

Guide to Sole Supplier Procurement

What does it mean and how to apply it?



1.0 Introduction

In procurement, sole sourcing takes place when only one supplier for the required item is available, whereas with single sourcing a particular supplier is purposefully chosen by the buying organization, even when other suppliers are available (Larson and Kulchitsky, 1998; Van Weele, 2010).¹

This simply means that **only** one supplier, to the best of the procuring agency's knowledge and based on thorough market research, is capable of providing the required product or service. Similar types of goods and services may exist, but only one supplier, for reasons of expertise, and/or standardization, quality, compatibility with existing equipment, specifications, or availability, is the only source that is acceptable to meet a specific need.

The Procurement Regulation 48 (a) allows a waiver of tender process through the Government Tender Board *if there is one supplier capable of supplying the services, goods or works*. The regulation in this context is synonymous to the former definition which relates to the correct application for such non-competitive bidding process.

Single sourcing requires commitment to a long-term and close relationship with a supplier which involves concern with the value of the relationship and increased commitment to supplier development and evaluation (Leenders et al., 2002)². Therefore, it is important to establish a good rapport with sole suppliers to ensure continuity and an optimal purchase.

This guide must be read in context with other guiding documents, policies and regulations of the Fiji Procurement Office. All submission must be processed and analyzed by the Fiji Procurement Office before submission to the Government Tender Board for endorsement.

2.0 Excerpt from Guide to Tender and Evaluation Process

Single source tenders are used in exceptional conditions where there is only one supplier capable of supplying the goods, services or works as determined after undertaking a market sourcing exercise. Single source procurement can also be used when the procurement involves the replacement or maintenance of parts where there is a need to purchase from the same supplier or manufacturer for compatibility purposes.

When applying for single source procurement, the procuring agency must show evidence that their company/business is the manufacturers of that particular good or service or is the sole distributor of that particular good in the region.

Note: A sole supplier procurement is a method of acquisition. It is not to be used to avoid competition.

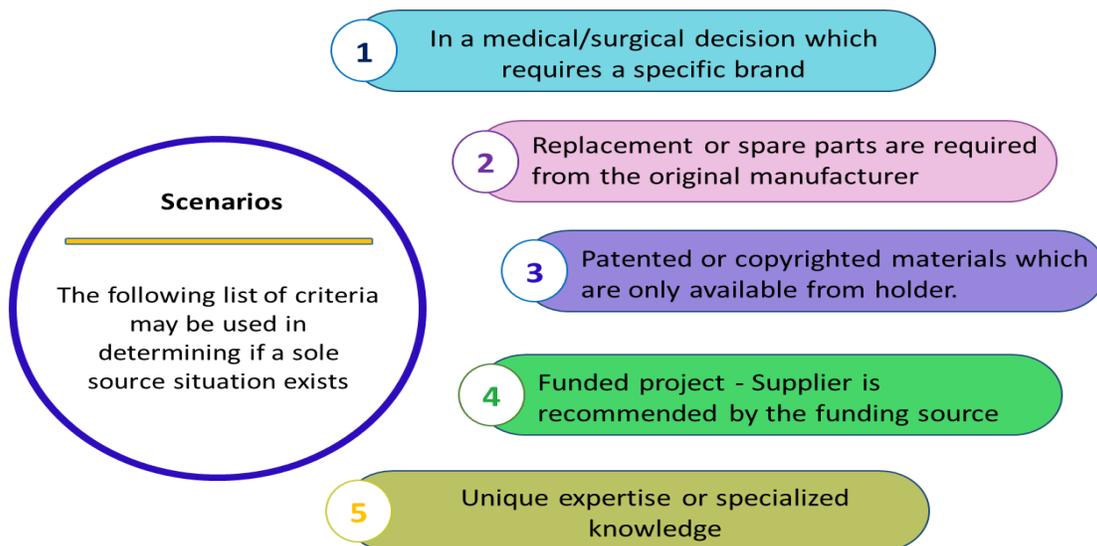
¹ Larson, P.D. and Kulchitsky, J.D. (1998) Single Sourcing and Supplier Certification: Performance and Relationship Implications. *Industrial Marketing Management*, Vol. 27(1), pp. 73-81.

² Leenders, M.R., Fearon, H.E., Flynn, A.E. and Johnson, P.F. (2002) *Purchasing and Supply Management*. (12th ed.) McGraw-Hill Irwin: Boston, MA.

3.0 Guide to Selecting a Sole Supplier

Agencies must take into consideration the following factors when assessing the capabilities of a sole supplier:

- Provide evidence that their company/business is the manufacturer of that particular good or service or is the sole distributor of that particular good in the region.
- **Important:** Depending on the size of the contract, it is important to negotiate a complete contractual agreement in which contingencies are anticipated. To mitigate the risk of a major disruption, suppliers must present risk mitigation and business continuity/contingency plans.³
- Develop a close relationship with the sole supplier (Consider cost vs risk in the Kraljic Matrix). Close collaboration with suppliers should be based on mutual interest and honesty.
- Continuously measure, evaluate and manage the performance of the supplier in terms of delivery and service quality. Due to lack of competition, selection may be based on how suppliers are able to demonstrate their competitiveness in their offer.
- Supplier responsiveness (consider the geographical locations).
- Product development through innovation are often featured by monopolistic companies. Supplier willingness to share information including training, attachments or apprenticeship must be considered. Joint teams that consisted both buyer and supplier representative presents collaborative efforts in product information sharing.



³ SupplyManagement.com(2000) Single Sourcing Risks.2 Online. Available at www.supplymanagement.com/resources/q-and-a/2000/single-sourcing-risks/?locale=en (Accessed 04 August 2021)

Tabulated below are some of the potential advantage and disadvantage of selecting a sole supplier:

Advantages	Disadvantages
Single sourcing can offer continuous levels of quality, product development, technical support and price stability (if allowed in the contract)	Complete dependence on the supplier
Easy to manage compared to engaging multiple suppliers	Risk of complete dependence may affect the procuring agency if there is a supply disruption
Streamlined arrangements can reduced order lead times	Poses a higher risk for larger sized projects

4.0 Further Guidance

Further guidance is available on www.fpo.gov.fj

Enquiries about this procurement guide should be directed to the Fiji Procurement Office Support team on fposupport@economy.gov.fj