

## Case Study Overview

# Leveraging sub-tender procurement to drive local economic development

## Case Study

BuyRegional is a nationwide initiative - launched in 2017 and powered by the VendorPanel platform. It helps government and enterprises to leverage sub-tender procurement as a driver of local and regional economic development. It also improves governance, reduces risk and drives savings.

Case study analysis covered a complete sourcing dataset from over 25 Government Customer Organisations sourcing via the VendorPanel Local Supplier Marketplace in 2017. Data was de-identified to align with confidentiality agreements. Non-conforming and potential outlier data was removed. The analysis covered \$29,744,785 in competitive low-value sourcing events (average transaction value less than \$50,000) via the Marketplace.

**Case study analysis has shown a high degree of engagement with the local supply chain, and significant cost avoidance benefits.**

## Economic Development Objectives

It is widely recognised that local sourcing brings social and economic gain. All levels of government recognise that local sourcing brings social and economic gain. For example, a Queensland Government study identified benefits to government, industry, and the wider economy:

Government	Local Suppliers	Wider Economy
Value for money through leverage of spend, competition, cost control	Opportunities for growth	Increased employment, skills competition and productivity
Reduced costs, including logistics and maintenance	Increased stability and diversity of markets	Innovation and supply chain development
Transparent reporting of benefits	Improved national and international reputation	SME development and wealth creation

*Source: Adapted from Queensland Charter for Local Content, Department of State Development, 2016*

## Usage - Audited Analysis

A key objective of BuyRegional is identification and inclusion of local vendors through use of geo-targeting by the VendorPanel platform. Analysis showed a high degree of engagement with local suppliers as a proportion of all sourcing via the Marketplace. Platform data shows business going to local vendors in 84.4% of cases<sup>1</sup>

Platform data shows business going to local vendors in 84.4% of cases<sup>2</sup>

## Savings - Audited Analysis

In addition to local economic development opportunities, the case study analysis examined savings generated as Cost Avoidance as a result of running a more competitive sourcing process. This data was independently audited. The objective of the independent review was to assess the compliance of the calculations against the one-off acquisitions savings methodology (as prescribed in the Queensland Government 2012-13 Procurement Performance Measurement System Data Dictionary and used by the VendorPanel report). This methodology compares the cost of the selected supplier vs the average of the cost of all viable bidders.

Analysis using the “one off acquisitions” savings methodology shows an average Cost Avoidance of 9.74% by Organisations sourcing via the VendorPanel Marketplace during the period<sup>3</sup>

This equated to over \$2.89m in savings, on sample spending of \$29.75m. The scope did not include identification or validation of other potential savings or more detailed calculation methods.

## Additional Observations - Audited Analysis

The auditor found sufficient evidence to make comment beyond the scope of the validation activity, observing that there is evidence that savings may be delivered using the system, namely:

- Increased visibility of data and outcomes, is likely to drive further savings through accountability and the ability to question decisions
- Increased data visibility allows a strategic procurement area to identify opportunities for strategic contracts rather than tactical tenders
- Adoption of VendorPanel is likely to provide greater confidence in the process and probity over use of emails or other uncontrolled processes
- Adoption of VendorPanel will allow the maintenance of records for audit and for faster replication for repeat quotes

---

<sup>1</sup> National % of successful Market Place RFx responses where vendor was within 125km, in 2017

<sup>2</sup> National % of successful Market Place RFx responses where vendor was within 125km, in 2017

<sup>3</sup> Independently audited and verified by ArcBlue Consulting

- Adoption of VendorPanel is likely to deliver faster quotation processes
- Adoption of the Marketplace may introduce new suppliers which may result in greater competition

## About BuyRegional

The focus of BuyRegional is on the high volume of sub-tender operational sourcing (usually RFQs \$2k-\$150k), which represents 40-60% of procurement spend by Local Governments in Australia. Anecdotally, it is similar for many State Governments and other complex organisations. This sourcing is usually decentralised to operational (non-procurement) staff, who typically request competitive quotes by email, providing little transparency or oversight. It can deliver sub-optimal value, with little real competition, or meaningful auditing, reporting and analytics.

