

GOING OUT TO TENDER - THE CONTRACTUAL PROCESS

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This paper examines the work involved in tendering for serials supply. It looks at what to take into account when selecting agents to invite to tender, what is involved in drawing up the tender document, and the process of negotiation and the awarding of a contract.

Before we start analysing the phases in tendering, it might be useful to look at what is meant by tendering: first of all what the textbook says and then putting what the textbook says into lay terms.

According to the textbooks, "tendering is the procedure by which potential suppliers (agents) are invited to make a firm unequivocal offer of the price and terms which, on acceptance, shall be the basis of the subsequent contract".

What does this mean to the lay person? We, the customers, have a definite requirement in terms of what we want. Suppliers/agents are invited to give us a firm price for what we want on our terms. Should the supplier/agent accept our terms and requirements, they are then bound to supply, under the conditions of the invitation to tender to supply (ITT), at the price they have tendered.

Having looked at what tendering actually means, we can now turn our attention to the phases involved in tendering (Figure 1).

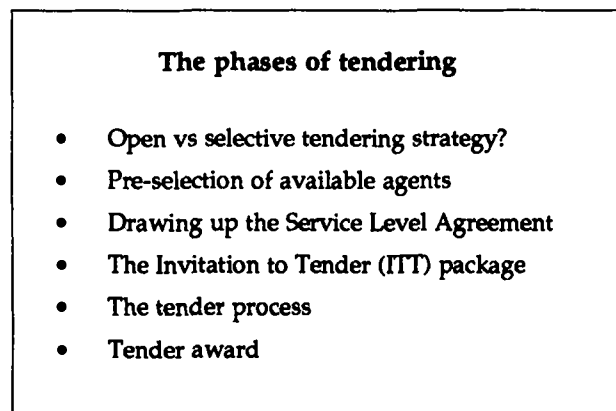


Figure 1: The phases of tendering

The first decision is the choice between open and selective tendering. The key difference between the two is that under open tendering all prospective agents are invited to tender in reply to a public advertisement, whilst under selective tendering a short list

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is drawn up of prospective agents either in reply to a public advertisement or using a pre-selection approach.

Before concentrating on the use of a selective tendering strategy, as this is what is employed wherever possible within the pharmaceutical industry, I would like to give you an insight into some of the implications of open vs selective tendering.

Open tendering provides the most public accountability as everyone and anyone has the opportunity to submit a tender. This can, however, in my opinion lead to an increased burden on the decision-making process with the potential receipt of an enormous number of tenders. Selective tendering gives less public accountability but can if carried out effectively give the same results as the open tendering approach with significantly fewer overheads involved in tender issue, management and review. Having decided which strategy to adopt, we should then look at where we can find all these potential agents, who are looking for our business (Figure 2).

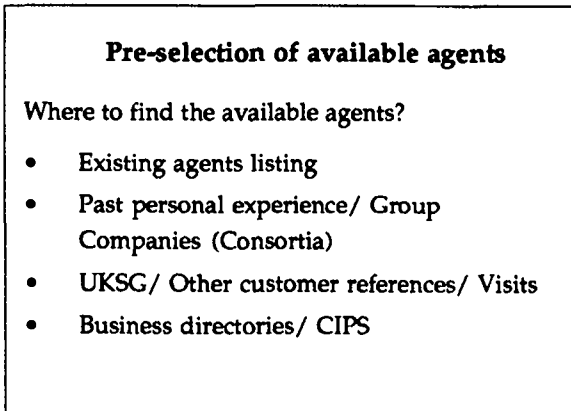


Figure 2: Pre-selection of available agents - where to find available agents

We may wish to look at the existing listing of agents which is held by our company, library or consortium. Past personal experience or the experience of other organisations may be sought, perhaps by attending conferences or through customer references. Business directories may be a useful source and contact with the Chartered Institute of Purchasing and Supply could produce further advice. Having decided which agents we would like to review, we must now look at the considerations to be taken into account

when deciding who will be invited to tender (Figure 3).

