



DAS Report on Reverse Auctions

Joint Ways and Means General Government Subcommittee
February 2, 2023

Debbie Dennis, Chief Administrative Officer
Kelly Mix, State Chief Procurement Officer

Agenda

- What is a reverse auction?
- Procurement process with reverse auctions
- 2019 Pilot overview and findings
- Current DAS activities and ongoing efforts related to reverse auctions
- Questions

What is a Reverse Auction?



The procurement buyer puts out a request (i.e., RFP, ITB) for a specific good or service, inviting businesses (sellers) to compete against each other to deliver what is being requested



Costs are collected through the reverse auction methodology



If using ITB method, the contract is then awarded to the seller offering the lowest bid price. If using RFP method, the seller with the lowest bid price receives the most evaluation points in the cost category



A reverse auction is the opposite of a regular auction. In a regular auction, the *seller* initiates the auction and *buyers* bid the price up. In a reverse auction the *buyer* initiates and *sellers* bid the price down.

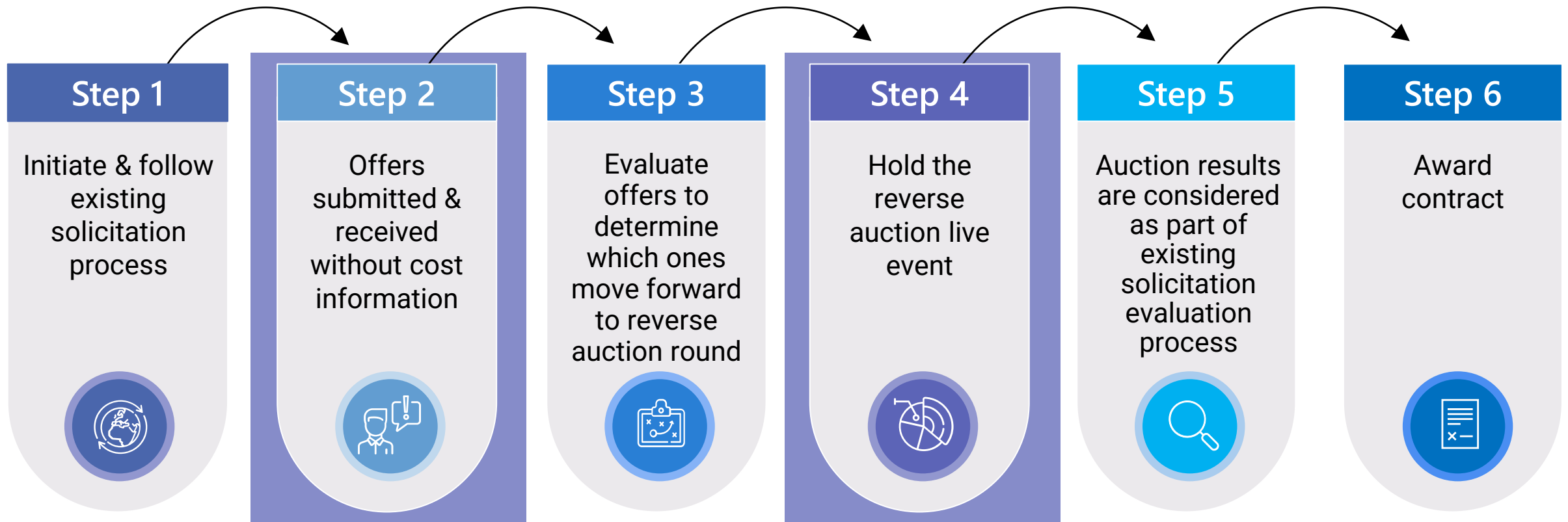


Procurement Process with Reverse Auctions

Reverse auctions are currently allowed under procurement statutes

- Starts out like any other procurement process:
 - Identify need for good or service
 - Issue a solicitation requesting for bids or proposals
 - Evaluate received bids and proposals to ensure they meet the state's needs
- The difference is that we don't ask for pricing up front

