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## Workshops on Framework Agreements for services

### Session 3 - Market research and analysis

***“Matching buyers needs and suppliers capacity - how to select and design a framework agreement for innovative services“***

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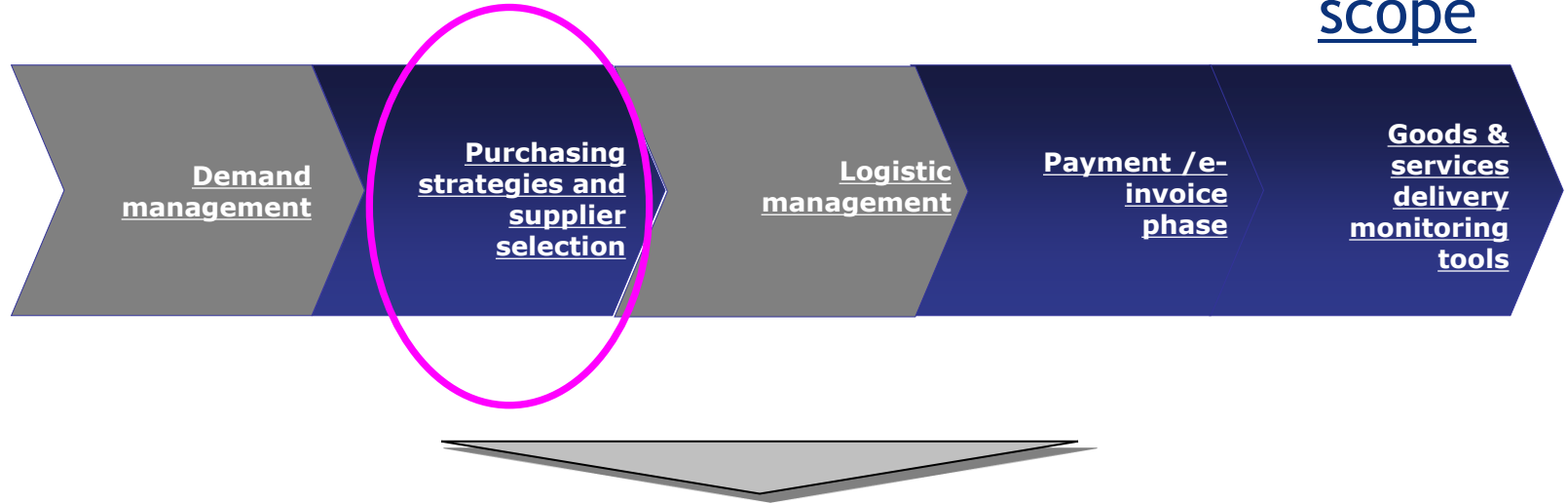
Athens , June 3-4 2014



- Programming centralized acquisitions
- Designing a multi supplier FA
- An innovative FA: Print & Copy management Services



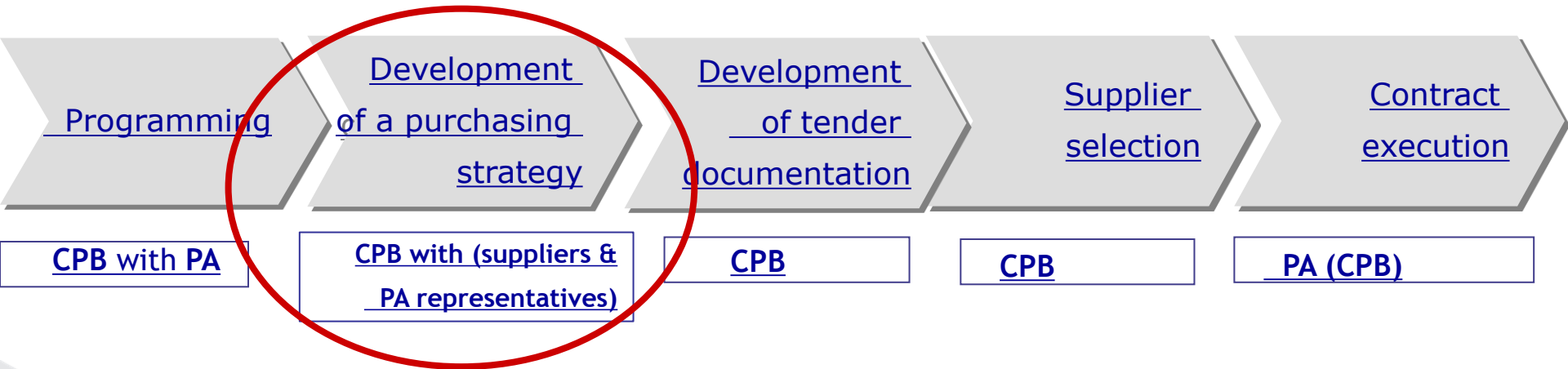
# Towards feasibility study for a CPB: Defining the scope



