



**Government  
of South Australia**

State Procurement  
Board

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**Market Analysis Guideline**

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## Overview

This guideline provides public authorities with information and practical advice, in addition to outlining the specific mandated requirements, for undertaking market analysis for goods and services.

In particular, procurement practitioners will gain an understanding of:

- the importance and benefits of undertaking market analysis
- how to plan and conduct effective market analysis
- the use of various market analysis models
- the mandated market analysis requirements to be applied and demonstrated in the procurement process.

## Object of the State Procurement Act

The object of the Act is to advance government priorities and objectives by a system of procurement for public authorities directed towards:

- a) obtaining value in the expenditure of public money;
- b) providing for ethical and fair treatment of participants; and
- c) ensuring probity, accountability and transparency in procurement operations.

The undertaking of market analysis is to have regard to, and be consistent with, these objectives.

## Public Authority Requirements

The use of this guideline is encouraged, where relevant, for procurements with a value of \$1.1 million and above.

For all procurements greater than \$4.4 million, public authorities **must** use the Supply Positioning and Supplier Preferencing market analysis models outlined in this guideline to assist with the development of an appropriate acquisition plan.

Where the impact of the supply chain on the procurement is significant, public authorities should demonstrate that they have undertaken an analysis of their supply chain.

It is expected that this analysis will be undertaken by appropriately skilled procurement professionals rather than general public authority staff who may only be marginally involved in the procurement process. Where such skills are not available, the public authority should source this expertise by other means.

## Introduction to Market Analysis

Market analysis is specific research undertaken that describes the factors, conditions and characteristics of the market for a planned procurement, particularly in terms of structure, features, suppliers, regulation and competition.

The objective of market analysis is to develop a thorough understanding of the nature of the supply market, how it works and how this impacts upon the market approach and acquisition strategy.

Market analysis is generally undertaken prior to formulating a market approach and determining a subsequent course of action. Market analysis helps to ensure that the procurement objectives are achieved and that the identified risks and opportunities related to the supply market are considered when developing an appropriate acquisition strategy.

Note that whilst undertaking market analysis is important, it is the interpretation and application of this analysis in developing an acquisition strategy that is crucial to its effectiveness.

## Conducting Market Analysis

### Dimensions of Market Analysis

Market analysis supports sound decision making in developing an acquisition strategy and identifying opportunities and risks related to the procurement. Whilst all identified risks may not be eliminated, greater visibility enables treatments to be implemented as part of the acquisition strategy development. For example, there may be a number of suppliers of protective equipment on the market, but research may expose that they are ultimately owned by one holding company.

Issues to consider when undertaking market analysis include:

- the number of suppliers in the market
- market capability and capacity to meet the procurement requirement
- the level of market interest in the procurement requirement
- the supply market structure and degree of competition (including the supply chain)
- government legislation and policy requirements (both existing and impending)
- the risk of supply failure (supply market strength and maturity)
- the potential impact of the procurement activity on suppliers and markets (for example, an across government contract resulting in a significant reduction of competition).

### Demand /Internal Analysis

Prior to commencing market analysis, a key preliminary step is to conduct analysis of the internal demand dynamics operating within the public authority (or procuring entity). This analysis, or needs identification, is conducted with key internal stakeholders to the procurement.

This process will:

- identify the key public authority strengths, weaknesses and issues related to the procurement
- provide a better understanding of the requirements
- assist with determining the procurement objectives for the goods or services
- ensure that the subsequent market analysis undertaken is relevant and focused.

Consideration should also be given to any existing contractual arrangements in place that could be used to meet the requirement, thereby removing the need to undertake a new procurement activity.

## Undertaking Market Analysis

Undertaking market analysis will improve the likelihood of achieving the procurement objectives by understanding the supply market and by determining how attractive the procurement is to the market. This work correlates with the analysis done in identifying the dynamics of market power.

The cost, time and effort spent undertaking market analysis should be commensurate with the benefits gained and to the strategic importance of the procurement as determined by its value/complexity quadrant assessment (refer to the *Acquisition Planning Policy*).

