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Industrial Engineering and Management

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Campaign Packaging and POS- Material tendering in Company X



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Campaign Packaging and POS- Material tendering in Company X

The case company of the thesis faced the need to start tendering for a new supplier for campaign packaging materials and POS materials. The purpose of the thesis is to examine the importance of procurement through a competitive tendering project. In particular, the improvement of the tendering process is reviewed. A process model is created for the case company to improve future tendering projects. The changes aim to achieve even better results in future tenders.

The theory of the thesis is based on purchasing and an introduction to the procurement process, suppliers, and strategic sourcing. In addition, the most critical elements of competitive tendering will be discussed. The theoretical part is intended to provide a basis for the assignment and to support the progress of the case.

As a result of the thesis, a process model for future tenders was created for the case company, and concrete ideas for the development of the process were proposed. In addition, possible targets for the cost savings achieved through competitive tendering were presented. The case company was encouraged to do more tendering for future cost savings.

Keywords:

Tendering, Procurement, Purchasing, Procurement Process, Tendering Process

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Kampanjapakkauspahvien ja POS-materiaalien kilpailutus yrityksessä X

Opinnäytetyön toimeksiantajayrityksessä kohdattiin tarve kilpailuttaa uusi toimittaja kampanjapakkauspahveille sekä POS - materiaaleille. Työn tarkoituksena on tutkia hankinnan tärkeyttä kilpailutusprojektin avulla. Erityisesti tarkasteltavana on kilpailutusprosessin parantaminen. Toimeksiantajayritykselle luodaan prosessimalli tulevaisuuden kilpailutusprojektien parantamista varten. Muutoksilla pyritään saavuttamaan parempia tuloksia tulevilla kilpailutuksissa.

Opinnäytetyön teoria perustuu ostoon sekä ostoprosessiin tutustumiseen, toimittajiin ja strategiseen hankintaan. Lisäksi kilpailutuksen tärkeimmät elementit tulevat esille. Teoriaosuuden tarkoituksena on luoda pohja toimeksiannolle sekä tukea tapauksen kulkua.

Opinnäytetyön tuloksena toimeksiantajayritykselle luotiin prosessimalli tulevaisuuden kilpailutuksia varten, sekä ehdotettiin konkreettisia kehitysideoita prosessiin. Lisäksi kilpailutuksen avulla saavutettaviin resurssisäästöihin esitettiin mahdollisia kohteita, jonne niitä voitaisiin kohdistaa. Toimeksiantajayritystä kannustettiin tekemään enemmän tarjouskilpailuja tulevien kustannussäästöjen aikaansaamiseksi.

Asiasanat:

kilpailutus, hankinta, osto, ostoprosessi, kilpailutusprosessi.

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1 Introduction

Main objective of this thesis is to create a process model for the case company for future tendering. In order to achieve the main objective, this thesis will explore the theory of procurement, suppliers and competitive tendering. In addition to this, the thesis draws on the process of competitive tendering in the company x. This includes collection of data for the tendering process, describing the process up to the conclusion of a contract and helping facilitate a smooth transition from one supplier to the next, in the Finnish market. The work is limited to focus on the domestic market and its internal processes during this call for tenders, as the company X operates in several countries.

One of the core concepts in this thesis is to research why procurement function is important to companies and why tendering in general is relevant. How does procurement and tendering suppliers affect profitability in a company. This forms the research problem for this thesis – improvement of the tendering process. This thesis focuses on the tendering process that is implemented at the case company. This thesis aims to answer the question – What is the role of purchasing in a company's business? In addition to the main question there are two sub-questions related to the tendering project. The scale of the project is significant; will it remain within the given timeframe? Is it possible to improve the supplier tendering process of a well-structured company? This project is a large entity and keeping it on time requires teamwork, respecting deadlines, and open communication. The deadlines in this project are binding for contractual reasons. The contract with the current supplier must be terminated the latest in August and therefore the new suppliers must be known by then.

This thesis uses qualitative research methodology. The theoretical framework of this thesis focuses on procurement, suppliers, and competitive tendering. The meaning of procurement and suppliers' part and importance in a company is explained first. Then it is followed by linear procurement process model and strategic sourcing that leads to the next theoretical part, competitive tendering. The sources in this thesis are book sources to ensure reliable knowledge. The

world of procurement and its associated strategies and practices is a large entity, and this thesis only provides a superficial glimpse of the subject.

The topic of the thesis came from the need to put a new supplier out to tender. Company X has been aware of the need for a new supplier for some time, but this has been delayed by a contract with the current supplier. The contract with the current supplier will be terminated, and therefore, the tendering process for a new supplier or suppliers will be launched. The aim of this project is to find a new supplier for campaign packages and POS – materials by putting companies out to tender. This tendering will be implemented in all the main markets where the case company operates.

2 Procurement and Competitive Tendering

In everyday business and often also in public administration, when people discuss about competition or competitive tendering, they associate it with price competition and at the same time they also highlight economy, more specifically cost-effectiveness (Rajala, Tammi, Meklin 2008, 43). No organization can do it alone. Each is part of a larger business network, where a group of companies work together to deliver a product or service to the end user (Nieminen 2016, 9.). This chapter investigates the literature on procurement and competitive tendering and related topics such as procurement process, strategic sourcing, and suppliers.

2.1 Procurement

Purchasing and supply chain are being acknowledged more and more frequently to play an important role in today's businesses. They are named to be key business drivers and, therefore, under close monitoring. (Van Weele 2018, 2.) According to Iloranta and Pajunen-Muhonen, the ability to lead and develop collaborative relationships between organizations has become a critical success factor, as external resources play an essential role in meeting customer needs and in the organization's own operations. Effective procurement and supplier relationship management requires cross-organizational approaches and processes, as well as strong competencies. (Iloranta, Pajunen-Muhonen 2018, 13.) Purchasing is one of the most common and, at the same time, a strategic activity of the business. (Chunawalla 2008, 11.)

Procurement is the business management function that is responsible for ensuring the identification, sourcing, access, and administration of external resources that a company may require to achieve its strategic goal. The purpose of the procurement is to investigate supply market opportunities and implement resourcing plans that will provide the organization, its stakeholders, and customers with the most excellent supply outcome possible. (Lysons, Farrington

2016, 4.) People often confuse the concepts of procurement and purchasing, so the difference should be explained. Purchasing is more transactional compared to procurement. It includes, for example, ordering or calling off suppliers or services, non-critical items, expediting, maintaining inventory, and arranging payment. (Lysons, Farrington 2016, 4.) So therefore, procurement is more based on following and creating strategy, and purchasing are daily activities.

Industrial and commercial companies' profit and loss accounts give an idea of the importance of purchasing. Direct purchases are often the most significant item of expenditure for a company. (Sakki 2014.) Resources sourced from outside the organization, including a wide range of services, materials, and goods, account on average for 50-80% of total costs, depending on the office and business model (Iloranta, Pajunen-Muhonen 2018, 21.) These writers confirm the importance of procurement. As all the writers Sakki, Iloranta, and Pajunen-Muhonen state, companies' income statements show a significant share of procurement. As a cost item, therefore, procurement dominates the profit and loss account (Iloranta, Pajunen-Muhonen 2018, 22.) Any kind of organization, whether merchandising, manufacturing, or even non-profit, constantly engages in the purchase of certain items or services. (Chunawalla 2008, 10.)

Any company's success depends on having materials and parts, stores and supplies, machinery and equipment available in right quantity, with right quality, at the right place and time, and at the right price, often known as the five R's of efficient procurement. Failure to meet any of these criteria raises costs and minimizes profit margins. (Chunawalla 2008, 11.) Organizational structures are changing to reflect the importance of procurement as a strategic contributor to the company's bottom line and long-term success. Whereas previously, procurement was viewed as a cost center. (O'Brien 2018, 10.) The current economic situation can increase opportunities in the field of procurement. The economic downturn is an opportunity for procurement to act as a leader in the supply base, driving innovation and promoting efficiency across the network of suppliers. This can give companies a sustainable competitive advantage that will endure beyond the recession. While the role of procurement has changed over

time and generally has become more strategic, some companies and entire industries still need to catch up. (Mena, Van Hoek, Christopher 2014, 9.) At first sight, procurement seems like a simple procedure. While it can be fun, it is often very competitive, with considerable attention paid to every detail along the way (Rossbach 2021, 11.)

Leading procurement and business in general, according to Kamensky (2014) requires a good strategy, good leadership, good expertise, and good interaction (Nieminen 2016, 26.) The diamond of success by Kamensky is seen below.