When it comes to purchasing aggregation, the most crucial phase is the design and deployment of the purchasing strategy. The first important decision to make in designing the procurement system of a complex organization concerns its degree of centralization.

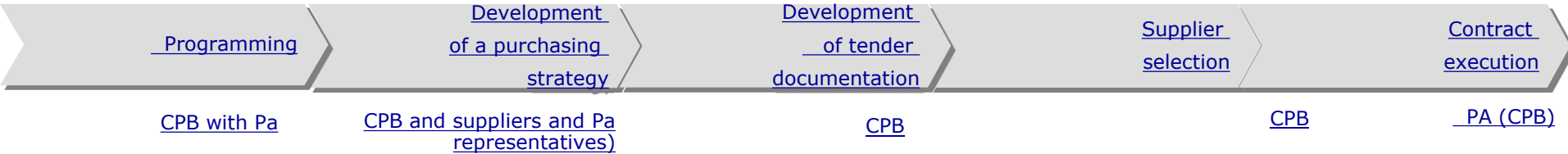
## Towards feasibility study for a CPB: the roles

Each phase can be conceived as an independent project with a complete life cycle.





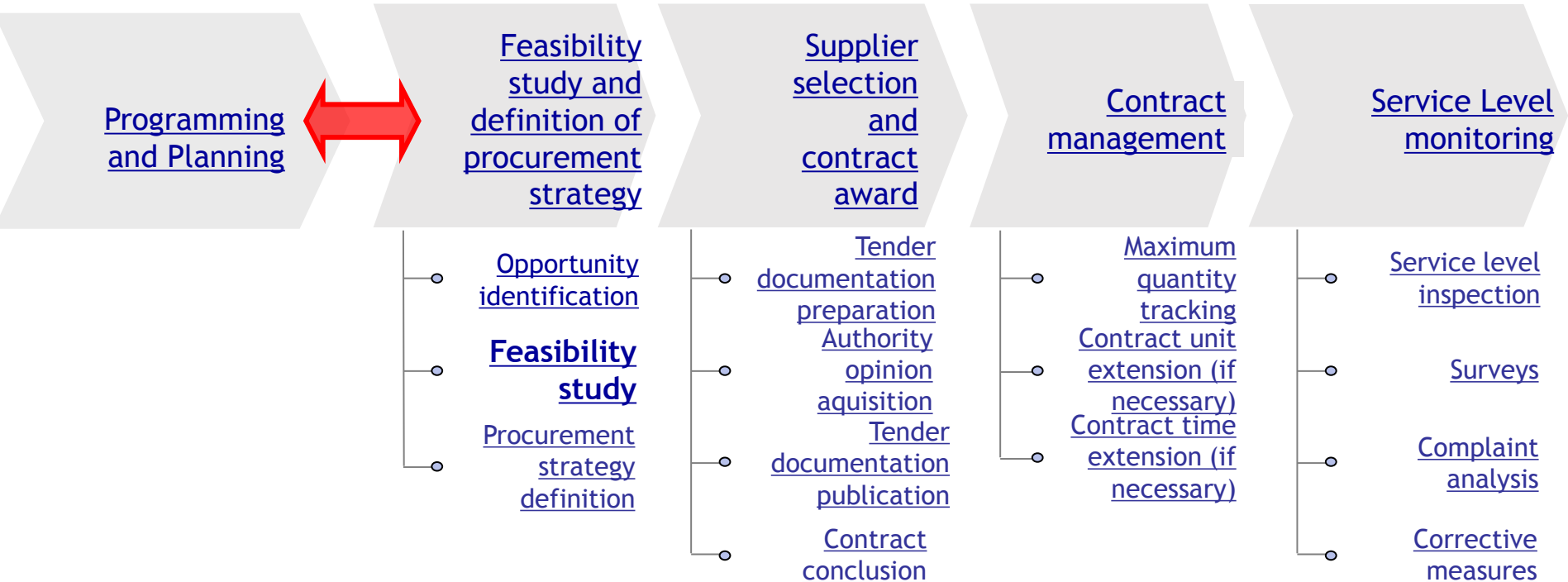
## CPB Project Cycle Phases common features



