

# PPI Training

## MODULE 4 – Key Features for successful innovation procurement

PPI training

- Key success factors for Innovation procurement through FCP model of innovation procurement
  - Understanding the suppliers perspective
  - Accurately defining the unmet need
  - Effectively engaging the market
  - A pro-innovation procurement approach
  
- PPI Case example
  - People Centred Low Carbon Catering Services for Hospitals

# The three stages of innovation procurement

- The FCP model of innovation procurement distinguishes three phases of innovation procurement:
  - Identify unmet need and embed in the organisation;
  - engage the market by presenting a credible demand;
  - implement pro-innovation procurement process.
- To use innovation procurement effectively it helps to understand the suppliers perspective



REF: Gaynor Whyles, Hendrik van Meerveld & Joram Nauta (2015) Forward Commitment Procurement: a practical methodology that helps to manage risk in procuring innovative goods and services, Innovation: The European Journal of Social Science Research, 28:3, 293-311, DOI: 10.1080/13511610.2015.1024638

## Key principles

- Acurately defining the unmet need
- Customers need an accurate understanding of their unmet and future needs
- Effectively engaging the market
- Customers need to communicate unmet needs to suppliers early, accurately and convicne suppliers that they are serious
- A pro-innovation procurement approach
- Suppliers need an opportunity to offer new solutions on an equal playing field



PROMOTION OF  
PUBLIC PROCUREMENT OF  
INNOVATION  
FOR RESOURCE EFFICIENCY AND  
WASTE TREATMENT

## 4.1. Understanding the supplier perspective

- Suppliers respond to customer demand.....
- Customers tend to buy what is available.....
- The buyer-supplier paradox.
  
- The result? ‘more of the same’ and little room for innovation.
- Innovation procurement aims to change this dynamic

If there was a viable and affordable solution to my problem we would buy it

Innovation  
Procurement

If there was a demand we would invest to supply solutions

### Customers can help create opportunity by:

- Questioning if the goods and services they bought last term serve their purpose, now and in the future
  - Could they be better?
  - Are new solutions needed now or will they be in the future?
- Not being constrained by what is currently on the market
- Asking for what you need - rather than asking for what you think you can get



YOU  
*DON'T GET*  
WHAT  
YOU DON'T  
*ASK FOR.*

### Customers can help create opportunity by:

- Defining their needs in terms of outcomes, rather than in a detailed technical specification
- Outcome based requirements are a cornerstone of innovation procurement
- This allows providers scope to propose innovative solutions that might not have occurred to the delivery team.
- Outcome based specifications are also known as ‘functional specifications’.

### **Customers can help manage innovation risk by making the future market as certain as possible for suppliers**

- The main risk for a supplier investing in developing and commercialising innovative goods and services is, that having developed a new offering, will customers buy it?
- Innovation procurement aims to reduce this risk by making visible a customer's unmet needs and presenting a clear and credible future demand
- The customers 'credible articulated demand' needs to provide sufficient confidence and incentive to galvanise supply chains to deliver the customers requirement.

### Customers can help suppliers by giving advance notice of future requirements

- Innovation in most sectors doesn't happen overnight
- Give suppliers time and motivation to innovate
- For example:
  - Provide 'direction of travel' messages of future needs
    - Eg 'in 5 years time we need to eliminate waste to landfill while at the same time reducing carbon emissions'
  - Give early advance notice of forthcoming procurements
    - Eg publish a Prior Information Notice (PIN)
    - Use Prior Information Notices to launch market engagement activities

**Consider the specific characteristics of the supply chain in question.**

- For example some supply chains may be more reluctant to invest time and money to innovate, for example if they:
  - Are typically low margin,
  - Are highly established
  - Have long development cycles
- In these cases customers may need to work harder to demonstrate a wider demand; or procurement alone may not be sufficient to create the necessary ‘demand pull’; the use of additional demand pull mechanisms may be needed such as regulation.

# Understanding the suppliers perspective

Not all supply chains are the same.....

- Discussion topics:
  - What are the features of your supply chains?
  - How might this effect you procurement approach?
  - What measures could you take to demonstrate a ‘credible demand’?



PROMOTION OF  
PUBLIC PROCUREMENT OF  
INNOVATION  
FOR RESOURCE EFFICIENCY AND  
WASTE TREATMENT

## 4.2. Defining the unmet need

### What do we mean by innovation?

- Innovation is the process of translating technology and knowledge into new usable products and services.
- A key success factor for innovation is an accurate understanding of the unmet need it is targeting.
- It is therefore important for customers to spend time reflecting on and defining what they really need and alert suppliers to future needs



### How do unmet needs become apparent?

- Forward Planning
  - Needs based on future trends, regulation
- Strategic
  - Emerge from a review, planning, policy process
- Consultative
  - Deliberate
- Crisis
  - Something happens, accident, missed targets, budget cuts
- Opportunity
  - Investment, technology, funding
  - Re-tendering of a service or product

For example?

