INNOCAT

PROCUREMENT OF ECO-INNOVATIVE CATERING

A COLLECTION OF GOOD PRACTICE CASES

ENGAGING THE MARKET IN PUBLIC PROCUREMENT

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Engaging the market in public procurement

A collection of good practice cases

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About INNOCAT:
INNOCAT aims to help encourage eco-innovation in the food and catering sector by providing a sizeable launch market for new solutions. The project brought together public and private buyers to publish a series of tenders for eco-innovative catering products, services and solutions. More information: www.sustainable-catering.eu Email: procurement@iclei.org

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Introduction

In the past years, the European Commission has made major efforts to promote public procurement as a driver for sustainable innovation among its Member States. A number of reports have been published to encourage the procurement of innovative solutions, barriers have been identified, and guidance and tools have been developed.

However, pursuing an innovative approach is a process that involves, by definition, a higher degree of risk and uncertainty compared to choosing for a proven solution.[1] Public procurers willing to innovate are often faced with numerous difficulties and constraints that prevent them from adopting a culture of innovation as part of their organisation's philosophy and behaviour. Among these, the lack of interaction between the different stakeholders involved in the procurement value chain and a poor management of risk during the procurement process are often the most common barriers reported by procurers and suppliers.[2]

Although the risks associated with innovation cannot be removed entirely, they can be reduced and controlled. The major condition to manage risk is a change of attitude, embracing and enabling innovation in procurement, not at all costs, but supported by conscious and well designed risk management.

Early market engagement has been identified as one of the most important processes that reduce the risks of innovation in the public sector. By working closely with potential suppliers, it is possible to communicate more accurately the needs and requirements, understand what is feasible in the market and stimulate it to deliver better products and services. Conducting frequent market dialogues is also a way of reducing the main risks of procurers willing to innovate, such as obtaining no reaction from the market in response to a procurement process, or having a situation where bidders fail to understand the requirements specified and the innovations sought.

This collection of good practice cases seeks to assist public procurement professionals in conducting effective market engagement. They aim to increase confidence in conducting market engagement activities, and provide evidence in how effective these activities can be.

There is a perception among many public procurement professionals that engaging with the market endangers transparency and introduces bias into the procurement process. However, conducted appropriately, market engagement can be delivered well within the bounds of the European Union's Directives on Public Procurement, as shown by the examples in this collection of good practice, and can deliver significantly improved outcomes for a given purchase.

The case studies in this collection present a range of approaches, which can be used for engaging the market in different circumstances and for different purposes, including the following: market sounding questionnaires, innovation prospectuses, supplier events and online platforms. Not every approach will be suitable for every procurement, and not every procurement will require market engagement. This collection shows what can be achieved when the right methodology is used in the right circumstances.

[1] *Introduction to Risk Management in the Public Procurement of Innovation (2014). www.innovation-procurement.org*
[2] *Barriers to innovation through public procurement: A supplier perspective (2014), www.sciencedirect.com/science/article/pii/S0166497214000388*

Case study summary

Below is a brief summary of the four case studies which can be found in this collection:

Purchasing low carbon vending services by the University of Sheffield (United Kingdom)
The University of Sheffield recently used a Forward Commitment Procurement (FCP) approach to encourage innovation in the vending services market. Their procurement aimed to contribute towards their carbon reduction strategy. The market engagement activities included publishing a market sounding prospectus and questionnaire, running a supplier meeting, and conducting the procurement using a Competitive Dialogue process.

Developing a robust approach to engaging the food market in Copenhagen (Denmark)
The Municipality of Copenhagen had a target of serving 90% organic food in its public kitchens by 2015. To achieve their goal, the Municipality needed to understand and stimulate the market for organic produce. Over time, Copenhagen has developed a comprehensive methodology for keeping an open dialogue with the market, which has delivered significant outcomes, and has aided in the development of a category management approach.

Engaging the market for innovative fire service vehicles through the European FIRED-uP project
What will fire engines and support vehicles look like in 2050? To answer this question, the London Fire Brigade and the Fire Brigade of Ghent (Belgium) needed to engage with suppliers in the vehicles sector and beyond. The two fire brigades used prior information notices (PINs), market sounding questionnaires and open days, to engage the vehicles and telematics suppliers. The resulting innovations have helped the two brigades to achieve their strategic aims.

Using Market Engagement to support demand driven innovation and healthy ageing through the European HAPPI project
The HAPPI project took a very different approach to market engagement. Rather than starting with a specification, any and all kinds of innovative solutions were considered on the condition that they assisted in healthy ageing. Through the use of an online platform, the project consortium sought input from suppliers and procurers to understand the range of solutions the market could offer. The online platform was promoted at a series of market information days that were held across Europe.

Forward commitment procurement for low carbon vending machines

Lead procurer: University of Sheffield
Buyers group: Johnson Matthey Fuel Cells, Bedford College, University of Huddersfield, University of Birmingham, University of Bradford, University of Sheffield Students' Union, University of Leeds, University of Manchester, Swindon University Technical Colleges, Rotherham NHS Foundation Trust, University Hospital of North Staffordshire NHS Trust, Dublin Institute of Technology (Ireland) and the Central Procurement Company of Lombardy Region (Italy).
Support from: JERA Consulting Ltd.

Can committing to future procurement stimulate eco-innovation in the vending services market?

3.1 SUMMARY OF THE APPROACH

This procurement closely followed the Forward Commitment Procurement (FCP) approach to Public Procurement of Innovation (PPI). This approach seeks to actively manage and minimise risks for buyers and suppliers.

An initial outcomes-based specification was further developed and refined through three phases of market engagement:

1. Prior information notices (PINs) with a market sounding prospectus and questionnaire
2. Supplier meeting
3. Competitive Dialogue process

3.2 OBJECTIVES

The University of Sheffield wanted to use the opportunity of retendering their vending services concessions contract1 to fundamentally rethink their vending requirements, contract structure, simulate eco-innovation and explore alternative service delivery methods.

