

What is a reverse auction?

An electronic reverse auction is an online negotiation process for a specific supply. Suppliers compete online and in real-time using the internet to communicate offers. During a reverse auction, prices start at one level and change as suppliers improve their offers to win the business. Through these events, negotiations tend to conclude in minutes to hours rather than days and deliver savings in excess of those secured through traditional methods of negotiation.

Why consider reverse auctions as a practical tool?

- Cost Savings - Actual 5% to 50%+. Averaging around 14%
- Probity and transparency - A full audit trail of price negotiation
- Shorter price negotiation period
- Benchmarking (for suppliers as well as buyers)
- Aid in maintaining supplier relations (Auction = market, not buyer)
- Controlled and structured process
- Handle a wider field of suppliers in any given procurement exercise
- An efficient mechanism to increase or reduce the number of suppliers

Why Trade Interchange reverse auctions?

Trade Interchange provides a package of pre and post auction advisory services and auction event infrastructure and management designed for a value based outcome:

Experience and Guidance, Reducing Risk

- Auction item advice
- Auction structure advice
- Buyer guidance in pre-auction activities
- Buyer and supplier system training
- Auction event management
- Post auction analysis
- Proven and reliable Internet based software and infrastructure
- Backed by 6 years of dedicated reverse auction experience through more than 1000 auctions representing purchases totalling approximately \$0.5Bn.

Fast Return On Investment

- Low risk through low cost and low internal overhead
- Tactical and portable (anywhere in your organisation)
- Low or No IT department involvement
- High speed of implementation
- Supply chain system independent
- Low intrusion into everyday business

Maintaining Supplier Relationships

- Independent third party auction system
- Transparent and fair process
- Fixed fee, no conflict of interest with respect to cost savings achieved
- Structured for value, quality and maintenance of supplier relations
- Supplier liaison regarding auction process

Trade Interchange Reverse Auction Service

Overview of Service

The Trade Interchange price negotiation service (reverse auction) is used by buyers to make significant savings in the purchase of a wide variety of goods and services, where the contract requirements can be clearly defined and where there is healthy competition amongst the suppliers.

Our service covers all aspects of auction planning and management, including advice on supply selection, auction rules and strategy, supplier liaison and training, event management, technical and help-line support and results evaluation. Currently in its fifth iteration, we have developed our own in-house software platform over the past 7 years and 1000 auctions to include many features designed to deliver optimum auction results to our clients.

TI is engaged by the buying organisation for the purpose of running an event but is otherwise an active third party to the bidding process. TI provides a fixed fee service irrespective of the value of the contracts being let or tendered for. These factors increase supplier confidence and their willingness to participate. TI auctions should provide a price benefit for its customers and a secure and transparent place for suppliers to bid.

The TI service offering represents a relatively low risk undertaking. The service is delivered using internet based technology that does not require IT implementation by the customer. Business disruption is minimal as the service is designed as a tactical offering that can be incorporated into almost any procurement environment. This offering is also highly suitable for piloting, again minimising risk.

From a financial perspective, customer commitment is low with fixed fees being charged on a per auction basis. Average savings per auction have shown to be in the order of 14% ranging to over 50% in some cases.

Examples of items recently auctioned:

Services and equipment: - Electric Beds, Hotel Rates, Facilities Management, Fleet Management, Fork Lift Trucks, IT Equipment, Locum Services, Laundry Contracts, Mail and Courier Contracts, Insurance, Printing, Telecoms, Warehousing, Vending Machines, Temporary Staff Agency, Waste Management, portable x-ray machines...

Consumables:Tray Wrap, Stationery and Office Supplies, Corrugated Cases, Dried Fruit, Pallet Wrap, Cotton Wool, Broccoli, Peas, Cleaning Chemicals, Air Freshener, Bakery Mixes, Capsicum, Needles and Syringes, Toner Cartridges, Fresh Tomatoes, Hygiene Paper, Disposable Gloves, Film, Mandarin Segments.....

Reverse Auction Examples

<p><i>Telecoms – Local Authority</i></p> <ul style="list-style-type: none"> • Calls to: Landline National/Local, Mobiles, Peak, Off-Peak, Weekend, etc. • 7 suppliers took part • Ceiling prices were fixed below current price levels to ensure an initial saving • Original contract value \$870K p.a. • Lowest bid \$670K <p>Auction Benefits:</p> <ul style="list-style-type: none"> • Total savings of \$200K (23%) which were implemented within 1 month • Huge time savings in price negotiation phase 	<p><i>Labels - Food Manufacturer</i></p> <ul style="list-style-type: none"> • 9 suppliers took part • Ceiling prices were fixed at current price levels to ensure no price increase • Original contract value \$3.5M p.a. • Lowest bid \$2.5M <p>Auction Benefits:</p> <ul style="list-style-type: none"> • Total savings of \$1M (29%) which were implemented within 5 months • Short time scales enabled buyer to include more suppliers than previously possible
<p><i>Semi Skimmed Milk – Healthcare Sector</i></p> <ul style="list-style-type: none"> • Negotiations had stalled with incumbent demanding a price increase • Speed was important so the auction was held within 1 week of the decision being made • One basic specification • 6 suppliers took part • No ceiling prices • Original contract value \$1.5M p.a. • Lowest bid \$1.35M <p>Auction Benefits:</p> <ul style="list-style-type: none"> • Total saving of \$180K (12%) which was implemented immediately • Instead of an increase, the buyer made a saving over current price 	<p><i>Stationery – Hospitality Sector</i></p> <ul style="list-style-type: none"> • Stationery was being purchased at individual unit level • Office consumables, branded toners, compatible toners, paper • 17 suppliers took part with 8 suppliers bidding in all 4 auctions • Ceiling prices were fixed below current price levels to ensure an initial saving • Original contract value \$2M p.a. • Lowest total bid value after 4 auctions \$1.04M • Total savings of \$970K (48%) • The 8 suppliers were then invited to bid in 1 final auction for the whole combined contract • Lowest bid after final auction \$812K <p>Auction Benefits:</p> <ul style="list-style-type: none"> • Total savings of \$1.2M (60%) which were implemented within 3 months • Huge time savings in price negotiation phase • Supply consolidated to a single supplier instead of up to 15 suppliers previously