

SOURCELOOP



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4<sup>th</sup> Annual National Summit on Telecom Expense Management

**e-TEM Examined:**  
Reverse Auctions, Electronic RFPs  
and Other e-Sourcing Strategies

**June 3, 2008**

# Agenda

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## e-Sourcing Defined

- e-Sourcing is typically defined as the use of software application technology to provide multiple benefits in the performance of the following sourcing activities:
  - RFx: creating, soliciting, evaluating and managing the RFx document(s)
  - e-Auction: creating lots, executing auctions, analyzing results and facilitating vendor selection
  - Contract Mgmt: ongoing mgmt/administration of contracts

## e-RFx Overview

- e-RFx application technology typically provides the following functionality related to the execution and management of RFI/Q/Ps:
  - Document development through the use of templates, document builders, etc.
  - Bid document publishing/hosting
  - Bid evaluation/scoring
  - Repository for other related documents

# e-RFx Benefits

Function	Traditional RFX	e-Sourcing Rfx	Benefits
RFX Document Development	Typically write RFX in Word; pass doc around for development and then format/compile all parties' inputs	Work on RFX in one place online; all activity immediately updated into one document	Cuts down RFX development times; results in more cohesive document; fosters collaboration regardless of where participants are located
RFX Publishing/Hosting	Typical practice is to e-mail Word docs with due dates/instructions	Publish document, grant access levels, etc. with simple click of mouse; much greater level of control of access to sensitive info; insight into vendor progress on response	Tighter info security reduces risks; monitor vendor progress on RFP
RFX Response Scoring	Typically manually transfer results of questions into spreadsheet; very labor intensive; no scalability	Scoring module integrates into RFX response enabling immediate scoring with unlimited amount of reviewers	More quickly and efficient score RFXs; quickly and easily devise/implement scoring algorithms

# e-RFx in Action

Online Demo of e-RFx

# e-Auction Overview

- e-Auction application technology typically provides the ability to:
  - Set up items (lots) for bidding
  - Set auction types (forward, reverse, etc.)
  - Set auction attributes (length of time, bidder transparency, end of auction settings, etc.)
  - Monitor activities and pause/start action
  - Analyze results of auctions
- There are several types of auctions
  - Forward (prices increase – eBay)
  - Reserve Price Reverse Auction (used for competitive sourcing like telecom)
  - Sealed Bid

# e-Auction Benefits

Function	Traditional Price Negotiation	E-Auction	Benefits
Price Negotiation Process	Typical process is to send Excel workbooks back and forth to vendors to conduct one round of price negotiation; lay out benchmarks or targets in spreadsheet or verbally	Conduct multiple (upwards of 12 to 15 per carrier) rounds of bids in 30 minutes; leverage use of bid starting points in application to ensure benchmarks are understood and met	Significant time advantage over traditional price negotiation; can conduct multiple rounds of price negotiations in one day vs. 4 or 5 weeks using spreadsheets
Pricing Transparency Among Vendors	None. Price negotiations are done via "sealed bid" not known to other vendors	High. Depending on format used can make low (winning) price known to other vendors; can also make identity known if desired	Transparency to winning bid price drives pricing to optimal level
Pricing Analysis	Once workbooks are returned analysis must be performed to determine position of bidders	As soon as auctions are finished, reporting can be run to detail many aspects of the cost position of bidders	Quicker time to understand results of auctions

# e-Auction in Action

Online Demo of e-Auction

# Event and Contract Mgmt Overview

- Event and contract mgmt refer to the activities required during and after the sourcing events such as:
  - During Events
    - Managing event attendees, access levels, etc. during events
    - Enforce rules of RFxs
    - Manage auction settings
    - Facilitate discussion and Q/A in fair manner during events
    - Communicate with bidders during event
    - Project mgmt of events
  - After Sourcing
    - Monitoring contracts after implementation for key events
    - Ensuring implementation of services onto contracts in timely and efficient manner