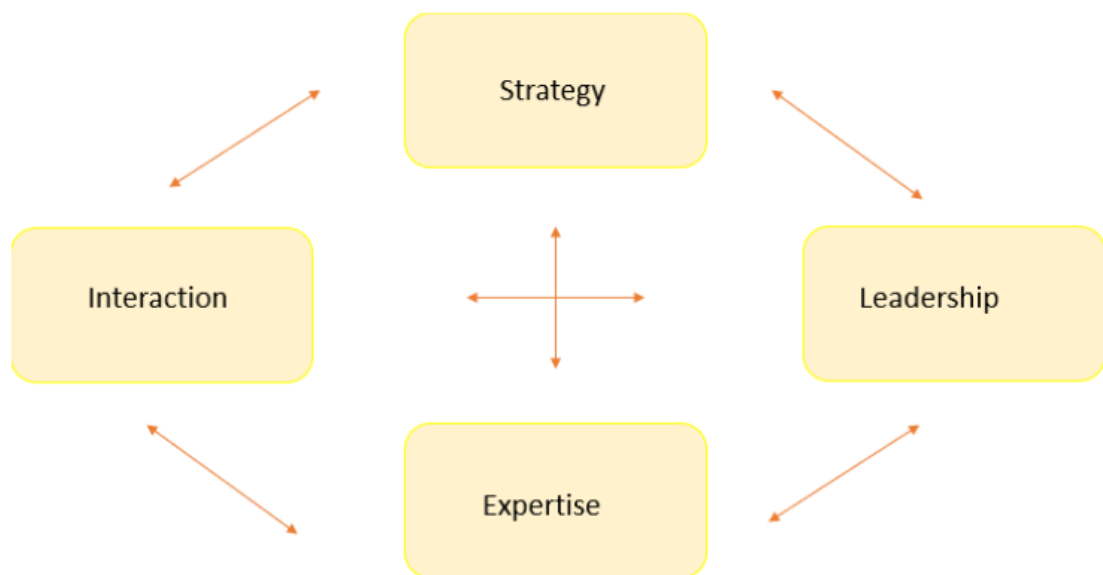


Figure 1. The diamond of success (Kamensky 2014)

The role and the strategic importance of procurement have now been addressed. The following sub-chapters will focus on the procurement process and the multiple ways in which it can be presented. In addition, strategic sourcing and what is included in it and when it is relevant is also discussed.

2.1.1 Procurement Process

The procurement function traditionally involves the process of purchasing. It includes determining the procurement needs, selecting the supplier, arriving at a

proper price, specifying terms and conditions, issuing the contract or order, and monitoring to ensure proper delivery and payment. In the past, it was argued that the procurement function should obtain the right material, equipment, supplies, and services of the right quality, in the right quantity, at the right place, in the right time, from the right source, and with a reasonable price. (Van Weele 2018, 7) According to Chunawalla, if these criteria are not met, it will affect the bottom line by raising costs and minimizing profit margins (Chunawalla 2008, 11.)

There are multiple different ways to visualize procurement processes. Linear procurement process model according to Van Weele (2018).

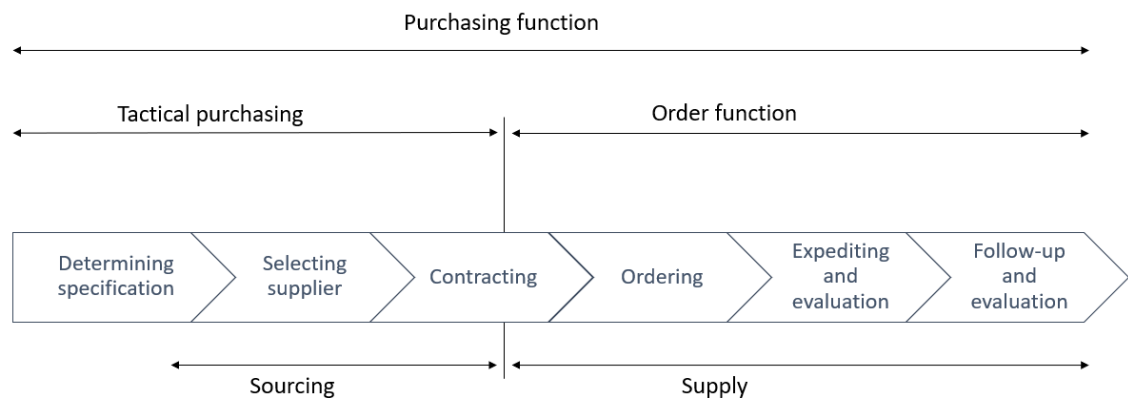


Figure 2. Linear procurement process model (Van Weele 2018, 8.)

The traditional procurement process is operational, one-directional, and reactive. In practice, however, the procurement process is not standardized but is influenced by the characteristics of the product to be procured, the strategic importance of the object of the procurement, the value of the procurement, the supplier market, the level of risk associated with the procurement and the impact of the procurement on the rest of the company's activities. (Nieminen 2016, 51,53.) Van Weele's (2018) procurement process model begins with determining specifications, it is followed by selecting the supplier and contracting the supplier. After the previously mentioned so-called sourcing part has been done, the next step is the supply. Ordering, expediting and evaluation, and follow-up and evaluating are included in the supply, in other words, order function. In addition to Van Weel's linear model above, the procurement process can also be

described as follows. Sales or procurement lifecycle by Nickson visualizes that procurement is a project (Nickson 2012, 9).

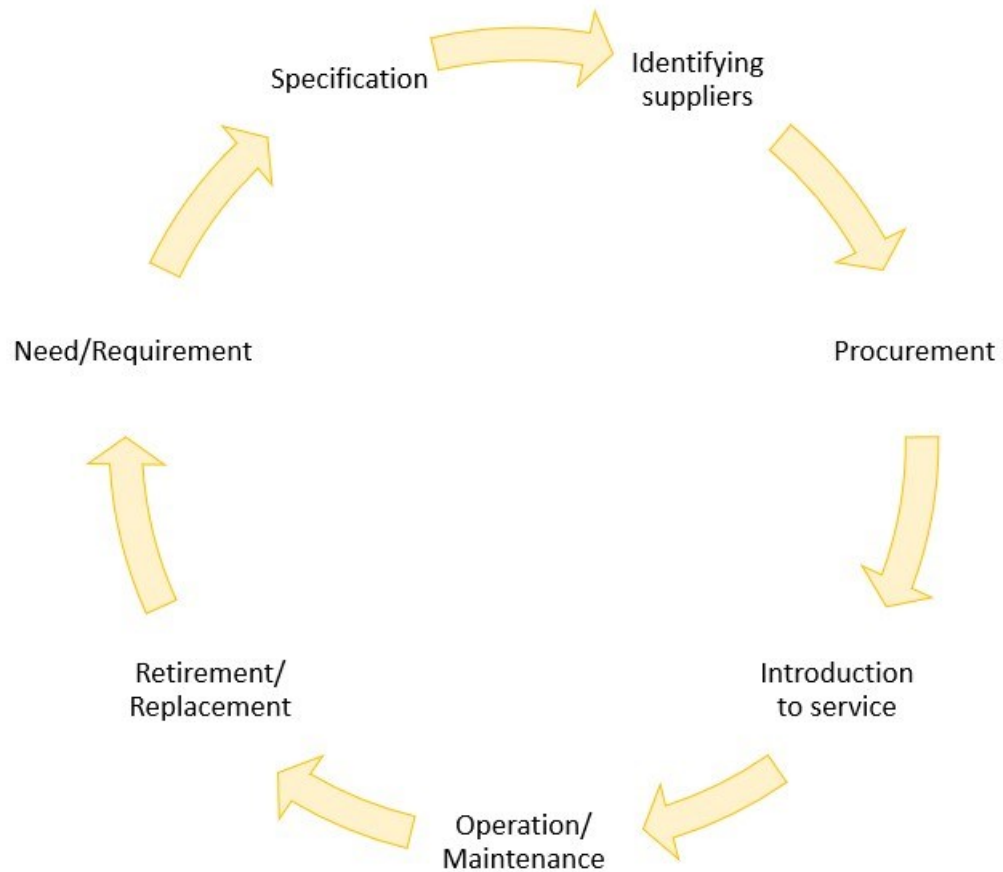


Figure 3. Sales or Procurement lifecycle (Nickson 2012, 9.)

Both the Nickson and Van Weele procurement models are based on the same principles, but the difference is that one is a process, and the other is a life cycle. The life cycle seems more continuous, while the linear process seems more finite. Even if the materials and raw materials to be sourced change, the procurement

process model can still be used to structure the procurement process of any company (Nieminen 2016, 53).