The contract needed to:

- Meet the current and future vending needs of the customer population and clients
- Deliver continuous improvement in both operational and embodied carbon
- Deliver a net positive income stream, based on whole life cycle costs (WLC)

As a service which is procured by a range of organisations, the University of Sheffield looked to build a substantial buyers group to increase their leverage in the market. The members of this buyers group were not to be parties to the contract, but helped to further encourage the market to innovate.

Although the University of Sheffield had not undertaken this style of market engagement in the past, the Head of Procurement wanted to try a new approach. To assist in the delivery of the market engagement and wider PPI project, the University sought the services of JERA Consulting who had past experience in the FCP approach.

3.3 THE MARKET

The vending services market consists of over 10,000 companies across Europe, providing a massive 3.7 million vending machines. Suppliers are both local and multinational, varying hugely in size from specialist small and medium sized enterprises (SMEs) to large companies, such as Coca Cola Enterprises, and Lucozade Ribena Suntory.

This market has experienced limited innovation over recent years, particularly in the area of energy efficiency. The vast majority of vending services suppliers do not manufacture their own vending machines and this was cited by

suppliers as limiting their ability to innovate. The University had previously procured concessions contracts for vending services, which had consistently resulted in the incumbent supplier being awarded the contract.

3.4 PROCESS FOLLOWED

Preparation
Initial desk based research was undertaken by the Procurement Team to understand what was available on the market at the time. To assist with this process, the European Vending Association was contacted for information. Extensive internal consultation was conducted to assess the needs of service users. A cross departmental project team was established to steer the procurement and a survey of staff and students who used the campus was undertaken. This survey reinforced the importance of healthy and low carbon options in the vending services provision.

Following this consultation, a basic outcomes-based specification was produced.

Market sounding prospectus and questionnaire
The outcomes-based specification was shared with the market as part of a market sounding prospectus and questionnaire. The questionnaire sought a structured response

to inform the rest of the market engagement process and specification. The key questions covered:

- The supplier's current offering
- Views on innovation in the sector
- Barriers to innovation
- Views on the FCP approach
- Inviting the supplier to ask questions of the project team

Potential suppliers were given six months to respond to the questionnaire to ensure that all potential suppliers were given an opportunity to participate. In total, 15 responses were received.

Company Directory published
At this stage, a list of companies who had responded to the market sounding questionnaire was published online along with their basic company information. The aim of publishing this list was to encourage collaboration between the companies to innovate and meet the University's needs.

Supplier meeting briefing paper
On completion of the market sounding, suppliers who had responded to the PIN were invited to a supplier meeting. A briefing paper was used to invite suppliers to this event, which gave: the agenda, topics/questions to be addressed, an updated outcome-based specification and feedback on the responses to the market sounding questionnaires.

The supplier meeting was held on site at the University of Sheffield, which enabled a site visit to take place later in the day. 13 suppliers attended the supplier meeting that, it is felt, greatly assisted with formulation of the final specification and tender documents.

Presentations were delivered by a range of internal stakeholders and suppliers were given the opportunity to input through a structured and facilitated workshop in the afternoon.

The meeting allowed the University to:

- Test their outcome based specification with the market
- Seek views from potential suppliers as to how their specification might be met
- Feed back to the market on the results to the market sounding questionnaire

It also allowed potential suppliers to:

- Gain a greater understanding of the University's needs
- Have an input into the final outcomes-based specification
- Conduct a site visit
- Meet other potential suppliers
- Understand the likely timescales for procurement

The University experienced no issues from the suppliers meeting, which was conducted in an open setting with their competitors. They expressed that the exercise did not limit the concepts and ideas put forward, and that the process would not have benefitted from individual one-to-one meetings with suppliers.

Market engagement report
Following the supplier meeting, a Market Engagement Report was published prior to issuing the Pre-Qualification Questionnaire (PQQ). This report detailed all of the findings from the market sounding questionnaire and supplier meeting. It also addressed in writing the questions raised by potential suppliers in responding to the questionnaire. Publication of this report helped in maintaining fairness and transparency prior to commencement of the procurement.

3.5 RESPONSE TO MARKET ENGAGEMENT

In both the market sounding questionnaire and supplier meeting, the potential suppliers were asked to propose innovations to meet the carbon reduction requirements of the specifications.

Suggestions included:

- Use of LED lighting
- Intelligent storage
- Changes to refrigeration gases
- Telemetry to monitor stock levels

- Insulation
- Smarter transportation and route planning for stocking and maintenance
- Combi machines
- Flash boilers

Many of these suggestions were already being delivered, in part, by some organisations but were not industry standard. Others required adaptation from other sectors in order to be viable in the vending services market.

Perceived barriers to innovation included:
- Short-term contracts
- Long payback periods
- Had to be demand led
- Initial capital cost
- Risk associated with investment

Although the overarching aim of the outcomes-based specification was understood by the market, providers had different interpretations as to how it might be achieved. Some suppliers maintained a strong focus on the energy efficiency of the machines themselves, whilst others included a much wider definition, including the carbon intensity of products offered in the machines and transport for stocking/maintenance.

Helpfully, the supplier meeting allowed suppliers perceptions of the possibilities for carbon reduction to be broadened. This could not have easily been achieved through a desk-based market sounding exercise.

3.6 CONSTRAINTS AND/OR CHALLENGES

Involving all internal stakeholders was essential if the University is to rethink its requirements effectively. However, the additional internal resource required to engage in PPI proved a challenge in the co-ordination of the project team. PPI requires a slightly different skill set to standard procurement and this took time to build within the procurement function and the wider project team.