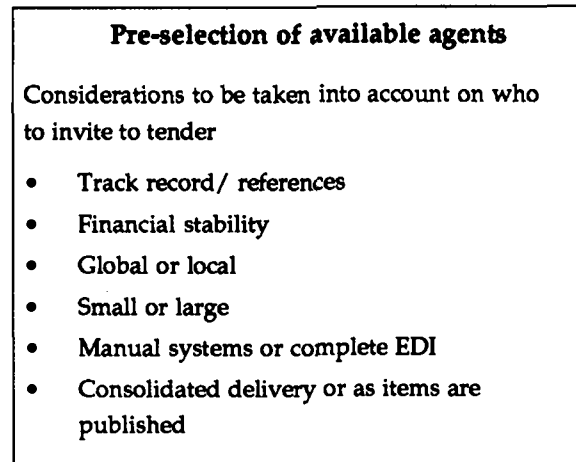


Figure 3: Pre-selection of available agents - considerations

Our starting point will probably be agents' track records with our company or library and the taking up of references. Second hand information tends to be very subjective but when reviewing first hand experience it is possible to be objective, as you will be able to quantify the occurrence of late deliveries and the length of time required by existing agents to set up new subscriptions.

Financial stability of the potential agents is an essential consideration as it would not be too clever for us to have paid out large sums of money to an agent only for them to then go into liquidation. On-line financial data is available covering the latest company accounts, or potential agents can be asked to send us a copy of their latest audited financial accounts.

We must then decide with what type of agent we wish to deal: one who has global capability or one who is local. Organisations like Glaxo Wellcome may prefer to choose a global agent with offices in each country, so that we can ensure a local commitment to problems in each country. There is also the choice between a small or a large agent. We may not wish to create a financial and logistical burden on a small agent by giving them an account the size of Glaxo Wellcome.

The systems used by agents need to be assessed in relation to those which we use. If we have a manual system, we may not wish to implement complete EDI or be capable of doing so.

Therefore, the agents chosen must suit local needs. Similarly there will be a choice between consolidated delivery and delivery direct from the publisher. With consolidated delivery there is the advantage of reduced delivery costs, whilst journals delivered directly should reach the end user more quickly.

Having decided which agents to invite to tender, we can now consider the most crucial element of any invitation to tender, the service level agreement or, as I would normally refer to it, the specification, and how to draw one up in a way that it will stand the life of the contract (Figure 4).

Drawing up the service level agreement

Who should be involved?

- The librarian/user
What is the requirement
- The potential agent
What can be supplied
- The purchasing officer
What can be negotiated for the organisation

Figure 4: Drawing up the service level agreement - who should be involved?

The librarian and the user will define their requirements, with advice from the potential agent on what can be supplied, and the purchasing officer will look at what can be negotiated for the library/company between what are the desired requirements and what can actually be supplied by the agent.

The process of drawing up a service level agreement (Figure 5) begins with a draft version. This can be classed as our shopping list to be fulfilled. Unfortunately, as with all shopping lists, there are some items you cannot afford, others which are not available, and other items which, when you go to look at them, are not what you really wanted anyway. This leads to a review of the draft service level agreement which should be carried out in conjunction with one or two potential agents to ensure that we have not come to the wrong type of shop with our shopping list. After a review of the requirements, we can then

put together our final service level agreement for issue with the invitation to tender package.

Drawing up the service level agreement

What is involved?

- Draft service level agreement
- Draft service level agreement review
- Final service level agreement for issue with ITT package

Figure 5: Drawing up the service level agreement - what is involved?

When putting together a good service level agreement there are key elements that will avoid disputes between the agent and library/company (Figure 6).

Drawing up the service level agreement

Key elements in any good service level agreement

- Unambiguous targets
- Achievable targets
- Measurable targets

Figure 6: Drawing up the service level agreement - key elements

The first key element is that all the targets which have to be met must be unambiguous. There is no point in going to a car showroom, asking for a red 1 litre car to be delivered and then being upset when a saloon arrives at your front door instead of the estate that you were expecting (not to mention what make of car has been delivered). Equally the targets must be achievable. There is again no point in going to the car showroom with £1,000 in your back pocket and expecting to come away with a Rolls-Royce. Finally the targets must be measurable. The car you require needs to go from 0 - 60 in 2.5 seconds, whilst pulling a caravan and still give 50 miles per gallon. All these are easily measurable

but I would suggest that the combination just might be unachievable.

With the service level agreement finalised it is time to construct the invitation to tender package (Figure 7).