2.1.2 Strategic Sourcing

A long-term company strategy will be present when procurement takes place in a corporate setting. The plan must be understood and contributed to for procurement to succeed. (Lysons, Farrington 2016, 29.). Strategic sourcing occurs when the importance of supply is high, and the spending is also high. In this case, to create a strategic relationship with the supplier, the following must be done: reducing the supply base, establishing close relationships with the suppliers, prepare that this takes time, work in supply teams with suppliers, and operating along the supply chain. (Hiles, Noakes-Fry 2014, 28.) Strategic sourcing offers management and stakeholders visibility into business processes, operational challenges, and spending information that was not previously available to them. Strategic sourcing provides a road map for gathering and analyzing this information in order to determine how the purchase of a specific product or service truly fits into an organization's overall business operations, from identifying the need to using the product or service and - if necessary, disposing of it. (Payne, Dorn 2012, 10.) This includes identifying the following:

Who buys the product
How it is ordered
How it is received
How it is paid for
Where the payment information resides in your systems
What the payment reconciliation processes are
Where the product is stored
When it is used
Why it is needed
Who the suppliers are
What value-adds or services are provided
What happens to the product after its useful life is over

Table 1. Identifying aspects of Strategic Sourcing (Payne, Dorn 2012, 10.)

Strategic sourcing requires talent in areas such as internal alignment, business leader engagement, cross-functional collaboration, strategic thinking, and management of complex tender procedures from specification to implementation (Mena, Van Hoek, Christopher 2014, 36.) To maintain strategic sourcing, it is necessary to follow the guidelines of the strategic procurement cycle. The strategic sourcing cycle is a process for developing, executing, delivering, and learning from procurement strategy in a continuous improvement process. (Mena, Van Hoek, Christopher 2014, 39.)

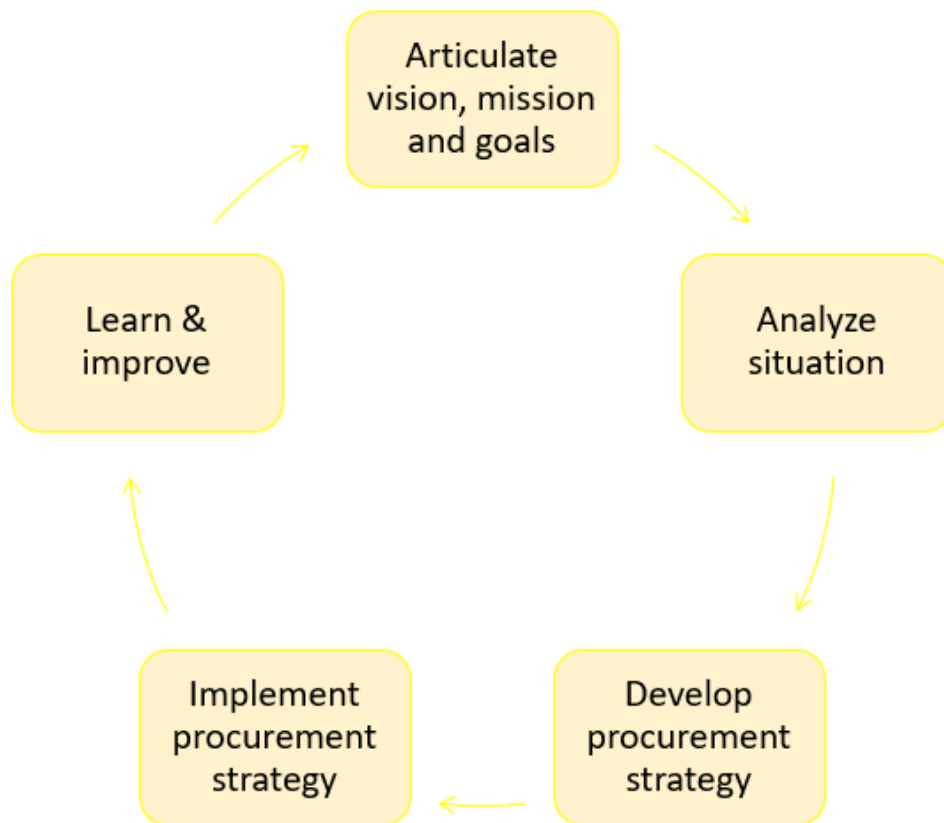


Figure 4. The strategic procurement cycle (Mena, Van Hoek, Christopher 2014, 39.)

According to the strategic procurement cycle, a well-defined vision, mission, and goals are crucial to the success of almost any aspiration, and this also applies to strategic sourcing (Mena, Van Hoek, Christopher, 41.) The next step of the strategic procurement cycle is analyzing the situation. PESTLE analysis, PESTLE is a typical framework for the analysis of the operating environment (Martinsuo, Mäkinen, Suominen, Lyly-Yrjänäinen 2016), SWOT analysis, SWOT analysis examines the strategic position by comparing the company's strengths and weaknesses with the threats and opportunities created by the competitive environment, (Vuorinen, Huikkola 2023, 92.) and Porters five forces (Figure 5) are good tools for analyzing the situation and to get a good understanding of the market situation. To develop and implement the procurement strategy, everybody needs to be engaged in it, and everybody needs to understand the strategy. Learning and improving the strategic procurement takes place over time, and the cycle starts again. (Mena, Van Hoek, Christopher 2014, 41., 47., 50.) Instead of

just being a place to save expenses, the purchasing department should be run as a strategic supply chain center (Blanchard 2010, 55.).

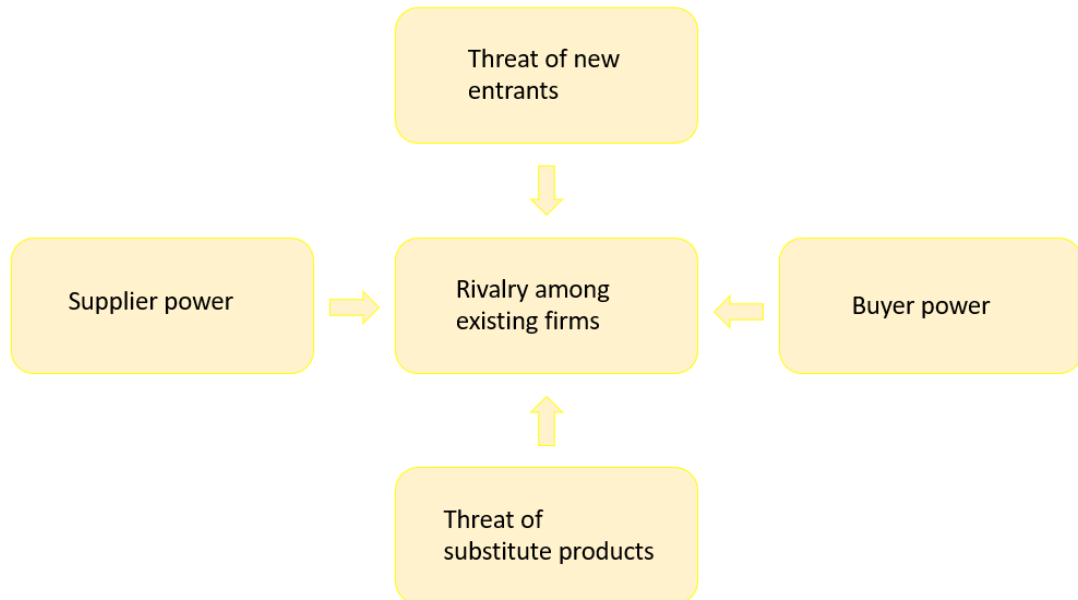


Figure 5. Porter's Five Forces (Mena, Van Hoek, Christopher 2014, 47.)

Procurement process models are mandatory to understand before cooperation with a supplier can begin. And, of course, a supplier needs to be selected before proceeding with the procurement process. Until a new supplier can be selected, a company needs to understand the different types of suppliers that exist. This will help to identify the kind of supplier a company is looking for and the type of collaboration they want to have with them. The following chapter describes suppliers and their different types.

2.1.3 Suppliers

As time passes on, organizations are evolving and adapting more than ever as they try to figure out how to compete, survive, and succeed on a planet that is constantly changing. Because of this, the supply base that a company already

works with, the role of that supply base, and the way organizations are engaging with suppliers is also changing. (O'Brien 2018, 5.). In a good business relationship, the needs and expectations of both parties, the buyer, and the supplier, are met, and both parties aim to create value for the end customer and thereby succeed in business (Nieminen 2016, 107.) There are different types of relationships a company can build with a supplier. It is determined by how important the supplier is to the organization and how often and how closely the organization communicates and works with the supplier. (O'Brien 2018, 12.) The table below represents different types of supplier relations.

RELATIONSHIP TYPE	EXPLANATION
ARM'S LENGTH SUPPLIER	Transactional supplier for named goods or services
SUBCONTRACTOR	A supplier, usually services, engaged to complete a specific task. E.g., software contractors
PREFERRED SUPPLIER	Supplier with recognized status as a preference to other suppliers
OUTSOURCED PROVIDER	A supplier who has taken responsibility to fulfil a core activity and requirement or function of a company. E.g., call center, cleaning, IT support.
CRITICAL SUPPLIER	A supplier who fulfils a requirement that a company cannot do without and can't switch suppliers or source elsewhere
STRATEGIC SUPPLIER	A supplier with strategic importance and has something that can help enable a business to realize their goals and aspirations e.g., innovation, capacity, know-how.
PARTNER	The parties have agreed to work together. The arrangement could be informal or a formal contract and even incentives might exist
GROUP COMPANY	Supplier who is owned by the company or group

Table 2. Common types of supplier relationships (O'Brien 2018, 13.)