3.7 TIMELINE

Planning started: March 2013
PIN published: March 2014
Prospectus issued: March 2014
Supplier meeting: November 2014
Engagement concluded: December 2014
Procurement launched: February 2015
PQQ return: March 2015
Competitive Dialogue started: June 2015
Best and final offers due: Summer 2016
Contract awarded: September 2016

3.8 DOCUMENTATION

- PIN
- Market Sounding Prospectus
- Market Sounding Questionnaire
- Company Directory
- Supplier Meeting Briefing Paper
- Market Engagement Report

3.9 OUTCOMES

The Contract Notice for the procurement was published in February 2015 and was broken down into three Lots:
- Lot 1 – Cold drinks
- Lot 2 – Hot drinks
- Lot 3 – Confectionery/Snacks

In all Lots, the energy consumption of the vending machines over the life of the contract was scored as part of the commercial considerations.

As was intended from the start of the supplier engagement, a Competitive Dialogue process was undertaken. Following submission of the PQQs, 11 suppliers were invited to take part in the dialogue process, of which nine accepted the invitation. This number is significantly higher than would have been expected if no supplier engagement had been undertaken. However, some of the companies who submitted PQQs were not involved in the market engagement.

In response to the feedback from the market, the contract length was extended to three plus three plus three (3 + 3 + 3) years. This extension aims to help suppliers to justify investment to achieve innovation in line with the outcomes specification. This contract structure will be used to incentivise continuous improvement through the use of key performance indicators, particularly in the area of carbon reduction.

Although the procurement has not yet concluded, the project team are certain that the FCP approach and a robust supplier engagement process will lead to an innovative outcome which meets their needs. Importantly, the service purchased will be significantly less carbon intensive than the incumbent provision.

The additional internal focus, which was required on cross-functional working to deliver robust market engagement has proved a real learning point for the University, who intend to use cross-functional teams on a wider range of future procurement projects.

3.10 NEXT TIME...

As carbon reduction is new for the vending services market, it is felt that a training session for the interested suppliers on the University's understanding of carbon would have been beneficial. This training session could also have been used to clarify the University's commitment to carbon reduction and how the vending services contract could assist in meeting that commitment. This would enable the market to "speak the same language" when it comes to carbon and carbon reduction. The University would also look to sign prospective suppliers up to a "Carbon Commitment" should they be awarded the contract to further emphasise the need for continuous improvement.

Further information

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Developing a robust approach to engaging the food market in Copenhagen, Denmark

Authorities involved:
Municipality of Copenhagen

For many contracting authorities the idea of market engagement is a new concept; in Copenhagen their approach has developed gradually over a number of years.

4.1 BACKGROUND

Changes to processes, procedures and approaches to procurement are often led by individuals who can see the benefits of doing things differently.

Betina Bergmann Madsen leads on the procurement of food at the Municipality of Copenhagen Denmark, a role which she has held for seven years. Betina quickly identified market engagement as vital to support effective public procurement.

The ongoing dialogue which she conducts with the markets she procures from gives her an impressive insight into the ability of those markets to innovate.

This case study asks: what can others learn from how Betina's approach to market engagement has developed?

4.2 OBJECTIVES

The Municipality of Copenhagen provides approximately 80,000 meals each day to a range of locations including nursing homes, elderly homes, schools, day-care centres and homes for people with learning disabilities. The Municipality has ambitious targets for healthy eating and the use of organic ingredients. Although many contracting authorities are now buying catering as a service, Copenhagen see food as so central to health and wellbeing, that they continue to procure ingredients which are cooked in Municipality owned kitchens.

Engagement with this market has been conducted to meet two basic objectivities:

1. To allow the Municipality to fully understand what the market is able to deliver and what value for money looks like;
2. To allow the market to understand the needs of the Municipality and how those needs are changing over time.

These key objectives have, in turn, led to valuable outcomes for the Municipality:

- Innovation
- Enhanced sustainability
- A trusting relationship with the suppliers in the market

Of particular interest in this approach is the communication with the market during the drafting of the tender documents and the live procurement process.

4.3 THE MARKET

The raw ingredients markets are numerous and complex, including local and multi-national suppliers - large and small. The Municipality tries wherever possible to encourage SME participation in their procurement processes using a number of techniques including:

- Keeping contract requirements flexible where possible;
- 'Lotting' of larger contracts;
- Structured communication during the procurement process.

4.4 SUMMARY OF THE APPROACH

The approach used by Copenhagen can

be broken down into three main stages of engagement: the needs assessment, drafting the tender documents, and the procurement process.Over time this has developed significantly. Initially, the main focus was on the needs assessment, however as opportunities to engage later in the process were identified, these have been used and replicated in other procurement processes.

The newest developments in Copenhagen's approach are, where necessary, having individual supplier meetings in the needs assessment stage, and conducting a supplier information day following the publication of the Contract Notice in the procurement process.

4.5 PRACTICAL EXAMPLES

This section presents two recent examples which show how effective this approach can

Needs Asessment

- Engage with internal stakeholders to understand the need
- Engage with the market to understand what it can deliver
- Articulate that need to the market to align expectations

Drafting Tender Documents

- Complete first draft of the Tender Documents
- Conduct a "Market Hearing" to give suppliers an opportunity to comment on the Tender Documents
- Respond to the market's feedback
- Meet with the market (if necessary)
- Publish a public summary document on the engagement

Procurement Process

- Complete final draft of Tender Documents
- Publish Contract Notice
- Conduct Supplier Information Day (10 days after publishing)
- Conduct separate clarification day (if necessary)

be: procurement of meat, and procurement of seasonal fruit and vegetables. Focus is given to different elements of the market engagement process in each example

1. Innovation in the meat market in Denmark

Background and issue
As the demographics of a Municipality like Copenhagen change, so do the dietary requirements of its citizens. As Muslim populations have increased, the requirement for Halal meat has also increased in Copenhagen's public kitchens.

