Supply Market Analysis

You should undertake supply market analysis to allow the User Intelligence Groups (UIG) to develop a detailed understanding of:

- Key trends;
- Major players;
- Overall market dynamics.

that could influence the development of the commodity/service strategy e.g. route to market, strategy concerning the use of lots. At least one of the market analysis templates provided should be used to assist in this exercise. You should read the guidance below prior to completing the templates.

At the end of the analysis you should provide a summary of your findings. The Market Summary Template may assist you with developing your own Market Summary.

Care and Support Services

Open or close

Particularly for **Care and Support Services**, the outcome of the Supply Market Analysis should inform the organisations appraisal of the options for service delivery, including:

- in-house provision
- shared services
- procurement.Further guidance can be found in the **Options Appraisal** document at the foot of the page.

Lotting

Open or close

Once you have completed your **Commodity Tree or Options Appraisal** and Supply Market Analysis, this information will support grouping your requirements into suitable lots. For example for a waste equipment disposal category you may choose to procure plastic and metal bins through separate lots.

You should give consideration to the **potential for third sector involvement and supported businesses and SMEs.**

If you are not using lots in your procurement exercise you must provide the main reasons for this in:

- the procurement documents, or
- in your individual report and indicated in the procurement documents, or
- your procurement exercise **written report**.

TUPE

Open or close

You should consider:

- Whether Transfer of Undertakings Protection of Employment Rights(TUPE) applies;
- Whether to allow potential service providers to set out different TUPE scenarios within their bids. If so, you must provide clear directions to tenderers to ensure bids can be compared on a like-for-like basis.

Equality

Open or close

The public sector equality duty is set out in the **Equality Act 2010**. It requires organisations to assess the impacts of new or revised policies and practices on people with different protected characteristics. To do so you need to consider the three needs of the public sector equality duty i.e.:

- To eliminate discrimination;
- to advance equality of opportunity;

- to foster good relations between people with different protected characteristics.

The protected characteristics are:

age	disability	gender reassignment	marriage and civil partnership
pregnancy and maternity	race	religion or belief	sex and sexual orientation

An organisation must also consider the need to undertake and publish an Equality impact Assessment (EQIA). Depending on your particular procurement, an EQIA may be an integral part of the procurement process. It should help identify and mitigate negative impacts and identify opportunities to promote equality. This can be done by looking at how your procurement might impact on people with a protected characteristic. For example for the service industry, which relies heavily on its labour force, an EQIA may help to identify new or improved ways or working.

External sources for supply market data

Open or close

The supply market sources document at the bottom of this page is a list of suggested external sources for supply market data. This may provide you with useful information required to develop your commodity/service strategies.

Please note that you may require a licence or there may be a fee to use some of these sources.

For future reference, make a note of the sources consulted in a external data sources template. Your use of external data should be appropriately referenced throughout the process.

Although we have detailed external websites or publications, this is not a Scottish Government endorsement.

Market sounding

Open or close

The overarching theme of early engagement is to identify the desired outcomes, **risks and issues** and permit potential suppliers to provide feedback on how the outcomes might be achieved, the risks and issues as they see them, along with feedback on timescales, feasibility and affordability. All discussions should flow from this theme.

Any cost discussions you have at this stage should be indicative only. You should make this clear to potential bidders.

Care should be taken to preserve transparency and equal treatment.

Frequently it is more appropriate to ask the market what solutions are currently or potentially available prior to advertising a contract. This is explained further in the ' **Stakeholder Identification**' and **Preliminary Market Consultation** stations). **The Public Contracts (Scotland) Regulations 2015 (Regulation 41)** now include provision for Organisations to engage in market consultation.

Any such market consultation must be carried out in a carefully managed manner. This must comply with the **Principles of Procurement**.

Market consultation can encourage bidders' creativity in their potential solutions. This can inform your decisions on when and how to procure the best available solution(s).

Market sounding can be beneficial as a long-term strategy, even when you do not intend to carry out your procurement exercise soon. As a matter of courtesy you should be transparent with suppliers about this.

