



The Selection Process

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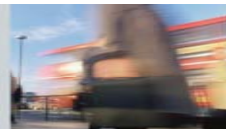
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The Selection Process

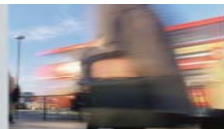
- Determine Requirements
- Prepare Functional Specification
- Identify Potential Suppliers
- Prepare ITT
- Issue ITT
- Receive Responses
- Evaluate Responses
- Short List
- Final Selection



Determine Requirements

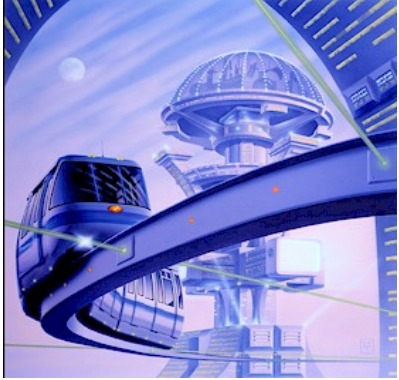


- A period of Reflection
 - Systems & Technology
 - Culture
 - Expertise Skill Sets & Knowledge
 - Operations
 - What Works Well
 - What Doesn't Work Well

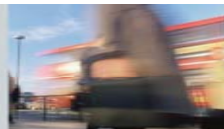




Determine Requirements



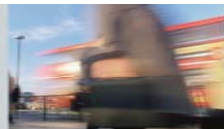
- A period of Consideration
 - Future Requirements
 - Corporate Objectives
 - Customer requirements
 - Systems & Technology
 - Culture
 - Operations
 - What do we need to achieve?
- Involve the Business





Considerations

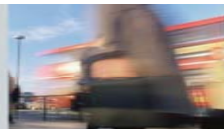
- Customers
 - Service Offering
 - Current & Future
 - Speed Flexibility & Accuracy
 - Data, Traceability, ASN, SSCC
 - Order Status
 - Reporting





Considerations

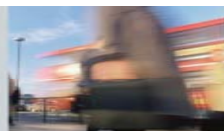
- IT Environment
 - Platforms
 - ERP / MRP systems
 - Interfaces
 - Internal & External





Considerations

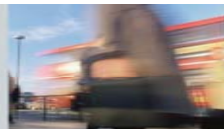
- Data & Technology
 - Capture Dissemination
 - Paper, Labels, PDT, RDT.....
 - VRS, Scanning, Light...
 - Automation
 - Storage Systems
 - Picking / Sortation systems





Considerations - Operations

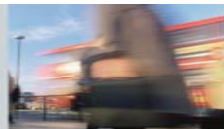
- Inbound
 - How is data going to be presented?
 - How are goods going to be presented?
 - How are goods to be received and checked?
 - Are goods to be quarantined?
 - Putaway
 - Allocation of storage locations
 - Control of putaway activity
 - FLT control





Considerations - Operations

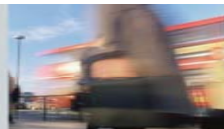
- Storage & Replenishment
 - What types of storage systems are to be used?
 - Block stacking, Double Deep, Push Back, APR, VNA, Live racking, Mobile Racking, Shelving, Mezzanines, Carousels, Lean Lifts, Co-Mingling
 - How is Replenishment to work?
 - Continuous / Batch
 - Replenishment Levels
 - How are balances managed?





Considerations - Operations

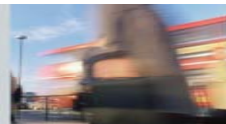
- Picking
 - How is work to be batched?
 - What types of pick systems are to be used?
 - Pick By Store, Pick by Line, Batch Picking & Sort, Goods to Picker, Pass the Parcel.....
- Inventory Control
 - Perpetual Inventory / Stocktakes
 - Goods Out Checking





Considerations - Operations

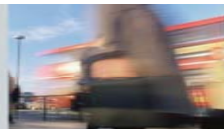
- Product Information
 - Codes, Descriptions, Volumetrics etc
- Task Management
 - How is work to be allocated
 - MHE
 - Dual Cycling
 - Pickers
 - Multiple Orders
 - Loaders
 - Loading assignments
 - Asset Management
 - Incentive systems??