### Stopping the procurement conveyor belt

- Planned procurements, contract renewals and retenders
- Instead of using the same specification take the opportunity to review the current solution with stakeholders
  - What worked in the existing supply model?
  - What didn't work so well?
  - What could be improved?
  - Has the need changed, or will it change in the future?
  - Are these the outcomes we really need?
  - What will be our biggest challenge in the future?

# Accurately defining the need

Uncovering unmet needs

- Procurement has the potential to be a strategic tool to deliver the organisations objectives, policies and targets etc.
- When seen in this way, unmet needs and opportunities for procurement to be used strategically can be come apparent as a result of normal management process
- For example, use business improvement processes, future planning, strategic pains, new legislation and targets, new regulations, problems and missed targets, changing business models.

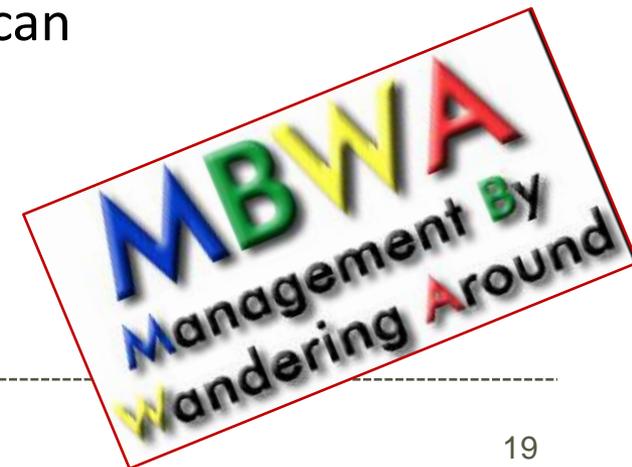


- Stakeholder engagement is an important part of the identification stage.
- There are a wide-range of internal stakeholders involved in and affected by any procurement, for example the budget holder, the operational managers, end-users, environmental managers, finance managers and, of course, procurement staff.
- These stakeholders have an investment in the solution and are best placed to determine the shortcomings with existing solutions and what the solution needs to deliver.

# Accurately defining the need

## The importance of stakeholder engagement

- Consultation and engagement of key stakeholders is essential in understanding the current situation, the accurate identification of unmet needs and definition of an outcome based requirement.
- There are many stakeholders. Ask yourself ‘Who are the ‘customers’? Who is affected by this procurement? Who are the end users?’
- Stakeholder engagement and consultation can be formal or informal. For example:
  - Surveys
  - Meetings
  - Focus workshops
  - ‘walking around and talking to people’



# Accurately defining the need

## The importance of stakeholder engagement

- The purpose of stakeholder engagement is to gather practical insights into the current situation surrounding the procurement in question, how requirements may need to change to adjust to future conditions and how it could be improved.
- Consultation and engagement also serves to engage staff in the acceptance of new solutions.
- Stakeholder engagement works to underpin the project's success and to create a firm foundation for the project implementation within the organisation,
- It helps to ensure that the unmet need and requirement are defined accurately and fosters a willingness to accept new approaches and solutions.

The enrolment of key stakeholders helps to:

- Establish willing participation in the adoption of new procurement approaches
- Enable the accurate definition of the unmet needs and supply requirement
- Ensure all opinions are heard
- Provide a forum for assumptions to be challenged and the status quo questioned
- Support acceptance of new solutions and technology



# Accurately defining the need

## Stakeholder engagement in practice

Questions you might ask stakeholders and end users.....

- What makes this [job, service, product...] – or parts of it – challenging, inconvenient or frustrating?
- What makes this [job, service, product...] time-consuming?
- What causes this [job, service, product...] to go off track?
- What aspects of this [job, service, product...] are wasteful?
- Why don't people use this [job, service, product...] ?

Can you think of other questions that would help identify unmet needs?

Key words: **Watch and Listen**

---

## Example: Consulting end users of social service transport

- Rotterdam City Council undertook a detailed analysis of the unmet needs involving end-user consultation.
- Postcards were distributed to clients to investigate their unmet needs and perceptions of the service and the results helped to redefine the service requirements towards genuine client needs.

STUUR EEN KAARTJE EN HELP MEE ONS VERVOER TE VERBETEREN!

mijn reis

Startpunt:

Huis

.....

Bestemming:

School  Dagbesteding

Kapper  Familie/vrienden

Robedrijf  Werk

Bingo  .....

Dit maakt mijn reis prettig:

Dit bederft mijn reis:

Dit ben ik:  
Er zijn meerdere antwoorden mogelijk.

<input type="checkbox"/> Scholier	<input type="checkbox"/> 75+	<input type="checkbox"/> Jonger dan 55
<input type="checkbox"/> Werkende	<input type="checkbox"/> Ouder/verzorger	<input type="checkbox"/> Begeleider
<input type="checkbox"/> 55 - 75	<input type="checkbox"/> Docent	<input type="checkbox"/> .....

“Above all, the aim was to have a clear and accurate understanding of the requirements seen from the client and the Council perspectives and provide a mechanism for the stakeholders to question assumptions and challenge the status quo.”

