



DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY



REVERSE AUCTIONS

27-30 JUNE 2011



DLA Reverse Auction Process

- Web-based, price negotiation tool for competitive procurements in which suppliers continue to lower their prices until auction closes.
- Commercial or Non-Commercial Items that are either Fully Competitive or have Multiple Sources.

<https://govauctions.sourcing.ariba.com>



DLA Reverse Auction Process

- **DLAD 52.215-9023 Reverse Auction (OCT 2009)**
- The Reverse Auction provision will be included in the solicitation. However, if the acquisition environment changes during the solicitation period, the RA provision can be negotiated into the process during discussions



REVERSE AUCTION

BREAKOUT SESSION

52.215-9023 Reverse Auction

52.215-9023 Reverse Auction (JAN 2011) - DLAD

The Contracting Officer may utilize on-line reverse auctioning as a means of conducting price discussions under this solicitation. If the Contracting Officer does not conduct a reverse auction, award may be made on the basis of initial offers or following discussions not using reverse auctioning as a pricing technique. If the Contracting Officer decides to use on-line reverse auctioning to conduct price negotiations, the Contracting Officer will notify offerors of this decision and the following provisions will apply.

(a) The award decision will be made in accordance with the evaluation factors as set forth in the solicitation. The reverse on-line auction will be used as a pricing technique during discussions to establish the final offered prices from each offeror. These prices will be used in conjunction with the evaluation factors stated elsewhere in the solicitation in order to make the award decision in accordance with the basis for award stated in the solicitation.

(b) Following the decision to conduct discussions using on-line reverse auctioning as a pricing technique, the Contracting Officer or his/her representative will provide offerors determined to be in the competitive range with information concerning the on-line auction process. The Government intends to use a commercial web-based product to conduct the reverse auction.

(c) Prior to or simultaneously with conducting the on-line reverse auction, the Contracting Officer may hold discussions with the offerors concerning matters appropriate for discussion, such as issues involving technical proposals or unbalanced pricing.

*(d) Prior to the on-line auction, the Government will determine whether either all offerors' prices or just the lowest offeror's price(s) will be disclosed to other offerors and anyone else having authorized access to the on-line auction. This disclosure is anonymous, meaning that each offeror's identity will be concealed from other offerors (although it will be known to the Government). **If the Government opts to disclose one or more offerors' prices, only generic identifiers will be used for each offeror's proposed pricing (e.g., "Offeror A", or "lowest priced offeror").** By submitting a proposal in response to the solicitation, offerors agree to participate in the reverse auction and that their prices may be disclosed, including to other offerors, during the reverse auction.*

(e) An offeror's final auction price will be considered its final proposal revision. No price revisions will be accepted after the close of the reverse auction, unless the Contracting Officer decides that further discussions are needed and final proposal revisions are again requested in accordance with [FAR 15.307](#).

(f) The following information is provided regarding the procedures to be followed if a reverse auction is conducted.

(1) Each offeror identified by the Contracting Officer as a participant in the reverse auction will be contacted by DLA's commercial reverse auction service provider to advise the offeror of the event and to provide an explanation of the process.

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REVERSE AUCTION

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2) In order for an Offeror to participate in the reverse auction, such offeror must agree with terms and conditions of the entire solicitation, including this provision, and agree to the commercial reverse auction service provider's terms and conditions for using its service. Information concerning the reverse auction process and the commercial service provider's terms and conditions is available at [<https://govauctions.sourcing.ariba.com>].

(3) Offerors shall secure the passwords and other confidential materials provided by the commercial reverse auction service provider or the Government and ensure they are used only for purposes of participation in the reverse auction. Offerors shall keep their own and other offerors' pricing in confidence until after contract award.

(4) Any offeror unable to enter pricing through the commercial reverse auction service provider's system during a reverse auction must notify the Contracting Officer or designated representative [insert name and contact information for designated representative] immediately. The Contracting Officer may, at his/her sole discretion, extend or re-open the reverse auction if the reason for the offeror's inability to enter pricing is determined to be without fault on the part of the offeror and outside the offeror's control.

(5) The reverse auction will be conducted using the commercial reverse auction service provider's website: [<https://govauctions.sourcing.ariba.com>]. Offerors shall be responsible for providing their own computer and Internet connection.

(6) Training:

(i) The commercial reverse auction service provider and/or a Government representative will provide familiarization training to offerors' employees; this training may be provided through written material, the commercial reverse auction service provider's website, and/or other means.

(ii) An employee of an offeror who successfully completes the training shall be designated as a 'trained offeror.' Only trained offerors may participate in a reverse auction. The Contracting Officer reserves the right to request that offerors provide an alternate offeror employee to become a 'trained offeror.' The Contracting Officer also reserves the right to take away the 'trained offeror' designation from any trained offeror who fails to abide by the solicitation's or commercial reverse auction service provider's terms and conditions.