Prior to undertaking market analysis, consideration should be given to:

- defining the objectives and elements of the market analysis e.g. determining the number of suppliers, their interest in the procurement activity, supplier capability and capacity;
- identifying potential information sources and analysis methods;
- determining the market analysis models to be used e.g. Supply Positioning and Supplier Preferencing analysis (refer to the Market Analysis Model section below);
- identifying the resources required to support the analysis e.g. human, financial, office space, travel, software, organisational memberships; and
- developing a schedule outlining the key activities and timelines for finalising the market analysis.

## Market Types

Knowledge of market types and structures is important to the public authority in determining the challenges and opportunities that different supply markets might present.

The four types of markets are described below.

### *1. Pure/Perfect Competition*

This type of market (for example, traded commodities such as wheat) has the following features:

- there are very many buyers and suppliers
- the good or service is homogeneous and easily replaceable by substitutes
- neither the supplier nor buyer can influence the price i.e. there is a market price
- there is complete market information available to participants
- there is a high level of transparency in the market.

### *2. Imperfect Competition*

This type of market (for example, most indirect goods/services) has the following features:

- there are many buyers and suppliers
- the goods and services are differentiated i.e. buyers perceive that there are non-price differences among the suppliers
- the supplier is able to influence prices.

### *3. Oligopoly*

This type of market (for example, petrol retailing) has the following features:

- there is a limited number of suppliers (for example, four or five)

- suppliers have a good knowledge of each other's behaviour
- there are significant barriers to entry
- there is limited price competition and the potential for high profits
- there is the potential for collusion.

#### 4. Monopoly

This type of market has the following features:

- there is only one supplier of the goods or service with no substitutes
- the supplier can dictate market aspects such as pricing
- there are excessive levels of profits
- the market may be protected by patents and copyrights (for example, proprietary drugs).

#### Locating Information Regarding Supply Markets

There are many different sources and methods that can be used to gather information regarding supply markets including:

- internet research
- the Yellow Pages
- industry bodies such as professional bodies, associations and industry organisations
- Industry Capability Network (ICN) SA
- buyer's guides, supplier brochures and advertisements
- supplier's previous histories and files
- peer, supplier and customer networks
- newspapers, journals, bulletins, directories and government gazette notices
- information collected from organisations in other jurisdictions
- market analysis specialists
- contact with current or potential suppliers.

## Gathering Market Information

Information about the market for consideration when undertaking market analysis, can be obtained by different means, as discussed below.

#### Formal Request for Information (Primary Research)

A Request for Information (RFI) is a means of gathering supply market information and intelligence as part of the market analysis phase. An RFI is not a market approach and does not require any formal procurement approvals.

An RFI is often appropriate when there is a significant degree of uncertainty associated with the proposal or the supply market, or when a business case is yet to be developed. It is commonly used for projects that may be unique or complex, and where there is little public information available about the possible market solutions or technical requirements.

An RFI is usually advertised publicly, but is not used to select vendors and cannot be used to exclude suppliers from any future market approaches that may be undertaken. If the project continues, an acquisition strategy and market approach needs to be developed.

## A Less Prescriptive Approach for Gathering Information

Public authorities are encouraged to undertake a more flexible, less prescriptive approach to gathering market information, particularly for high value, high complexity acquisitions.

For foreseeable and recurring procurements, market information should be gathered on an ongoing basis and not only during the formal market analysis phase that occurs at the commencement of the procurement process. This allows for a more rigorous and substantive understanding of the market's dynamics and features, ultimately benefiting the public authority when tailoring an appropriate acquisition strategy.

Public authorities should consider visiting suppliers, investigating potential solutions and keeping up-to-date with emerging trends and issues in the market. Public authorities may wish to seek information from, and hold discussions with, potential suppliers, also providing an opportunity to discuss any issues, concerns or obstacles to suppliers being able to respond effectively to a future procurement need or request.

Public authorities are encouraged to use the *Potential Supplier Engagement Checklist*, located in the *Acquisition Planning Policy* to document the informal activities undertaken during a formal or informal procurement process (for example, conducting a briefing and discussion session).

Public authorities may also consider engaging specialist research organisations to provide information and analysis on particular category or industry sectors, which can be used to inform a future acquisition strategy.

## **Market Analysis Models**

Understanding the importance of the procurement to the public authority and comparing this to the perception of the procurement's value to the supply market, and to individual suppliers within the market, is critical to developing effective acquisition strategies to achieve value for money outcomes.

