

**Enhancing services for
retail markets :
*How effective is the tenders system ?***

Review for Nabma Conference
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*Tenders system for retail markets :
What are the issues ?*

The Tenders System for Retail Markets



The procurement process is designed to be open, transparent and provide best value or best service to the local authority – but it frequently does not deliver any of these results. The primary reason is lack of industry knowledge within LA's which is demonstrated in their tender documents

SE England markets operator

The Issues : Rights holders

Organisations issuing tenders

90% issued by Local Authorities

But also by BIDs / Town Centre consortia / Landlords / and others

Limitations faced

Big attrition between Expressions of Interest and filed submissions

Small number of qualifying submissions : often only 1 - or none at all!

Variable standard of submissions

The Issues : Service providers

Which service providers are responding?

Bigger national operators becoming very selective

Leaving small, local operators - 'Milkmen'

Barriers faced by applicants

Opportunity cost does not match upside potential

Big drain on **time and resource**

Lack of confidence in **integrity** of the system

Experience of tender issuers

Experience of Issuers: Information base

Request for information sent to **63 organisations** issuing tenders between July 2017 and Oct 2018

11 full responses, all from LA's – plus valuable informal responses

Process clearly **driven by procurement teams**, with little or no input from market professionals

Experience of Issuers: Limitations of the tender system



Disconnect inherent in many tender exercises

Note difference between *successful procurement exercise* and *successful outcome for the market*

Some tenders are just constructed around ticking boxes; so the council can show they have followed a correct procedure, regardless of the quality of the outcome.

Central England markets operator

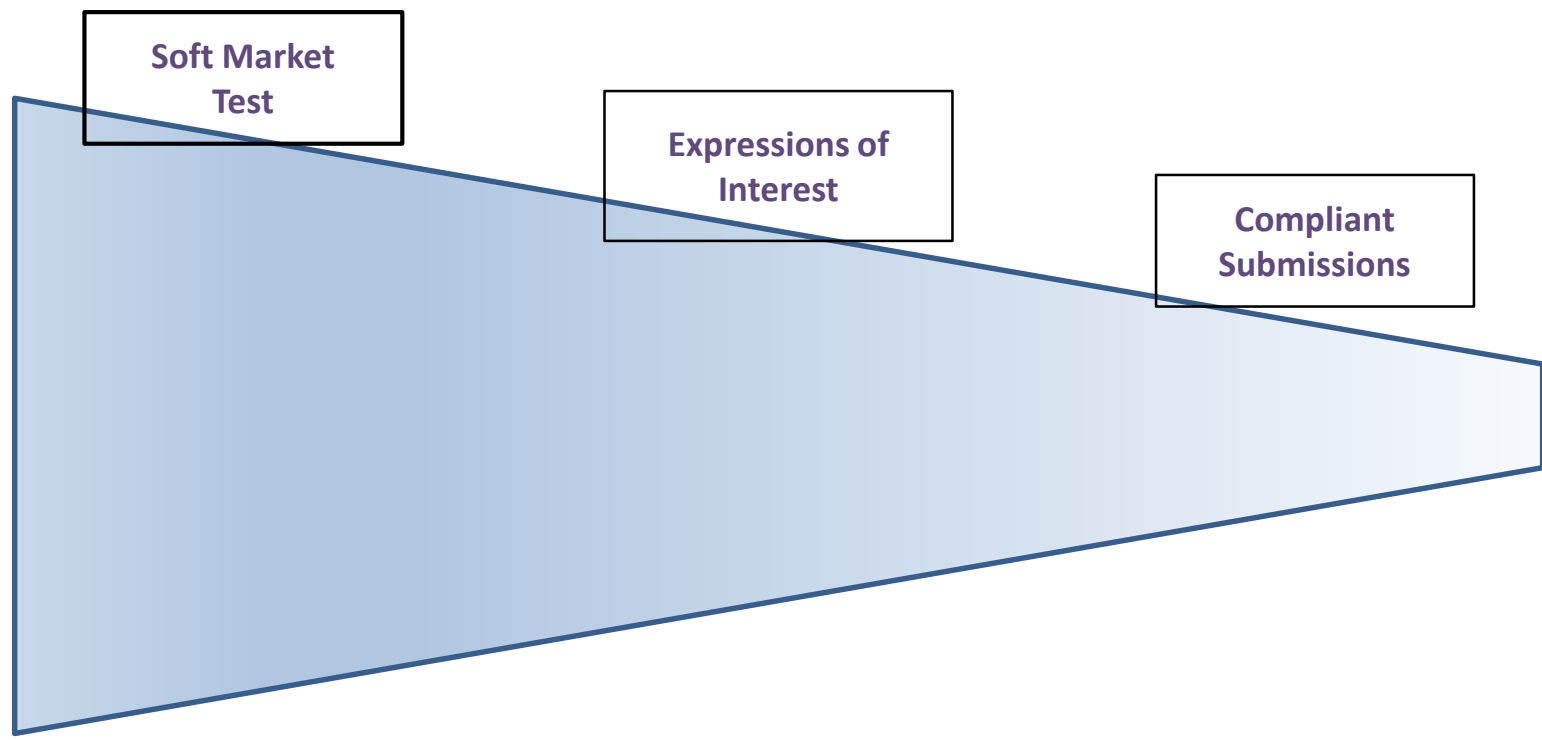
Experience of Issuers: Limitations of the tender system