Companies today buy more components and services from suppliers than before. Businesses increasingly rely on their suppliers to improve quality, reduce costs, and develop new processes and products faster than their competitors (Liker and Choi, 2004) This reflects the importance of suppliers to businesses. The importance of suppliers has been fully recognized in purchasing functions; it is

also crucial for all the stakeholders in procurement to understand it as well. Diverse cooperation with a supplier requires cooperation across functional boundaries, including within the company and the organization. Those working in sales, product development, and financial management need to understand the importance of suppliers and the opportunities in the supplier market. (Iloranta, Pajunen-Muhonen 2018, 79.)

A good supplier is one who possesses the technology to produce the product at the required quality, the capacity to produce the required quantities, and the business ability to manage the operation profitably while still selling a product at a competitive price (Arnold, Chapman, Clive 2017, 187). The most successful relationships are those in which customers and suppliers build trust, understand one another's needs and interests, and want to share knowledge and support each other. Where these circumstances are present, the end result should be the development of well-established and trustworthy procurement-supplier relationships. These connections form the basis of networks and give both sides an advantage in competition. (Lysons, Farrington 2016, 194.)

This chapter represented the role of a supplier and the supply base for a company. In order to achieve the goals of cooperation described in this chapter, it is necessary to narrow down the list of suppliers to those whose skills and supply will become better known through competitive tendering. The following chapter will focus on tendering.

2.2 Tendering

There are various special words, acronyms, and phrases used in the world of procurement. The alphabetical soup is used in European Union circles. The words that seem to appear are bid, tender, and proposal. (Nickson 2012, 2.) Nickson defined these as follows:

Bid – Request, entreat, demand, proclaim the offer of a price.

Proposal – The act of proposing something to be done, an offer to do something, an offer to tender.

Tender – An act of tendering, a formal offer properly made by one party to another, a written offer made by one party to another at a particular price or uniform interest rate, or an order for the supply or purchase of goods. (Nickson 2012, 2.)

These words can have different meanings in different procurement organizations and processes, but according to Nickson, bids, proposals, and tenders are much the same. (Nickson 2012, 2.) It is safe to say that these words can be used in several ways, but the core meaning, and the objective are similar. The traditional buyer's way of ensuring its competitiveness and minimizing suppliers' costs has been through competitive tendering. Suppliers who are familiar with each other, members of the same industry association, are often careful of competing with overly radical proposals to avoid breaking market price levels or trampling on contracts. Only when a real alternative is sourced from, say, the Baltics, India, or China, the domestic players start to offer sufficiently low prices that there is no need to resort to a foreign alternative (Iloranta, Pajunen-Muhonen 2018, 78.)

There are two critical requirements for fair tendering: the client has to produce documents with exact specifications and quantities, and the tenderers have to price the documents without colluding with other tenderers. (Sayers 1997, 22) By following these requirements, the tendering has a good basis. During the tendering process, working with the current supplier – the incumbent – is still actively going on, even in the bid phase. The bid phase, also known as the RFX process (request for x; either information, a quote, or a proposal) in industry jargon, is the stage at which conversations with other outside parties—competitors of the incumbent—begin. (Payne, Dorn 2012, 63.)

2.2.1 RFx

Products and services that have similar characteristics and are available from multiple suppliers are, for the most part, interchangeable. As a result, factors including price, terms and conditions, availability, return policy, and other factors will be considered while making procurement decisions. In a competitive market, there are several viable options for solicitation – Invitation for bid, Request for quotation, reverse auction, and competitive negotiations. (Sollish 2010, 91.) The characteristics or categories outlined will each lead to slightly different tendering possibilities, although in some cases, the same method can be used in more than one category (Sollish 2012, 61). Many consider the RFx process to be the most significant step in a strategic sourcing initiative since it is where critical information is exchanged between buyers and suppliers (Payne, Dorn 2012, 63.) The most common RFx methods are explained below.

RFP

(RFP) Request for Proposal is primarily used to solicit proposals for services. An RFP is often drawn up from existing data for the requirements or SOW/specification (Sollish 2010, 92). The RFP often provides a framework to compare proposed solutions, evaluate bids and help you and your team choose the most qualified source (Sollish 2012, 63). RFP is a more formal document used in sourcing a spending category that plays a big role in a company's operations. Compared to RFQ, it is more sophisticated, and RFP focuses on more service-related items. It involves more technical related aspects of a spending category and how they relate to your company's overall operations. (Payne, Dorn 2012, 74.)

RFI

(RFI) Request for Information is a sourcing tool used to determine a supplier's capabilities and financial health (Sollish 2010, 96.) RFIs are commonly used by

companies as research tools to learn more about the supply base and assist in narrowing down a vast number of suppliers to a shorter list of providers that should be considered for an RFP or RFQ (Payne, Dorn 2012, 59.) The RFI results, together with independent research, serve as a guideline to determine the optimum approach to work with the potential supplier base (Payne, Dorn 2012, 64.)

RFQ

(RFQ) Request for Quotation: A formal document including detailed specifications sent by a customer to a supplier requesting a price quotation and other specific details such as lead time. (Sollish 2010, 203.) Considering you already know what the results will be, leveraged categories may not always lend themselves well to an RFP process. However, an RFQ may be required to ensure that the current price is competitive in the market. (Payne, Dorn 2012, 67.)

IFB

(IFB) Invitation for bid, used by government procurement that, are usually more than 25 000€. The bidder responds with a sealed bid to be opened publicly at a specified date and time. It is mainly a price competition, and for that reason, the lowest bid will win. (Sollish 2012, 62). Invitation for Bids should indicate any important bid evaluation criteria, such as the application of a margin of preference in bid evaluation or qualification requirement, if no prequalification took place, such as a requirement for a minimum level of experience in contracts of a similar size and nature for which the Invitation for bid is issued. (Fletcher 2010, 5.).

Sealed bid

Any RFQ, RFP, or IFB can call for a sealed bid, depending upon the nature of the acquisition and the market. A sealed bid is a bid that is only opened until a specific date and time, and, for the most part, it is opened publicly. It is not a solicitation

process as such, but rather, it is a method of response to a solicitation. Sealed bids are used primarily in high-value government contracts to maintain the confidentiality of the bids and the bidder and to ensure that the contract is awarded fairly to the lowest bidder. (Sollish 2012, 66.) The price given is the best and binding, therefore there is no need for negotiations. (Marburger 2015, 108.)

Table 2 represents the solicitations mentioned above and where they can be used.

Product/Service type	Competitive Market	Noncompetitive Market
Commercial	IFB, RFQ, RFI, sealed bid	RFQ
Commercial with modification	IFB, RFP, RFI, sealed bid	RFP
Customized	IFB, RFP, RFI, sealed bid	RFP

Table 3. Types of solicitations and where used (Sollish 2012, 66.)

When sourcing products, raw materials, services, or other indirect items, it must be seen that getting a new supplier is a process, and it varies depending on multiple different factors. The RFx process enables a streamlined progression from getting to know the supply base and selecting the final supplier when used correctly.

2.2.2 Proposal

After sending the RFx documents to the suppliers included in the tender, the following step is to receive proposals from the suppliers. A proposal is an act of tendering, a formal offer properly made by one party to another, a written offer made by one party to another at a particular price or uniform interest rate, or an order for the supply or purchase of goods. In other words, it is an arrangement that should be beneficial to both parties involved. According to Nickson, proposals have two primary functions: to specify the offer and the reward for supplying it – what is being delivered and how much it will cost, and to persuade the receivers that they want to accept the offer. (Nickson 2012, 7.) Proposals can range from

simple product quotations with a specification sheet, a price, and a set of terms and conditions to large solution, service, and construction proposals with several volumes. Proposals are not only for commercial propositions; they also include business cases, funding bids, internal budget applications, requesting a bank loan, and so on. The circumstances may differ, but the fundamental aspects of definition and persuasion remain. (Nickson 2012, 8-9.) After receiving a proposal or proposals, the next step is to evaluate the offers. When evaluating a supplier's offer, it is important to consider both the cost and the supplier's capacity to deliver the required level of quality and speed. The company must consider both potential risks and rewards while evaluating offers. Will the supplier continue to provide the required level of quality while offering incentives to secure the contract, such as lowering the price? This is only one of many factors you will need to take into account when choosing your supplier. While multiple capable suppliers could respond to the proposal, it will be the company's responsibility to select the supplier that is most suited for the particular contract award. (Sollish 2012, 70-71.)