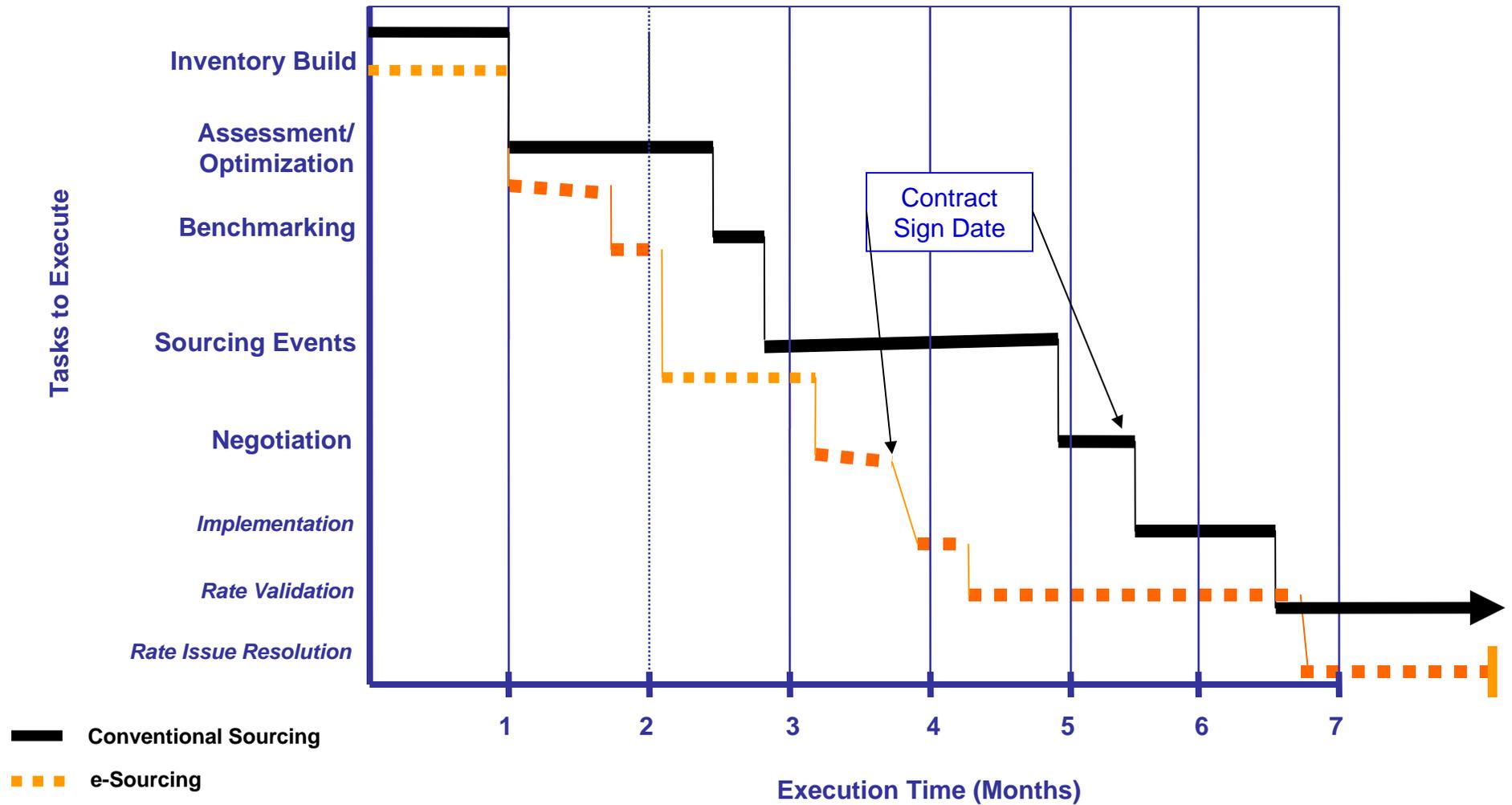
# Event & Contract Mgmt Benefits

Function	Traditional RFx	e-Sourcing Rfx	Benefits
Attendee Mgmt	Maintain attendee lists in e-mail lists, manually decide who sees what; can be prone to costly errors/mishaps	Set access levels for attendees once and application provides adherence rules throughout event	Simpler, quicker and less chance of costly errors that reduce leverage
RFx Rules Enforcement	Rely on vendors to send back RFx responses at deadline; cannot guide respondents as to if/how questions are answered	Application enforces rules of engagement; enforces time deadlines and ensures that all required questions are answered prior to submission; limits length of responses ensuring more concise/well thought out responses	Higher quality responses received without all of the marketing hype; responses received on time and in desired formats
Ensure Event Integrity	Rely on dissemination of info by e-mail, can result in errors	All Q&A activity managed in application ensuring all respondents have access to same info at some time	Better chance of securing optimal pricing when all players perceive that sourcing is done with integrity
Post Contract Monitoring	Manually track key contract milestones and alert/take action when due; prone to losing sight of key milestones/actions required	Identify all critical contract mgmt milestones/events and load into contract calendar; application notifies identified parties when due	Enables active contract mgmt to track items like contract credits due, time limits for mid-term rate reviews, etc.

# Event & Contract Mgmt in Action

Online Demo of Event & Contract Mgmt

# E-Sourcing Process & Timeline

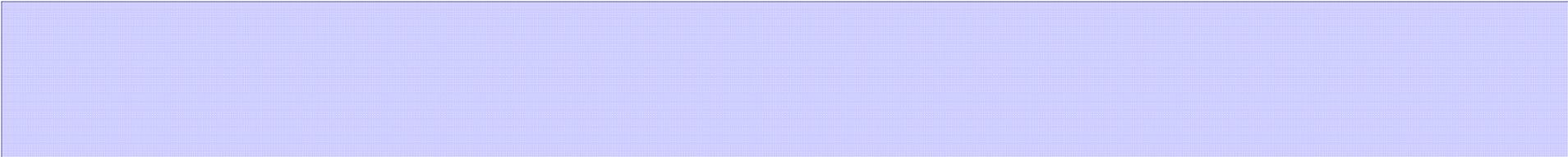


# e-Sourcing Tips

- e-Sourcing is a tool that can provide speed and transparency
  - Users still need to practice effective sourcing practices
- Know when to use reverse auctions
  - Specific clearly defined requirements of services
  - Multiple parties able to provide service
  - Potential for savings is high
  - Auction execution risk is low
- Pricing is just one factor to consider when sourcing telecom services
  - Ensure you know service capability/quality, etc. tradeoffs when looking at service pricing/auction results
- Ensure that rate elements are broken out to sufficient detail in auctions
  - Strike balance between rate detail and lot qtys
- Set reasonable auction time limit
  - No matter how long you make the auction time limit, most activity typically occurs within the last 5 minutes
- Be careful how much space you give providers to respond to questions
- Ensure your supplier base understands how to use application
  - Offer ability for first-time suppliers to participate in mock auctions

# Recent e-Sourcing Results

Items Sourced	Results
DS-3 Internet Ckt (access plus port) Rochester, N.Y.	\$1,250 (LEC Access)
Voice, data (MPLS) and Internet access (22 locations across U.S., most in rural areas)	52% contract-over-contract savings achieved in 8 weeks end to end
Global Dial Internet Roaming	31%
Large private line network	Outperformed benchmarks by 10% (new network)
Intercity 2.5G/10G DWDM Wavelengths (POP-to-POP portion, Atlanta to Dallas)	2.5G: \$2,185 10G: \$5,185



**Questions?**