

REVERSE AUCTION for SAVINGS IT Playbook

Want to save \$200,000 or more on your next IT purchase?



Procurex



Desktop computers. Laptops. Software licenses.

To keep an organization running these days, you need to buy a lot of them. Dozens. Hundreds. You'll be surprised how much money you can save!



Desktop Computers
Saved \$700k



Print Services
Saved \$1.1M



Super Computers
Saved 30%



Surface Pros
Saved \$200k



Software Licenses
Saved \$80k



AV Equipment
Saved \$220k

Quick-moving technological advances mean faster, better gadgets — and higher price tags. So, not only are organizations focused on getting the latest, greatest and fastest on the market, they also must ensure they're securing the best price.

And, sometimes, when searching for the best laptop or desktop or, even, supercomputer, organizations can get stuck in a rut. Maybe they just always buy from a long-time vendor. Or, maybe it seems impossible to get a better deal on hardware that only a few suppliers sell.

Those high price tags, at first glance, might just seem inevitable.

But, there is a way to get lower prices and better IT products and services: Reverse auctions.

With a reverse auction run by Procurex, organizations can drill in on exactly what they need, creating a thorough bid document that weighs both price and non-price factors and ensures that only qualified vendors participate in the reverse auction event. Then, a web-based sourcing event lets vendors compete for your business by cutting their price every single time they bid. Procurex customers are saving millions on their IT needs.

Still don't think it can be done? Then here's your road map to major savings on your IT purchases ...



Not too small to save: Tarrant County College saved \$1.2 million on desktop computers



First Reverse Auction

Start price: \$2.7M
Winning bid: \$2M

Second Reverse Auction

Start price: \$2M
Winning bid: \$1.5M



Organizations often think they're too small, or that their purchase isn't big enough to warrant a reverse auction.

That might have been the case at Tarrant County College, a community college system serving Fort Worth and other cities in the Texas county. The higher education institution, with six campuses, was in the market for some desktop computers.

But, a focused review of their future computing needs revealed that their spend over the next couple of years would add up to millions of dollars - more than enough to justify a reverse auction. The college took advantage of Procurex's full-service approach to create two reverse auctions for desktop computers in three years.

College officials described exactly what they needed in their bid document - from the number of computers to their speed, processor and more. Procurex worked with them to standardize the requirements so they would be applicable to multiple vendors, and ran the reverse auction for the college. The savings rolled in.

The first reverse auction netted them a savings of \$700,000.

The second reverse auction, three years later, brought in a \$500,000 savings. This time, the second place bidder from the original auction took home the winning bid.



Not just for commodities: **San Diego State University** saves **\$1.1 million** on managed print services



Number of bids: 57
Savings: \$1.1M

Services can be the perfect category for a reverse auction as the cost is big and the contracts often run multiple years.



Reverse auctions sometimes get a bad rap for not being sophisticated enough. Sure, they might be great at getting the lowest price for simple commodities such as rock salt or janitorial supplies. But, can the process really drill down into the more nuanced needs of an organization for various services?

It can. In fact, services can be the perfect category for a reverse auction as the cost is big and the contracts often run multiple years.

Consider San Diego State University's hunt for a new vendor for its managed print and copier services.

Procurex worked for several months with the university's purchasing, shared services and IT staff to develop a new "cost per click" copier program for San Diego State.

Our team managed the work that included the creation of detailed bid specifications and vendor pre-qualification surveys. We also analyzed the university's copier spend data, forecasting its future spend and creating bid worksheets for the reverse auction event.

When the bidding began, the university received a whopping 57 bids in less than an hour from four qualified suppliers, resulting in streamlined servicing and a better supplier partner and generating more than \$1.1 million in savings.



Never too complicated: Yale gets its supercomputer, saves 30%



Savings: **30%**
Total dollars saved: **\$200k**

Even something as complex as a supercomputer can be distilled down to an auction-ready specification that multiple vendors can compete on.

Sure, desktops and even copier services may be reverse auction worthy, but what about something that doesn't even exist – like a customized, task-specific supercomputer?

Reverse auctions can help you find that, too. Even something as complex as a supercomputer can be distilled down to an auction-ready specification that multiple vendors can compete on.

Take Yale University, which needed a high performance computer cluster that met some pretty stringent and complex specifications.

At first, it didn't seem possible to Yale's team. Vendors, it appeared, had such wildly different systems and capabilities that even we couldn't list the minimum specifications for a bid document.

But we encouraged Yale's IT and research stakeholders to think about it more deeply. And, eventually, we pinpointed a half dozen minimum performance requirements for the auction specification, boiling it all down to one page of bullet points.

The hard work paid off.

On auction day, the bids came in. Yale saved 30 percent from what was originally budgeted and got a supercomputer that met, and even exceeded its needs.



Competition is always possible: Purdue buys Surface Pros, saves \$200k



List price: **\$1.57M**
Final price: **\$1.33M**

There is never a set price for anything. Each reseller has different pricing models giving them the ability to bid against each other.