Procurement Process with Reverse Auctions



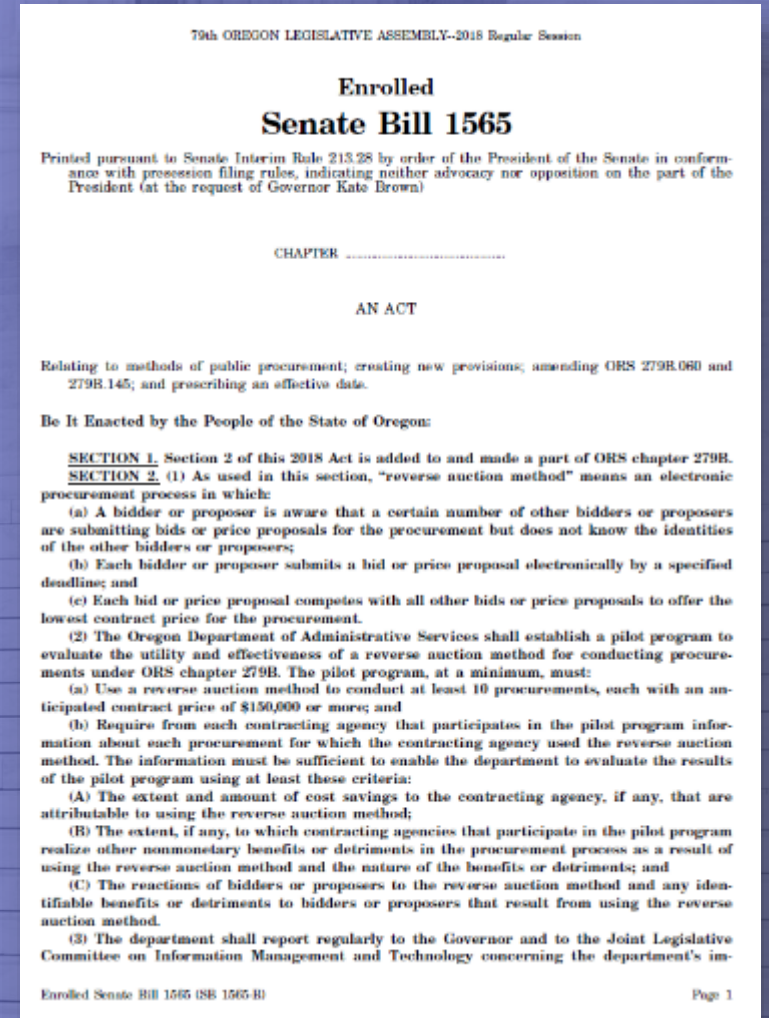
2019 Pilot Overview

Senate Bill 1565 (2018)

Directed DAS to establish a pilot program to evaluate the utility and effectiveness of using a reverse auction method for conducting procurements under ORS chapter 279B during the calendar year of 2019.

The bill required DAS to:

- Use reverse auction method to conduct at least 10 procurements with an anticipated contract price of \$150,000 or more
- Gather evaluation information from each participating agency:
 - Extent and amount of cost savings, if any
 - Extent, if any, of other nonmonetary benefits or detriments
- Obtain reactions from participating bidders



Reverse Auction Pilot Project

Reverse Auction (RA) pilot project included the following:

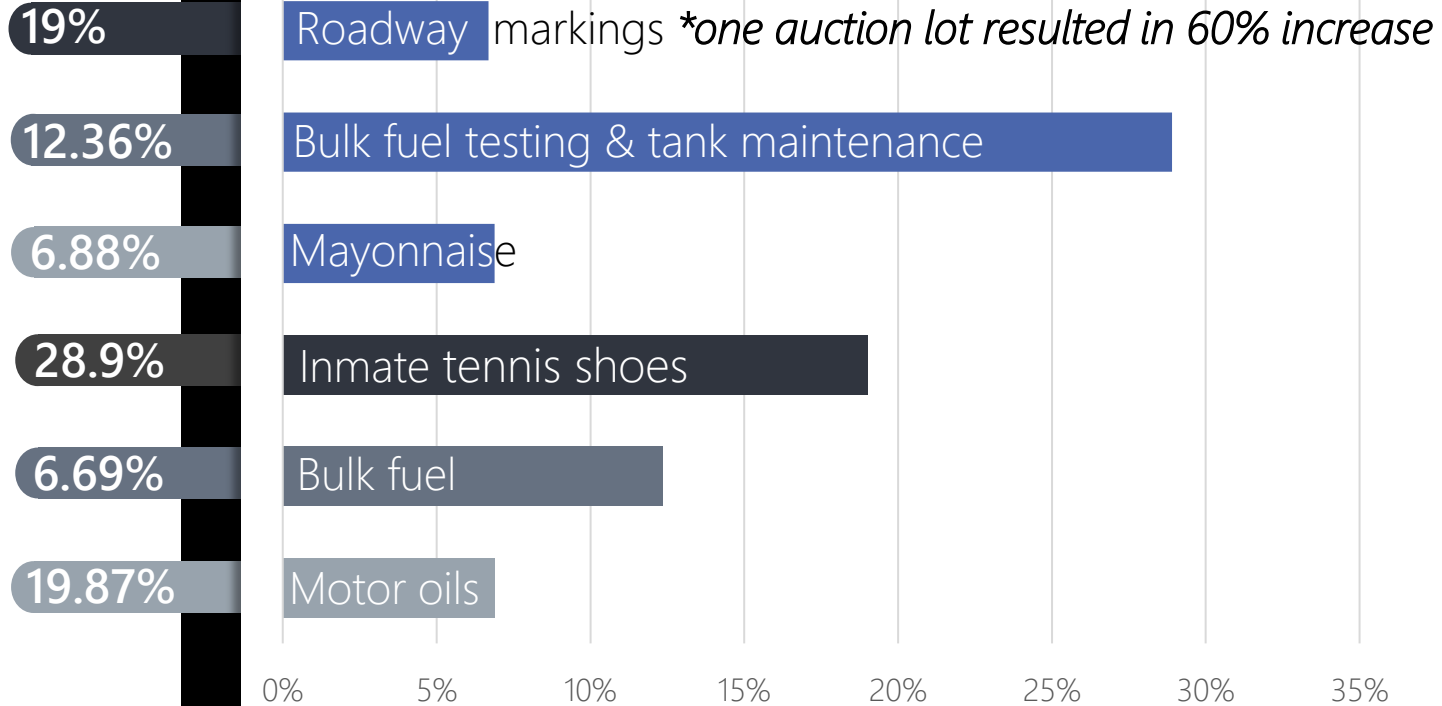
- Establishing a cross-agency workgroup
- Working with DOJ to create standard RA language for procurement solicitation templates
- Hiring a specialized RA vendor to assist and support
- Considering 19 solicitations for the method. In the end, only 10 met the given criteria