*Procurement Manager: Integrated User Centred Social Transport,*

# Accurately defining the need

## Common pitfalls of unmet need identification

- When people face a problem, they often limit themselves to addressing the immediate and obvious causes
- This often leads to the implementation of a superficial solutions
- What you need is to get to the root of the problem
- Once you have understood the root of the problem you have a chance of finding a long-term and effective solution
- If you fail to think through a problem, unmet need and requirement carefully you can end up with un-intended outcomes

Start by identifying a problem that you're having.

- Ask “why” that problem is occurring. Make sure that your answer is grounded in fact. You should be able to state the proof or evidence that you're relying on for your assertion of the reason why the problem is occurring.
- Once you have an answer, ask “why” again.
- Continue the process until you reach the root cause of the problem. Usually, you'll be able to identify the root cause of a problem after asking “why” five times.
- Once you've identified the root cause of the problem, come up with a counter-measure that prevents it from recurring.

Here's an example involving an individual who's late for work  
([from Wikipedia](#)):

The vehicle will not start. (the problem)

- **Why?** - The battery is dead. (first why)
- **Why?** - The alternator is not functioning. (second why)
- **Why?** - The alternator belt has broken. (third why)
- **Why?** - The alternator belt was well beyond its useful service life and not replaced. (fourth why)
- **Why?** - The vehicle was not maintained according to the recommended service schedule. (fifth why, a root cause)



# Accurately defining the need

## Outcome based requirements (again)

- Once an unmet need has been identified it is natural to try to imagine the solution. Don't.
- This limits you to what is currently known or available
- By specifying outcomes rather than a solution you allow room for innovation
- You need to unpack and keep questioning “is this what we really want?”
- **By specifying outcomes rather than a solution you allow room for suppliers to innovate to create new and better options**

# Accurately defining the need

Potential problems in needs identification....

- People usually need help to uncover the unmet needs and define their needs.

Common issues include:

- People typically think in terms of **products not problems**
- Don't want to admit there are problems (denial..)
- Consultation may be unfamiliar or make people suspicious
- Difficult to identify or access the relevant stakeholders
- Look out for **innovation for innovation sake**
- Vested interests
- **Resistance** to change
- Worried it will affect their job
- Cynicism (it won't work, nothing will change....etc.)

- The aim is to get to an unmet need that is
- Genuine
  - A real need
  - Not innovation for innovations sake
- Accurate
  - Engage stakeholders, consult end users, get to the root of the issue
- Credible
  - Organizational commitment, budget, embedded in the organisation, timeframe
- Outcomes not solutions
  - Allow room for new ideas

**= innovation procurement success**

# Uncovering unmet and future needs

## How do you recognise unmet needs? Think about.....

- Problems that need solving
- Strategic pains
- Targets missed / unable to deliver
- Costs escalating / or unpredictable
- Policies you cannot deliver or risk not delivering
- Opportunities that are not being taken
- Compromised ambitions
- Other?



## How do you anticipate future needs? Think about.....

- Large projects that will be coming on stream
- Development plans
- Procurement / contract timeframes - when are large or strategically important contract up for re-tender ?
- Changes taking place e.g. in the climate, economics, society, regulations
- New policies and priorities that will emerge
- New regulations coming into force in the future



PROMOTION OF  
PUBLIC PROCUREMENT OF  
INNOVATION  
FOR RESOURCE EFFICIENCY AND  
WASTE TREATMENT

## 4.3. Market engagement

### Market Engagement:

- Brings the supply-side perspectives to a procurement process
- Provides advance information to suppliers about forthcoming procurements
- Tests the reaction of the market to a proposed requirement
- Helps design an effective procurement approach



- The purpose of market engagement for the customer is to understand and assess the **supply chain's**
  - Capacity,
  - Capability, and
  - Appetite
- to deliver your unmet needs
- It is **NOT an evaluation** of suppliers



- What do you understand by the word ‘credibility’?

## credibility

/kredɪˈbɪlɪti/ 

*noun*

the quality of being trusted and believed in.

"the government's loss of credibility"

*synonyms:* trustworthiness, reliability, dependability, integrity, character; [More](#)

- the quality of being convincing or believable.

"the book's anecdotes have scant regard for credibility"

*synonyms:* plausibility, believability, acceptability, tenability, probability, likelihood, authority, authoritativeness, impressiveness, cogency, weight, validity, soundness; [More](#)

In order to present a **credible demand** to the market consider the suppliers perspective:

- Determine your situation and define requirements **accurately**
- Ensure requirement is **genuine**
- **Consult** with internal stakeholders and end users
- Define requirements in terms of **outcomes**
- Ensure **leadership commitment** and backing
- **Begin early** - years not months in advance
- Consult in the context of a genuine **procurement opportunity** in a defined timeframe
- Demonstrate a **wider market**

# Market engagement

It is all about credibility

- The market needs to believe you are **serious and credible customer**
  - Before engaging with the market ask:
    - Are stakeholders engaged?
    - Do we have a clear understanding of the unmet need and required outcomes?
    - Is the project embedded in the organisation?
    - Is management committed?
    - Is there genuine potential for a procurement ?
    - Is the timeframe credible?
  - At all times ensure:
    - Professional presentation
    - Transparency
    - Level playing field for suppliers
-

# Market engagement

Why?

