

# Dynamic purchasing systems

**City of Copenhagen's experiences with dynamic purchasing systems**

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# Advantages

- Awarding by mini-competitions makes it possible for the orderer to specify requirements from time to time, which is particularly suitable for goods and services where the requirements continuously change from one task to the next.
- There can potentially be very good competition, as many suppliers will be able to apply for admission to the system and bid.
- The process is relatively simple, with the possibility of a short offer deadline and flexible requirements regarding documentation and justification for evaluation.
- Since there is no time limit for how long the system can run, you can potentially save a lot of EU tenders



# Disadvantages

- It can be time-consuming to create mini-competition materials – it is recommended that, in connection with the creation of the system, some sharp templates/paradigms are created so that the process for mini-competitions is streamlined.
- In some cases, a dynamic purchasing systems can replace some procurement tasks that would otherwise be handled as requests for tenders below the threshold values for EU-tender. In such cases, there will be more work associated with entering a contract than what you have been used to.
- For employees without experience with tenders, it can be difficult to set down requirements specifications and carry out a transparent evaluation.
- The market must be ready for a dynamic purchasing system.



# Purchase of inventory

- Based on poor compliance with SKI's (the Danish state and the municipalities purchasing service) framework agreements and many diverse needs in the organization, the City of Copenhagen chose in 2022 to set up a dynamic purchasing system for major inventory acquisitions.
- Analysis of the municipality's inventory purchases showed that, especially in the case of larger acquisitions, it was important for the purchasers to be able to specify the requirements of the specific purchase and value quality.
- The system is mandatory to use for orders over DKK 200.000 but can also be used for smaller purchases.
- As something new, the dynamic purchasing system is intended for a broad user group, who must be able to formulate requirements specification and solicitation letter themselves.
- Per October 2022, 7 allocations have been made with a total value of approximately DKK 4.000.000. Prices have so far been on average approximately 40 % lower than historical prices.



# Purchase of inventory - learning

- The market was ready for the dynamic purchasing system – there are 13 companies on the system.
- We prepared templates in advance for conducting mini-competitions so that the mini-competitions were uniform.
- Since we knew it would be difficult for end users, we assigned two permanent employees from the start to help the end users create the requirements specification and assess the quality of the individual mini-competitions.



# Accommodation of refugees

- City of Copenhagen has received and continues to receive many displaced persons from Ukraine, due to Russia's invasion of Ukraine. There is therefore an urgent need to enter into agreements with hotels to accommodate the displaced persons from Ukraine.
- In addition, in terms of volume, the largest of the agreements was concluded with City of Copenhagen's former supplier of isolation facilities in relation to Covid19, which was tendered through a dynamic purchasing system where there was only one qualified supplier.
- City of Copenhagen then chose to set up a new dynamic purchasing system for the accommodation of displaced persons from Ukraine, in the hope of creating a system with several suppliers, so that the City of Copenhagen would be able to cover the need for accommodation and create competition on the market.
- The City of Copenhagen receives few qualified applications for the new dynamic purchasing system, as the market is not used to the process and needs a lot of help with applying and sending offers.



# Accommodation - learning

- The minimum requirements for the admission of suppliers in the dynamic purchasing system were initially too high. It was therefore necessary to create a new dynamic purchasing system, where requirements for, for example, turnover were lowered.
- From the start, we have been ready to guide and help the suppliers. Even so, it has been difficult to get suppliers to sign up to the system. They find it difficult and costly. Initially there were NO applicants for the system.
- Active contact with several suppliers and help on how to sign up has resulted in there being now 2 companies on the dynamic purchasing system and hopefully 3 more companies on the way.
- So far there has not been much competition for the contracts we send in mini-competitions, but with the expansion of the number of companies on the system, we expect increased competition.



# Bus service for outlying kindergarten

- City of Copenhagen has offered transport to outlying kindergartens as a dynamic purchasing system.
- The routes are then offered as electronic auctions, where each supplier has been able to bid at a price below the maximum price set by the City of Copenhagen.
- The idea behind the electronic auctions on the dynamic purchasing system was that the suppliers would enter a bidding war for the individual routes, and the orderer would thus achieve higher savings than if the routes had been tendered as mini-competitions.
- The first prices were set too high (50 % increase compared to current prices), and there were no counter offers. Instead, the routes were simply "distributed" among the current suppliers. We canceled and reduced the price significantly.
- As the market has recently been under pressure due to lack of drivers and equipment, there are some bus routes where the suppliers have considered that the set maximum price was too low. This has meant that some routes have run several rounds of ongoing price increases to get the suppliers to bid on the routes.





# Bus service – learning

- Competition on the market was not optimal in relation to the combination of a dynamic purchasing system and e-auctions. Previously there were 14 suppliers for 70 routes – now the market is consolidated to 7 suppliers on the market.
- There were no restrictions or barriers with the suppliers in relation to the use of the system.
- From the start, we had a fairly well-defined pain limit on the prices, which helped us to – in the second round – set a realistic price level.
- There is no miracle cure when prices are rising in the market and there is a lack of equipment and drivers in the market.
- Attention! – You should be aware of the fee for holding e-auctions in your bidding system.



# Questions?

