

10

benefits of
eTendering for
construction
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Construction firms badly need eTendering. For one thing, they operate in a fiercely competitive environment. Any costs that can be stripped out will either make you more competitive, or increase your margins. For another, construction is typically a sector where a large volume of tenders are handled - hundreds or thousands of tenders per month. It stands to reason that the more tenders handled, the more benefits will accrue from better processes and quicker systems that in turn lead to cost savings.

The other half of the equation is that, as things stand, fragmented procedures and manual processes only mean higher transaction costs and higher management overheads for running processes, Quality Control, and coordination on site. All of this impairs your ability to drive out costs and reduce waste. Construction firms need to grab the competitive advantage and commit to eTendering as soon as possible.

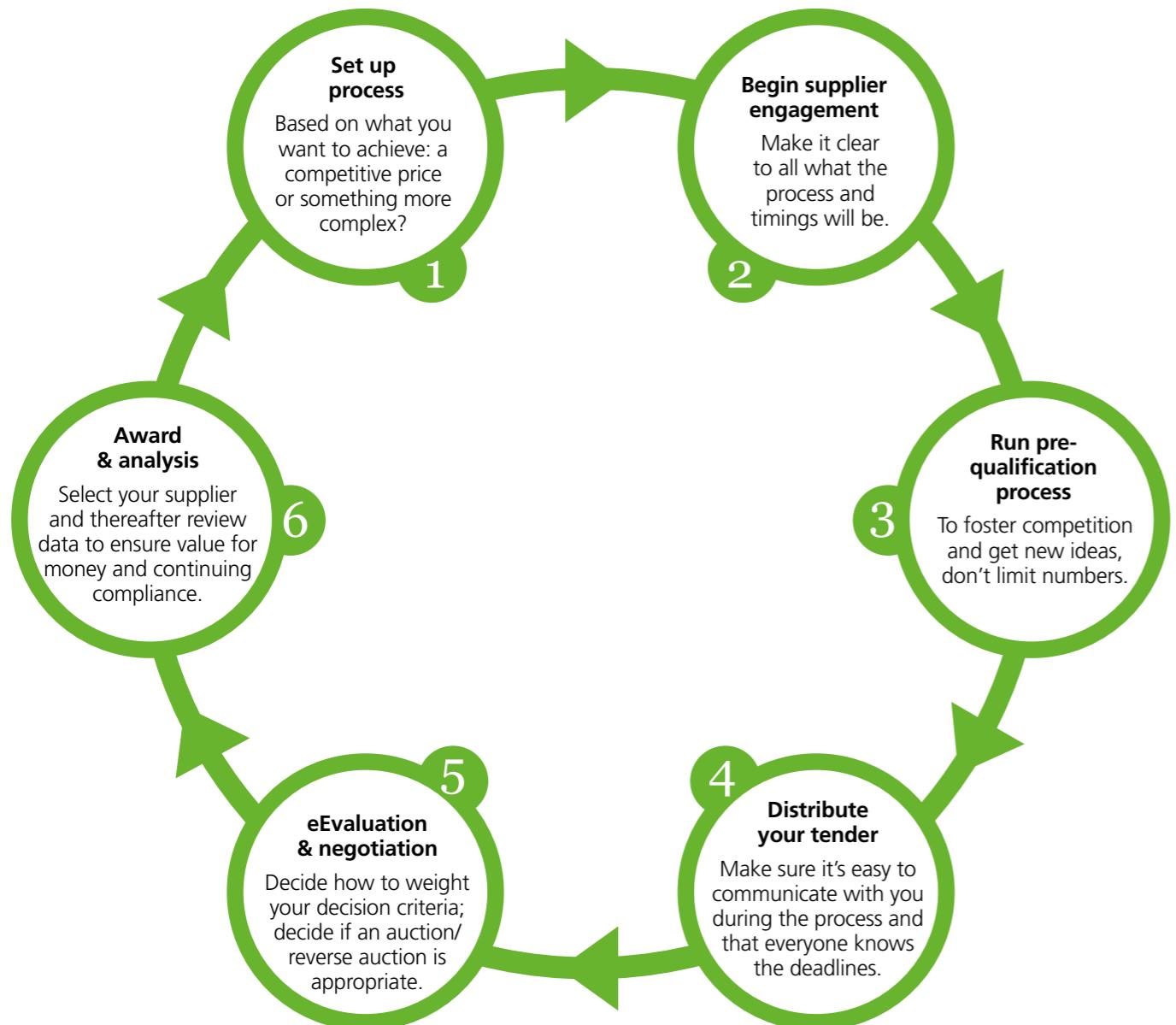
But what exactly is it, and how can it work in this complex sector?