The RA method was applied to ten solicitations:

1. Roadway markings, thermoplastic paints & beads
2. Bulk fuel testing and tank maintenance
3. Mayonnaise (lite) and oils
4. Outboard motors
5. Duty boots and tactical footwear
6. Inmate tennis shoes
7. Bulk fuel
8. Motor oils, greases and lubricants
9. Wastewater treatment chemicals
10. De-icer for roadways



OVERALL COST SAVINGS



Pilot Results

Most auctions produced a cost savings; however, the reverse auction method was unsuccessful for these four solicitations:


- Outboard motors
- Duty boots and tactical footwear
- Wastewater treatment chemicals
- De-icer for roadways

Pilot Reactions from Bidders




Here's what participating bidders said:


"Overall experience was good"



"It's a disadvantage to see competing bidder's pricing during the live auction event"



"Additional effort associated with the method is too time consuming for small business owners"



"The state should be wary of adding third party costs for the reverse auction services"



Pilot Non-monetary Benefits & Detriments for the State

BENEFITS



Increased competition



Larger vendor pool uncovered through market research



DETRIMENTS



Additional steps required for the method can be detrimental to solicitations



Added time for the method makes the already long solicitation process even longer



Pilot Findings

The RA method is advantageous in certain circumstances and should not be used in a mandatory or one-size-fits-all approach.

The RA method works best when applied to a solicitation that meets all three of these criteria:

1

Product specifications are specific and simple

2

There is an adequate pool of at least three or more strong suppliers/vendors who participate

3

Commodities are measurable and have a meaningful baseline or historical spend to allow for final comparison

Pilot Findings

The state lacks specialized skills and tools needed for the RA method:

- Expertise in market research, support & training for bidders, bid modeling & interface setup, and auction activity tracking
- Specialized software to run the auction, support bidders, and capture results

Our best option is to select a third-party vendor to provide these specialized services

Current Activities



Actively soliciting for a specialized RA vendor to help us resume our work in reverse auctions and provide:

- Market research
- Electronic online bidding platform
- Training for bidders
- Support for the auction process

We hope to have a vendor selected and working with us in the next few weeks

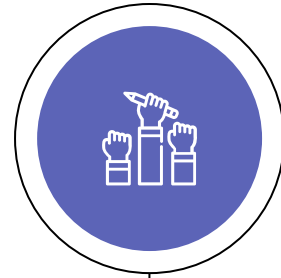


Workgroup Formation

DAS is forming a workgroup consisting of existing staff from DOJ and DAS Procurement Services to manage the renewed reverse auction efforts, including:

- Review and update of reverse auction specific contracting forms & templates
- Work with selected vendor and stakeholders to identify additional reverse auction solicitation opportunities
- Conduct the procurement process and apply the reverse auction method
- Gather data from participating vendors
- Update results and findings to inform future efforts

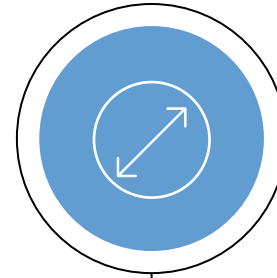
Ongoing Efforts



More auctions

Spring 2023

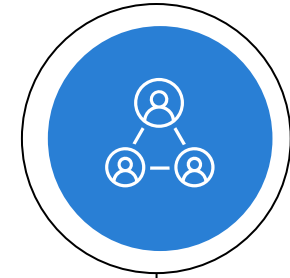
DAS anticipates holding additional RA events



Statewide Application

Summer 2023

Expand availability of RA vendor for use by all state agencies & most local governments



Resources

Summer 2023

Provide forms, templates, and guidelines for other agencies to use when conducting their own RA events

Final Thoughts



Looking forward to reengaging with the RA method



The goal with all procurement efforts is to provide the best value to the state



DAS is committed to exploring the use of any procurement method, including reverse auctions, to meet that goal

Questions?



Thank you

For more information, contact:

Debbie Dennis, debbie.dennis@das.oregon.gov

Kelly Mix, kelly.mix@das.oregon.gov

