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Market Engagement Strategy

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This guide supports agencies to engage effectively with markets and suppliers when planning and undertaking procurements. It aims to destroy the 'cone of silence' myth: that government can't be seen to be talking to suppliers.

Trust is a very important element of market engagement.

What is market engagement?

Market engagement is a process that allows you, at all stages of procurement, to:

- communicate your needs or requirements to suppliers
- openly and transparently discuss possible solutions
- stimulate innovation in the design and delivery of the solution.

Why engage with the market?

Agencies need to have a sound understanding of the size, composition and nature of the supply markets that they depend on. They need to keep up to date with new developments and ideas as well as emerging technologies that can help them achieve better results.

Used well, market engagement can:

- change and improve the way you plan and manage procurement
- improve your understanding of the market and help you to become a more intelligent customer
- increase your trust and credibility with suppliers and become a customer of choice
- create the market conditions needed to deliver the best solution
- help agencies to identify opportunities for innovation.

When can I engage with the market?

You can engage with the market at any time, from the early pre-procurement phase, during a tender and at any other time during a procurement process.

There is no limitation on when you can engage, as long as you:

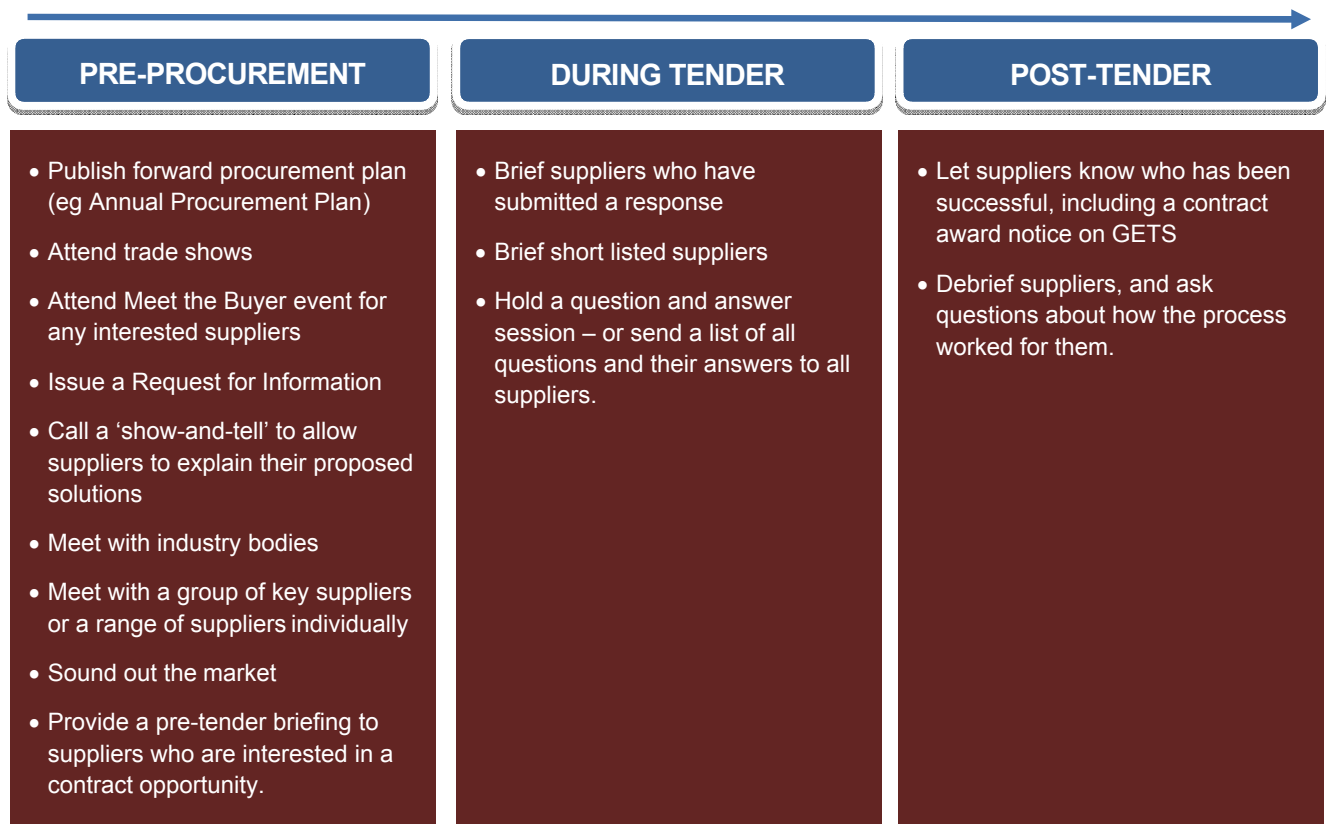
- are fair, open and transparent
- record discussions
- take steps to ensure your integrity, for example, giving the same information to all suppliers, and
- give equal access to all suppliers and treat all suppliers the same.