For the Municipality this created some conflict with its target of 90% organic food to be served. Is it possible to serve Organic Halal meat?

Market and stakeholder engagement
In 2012, 18 months before the next anticipated meat purchase, when the Municipality realised this future issue, the market was engaged for a solution. This long lead time allowed both the market to innovate and time for the political will to build, driving the initiative.

Initial supplier meeting
Market engagement was started by carrying out a meeting with potential suppliers. This meeting was advertised on the Municipality's website, and via the appropriate works unions and supplier associations. The meeting was structured with a presentation on the need, followed by an opportunity for suppliers to feedback ideas and concerns through an open forum.

A solution was not forthcoming in the first meeting. The clear message back from the market was: "it's not currently available, and it cannot be done".

This response was broken down into two separate issues, by Copenhagen. The fact that it was not currently available was not of concern to the Municipality, but they needed to be sure it could be done.

National policy makers were engaged on the question: could animal welfare issues associated with the production of Halal meat be overcome in order to certify it as organic? This essential stakeholder engagement came to a positive solution which was relayed back to the market for further discussion.

Again the message which came back from the market was negative. As the response from the market was so negative, it was not felt reasonable to make Organic Halal meat a mandatory element of the upcoming specification. To force the hand of the market, Copenhagen committed to awarding extra points to providers who could offer Organic Halal meat. The market was notified of this development.

Sharing of tender documents prior to advertisement
To the Municipality's surprise, when the tender documents were shared with the market via their website, prior to advertisement, assurance was given by suppliers in email communication that the requirement for Organic Halal meat could be met. No further changes were made to the documents.

Outcomes
When advertised, there were four responses to the Lot for Halal Organic meat. The market had indeed innovated to meet the new need.
The Lot was won by a large wholesaler; no responses were received from SMEs. It is thought that on this occasion, larger suppliers were better placed to innovate as a result of their relative strength over their own supply chains.

After signing the contract, a meeting was held between Copenhagen, kitchen staff and the new supplier. This meeting was used to set expectations around the contract. In the meeting the Municipality shared an Easy Read Manual which explained the rights and duties detailed in the contract. The contract was awarded and helped the Municipality to reach its 90% organic food target in 2015.

Timeline
Needs assessment supplier meeting: May 2012
Kitchens working group meeting: August 2012
Kitchens review tender documents: September 2012
Suppliers review tender documents:

October 2012
Contract Notice is published: August 2013
Contract Award Notice published: October 2013
Contracts are signed: October 2013
Kitchens meet successful supplier: October 2013
New contract in operation: November 2013

2. Encouraging diversity and seasonality in the procurement of fruit and vegetables

Background and issue
In 2013, the Municipality of Copenhagen decided they were not willing to tolerate the significant environmental impacts of consuming food which was out of season.

Consequently, the Municipality needed to design a procurement requirement, which would ensure the seasonality of the food being supplied to them. The focus on seasonality was likely to lead to a greater number of varieties of fruit and vegetables being provided.

Market and stakeholder engagement
Learning from their experiences running the Organic Halal meat procurement, the Municipality added additional steps into the market engagement process, which included individual supplier meetings in the pre-procurement stage, and a supplier information day once the Contract Notice had been published.

Individual supplier meetings

These meetings were held in a structured way, with the same set of questions asked of all suppliers. The questions included:

1. Give us your thoughts on where the market currently is in terms of innovation in this area
2. How do you think the seasonality of fruit/ vegetables can be reflected in this tender?
3. Have you seen best practice tender materials published by other contracting authorities whom we can learn from?
4. Please give us your feedback and thoughts on our former tender documents. What can we do differently?

The questions were asked by a panel of staff from the Municipality to ensure fairness, and comprehensive notes were taken and published for transparency purposes. The suppliers were asked to declare the parts of their responses, which they deemed were commercial in confidence.

These individual supplier meetings were very effective, and it was felt that additional ideas were gained which would not have been forthcoming in an open forum. The meetings were resource intensive, but in the case of this large tender, were felt to offer value for money.

Supplier information day

This was held approximately ten days following publication of the Contract Notice, and served two main purposes:

1. To explain the specification and tender documentation to suppliers in simple language through a presentation from the Municipality of Copenhagen
2. To give an open opportunity for tender clarifications at an early stage in the tendering process

The Municipality expects that information provided during the procurement, at events like this, helps to significantly increase the number of smaller organisations confident to tender. Explaining the complex process is of great benefit to those organisations that are not used to tendering for public sector contracts.

Presentations from the day, notes from open discussions, and formal clarification responses were shared with the wider market online at the opportunity possible following the event.

Outcomes

As a direct result of early market engagement, the Municipality was able to design a 'seasonality wheel' to show which fruit and vegetables they were going to purchase at different times of the year. Importantly, seasonality did not mean 'in season in Denmark', but rather 'in season somewhere in the world at that time'. This helped to ensure fairness and transparency.

Seven tenders were submitted in response to this opportunity, of which only two met all of the requirements due to the breadth of the specifications. The contract was awarded for a two year period with an optional two year extension; subject to satisfactory performance.

Timeline

Kitchens working group meeting: March 2013
Needs assessment supplier meeting: May 2013
Individual supplier meetings: June 2013
Kitchens working group meeting: August 2013
Kitchens review tender documents: September 2013
Suppliers review tender documents: September 2013
Further dialogue with the herb suppliers: September 2013
Contract Notice is published: January 2014
Supplier information meeting: January 2014
Tender abandoned (all bids had errors): March 2014
Contract Notice re-issued: April 2014
Contracts are signed: July 2014
Kitchens meet successful supplier: September 2014
New contract in operation: September 2014

4.6 CONSTRAINTS AND/OR CHALLENGES

The main constraint in delivering this comprehensive approach is staff resource.