We need a new solution! ....we know the outcomes we need and our colleagues agree - other customers say they are interested and our management is supportive.....

Will it be delivered? Can we afford it? Will it work? Who can supply it? Lets find out!



# Market engagement

In brief.....

We need to deliver these outcomes.  
We need to buy a solution within 3 years.  
We are committed to buy a solution that meets our needs cost effectively. Other customers are interested. **What are our options?**

Is it worth my investment?



- The Forward Commitment Procurement (FCP) method of market engagement imagines a staged process to build confidence in the supply chain:
  - Develop a **Market Sounding Prospectus (MSP)**
  - Launch market sounding via a **Prior Information Notice (PIN)**
  - Collect supply chain feedback using a **Market Sounding Response Form**
  - Bring a cross section of suppliers together with stakeholders in a **market consultation workshops**, including a **site visit** where relevant. Provide a briefing paper ahead of time.
  - Prepare a public **market engagement report** - transparency and level playing field for suppliers

- A Market Sounding Prospectus (MSP) can provide both a valuable management tool and an effective market communication tool

The Rotherham NHS Foundation Trust

**People centred low carbon catering**  
Market sounding and call for innovative solutions

**Market Sounding Prospectus**  
December 2012

This is not a call for tenders or a pre-qualification exercise. It is a market sounding exercise to provide advance information of requirements and open a dialogue with the supply chain. The results will be used to inform our procurement specification and strategy.

Department for Business Innovation & Skills

Lead Market Initiative for Europe

EcoQUIP  
Enhancing Efficiency, Quality and Sustainability in Healthcare

Birmingham City Council

**Market Sounding Prospectus**  
Regarding the supply of Low Carbon Mini Buses for Adults and Communities services

WHEELCHAIR ACCESSIBLE  
ENVIRONMENTALLY FRIENDLY  
LOW CARBON  
ZERO EMISSION  
MEETING USER NEEDS  
16 PASSENGERS  
HEATED CABIN  
INERTIA REEL LAP/DIAGONAL TYPE SEAT BELTS  
SIDE DOOR FAST REFUELLING  
DIAGONAL TYPE SEAT BELTS  
FLAT FLOOR  
COMFORT & SAFETY

MAKING BIRMINGHAM GREENER

SEVENTH FRAMEWORK PROGRAMME

energy saving trust

EUROPEAN UNION

TRANSFORM

GET BLUE PRINT FOR SUSTAINABLE DEVELOPMENT

Polliclinico di Sant'Orsola

SERVIZIO SANITARIO REGIONALE EMILIA-ROMAGNA  
Azienda Ospedaliera - Università di Bologna

**PROGETTO INNOVATIVO PER LA GESTIONE DEI SERVIZI INTEGRATI DI SUPPORTO ALLA PERSONA**

GIUGNO 2015

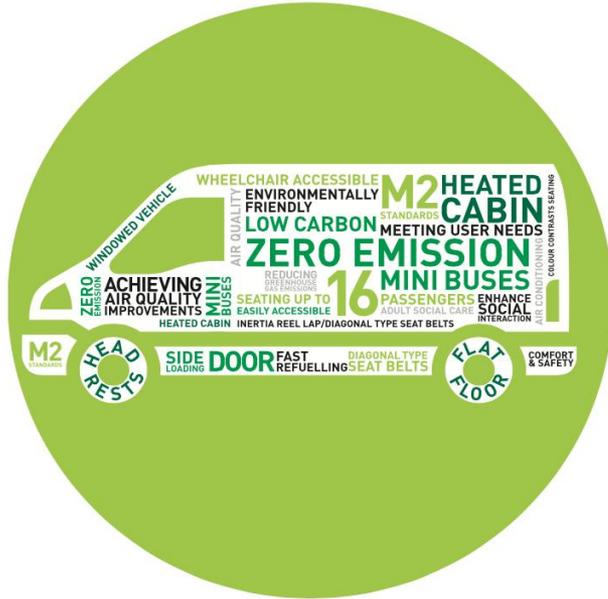
EcoQUIP  
Enhancing Efficiency, Quality and Sustainability in Healthcare

- A Market Sounding Prospectus (MSP) can provide both a valuable management tool and an effective market communication tool
- As a management tool it provides a focus for the project team to write down and agree the underlying context, the unmet need and the requirement.
- This ensures that they are in agreement ahead of the market engagement phase. The MSP forces clarity and consensus in the project team.
- The MSP can also be used as a point of ‘sign off’ by senior management.
- As a communication tool it presents a clear and professional summary of the situation to suppliers.