This analysis may identify changes to be made and strategies to be developed for the public authority to be seen as more attractive to suppliers, allowing for a more competitive bidding process and a better value for money outcome.

The following three key market analysis models are useful in informing the development of an acquisition strategy, namely:

- Supply Positioning<sup>1</sup> (the importance of the procurement to the public authority);
- Supplier Preferencing<sup>2</sup> (the importance of the procurement to the supply market)
- Supply Chain Analysis (the risks and opportunities that exist throughout the supply chain).

Applying these market analysis models can assist to increase the number and quality of local suppliers willing to compete for the procurement and to understand the supply market's strengths and weaknesses.

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<sup>1</sup> Paul Steele and Brian H Court, 1996, *Profitable Purchasing Strategies*, McGraw Hill.

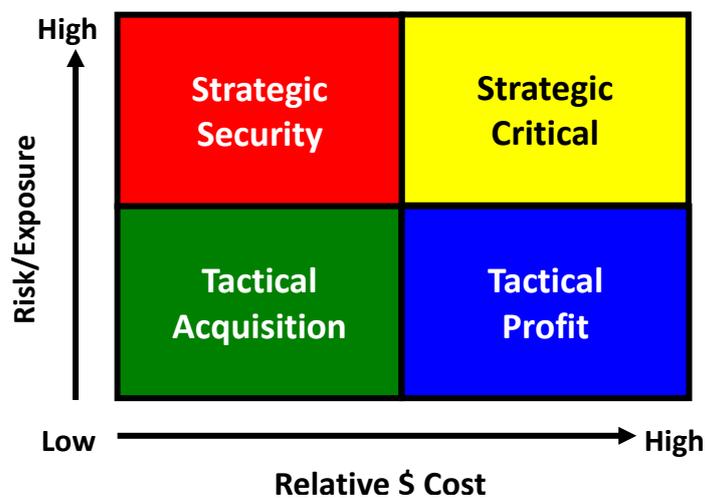
<sup>2</sup> Paul Steele and Brian H Court, 1996, *Profitable Purchasing Strategies*, McGraw Hill.

Public authorities must use the Supply Positioning and Supplier Preferencing market analysis models outlined in this guideline for all procurements greater than \$4.4 million.

Where the impact of the supply chain on the procurement is significant, public authorities should also demonstrate that they have undertaken an analysis of their supply chain.

### Supply Positioning

The following Supply Positioning Model can be used to determine the importance of a procurement (or category of goods or services) to the public authority and is correlated in terms of its placement within a risk/exposure and relative cost quadrant approach (see below).



**Supply Positioning Model**

A procurement category valued at 0.5 per cent of the public authority's total goods and services spend would typically be located in the middle of the 'relative dollar cost' axis, moving further to the right for higher value procurements and to the left for lower value procurements<sup>3</sup>.

The level of risk/exposure will be determined by a number of factors including<sup>4</sup>:

- supply availability – risk/exposure is less where there are a large number of suppliers and supply is plentiful (for example, pencils), however shortages or market limitations will position the procurement higher on this scale
- quality requirements – risk/exposure is less where there are commonly accepted industry standards (for example, information technology specifications) and greater where there are strict unique specifications to be met and where there is little tolerance for error (for example, custom designed engineering products)
- safety/environmental reliability – risk/exposure is greater where there are significant safety or environmental considerations associated with the procurement (for example, disposal of waste products).

<sup>3</sup> Paul Steele and Brian H Court, 1996, *Profitable Purchasing Strategies*, McGraw Hill.

<sup>4</sup> Paul Steele and Brian H Court, 1996, *Profitable Purchasing Strategies*, McGraw Hill.

These factors will vary for each public authority and procurement and will determine where each procurement is positioned on the risk/exposure axis of the supply positioning model.

