

Reverse Auctions for Educational Procurement: Success at Tarrant County College District



Tarrant County College District

- Comprehensive two-year institution established in 1965
- More than 100,000 students (Credit & non-Credit) are enrolled in TCC's associate degree and technical programs
- Sixth largest among Texas colleges and universities
- Five major campuses in the cities of Hurst (Northeast), Fort Worth (Northwest, South, Trinity River) and Arlington (Southeast), with administrative offices in downtown Fort Worth

The Sourcing Strategy

- ❖ The systematic process, utilized to identify the institution's requirements, evaluate market availability, and formally select a supplier to provide those commodities or services to the institution.
- ❖ Developed with specific defined expectations and goals; continuously re-evaluated and improved.
- ❖ Should utilize best in class solicitation methods (tools) to plan and execute the acquisition of commodities and services for the institution.

Strategic Sourcing Process



Tools in the Sourcing Toolbox

- ❖ Group Purchasing Organization Agreements
 - ❖ Inter Local Cooperative Agreements
 - ❖ Institution's E-Sourcing Catalogs
 - ❖ Competitive Solicitation Processes
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- **Request For Quotes (RFQ)**
 - **Invitation To Negotiate (ITN)**
 - **Invitation To Bid (ITB)**
 - **Request For Proposals (RFP)**
 - **Reverse Auctions**



What is a Reverse Auction?

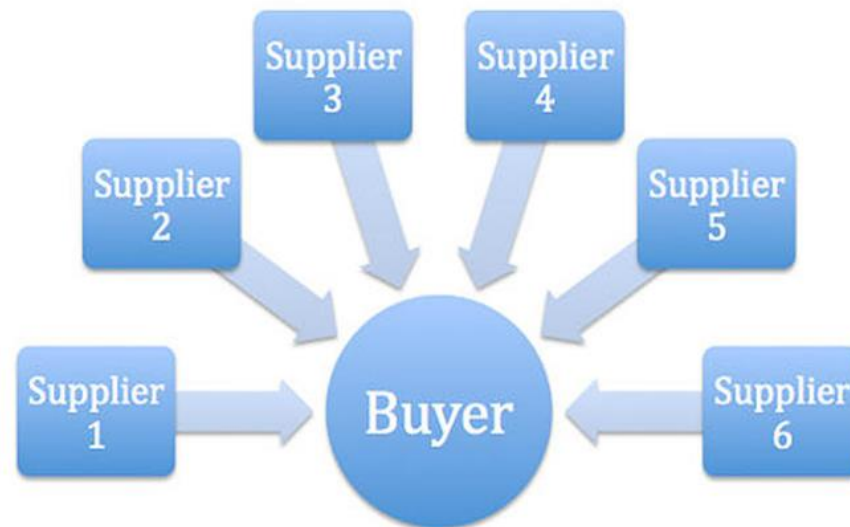
Reverse Auctions are an innovative tool that should be in the toolbox of every procurement professional. A strategic alternative to traditional bidding, reverse auctions are scheduled “real time bidding events” utilized to help secure the best available market price for commodities, services and energy-related requirements.



The Reverse Auction Concept

Reverse Auctions create a dynamic interaction between the purchasing organization and any number of pre-qualified suppliers competing for the opportunity to supply commodities and/or services to the institution.

This interaction is the catalyst to creating price compression and increasing cost savings to the institution.



Where do Reverse Auctions Fit In?



- ❖ Reverse Auctions are incorporated into an institution's sourcing strategy a **component** of their formal solicitation process.
- ❖ The institution utilizes their process for communicating clear and concise specifications, quantity requirements, and delivery terms, via the solicitation documents (RFx).
- ❖ The RFx documentation includes notification to the suppliers that a Reverse Auction event will be utilized to obtain pricing, and that **no pricing** is to be included with the original submittals.