1. Key decisions, requirements and responsibilities are defined in each phase.
2. Cycle phases are progressive - each phase needs to be completed until the next is successfully tackled.
3. New programming relies on evaluation, to build experience for next initiatives;



# Towards feasibility study for a CPB: Key Phases and possible actions in Project Cycle





## Step 1. Programming (1/2)

It represents a crucial phase, in any centralization for the pursue of the benefits coming from aggregation and standardization.

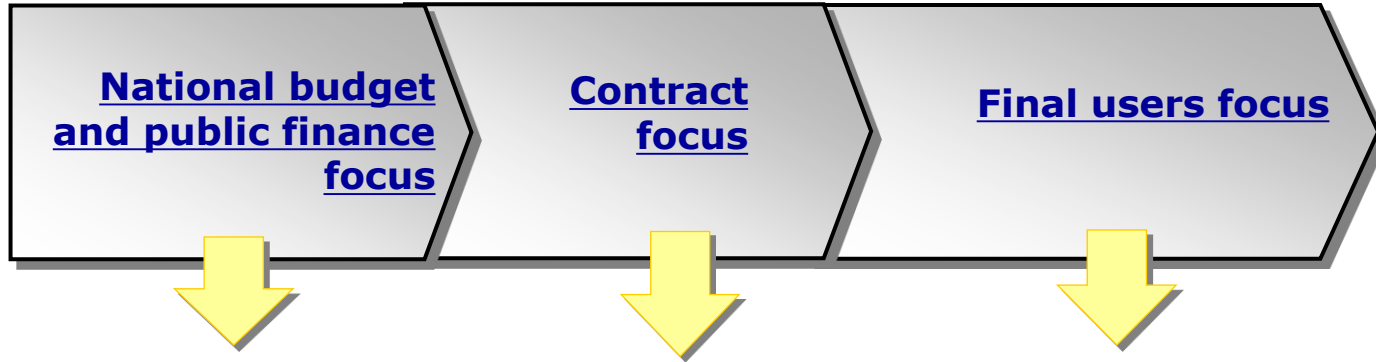
It comprises designing and implementing of the procurement strategic plan according to the CPB priorities: (i.e for the Italian Central Purchasing Body is defined according to the National Public Finance Policy).

The historic expenses data might balance the inadequacy of good & services public expenditure sources.

Planning includes re-planning. The initially prepared strategic plan document (on multi years basis) is regularly reviewed, refined, and updated accordingly.



## Step 1. Programming: the Drivers (2/2)



- Value and Volume of public procurement and savings expected;
- Numbers of public buyers;
- Innovation (example: GPP);
  - Completeness of frameworks offer
- Timetable
- Continuance
- Users Segmentation
- Cluster analysis





## Step 2. Feasibility Study and Procurement Strategy (1/6)

### Main Tasks

- Opportunity identification
- PA needs analysis
- Market analysis (specific of market concerned: size, structure)
- Definition of contract requirements
- Savings forecast
- Procurement strategy definition

### Deliverables

- Feasibility study
- Summary of pros & cons
- Executive summary
- Procurement Strategy



## Step 2. Feasibility Study and Procurement Strategy : Category Selection criteria

(2/6)

Value of the expenditure

The higher the value of the purchase, the higher the savings .

Impact on final users (PA)

The higher effect on the final users (PA), the lower the chances to aggregate the volume will be.