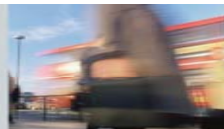
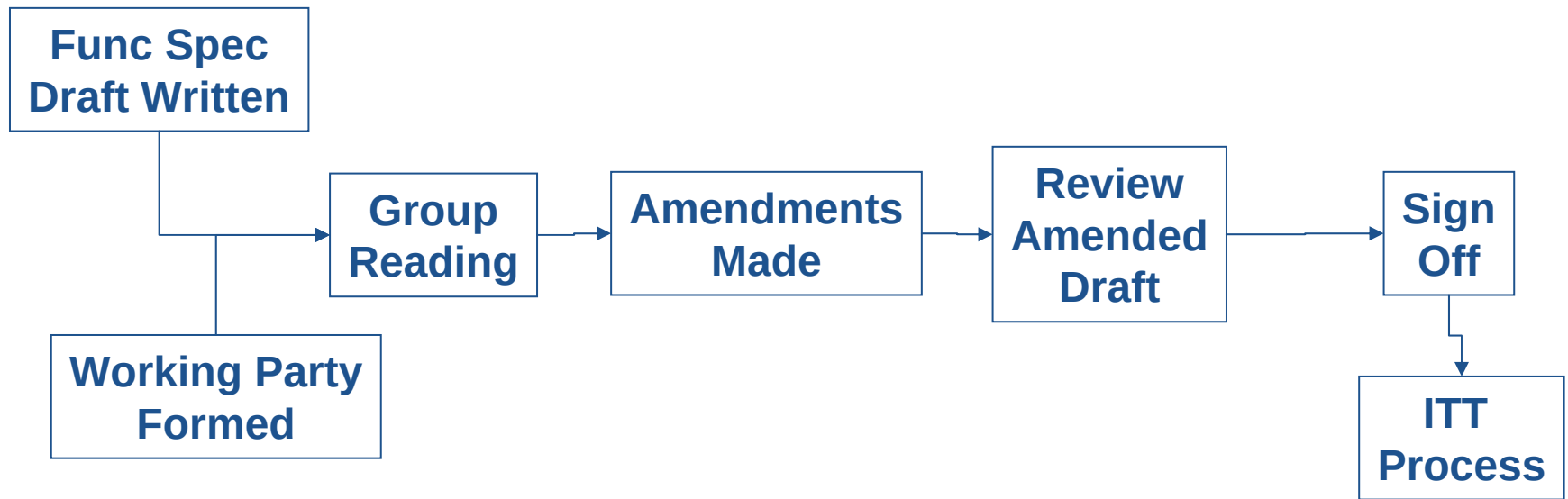
Functional Specification

- Role:
 - What we want the system to do
 - Including technology
- Sizing & Scope
 - People, Physical Locations, MHE
- Interfaces
- Plain English
- Ensure Level of Fit
 - The Func. Spec. has to be used for evaluation



Recommended Process

- Critical to get Business Buy In
 - Users must be involved
 - Detailed discussion of requirements
 - What If's

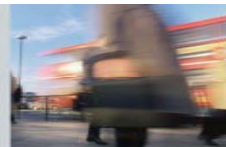




Functional Specification

The Functional Specification

Specifies what you want -

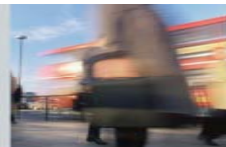




Prepare the ITT

The ITT specifies how you want suppliers to respond

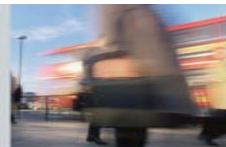
- The ITT should cover:
 - Extent of Supply (Hardware, Software, etc.)
 - Implementation Support & Training
 - Maintenance & Ongoing Support
 - References
 - Guarantees
 - Supplier Company Information (eg: accounts)





Extent of Supply

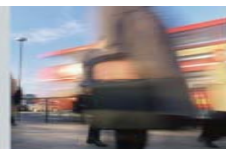
- Make sure you specify the extent of supply to be included
 - Hardware
 - Software
 - Networking
 - RDT's
 - RDT Infrastructure
- List any equipment you have available that might be re-used
- The suppliers will need to know quantities
 - Number of staff





ITT – Pro-Forma

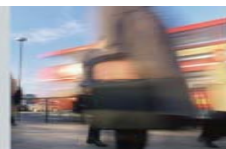
- Use a response pro-forma wherever possible
- The purpose of the response pro-forma is to make it easy to compare tenders:
 - Without it, all suppliers will present information differently
 - It will be impossible to establish a “like for like” comparison
- The best way is to include tables in the ITT for the suppliers to complete
 - Use tables wherever a “side by side” comparison is possible
 - We often include Excel spreadsheets so that suppliers can fill in the blanks
- You must make it clear that failure to complete the pro-forma will be deemed as a non-compliant bid





Software

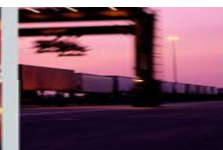
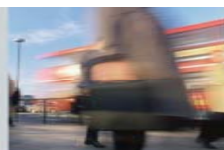
- Request that the Software meets all the requirements of the Functional Specification, but
- Prepare the ITT so that you can see how much software is part of the suppliers standard offering, how much is bespoke, and the cost of change
 - This will enable you to evaluate whether the cost of each piece of bespoke software is justified
 - Use a pro-forma listing each subject in the Functional Spec.





