

A brief introduction to buying services

Imagine that you are the Purchasing Manager for a large construction firm, which of course may be the case and will need little imagination. You will be involved in procuring many things, which may include furniture for your managers' office, a fleet of cars for your sales team, a cleaning contract for your offices or the building of a temporary building on a construction site. All of these situations require different knowledge, skills and approaches.

Buying goods and works is very different from buying services in a number of ways.

Firstly, when buying goods or works there is a physical deliverable. You can clearly see the outcome i.e. your boss's new chair or the prefabricated building for your staff. The deliverables for a service can be more varied and quite often difficult to see i.e. the training of your sales team in negotiation skills. It will be difficult to see if there has been any benefit until the sales increase and how do you know whether it was the training that produced that result. What about the cleaning of your offices, cleaners are there every day but how do you know that they clean thoroughly and to the specification.

Also with goods or services it is fairly easy to clearly define what is required using either a conformance or functional specification. The suppliers know what is expected of them i.e.

Produce 1000 boxes Height 50CM, Width 50CM, Length 150CM using white corrugated cardboard 0.5cm thick,

Or

Build a shed 3M High by 3M Wide by 6 M long to store paints and oil based products.

These can be measured easily to see whether the supplier has performed to the agreement, but what about the cleaning service.

The supplier will clean the offices every evening, which will include dusting the filing cabinets, vacuuming the floors and cleaning the tablespots.

How do you measure this accurately? You could run your finger across the filing cabinets, check the carpets for fluff and look closely at the tablespots to ensure that no coffee rings were left, but how scientific is this.

You can examine a sample of the boxes to ensure consistency and perhaps provide a measure of tolerance $\pm 0.05\text{mm}$. If the manufacturer of the boxes uses the same machinery and process to produce the boxes this will be achievable and if there are any problems with a box you can reject it or even stop any more being produced until the situation is corrected. However, with a service like cleaning, it will depend on the person doing the cleaning and the service will vary from day-to-day. It is impossible to separate the delivery of the service from the product. The product or the service is created at the time the service is performed. If there is a problem with the service it cannot be corrected until after it has already been delivered. This may sound confusing, but it has a direct impact on your procurement approach.

Goods can be stored away to be used at a different time for example the furniture for the boss's office can be bought at a time when furniture is being sold cheaply such as the Christmas sales and stored until the boss's office has been built and decorated. A painter and decorating service cannot be stored away. The service can only take place once the

office has been built. The painter you want may then be unavailable or it may be at a particularly busy time and will cost more.

So there are clear differences between services and goods/works, which affect your approach to the procuring of these items. These can be described as:

- Tangibility;
- Separability;
- Storability;
- Homogeneity and;
- Measurability

What is a service provider?

You will find that when you are sourcing for a service provider, whether through a formal tendering process or not, that the organisations may be from different sectors or will approach the service you require in a different way than you expected. They may be:

- Public or private
- Third sector such as charities
- Consulting firms
- Engineering firms
- Construction managers
- Management firms
- Procurement agents
- Inspection agents
- Auditors
- Investment/merchant banks
- Universities
- Research institutes

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- Government or non government organisations
- Individuals

Agreements with service providers must be open, transparent and fair. The general considerations for a service is the need for high quality services, an economic and efficient provision, a need for equal opportunities for all potential suppliers, the encouragement and development of local service providers and the utmost importance of transparency. If you think you may be doing something that a potential supplier may shout “foul” then you are doing something wrong.

The following should be followed to avoid any form of conflict of interest with a potential service provider.

The service provider:

- Should not already be involved in providing goods or works on the same project
- Should not provide preparation consultancy and implementation work for the project.
- Should not be involved in any other services which would affect this project

The basic requirements of a service provider are:

