

CASE STUDY:
A suppliers guide to
Forward Commitment
Procurement (FCP)

Stimulating innovation in the economy and creating opportunities for suppliers

Supporting innovation for progress and growth

Innovative goods and services will be essential to meet the challenges of the future. Yet new goods and services often struggle to break into the market, and many promising solutions fall by the wayside leaving customers with few, often unpalatable, options. One of the reasons for this market failure is the lack of a credible and articulated demand for innovative goods and services.

FCP is an approach to the procurement of innovative solutions which can help overcome this demand side market failure. FCP harnesses the power of public and private sector procurement to drive innovation to improve public services and create business opportunities for innovative companies. It helps to create the market conditions where innovation can flourish.

Creating opportunities: Forward Commitment Procurement

FCP seeks to encourage industry to develop products to meet identified needs by providing the potential supply chain with confidence that a market will exist for products that meet these needs at the best value for money, i.e. at the optimum combination of whole-life costs and quality.

FCP works by generating a credible, articulated demand for innovative goods and services and providing accurate

“Innovation is critical to the UK’s future economic growth, prosperity and quality of life. If the UK is to be competitive in the global economy, and tackle the challenges we face as a society, we need to become better at innovating and quicker to adopt.” – *Fergus Harradence, Deputy Director, Innovation Policy, BIS*”

“All too often emerging technologies and innovative goods and services fail to make it to market, or do so only slowly because of the uncertainty of future sales. This is a barrier to progress. At a time of such rapid societal and environmental change we cannot afford such slow progress, and for good ideas to fall by the wayside.” – *Dr Jonathan Frost, industry member and Chairman of the BIS FCP Programme Board*



“To realise its full effect, suppliers need to recognise the opportunities that FCP presents, rise to the challenge and innovate” – Andrew Bissell, Director, Cundall Light4



Rotherham Hospital is a 500 bed acute hospital in the north of England

A Prior Information Notice was published in the Official Journal of the European Union (OJEU) to announce a period of market engagement more than two years ahead of the formal procurement process.

The project sought to meet two key outcomes:

- A step change in the patient experience
- A step change in the efficiency of lighting

information on the requirements and future needs of customers in the public and private sectors.

The initiative brings together progressive thinking and best practice from the private sector’s approach to innovation and supply chain management to directly address the lack of demand pull for innovative products.

By adopting FCP thinking, public and private sector customers can help overcome the market failures that inhibit the commercialisation of innovative goods and services.



This is good for business, good for customers and benefits society.

FCP in practice: Bringing new products to market

BIS and Department of Health (DH) initiated and supported a demonstration FCP project in the NHS in partnership with Rotherham NHS Foundation Trust.

The opportunity for innovation was presented by an 8 year refurbishment programme beginning in 2010. This gave a credible sales opportunity, in a defined timeframe, and critically sufficient time for the supply chain to innovate. The vision of the CEO for a ‘Hospital of the Future’ was a key driver.

Communicating ‘unmet needs’

Adopting FCP thinking, and with the vision for a ‘Future Ward’ firmly in their minds, the project team set out what they needed rather than what was available on the market.

This was communicated to the supply chain in outcome terms as part of a market sounding exercise:

‘The Trust wish to achieve a step change in the patient experience; creating a patient centred environment, including the incorporation of highly efficient, smart lighting systems that can deliver economical carbon reductions while at the same time contributing to a pleasant and healthy environment for both patients and staff’. *From the Trust’s market sounding prospectus*

Other NHS Trusts joined with the Trust in expressing their interest in buying a solution that delivered these outcomes for their refurbishment and new build projects.

Once the customer's needs have been defined, the next step in the FCP process is to make sure that this valuable market information is communicated to the supply chain. In this case the project team drew on the expertise of the Electronics, Sensors and Photonics Knowledge Transfer Network (ESPKTN). The ESPKTN and other supply chain intermediaries advertised the requirement widely in the trade press and among their members and peer groups.

Engaging with the market place

A Prior Information Notice (PIN) was issued via the Official Journal of the European Union, and this initiated a period of consultation with the supply chain. A market sounding 'Prospectus' set out the requirement in more detail and highlighted the wider market demand in the NHS. The project team enabled dialogue with and among the supply chain, by organising a consultation workshop and by publishing a directory of companies that had responded to the market sounding. The feedback this process stimulated led to the refinement of the outcome based specification and the adoption of innovation friendly procurement approaches.

Outcome based specifications allow room for innovation

The project team listened to the feedback from the supply chain, and the tender was based on an outcome based specification. The detail of the solution and how to achieve the required outputs was left to the individual companies to design, test and resolve.

The specification

'Innovative, value added, smart, ultra efficient lighting systems that can deliver the Trust's vision for Future Ward lighting, meet the operational requirements and provide added value functionality, in a cost effective way.