The final decision of the supplier rests with the tender evaluation team. The tender evaluation team uses the criteria decided at the start of the tendering process for selecting the best supplier. After the selection and when starting negotiations with the chosen supplier, the other suppliers included must be informed that the tender has been closed. (Uher 2009, 194, 197.) Negotiations require plenty of planning, but it is a whole other entity (Sollish 2012 162.).

The theory of purchasing and competitive tendering has been covered, and an overview of the tendering process has been created. The next chapter looks at the tendering process in the case company, which aims to find a new supplier for campaign packaging materials and POS materials.

3 Tendering in Company X

The primary objective of this thesis is to create a process model for the case company for future tenders. In order to develop a process model, it is essential to gather information not only on theory but also on concreteness. Now that the theoretical part of this thesis is gathered, the next step is getting to know the tendering project. This project aims to find a new supplier for campaign packaging and POS materials. The current supplier has not been able to fulfill the agreement regarding the quality of the materials and price. As the current supplier is a broker company whose main idea is to find the materials from third parties, they work as a middleman. This has created some issues, and because the case company never knows where the materials they order truly come from, the issues have been hard to tackle. The case company considers in-store marketing important; therefore, with this tendering, the quality is being ensured. In-store marketing materials and campaign packaging designs change multiple times a year, so the purchase category has a high turnover. The case company has three periods per year, and in each period, part of the materials are removed, and new materials are replacing them.

3.1 Research Methodology

Typically, research methods are divided into two categories: qualitative and quantitative (Hirsjärvi, Remes, Sajavaara 2019, 135.) This thesis is classified as qualitative research. The reason why the qualitative research method was chosen for this thesis is because of the nature of the thesis. This thesis is research-based. The theory is compared with reality through the tendering project and the role of procurement is being investigated. One of the most common techniques within qualitative research is the interview method, according to Hirsjärvi, Remes, and Sajavaara (2019). The interview method is used in this thesis to gather anecdotal reports from people constantly working in the field of procurement. Since the idea in this thesis is to combine information from theory and practice, for this study to be relevant, the real-life information gathered must be actual and up to date.

Thus, gathering anecdotal reports from professionals in the field is imperative. Analyzing the interview results will give excellent overview of the subject and help form the research outcome. The process of the tendering will be described and analyzed. The end result of this thesis is to give recommendations and create a process model for the case company for future tendering.

Interviewing procurement professionals

Before going through the start of the project, it is worth interviewing procurement professionals to see their take on procurement and competitive tendering. As this work is investigating the importance of procurement, hearing the aspects straight from professionals will give a good overview. The interview questions were prepared in advance based on the theoretical framework. (Appendix 2.) The interviewees are from different companies to ensure comprehensive answers to the questions.

First, the interviewees were asked what kind of goods or services they procure. The first interviewee procures campaign packaging materials, POS- materials, accessories, and clothing for field sales, materials that are needed when presenting new products and products in general to customers. Bags and brand items, for example. A lot of purchasing is on the first interviewee's desk. The second interviewee is in a manager role of a procurement team, and they procure raw materials for production and also packaging materials, cardboard, and plastic.

The second question was that what the interviewees think good procurement is. The first interviewee said that good procurement is in the big picture and that we try to get results under the bottom line. The more we sell, the more revenue we make, and how much profit we make brings the result after all the expenditure. Procurement plays a very important role in all of this; the more cost-effective the procurement is, the better results we help the business achieve. The second interviewee said that good procurement is where we ensure the supply and total cost of ownership (good quality, good supply, matches the specifications given),

and ethical perspectives are noted. We have a code of conduct that we use and what we follow. Good procurement is widespread today.

Another question for the interviewees was what their current procurement process looks like. The first interviewee said that the company has fast moving consumer units, and the company has new products coming three times a year. and the company goes very much with the retailers' schedules, and they work together with marketing what kind of new materials are needed in the stores. The second interviewee said that their procurement process begins with receiving a specification from research and development or marketing, as the first interviewee also noted. After the specification, both interviewees will start looking for potential suppliers and begin the tendering process. After the selection process, the tendering will be closed, and check if the chosen supplier meets the criteria. The second interviewee said they prefer their current suppliers and the ones that are critical and important. They want to have the number of suppliers in control.

One of the questions asked was about how the procurement process affects other business units inside the company. It is a big puzzle- the first interviewee said, together with our demand team, which deals with demand and is the cornerstone of this business, and our production facilities, which are informed of product volumes so that they can prepare for a given capacity. Each team's part in this is very important. Together, we make sure that the supply is in order. The second interviewee stated: It affects a lot, especially the company's profit. The manufacturing stops if the right raw materials are not in the right place at the right time. This creates further issues. Procurement significantly affects other business units.

The interviewees were asked why supplier tendering is worth doing. The supplier shouldn't think that we will buy from them every time; they need to earn that spend. Also, to get that supplier to pull themselves together and do their best. And even if you don't tender every time, you let them know that you will check the price every time. This is to ensure that they don't take us for granted. That's why, to tender, the first interviewee answered. The second interviewee answered

similarly: tendering is very useful; we can ensure we have the best price to the best quality level. Few suppliers will lower their prices if they know that they have single-source items or raw materials. If suppliers get used to the idea that we always buy from them, they might not provide us with the best price, which will also affect the service level they provide. We want our suppliers to do their best.

Among other questions, the interviewees were asked whether they think more attention should be paid to procurement and, if so, why. The first interviewee said that attention is being paid to procurement. It has gotten more attention lately, and it started especially when the interviewees purchaser role was created. Inside the company, they understand that procurement is important. The current tendering process that is taking place gives an excellent example that attention is being paid to, but there is always room for improvement. The second interviewee said: Our workplace pays attention to procurement very well, which is not always the case in many other companies. Usually, it is sales that gets all the attention, even though procurement also plays a significant role in overall business success.

The last question for the interviewees was how their procurement strategy adapts to different economic scenarios, for example, inflation or economic downturns. We live in challenging times at the moment; inflation is high, and people won't consume that much, but because our products are low threshold, they can help us get through the economic scenarios. And to be able to do that, we need to keep supply in order and keep our procurement activities cost-effective. Our strategy adapts to these situations well, and we understand the whole picture well. External factors influence what we do, and that's why we're constantly on the alert. The second interviewee said that they try to have risk management in mind in strategic procurement: We try to ensure that we are not dependent only on one supplier, for example. We have alternative suppliers known for our critical raw materials just in case something happens. Sometimes, with risk materials, the question is whether enough should be stockpiled while a new supplier is being verified. It is always good to have a risk plan for availability. After all the crises we

have faced in the past years, it is seen that businesses are starting to be more careful and want to be more aware of what's happening.

Now that the procurement professionals have been consulted, it is time to move on to the tendering project itself. The following chapter explains the background of the project and why it has been undertaken. The chapter also contains a more detailed explanation of the materials covered by this invitation to tender.

3.2 Background

First, it is essential to explain what campaign packaging material means in this thesis. Campaign packaging materials are cardboard parts that are used in displays, quarter pallets, and half pallets. These packages include the case company's products, and they are sold to their customers. Mainly, these customers are retail customers but also wholesalers. The case company's campaign packages and their volumes vary, but overall, campaign packages bring sales well. POS – materials, point of sale materials, on the other hand, are used in stores to influence customers to buy, and it is an ideal marketing tool (Ebster 2015, 3.). In the case company, these materials are, for example, floor stickers, posters and signs, universal scaffolds, and many others. The focus in the domestic market in this tender is more on the campaign packages than POS materials, since the case company already has a valid supplier for the small number of materials that are needed, some are regularly bought, and some are one-time purchases. Other markets have significantly different types of POS-materials and their volumes are bigger, therefore they include them also in the tender.

The need for this tendering was known for a long period of time. Due to changing economic conditions and binding contract, the start of this project was delayed, even though the need for it was acknowledged (personal information, 2023). As the case company operates in several countries and the existing supplier works with all markets, this project applies to all countries that they operate. Therefore, central organization, more specifically, Executive Management Team, needed to

approve this project and gather a project group that included at least one person from each market. There are five people included in the Finnish market.

Just to understand the company's starting points for competitive tendering, it is necessary to interview employees who have worked with the current supplier. The interview questions have been gathered on the basis of discussions that have been held in the office environment regarding this tendering (Appendix 3.). Interview is the best method for collecting information in this situation since the interviewees can answer in their own words and with their own expertise. The first interviewee has been working with the supplier for years and has first-hand experience from their cooperation and how they operate. The second interviewee has been involved in since signing a contract with the current supplier, which is now being discontinued.

The interviewees were asked for the main reasons and signs for the tendering process. Both very clearly explained that dissatisfaction was present from the beginning of this 10-year supplier relationship. The goal with the supplier was that they are active regarding new innovations and solutions, but after many years of cooperation, they did not deliver these expectations. It was also stated that they would focus on finding the materials from the third parties with the best quality and with the best price. It soon became clear that they only cared about the cheapest price and not the quality. While they were doing this, the prices for the case company still increased, partly due to the poor economic situation. This was an issue, because the case company considers in-store marketing important, and the quality of the materials are also important to maintain a good company image and the cheapest price won't always cover the best quality. Other markets weren't happy either.