- Market Sounding Prospectus (MSP)
  - ‘Credible articulated requirement’
  - Unmet need
    - (the problem or issue you are addressing)
  - Requirement
    - (in outcome terms)
  - Context
    - (current situation, why innovation, drivers)
  - Procurement opportunity
    - (scale and timeframe)
  - Wider market
    - (who else has this unmet need)
  - Messages to the supply chain on direction of travel

## Market Sounding Prospectus

Regarding the supply of Low Carbon Mini Buses for Adults and Communities services



### Zero Emission Range Targets

The objective is that by 2030 vehicles will be capable of providing the transport requirements demanded by Birmingham City Council with zero tailpipe emissions. In the interim continuously improving emissions are planned and new vehicles will be able to cover a progressively growing and significant proportion of miles with zero emissions.

### What is a Market Sounding Prospectus (MSP)?

The purpose of the MSP is to communicate an unmet need to the market in a clear, credible and accurate manner.

This MSP is supported by evidence of wider demand and unmet need backed up by policy and leadership commitment. The ambition raised within this document is for a market sounding with mini bus vehicle manufacturers and associated supply chains to enable the design and specification requirements for low carbon/zero carbon mini buses to be met through near future production, enabling Local Authority Adult and Community services and other public service organisations to reduce their CO<sub>2</sub>, NO<sub>x</sub> and Particulate Matter emissions where mini buses are the main vehicle in the safe transporting of children, young people and adults to and from the services that they receive.



### What an MSP is not

This is not a call for tenders or a pre-qualification exercise. It is a market sounding to provide advance information regarding an unmet need and open a dialogue with the supply chain.

The results will be used to inform procurement, vehicle specification and strategy.

This process has been enabled through an EU funded programme, TRANSFORM (<http://www.transform-europe.eu/>), which sets out to support the development and implementation of innovation practice within vehicle procurement processes that will ensure the reduction of CO<sub>2</sub> emissions.

### Aims of the Market Sounding Prospectus

We are requesting feedback from all parts of the supply chain regarding the requirement and the capability and the capacity of the market to offer a progressively lower carbon, lower emission cost efficient solution over the next 15 years.

We are interested in ideas and innovation that could:

- Contribute to achieving improvements in one or more aspects of the requirement
- Deliver progressive improvements or a step change in the short, medium and long term.
- Contribute to a total solution

Interested parties will be invited to a Market Consultation Workshop which will be held in Birmingham on 6 July 2015. This will give all parties the opportunity to explore the need and issues further and contribute to the debate. Further details on this event are available on page 8.

- How do you reach suppliers?
- A Prior Information Notice (PIN) published in the OJEU provides a good way to reach a wide range of suppliers and ensure a level playing field.
- This is best supported by pro-active communication to suppliers
  - Use internet research, contact trade bodies, interest networks, and innovation hubs
  - Contact via email and telephone
  - Use directed communication - think from a suppliers point of view
- A project webpage provides a way to ensure suppliers are kept informed and can easily access information

- Market Sounding
- Market sounding is the process of assessing the reaction of the market to a proposed requirement.
- Market sounding should begin at the earliest possible stage in the procurement process
- Use a PIN to launch the process - for example:

**Section II.B: Object of the contract (Supplies or services)**

**II.1) Title attributed to the contract by the contracting authority:**

Market sounding and call for innovative solutions informing the procurement of an integrated ultra low carbon energy solution for Nottingham University Hospitals NHS Trust.

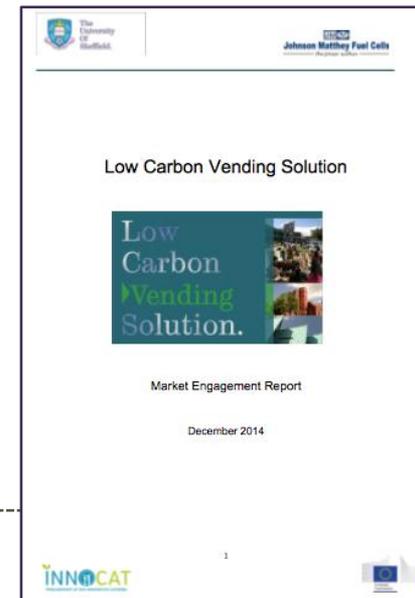
- Using a standard response form helps to analyse the responses

Market sounding helps you assess the capacity and capability of the supply chain to deliver a solution.

- **Maturity:** Is the market ready to deliver what's required?
- **Feasibility:** Will the market be technically capable of meeting the requirement? **Competition:** How many suppliers provide what is required, will procurement be sufficiently competitive?
- **Capacity:** Are there enough suppliers, with sufficient capacity, to meet the requirement?
- **Working together:** Will the requirement bring suppliers from different sub-sectors to work together in a new way?
- **Traditions and prevailing attitudes:** What are they in this market? How will they affect the project