The approach is resource intensive but there is a feeling that this is time well spent. The Municipality has never received a challenge where this market engagement approach has been applied.

There is a danger when carrying out innovation procurement that a process might need to be abandoned due to lack of competition. The strong market knowledge, which Copenhagen has gained over a number of years using this approach, has resulted in producing realistic but innovative specifications which have attracted competition.

4.7 CONCLUSIONS

The extensive market and stakeholder engagement which is described in this case study is greatly valued by potential suppliers and service users. The continued development in the Municipality's approach has enabled robust category management and, most importantly, fit for purpose contracts which deliver high quality and value for money.

The ongoing dialogue with the market has led to a trusting relationship. This has enabled the Municipality to innovate with a significantly reduced risk of procurement or contract failure and meet their continually evolving needs.

4.8 NEXT TIME...

The approach to market engagement described in this case study is not yet commonplace across the Municipality. Copenhagen are continuing to develop their approach to market engagement and applying it to different contracts for goods, works and services. The Organic Halal meat procurement showed the potential advantages of breaking down opportunities into Lots. Next time the Organic Fruit and Vegetables contract is advertised, it is the Municipality's intention to break the procurement down into a greater number of Lots to encourage a greater proportion of compliant tenders.

As the complexity of the Municipality's tender documentation is continually cited as one of the main barriers for potential suppliers, work is ongoing to simplify this documentation.

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Engaging the market for innovative fire service vehicles

Authorities involved:
London Fire Brigade and City and Fire Brigade of Ghent (Belgium)

How can a niche market for specialised vehicles be prompted to deliver more sustainable solutions?

5.1 OBJECTIVES

Fire services face unique challenges in making their operations more sustainable. As the climate changes, different types of emergency response are called for, including a higher incidence of flooding and wildfires in some areas. At the same time, fire brigades are being asked to do more with fewer resources and to show leadership in the adoption of green technologies. This is particularly true when it comes to the vehicles they use – which are both highly visible and have a heavy environmental footprint.

What will fire engines and support vehicles look like in 2050? This was the question which London Fire Brigade and the City and Fire Brigade of Ghent, Belgium asked themselves within the FIRED-uP project. To answer it, they needed to engage with suppliers in the vehicles sector and beyond. The project gave them the opportunity to award pilot contracts to develop solutions and test them in an operational setting – in other words: trial by fire.

5.2 THE MARKET

Despite their visibility, the market for fire service vehicles is a relatively small one. Only about 6,000 fire service vehicles are purchased in Europe each year. The sector is dominated by five or six large manufacturers, although many smaller companies form part of the supply chain for bodywork and components. Less than one percent of the heavy goods vehicles (HGVs) bought in Europe each year are bought by fire services. This means that in general fire services buy vehicles which have been designed for other purposes, and then modified to pump water and carry specialist equipment.

Fire engines, unlike other HGVs, do not tend to travel long distances, but they must be available 24/7 and powerful enough to perform a range of tasks. Due to the small size of the market, there is relatively little dedicated research and development (R&D) work carried out for fire engines. One of the ambitions of the project was to identify the areas where further R&D could improve fire engine environmental performance, and to understand the role which both the major vehicle manufacturers and smaller companies providing niche technologies could play in this work. Initial background research identified 21 separate technologies or processes with the potential to ‘green‘ fire engines, from biofuels to electric or hybrid drive trains, and from lightweight bodywork through to better driving techniques.

5.3 APPROACH

Ghent and LFB each selected areas for market engagement based on relevance to their operations, the environmental and business case, innovation potential, and feasibility within the project timelines. LFB decided to focus on the use of telematics, that is, systems which provide data on the way vehicles are being used. With a fleet of over 200 fire engines at over 100 stations, significant efficiency gains can flow from better data, including making the case for alternative fuels. Ghent decided to focus on designing a new second line vehicle to support its frontline fleet, with innovative features.

To engage the market for vehicle telematics providers, LFB published a PIN and Market Sounding Questionnaire. These were sent directly to over 75 companies involved in telematics and information systems, as well as being featured on the project website and in industry publications and at events. Responses to the questionnaire were reviewed and all companies who responded were invited to attend an open day at LFB headquarters. This allowed them to present their ideas and discuss them with key staff and project advisors.

Ghent followed a different approach based on the idea of 'planning poker'– where both internal users and interested companies were invited to score different functionalities for the proposed new vehicle. Ghent also published a PIN and held two engagement sessions with suppliers. More information is available in the project report Informing and Engaging the Market.

5.4 TIMELINE

The timelines for LFB's market engagement were as follows:

Planning started: October 2012
Expert workshop: February 2013
Needs assessment published: March 2013
PIN and Market Sounding Questionnaire issued: May 2013

Open day held: September 2013
Engagement ends: October 2013
Procurement launch: November 2013

5.5 CONSTRAINTS AND/OR CHALLENGES

In parallel to the market engagement, an internal process took place at LFB to garner support for the project and to identify potential barriers to change. This was equally, if not more important than the external process. As an organisation dealing with severe budget cuts, the need to link innovation to operational efficiency was clear.

While valuable experience and knowledge existed within LFB to support the aims of the project, it had to compete with many other demands on the time and expertise of staff. A major re-procurement of vehicles and equipment was also underway. Close cooperation was developed with procurement, fleet management, operations and IT staff in particular. Without this cooperation and understanding, it would not have been possible to launch the market consultation or procurement.

5.6 PREPARATION

This was the first time LFB had run a formal market engagement exercise, and care was taken to ensure that the information given to suppliers was as comprehensive and clear as possible.

In addition to the internal process described, LFB and Ghent jointly set up an expert advisory group to assist with the market engagement. The group consisted of members of other brigades and technical experts with knowledge of the relevant sectors. A workshop was held in February 2013 with the group to evaluate the state of the art in the field and help develop the documents for market engagement.