Reverse Auction Process

1. Determine the following:
 - the commodity and/or service to be solicited
 - institution's requirements such as specifications, timing, terms and conditions
 - market trends, potential suppliers
 - the solicitation method
 - appropriateness of utilizing a reverse auction event
 - institution's willingness to move spend
 - clear, understandable specifications
 - adequate supplier base
2. Develop and communicate the specifications to the suppliers (RFQ)
3. Open solicitation responses
4. Evaluate submittals – those that qualify are then invited to participate in the reverse auction event
5. Schedule and host the reverse auction event

Event Preparation



Event Creation:

- Establish date and time of the event
- Establish event timing and event extension parameters
- Post all solicitation documentation on platform
- Establish an appropriate starting price, minimum bid decrement
- Register “approved” suppliers
- Conduct supplier training and mock reverse auctions as needed
- Prepare internal team for the event viewing

Typical timing for preparation of a RFX reverse auction may take 3-6 weeks. It is important to note that the results of the event will only be as successful as the process and effort put into preparing for the event

The Event



Event Day:

Invited suppliers login at the appointed time, and may submit bids during the allotted bid timeframe.

- Provide “real time” viewing
- Provide “real time” reporting
- Provide supplier assistance if needed
- Bid timeframe may be extended based on pre-set conditions
- Bidding ends when the time elapses and no additional bids are received

Post-event:

Once the event is complete, the results may be used as the deciding factor in an award or as one of several components being weighted in the award decision as previously determined.

Communication:

Communicate award, provide reverse auction platform partner event feedback as to awarded supplier, event success, etc.

Tarrant County College District: RFQ 13-036



REQUEST FOR QUALIFICATIONS

Desktop Computer and Laptop Pre-qualification

RFQ# 13-036



Microsoft Word
Document

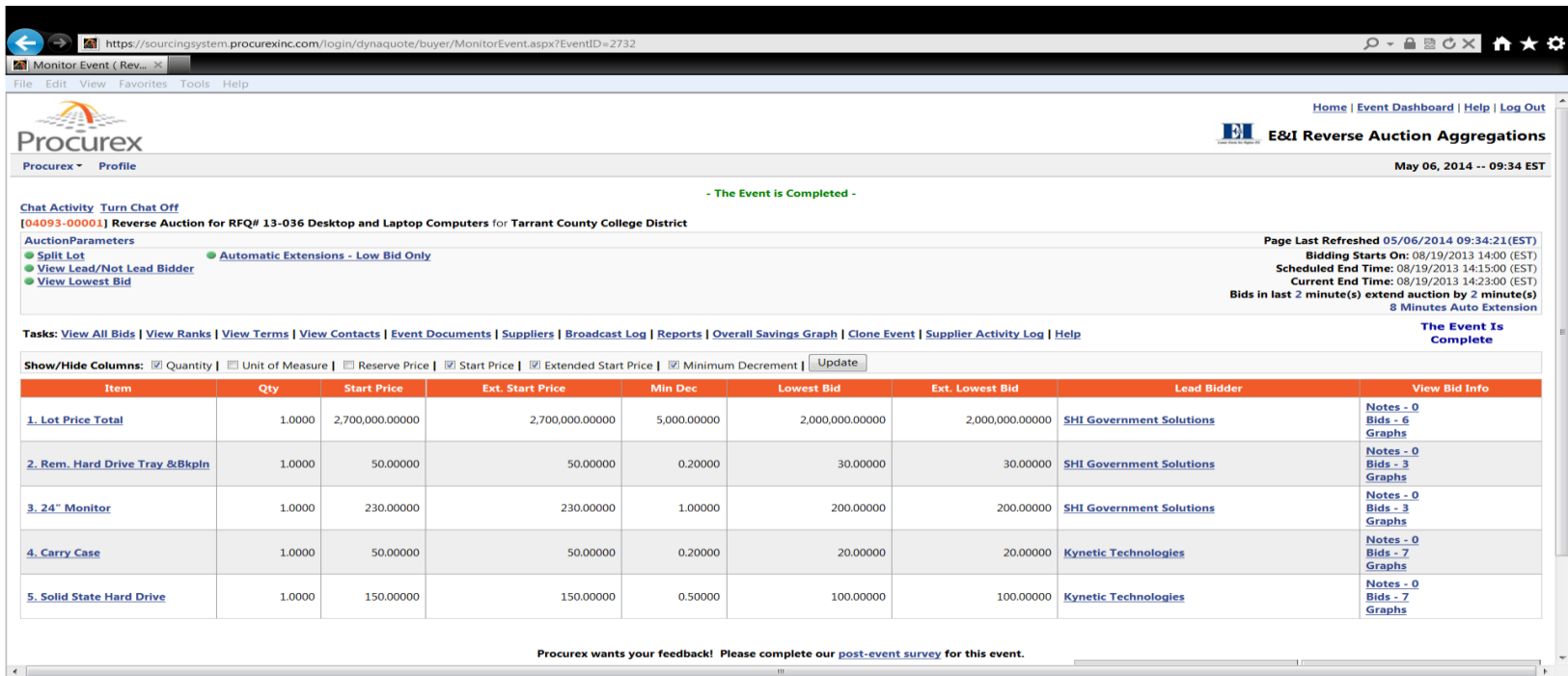
Tarrant County College District:

The TCCD process:

- Identified a need to replace a large number of Desktop and Laptop computers over the next few years.
- Develop specifications for standard configurations (3 Desktop Configurations, 1 Laptop, and 1 Monitor)
- Issued RFQ to pre-qualify vendors and equipment (Required vendors to deliver 1 of each configuration for testing by IT Department)
- Evaluated submissions and approved vendors who met requirements to participate in auction.
- Scheduled auction through Procurex.
- Had Procurex demo and train vendors in preparation for live auction.
- Set date and time for auction.
- Watched the prices go down!

The Reverse Auction Event

The reverse auction event is an online, real-time auction in which approved suppliers are given the opportunity to compete for the institutions business. They do this by reducing their pricing by multiples of the bid decrement value, over the specified bidding period.



The screenshot displays the Procurex E&I Reverse Auction Aggregations page. The event status is "The Event is Completed". The event details include:

- Event ID:** [04093-00001]
- Event Name:** Reverse Auction for RFQ# 13-036 Desktop and Laptop Computers for Tarrant County College District
- Event Status:** The Event is Completed
- Event Date:** May 06, 2014 -- 09:34 EST
- Event Parameters:**
 - Split Lot
 - View Lead/Not Lead Bidder
 - View Lowest Bid
 - Automatic Extensions - Low Bid Only
- Event Schedule:**
 - Bidding Starts On: 08/19/2013 14:00 (EST)
 - Scheduled End Time: 08/19/2013 14:15:00 (EST)
 - Current End Time: 08/19/2013 14:23:00 (EST)
 - Bids in last 2 minute(s) extend auction by 2 minute(s)
 - 8 Minutes Auto Extension
- Event Completion:** The Event Is Complete

The main table displays the auction results for five items:

Item	Qty	Start Price	Ext. Start Price	Min Dec	Lowest Bid	Ext. Lowest Bid	Lead Bidder	View Bid Info
1. Lot Price Total	1.0000	2,700,000.00000	2,700,000.00000	5,000.00000	2,000,000.00000	2,000,000.00000	SHI Government Solutions	Notes - 0 Bids - 6 Graphs
2. Rem. Hard Drive Tray & Bkpln	1.0000	50.00000	50.00000	0.20000	30.00000	30.00000	SHI Government Solutions	Notes - 0 Bids - 3 Graphs
3. 24" Monitor	1.0000	230.00000	230.00000	1.00000	200.00000	200.00000	SHI Government Solutions	Notes - 0 Bids - 3 Graphs
4. Carry Case	1.0000	50.00000	50.00000	0.20000	20.00000	20.00000	Kynetic Technologies	Notes - 0 Bids - 7 Graphs
5. Solid State Hard Drive	1.0000	150.00000	150.00000	0.50000	100.00000	100.00000	Kynetic Technologies	Notes - 0 Bids - 7 Graphs

Procurex wants your feedback! Please complete our [post-event survey](#) for this event.