What is eTendering?

“an electronic tendering solution that facilitates the complete tendering process from the advertising of the requirement through to the placing of the contract.¹”

In the beginning there was pencil and paper. Then we got computers. That changed things somewhat, but the model remained essentially passive, and still involved a lot of manual/clerical intervention, and more often than not a lot of disparate emails. We're now on to the next iteration - which is 'smart' systems. These minimise the clerical burden as much as possible, and do much more besides. As well as storing information, smart systems can 'read' data and process it. They can be programmed to perform tasks automatically and they can routinely acquire data, use it and re-use it. They can guide you in simple ways to implement best practice processes by encouraging and supporting consistency.

eTendering is that kind of smart system. eTendering solutions are dedicated to and solely developed for professional buying tasks. The goal is to minimise the amount of time spent doing repetitive manual tasks and to maximise the utility of smart machines.



¹ Definition of eProcurement cited by Eadie et al in An in-depth analysis of e-procurement use in UK construction organisations, see: <http://nrl.northumbria.ac.uk/13014/>

What can eTendering do?

eTendering can:

Jump start the tendering process

A good eTendering system will include a supplier registration module. Potential suppliers can register online and update their information on a regular basis, so suppliers come to you, you don't need to find them.

Take care of PQQs

An eTendering system will dispatch PQQs and then automatically evaluate the responses submitted. This takes you from a long list of potential suppliers to a shortlist of qualified potential suppliers at the press of a button.

Reduce tender cycle times by 66% on average

For one thing, the time needed for sending documents back and forth in the post is stripped out. For another, an eTendering platform is in effect a document management system. Everyone's data is in one place, along with the details of every interaction you've ever had with them. You can respond to queries or make changes very quickly. And no more producing the same letter twenty times or repeatedly making the same phone call. It takes the same amount of time to contact 20 suppliers as it does to contact two.

Schedule the whole tender process

You can automatically manage milestones and alert participants when things need to happen. A good system will support the process with automated messages and alerts to everyone involved. And by forcing deadlines in line with your projects' and your clients' needs - you have control and can reduce the overall tendering process time.

Automatically appraise bids

Using a data-centric system, e-evaluation can not only 'read' the binary 'yes/no' responses, but can give different weightings to the answers in individual sections or even to individual questions. Then at the press of a button you can get a side-by-side comparison of every bidder. It does the work for you!

Run eAuctions

eTendering will help you automatically run an auction, or a reverse auction (where the lowest bid from a previous tender could be used as the opening price to drive the cost down even further.) It can generate significant cost savings.

Handle ePayment and contract management

An eProcurement system can also be extended to handle routine clerical procedures after award - so it can handle eInvoicing and make timely and accurate ePayments. Also your contract management is greatly simplified when all the documents from ITT onward are held on one system.

Promote more competition

Because it's as easy to contact 20 suppliers as it is to contact two, you can invite more bids, see more options and ideas, increase competition and drive down costs, without increasing your overheads. Where location isn't important, you can also easily include suppliers from further afield geographically to further increase your options.

Embed better benchmarking

Sophisticated eTendering systems can import and regularly update standard prices for the big-ticket items, or works needs that you buy regularly - so for instance, that would include the price of cement, or of two metres of road and all that involves in terms of raw materials, labour and equipment. It gives you the means to easily benchmark what you're spending against a national average. This gives you a powerful negotiation tool with suppliers.

