STRATEGIC TENDERING

IN A TIME OF TRANSFORMING SUPPLY CHAINS

Tom Eirik Fredriksen
Partner, Inventura AS
Who is Inventura?

- Norway’s largest supply chain management consultancy
- 70 consultants with extensive experience from various industries
- 1000+ projects resulting in NOK billions of cost-savings for clients over 3 decades
- Offices in Bergen and Oslo
A 360° perspective on your commercial strategy

- **Understand your market position**
- **Maximize score on evaluation criteria**
- **Perform and manage your client contract**
- **Secure margins by managing internal and purchasing costs**

**Tools**

**Marketing**

- Marketing and sales
- Profitably operating contracts and projects

**Bidding**

- Cost management
- Secure margins by managing internal and purchasing costs

**Contract management**

- Understand your market position
- Maximize score on evaluation criteria

- Profitably operating contracts and projects

**Cost management**

- Market position
- Perform and manage your client contract

- Secure margins by managing internal and purchasing costs
Are companies improving their commercial processes?

Results from depth interviews with leaders in oil & gas industry in preparation for Oljebransjens Innkjøpskonferanse 28 Sept 2017

What are the prioritized improvement areas in your company?

- Engineering efficiency
- Digitalization
- Quality and product improvements
  - Increase cost and scale flexibility
  - Purchasing and SCM

What is your improvement agenda in purchasing and supply chain management?

- Renegotiation program
- From fire-fighting to planned procurement
- Integrate towards other business processes
  - Improve supplier selection process
  - Supplier obligation to inform about deviations

What are the most important areas for improvement in your value chain?

- Integrate planning and SCM
- Simplify contracts, bidding, follow up
  - Simplification of concepts
  - Reduce requirements, use of SEMI etc
Procurement trends in oil and gas

Active sourcing and qualification...

- Long List
- Screening
- Audit/verification
- Qualified Suppliers List

Changing category strategies...

- Lever buying power
- Strategic collaboration
- Transaction efficiency
- Remove bottle-necks

Operators

- Drilling and well exploration
  - Mobile rigs
  - Well services
  - Drilling contractors
  - Seismic services
- Field design and development
  - FEED/Epmc/EPC
  - Topside systems
  - Equipment packages, components
- Subsea
  - Subsea systems
  - Marine operations
  - Maintenance and modifications
- Topside operations, maintenance, modifications
- Brownfield, M&M
  - ISS, inspections
  - Base operations
  - Offshore supply vessels
Different buyers with different approach

### Who should you target?

### How to become the preferred supplier?

<table>
<thead>
<tr>
<th>Large operators</th>
<th>Small operators</th>
<th>Major contractors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Getting to a more business-focused approach</td>
<td>Business-focused approach</td>
<td>Partly centralized procurement</td>
</tr>
<tr>
<td>Transforming to a “good enough” culture in technical departments takes time…</td>
<td>Limited internal technical organisation</td>
<td>Project focus, fire-fighting modus</td>
</tr>
<tr>
<td>Dilemmas:</td>
<td>Traditionally quite risk-averse</td>
<td>Dilemmas:</td>
</tr>
<tr>
<td>- Local needs vs economy of scale</td>
<td>Bundling scope to have less interfaces</td>
<td>- Use of sub-supplier expertise vs own organization</td>
</tr>
<tr>
<td>- How to best utilize internal technical competence</td>
<td>Partnership approach with key suppliers</td>
<td>- Minimizing total project risk vs minimizing own risk</td>
</tr>
<tr>
<td>- Alignment of strategic vs tactical focus</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Who should you target?

**Analyse your market**
- Competitors
- Customers
- Suppliers
- Market position
- Market trends
- Products and services
- Upcoming opportunities
- Prequalification criteria

**Do an honest SWAT analysis**

**Internal factors**
- Strengths
- Weaknesses

**External factors**
- Opportunities
- Threats
The bidding process is a buying process

Typical procurement process

**Planning and analysis**
- Step 1: Mandate, plan & fact base
- Step 2: Need verification, market analysis
- Step 3: Strategy

**Tender process**
- Step 4: Specification and RFQ/RFP
- Step 5: Evaluation & negotiations
- Step 6: Contract

**Contract management**
- Step 7: Contract implementation
- Step 8: Measuring & reporting
- Step 9: Knowledge transfer

Maximize score on evaluation criteria
Presenting your company the best way...

The bidding process

- Tender plan
- Tender strategy
- Technical score
- Commercial score
- Tender documents
- Negotiation strategy
- Contract assessment
- Variation order strategy
- Risk assessment

How to ensure tender quality

- Follow «Instructions to Tenderer» in detail
- Send clarification questions on important issues
- Do not include unnecessary documents
- Minimize the number of qualifications
- Evaluate the contract carefully. Contractual risk must be managed
- Evaluate the compensation format: potential and pitfalls
- Simulate customer’s evaluation
- Make a risk assessment and prepare a mitigation plan
- Avoid rush shortly before tender due date

The evaluation will be based (only) on the tender submitted. Make sure you present the company and the proposal in the best possible way
Bidding process as seen from the buyer side

Typical evaluation summary

<table>
<thead>
<tr>
<th>Supplier 1</th>
<th>Supplier 2</th>
<th>Supplier 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Weight</strong></td>
<td><strong>Score</strong></td>
<td><strong>Score</strong></td>
</tr>
<tr>
<td>Technical and functional solution</td>
<td>45%</td>
<td>0,00</td>
</tr>
<tr>
<td>Execution plan</td>
<td>35%</td>
<td>0,00</td>
</tr>
<tr>
<td>Total costs</td>
<td>20%</td>
<td>0,00</td>
</tr>
<tr>
<td><strong>Total score</strong></td>
<td></td>
<td>0,00</td>
</tr>
<tr>
<td><strong>Rank</strong></td>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>

How do you score on evaluation criteria vs your competitor?

Maximize score on evaluation criteria
Who will be tomorrow’s winners?

Increased macro and disruption risk – in all markets

- Financial imbalances
- Geopolitical conflicts
- Moore’s law, digitalization

Only the best will survive

- Not afraid to cannibalise current products and business
- A culture of entrepreneurship and discipline
- The best people on board – and the best partners...

What the preferred suppliers do

- Understand their customers and their strategic and operational agenda
- Commit to joint improvement targets, do the necessary changes
- Initiate new improvements
- Share information, present risk and deviations early
- Control their own processes, and ensure performance in the total sub-supply chain
Thank you!

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