The core requirement outcomes are:

1. A step change in patient experience, i.e. creating a pleasant healing environment with patients being in control of bed zone lighting levels and ambience, whilst providing the lighting to perform clinical requirements and incorporating measures to reduce the risk of hospital acquired infections;

"The market engagement not only gave potential suppliers advance notice and time to innovate, it also stimulated a valuable exchange within and between supply chains". – *Dr Gareth Jones, Consultant for the Electronics, Sensors and Photonics KTN.*

"The market engagement was invaluable in gaining insights into the real needs of our customers in the NHS". – *Neil Robinson, Managing Director, Sharp Smart*

Competitive Dialogue is a procurement process that permits discussion of options with suppliers before inviting best and final offers.

“The key to success was to begin by asking for what was needed – not what we thought was available or affordable. The results have exceeded all our expectations”. – *John Cartwright, Director of Estates and Facilities, Rotherham NHS Foundation Trust*



In line with the tender specification, the solution has been future proofed to enable adoption of new technology such as organic LEDs as they become available

2. A demonstrable step change in energy efficiency, with progressive improvements in both energy efficiency and operational performance over the life of the project;
3. A fully installed, maintained and future-proofed service, for example to facilitate upgrading to more energy efficient or better products as they become available’.

Greatly encouraged by the response of the supply chain, the Trust began a competitive procurement exercise in the summer of 2009. A number of high quality proposals were presented as part of the Competitive Dialogue process. Among these were leading medical lighting companies and a pan-European consortium of companies including a lighting designer, architect, building systems manufacturer and lighting manufacturers.

A new and innovative solution on the market

Stimulated by the advance warning of the forthcoming procurement, one consortium worked together in advance of the tender and was subsequently well prepared to come forward with an innovative solution that met, and indeed exceeded, the Trust’s expectations.

The pro-innovation FCP approach has brought to the market a new and innovative product; an integrated ‘future ward’ modular solution with integrated lighting, trunking and storage which is constructed off-site.

Detailed costings, verified by an independent quantity surveyor, show that the innovative solution will cost the same as a standard ward solution with not only the required step change in patient experience and lighting efficiency but also with reduced on-site build time and additional benefits.

The interest in the modular off-site approach has already led to discussions about adaptation of the concept to other public buildings, such as schools, with the supplier.

Graphic image of the Future Ward solution with integrated future ready bio-dynamic ultra efficient lighting



FCP in a Nutshell: Guide for suppliers

Take notice of advance warnings

Prior information notices in the OJEU are increasingly used as a way of setting out future requirements, procurement plans and launching market engagement.

Register for alerts from the Official Journal of the European Union at www.tendersdirect.co.uk.

Join trade and innovation networks

Find out more about KTNs at the Technology Strategy Board website: <http://www.innovateuk.org/>

Get involved

Respond to market soundings and participate in market consultation events.

A market sounding prospectus should give you a clear sense of what the customer is looking for and why and gives you an opportunity to comment and influence the future specification.

Consultation or concept viability events give suppliers an opportunity to engage in dialogue with the customer and other parts of the supply chain and gather information on where the market demand is heading.

Market sounding is a way for the customer to test out ideas and get a feel for how the supply chain as a whole is positioned to respond – it is in no way part of an evaluation of the offerings of individual suppliers.

Small Business Research Initiative (SBRI)

SBRI enables government departments to connect with technology businesses to develop innovative solutions to specific public sector challenges and needs. It aims to use the power of public procurement to accelerate technology development, supporting projects through the stages of feasibility and prototyping which are typically hard to fund. SBRI offers an excellent opportunity for businesses, especially early stage companies, to develop and demonstrate technology, supported by an intelligent lead customer.

Find out more and sign up for updates at: <http://www.innovateuk.org/deliveringinnovation/>

What suppliers say about FCP

“This approach gives companies the freedom to innovate and explore new technologies and design concepts rather than being constrained by what has gone before”. – *Andrew Bissell, Director, Cundall Light4.*

“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”. – *Peter Jones, Director of Design, Skanska.*

“FCP helps innovating companies to manage the market risks associated with bringing new goods to the market. Market sounding was new to us, but gave us the opportunity to influence the specification and highlight issues that the customer was not aware of”. – *John Gaskarth, Director, Econoplas Ltd.*

What suppliers say about FCP

“Well done FCP. At last an opportunity to get zero to low carbon technology out into the market place. Forward planning of procurement will enable the supply chain of innovative solutions to familiarise the market with the alternative possibilities before the usual time pressures force adoption of ‘the same old answers’”.

– *John Lidderdale, Managing Director, Logan Energy*

“A forward commitment enables us to make decisions with our supply chain that we would not be able to without it”. – *Mike Yates, Austin-Smith Lord*

“A forward commitment is very useful. Allows early investment in specialist equipment to achieve environmentally friendly, low cost production and helps to schedule resources and attract industrial partners”. – *Wayne Morgan, Managing Director, Elements Europe.*



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FURTHER INFORMATION:

For more information about this project or to find out more about FCP go to www.bis.gov.uk/fcp