Bespoke Software Pro-forma

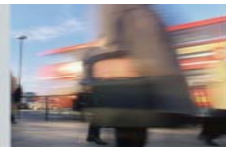
Functionality Description	Funct. Spec Section	"Off the Shelf" Y/N	Bespoke	
			Cost	Note #
<u>General</u>				
Interfaces	3.5			
Handles various Units of Measure	4.1			
Handles various pallet types	4.2			
Maintains stock records	4.3			
Stock Tracking	4.4			
Handles various types of stock	4.5			
Stock status conditions	4.6			
Handles Warehouse Location System	4.7			
Storage Location Algorithms	4.8			
Stock Allocation Algorithms	4.9			
Picking Location Replenishment	4.10			





Software

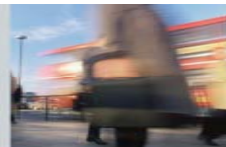
- Make sure that you ask for all software costs
 - Some suppliers use bought in software as part of their system, such as databases, report writers, etc.
 - They will usually include these in their quotation





Hardware

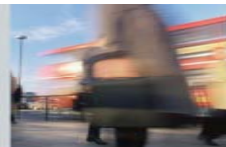
- Hardware will include
 - Servers
 - Client PC's
 - Networks
 - RDT's and radio infrastructure
 - Printers
- Basic information required is:
 - Manufacturer and type
 - Quantity
 - Expected availability
 - Guarantee
 - Costs





Hardware - Specifications

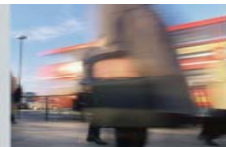
- Remember, the pro-forma is only a method of making a quick comparison
 - Make sure that detailed specifications for all hardware is also requested
 - In particular, ask suppliers to recommend the server backup and recovery solution





Implementation Support

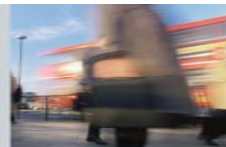
- Implementation support cost is usually quoted as a recommended number of days at a man/day rate
- The cost of implementation support varies wildly between suppliers
 - It is essential that you understand the level of support being given
- Implementation support will include:
 - Specification
 - Project Management
 - Implementation of Software
 - Documentation production
 - Commissioning Hardware
 - Training





Implementation Support

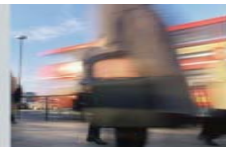
- For project management, a Gantt chart should be requested outlining the implementation plan, and request that the supplier gives details of their approach to project management
- Make sure that you request the suppliers proposed approach to training





Maintenance & Ongoing Support

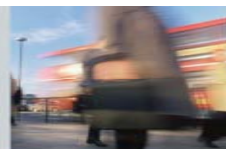
- With most systems there will be an ongoing annual cost
- This will include:
 - Hardware / Software Maintenance
 - Support
 - Licence Costs
- The first year and subsequent years may be different
 - But only recurring costs should be included here
 - “One off” costs are included in the purchase costs
- State clearly the hardware that you require maintenance contracts for
 - Servers - RDT's - Printers





Maintenance & Ongoing Support

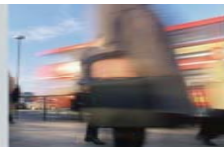
- Make sure that you specify the level of support required
 - Many operations need 24/7 cover
 - Suppliers should be asked to describe their approach to support and response times
 - Ask suppliers to specify when support is not available





Other Information Required

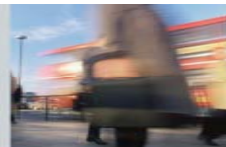
- Added Value Services
- References
- Quality Control Procedures
- Billing Methods & Payment Schedules
- Corporate Evaluation and Financials
 - Annual Report
 - Company Ownership
- Terms and Conditions





Other Information to Provide

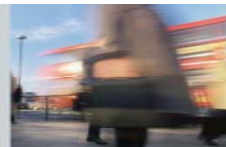
- **Tender Process**
 - Explain time scales and how tenders will be evaluated
 - Give date and time for the tender return
- **Confidentiality**
 - You may wish to get a confidentiality agreement signed in advance
 - Some suppliers also ask you to sign a confidentiality agreement
- **Communication**
 - Who to direct queries to
- **Submissions**
 - How many copies of the tender response, and in what format





Tender Evaluation

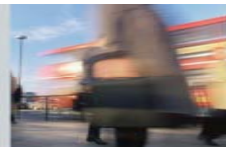
- Evaluating Responses
 - Supplier selection is rarely done on the basis of cost alone.
 - Other equally important factors are:
 - Degree of “fit”
 - Specifications
 - Compatibility of Companies
 - Experience
 - Financial aspects
- However, the process usually starts by looking at the costs





Cost Evaluation

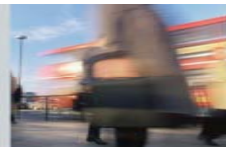
- Objective is to compare tenders on a “Like for Like” basis
 - If the ITT and Functional Specification were prepared correctly, evaluation is simplified and manageable
 - If not – Impossible!