There is no formal process for market sounding. Activities typically include researching and analysing the whole market and meeting selected potential suppliers for discussion. Your Organisation must ensure that it takes appropriate measures to ensure that competition is not distorted by the participation of potential suppliers.

You can generate supplier interest by publishing advance notice of your likely requirements, for example through a Prior Information Notice (PIN) in **Public Contracts Scotland (PCS)**.

Organisations should engage with a cross-section of potential suppliers. This will inform your strategic options i.e. the views of a Small and Medium sized Enterprise (SME) compared with a large or multi-national supplier may differ.

Market sounding improves public sector knowledge that is useful in a broader sense. For example UIGs greater understanding of relevant markets helps to develop their commodity/service strategy. This could be in terms of how they currently operate and how they may operate in the future i.e. changing technology, market entrants etc..

Early engagement with potential suppliers can be critical to success. It is vital to understand key issues before starting the procurement process. You should determine your desired outcomes, risks and issues and allow potential bidders to provide feedback. For example on how the outcomes might be achieved, along with feedback on timescales, feasibility and affordability.

You should always be present at meetings with potential bidders. A bidder who understands your requirements and can offer innovative solutions and constructive advice should be present. The right attitudes must be adopted: respecting confidentiality, maintaining flexibility and openness.

The UIG should:

- Be open to new ways of shaping your requirement based on what the market may be able to provide;
- Consider the options for shaping the market: encouraging the market to develop in such a way that it can meet your requirements in the future;
- Engage the market - this provides an opportunity to ensure that the services provided are at the forefront of those available.

When procuring a service, you should also consider your organisation’s policy and approach to delivering services in-house.

In respect of the above questions and the following areas of guidance, you should consider specific stakeholder engagement activity and management. For example:

- Will consultation with an economic development team member be necessary?
- Can we identify what guidance we will need from the climate change team in terms of supply chain carbon assessments?

It is important to tie this into your stakeholder mapping exercises.

In regards to the procurement of innovative goods and services, the UIG can facilitate improvements in the quality and delivery of public services and contribute to growth in the economy by encouraging potential suppliers to invest in and deliver pioneering solutions to support current and future public service needs. Throughout this process, are should be taken to avoid distorting the market.

You must document the measures taken to ensure competition is not distorted during any prior involvement of candidates or bidders.

Discussions with potential suppliers

Open or close

Talking to potential suppliers is at the core of market sounding. It is crucial to talk to the relevant potential suppliers - ideally, those who have achieved outcomes of a similar nature and scale.

Care must be taken to ensure those contacted are not given an advantage over other potential suppliers. It is equally important to ensure specifications are not written in such a way as to favour any particular potential supplier(s). If either of these approaches is not adhered to you could breach the **Public Contracts (Scotland) Regulations 2015** and the procurement itself could be challenged.

Measures to ensure competition is not distorted must include:

- Communicating to all potential suppliers the dates of any relevant information exchanged between parties in the market sounding;
- When tendering, giving adequate time limits for the receipt of tenders from interested parties.

Quickfire Guide

Quickfire Guide

Supply Market Analysis - Example Questions

Go to Quickfire Guide Links to content

There are a number of questions you can ask to support you market analysis. This Quickfire Guide list some examples.

Community Benefits - What Can the Market Provide?

Open or close

Organisations are required to consider including community benefit requirements for all procurements. Where the estimated value of the contract is equal to or greater than £4 million (excluding VAT). For regulated procurements, Community Benefits may also be considered as part of Sustainable Procurement Duty requirements.

Community benefit requirements may not always be appropriate to your contract. You must consider their use by taking into account the nature of the contract, its duration and other factors.

Care should be taken to ensure the requirements would not place a disproportionate burden on potential suppliers or have a wider negative unintended effect. This could be the case, for example, where training and recruitment requirements are included. Here, care needs to be taken to avoid displacement of existing trainees and employees in order to meet community benefit commitments. It should also be noted that training and employment opportunities require adequate contract length for these activities to be undertaken.

Fair Work Practices

Open or close

What Dimensions of Fair Work Practices can be Targeted?