5.7 DOCUMENTS

Needs assessment report: this brought together the research carried out by LFB and Ghent into the environmental footprint of their fleets and possible technical solutions.

PIN: announced the market consultation and provided a link to the market sounding questionnaire. Relevant CPV codes were included.

Market sounding questionnaire: a seven page document asking questions about

- Products and services meeting LFB's identified needs
- Ideas for innovation / R&D
- Interest in forming consortia

5.8 RESPONSE

Responses were received from 17 companies – over half of which were SMEs and several of which were based outside of the UK. Many were companies with whom LFB had never previously contracted. All responses were reviewed and acknowledged, with follow-up questions sent to the companies over several months.

The technologies presented ranged from those which were currently available on the market (basic black box units used by insurance companies) to ideas for how an intelligent fire engine could be designed from scratch and tested in laboratory conditions. Several companies went beyond the focus of the questionnaire to propose other solutions which could offer efficiencies in terms of managing equipment on fire engines. This idea was ultimately taken up in the procurement phase – one of the advantages of leaving the door open at market engagement stage to novel approaches.

One weakness in the responses was that they were not able to quantify the environmental and/or financial benefits from the systems described. This was understandable given that they had

not previously been used in a fire service context, but it did mean that LFB had to do its own estimates in order to make an internal business case for taking the project forward.

5.9 MEETINGS

Invitations were sent to all companies who responded to attend an open day at LFB headquarters. The open day was attended by ten companies and each was given a 20 minute slot to present their ideas and how they related to the project objectives. There was also a plenary session in which LFB presented the background to the project and expected timeline for procurement. In addition to suppliers and LFB project staff, the open day was attended by representatives from LFB's operational, IT and finance units.

For those companies which were unable to attend the open day, a series of follow-up meetings were scheduled to take place at the Emergency Services Show – a major industry event. A total of 15 meetings were held, both with those who had responded to the consultation and others who expressed an interest. Telematics hardware and software was demonstrated and notes were kept of all meetings and products viewed.

5.10 OUTCOMES

The market consultation led directly to LFB launching a procurement process in two Lots:

- **Lot 1:** Supply of telematics hardware and software
- **Lot 2:** Supply of equipment tagging system

The competitive dialogue procedure was chosen, because it became clear during the market consultation that further discussions and refinement of solutions would be necessary to make them work in a fire service context.

A Contract Notice and PQQ were published, with 25 responses received. This was probably higher than it would have been without the market engagement, although not all of the companies who attended the open day/ meetings responded. Some of those who responded at both stages chose to form consortia at PQQ stage – and Lot 1 was eventually won by one of these consortia.

Pilot contracts for both Lots started in November 2014 and a significant body of data was gathered about LFB's pilot vehicle and equipment. This data has been used to inform decisions about the fleet, and is also being used to support the case for LFB's next innovation project: to build a hybrid fire engine with radically reduced emissions and fuel consumption. More information about the outcomes is available on the FIRED-uP website.

5.11 NEXT TIME...

Although the market engagement was judged a success both by LFB and those suppliers who participated, several lessons were learnt. The open day required a lot of planning and the 20 minute slots were too short to really engage with suppliers. Better results were obtained by having one-on-one meetings with suppliers at an industry event, which also cut down on the overheads involved on both sides.

Throughout the project it was difficult to demonstrate the benefits of experimentation to internal stakeholders; at times there was an expectation that whatever technology was piloted would work in an operational setting. Unfortunately, this meant that too much time was spent on market engagement and procurement and not enough time on piloting the technologies – which is where the real 'trial by fire' was needed. A pilot of 12-18 months would have allowed for better results because the process was one of trial, error and adjustment - quite different from implementing an off-the-shelf solution.

Procuring innovation can feel like a leap into the dark and public bodies are naturally risk-averse, but the gains are too big to pass up if they can shape the market to deliver new solutions which really work for them.

5.12 FURTHER INFORMATION

Project website:
http://app.thco.co.uk/fire/firedup.nsf/Pages/FRU-10
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Using Market Engagement to support demand driven innovation and healthy ageing

Coordinated by: Réseau des acheteurs hospitaliers (Resah) (France)
Authorities involved: NHS Commercial Solutions (UK), MercurHosp (Be), SCR Piemonte - Società di Committenza Regionale Piemonte (Italy), FUL - Fédération des Hôpitaux Luxembourgeois (Luxembourg) and Resah (France), EHPPA
Procurement & Innovation Experts: BPI France (France), BITECIC Ltd (UK) and ICLEI (Germany)
Academic Support: University Torino (Italy), Ecole des Hautes Etudes en santé publique (France)

How can a combination of online and face to face engagement activity be used to stimulate innovation in a market?

6.1 OBJECTIVES

As life expectancy increases across Europe, causing healthcare costs to escalate, the European Commission has made the theme 'ageing well' a strategic priority for 2020. It is not acceptable for EU citizens to age in poor health.

To meet this priority, healthcare providers must offer innovative solutions for enhanced care in the home, hospitals and nursing homes and improvements in working environments.

The HAPPI project aimed to:

- Use public procurement to stimulate demand-driven innovation
- Create a network of public procurers of innovation to help deliver healthy ageing
- Set up a European collaborative platform where demand and supply sides (in particular SMEs) are brought together

Interestingly the project did not start with even an outline specification. Instead, the project team published an outline aim 'Innovative solutions to aid in healthy ageing', and allowed the market total freedom in bringing forward ideas. These ideas were then used to establish Lots for the associated procurement process, encouraging innovation and competition.

This market oriented approach helped to identify common needs between the five procurers represented in the HAPPI partnership.

6.2 THE MARKET

Because of the breadth of the initial advertisement to the market, the suppliers who were in a position to respond came from a huge number of markets including:

- IT Software
- Sports equipment
- Training and consultancy
- Medical hardware

Each of these markets have slightly different compositions; but it is fair to say that interest came from organisations large and small. The majority of those organisations who expressed an interest in the opportunity were from countries where market information days were held.