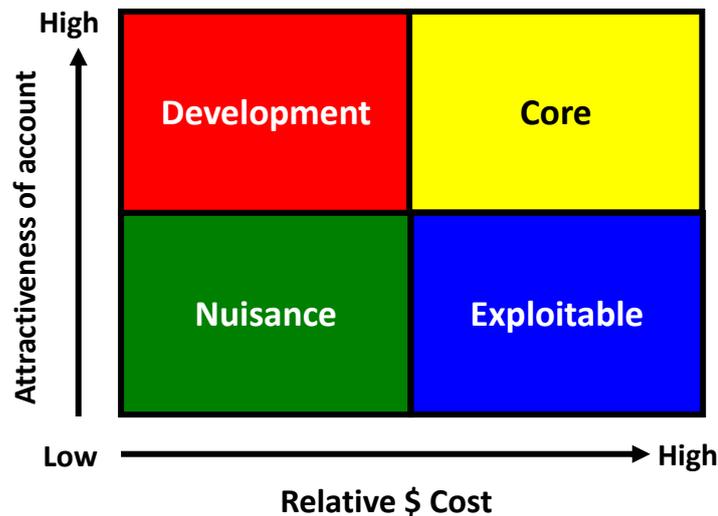
This understanding informs the specific acquisition strategy to be taken to the supply market and the amount of time and resources used in undertaking the procurement process.

The following table identifies and describes each of the Supply Positioning quadrants and the acquisition strategy considerations that need to be assessed.

Quadrant	Description	Acquisition Strategy Considerations
<b>Strategic Security</b>	<ul style="list-style-type: none"> <li>Low annual cost goods/services</li> <li>Strategically important</li> <li>Limited number of reliable suppliers</li> </ul>	<p>Strategy Focus:</p> <ul style="list-style-type: none"> <li>Security of supply</li> </ul> <p>Considerations:</p> <ul style="list-style-type: none"> <li>Risk management</li> <li>Panel contract / preferred suppliers</li> <li>Longer term contracts</li> <li>Inventory, reserve of stock</li> <li>Consider alternative goods or services</li> </ul>
<b>Strategic Critical</b>	<ul style="list-style-type: none"> <li>High annual cost specialist goods/services</li> <li>Limited number of suppliers with capability and capacity</li> </ul>	<p>Strategy Focus:</p> <ul style="list-style-type: none"> <li>Security of supply at a reasonable price</li> </ul> <p>Considerations:</p> <ul style="list-style-type: none"> <li>Performance measures (risk, value)</li> <li>Shared values, common goals</li> <li>Medium/long term contracts</li> <li>Contingency planning</li> </ul>
<b>Tactical Acquisition</b>	<ul style="list-style-type: none"> <li>Routine purchases</li> <li>Low cost/low risk goods/services</li> <li>Many potential suppliers</li> </ul>	<p>Strategy Focus:</p> <ul style="list-style-type: none"> <li>Purchase efficiently and reduce transaction costs</li> </ul> <p>Considerations:</p> <ul style="list-style-type: none"> <li>One-off contracts/purchase orders</li> <li>Simplify acquisition process</li> <li>Minimise time and effort</li> <li>Purchase cards</li> <li>Automatic systems</li> </ul>
<b>Tactical Profit</b>	<ul style="list-style-type: none"> <li>High cost/ low risk goods/services</li> <li>Many potential suppliers</li> </ul>	<p>Strategy Focus:</p> <ul style="list-style-type: none"> <li>Cost savings, drive value</li> </ul> <p>Considerations:</p> <ul style="list-style-type: none"> <li>Short term contracts (for example, one or two years)</li> <li>Ongoing active sourcing (e.g. reverse auctions)</li> <li>Promote competition</li> <li>Seek value adds and discounts</li> <li>Negotiate post-offer</li> <li>Detailed specifications</li> </ul>

## Supplier Preferencing

The following Supplier Preferencing Model can assist the public authority to understand the public authority's value to the market and to determine how important the procurement is to suppliers. This model evaluates the willingness or reluctance of suppliers to meet the public authority's needs as suppliers will put in less effort when they perceive a customer as unimportant.



**Supplier Preferencing Model**

The model maps the procurement against two key aspects, namely the attractiveness of the account to the supplier and the relative dollar cost.

The 'relative dollar cost' axis relates to the size of the procurement relative to the supplier's total sales.

The attractiveness of the procurement to suppliers is determined by various factors including the:

- level of expenditure
- scale of customer demand compared to others
- profitability of the customer
- reputation of the public authority
- potential for the supplier to grow the account
- ease of managing the account.