At first blush, it might seem impossible to get a better price on something as particular as a Microsoft Surface Pro. This isn't, after all, a product or service category. It's the purchase of the same core product with, seemingly, identical prices.

Not so. Thanks to a network of certified resellers, it's possible to get an even better deal on these very specific buys. As anybody who has ever purchased a car knows, there is never one price for anything. Manufacturers and resellers deal with MSRPs, real list prices, kickbacks and more.

Each reseller also has different pricing models, yet another reason why they're able to bid against each other - dropping the price lower each time - during a reverse auction.

That's exactly what happened at Purdue University when we teamed up with them to conduct a reverse auction for Surface Pros.

Purdue was the lead buyer in a purchase that included about six other schools, boosting the total quantity needed and making it even more attractive for vendors. Together, they needed a slew of Surface Pros. And, together, they saved hundreds of thousands of dollars.

During the reverse auction, three resellers bid for the business, dropping the final price by \$240,000.



But what about our strategic vendors?

Yale University calls them to task, **saves \$2.4M**



Original price: **\$4.5M**

Final price: **\$2.1M**

No. of bidders: **2**

At the end of the hour, Yale had a new vendor, better computers, better service agreements, better warranties and saved a grand total of **\$2.4M**.

We hear it all the time: But we have long-time strategic vendors. We've been so very happy with them. We've carefully cultivated a special relationship over the years. They tell us there is no way they can drop their price. They are giving us the very best deal!

Ask Yale about that. When the Ivy League institution needed new desktop and laptop computers, they opted to try a reverse auction, creating a detailed bid document with the high, middle and low minimum specifications.

When Yale broke the news to its well-regarded vendor of nearly 20 years, the vendor refused to play. In fact, this long-time strategic vendor lobbied hard to prevent a reverse auction, including phone calls from the CEO.

But, we knew the relationship was costing the school extra millions of dollars over the course of the contract. And, Yale pushed forward.

At the auction, two other vendors participated, cutting the price 30 to 40 times with each bid. As Yale's team watched the live online auction play out in a conference room, people cheered as the total price dropped by as much as \$100,000 with a single bid.

At the end of the hour, they had a new vendor, better computers, better service agreements, better warranties and a much better price. The savings grand total: \$2.4 million.



Software licenses?

Baylor University did it, saving 15%



High bid: \$500k

Low bid: \$419k

Savings: \$80k

Total bidders: 6

Total bids: 26



They’re not rock salt or towels, but, just like most any other commodity or service, software licenses are another category where our customers save big when they launch a reverse auction.

Similar to a core product such as a Microsoft Surface Pro, resellers in the marketplace have proven they’re game to vie for your business through a reverse auction.

Take Baylor University. The Texas university needed Microsoft’s software package, Enrollment for Education Solutions. Baylor provided the names of some preferred vendors. Procurex researched and added more to the invitee list. All of the bidders were authorized Microsoft resellers.

On auction day, six vendors competed for Baylor’s business. In an hour, they submitted 26 total bids, starting with a high bid of \$500,000. Baylor locked in the low bid of \$419,000 - and saved 15 percent.

Within an hour, 6 vendors submitted 26 total bids, competing for Baylor’s business. The low bid was locked in, saving the University 15%.



Advantages in aggregating: Penn State scores AV equipment, **\$220k in savings**



Start price: \$1M
Lowest total bid: \$780k
Savings: \$220k

The return likely wouldn't have been worth the time if Penn State University had moved forward on single reverse auctions for just cables or lamps or another narrow category of audio-visual equipment.

But, when Procurex grouped a dozen AV items together for Penn State - projectors, lamps, cables and digital tuners, among them - the price tag was more than big enough to warrant a reverse auction. What's more, there was a lot of potential for savings.

Penn State identified which manufacturers they wanted to buy from - Sharp, Extron, JVC, Epson and Creston. On auction day, 9 of the 10 invited vendors, all dealers and distributors of those specific manufacturers, participated. Together, they placed more than 100 bids as they jockeyed for Penn State's business.

By the end of the day, the savings ranged from 6 percent to 41 percent on the 12 items. Penn State enjoyed a total savings of about \$220,000.



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Every time we run a reverse auction, we're with the buyer every step of the way - from developing the bid document to reviewing activities after the auction.

IT purchases can be complex, but we've done this before. Many times before. Over the years, we've developed a streamlined process to help you hone in on your needs and find the right vendors for the job.

At Procurex, we will:

Analyze your spend to see just how much of an item or service you really need.

Guide you toward the creation of the best bid document to ensure multiple vendors participate and are able to bid competitively.

Bring vendors on board and help them navigate the web-based system to ensure a fair and transparent process and event.

Follow up with buyers and vendors after the auction.



Experience. Support. Qualified bids. Best deals.
That's what you'll get with a Procurex reverse auction.

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