Cost Evaluation

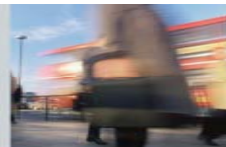
- Summarise the costs to a single table:
 - Make sure all quantities are the same, or differences can be explained
 - Make sure there are no omissions
 - Are time estimates for training and implementation realistic?
 - Are there any parts of the tender that look disproportionately high for one supplier?
 - Don't assume that suppliers can add up!
 - You may have to go back to one or more suppliers for clarification, or to make adjustments





Cost Evaluation

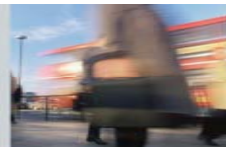
- Once all tenders are comparable, some may be ruled out on the basis of cost
 - However, this is unlikely if they are quoting for the same thing
 - In our experience, after “levelling”, all tenders are usually with 10 – 15%





Degree of Fit

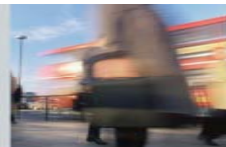
- Next step is to evaluate the functionality offered
 - The Bespoke Software pro-forma is invaluable for this
- The majority of suppliers have extremely flexible software solutions
 - A high degree of fit can be achieved for most warehouses using standard software – typically <90%
 - Where bespoke software is required, is it a “must have” or a “nice to have”





Specifications

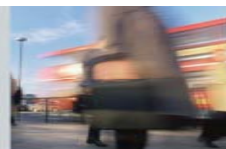
- Read the proposal and understand:
 - How it works
 - Is it really achieving the degree of fit claimed
 - What are the specifications for the hardware





Financial Evaluation

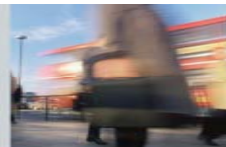
- Look at the accounts for each supplier
 - Are they likely to stay in business
 - Don't discount smaller suppliers provided they are sound
 - You will often get better service if you are a major customer of a small supplier, than if you are a small customer of a big supplier
- In addition, run credit checks on each supplier





References

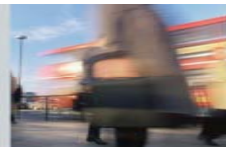
- Look at the references provided
 - Are they of comparable value and complexity?
 - Have the suppliers done work in your business sector?





Cultural

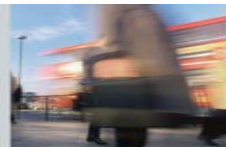
- During the tender process, you will have had some initial dealings with each supplier
 - Was their tender response as required?
 - Have they responded to your requests accurately and promptly?
 - Did you get the impression that this job was important to them?
 - Did you get on with them?





Short List

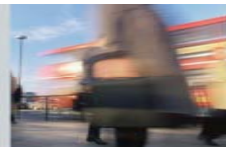
- By this time you will have formed an opinion on who should be included on your shortlist
 - Let suppliers know, and for those not short listed, let them know the reasons for your decision





Final Selection

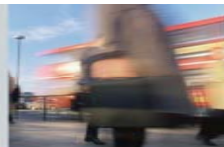
- For Short listed Suppliers:
 - Interviews
 - Reference Site Visits
 - Value Engineering
 - Final Selection





Interviews

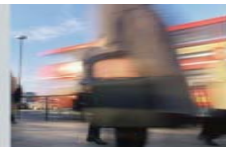
- Interviews should include:
 - System walk through
 - How their system will operate
 - Make sure it meets the functional specification
 - Clarification on any issues arising from the tender
 - Review of costs, especially those which seem too high or low in comparison to others
 - Make sure everything is included
 - Implementation timescales
 - Training





Value Engineering

- The purpose of value engineering is to strike the right balance between cost and performance
- For software, it applies to modules that could be left out, and to the bespoke software costs
 - Look at each cost element, and ascertain whether it is business critical and can be cost justified
- For hardware, it might simply be the specification
 - Risk analysis
 - Do I really need raid disk imaging on three separate servers, or will 2 servers do?

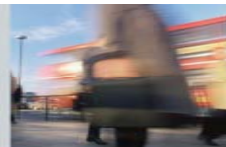




Final Selection

- Finally - make your selection
 - confidence in your supplier
 - costs are clear (no surprises)
 - agreed specification
 - business driven implementation plan
 - sound basis for a business partnership

Now.....





Place that Order!



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