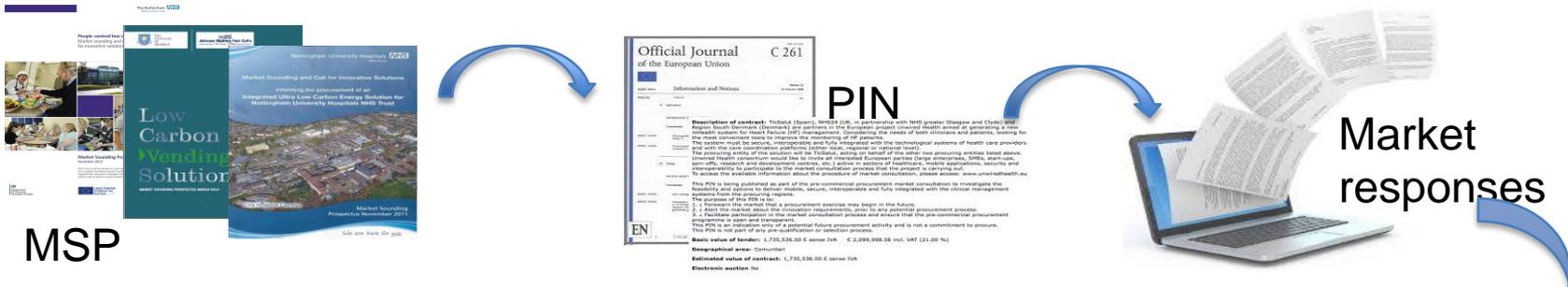
Market consultation workshops help to:

- Develop the dialogue with the supply chain, which uncovers potential supply chain barriers
- Involve other stakeholders and buyers, demonstrating commitment and credibility
- Allow time for networking and exchange
- Record the market consultation event and publish a summary report, which helps increasing transparency and maintaining a level playing field



# Market engagement

## Process and tools



**Market workshop**



**Market engagement report**



**Business case**



- Communicating with the supply chain in a way that convinces them that you are a serious and credible procurer
- Communicating your requirement EARLY
  - Innovation takes time
- Testing appetite, capacity, capability of the supply chain to meet your needs
  - (NOT an assessment of suppliers)
- Keep suppliers informed and feedback throughout the process
- Level playing field and transparency

# Market engagement

What people say about market engagement.....

- The suppliers.....

This is what we suppliers need; information on our customers needs today, and even more helpfully their future needs. We can then plan and manage our supply chain so we are ready to respond”.

*Director of Design, Skanska*

“What is great about this process is that it gives us time to plan, build consortia, and bring new solutions forward”

*Director, IMI*

- The customers.....

The market engagement not only gave potential suppliers advance notice and time to innovate, it also stimulated a valuable exchange within and between supply chain. This has resulted in more innovative and ‘out of the box’ solutions from consortia formed at the market meeting.”

Programme Manager Public Procurement of Innovation, Ministry of Economic Affairs, Agriculture and Innovation

Market sounding was new to us, but gave us the opportunity to test and influence the market and highlight issues that the supply chain may not be aware of. For example, we tried completely new industrial sector that have no track record. They responded enthusiastically to our challenge!”

Project Manager, TNO for Erasmus MC



## 4.4. Pro-innovation procurement

- Much of the work of innovation procurement is undertaken before the formal procurement process gets underway.
  - Having worked to create the conditions for innovation in the customer organisation and supply chain, the procurement process needs to be orientated in its approach to support and enable innovative solutions to be presented and given due consideration.
  - A **pro-innovation procurement strategy** is a valuable tool at this stage
  - It is an internal document that summarises how the procurement will be conducted in a way that supports and enables innovation.
  - It is best developed collaboratively and agreed with the project team and signed off by senior management
-

- Provides a framework to bring together internal stakeholders around common objectives and address any divergences of opinion before the formal tendering process begins.
- Typical elements of a pro-innovation procurement strategy:
  - Use of an outcome based / functional specification
  - Pro-innovation specifications
  - Use of competitive dialogue or other dialogue based procurement procedures
  - Emphasis on innovation maintained throughout the process e.g. In the Pre-qualification Questionnaire (PQQ)
  - Balanced evaluation criteria i.e. not price alone
  - Use of whole-life costing / total cost of ownership (TOC)
  - Commitment to stimulating wider demand for the solutions or services

- A pro-innovation procurement strategy helps to establish the organisational parameters around which the procurement takes place:
  - What is the timeframe? Is there scope for slippage in the timetable?
  - Who needs to be involved?
  - What are the roles of the different team members?
  - How will other stakeholders be engaged in the selection of solutions
  - What are the values and attitudes of the team?
- Sign-off at a senior level ensures that the tender is embedded in the organisation.

- The competitive dialogue procedure is often a recommended process in innovation procurement.
- There are often concerns about the time and resource this involves so typically it has been used for larger, more strategic tenders.
- The pre-procurement activities of innovation procurement help to make the competitive dialogue process run more smoothly and be more efficient in terms of time, for both the supplier and the customer.
- There are a number of guides on the use of competitive dialogue.

# Pro-innovation procurement

Procedures in support of innovation procurement

- The new procurement directives provide increased opportunities for procurement in support of innovation.
- As well as freeing up and clarifying the use of the competitive dialogue procedure, new procedures have been introduced:
  - Innovation partnership
  - Competitive procedure with negotiation
- These three procedures are available for contracts where the technical specification cannot be defined sufficiently, or which involve an element of design and / or innovation.
- The type of procedure should be considered carefully as part of the pro-innovation procurement strategy.