By understanding these factors from the supplier's perspective, more effective acquisition strategies can be developed by the public authority to either make the procurement more attractive to suppliers or to capitalise on the opportunity to maximise value.

The following table outlines how suppliers are generally willing to meet the needs of procurements that fall in the 'Development' and 'Core' quadrants of the model.

Conversely, procurements that fall in the 'Nuisance' and 'Exploitable' quadrants of the model present risks for public authorities as suppliers may show less interest or seek to maximise profits through bidding higher prices or showing inflexibility in tenders and contracts.

The table also outlines the key aspects of each quadrant from the potential supplier point of view and describes what the public authority might consider in developing an appropriate acquisition strategy and framing a market approach.

In developing an acquisition strategy for procurements that fall into the 'Nuisance' and 'Exploitable' quadrants, public authorities should seek to make the procurement more attractive, whereas those that fall into the 'Development' and 'Core' quadrants may provide opportunities for public authorities to maximise value.

It is useful for public authorities to overlay the results of the Supplier Preferencing model with the outcomes of the Supply Positioning analysis in order to address any significant contradictions or inconsistencies between the outcomes of each model.

Supplier's View			Acquisition Strategy Considerations
Quadrant	Description	Supplier Actions	
<b>Development</b>	Opportunity: <ul style="list-style-type: none"> <li>• Low relative \$ cost</li> <li>• But still attractive</li> </ul>	<ul style="list-style-type: none"> <li>• Nurture customer</li> <li>• Expand business</li> <li>• Seek new opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Capitalise on the opportunity to maximise value</li> <li>• Improve the capability and performance of the supplier</li> <li>• Develop good business relationship</li> <li>• Encourage participation by involving suppliers early in the process via market sounding and promoting awareness of the procurement opportunity;</li> <li>• Reduce the costs of participation in the procurement process via streamlined/simplified procurement processes;</li> <li>• Increase the value of the procurement by consolidating/packaging like business; and</li> <li>• Ensure a fair allocation of risk between the parties.</li> </ul>
<b>Core</b>	Key Customer: <ul style="list-style-type: none"> <li>• High relative \$ cost</li> <li>• Highly attractive</li> <li>• Supplier's core business</li> </ul>	<ul style="list-style-type: none"> <li>• Retain customer</li> <li>• Defend rigorously</li> <li>• High service and response</li> </ul>	
<b>Nuisance</b>	Indifferent: <ul style="list-style-type: none"> <li>• Low relative \$ cost</li> <li>• Minimal profit</li> </ul>	<ul style="list-style-type: none"> <li>• Low interest</li> <li>• Low attention</li> <li>• Lose without pain</li> </ul>	
<b>Exploitable</b>	Interested: <ul style="list-style-type: none"> <li>• High relative \$ cost</li> <li>• But not attractive</li> </ul>	<ul style="list-style-type: none"> <li>• Maximise profits</li> <li>• Drive premium price</li> <li>• Short term advantage</li> <li>• Risk losing customer</li> </ul>	

#### Comparing supply positioning to supplier preferencing

Once a determination has been made as to how the public authority is perceived as a customer by suppliers, the results can be compared to the supply positioning outcome. The aim of this comparison is to identify and address any contradictions or issues between these two different perspectives.

Serious risks may need to be addressed, especially if the proposed procurement falls into the high risk/exposure and/or high relative \$ value category and it is identified that the supplier sees the public authority as being either a nuisance or exploitable. In this situation, the public authority will need to develop strategies to address this (for example, by making the business more attractive to the supplier and provide greater incentives).

Where the supplier sees the public authority as being either development or core, the public authority may also be able to consider strategies to take advantage of this situation (for example, by developing a good business relationship to maximise value).

Guidance related to each combination of supply positioning and supplier preferencing quadrant is provided in Appendix 1.

### Supply Chain Analysis

A supply chain consists of the organisations that participate in the flow of goods or services from their original source to the public authority as the final end user. These organisations share linkages of being both a customer and a supplier to some of the other organisations.



The types of organisations that comprise a supply chain will depend on the nature and complexity of the goods or services. Organisations may include primary producers, manufacturers, traders, transporters, importers, wholesalers, distributors, contractors, information systems providers and retailers.