Easily-standardized goods

The higher easily standardize goods, the higher the chance to aggregate the volumes will be

Competitiveness of the supply market

The more competitive the market is, the more successful the aggregated tender



This analysis results in a PRIORITIES CHART for suitable categories for an aggregated tender



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Step 2. Feasibility Study and Procurement Strategy :  
Category Selection criteria (3/6)

<u>high</u>	<u>critical</u> <u>products / services</u>	<u>strategic products / services</u>
<u>low</u>	<u>non critical products /</u> <u>services</u>	<u>product / services with</u> <u>economies of scale</u>
	<u>low</u>	<u>high</u>

**market complexity**

**economical relevance**





## Step 2. Feasibility Study and Procurement Strategy: PA needs analysis (5/6)

Strictly based on the PA estimated needs, this phase aims at analyzing the PA supply process and seizing the value of potential demand coming up from information such as:

- Public buyers geographical distribution;
- Annual total needs identification;
  - Total Demand value;
  - Total Demand value distinguished by PA type & geographical area.
- Procurement method applied;
  - Purchased supply and services detailed description;
  - Purchasing tender criteria (lowest price, quality-price);
  - Outsourcing.



## Step 2. Feasibility Study and Market Research: Suppliers market analysis (6/6)

Market opportunity identification means selecting the most effective buying procedure in terms of:

- Market (global sourcing, local sourcing);
- Number of suppliers (single, dual sourcing, multi sourcing);
- Type of relationship (partnership, long term contract, short term contract);
- Market trend: evolution and innovation
- Supplier reputation: quality

Drivers analysis:

- Economical (total spending €/yr)
- technical complexity (product and/or evolution)
- strategic impact of Central initiative on market



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## Designing a multi supplier FA

How to balance ranking criteria in first phase (FA award) and second phase (mini completion award), in order to ensure flexibility and competition

Balancing competition in the two selection stages: main drivers

### 1) Degree of completeness of the “master” contract

Establish at the first stage (virtually) all dimensions/clauses which are likely to be common across all mini competitions during the FA



If CAs wish to buy the same homogenous good, but require different delivery conditions and SLAs, then:

- Let suppliers compete on the good price at the first stage (conditional on some minimal quality standards); and
- Let selected suppliers compete on delivery conditions and SLAs to award mini competitions in the second phase



## Balancing competition in the two selection stages

If the degree of heterogeneity of needs at mini competition stage is high, then in the first phase:

- Decrease the number of clauses and terms fixed
- Increase the number of economic operators admitted
- Give a relative higher weight to the economic dimensions at mini competition stage (if most economically advantageous tender criterion is used)

### 2. Number of economic operators (n) part of the agreement

The lower the number suppliers selected to enter the agreement...

- ...the higher the competition for entering the agreement
- ... the lower the flexibility (if firms are somewhat specialized)



n should increase with:

- the expected number of mini competitions
- the degree of heterogeneity of the specific competition





## Ranking criteria in the second phase

Consip introduced the «**inherited technical score**» : the technical score inherited by economic operators from the first phase

- ✓ when the level of the heterogeneity of the purchasing CAs needs is high, the inherited technical score is lower

Consip defines a set of constraints concerning the design of mini competitions, for instance:

- the range for the maximum technical score
- the «inherited technical score»



... the higher the inherited technical score implies the lower the CAs leeway

## Summarizing

- Knowledge of both sides of the market is indispensable to the design of FAs
- The right balance of ranking criteria between the two phases depends on the heterogeneity of the CAs needs and the number of the awarded supplier
- Each contracting authority may sustain that “the size of its suit” being different from any other’s → some degree of contract standardization, at least at early stages of a centralization process, ought to be imposed
- Simple design pays off ⇒ “essential” FAs + few dimensions of differentiation



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# An innovative multi supplier FA - Print & Copy Mgmt services

## The project (1/2)

The Framework Agreement provides for the supply of managed services for printing solutions aimed at:

- **rationalize** (in terms of amount of HW, TCO total cost of ownership (devices, toner, energy) office equipment fleets installed at any Public Administration;
- **optimize** the use of available office functions (photocopier, scanner, fax, printers) as an incentive to dematerialize, through the implementation of structured and customized processes, thanks to the installation of new equipment and advanced technology, replacing the existing owned fleets;
- **monitor** the service in terms of cost, performance levels and environmental impacts;
- **assist and support** the users constantly and for the entire duration of the contract.