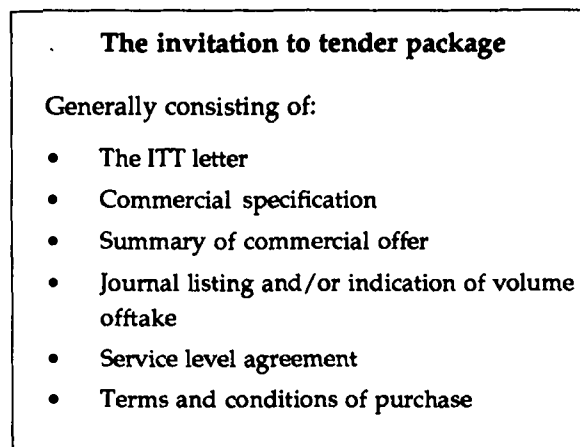


Figure 7: The invitation to tender package

An invitation to tender package will generally consist of a covering letter, which includes such details as: timings for tender return and review meetings; contacts for technical and commercial queries; the requirements that the agent should take into account when tendering, e.g. validity period; a listing of the documentation enclosed within the invitation to tender; the address to which the agents tender documentation has to be submitted, and instructions on how it has to be submitted.

The commercial specification should cover such points as: the format in which you would like to receive tenders from the agents, i.e. how does the agent propose to meet your requirements, the reasons why the agent believes they should be selected etc.

Contained in the tender package should be a summary of commercial offer which will allow the agents to submit, their tender costs in a standard format, so that an 'apples for apples' comparison can be made between each agent with regard to price.

Known journal requirements for the next year can be specified in a journal listing with an indication of volume offtake for any uncertain/ unspecified requirements.

We can now add our service level agreement to the package and the whole package would

normally be wrapped up with the inclusion of our terms and conditions of purchase. With the invitation to tender complete, it is time to consider the mechanical process involved in issuing, receiving and reviewing tenders (Figure 8).

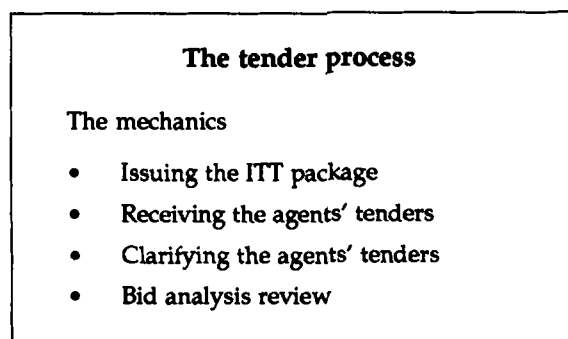


Figure 8: The tender process

All invitations to tender should be issued at the same time to each agent, or the potential agents may be asked to collect them after a certain date and time. This gives each agent an equal chance of submitting their tender on time. Normally a covering identifiable envelope, which must be used to submit their tender, will be issued with each agents ITT package.

Once the tender package has been issued, we can sit back and wait until the tenders arrive, or that is what would happen in an ideal situation. There will, however, be queries which need to be clarified before submission can be made by the agent. At this point it is important to ensure that each agent is kept up to date with any changes made to the invitation to tender package which could materially affect their submission. Again, a consistent approach should be maintained.

All tenders should be received on a specific day at a specific time under sealed cover to ensure that no impropriety can take place. Any tenders not received by this date and time would normally be rejected. Tenders should be opened as soon as possible after receipt normally in the presence of at least three people. (Within Glaxo Research and Development Company Purchasing this would be carried out by the Purchasing Officer, the Librarian and the Information Services Specialist.)

As the tenders are opened a summary of tenders sheet is filled in, taking all the

information from each agent's summary of commercial offer and transposing it so that a direct comparison can be made, whilst clarifying each agent's tender submission. Each participant in the opening ceremony then signs the summary of tender sheet and each agent's summary of commercial offer, in order to ensure that a record is kept of what costs were submitted by whom and who was at the tender opening.

The penultimate stage in the tender process is to conduct a bid analysis review. This may involve some form of objective measurement being carried out on the tender submissions, using a rating scheme approach to analysis. By this method the field of potential agents is narrowed down at this stage and two or three can be invited to make presentations on their tender submissions so that it is easier to decide which of those on the short list will provide the best service. The decision may, or may not, take account of any additional services offered by each agent. Visits to the offices of each agent might be considered so that a further assessment of each agent's merits and demerits can be made.

After completion of the analysis comes the decision on which agent to progress with and the

formal process of the tender award. The tender award may mean placing an order for x-years' requirements of journals, or putting together an agreement which stipulates a commitment to journal offtake with the successful agent for 'x' years. Whichever method is adopted it will involve the library/company in a commitment based on what was initially detailed in the invitation to tender and in any subsequent documentation received from the successful agent.

Having decided who will be the successful agent and having informed them of the fact, the unsuccessful agents should be advised in writing of the reasons why they have been unsuccessful. This may be because the service that they were willing to supply did not fit with the requirements, or because they could not guarantee to meet expectations or their cost structure did not match expectations.

Finally, when the tender has been awarded, the agent's performance must be monitored and reviewed.