

e-Procurement: Advantages, Disadvantages and Lessons Learned & Reverse Auctions

Presented by
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Green Initiatives

- * RFID Chips Imbedded in Bib



- * Energy and water saving processes,
- * Sustainable ingredients
- * Greener packaging
- * distribute their wares by biodiesel or bike



Agenda

- * What is eProcurement
- * eProcurement's Proliferation
- * Advantages
- * Disadvantages
- * Lessons Learned
- * Reverse Auctions

What is eProcurement?

- * Utilizing Web-based technology for Complete Supply Chain Management Lifecycle
- * Requisitioning/Approving
- * **Sourcing**
 - * **Vendor registration**
 - * **Solicitations (formal and informal)**
- * Ordering
- * Purchase Orders
- * Catalogs
- * Contract Management
- * Award
- * Administration
- * Closeout
- * Receipt/Payment Processing

eProcurement Proliferation



Public | Purchase®

DEMANDSTAR
by ONVIA



Advantages

- * Quicker processing times
- * Better communication
- * Vendors profile maintenance
- * Larger vendor pool/increased competition/lower \$
- * Audit trails

Advantages (continued)

- * Public Bid Openings
- * Targeted outreach
- * Better controls
- * No printing/copying/mailing costs
- * Data sharing

Advantages (continued)

- * Automated bid tabulations
- * Increased transparency
- * Vendors obtain access to multiple agencies bidding opportunities
- * Bid Templates
- * Pre-acceptance of Terms & Conditions

Disadvantages

- * Learning curve
 - * Contracting Officers
 - * How tech savvy is your staff?
 - * How well do they embrace new technology?
 - * Vendors
 - * How tech savvy are your suppliers?
 - * How well do they embrace new technology?

Disadvantages (continued)

- * Vendor confusion
- * Public Bid Openings
- * No hardcopies
- * No more binders!
- * Multiple eProcurement Providers
- * Increased competition

Lessons Learned

* RFP for eProcurement System

- * Research, research and research - Know the industry terms for services you are seeking
- * Be clear (and try to read from a vendor's perspective)
- * Demo system (including some of your vendors) – try to “break it”
- * Reference check – Call and talk to other users (and vendors who use the system)

Lessons Learned (continued)

- * Phased in approach (start slow)
 - * Pilot system first
 - * “Drive it around the block”
 - * Change Management
 - * Use your most computer challenged employee to test
 - * Find a Champion
 - * Develop a Communication Plan
 - * Be prepared to review your processes and make changes to accommodate “the electronic age”

Lessons Learned (continued)

- * Training, training, training
 - * Contracting Officers
 - * Other internal users (Acctg/End User/Eval Team)
 - * Access to system to view bid
 - * Vendors
 - * Communications
 - * Formal training (who provides? – your agency or eProc vendor?)
 - * Incorporate into any standard “vendor outreach” you perform
- * Public
 - * Access to view public information

Lessons Learned (continued)

- * Use 'Generic' email account
- * SPAM/Junk settings
- * Don't procrastinate
 - * Late bids
 - * Incomplete bids

Lessons Learned (continued)

- * Public Access to documents
- * Confidential documents
- * Join a User Group
 - * Learn from others
 - * Share ideas/tips/tricks/hints
- * Crawl, walk, run, soar!!

Reverse Auctions

- * What is Reverse Auction?
- * Why use it?
- * How Does It Work?
- * What do Buyers/Sellers see?
- * Who provides RA services?
- * What are the Challenges?
- * What are the Benefits?
- * Keys to Success
- * Success Stories



What is Reverse Auction?



- * Secure online competitive bidding tool to leverage spend
- * Opposite of auctions such as eBay, low price wins
- * Does not impact or change current business requirements (pre-bid meetings, specifications, quality analysis prior to contract award)
- * Buyer creates bid specifications, identifies authorized bidders, event and award dates
- * All event activities are recorded and reports are available to buying organization for audit purposes

Why Use It?

- * Implementation of emerging technologies
- * Success of formal cost containment program increased pressure for new savings opportunities
- * Pressure to maximize potential of existing supplier relationships
- * Emerging technologies that increase performance and efficiencies

WHAT'S IN IT
FOR ME?

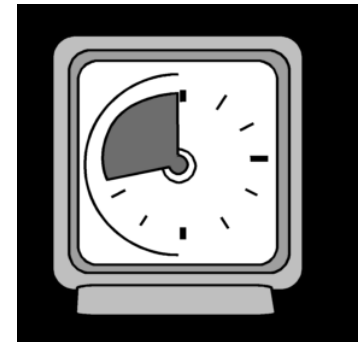


How Does It Work?

- * Buyer identifies requirement, develops RFP, selects invited bidders, and schedules online event
- * RFP/RFQ documents distributed electronically to invited bidders
- * Step 2 of 2-Step bidding process
- * Invited suppliers are trained to use the Reverse Auction tool
- * Event duration and auto-extensions
- * Buyer and suppliers can communicate during event
- * Award can be made at the end of event or after review of bids
- * Generally, list 1 item per auction

What do the buyer's/seller's see?

- * Vendor's Participating
 - * may be anonymous or displayed
- * Pricing
 - * may be visible or hidden
- * Countdown to time left
- * Automatic extensions if bid entered within last few minutes of auction

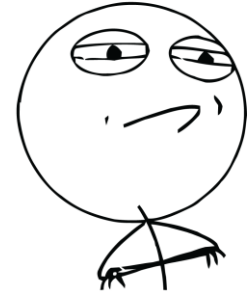


Who provides Reverse Auction services?

- * All major eProcurement Solution Providers (Google search)
- * Some companies specialize in Reverse Auctions ONLY.

What are the Challenges?

CHALLENGE ACCEPTED



- * Acceptance of new procurement tool by purchasing staff and other Penn ordering units
- * Reluctance by some suppliers to participate in an initiative that may dramatically reduce their GPM
- * Payment for service, decision on buyer or supplier payment options
- * Ability to distribute the technology to the campus community for spot buys

What are the Benefits?

- * Easy to use web-based tool to streamline the competitive bidding process
- * Speeds up competitive bidding & contract award process
- * Promotes fierce competition for agency's business
- * Average events savings is 12%**
- * Reduced administrative costs
- * Enable market transparency
- * Ensures level playing field
- * Etc.



What are the Drawbacks?

- * Requires careful selection of targeted commodities as the technology is not useful for all purchase requirements
- * Some suppliers may elect not to participate in a Reverse Auction event
- * May impact supplier relationships if not used appropriately
- * Dramatically reduces supplier profit margins
- * Seller may get “caught up in the moment” and bid too low.



Key to Success

- * Adequate planning
 - * Select your strategy carefully – again just 1 tool in your toolkit
 - * Clearly defined requirements and/or pre-qualified vendors
- * Obtain buy-in of internal stakeholders
- * Educate/train sellers (pre-Auction briefing)
- * Ensure adequate competition AND participation
- * Know your “cost of switching” and associated risk
- * Sustainable and quick internet connection
- * Administer the auction – monitor event – erroneous bids, online questions



Success Stories

- * Specialized Automobiles
- * High Capacity Paper Trays
- * Networking Gear



Try it!

- * What are you waiting for, try it, you might like it (and reap some serious savings too!).
- * Just 1 more tool in your procurement tool kit.



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