Tenders, biddings, Requests for...

How customers get what they really need

Presenter:
Thomas Hayk
Hitchensen AG, Zürich
Purpose of the next 45 minutes

• Tenders and biddings today

• Risks and threats in today's practice

• A new way to choose the right supplier

• Discussion
Presenter

Email: Thomas.Hayk@hitchensen.com
Twitter: @HitchensenPROs
Phone: +41 79 256 57 89

- 11 years procurement
- Consulting and training company since 2011
- SMEs as well as corporations
- How to manage CUSTOMER relationships
- How to manage SUPPLIER relationships
Why do procurement organizations exist?

Assumptions: Share of Material cost is 60%, Direct Influence (€1 Cost reduction = €1 Profit)

Source: Fachzeitschrift "Beschaffung aktuell"
Tenders and biddings today

Products for manufacturing / direct material

• Standard components such as screws
• Customized parts such as housings

• Characteristics
  o Stable requirements
  o Manufactured with repeated processes
  o Right machine, right processes make the difference
Tenders and biddings today

Products for manufacturing / direct material

*RFx = placeholder for Request for Information, Proposal or Quotation

How customers get what they really need - Thomas Hayk, Hitchensen AG, Zürich
Tenders and biddings today

Systems

• Software such as Content Management Systems
• Software development

• Characteristics
  o Changing requirements
  o Project character, one time demand
  o Human factor makes the difference
Tenders and biddings today

Systems

Company → Need → Idea, user requirements, interfaces → Tender specification → Buying Center → RFx* → Negotiation → Offer $ → Supplier

How to compare?

Order → Project

*RFx = placeholder for Request for Information, Proposal or Quotation
Risks and threats in today’s practice for systems and services

- Missing support
- Changing requirements
- Requirements not defined

- Tender specification

- Innovation missed
- No participation
- NCC (Non-conformity)

How customers get what they really need - Thomas Hayk, Hitchensen AG, Zürich
Risks and threats in today’s practice for systems and services

• Comparing apples with pears
• Requirements changing (very likely!)
• Requirements not defined
• Missing support by user
• Most suitable supplier does not participate in tender
• Choosing the wrong supplier
  • NCC (Non Conformity Cost)
  • Missed innovation
What to do?

1. Accept the fact that
   • requirements for innovative and complex systems and services cannot be sufficiently described that the desired outcome is secured
   • therefore a comparison of prices and answers to long tender specifications cost too much time, money and lead to the wrong result

2. Find a way to deal with uncertainty
What to do?

"Everything that can be counted does not necessarily count; everything that counts cannot necessarily be counted"

*Albert Einstein*
Conduct concept competitions

Choose concept and start project

Order (step by step)

Project

Performance spec. based on Idea, requirements

Offer $ + concept

Technical clarification

Concept competition

Buying Center

Detailed Tender Specification

Idea, user requirements, interfaces

Need

Company

Supplier
Key take-aways

1. – Don’t incentivise cost savings
2. – Don’t measure quality with certificates
3. + Do conduct concept competitions and involve suppliers in an early stage
4. + Do staff the team right
5. + Do have fair (real! win-win) contracts
6. + Do foster "baking" more than "eating"
Thank you for your attention

Thomas.Hayk@hitchensen.com
+41 79 256 57 89
@HitchensenPROs
Discussion

What is your experience?

What is your opinion?