How do I engage with the market?

There is no standard process for engaging with the market. It's up to you to design an engagement plan that will get the best results for the type of procurement you are doing.

Some options are shown below.

Examples of engagement with the market



Types of market engagement

Procurement forecast

Procurement forecasts give suppliers advance notice of what contract opportunities will be coming up. It allows them time to adequately plan and prepare to submit good quality responses.

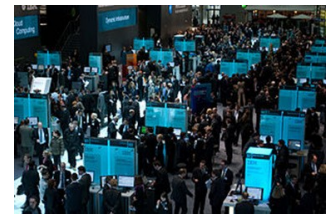
It's good practice to publish a rolling list of forecast procurements. Agencies subject to the Government Rules of Sourcing are required to publish Annual Procurement Plans that must be updated every six months.



Trade shows

A trade show (or trade fair or exhibition or expo) is an event that allows suppliers in a specific industry to showcase and demonstrate their latest products, service and examine recent market trends and opportunities.

Consider attending trade shows that are specific to your agency's needs, particularly to raise awareness of potential opportunities.



Meet the Buyer / Meet the Supplier

An event where a range of potential buyers get to meet with a range of potential suppliers. It's not about doing a deal or getting a contract. It's an opportunity where:

- buyers can discuss their needs
- suppliers can provide information about their products and services.

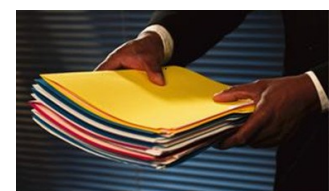
MBIE has recently been involved in organising these events.



Requests for information (RFI)

By publishing an RFI on GETS you can identify which suppliers who may be able to offer the type of goods or services that you need.

Note: An RFI is *not* a type of Notice of Procurement. It must not be used to short-list or select suppliers.



Solutions ‘Show-and-Tell’

Where an agency has an idea of what it wants to buy, it can hold a ‘show-and-tell’ to allow potential suppliers to present their solutions. Suppliers can be asked to give their views on the agency’s requirements, including whether or not they are feasible and how they might be delivered.



Meeting with industry bodies

Meeting with industry bodies and representative groups enables an agency to discuss its needs and allows representatives of that industry to explain how the industry works, present possible solutions and provide contacts for relevant suppliers.



Meeting with groups of key suppliers

Meet with groups of potential key suppliers. This allows you to discuss your needs and enables the suppliers to ask questions and present possible solutions in response. You can also meet with these suppliers individually.



Pre-tender supplier briefing

Just before publishing a Notice of Procurement an agency can hold a pre-tender briefing for suppliers. This is intended to give advance notice and promote the contract opportunity. It allows suppliers to ask questions and better understand your needs.



Promote supplier networking

In some procurements, it can be worthwhile setting up or encouraging meetings for potential suppliers to network with one another. This allows them to explore joint bids, partnering arrangements or sub-contracting opportunities (subject to the Commerce Commission rules).



Supplier briefing during tender

Having published a Notice of Procurement an agency can hold briefings with:

- suppliers who are interested in submitting a response
- suppliers who have submitted a registration of interest or expression of interest, or
- short listed suppliers.

These can be either in groups or one on one.

The briefings should better explain the agency's needs and requirements. They allow suppliers to ask questions and seek clarification.

Following these briefings suppliers should be able to decide if they wish to participate, and fine-tune their submissions to best meet the agency's needs. Meetings with individual suppliers may be set up.



Managed engagement

Explore new and innovative ideas and solutions.