Tarrant County College District:

Results: 2013-2014 Reverse Auction

Description	Quantity	2013-14 Unit Price Auction	2013-14 Extended Price Auction	2012-13 Unit Price	2012-13 Extended Price	Savings/ Increase
Tier 1 Desktop	2,100	\$ 676.96	\$1,421,616.00	\$ 834.05	\$1,751,505.00	\$329,889.00
Tier 2 Desktop	349	\$ 761.28	\$ 265,686.72	\$ 976.19	\$ 340,690.31	\$ 75,003.59
Tier 3 Desktop	15	\$ 2,015.61	\$ 30,234.15	\$ 1,770.12	\$ 26,551.80	\$ 3,682.35 *
Laptops	300	\$ 813.01	\$ 243,903.00	\$ 1,322.92	\$ 396,876.00	\$ 152,973.00
22" Monitor	250	\$ 154.24	\$ 38,560.00	\$ 180.00	\$ 45,000.00	\$ 6,440.00
			\$1,999,999.87		\$2,560,623.11	\$ 560,623.24
* Increase due primarily to an increase in performance specifications on Tier 3 Units						

Tarrant County College District:

Results: 2016-17 Reverse Auction

Description	Quantity	2013-14 Unit Price Auction	2013-14 Extended Price Auction	2016-2017 Unit Price	2016-2017 Extended Price	Savings/ Increase
Tier 1 Desktop	2,100	\$ 676.96	\$1,421,616.00	\$ 611.80	\$1,248,780.00	\$172,836.00
Tier 2 Desktop	349	\$ 761.28	\$ 265,686.72	\$ 872.48	\$ 304,495.52	\$ 38,626.80
Tier 3 Desktop	15	\$ 2,015.61	\$ 30,234.15	\$ 2,360.21	\$ 35,403.15	\$ 5,169.00 *
Laptops	300	\$ 813.01	\$ 243,903.00	\$ 784.65	\$ 235,395.00	\$8,508.00
22" Monitor	250	\$ 154.24	\$ 38,560.00	\$ 126.24	\$ 31,560.00	\$ 7,000.00
			\$1,999,999.87		\$1,855,633.67	\$ 144,366.23
* Increase due primarily to an increase in performance specifications on Tier 3 Units						

Tarrant County College District:

Thoughts

- Over time, personal computers have become a commodity item, with not much differentiation between the major vendors (Dell, HP, Lenovo). As the capability differences of the vendors blurs, more emphasis is placed on the services around the equipment (warranties, setup, disposal, imaging). These activities were defined in the RFQ process, and the pricing for preparation with TCC software, warehousing, delivery, setup and extended warranties were included in the costs.
- Vendor we had used for years (SHI Government Solutions) was the successful vendor in the 2013 Auction. The lost it to another vendor in the 2016 Auction.

The Value Proposition

Value Proposition of Reverse Auctions	
Buyers	Suppliers
Dynamic negotiations	Committed volume and timing
Increased effectiveness in solicitation process	Process transparency
Transparency of the procurement cycle	Equal opportunity for all vendors regardless of geographic location
Minimal process cost	Market intelligence
Greater accuracy in price determination	Real-time feedback on competitiveness of pricing
Cost savings	Shortened time to product delivery

Who Uses Reverse Auctions?

Public and Private Sector Procurement Professionals Including:

- US Customs and Border Patrol (CBP)
- Defense Logistics Agency (DLA)

Corporations:

- Dell, Sun Microsystems
- General Electric, GlaxoSmithKline
- Target, Heinz, Proctor & Gamble

Education:

- Massachusetts Institute of Technology
- Baylor University
- California State University System
- Rensselaer Polytechnic Institute
- American University

Potential Reverse Auction Opportunities

Audio/Visual Equipment	Athletic Equipment Repair
Computer Equipment/Software	Custodial Services
Custodial Supplies	Facilities Management
Fleet Vehicles	Food Service Management
Office Supplies	Landscaping Services
Rock Salt/Ice Melt De-icing Supplies	Network Services
Welding Supplies	Telecommunication Services
Energy (Fuel oil, electricity, Natural gas)	Waste Management/Hauling Services

The Players

ESG/E&I Cooperative Purchasing

Established in 1934, your member owned, not-for-profit purchasing cooperative focused completely on Educational Procurement. Serving almost 3,000 member institutions nationwide.

Procurex, Inc

ESG's reverse auction partner, providing the platform on which we run the Reverse Auction events. Established in 2002, having successfully completed more than 20,000+ sourcing events managing more than \$20 billion in total spend.

Questions & Answers



Thank you!



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