BuyRegional can reduce risk in decentralised low-value sourcing, drive value, and leverage spend to drive local economic development outcomes. Targeting this spend is particularly powerful because these smaller opportunities are often best suited to local SMEs.

**“One of the ways we are encouraging and facilitating local suppliers to work with us.”**

*Shire of Wyndham East Kimberley*

The BuyRegional supplier marketplace improves engagement with the business community by giving local suppliers easier access to opportunities. It also structures decentralised procurement, allowing buyers to access a wider range of products, pricing and terms than they have traditionally been exposed to.

## Benefits

- Connects buyers and potential suppliers, allowing local vendors of all sizes to compete with often larger, non-local competitors
- Delivers measurable cost savings by creating a larger vendor pool and more efficient market
- Drives adoption through ease-of-use, both for suppliers and for all staff involved in non-tender purchasing decisions
- *For Economic Development functions:* Provides a practical tool to drive positive local and regional outcomes
- *For Procurement teams:* Supports transparency, governance and probity, particularly in decentralised and low-value procurement
- *For Executives and Elected Officials:* Delivers insights into social and economic impacts of spend, through on-demand reporting and dashboards.

Organisations taking part in the initiative have seen significant benefits in terms of value, compliance and risk reduction.

**“Gives local suppliers an easy and consistent way to hear about contract opportunities from Council.”** *Lockyer Valley Regional Council, QLD.*

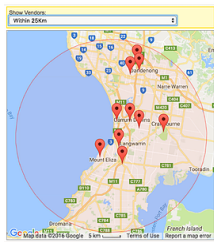
## What makes it work?

### Positive user experience becomes its own compliance strategy

Deep understanding of procurement processes and investment in product development mean that VendorPanel is easy for non-procurement staff to use. Beneath the simplicity, though, lie streamlined and transparent processes that feed into smart reporting. Creating a 'path of least resistance' for users becomes an innovative and effective compliance strategy.

### Low-value procurement can finally be brought to heel

Even in the best-run public and private organisations there can be a sense that mid-level spend (between \$5,000 and \$150,000) is just too hard to manage well. Purchase decisions are decentralised, many suppliers are involved, and buying is often of a recurring and urgent nature. With VendorPanel clients can apply some of the rigour of a Tender process to this 'long tail' of activity, reducing risk and driving value, giving procurement teams transparency, and helping local suppliers to target the size of opportunities they are best-equipped to win.

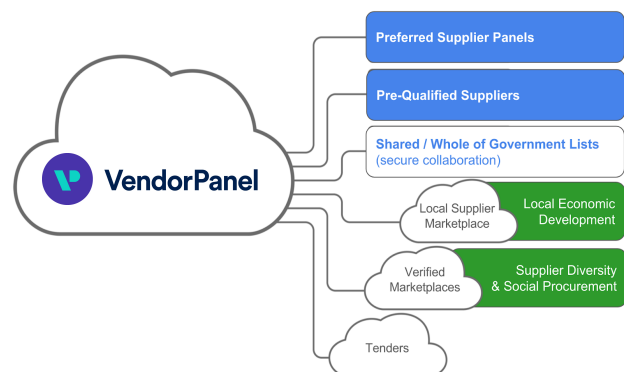


### Geo-Location: Local Market mapping shows buyer impact

A critical component of BuyRegional is the way in which the technology automatically geolocates suppliers and potential suppliers, and defaults supplier sourcing to highlight local vendors. Market scans can be expanded to include metro areas or other regions where a supply chain is too shallow.

### An effective regional development solution, as part of a full procurement suite

As a local supplier marketplace, BuyRegional is not just a sourcing database. Because it sits on the VendorPanel platform, organisations can meet local sourcing targets within a broader procurement strategy that may include panels of preferred and pre-qualified suppliers, Whole of Government lists, and initiatives to support social, Indigenous or diversity procurement goals.



### Powerful sourcing analytics

Sourcing analytics is different to spend analytics. It tells a much richer story. When it comes to local market capacity building, understanding buyer trends and why they lose work is at least as important as who wins. BuyRegional is unlocking powerful data that can be used for more targeted local supplier capacity building. This is a massive opportunity for our regions.