeholders establishes the need specification.
- Alignment in Business Values

**Stakeholder Engagement**
- Stakeholder Needs Specification
- Needs Analysis

**Evaluation Plan**
- Evaluation Team
- Criteria & Weightings

**Risk Management Plan**
- Risks associated with the Contract
The key objectives are to:

- establish the specification of the products and services.
  - Product or service deliverables
  - Performance
  - Quality

Identify the priority of those needs:

- Pricing
- Quality
- Supplier culture
- Reporting

The outcome from the stakeholder engagement will establish the specification which will feed into the tender documents.
Stakeholder Engagement

Evaluation Team

Criteria and Weightings

Risk Management

- Establish the Evaluation Plan
  - Panel Members
  - Timetable
  - Evaluation process
  - Value for Money

- From the Stakeholder Needs establish what is MANDATORY and what is DESIRED

- The DESIRED criteria is used to evaluate the tender submissions

- The Needs analysis established the weightings for each criteria.

- Risk Plan identifies the high risks monitored through the process.

<table>
<thead>
<tr>
<th>DESIRED Criteria</th>
<th>Priority Weighting</th>
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<tbody>
<tr>
<td>Innovation</td>
<td>20%</td>
</tr>
<tr>
<td>Delivery</td>
<td>10%</td>
</tr>
<tr>
<td>Quality</td>
<td>70%</td>
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Strategy Development

**Market Analysis**
- Type of market
- Key suppliers

**Stakeholder Engagement**
- Organisation Values
- Business Needs

**Procurement Strategy**
- Selected or Open Tender
- Direct Negotiation
- Tender Period
Tender & Evaluation

Tender

- Tender outline
- Supplier Profile
- Terms & Conditions
- Tender Submission

- Objectives:
  - Ensure probity
  - Fair and equal process
  - Opportunity for questions
  - Be able to compare submission equally

Evaluation

- Follow the Evaluation plan
- Assess the submission for Mandatory criteria
- Evaluation panel reviews the remaining submissions.

<table>
<thead>
<tr>
<th>DESIRED Criteria</th>
<th>Consensus Score Submission A</th>
<th>Consensus Score Submission B</th>
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<tbody>
<tr>
<td>Innovation</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Delivery</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Quality</td>
<td>6</td>
<td>10</td>
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</table>
Enables an equal comparison between suppliers
Balances the pricing with the deliverables

<table>
<thead>
<tr>
<th>DESIRED Criteria</th>
<th>Weighting</th>
<th>Consensus Score Submission A</th>
<th>Weighted Score</th>
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<tr>
<td>Innovation</td>
<td>20%</td>
<td>8</td>
<td>20% x 8 = 1.6</td>
</tr>
<tr>
<td>Delivery</td>
<td>10%</td>
<td>4</td>
<td>0.4</td>
</tr>
<tr>
<td>Quality</td>
<td>70%</td>
<td>6</td>
<td>4.2</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td></td>
<td><strong>6.2</strong></td>
</tr>
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Value for Money

Total Cost / Total Weighted Score
Negotiation

Foundation for Negotiation
- Utilising Market Information
- Identified business needs and values
- Supplier Submissions

Objectives
- Strategic partner in your supplier
- Value Add to the organisation
- Obtain and favourable outcome for both parties.

Negotiated Outcome
Recommendation

- Brings the story together
- Presents the market analysis, the business needs, the submissions, evaluations and negotiations undertaken.
CASE STUDY – Medical Consumables

- Large Organisation
- Utilised the same provider for over 15 years
- Not competitive tendered previously
- Many issues that were ongoing for several years
- Little value add to the business during this time
Market Analysis
Medical Consumables

- The Market showed there really is only 3 main providers in the market.
- In essence they each provided the same service.
- However what was clear was other organisations had
  - greater focus on innovation
  - greater alignment to the business culture.
A really positive engagement with the stakeholders.

Two stakeholder were identified to represent the business needs.

Provided clear and definitive input on the challenges that were currently experienced:
- Pricing changes
- Stock rotation
- Staff unpacking deliveries

Provided clear input on what was valuable to their areas:
- Product consolidation
- Product delivery and storage
- Product that support their need
Evaluation Plan & Needs Analysis

Medical Consumables

- Evaluation panel was made up of 4 members:
  - 2 business area stakeholders
  - 1 procurement specialist
  - Chairperson – procurement member

- Needs Analysis:
  - Performance
  - Innovation
  - Skills
  - Pricing & Payment
  - Quality of service
  - Capability
  - Reporting
Evaluation

Medical Consumables

- 3 Submissions received
- 2 submissions shortlisted from the Mandatory criteria

- Initial Value for Money
  - Submission A  156  1
  - Submission B  170  2
Using the market analysis information and with a focus on the business needs

The negotiation enabled
  - Pricing review
  - Additional Value Add
    - Product Consolidation
    - Vendor Managed Inventory
    - Training and support
  - Review for additional products

Revised Value for Money:
  - Submission A: 162
  - Submission B: 144
Recommendation
Medical Consumables

- With the revised Value for Money we were able to provide a recommendation:
  - Stakeholders were already engaged and a part of the recommendation
  - Clear background to considerations
  - Clear objectives and quantifiable benefits.
  - Approval was shorter timeframe with greater confidence in the decision making.

- Contract value of $5.12 Million.
- This outcome achieved $1.6 Million in value add and savings across 5 years.
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Thankyou & Questions?