



Market Engagement Principles & Guidance

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
- understand market capacity, capability and trends

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 and compliance with legislation in your market engagement it is essential that a suitably experienced and knowledgeable member of your Procurement Department is involved to manage probity, particularly on complex or sensitive procurements.

Why engage with the Market?

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, i.e. 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
- provides an opportunity for suppliers to partner with others to provide better solutions
- 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 the FRS as a buyer
- stimulates competition and innovation
- informs you of any risks and issues
- helps you plan the optimal approach-to-market strategy

We need to have a sound understanding of the size, composition and nature of the supply markets that we depend on. We need to keep up to date with new developments and ideas as well as emerging technologies that can help us 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 you to identify opportunities for innovation

What are the risks & benefits of Market Engagement?

Risks	Benefits
<ul style="list-style-type: none"> • Unfairly advantaging one supplier • Accusations of favouritism from unsuccessful suppliers • Locking in a particular solution too early • Failing to protect a supplier's intellectual property rights or commercially sensitive information • Engaging in a way that disadvantages a group of suppliers e.g. 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 the FRS on procurement • Setting unreasonable expectations in the market. • Legal challenge which could result in significant legal costs and reputational damage for the FRS 	<ul style="list-style-type: none"> • 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, i.e. 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 • provides an opportunity for suppliers to partner with others to provide better solutions • 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 the FRS as a buyer • stimulates competition and innovation • informs you of any risks and issues • helps you plan the optimal approach-to-market strategy

How & when to engage with the Market?

There is no standard process for engaging with the market. Each project should work with Procurement to design an engagement plan that will get the best results for the type of procurement you are doing. Working with Procurement, we can engage with the market at any time, from the early pre-procurement phase, during a tender and at any other time after a procurement process.

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

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

Market Engagement – Pre Procurement

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

- 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 developments innovation or new technology 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

Examples of Pre Procurement Market Engagement include:

- Publish forward procurement plan (e.g. Annual Procurement Plan) via Prior Information Notice or on the FRS website
- Attend trade shows
- Attend Meet the Buyer event for any interested suppliers
- Issue a Request for Information (RFI)
- Call a 'show-and-tell' to allow suppliers to explain their proposed solutions
- Engagement on investment intentions or policy development
- Meet with industry bodies
- Meet with a group of key suppliers or a range of suppliers individually
- Provide a pre-tender briefing to suppliers who are interested in a contract opportunity
- Industry workshops

Market Engagement – During Procurement

Once you enter into a formal tender process you must ensure that your engagement with suppliers is undertaken by the Procurement Team who will ensure that it is well planned, properly managed and fully recorded in line with legislation. There are increased risks because you are now in a formal process. 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
- give suppliers an opportunity to fine tune their solution to best meet your needs

Examples of Market Engagement that can take place during a procurement include:

- Brief suppliers who have submitted a response

- Brief short listed suppliers
- Clarifications, which can include a question and answer session, provided all questions and their answers are submitted to all participating or interested suppliers

Market Engagement – Post Procurement

Engagement of suppliers does not need to stop once a contract has been let. Through continually engaging with your suppliers throughout your supply chains, you can seek their strategic input into long-term policy, service delivery, market capacity, new technology, etc. This will prove highly beneficial in continuously improving your service or programme. It will also help to inform your re-competition strategy and/or similar new procurements.

Examples of Post Procurement Market Engagement include:

- Let suppliers know who has been successful, including a contract award notice
- Debrief suppliers, and ask questions about how the process worked for them
- Contract and supplier management
- Strategic supplier management
- Maintain market awareness and competitor offerings

Once you have identified your key suppliers, you may wish to consider setting up regular meetings to measure and review performance and to seek input into project and strategic issues. This approach has been proven to build confidence in the marketplace and is effective in gaining advance warning of any problems.

Summary

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 FRSs. Being open to new approaches is key.

Slide Deck

The embedded slides provide further detail on Market Engagement including more information on the tools and techniques used, particularly for Pre Procurement activity. In addition, Procurement staff will find the slides useful for internal use within their FRSs to educate those who may come into contact with suppliers as part of their roles and who are not familiar with public sector procurement and/or how to conduct effective market engagement.



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Engagement Presenta