Integrated data

In addition, where estimated price data and schedule of rates information are imported into and integrated within your system, users can have up to the minute, accurate cost estimates. You can also import data directly from consultants and contractors to produce specific estimates for option appraisals, early cost advice and cost planning. The system provides a new source of accurate costing data in a direct feedback loop from the tender process.

Contribute to meeting sustainability targets

Substantial reductions are made in paper and energy use (which includes couriers' fuel and the power used to print and copy documents). In addition, tender documents need to be kept for the duration of the contract, which can be many years. With eTendering these documents don't need to be stored physically leading to a substantial space saving that helps reduce your physical and your carbon footprint.

eTendering and the construction industry

Currently, the adoption of eTendering technology in the construction sector is fairly weak. Research conducted in 2010² showed that the average adoption rate across the industry was 27 per cent, with government clients most likely to adopt e-procurement. The study also showed, interestingly, that contractor size was not a factor for implementing eProcurement.

This is actually surprising given the persuasive benefits the industry could gain from the use of this technology. While the majority of contracts are won by Tier 1 firms, the majority of work is actually delivered by Tiers 3 and below. A recent Department for Business, Information and Skills (BIS) sponsored report³ concluded that on all projects, typically 4 or 5 sub-contractors are focused at Tier 2, but that actual delivery of these packages is undertaken by a disaggregated Tier 3 supply chain.

eTendering is a highly effective way to manage these complex supply chains with multiple tiers of suppliers. Additionally, the fragmented, sub-contracted nature of construction lends itself to light, flexible, easy-to-use eTendering solutions, especially when managing supply chain relationships that are upstream and downstream from construction firms. Moreover, multi-site, complex organisational structures lend themselves to flexible eTendering solutions. In the context of project tendering, this benefit also extends to sub-tendering activity.

eTendering can also play a strong role in risk mitigation and business continuity management (BCM) strategies. In terms of BCM, firms need to identify critical suppliers and to mitigate their exposure. eTendering systems make it easy to keep track of key suppliers and to keep the organisation's supply chain exposure under review. Likewise eTendering promotes accountability, transparency and compliance. It provides a secure history of every tender. In terms of governance and compliance, eTendering makes it straightforward to enforce processes and workflows. Tender procedures and policies can be configured into the solution so that all procurement staff can only operate within organisationally approved processes. In addition, where responsible sourcing is important, eTendering systems simplify the process of keeping track of supplier credentials, and where and how they source materials.

10 reasons why construction firms should adopt eTendering

1. Increases the size of your supplier pool and formalises how information is held, leading to better organisation of their credentials and capabilities. Suppliers can additionally update their credentials in your system when necessary.
2. Leads to closer, more structured communication and earlier engagement, balancing competition and cooperation with your supply chain partners.
3. Increases accountability by formalising and documenting the entire tender process and creating water-tight audit trails.
4. Streamlines change management because requirements are documented in the system, helping to form the basis of change control.
5. Reduces the cost of issuing and evaluating tenders.
6. Reduces the time to source and engage suppliers.
7. Empowers non-specialists to run and manage eTenders. No procurement training is required.
8. Renewals and repeat tenders are handled much more efficiently because previous, similar tenders are to hand in the system to 'copy and paste'.
9. Reports are easily generated leading to benchmarking and insights that improve the tender process.
10. eTendering drives down maverick spend and implements governance over the tender process to ensure that appropriate suppliers are used, and appropriate checks and balances are in place for reviewing appointed suppliers.



The supply chain is an area of known inefficiency in the UK construction sector. BIS research⁴ published in October 2013 notes drily:

“The findings of the study suggest that the construction industry is not currently optimised for rationalisation of the supply chain.”

Clearly there is room for improvement. One clear route by which firms can seize competitive advantage is through the adoption of eTendering systems.

² An in-depth analysis of e-procurement use in UK construction organisations, 2010 see: <http://nrl.northumbria.ac.uk/13014/>

³ Supply Chain Analysis into the Construction Industry, October 2013

⁴ Supply Chain Analysis into the Construction Industry, October 2013



Find out more about NexProcureLite



Go to www.nexprocurelite.co.uk for more information and to start your free trial of NexProcureLite.



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