Resah and the project partners had little prior knowledge of many of these markets and therefore the market engagement provided an essential learning opportunity.

6.3 APPROACH

The HAPPI project followed a three stage process, as shown on the next page:

1
- Using the HAPPI online platform, research and understand the market (products, solutions and stakeholders)

2
- Analyse the outcomes of the HAPPI online platform
- Establish lot structure
- Develop specifications

3
- Issue a joint European Invitation to Tender
- Award framework agreement to enable healthcare organisations to procure innovative products and services

Stage one

The HAPPI online platform

The platform was used as the collection point for innovative ideas to meet the project objectives, and to steer the development of the HAPPI procurement process. The platform was developed by BITECIC, one of the HAPPI project partners, in summer and autumn 2013.

Although the platform was developed specifically for the HAPPI project, a similar request for innovative ideas could be replicated using an online form on any contracting authority's website.

The platform was also used to gather a list of contracting authorities who might be interested in using the resulting contracts. This element of the platform was less effective as it was difficult for contracting authorities to assess whether the framework agreement would meet their needs at such as early stage.

The website was live throughout the pre-procurement phase and used an online questionnaire to seek innovative solutions from the market.

Questions asked on the platform included:

- Product/service stage of development
- Description of the product/service which is offered
- Benefits of the innovative product/service
- What makes the product/service different?
- What is the commercialisation model?
- What are the financial benefits of the product/service?
- Evidence of the innovation

The answers to these questions were given 500 character limits to ensure the responses were not unwieldy to evaluate.

All of the HAPPI project partners were able to review the solutions as they were submitted.

Suppliers were given the opportunity to opt-in to an Innovation Showcase, a web page with information on the innovative solutions which were submitted. This Innovation Showcase aimed to encourage contracting authorities to purchase from the resulting contracts by highlighting the innovation at the pre-procurement stage. It also gave added value for the suppliers using the platform as it offered a free advertising tool for their solutions.

Market information days
To promote the HAPPI project and the online innovation platform, four market information days were held in:

- London - September 2013
- Paris - October 2013
- Turin - October 2013
- Vienna - December 2013

The first information day in London was used to launch the platform. With this exception, the information days followed exactly the same format. The days were presentation based with networking opportunities during breaks and a question and answer session at the end. The presentations gave information on the project, the timescales for the anticipated procurement and a demonstration of the online platform.

The information days were hosted by the central purchasing organisation from the respective country. In total, over 500 people participated in the market information days and over 50% of these participants were from SMEs.

Input from suppliers at these information days was limited since their structure was focused on providing information on the initiative and aimed primarily at encouraging participation.

The combination of the online platform and the market information days proved extremely effective. Over 150 innovative solutions were submitted on the online platform over a four month period (September 2013 to end January 2014).

The quality of these submissions was generally very strong. These submissions were central to deciding on the procurement route, structure, Lots and specifications.

Following the final market information day, a summary of all the questions asked and the answers given by the project team was sent to all those organisations who attended. This summary was also published on the HAPPI project website.

Stage two

In order to analyse the submissions made on the HAPPI online platform, draft the tender documents and conduct the procurement process, a series of committees were established.

Expert Committees
Three Expert Committees in Paris, London and Turin were established to use the solutions submitted to decide on the common needs of the five procurers in the consortium.

The Expert Committees aimed to create a shortlist of three areas of common need. The result of the process was a decision to pursue a five Lot tender.

The Committees were made up of multi-disciplinary experts from the project partners and their member organisations, who between them were able to assess the huge range of solutions submitted on the HAPPI online platform. The membership of each Committee also had a detailed understanding of the end users' needs.

Each Expert Committee considered solutions from similar sectors to ensure there was consistency in the assessment.

Following these Expert Committee meetings, feedback was offered to the organisations which had made submissions on the online platform.

Technical and Advisory Committees
The Technical Committee was responsible for drafting tender documents and specifications. It was made up of technical and legal advisors from the Central Purchasing Bodies. The Advisory Committee, with membership from the project partners, validated the tender documents and the ranking in the resulting procurement process.

Stage three

Information on the resulting joint European Invitation to Tender can be found in the Outcomes section of this case study.

6.4 TIMELINE

Planning started: October 2012
HAPPI web platform launched: September 2013
Market information days: September – December 2013
Analysis of platform submissions: October - February 2014
Engagement concluded: February 2014
Procurement launched: June 2014
Framework Agreement Awarded: April 2015

6.5 CONSTRAINTS AND/OR CHALLENGES

The main challenge for Resah in making the HAPPI project market engagement a success was making suppliers aware of the HAPPI online platform. This was greatly assisted by having such a diverse partnership covering eight Member States.

As with any project there were time constraints. Resah highlight the need to advertise any potential opportunity as early as possible to give the market time to innovate and respond.

The HAPPI project benefited from European Commission funding, which alleviated many of the resource issues that a single contracting authority may have faced in running market engagement on this scale.

The complex project partnership necessitated robust stakeholder mapping. This was vital to the successful management of the market engagement and to meeting the needs of all the project partners.

6.6 OUTCOMES

The market engagement led to the publication of a five Lot framework agreement in September 2014, which was advertised using an Open public procurement procedure.

1. Fall detection and alert system
2. Treadmill for rehabilitation and analysis of walking disorders
3. Walking course for preventing falls and maintaining independence
4. Bed thermoregulation system
5. Chair enabling users to maintain independence and reducing effort for aides

These Lots were identified using the submissions made on the HAPPI online platform. The Lots were felt to be broad enough to encourage both competition and innovation, making the most of the information provided by the market.