The interviewees were asked about the timeline regarding the start of the tendering process and how long it took to convince superiors that the tendering is necessary, and both addressed that discussions were held during the years multiple times. The first interviewee told that the co-operation with the current supplier started when the management practically announced that co-operation with this company will be initiated. There was no tendering of any kind.

When asking the first interviewee about the delay in this tendering and what could have been done differently to avoid this situation, it was mentioned that, most likely, this was the fastest that this process could have started. According to the interviewee, collecting evidence of poor quality and poor price was advantageous to launch this call for tenders, even if it was only years later. The second interviewee stated that it is to believe that resources might have been got sooner for a smaller tendering to prove that a larger one is necessary, but all the market leaders were not on the same page with the tender. It is hard for only one market to push a project that size. These interview questions and answers reveal that there were disappointing actions done from the side of the supplier and the central organization.

At this point it is important to ask the interviewees what the company is expecting from a good supplier regarding campaign packaging and POS- materials. Both interviewees mentioned the following characteristics – engagement in co-operation, development, and innovative ideas, good price-quality ratio, and that as a supplier, they are reliable. Environmental and sustainability aspects are also stated as important. When asking the interviewees if they would consider, after new negotiations, if a co-operation with the current supplier would still be possible, both answered shortly, no.

The starting points for this tender are now clear. It was the Finnish market that first addressed the problem with the existing supplier. The quality of the campaign packaging materials deteriorated significantly, and despite this, prices rose steadily. Multiple conversations were conducted with the supplier to give them the opportunity to find a solution to this quality problem. Even after many years of cooperation, a sufficient solution with the current supplier was not found. It was therefore clear that a new supplier would be needed. Before this tendering project was to begin, permission for the tendering had to be obtained. After the permission was given from the central organization, a lead buyer was selected, and a project group was gathered. This tendering process is cost, and efficiency driven.

This tendering focuses on campaign packaging materials and POS materials. The main goal of the project is to save costs, and it seeks to remove middlemen from the process; this way, future co-operation and development will be happening straight with the manufacturer. Campaign packages that are used in the case company are displays, quarter pallets, and half pallets that includes the items that the case company sells. POS – materials, Point of Sales materials are used in store to influence customers to buy, and it is a good marketing tool (Ebster 2015, 3.). In the case company, these materials are, for example floor stickers, posters and signs, universal scaffolds, and many others.

For the comprehensibility of this work, it is necessary to attach examples of different kinds of campaign packages, more precisely, displays. The first example below is a display with shelves; the display includes a footer, potentially a filler part inside the footer, and a tray with the shelves.

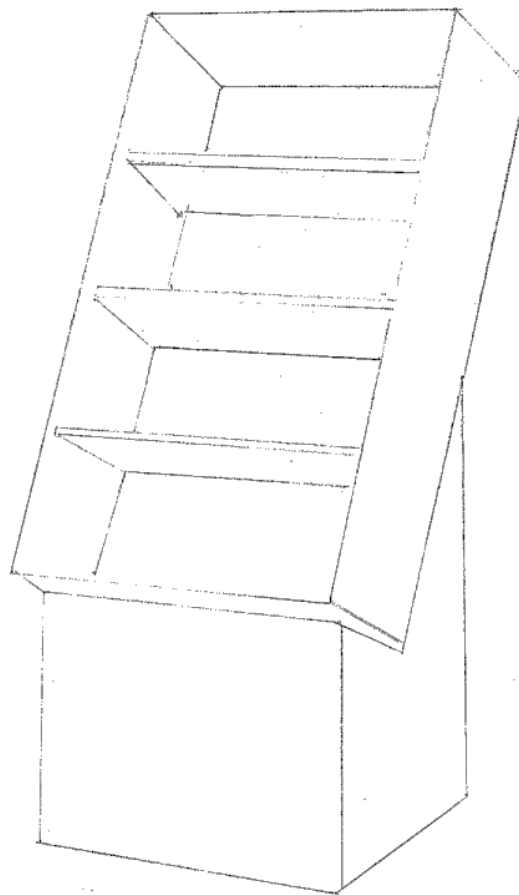


Figure 6. Display with shelves

The second example of a display includes a footer, potentially a filler part inside the footer, a tray with shelves, and a top sign. It is possible to design and print visuals on all these pieces of cardboard. The case company expects printing opportunities from the suppliers included in this tender. All the current displays and cardboard parts used have printing.

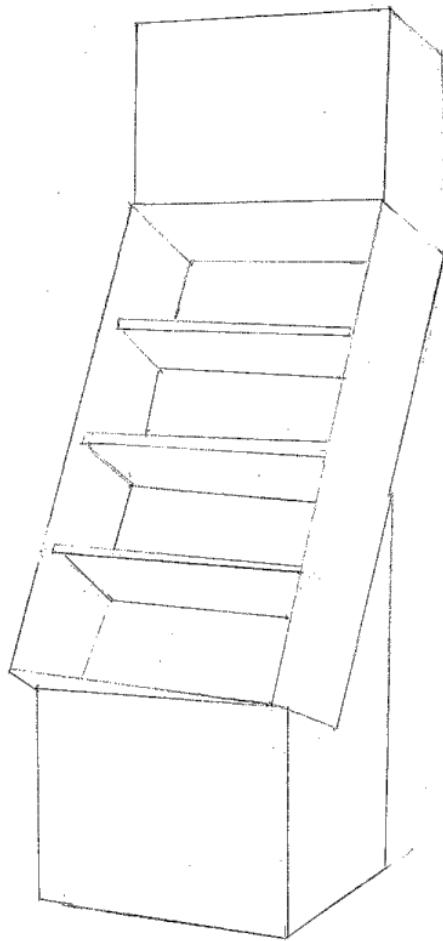


Figure 7. Campaign packaging display

During this tendering project, there is also a more minor tendering process going forward in the Finnish markets. Campaign packaging and product packaging for one product group will be harmonized at the same time and in the same way through competitive tendering. The smaller tendering includes the same suppliers

that are participating in the more extensive tender. It was considered that the smaller harmonisation project would be sensible to carry out simultaneously as the major call for tenders to take advantage of the suppliers' readiness to respond.

3.3 Project Start-Up

Before the actual tendering can start, data for the items that are put out to tender must be collected. The data that are gathered are numerical. The campaign packaging material that the case company uses is made from cardboard parts. This implies that the measurements of each piece need to be gathered into a file that is sent to the tendering companies. In addition, the cardboard material, printing information, and annual quantities also need to be collected. Current prices that are paid when purchasing the campaign packaging parts are relevant information and it is gathered for the case company and for the tender. This way it is easier to compare the current prices and the tendering companies offer.

The team leader of this project created a template for each market to gather their data. Once all the markets have put together their data, it will be transferred into a larger file which is sent to the companies that are included in this tender. The data is sent via a software provider. In the Finnish market, there are dozens of campaign packages, and each has its own cardboard parts. Most of these parts include printing. Some campaign packages share the same parts. Each packaging contains 4-7 cardboard parts such as a top sign, frame, footer, cross parts, support parts, and a delivery box. It is, therefore, safe to say that it is about hundreds of cardboard parts that are included in this catalogue. This implies also that the total spending used in this category is significant. Transferring all these parts to a new supplier can be challenging because of many different details.

The project timeline gave each market one month to collect data from the campaign packages. The Finnish market decided to add ten different campaign packages and each of their parts to the tender to give an example of the whole portfolio. Due to its complexity and the vast number of campaign packages, the

Finnish market's portfolio of campaign packages poses a challenge. An example of the data template used in the RFQ can be found in the appendices (Appendix 1.)

The suppliers are provided with the data regarding campaign packages via Scanmarket. Scanmarket is a source-to-contract (S2C) software provider that develops advanced functionalities in an easy way (Scanmarket, 2023). After the RFQ data has been sent, the suppliers included in the tender are provided with samples of the current campaign packages. Therefore, the suppliers can prepare their offer based on the data and the samples.

After a suitable period that has been named at the beginning of the tender, five weeks, the suppliers have the chance to introduce the company to the markets and prepare their offer. The lead buyer of this project is spending a holiday after the offers have been received. For that reason, the tendering is not progressing during that time. All this is included in the timetable that was shared with all participants.

3.4 Suppliers and their Capabilities

Every supplier included in this tender has an equal opportunity to introduce the company and present their capabilities to the project team. All the tenders are considered objectively without the possibility of favoring one over others. It is included in the code of good tendering.

At first, there were six suppliers included in this tender, and each had the possibility to present their capabilities and offers. While the company presentations were in progress, it emerged that one of the suppliers had a contract with a supplier that prevented them from participating in other tenders during their contract period. For this reason, there were five suppliers left in the tender. After the call for tenders, cost savings were estimated to be around 40% of the price that the company is currently paying (personal information).