Process is slow : Many issuers have not made an appointment **6 months after the initial *Call for Proposals***

Many satisfied with their appointment, even though based on very small response

Experience of Issuers: Size and Quality of Response



	Typical number
Soft Market Responses	8+
Expressions of Interest	6+
Compliant Submissions	0 to 2

Of 11 issuers responding on number of qualifying submissions :

None	3	Two responses	1
One response	6	More than two responses	1

Experience of Issuers: Preparation and Collaboration

Move towards *Soft Market Test* basis and **pre-vetting of candidates**

Some evidence of **active development and maturation** of local potential resource

But efforts not always successful : Note **big attrition** between *Soft Market Test* and qualifying submissions

- *Northern District Council working with local NHS Trust to develop tender approach and templates*
- *Other councils working actively to validate local organisations in advance of issuing tenders*

Experience of Issuers: *Able to appoint ?*

Of 11 issuers responding on ability to make an appointment :

Yes	7
No	3
Not clear	1

Of 7 appointments made :

2 in house appointments

1 reappointment of the incumbent

Approach of Issuers : Advice and Consultancy



Of 11 issuers responding on this question :	Number
External advice / consultancy	3
Internal advice	1
Input from EoI candidates	2
None	4
Not clear	1

We commenced with an EoI and that was a good first step as it drew 3 responses and we learned a lot about how to conduct the tender from meeting the three applicants. We used their comments and feedback to tweak the tender docs

North West Council

Experience of service providers

Experience of Service Providers: Confidence and Participation

Request for information to **11 national/regional operators**

Full response from 5 operators

Part response from 2 others

All responses from founders or leaders of businesses

All respondents critical of the system

None want to step up response to tenders

Leading players **strongly sceptical** about making submissions :

- Only enter *Soft Market Tests*
- Avoid tendering against incumbent

Confidence and Participation :

Service providers told us



We don't respond to poorly constructed tenders - because if the LA does not really understand markets then any ongoing relationship will be difficult.

We don't consider any new opportunity that is tendered without sufficient lead time, as markets are extremely seasonal and trader attendance volatile, making accurate financial assessment impossible.

SE England markets operator

Confidence and Participation : *Service providers told us*

We have given up pitching where the incumbent is allowed to enter the tender. Our experience is that an incumbent is very difficult to dislodge because they have so much inside knowledge.

National markets operator

With tenders confidentiality is a one-way street : it prevents service providers learning anything about companies pitching, which is good; but it does nothing to prevent the issuer from hoovering up free ideas and advice.

National markets consultancy

Some Calls ask for qualification levels that are hard to comply with. It's not really a problem for us as we have a 30 years track record. But of course it's a barrier to new firms wanting to enter the sector

Central England markets operator

Experience of Service Providers: Weaknesses of Tender System



Driven by **procurement professionals**, minimal input from **market professionals**

Insufficient preparation of tenders

At location inspections now ended to save costs

Weaknesses of the tenders process :

Service providers told us

Some Calls are weak and poorly informed because the issuer has not put in the homework to form a realistic picture of what is achievable

Central England markets operator

The judging panel should consist of lay people (like councillors) and executives; also it should include people with actual experience of operating markets, not just procurement professionals.

Central England markets operator

There is no way of carrying out due diligence of companies that tender, LA's do not have the time or experience to vet an operating company. Instead they rely on references provided by the operator which are only going to be positive.

SE England markets operator

There are competent councils out there - but generally the background is of falling levels of expertise among procurement teams. It's rare, but some LA's are abusing the tender system.