Since many of the submissions made through the HAPPI online platform were from SMEs, and from a range of member states using different languages, Resah offered an SME Helpdesk throughout the procurement. This assisted interested organisations with understanding the procurement process and documentation. Clarifications with regards to the specifications and contract terms were dealt with transparently as they usually would be.

The tender documents were available in French, English and Italian. Although this had associated translation costs, it was felt that the additional competition generated by the opportunity being available to a wider range of organisations was highly significant. Additionally, suppliers could bid in any of these three languages which is thought to have encouraged a wider range of bids from different Member States.

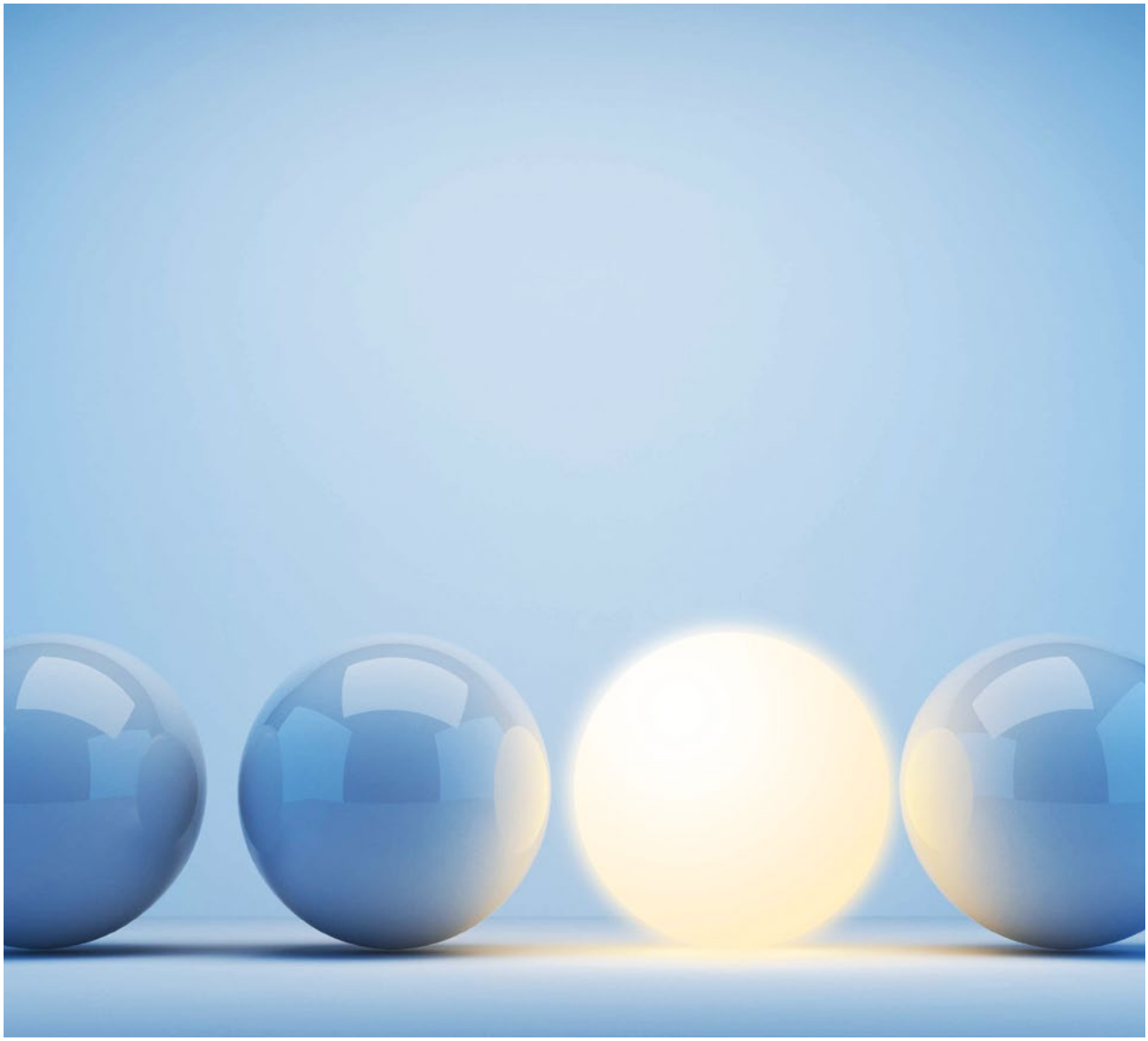
In April 2015, Lots 1-3 were awarded. Unfortunately, satisfactory bids were not received for Lots 4 and 5 and consequently these were not awarded.

It is thought that satisfactory bids may not have been received due to the specifications being too ambitious, the geographical spread of the procurement being too large and the functional requirements too innovative. Often the highly innovative SMEs who had proposed ideas on the HAPPI platform were not in a position to supply across the geographical area covered by the procurement.

The three successful suppliers all submitted their solutions on the HAPPI online platform as part of the market engagement activity. These solutions were further developed to meet the needs of this procurement process.

Tenders were also received from organisations who had not taken part in the market engagement activities.

Feedback from the market highlighted that such innovative solutions may not have been considered in a standard public procurement process.



6.7
NEXT TIME...

This approach worked very well for the HAPPI project, so well in fact that Resah have created their own online sourcing platform for other contracting authorities to use: www.innovation-sante-autonomie.fr

If the project were run again, Resah feel that three things would have encouraged better participation on the online platform promotion through:

- Chambers of Commerce from a wider range of EU Member States
- More national advertising portals
- Further market information days.

6.8
FURTHER INFORMATION

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INNOCAT
PROCUREMENT OF ECO-INNOVATIVE CATERING

INNOCAT – about the project

INNOCAT aims to help encourage eco-innovation in the food and catering sector by providing a sizeable launch market for new solutions. The project brought together public and private buyers to publish a series of tenders for eco-innovative catering products, services and solutions.

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