Before the suppliers' capabilities can be compared, it is essential to introduce the suppliers. To make sure that the suppliers included in this tender are not recognizable, let's name the suppliers as follows: Supplier 1, Supplier 2, Supplier 3, Supplier 4, and Supplier 5. Calling the suppliers in this way makes it easier to connect the capabilities and the suppliers. In this work, necessary information about the suppliers are their geographical location, experience, and special expertise, and sustainability agenda, which was brought up during the interviews as an essential factor. Table 4. represents the suppliers included in this tender.

Supplier	Main locations	Co-operation before	Years in business	Speciality	Sustainability agenda Yes/No
Supplier 1	Scandinavia and Central Europe	Yes	88	Packaging solutions	Yes
Supplier 2	All of Europe	Yes	80 +	POS and display design	Yes
Supplier 3	Scandinavia and Central Europe	Yes	89	Paper and packaging	Yes
Supplier 4	Nordics	Yes	40	Shopper marketing, displays	Yes
Supplier 5	Scandinavia	Yes	5	Displays and POS	Yes

Table 4. Introducing the suppliers.

As the case company operates in multiple locations throughout Europe, it is essential to state that the main markets are Scandinavian countries and Finland. In addition to these, the Netherlands is also a significant market. The suppliers included in this tender all have done at least some sort of co-operation with the case company before but in different situations. The years that the suppliers have spent in this business talk about their experience and knowledge in the industry. Specialty indicates their most vital area of expertise, and with this knowledge, it is easier for the case company to see the suitable options for what is being looked for. A sustainability agenda is important to the case company and, therefore, should be noted when looking at the suppliers. It can be seen that the suppliers

included in this tender have a variety of years of experience. That alone is not an indication of their competence.

The suppliers have now been introduced, and the following step is to get to know their capabilities (Table 5). For a company this size, it is important to understand that the supplier has the capacity for all the volume that is coming in their direction. All the campaign packages and POS materials have designs, and the main markets especially have significant volumes of the materials therefore, design teams could be inside the main markets. In addition to capacity, lead time is also very important because of the fast-moving consumer unit business; all materials must be on time when they are needed. One measure of capability is printing methods, and the ones mentioned are the most used printing methods in the industry. Lastly, the case company wants to know if they have the production and materials are coming inside the company and if the production is insourced. The aim is to work directly with the production company and eliminate all middlemen. The table below represents supplier capabilities.

Supplier	Desing teams in all the main markets	Capacity for all the markets	Lead time	Printing methods: Digital printing/offset/ <u>Flexo</u> /screen Y/N	Production insourced Yes/No/Partly
Supplier 1	No	No	15-20 days	Y/Y/Y/N	Partly
Supplier 2	Yes	Yes	10-12 days	Y/Y/Y/Y	Yes
Supplier 3	No	Yes	15 days	Y/Y/N/Y	Yes
Supplier 4	No	Yes	15-20 days	Y/N/N/N	No
Supplier 5	No	Yes	15-20 days	Y/Y/Y/N	No

Table 5. Supplier capabilities

When looking at the table above and the first column that represents design teams and whether a design team can be found in the main markets, it appears that only one supplier has teams in all main markets. Other suppliers clearly do

not have them in all the main markets. However, this does not mean that all markets can't work with a design team; it just means that it is in another country, and you can't communicate in your own language. Supplier 2 does have design teams in all markets, and it gives a competitive advantage at this point.

The second column represents capacity, which is a highly relevant question in this tender, because all the volumes from all the markets are being transferred to one supplier. Other suppliers seem to have enough capacity for all markets except supplier 1. At first Supplier 1 was able to confirm that they did have enough capacity, but as the tender process progressed, there were doubts about their capacity and therefore it was clear that it was not worth taking a risk.

The third column represents lead time which is, again, a relevant question. All the suppliers have mostly the same lead time, but Supplier 2, who operates in the main markets, is able to deliver in a shorter time. If the goods are delivered from a different country, it adds at least 2 days to the lead time.

The next column includes the printing methods that the supplier is able to use. The case company uses all four methods depending on the design, quantity, and the wanted quality of the print. Mostly, all the suppliers have at least three of the four mainly used methods, but Supplier 2 is able to use all of them. The tendering process revealed that supplier 4 uses only one printing method. Supplier 4 has partner companies that can provide other printing methods.

The last column represents if the production is insourced or outsourced. This was one of the criteria's that the case company considers important, because the goal is to remove middlemen. Supplier 2 and Supplier 3 were the only ones who had their production completely insourced. Even though the other suppliers are by no means bad options, the suppliers who insource their production are clearly more likely options.

Suppliers have now become familiar, and their capabilities have been compared. The next step is to identify the winner of the tendering process and with whom the client company will start collaborating. The next chapter will look at the outcome of the tendering process and why this result was chosen.

3.5 Outcome of the tendering process

After a careful evaluation process, the outcome of the tender process was revealed, and the decision was made. The decision is to start working with Supplier 2. After comparing offers and their capabilities the company decided it would be the most suitable option for their needs.

The evaluation criteria encompassed cost-effectiveness, product quality, reliability, delivery time, and experience, which are clearly seen in many of the suppliers. Sustainability and environmental factors were also named as important factors. The expected cost savings were thought to be around 40% and it was achieved by selecting Supplier 2.

Result

Five potential suppliers were under consideration for a contract to supply campaign packaging and POS- materials for the company. Choosing a new supplier was not a straightforward task, as all markets have different requirements. The case company is a well-established organization operating in multiple countries, and its personnel are professional, so it is needless to say that this tendering process was executed objectively.

The new supplier selection project was carried out within the agreed timeframe and all markets agreed upon the final outcome. Five suppliers were participating in this tendering, and four of them were able to meet all the needs for campaign packaging and POS materials that was included in the tender and after a careful evaluation of five potential suppliers for our campaign packaging and POS-material procurement, Supplier 2, clearly emerged as the best choice. It is now necessary to explain the reasons for this selection.

All the suppliers included in this tender are well-respected players in their field, but for the case company, Supplier 2 provided the most fitting cooperation. The

selected supplier has operations and factories in strategically good locations for all the main markets where the case company operates. They can provide a strategic partnership and a strong network, which was considered one of the key requirements expected from the new supplier. When the suppliers involved presented their companies and capabilities at the beginning of the tendering project, Supplier 2 already had a proposal ready on how cooperation between the companies could work. This reflects a commitment and willingness to build a working strategic partnership. The supplier also has sustainability targets that are essential perspectives in the case company. One of the goals was to eliminate unnecessary middlemen and work directly with the manufacturing company, which was achieved.

The supplier's commitment to customer satisfaction was evident through their prompt and transparent communication. While the other suppliers demonstrated various strengths, none could match the comprehensive package that Supplier 2 offered. Therefore, Supplier 2 was confidently selected as the primary supplier, anticipating that their outstanding performance would significantly enhance our production processes and overall operational efficiency.

Now that the new supplier has been selected, it is time to start implementing the transition to the new supplier. All this was managed to be done on time. If the selection process had been delayed, it would have created additional costs.

Process model for tendering

With the help of the theory used in this research and the participation in the project, a process model for tendering in the case company could be as follows:

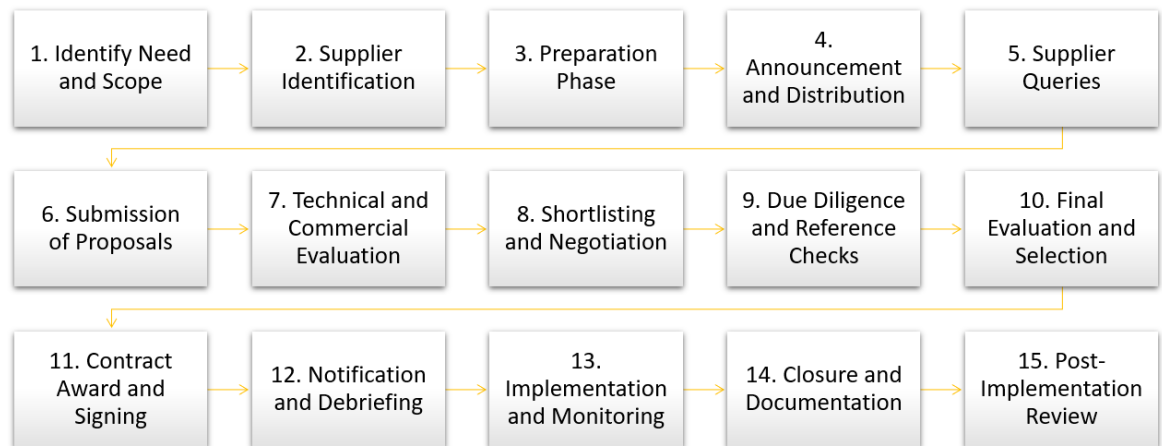


Figure 8. Process model for tendering

Many steps in this process model are in common use and familiar inside the company, but each step will be explained briefly.

