

FlexRFP™ DLT Backup Tapes Case Study

Background:

Recently, we concluded a project for a new client that is a leader in the Medical Services industry, who has evaluated several other major e-Sourcing providers over the last 2 years. An interesting point is that this project (IT Backup Tapes) was negotiated one year ago using a competitive e-Sourcing solution.

The Project:

Baseline Spend:	\$560,000
Number of Line Items:	3
Number of Suppliers Participating:	10
Project Goal:	Single Source

Setting The Stage: Supplier Pre-Qualification and Initial Bids

Even though a reverse auction had been used to negotiate this spend category one year ago, new potential suppliers were added to the process and the IT market has fluctuated during the last 12 months. As a result, an eRFI was used to pre-qualify suppliers and an eRFP was used to collect initial bids from each supplier.

As part of EC Sourcing Group's recommended approach, suppliers are pre-qualified to participate in the event using an RFI and then initial RFP bids are collected from suppliers. The RFP bids are then used as each suppliers individual starting bids for the reverse auction.

Why?

Reason #1: By first collecting RFP bids, all bids can be examined for reasonableness prior to the live auction.

Reason #2: RFP bids can be used to determine what the best reverse auction strategy should be.

Reason #3: We feel that by allowing suppliers to enter the auction at a price that they have provided you with (RFP bid), where they can then choose whether to bid (or not) is a much more comfortable approach for them and actually promotes more competition.

The Rabbit: Run Rabbit Run!!!

Another major benefit of collecting initial RFP bids that we have seen happen in many cases is when a new (or non-incumbent) supplier is very aggressive with their initial RFP bid (since initial RFP bids are "blind"). In this project, the incumbent supplier's RFP bid was 3.3% lower than the baseline price and the lowest supplier's RFP bid was 29% lower than the baseline price. When the live auction begins, the low supplier then becomes the "rabbit" that all other suppliers will chase during the auction event.

Important Note: Please keep in mind that the IT equipment market had seen increased price pressure over the previous 12 months. The average savings across many clients/industries using FlexRFP is about 18%.

In this project, the low supplier was chased intensely by all but one of the 8 suppliers that were invited to participate in the reverse auction. The 20 minute auction was extended several times, for a total auction event time of 55 minutes.

THE END RESULT:

At the end of the 55 minute auction and more than 200 bids, the RFP low bidder was still the low bidder (33.9% savings)

BUT...The incumbent supplier finished only \$400.00 behind the low bidder, which means they moved over \$170,000 during the auction by chasing the low bidder!!! AND all suppliers (except one) finished with 27% savings or greater.

Once again, it is our proven belief that if suppliers enter an auction at a price that they feel comfortable with (their initial RFP bid), they know that there was a pre-qualification process and they know that all bids were reviewed before the live auction event, this creates an environment for optimal competition.

Your roadmap to Easier, Faster, and Improved Sourcing

About EC Sourcing Group

While there are other eSourcing solutions from which to choose, why should you choose **FlexRFP™** from EC Sourcing? Very simply, because we understand what you do. We are former Fortune 500 sourcing professionals. We know exactly the kind of day-to-day sourcing issues you deal with and have developed a powerful, elegant solution that makes your job easier, faster, more efficient and more profitable.

Guided by our vast sourcing experience, we've designed our product around your needs.

OUR SOLUTION:

- Is Easy to Learn and Use
- Reflects Your Day-To-Day Reality
- Is a Faster, Easier Start-up – resulting in faster ROI
- Increases Buyer Acceptance – leading to more spend under management
- Requires No Training for Suppliers – making it easier for suppliers makes it easier for you
- Seamlessly integrates with your chosen process

Trust Our Experience and Expertise

Because we're managed and staffed solely by expert **sourcing professionals**, you can count on EC Sourcing to deliver and support a solution that is right on target – and right on the money. Our solutions are **affordably priced** and feature a host of logical acquisition options that allow you to get the feature-rich solution you've been looking for.

Our view on eSolutions

Our decades of experience have taught us that companies have unique sourcing needs and processes. With that in mind, we've built a solution that features flexible implementation options that can accommodate the unique needs of our clients. Our solutions generate a real, lasting ROI and are:

1. Flexible and ready to accommodate your current process, rather than dictating it.
2. Easy to learn and use for all buyer users. Your self-sufficiency and confidence are critical to long-term use and ROI. If it is too complex or hard to use, most users will go back to using emails, spreadsheets and Word® documents.
3. Effortless to use – requiring no training for buyers or suppliers. Our solutions are designed to be enjoyable to use – encouraging collaboration between you and your suppliers.
4. Easy to navigate – featuring a clean, uncluttered interface that makes it easy for beginners or advanced users.

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