National markets consultancy

Experience of Service Providers: Motivation of Tender Opportunities

Too often tendering out is **the last option** when all else has failed

LA's are praying for the *Lazarus Effect*

Too many **unrealistic expectations** of what the market can deliver

Expectations now looking well beyond market management into areas such as event management

Weak scrutiny of ability to deliver on financial proposals

Motivation of Tender Opportunities : *Service providers told us*

.... the real problem is with the poor quality of the opportunities that are advertised, and unrealistic expectations of the value of the opportunity, and what a market can do for a declining town centre.

National markets operator

We responded to a tender for a market that was shown to be losing some £50k per year – and the council wanted us to guarantee an annual payment for the right to take it on ! Why would I do that ?

National markets operator

So often LA's resort to a tender and outsourcing when all else has failed, and the market is in terminal decline.

National markets consultancy

Financial Expectations: *Service providers told us*



LA's need more realism about what level of turnaround is achievable. Also to understand our objective is to turn the market around, not to rescue a declining town centre. The market in itself can't solve all of a town's challenges.

National markets operator

In many cases the pricing element accounts for 60% or more of marks. This means that anyone can have a good chance of winning just by bidding high, and then run the contract for a year and, if it proves unviable, just wind up the company – and the town is back where it was two years ago !

Central England markets operator

Experience of Service Providers: Resource burden of tenders



All respondents :

- Believe requirements are **burdensome and out of balance**
- Aim to invest time to produce a high quality submission – often including location visits
- Are concerned about **large time input** to produce a full single submission :
 - Between **4 and 15 days** input
 - Typical cost to businesses ranges from **£1,000 to £10,000**

Resource burden of tenders : *Service providers told us*

*Any tender would involve at least 4 site visits by senior staff and a minimum of a week's work preparing and researching. I would estimate a straightforward outdoor general market tender would cost us approximately **£3,000 to complete**, should any buildings or premises be involved, then the costs to us **can exceed £10,000**.*

SE England markets operator

*I think we have a good system for producing submissions, but they can still eat up resource I would judge the most ambitious submission could absorb up to 30 hours, which would represent a cost to the business of **more than £1,000 in wages***

National retail markets consultancy

*Typically we would put a team of 3 people to drawing together a tender response, and the preparation would absorb at least a week - so say **7.5 days of input in all**. We put a lot of resource behind these proposals, as we want councils to know of our capability.*

We don't attempt to assess the costs to our business because we regard it as an investment. But it does mean we have to be choosy as to which tenders we enter or not

Central England markets operator

Trend towards Soft Market Test approach



What is 'soft market testing'?



Soft market testing is a way to find out what provider organisations think about new ideas and service choices.



Soft market testing does **not** mean that the Council or organisations must follow the idea they talk about.

Trend towards Soft Market Test approach

Issuers favour it

- Not tied to make an appointment
- Keeps options open
- Encourages strong candidates

Service Providers favour it

- Opportunity to shape the brief
- Favours larger, better resourced operators
- Chance to impress face to face

..... but Service Providers also dread it

- Lengthy time lapse from advertising to appointment
- One way confidentiality protocol puts knowledge and IP at risk

Move towards *Soft Market Test* approach

The recent trend, especially with bigger, more valuable markets, is for rights owners to issue a 'Soft Market Test'.

If you enter you are called for an exploratory meeting, and you need to make a scoping visit with 2 or 3 people in advance.

You may have to make a submission which may be up to 20 pages long, so that takes time as well.

National markets consultancy

I would advise [issuers] to seek feedback through an informal invitation prior to the formal tender process so prospective market operators can put forward their thoughts, ideas and aspirations potential operators can request changes which may make them more inclined to apply.

NW Local Authority

Move towards *Soft Market Test* approach : *Service providers told us*

Lately we have been responding only to the 'Soft Market Test' type Calls, which are associated with bigger and more viable markets. But we have been bitten 6 times on these sort of Calls and we are no longer interested

National markets operator

The risk that you face is that the issuer will sometimes Hoover up all the best ideas and continue to manage the market in house. Or sometimes they will reappoint an incumbent.