Because you are asking suppliers to talk about their new ideas, which are commercially sensitive, you must carefully plan how to engage with stakeholders throughout the managed dialogue process. You can meet with suppliers in a group or individually.

Remember that all information that you provide to suppliers must be given to all suppliers at the same time. If one supplier asks a question, and the answer would give them a competitive advantage over the other suppliers, you must provide that information to all.

You must also protect suppliers' innovative ideas, commercially sensitive information and intellectual property. Explain this to the suppliers early in the process. Ask them to clearly identify the elements of their proposal that are commercially sensitive.

After these briefings suppliers should be able to fine tune their proposals to custom fit the needs of the agency.



Supply Chain Networking

You can hold meetings to create networking opportunities for potential suppliers to meet one another and establish relationships. This could help them to explore joint bids and work towards partnering arrangements or sub-contracting opportunities.



Supplier debrief

Arranging to debrief suppliers following a tender is an important part of your engagement with the market. You should let suppliers know the reason/s their proposal was unsuccessful and explain how it performed against the criteria. Take time to address any concerns the supplier has. Use this as an opportunity to ask for feedback on your process.

An often-forgotten process is a 'win-review' with the successful supplier, so they also get to hear the strengths and weaknesses of their proposal.



What information can I ask for?

The type of information you collect through your engagement will depend on when and why you want to talk to suppliers.

Pre-procurement

At the pre-procurement stage you will likely be undertaking basic market research and analysis. This may be informal, but should still be planned. You may want to find out:

Market research

For more detailed information on how to conduct market research and analysis see Government Procurement's Guide to Mastering Procurement:

- the number of suppliers and the total size of the market
- key suppliers and their market shares (supply)
- the number of buyers and their influence on the market (demand)
- the degree of competition
- current prices, pricing methods and other factors influencing price
- market trends and regional differences
- the availability of alternative goods and services (product differentiation)
- any current or potential technological developments in the market
- the nature and quality of the supply chain(s)
- supplier positioning – the level of vulnerability you would have if a particular supplier was to fail.

After publishing a Notice of Procurement

Once you enter into a formal tender process you must ensure that your engagement with suppliers is well planned and properly managed and fully recorded. There are increased risks because you are now in a formal process.

The steps outlined in the Managing the Risks section, still apply.

At this stage you may want to engage with suppliers to:

- explain in detail your needs and specification of requirements
- describe the results you want to achieve and what success looks like
- allow suppliers to ask questions
- encourage suppliers to identify improved efficiencies in the design of the product or delivery of the service
- seek opportunities for suppliers to develop innovative solutions
- give suppliers an opportunity to fine tune their solution to best meet your needs.

Do I need to speak to all suppliers?

Depending on the size of the market it could be unmanageable or even impossible to speak to all suppliers.

Try to adopt a balanced approach. Speak to the number and type of suppliers and industry representatives that will fully inform your procurement.

This will depend on the nature and type of your procurement. Ensure, if possible, that you speak to key suppliers, new players with relevant offerings and try to make it easy for small businesses (SMEs) to participate.

If some of the suppliers can't attend your presentation, you could record the presentation and send it to the absent suppliers.

Splitting your work

You can't split a procurement into smaller contracts to avoid applying the Government Rules of Sourcing.

However, in your Notice of Procurement you may indicate the possibility of splitting the procurement into separate lots, following the open procurement process, where it encourages better value for money, eg more sustainable procurement.

What are the benefits of market engagement?

There are many benefits in engaging constructively with the market at different stages in the procurement process.

Effective market engagement:

- allows you to gather information on how the market is structured and how it operates
- allows the market to better understand your business and your needs
- allows you to discuss the outcomes needed and get feedback on your requirements - this can inform the development of your final specification
- allows you to test the feasibility of your needs against what is available in the market, ie whether or not a new approach is necessary
- opens discussions about developing or refining solutions that will meet your needs
- allows suppliers time to plan and prepare to respond to a contract opportunity, and be ready to meet your demands
- allows you to discuss how your requirements may be presented so as to make them more attractive to the market
- allows you to consider splitting the work into different bundles to get the best value for money or better outcomes
- generates interest in your agency as a buyer
- stimulates competition and innovation
- informs you of any risks and issues
- helps you plan the optimal approach-to-market strategy.