- Engaging early with the market can help you gather information about the nature of **Fair Work practices** in the sector. It can provide information on what opportunities there are to address in your procurement exercise. These should be relevant, proportionate and treat bidders equally;
- It can help you establish whether the supply chain is susceptible to exploitative practices.
- You can seek input from other areas of your own organisation. For example stakeholders, industry bodies or trade unions. This can establish which

dimensions of Fair Work could be addressed in a particular commodity / service area and to shape commodity / service strategies.

Sustainability

Open or close

Sustainability: can potential suppliers provide solutions to sustainability issues?

- The UIG should always be open to new ways of shaping their requirement. They should look for opportunities to shape the market. There should be an assessment of future demand of any particular commodity/service or category. This should be based upon the knowledge and expertise within the team and on information obtained from non-team members. Engaging with potential suppliers provides an opportunity to ensure the services provided are at the forefront of those available. This should also take account of the knowledge held by other buying organisations, trade bodies and business support organisations e.g. **Federation of Small Businesses** and **Chambers of Commerce** etc. Care should be taken to maintain competition, transparency and equal treatment of potential suppliers.

Further Market Analysis

Open or close

The purpose of analysing the market, is to take into account in more detail the external and internal factors affecting the commodity/service and supply. The various tools below can help you in this activity. The results should lead to the identification of opportunities and risks which will inform strategic options to consider.

Not every template listed in 1-7 below requires completion. You should consider the complexity of your commodity/service and procurement exercise to help you decide which template(s) to use. Once your analysis is complete, consider how to use this information to inform strategic options.

All templates listed can be found under "Any documents you need are listed below" at the bottom of this page.

1. Supplier profile analysis

The supplier profile analysis tool can be used to paint a picture of the main players in the market.

2. Competitive advantage - Porter's 5 forces

Porter's 5 forces constitutes a framework which demonstrates buyers/suppliers' relative power in the market place.

3. SWOT analysis

The SWOT Analysis examines environmental factors internal to the organisation (usually classified as Strengths or Weaknesses), and those external to the organisation (classified as Opportunities or Threats).

4. PESTLEE analysis

The PESTLEE analysis assesses the external environment which may have an impact on your requirement.

5. Supplier market share

The supplier market share provides an insight into the positioning of the main players within the market. Factors such as industry attractiveness, competitive pressure and degree of market concentration/fragmentation.

6. Understanding supplier cost drivers

The supplier cost drivers document provides:

- A checklist containing cost drivers;
- Guidance on how to complete a typical supplier cost driver example;
- Sources of information includes tips on how to obtain cost drivers.

7. Total cost of ownership

Total Cost of Ownership (TCO) is the initial acquisition cost plus ownership/operation and disposal costs. Understanding this will help in identifying areas for improvement internally within the organisation and externally with potential suppliers. The

following guidance document will help you to consider the wider costs associated with the procurement of the requirement.

Procurement Between Public Sector Organisations

Open or close

It is possible that the potential supplier for a contract may be another public sector organisation. A contract between two or more such organisations may be exempt from the **Public Contracts (Scotland) Regulations 2015** and the Procurement Reform (Scotland) Act 2014. This exemption is in place if the "buying organisation" and the "supplying organisation" are jointly controlled or if all of the following conditions are met:

- The "buying organisation" exerts control over the "supplying organisation " similar to that which it has over its own departments;
- Where more than 80% of the activities of the "supplying organisation " are undertaken for the "buying organisation" or other bodies controlled by it;
- Where no other organisation or person has invested direct capital in the "supplying organisation" subject to limited exceptions. See the Public Contracts (Scotland) Regulations 2015 13(2)(b) for more detail.

Any documents you need are listed below

Options Appraisal

(file type: docx)

Options Appraisal C&SS

(file type: docx)

PESTLEE, SWOT & Porter's 5 Forces

(file type: docx)

Segmentation Categories

(file type: docx)

Supplier Cost Drivers

(file type: docx)

Sustainable Opportunities Template

(file type: docx)

Supply Market Sources

(file type: doc)

Total Cost Considerations

(file type: docx)

Supplier Profile Analysis Template

(file type: ppt)