- The cost of a product is not just its purchase price.
- There are hidden costs for the customer associated with operation, maintenance, end of life disposal etc.
- Taking into account these costs enables customers to take into account the true costs of goods and services.
- Value for money is the optimum combination of whole-life cost and quality to meet the needs of the customer.
- There are some good sources of information about whole life costing, for example:

- Whole-life cost, or life-cycle cost (LCC), commonly referred to as "cradle to grave" costs, refers to the total cost of ownership over the life of an asset.
- It includes the whole-life financial cost, which is relatively simple to calculate, and the environmental and social costs and benefits which can be more difficult to quantify.
- Expenditure included in calculating the whole-life financial cost include:
  - Planning, design, construction and acquisition, operations, maintenance, renewal and rehabilitation, depreciation and cost of finance and replacement or disposal.

- Balanced evaluation criteria for bids allow customers to value all the required outcomes.
- Example: use of balanced evaluation criteria, Sustainable bed-washing facility
- Erasmus Medical Centre developed three award criteria for its new bed cleaning facility:
  1. Total Cost of Ownership/Service,
  2. Carbon Footprint, and
  3. Fit with organisation and strategy of Erasmus MC organisation.

- Making carbon footprint an award criterion sent a strong signal to the market that suppliers have an important role to play in reducing embedded carbon
- This was signaled from the start, i.e. in the market consultation document and reinforced during the process, finally becoming one of the three foundations of the procurement strategy.
- The balanced criteria ensured that the solution could be implemented and managed effectively in the context of the hospital, that it was aligned with other operations in the hospital, and delivered a lower carbon solution to the required quality standards.



## PPI Case Example

People Centred  
Low Carbon  
Catering  
Services for  
Hospitals

[Check more information](#)

[Source Foto](#)

## Case Example

People Centred Low Carbon Catering Services for Hospitals:  
Transforming service provision, reducing environmental impact  
and increasing efficiency

### Customer

- The Rotherham NHS Foundation Trust (TRFT)
- The Trust's main site is The Rotherham Hospital, an acute hospital with around 440 beds that provides services to around 66,000 day case and in-patients and 295,000 out-patients per year. A total of 4,300 staff work for the Trust, of which around 3,000 work on the hospital site.

### Opportunity

- 15 year PFI catering contract coming to an end - PLUS
- Involvement in EcoQUIP and the Down to Zero - Zero Carbon catering compact
- Created an opportunity to fundamentally re-think the catering provision in support of better quality, greater environmental sustainability and better value

# EcoQUIP

## Case Example

People Centred Low Carbon Catering Services for Hospitals:  
Transforming service provision, reducing environmental impact  
and increasing efficiency

### Process

- A cross-departmental project team was brought together, including nursing staff, facilities, dieticians, procurement, finance and patient representation, to undertake a complete review of the catering operation.
- The project team uncovered the success and failures of the current provision and then went on to identify the requirements of the new service provision in terms of outcomes.
- This was done through a consultative process that engaged a wider stakeholder network, in particular nursing staff.
- As the contract had been in place for so long there were many issues and differences to address within the project team before a common vision could be agreed.

## Case Example

People Centred Low Carbon Catering Services for Hospitals:  
Transforming service provision, reducing environmental impact  
and increasing efficiency

### Outcomes required

- The clinical vision for the new service: an innovative integrated solution for the provision of high quality patient-appropriate meals that are enjoyable, attractive, support patient recovery and are delivered as an integral part of nursing care.
- Sustainability drivers:
  - The NHS has commitments to reduce carbon emissions
  - The Trust and were committed to ‘towards zero carbon catering’ through their signature of the Down to Zero Low Carbon Procurement Compact.
- The project team expressed their **commitment** to an environmentally sustainable, low waste and low carbon catering service.

“The tendering of the new catering contract is an ideal opportunity to drive forward a step-change in the environmental sustainability and carbon footprint of catering and demonstrate that this can be done in a cost effective way without loss of quality”  
*Director, Estates and Facilities.*

## Case Example

People Centred Low Carbon Catering Services for Hospitals:  
Transforming service provision, reducing environmental impact  
and increasing efficiency

### Market Engagement

- TRFT communicated to the market a requirement for People Centred Low Carbon and Environmentally Sustainable Healthcare Catering
- Environmentally sustainable, low to zero carbon catering
- The Trust requires the following outcomes:
- A step-change in the environmental sustainability and carbon intensity of catering services
- A low-carbon catering provision with **progressive carbon reductions** over the life of the contract in both the on-site catering provision and the wider supply chain i.e. embedded carbon.
- **Reduction in food plate and food preparation waste**

““This market sounding exercise provided a platform to enable the supply chain to inform and shape the procurement strategy, design and specification of a new catering contract for The Rotherham NHS Foundation Trust. It is also an opportunity to shape new approaches for the NHS and our partners across Europe”. Assistant Head of Procurement

# Case Example

People Centred Low Carbon Catering Services for Hospitals:  
Transforming service provision, reducing environmental impact  
and increasing efficiency

## Market Engagement

- A **Market Sounding Prospectus (MSP)** was the main communication vehicle, together with a project web-page
- The MSP aimed to communicate clearly to suppliers that the Trust wanted to rethink ‘business as usual’ and engage suppliers to deliver new ideas and models of service to deliver the outcomes.
- The market engagement process was advertised via a Prior Information Notice (PIN) in the Official Journal of the European Union (OJEU).
- TRFT received a good response from a cross-section of the supply chain and the outcomes of the sounding were analysed by the project team.
- It was clear, however, that potential suppliers needed to engage directly with the Trust to understand and be convinced of their commitment to achieving the outcomes identified.