<p>1. Identify need and scope:</p> <ul style="list-style-type: none"> • Define the product or service requirement. • And the scope of the project or contract.
<p>2. Supplier identification:</p> <ul style="list-style-type: none"> • Research potential suppliers. • Then compile a list of suitable suppliers.
<p>3. Preparation phase:</p> <ul style="list-style-type: none"> • Create tender documents (Request for Proposal - RFP, Request for Quotation - RFQ, etc.). • Include project specifications, requirements, evaluation criteria, and terms.

4. Announcement and Distribution:

- Announce the tender opportunity publicly or to the selected suppliers.
- Distribute tender documents to suppliers who are interested in participating.

5. Supplier Queries:

- Address supplier inquiries and provide clarifications, if necessary.
- Maintain transparent communication possibilities for queries.

6. Supplier Queries:

- Address supplier inquiries and provide clarifications, if necessary.
- Maintain transparent communication possibilities for queries.

7. Technical and Commercial Evaluation:

- Review technical aspects of proposals (alignment with requirements).
- Evaluate commercial terms, pricing, and value for money.

8. Shortlisting and Negotiation:

- Shortlist suppliers based on evaluation results.
- Enter the negotiation phase with shortlisted supplier or suppliers.

9. Due Diligence and Reference Checks:

- Conduct background checks, financial assessments, and references for shortlisted suppliers.

10. Final Evaluation and Selection:

- Score and rank suppliers based on technical, commercial, and due diligence evaluations.
- Select the preferred supplier based on evaluation outcomes.

11. Contract Award and Signing:

- Inform the chosen supplier and initiate contract negotiations.
- Sign the contract with the selected supplier.

12. Notification and Debriefing:

- Inform all suppliers about the outcome of the tender process.
- Provide feedback to suppliers on their proposals if requested.

<p>13. Implementation and Monitoring:</p> <ul style="list-style-type: none"> • Monitor supplier performance and adherence to contract terms. • Implement any necessary quality control or performance monitoring mechanisms.
<p>14. Closure and Documentation:</p> <ul style="list-style-type: none"> • Close out the tender process officially by contacting the suppliers. • Document the entire process, including decisions and evaluations, for future reference.
<p>15. Post-Implementation Review:</p> <ul style="list-style-type: none"> • Evaluate the success of the selected supplier's performance. • Identify lessons learned and areas for improvement for future tendering processes.

Table 6. Process steps

This project's timeline and process did not include step 9. Due Diligence and Reference checks because the suppliers who participated in the tendering process were somewhat known inside the company. In the field of campaign packages and POS materials, there are not many companies with enough capacity to fulfill the volumes from all the case company's markets. Therefore, the suppliers participating in the tendering were known. But for further tendering, even when the suppliers are known, references from current and old customers may be beneficial. A supplier can talk significantly about themselves and give examples of how their work is done, but the parties who can provide the best picture of a supplier's performance are its current customers. The type of reputation that the supplier has speaks a lot. It should also be important to know who the suppliers' other customers are to avoid conflict, especially if they are competitors.

4 Analysis and Recommendations

Now that the entire case has been studied and the result of the tendering process is known, it is worth analyzing the results. The project was carried out professionally and on time, which was one of the sub-questions regarding this thesis. Even though this question might not seem so important, if the process had gone beyond the agreed timeframe, it could have led to additional cost, which is what the case company is trying to cut out.

The supplier that was chosen to fulfill the company's needs emerged as the best one. Table two represents the common types of supplier relationships, and what the interviews revealed about the preferred qualities of the new supplier clearly points to a strategic partnership. The supplier clearly proved to be a strategic partner in presenting proposals on how to work together even before the final decision was made. Their capabilities also stood out from the rest.

The interview regarding procurement gave a good overview of its importance. It became clear that procurement plays a very important role in business; the more cost-effective the procurement is, the better results it helps the business achieve. The tendering process carried out in the company proved this claim to be valid. Significant cost savings was achieved, and the process of procuring campaign packaging materials and POS materials was made more straightforward by removing the middlemen from the process. The interviews also indicate that more tendering should be done. Effective procurement methods can significantly influence a company's overall performance, supplier relationships, cost control, and risk minimization. The importance of procurement therefore extends to many different areas of the business. Organizations that allocate resources toward strategic and effective procurement practices are better able to mitigate risks, respond to market fluctuations and maintain their competitive advantage within the sector.

The tendering process that was carried out included almost all essential steps that are usually in a tendering process. One specific step that was added to the new process model for tendering was left undone: due diligence and reference checks. Even though there were not that many improvements that could be made because the process was otherwise very well implemented, there is always room for improvement. The answer to the second sub-question- Is it possible to improve the supplier tendering process of a well-structured company- is yes. There is always room for improvement, even if it's only small ones.

As a recommendation to the case company, it is suggested that this kind of tendering could be done more often because of the cost savings that were managed to achieve with this project. In a good case, the resources and costs spent on a tendering will pay for themselves in a short time. The benefits and cost savings of regularly tendering different category suppliers, products, and services can be seen with this example. This would create advantages in the sense that better contracts can be obtained more cost-efficiently in the case of a new tender.

The case company has encountered some challenges in resourcing product development due to the redirection of resources. This might create some delays in new product launches. As a suggestion to the case company, the cost savings achieved by this tender could be directed at product development in order to provide that area with the support they need. There is a strong presence of novelty in the company's product mix, and therefore, innovation of new products is essential. New product development is a crucial aspect of business strategy, and it runs innovation, growth, and sustainability. Companies that invest in product development have a better chance of succeeding in a competitive market environment.

5 Conclusion

The purpose of this thesis was to create a process model for tendering for the case company. In order to develop the process model, it was necessary to do some initial research on procurement and its importance for a company's business. This thesis was carried out in the form of Company X in order to avoid identifying the client company or its industry. Tendering different physical items and services is done frequently in the case company.

Among the main purpose of creating the process model for tendering, the core concept in this thesis was to understand why tendering, in general, is relevant and what is the role of purchasing in a company's business. The most important reason for that became clear with the help of literature and interviews from professionals. Procurement function and resources sourced from outside of the organization can alone be almost 50-80% of the total cost in a company, and therefore the majority of the whole spend. Every expense saved from that entity positively affects to the bottom line.

The work started with a study of literature and getting to know the project and revealing the outcome. Then, it was followed by analysis and recommendations. The recommendation for the case company was that more tendering of this kind should be encouraged, in order to achieve further cost savings. The cost savings achieved from this tendering and future cost savings could be channeled, for example, into development. Organizations are evolving every day, and the planet is constantly changing; resources directed to development will help to keep up with the evolving world. This way, the company can succeed, survive, and compete in its environment.

This work also included two sub-questions: will the project remain within the given time frame and if it's possible to improve the supplier tendering process of a well-structured company. The project managed to remain within the given time frame, and the transition to a new supplier was able to start fully on time. The answer to the second sub-question was answered when creating the new process model for tendering; improvement was possible by adding a step of reference checking

with the suppliers' customers. This way, it is possible to improve the outcome of the tendering process. Improvement can always be done, even if the process or processes might seem to work. It should be noted that the work has only covered a superficial overview of the procurement and tendering processes and is, therefore, only part of the overall picture. The world of procurement is a large entity, and some features will change when switching industries.

A supplier change continues to take place, and new co-operations are about to be built. The transition to the supplier has already begun. The company keeps working towards a new efficient and strategic partnership with the new supplier.

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Data template example

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Interview questions 1

Interview questions:

- What types of goods or services do you typically procure in your current role?
- What do you think good procurement is?
- What does your current procurement process look like?
 - o What has led to the procurement process being the way it is?
 - o What adjustments, if any, have been made to the procurement process over the years, and what prompted these adjustments?
- How does the efficiency of the procurement process affect other business units/teams within your organization?
- What is the reason why supplier tendering is worth doing?
- Why is it important to control procurement processes?
- Do you think more attention should be paid to procurement? If so, why?
- How does procurement strategy adapt to different economic scenarios (inflation, economic downturns)?

Interview questions 2

Interview questions:

- What were the main reasons/signs to start the tendering?
 - o When did you first notice that a tendering will be necessary?
- How quickly or slowly were you able to convince superiors that tendering would be necessary?
- If you feel that this tendering should have been started earlier, what has to be done differently in the future so as to avoid delays in case tendering becomes necessary again?
 - o If you had been able to start the tendering process sooner, what would have been the benefits to your organization i.e., what was the cost of having to wait?
- What are the characteristics of a good supplier regarding campaign packaging and pos- material i.e., what are you expecting from a potential supplier?
- After a long history with the current supplier, would you consider starting to work with them again after new negotiations?