Supply chain analysis seeks to promote a more integrated, seamless, cooperative and low risk arrangement between the key players as the success of the procurement will ultimately depend on the performance of each link in the supply chain.

Supply chain analysis identifies where the greatest risks are and identifies how each organisation adds value to the procurement. Supply chain analysis enables the public authority to consider strategies to influence the nature of the supply chain (if possible) or to undertake the procurement at a different stage in the supply chain (for example, by sourcing the goods directly from the wholesaler instead of the retailer).

For example, consideration of the supply chain enables public authorities to consider sustainability risks such as only purchasing office furniture made from sustainable forest timber.

Public authorities can analyse the supply chain by commencing with the first tier supplier and working backwards to identify:

- 1 the value that the participant adds
- 2 where in the supply chain the public authority procurement is currently located and where the best value in the supply chain lies
- 3 ways to add value and improve the current approach (for example, using technology to better integrate with key suppliers)
- 4 any non-value adding activities in the supply chain that can be removed (for example, dealing with fewer suppliers through consolidating spend)



- 5 any key risks in the supply chain (for example, suppliers that are overly dependent upon a single supplier, the use of child labour, unsafe work practices or non-sustainable new materials).

## Further Information

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[www.spb.sa.gov.au](http://www.spb.sa.gov.au)

## Related Policies and Guidelines

SPB Market Approaches and Contracts Guideline  
SPB Acquisition Planning Policy

## Appendix One Combining Quadrant Outcomes

### 1 Strategic Security

Procurements that fall into this quadrant have a relatively low cost and a high risk but are strategically important to the public authority. This requires a focus on ensuring the security of supply, with price not being an important consideration. This can be done by establishing longer term contracts with a limited number of reliable suppliers. Other strategies include maintaining higher than normal inventory levels or seeking access to alternative goods or services where required.

#### 1.1 Strategic Security/Nuisance

*High Risk Service* - Suppliers in this category are indifferent to undertaking this procurement and may see it as a nuisance. These suppliers pose a very high risk to the public authority as suppliers could lose interest and cease production, risking the security of supply. The public authority may wish to consider changing to suppliers that have a more favorable outlook or else offer additional incentives such as more business opportunities or paying higher prices in return for more service stability and continuity of supply.

#### 1.2 Strategic Security/Development

*Potential Risk* - Suppliers in this category are motivated by future potential business and may see an opportunity to nurture and expand the business. This relationship poses a potential risk. Public authorities may have to offer inducements to have suppliers become mutually dependent and remain committed to the work.

#### 1.3 Strategic Security/Exploitable

*Moderate Cost Risk* - Suppliers in this category may be interested in the business in order to maximise profits and take short term advantage by driving a premium price. Suppliers may be willing to risk losing the public authority as a customer if need be and there is a danger that standards may drop if the public authority does not carefully monitor the performance of the supplier. This poses a moderate risk. The public authority may need to change the supplier if performance drops or offer incentives or pay higher prices to ensure continuity of supply.

#### 1.4 Strategic Security/Core

*Good Match* - Suppliers in this category see the procurement as their core business and are a good match with the public authority's needs. They will work to retain the public authority contract by providing a high level of service and response, thereby ensuring security of supply. The public authority can capitalise on this match by establishing long term contracts and developing a good business relationship to improve the capability and performance of the supplier to maximise value.

## 2 Strategic Critical

Procurements that fall into this quadrant are generally high cost and high risk specialist goods and services. They are very important to the public authority and require a high level of security of supply. Public authorities may wish to limit the number of suppliers with capability and capacity to enhance the relationship and closely monitor performance.

### 2.1 Strategic Critical/Nuisance

*Very High Risk* - Suppliers in this category pose a very high risk to the public authority as the procurement is critical for the public authority but not important for suppliers. Suppliers should be avoided and public authorities should seek a change of supplier. If not possible, public authorities will have to devote considerable attention to ensuring security of supply and performance. The public authority could also try to make the business more attractive to the supplier and provide greater incentives.

### 2.2 Strategic Critical/Development

*Potential Match* - Suppliers in this category see the procurement as an opportunity to nurture and expand the business. The public authority should work closely with the supplier to develop further business opportunities in which they have an interest.