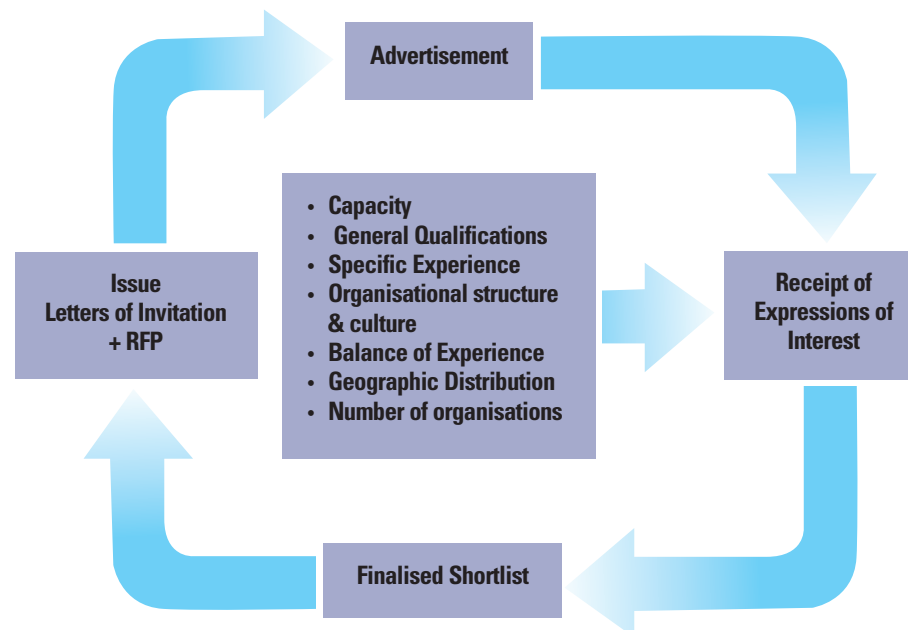
- The provision of a professional, objective and impartial delivery of a service holding the client's interests paramount avoiding any conflict with other projects
- That they are not employed, where the interests of one service provision could prejudice the outcome of other service provisions held by the provider. For example, performing two similar research assignments for direct competitors.

- That they must be ‘eligible’ to participate in the tendering process having met all the evaluation criteria and be legally and financially autonomous operating under commercial law.
- If they are a joint venture ensure that they are jointly and severally liable (all must sign and be party to the contract). It will be up to you whether you allow joint ventures to compete for the service contract. This is a good way to encourage the association with local firms.

The first step is to issue a request for either an expression of interest (EOI) or a proposal (RFP). The advertisement could be placed in local, regional or national newspapers, trade journals, website or perhaps the OJEU, if applicable. The invite should include the name of the organisation, brief description of objectives and scope of the project, what documentation is required, evaluation criteria and selection method and date, time, address for submission of information.

The procurement approach

The process could look something like this:



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The expression of interest is a critical document in the purchase of services. This is where the potential service provider can show whether they are capable of performing the service to your standards. For all the reasons given to you in the introduction you cannot be totally sure what will happen the moment the service begins but the EOI is what will give you confidence.

The EOI should include the following information:

- Qualifications in the field of the assignment
- Technical and managerial capabilities
- Details of the providers core business and years of operation. Remember this may be different from the service you are asking for.
- Qualifications of key personnel and potential project team
- References from current and past clients
- Administrative and financial capabilities

Selection method

One of the best methods for evaluating service providers is to use a quality and cost based selection method or QCBS. This is a competitive process among the short listed organisations, which takes into account the quality of the proposal and the cost of the services. Quality for services becomes the essential criteria using this method and the cost factors are used thoughtfully and with caution. Evaluation of the proposal is undertaken in two stages. Firstly the quality is assessed without evaluators having any access to the costs until the technical evaluation has been completed. This is followed by the financial evaluation of the proposal before a final evaluation is undertaken taking into account everything, which has been learned by the evaluators. This evaluation typically takes between 3 - 6 weeks.

Other methods of selection are:

- Quality-based selection. This tends to be reserved for very complex projects where terms of reference cannot be precise. Costs are not taken into account, but there is a high activity of negotiation.
- Fixed budget. This method is used where there is a well defined project and budget is fixed. The budget sum is provided to the potential providers and they provide details of what they will do for the money.
- Least cost. This is used where the service is standard or routine i.e school cleaning perhaps. The provider will need to score over a certain mark in their technical appraisal i.e. 75 or 80 and then the contract is awarded to the lowest cost.

Summary

Buying services requires a high level of skill and a robust purchasing procedure. The key to successful service provision is a clear understanding of the outcome from the service and the ability to write this down in a scope of work which the service providers understand. Make sure you understand your needs and the market you are purchasing from.