What are the risks associated with poorly planned or executed market engagement?

There are risks associated with market engagement. These include:

- unfairly advantaging one supplier
- accusations of favouritism from unsuccessful suppliers
- locking in a particular solution too early
- using parts of various suppliers' proposals in your solution, without express permission
- failing to protect a supplier's intellectual property rights or commercially sensitive information
- engaging in a way that disadvantages a group of suppliers eg Small and Medium Sized Enterprises (SMEs)
- shaping your specification or requirement in favour of one potential supplier or solution
- doing it badly, creating an atmosphere of mistrust and putting suppliers off working with government on procurement.

Managing the risks

There are some simple steps that you can take that will help you manage the risks involved in market engagement:

- always act responsibly and with integrity – be fair, open and transparent and remain impartial
- plan how and when you will engage with the market
- make the process clear to all suppliers and manage their expectations
- treat all suppliers the same – do not discriminate
- do not favour one supplier over others
- share the same information with all suppliers, for example, by briefing them together
- be open to new players, new ideas and new solutions and do not get 'sold' on one solution
- ask suppliers to identify any aspect of their offerings which they deem to be commercially sensitive – then ensure that you do not disclose this information or use it without that supplier's written consent
- keep records of your meetings.

Agencies are strongly encouraged to engage with the market and individual suppliers, so long as they demonstrate integrity in how they carry out the engagement. They must always be fair, open and transparent.

Engaging with integrity

A myth has emerged in the public sector that it is somehow unethical to talk directly with suppliers in relation to a procurement. This is not correct.

However, to ensure integrity in your market engagement you may want to appoint a member of your team or an independent party to manage probity, particularly on complex or sensitive procurements.

Shaping markets

Effective market engagement can help either develop a market or shape a market to better deliver against your needs. By understanding the market structure, trends and key players you will be better able to develop an approach-to-market strategy that will deliver the optimum results.

Regular market engagement allows fresh thinking, by both suppliers and agencies. Being open to new approaches is key.

Is market engagement the same as Competitive Dialogue?

No, market engagement is a part of all procurement activities.

The following table shows the key differences between market engagement and Competitive Dialogue.

Market Engagement	Competitive Dialogue
A generic term for any discussion with suppliers	A technical term for a special type of open tender process
Should be used during any procurement, large or small, simple or complex	Usually used in novel, high-value procurements where there is no known solution. It involves short listed suppliers engaging in structured one-on-one dialogues with the agency
Used where it is fairly easy to define the requirement	The focus is to develop possible solutions, often without any concept of what the solution may be
Suppliers are rarely paid for participating in market engagement during a routine RFX process	Short listed suppliers may be paid for their time in participating in the dialogue part of the process, depending on the length of the Competitive Dialogue and the amount of research and development they are asked to do.



Case Study: constructive market engagement

The New Zealand Defence Industry Forum

The New Zealand Defence Industry Association (NZDIA) promotes and organises the annual New Zealand defence industry forum, generally held in October of each year. This forum brings together Australian and New Zealand commercial companies, along with Asian, Australian and New Zealand Defence purchasing interests, with high level New Zealand Ministerial involvement.

The suppliers who are members of the NZDIA provide a wide range of products and services, for example:

- telecommunications and navigation systems
- combat simulation
- civil contracting and project management
- aircraft sales and leasing and maintenance
- information technology: hardware and software
- freight and logistics
- food and hospitality services.

The suppliers set up stalls, and provide information about their products and services.

The NZ Defence Force see the forum as an opportunity for early engagement with suppliers, and at the Awards Dinner, the Minister of Defence presents awards of excellence to New Zealand companies that have demonstrated innovation and commercial success.

The benefits of the NZDIA and the forum are:

- providing market and other information to members for general defence opportunities as well as specific projects.
- providing networking opportunities for member companies and encouragement to form liaisons and joint ventures where their particular skills are complementary.
- providing networking opportunities for members with New Zealand Defence Force (NZDF) and Ministry of Defence (MOD) personnel, who are active supporters and participants in activities.
- promoting export opportunities in conjunction with New Zealand Trade and Enterprise (NZT&E)
- encouraging members to form strategic alliances and help each other.



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