(End of Provision)



DLA Reverse Auction Process

- If the Reverse Auction clause/provision is part of the solicitation, it does **not** have to be exercised. It provides the Contracting Officer the **option** to perform a Reverse Auction
- The Reverse Auction Representative from each supply chain will **prepare** a training or mock auction, **train** the contractors that will participate in the auction, **create** the auction, and **execute** the auction
- All Reverse Auction training is conducted using a Training or Mock auction prior to entering into a live environment



DLA Reverse Auction Process

- The Mock or Training auction will allow all vendors in the **competitive range** to participate in the live mock auction. The items, quantities, and prices shown will be changed, so no offeror gains a competitive edge.
- All correspondence should be **emailed** to ensure continuity of information
 - **Questions:** Procurement related go to the Acquisition Specialist or Contracting Officer
 - **Questions:** Auction or system related should be sent to the Reverse Auction Representative



DLA Reverse Auction Process

- **NO** proprietary information is shared with other offerors.
- In Low Price Technically Acceptable (**LPTA**) only the Low Price will be displayed in most cases, the vendor's name is **not** displayed on the screen.
- In a **Tradeoff** situation, where past performance, etc. is more important than price, usually you will only see your own **RANK**



DLA Reverse Auction Process

- Auctions will last approximately 20-40 minutes depending upon the complexity of the acquisition situation.
- The end of the live auction will constitute **Final Proposal Revisions**, unless additional discussions are required by the Contracting Officer.
- The evaluation and award process is **not** changed by the reverse auction process.



DLA Reverse Auction Process

- Successful offerors will be notified through the same processes currently in place.
- **Remember:** the Reverse Auction is **ONLY** a method of price negotiation.
- It is designed to save the government money and streamline the negotiation process **ONLY**.



REVERSE AUCTION

BREAKOUT SESSION

In addition to significant cost savings, this pricing tool provides:

Improved Acquisition Times:

The online Reverse Auction tool improves the acquisition time by providing contracting officers and their respective buyers a ready, simple, and easy-to-use contracting method for negotiating prices quickly and efficiently. It also reduces the time required for item delivery because of the shortened price negotiation process.

Access to New Suppliers and Markets:

Use of web-based acquisition tools opens new market opportunities/increased supplier base than prior acquisition techniques.



CY 2011 Enterprise Wide Reverse Auction Actual Savings

	DLA Aviation	DLA Distrib.	DLA Troop Support	DLA Land & Maritime	
2011 Total	\$0	\$20	\$9.4K	\$513K	DLA Wide \$522K
2010 Total	\$37,382	\$0	\$1,975,710	\$825.00	DLA Wide \$2.01M

To Date
 (Jan 10-Mar 11)

DLA Wide \$2.53M



Sample of Reverse Auction Savings

<u>ITEM</u>	<u>SAVINGS</u>	<u>COMMENTS</u>
Vacutote Container	\$269,000	2 vendors participated. Initial offer was low offer at auction conclusion. Resulted in unit price savings of \$15 per unit from previous price paid.
Vacutote Container (Second RA for this Item)	\$82,000	4 vendors participated. RA resulted in a unit price savings of \$2.79.
Tamper	\$58,200	5 vendors participated. Initial low offer was low offer at auction conclusion. Low offeror submitted an alternate item that was approved, resulting in a unit price savings of \$194 from previous price paid.



Fire Extinguisher Reverse Auction Details

Items:

- NSN 4210-00-889-2491

Extinguisher, Fire, Dry Chemical, 10 lbs

I/A/W CID A-A-393A

Annual Demand Quantity: 82,675 ea

- NSN 4210-00-889-2492

Extinguisher, Fire, Dry, Chemical, 20 lbs

I/A/W CID A-A-393A

Annual Demand Quantity: 19,601 ea

Auction

- Six (6) vendors participated in auction:
 - 2 Manufacturers & 4 Dealers
- Scheduled time: 20 minutes
 - Quiet period: 3 minutes
- Total time of auction: 22 minutes
- Final negotiated unit prices:
 - Item 0001: \$30.00
 - Item 0002: \$60.00

History:

- NSN 4210-00-889-2491

11/2009 SPM8EH10V0112 284 ea \$42.80 \$12,155.20

7/2009 FFBCI GSA 320ea \$40.55 \$12,976.00

- NSN 4210-00-889-2492

2/2010 SPM8EG08D0018 2000 ea \$61.92 \$123,840

12/2009 SPM8EG08D0012 2358 ea \$63.00 \$148,554

Savings:

- NSN 4210-00-889-2491

- Government estimate \$38.68

- Final Reverse Auction Price \$30.00

- NSN 4210-00-889-2492

- Government estimate \$67.94

- Final Reverse Auction Price \$60.00

5 Year Savings: \$4,366,254.70 (19.3%)



REVERSE AUCTION

Demonstration: by Michael Massello