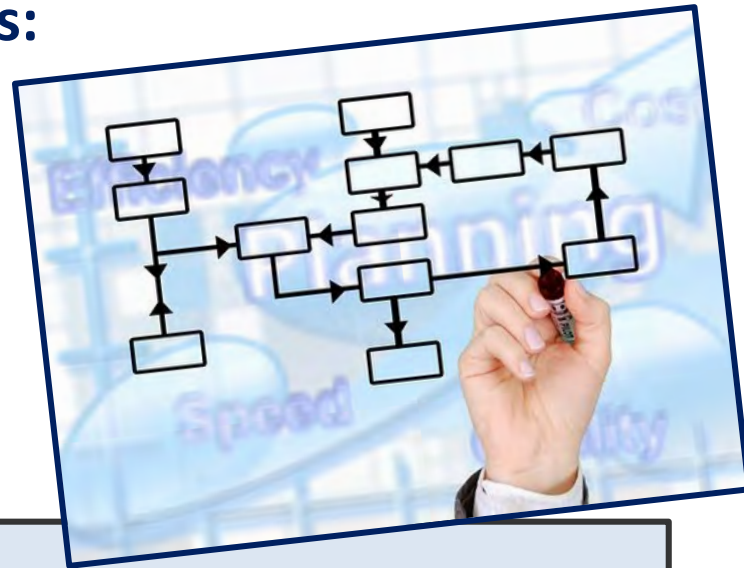
National markets operator

Another problem is the long lapse of time between advertising the opportunity and getting started. It could be as long as 2 years from advert to starting point. In the meantime things change and always for the worse.

The motivation of the markets team declines because of uncertainty, and there may be a drift away of traders

National markets operator

Experience of Service Providers: Process and Marking



Tender documents may be weak, and issuers are **not doing their homework**

Transparency of process and marking is **inconsistent**

Issuers **failing to check** credentials and undertakings

Processes and marking : *Service providers told us*

Best practice issuers seem to follow their published process and marking scheme, and are happy to release the marks awarded, and to give feedback.

With the worst there is no transparency from the issuer or any evidence that they are following their declared procedure.

National markets consultancy

The best systems allow applicants to raise questions through the portal. But the process is laborious and often the answers fail to address the question.

National markets consultancy

Some Calls are weak and poorly informed because the issuer has not put in the homework to form a realistic picture of what is achievable.

The better versions are usually based on good judgement from councillors who might have some relevant business experience, not from officers who lack commercial experience.

Central England markets operator

Material changes are often made to tenders post award without any notification or opportunity for unsuccessful companies to respond. Criteria specified within tenders are often not enforced post award.

South England markets operator

Improving the tenders system

Improving the tenders system :

Service providers are asking for ...

Service providers voice criticism of the system, but struggle to identify viable improvements

Service providers are asking for ...

Better homework by issuers – especially in researching financial projections

Expert input by market professionals into the tender process

Proper testing and **scrutiny of financial undertakings** made by applicants

Confidentiality requirements must apply in both directions ie **respect IP and ideas** exposed by applicants

More realistic assessment of potential value of markets

Improving the tenders system : Service providers

The solution would be for issuers to find a less rigid system that still maintains confidentiality. Also issuers should test how sound their invitation is by running it past people with real experience of the market place.

National markets consultancy

Issuers need to be much more transparent and more realistic on financials and projections.

They should do their homework better to give a clearer impression of the performance of the market.

National markets operator

Whilst I don't have any magic bullet for improving the tenders system, I would advise anyone intending to pitch to take advice from Nabma

Central England markets operator

Issuers are more content with what the system is delivering

On balance Issuers are **happy with outcomes** from the tender system, in spite of weak numbers

Issuers are asking for

Effective route to **reduce high attrition** from EoI to compliant submissions

Flexibility to avoid requirement to appoint unsound applicants

System that enables integrity, but with opportunity to help applicants to be **'tender ready'**

Need for **information and performance research** to assure applicants

Improving the tenders system : Issuers

Bidders may see risk in tendering if insufficient evidence of past performance is available. Our process commenced at a time when service performance was positive, but this positive position could not be evidenced over previous years.

Midlands Council

Our route to market did not yield any results, if we had carried out some research to identify how other councils/organisations had successfully identified their route to market we may have been more successful.

North East City Council

A feedback questionnaire to those who expressed interest but did not bid should be considered.

Midlands Council

Improving the tenders system :

Issuers

N/A !!!

South East Council

Allow plenty of time for the process as it can be lengthy.

Ensure you have as much information as possible to hand to give to prospective tenderers.

Ensure you have the backing of Ward Members/Parish/Town Councils.

Northern District Council

The Council is willing to assist local firms to become 'tender ready'; however for the markets sector the need is only occasional, so it's not possible to justify putting resource into it. Councils do have an obligation to support local businesses - so I advise firms struggling to apply via the tender system to ask their local council to support them.

Midlands Council

Improving the tenders system :



Thanks to Nabma for their support for this work across the last 2 years

Thanks to Geraud Markets and especially Jack Christopher for sharing their database of tenders issued

Thanks to you all for your attention today !

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