### 2.3 Strategic Critical/Exploitable

*Caution Required* - Suppliers in this category should be avoided as they pose a high risk to the public authority. Public authorities should seek a change of supplier and if not possible, will have to devote considerable attention to ensuring security of supply and performance. The public authority could also try to make the business more attractive to the supplier and provide greater incentives. The public authority could also seek to raise the level of mutual dependency by making it unattractive for the supplier to act in an adversarial manner.

### 2.4 Strategic Critical/Core

*Good Match* - Suppliers in this category see the procurement as their core business and will work to retain the public authority contract by providing a high level of service and response, thereby ensuring security of supply. This provides a good match as both parties will work to maintain a mutually beneficial partnership arrangement.

## 3 Tactical Profit

Procurements that fall into this quadrant are high cost and low risk goods services that can be supplied by many potential suppliers. This enables the public authority to focus on achieving cost savings and driving value.

### 3.1 Tactical Profit/Nuisance

*Caution Required* - Suppliers in this category see the procurement as nuisance and represent a probable risk. This situation may have to be accepted in the short term but the public authority should seek to change suppliers in the long term, although there is a risk that the supplier may eventually withdraw from the relationship anyway.

### 3.2 Tactical Profit/Development

*Supplier Development Opportunity* - Suppliers in this category see the procurement as an opportunity to nurture and expand the business. This provides a good supplier development opportunity and the public authority should encourage participation. This is also a good opportunity to develop competition in the market.

### 3.3 Tactical Profit - Exploitable

*Adversarial Relationship* - Suppliers in this category may be primarily interested in the business in order to maximise profits and take short term advantage by driving a premium price. This may pose a risk to the public authority by creating an adversarial relationship. Care should be taken by the public authority in how they deal with such suppliers by controlling the release of information and stimulating competition. In this category, it is unlikely that a long lasting relationship can develop.

### 3.4 Tactical Profit/Core

*Compatible* - Suppliers in this category see these high cost procurements as attractive as they align with their core business. Suppliers will work to retain the public authority by providing a high level of service, with good performance to be expected. The supplier will wish to establish a longer term contract while the public authority may prefer more regular testing of the market. The public authority can capitalise on this by working to improve the capability and performance of the supplier to maximise value and develop a good business relationship.

## **4 Tactical Acquisition**

Procurements that fall into this quadrant are low cost and low risk items, with the objective for the public authority being to purchase these items efficiently and reduce transaction costs. This can be achieved by establishing long terms contracts, using purchase orders and simplifying the acquisition process, for example, through the use of purchase cards, to minimise the time and cost of the procurement.

### 4.1 Tactical Acquisition/Nuisance

*Minimal Effort* - Suppliers in this category may be indifferent to winning the procurement and may have a low interest in maintaining the business. Suppliers may see this category of procurement as unimportant and may not want to put in much effort. In this category, the public authority may find itself trying to constantly resolve problems related to trivial non-strategic purchases due to a low level of supplier energy and interest in the procurement. In the long term, the public authority should seek an alternative supplier with a better segmentation fit.

### 4.2 Tactical Acquisition/Development

*Good Match* - Suppliers in this category may see the procurement as an attractive opportunity to nurture and expand the business and this may result in a good level of supplier interest. The public authority can capitalise on this by working to improve the capability and performance of the supplier to maximise value and develop a good business relationship. However, in the longer term, the public authority will eventually have to offer additional incentives and more business to retain the supplier's commitment and raise mutual dependency.



#### 4.3 Tactical Acquisition/Exploitable

*Moderate Risk* - Suppliers in this category may be interested in the business in order to maximise profits and take short term advantage by driving a premium price, creating a moderate risk. They may be willing to risk losing the customer if need be. The public authority can tolerate some degree of price rises in return for more services but in the long term may have to seek alternative suppliers if things cannot be resolved satisfactorily.

#### 4.4 Tactical Acquisition/Core

*Good Match* - Suppliers in this category see these procurements as attractive as they align with their core business. The public authority however, doesn't want to be too concerned with these routine procurements. Suppliers will work to retain the public authority by providing a high level of service and response. A good result and performance may be expected as the supplier will work hard to keep the business.

Procurement costs to the public authority are low and suppliers will be able to achieve good margins. Public authorities will be happy to maintain long term contracts and offer other opportunities as they arise.