## Case Example

People Centred Low Carbon Catering Services for Hospitals:  
Transforming service provision, reducing environmental impact  
and increasing efficiency

Notable  
impact of  
market  
communication

- There was an immediate, positive and proactive response of the incumbent supplier to the market engagement process.
- They immediately began to look at how they could improve the existing service and introduced a series of initiatives to reduce plate waste, leading to approximately 2.5% reduction.
- In addition, they also trialed alternative service models such as the ward hostess model and meal ordering system and made simple but effective adjustments to improve the patient experience.
- This delivered immediate success in terms of reducing plate waste

“Previously, we had only ever asked the catering provider for cost reduction. By putting out a positive requirement to the market it encouraged a creative response and showed that we needed to build a different kind of relationship with the supplier of the new contract. You need to ask for what you want and not assume that better means more expensive.” *Director, Estates and Facilities.*

## Case Example

People Centred Low Carbon Catering Services for Hospitals:  
Transforming service provision, reducing environmental impact  
and increasing efficiency

### Procurement Strategy

- The aim of the procurement strategy was to enable and support innovation and delivery of the outcomes.
- It also ensured that the project team was aligned and in agreement before the dialogue process began.
- Key features of the procurement strategy included:
  - A 5+5-year contract - **incentivising ongoing innovation**
  - Outcome based specification
  - Adoption of the Competitive Dialogue procedure
  - Balanced evaluation criteria (quality of service, carbon, innovation, value) with **cost only being evaluated at the BAFO stage** and considered in terms of TCO (total cost of ownership).
  - In contract **progressive improvements and innovation**

## Case Example

People Centred Low Carbon Catering Services for Hospitals:  
Transforming service provision, reducing environmental impact  
and increasing efficiency

### Procurement strategy

- The aim of the procurement strategy was to enable and support innovation and delivery of the outcomes.
- It also ensured that the project team was aligned and in agreement before the dialogue process began.
- Key features of the procurement strategy included:
  - A 5+5-year contract - **incentivising ongoing innovation**
  - Outcome based specification
  - Adoption of the Competitive Dialogue procedure
  - Balanced evaluation criteria (quality of service, carbon, innovation, value) with **cost only being evaluated at the BAFO stage** and considered in terms of TCO (total cost of ownership).
  - In contract **progressive improvements and innovation**

“It is clear to us that if we had used simple price based evaluation criteria we would have been forced into a procurement of a service that we didn’t want and that would have led to the loss of the fresh cook kitchen facility which we really value’. *Assistant Head of Procurement.*

## Case Example

People Centred Low Carbon Catering Services for Hospitals:  
Transforming service provision, reducing environmental impact  
and increasing efficiency

### Benefits realisation

Financial  
savings to the  
Trust will be  
over €1 million  
in the first five  
years.

### Reduced environmental impact

- The supplier has committed to a 5-year plan of resource efficiency and carbon reduction within the contract e.g.:
- Plate waste reduced to less than 2%
- All food waste to Anaerobic Digestion
- Food for Life Catering Mark by the Soil Association: Bronze standard achieved and Gold standard by September 2016
- Range of eco-initiatives including eco-boxes, herb garden, kitchen garden
- Catering staff behavioral training in resource efficiency to reduce waste, energy and water consumption
- Energy efficient catering equipment including bulk delivery trolleys vending machines, ovens, refrigeration, extractors
- Energy efficiency LED lighting and sensors
- Supply chain initiatives to reduce food miles
- Recycling of 60% of cooking oil
- Progressive reductions in food and packaging waste
- Introducing recyclable consumables such as crockery, napkins

## Case Example

People Centred Low Carbon Catering Services for Hospitals:  
Transforming service provision, reducing environmental impact  
and increasing efficiency

### Overall outcome

- The solution purchased is primarily about service innovation but there is also a strong element of business model innovation in the way that it is integrated within the ward operations.
- In addition, the contract includes a number of specific targets to be achieved during the period of the contract that will require both product and (additional) service innovation by the selected contractor and their suppliers.

“This project has been a massive success. In terms of patient satisfaction and meal wastage, patient satisfaction has never been higher and food wastage never been lower.

Staff have also benefitted from seeing patients being served with what they have asked for and the new service model has freed up valuable nursing time to be used where it is needed, caring for the patient”. *Director Estates and Facilities.*

# Thank you for your attention



This project has received funding from  
the European Union's Horizon 2020 research  
and innovation programme under  
grant agreement No 642451