

Cooperative Purchasing Using Reverse Auction

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BY UTILIZING REVERSE AUCTIONS TO ACCOMPLISH COOPERATIVE PURCHASING, EBRIDGE PROPOSES THAT BUYERS AND SELLERS CAN REALIZE THE CONTRACTUAL AND COST BENEFITS OF BOTH



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In today's climate of economic uncertainty, filled with budget cuts, it has become crucial for the public sector to explore cost saving methods for acquiring goods and services. Cooperative purchasing is on everyone's mind. How can we work together efficiently and effectively to leverage our buying power to both realize cost savings and reduce administrative burden to obtain what we need, when we need it?

Reverse Auctions offer buyers a method to achieve market value on their purchases. This negotiation process provides transparency, competition and encourages multiple lowering bids.

When pursuing cooperative purchasing efforts for goods and services through reverse auction, participants can realize the benefits of both worlds: increased purchase power and volume discounts, as well as a streamlined, competitive solicitation that reaches a broad range of bidders and achieves cost savings.

Cooperative purchasing is most successful with planning and market research to determine:

1. Common requirements exist.
2. These requirements can be combined and leveraged to garner purchasing power.
3. Two or more buyers are willing to participate in a collaborative purchasing effort.
4. That goods and services can be offered in a competitive environment.

A **Reverse Auction** allows a buyer to solicit multiple bids from multiple bidders.

Cooperative Purchasing allows for combined purchase power and strategic sourcing of common requirements among multiple buyers into a single solicitation.



By utilizing **reverse auctions** to accomplish **cooperative purchasing**, eBridge proposes that buyers and bidders can realize the contractual and cost benefits of both.



Successful Candidates

- Bulk Fuel
- Road Salt
- Office Supplies
- Ink and Toner
- Computers and Peripherals
- Drug Testing Kits
- Small Athletic / Physical Education Equipment
- Custodial Paper and Supplies
- Medical Supplies
- Kitchen Equipment
- Security Cameras and Equipment
- Education and Art Supplies
- Audio Visual Equipment
- Laboratory Equipment
- Lamps and Ballasts

What are the Benefits of Cooperative Purchasing using Reverse Auctions?

Both reverse auctions and cooperative purchasing offer opportunities for increased competition and cost savings. However, by combining these two practices, the rewards can be exponentially realized.

Buyers can leverage their combined buying power to negotiate quantity discounts they could not otherwise realize, while also benefiting from a transparent and highly competitive source selection process designed to meet regulatory and administrative contract requirements. Bidders have access to increased market opportunities and real-time engagement with potential buyers.

“Buyers and sellers should engage in reverse auctions as long as the right type of auction is chosen for the appropriate goods or services to maximize its benefits”.

“Reverse auctions can be impactful and produce a mutually-beneficial outcome when they are not solely used to get the lowest price”.



~5 Things You Should Know About Reverse Auctions - NASPO (National Association of State Procurement Officials) March 2019



Tips for Cooperative Purchasing using Reverse Auctions



Assign a Single Point of Contact or Lead Agency

Ensure consistency in communication and messaging regarding evaluation factors, terms and conditions, and other key contractual decisions by working directly with a single representative POC or Agency for the overall cooperative effort.



Establish Unified Agreement to Same Technical Specifications and T&C's

Prior to issuing a solicitation, all cooperative participants need to collectively agree on the same technical specifications and terms and conditions. This is not the time to be unique. Without agreement, participants cannot benefit from the bulk discounts offered by this process. Get those discounts, you have earned them.



Ensure Technical Specifications are Specific

Technical specifications must be written clearly and concisely to ensure that all interested bidders understand the requirements, allowing an “apples to apples” comparison. Though requirements must be exact, over-specification can lead to reduced competition and isolating corners of the bidding market. Strike a balance and reap the rewards.



List Key Contractual Information for All Participating Members

Solicitations should contain key information detailing delivery locations and estimated volume from each participating member to enable bidders to establish reasonable cost estimates. Ensuring all participants receive exactly what they need at the best possible price, benefits everyone involved.



Only Required Bidders to Service Participants in Initial Purchase

Pricing, terms, and conditions may be extended to others wishing to take advantage of the cooperative purchase pricing and established contractual arrangement. However, this is at the discretion of each awardee, and should not be a mandatory part of the bidding process. Work *with* your bidders to build relationships.



Award Contracts in a Strategic and Manageable Way

When bidding a contract, group cooperative participants and awards in a manageable way for bidders. For example, group by region or zone. This strategy opens competition in each geographic location to bidders that cannot provide goods and services nationally, a strategy beneficial specifically to small business bidders.



Success Story: Cooperative Purchase of Fuel using Reverse Auction in Maryland

In Montgomery County, Maryland's second event with eBridge, eight bidders competed on an annual contract for unleaded gasoline and E85 with estimated annual usage of over 12 million gallons. For this reverse auction, Montgomery County was the lead agency in establishing the fuel contract for the Metropolitan Washington Council of Governments (COG). Over 20 public jurisdictions and entities from Montgomery County, Maryland, Metropolitan Virginia, Washington, D.C., and Anne Arundel County participated in the bid, which made this a very high-profile event.



The cooperative sought to establish pricing for will-call and automatic delivery of regular, midgrade and premium unleaded gasoline and E85 for the participating jurisdictions with three different options for delivery: FOB Terminal Point, Truck Transport, and Tank Wagon. All the different options resulted in over 80 line items. With the volatility of the fuel market, eBridge's dynamic bidding process was the best way for the participants to ensure they arrived at true market value for the contract.

eBridge approaches fuel bids by having bidders offer pricing that is tied to a particular OPIS (Oil Price Information Service) index. The bidders then can bid above or below the OPIS index-based pricing.

The real-time competition among the eight participants generated 73 time extensions over the course of the auction. The best measurement of success was the close competition among the bidders. On certain line items, the spread between first and second place was a mere 0.01% which indicates that true market value was achieved, and in this case, multiple bidders were the lowest priced for different geographic zones and/or fuel types.



Key Takeaways:

1. Both reverse auction and cooperative purchasing offer distinct benefits to bidders and purchasers. When combined, these benefits increase.
2. Reverse auctions and cooperative purchasing should be considered when beneficial. Purchasers must choose strategically based on goods and services with well-defined technical specifications.
3. Prior planning is key. Market research, acquisition planning, and a properly worded and organized solicitation are all essential to cooperative purchasing through reverse auction.

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