The foreseen services, mainly addressed to medium and large organizations/public bodies, involve the following areas:

**HARDWARE** → office equipment such as copiers, printers, multifunction, fax and scanner;

**SERVICES** → Help Desk, supply of consumables, maintenance, support and management;

**SOFTWARE** → user profiling, reporting, monitoring, confidentiality, security and protection;

**CUSTOMER CARE** → contract governance, environmental sustainability, advanced training



## The project (2/2)

Print & Copy Management is an open agreement, addressed to all kind of Italian public body. The main condition is related to the size of their organizations. Each public body who will join this agreement must respect the following items:

1. Do previously an Assessment of the actual office fleet (public bodies can do it by themselves for free or buy this service on our e-marketplace);
2. Purchase the main service “click & save” at least for 200 users working in the same location (building);
3. Purchase, in case, the optional service “office fleet management” at least for 200 devices (in terms of number to be managed).

The Agreement foresees the following services, according to the revealed Italian public needs.

### I phase: Framework Agreement awarding

In this phase Consip awards the following services:

- Main service → Click & Save;
- Optional service → Office Fleet Management;
- Additional services (linked to the main one), which can be required, depending on specific needs declared during the second phase.

### II phase: Agreement assignment (PA single contracts)

In this phase each public body defines its specific needs and assigns a single procurement contract. Anyway, they are obliged to require the main service awarded by Consip during the first phase, while the additional services *can be* required.

***Print & Copy Management is a most economically advantageous agreement and it foresees an assignment of 60 economical points and 40 technical points.***



## Main service: «Click & Save»

The main service is called “*Click & Save*” and it is basically a managed print service, outsourced and centralized.

Faced with a cost per page (so-called click cost) fixed and “all inclusive”.

It provides for the complete renewal of the installed fleet, including management, monitoring, use optimization and cost rationalization.

All office equipment, proposed as part of the implementation of Click & Save service, must be factory new and of original installation. All devices must comply with the requirements and certifications (technical, environmental, qualitative) required in agreement documentation.

The service is configured as a “cost per page (click)” contract, in which its amount is calculated on the number of users and levels of productivity.

### Following an extract of the main services:

- HARDWARE → installation & start up, maintenance, assistance, consumable supply, call center;
- SOFTWARE → profiling, TCO monitoring & reporting, digitization and archiving;
- CUSTOMER CARE → training & contract governance
- Quality management, saving trends, environmental sustainability, risk management, customer satisfaction



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## An innovative multi supplier FA - Print & Copy Mgmt services

### Optional service: «Office Fleet Management»

The “*Office Fleet Management*” is the optional service and it is a centralized management of office equipment (printers, copiers, scanners, MFP and fax) already owned by the Public Administration. Suppliers must manage all around heterogeneous and multi-brand fleets.

The service provides regular reporting and monitoring, assistance, maintenance, supply of consumables and spare parts up to 5 years of age from the purchasing date of each device.

The service is configured as a “cost per managed device” contract in which the amount is calculated on the quantity and type of office equipment managed.

The cost differs depending on the productivity level included (quarterly quantity) and on “in or out” of warranty devices.

The service is divided into 3 main categories:

1. SINGLE → "personal use" devices with speeds up to 25 pages/minute in both monochrome and colour;
2. GROUP → "workgroup" devices with a speed of 26 pages/minute to 45 pages/minute in both monochrome and colour;
3. COMMUNITY → "departmental" devices with a speed of 46 pages/minute to 75 pages/minute in both monochrome and colour

Following an extract on the main services:

- Help Desk & Call Center;
- Supply of consumable & spare parts (up to 5 years age);
- Call center
- TCO reporting;
- Maintenance & assistance (out of warranty only)



## Print & Copy Management: main eco-friendly items

Print & Copy Management F.A. is an innovative and high tech project focused on offering printing consolidation services to Italian public sector offices.

So called high quality projects can not leave aside environmental aspects.

Print & Copy Management takes care of environmental criteria linked to both hardware and software scope.

### Hardware

- ✓ Regulation compliance
- ✓ Energy consumption
- ✓ Dangerous substances & emission limits
  - ✓ Duplex printing
  - ✓ Multi page printing
- ✓ Recycled paper up to 100% compliance
  - ✓ Electronic instruction manual
  - ✓ Recyclability
- ✓ Remote maintenance & assistance
  - ✓ Recycled cartridge usage

### Software

- ✓ Green printing policies
- ✓ Duplex printing as default set up
- ✓ Draft printing as default set up
- ✓ Auto power off on all devices
  - ✓ Device switch off timer
- ✓ Print outputs only through users login
  - ✓ TCO monitoring
- ✓ Document digitizing & electronic storage processes
  - ✓ Soft document protection & safety functions
  - ✓ E-learning