

On-Line Reverse Auctions in Non-Traditional Spend Areas

Lesson Learned: Three Years and \$300 Million Later

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Our Event Experience Includes High Order Clinical / Medical Services

- Site Monitoring
- ECGs
- Data Management
- Statistical Analysis & Reporting
- Reg Doc Processing
- Clinical Lab Assays
- Study Management
- Outcomes Research
- Adverse Event Processing
- Data Entry
- Non-SAE Litigation Support
- Medical Inquiry Handling
- Medical Writing

Requisites for Success

- Executive Sponsor Endorsement
- Vendor Pre-Qualification
- Multiple Viable Vendors
- Multiple Willing / Participating Vendors
- Technical Support
- Clear Specifications & Service Level Requirements
- Collaborative High-Functioning Sourcing Professionals

Obtain Organizational Buy-in

- Start at the top – secure executive sponsor endorsement
- Get that first “Win”
- Then, cite prior successes – “this has been done before”
- Educate internal stakeholders on the process
 - Emphasize:
 - Speed – compressed time required for negotiations
 - Transparency – level playing field
 - Auditable process
 - No requirement to select lowest bidder
- Prepare your sponsor for negative vendor reactions
- Review the “fail-safe” back-up plan

**Take Personal Responsibility for the Process:
“If this Goes Badly...Blame Me”**

The Event: Structure for Success

What has worked well:

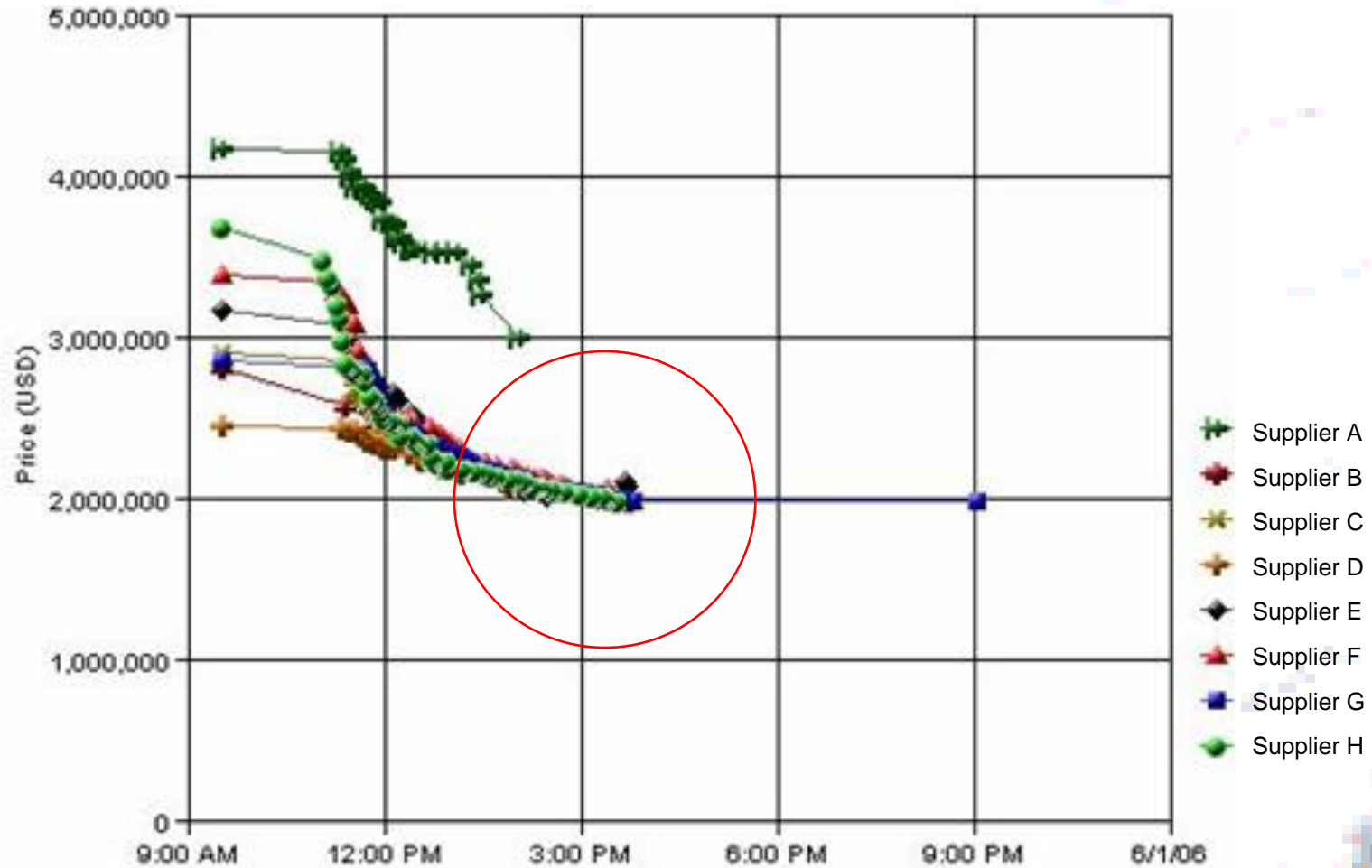
- Well defined functional activities
- Four+ vendor participants
- Vendor training and format input solicitation
- Conduct a “Mock” auction
- Utilize “Intent to Participate” template
- Require pre-bids
- Sequential lot bidding
- Invite Senior Leaders to witness the event

The Event: Structure for Success

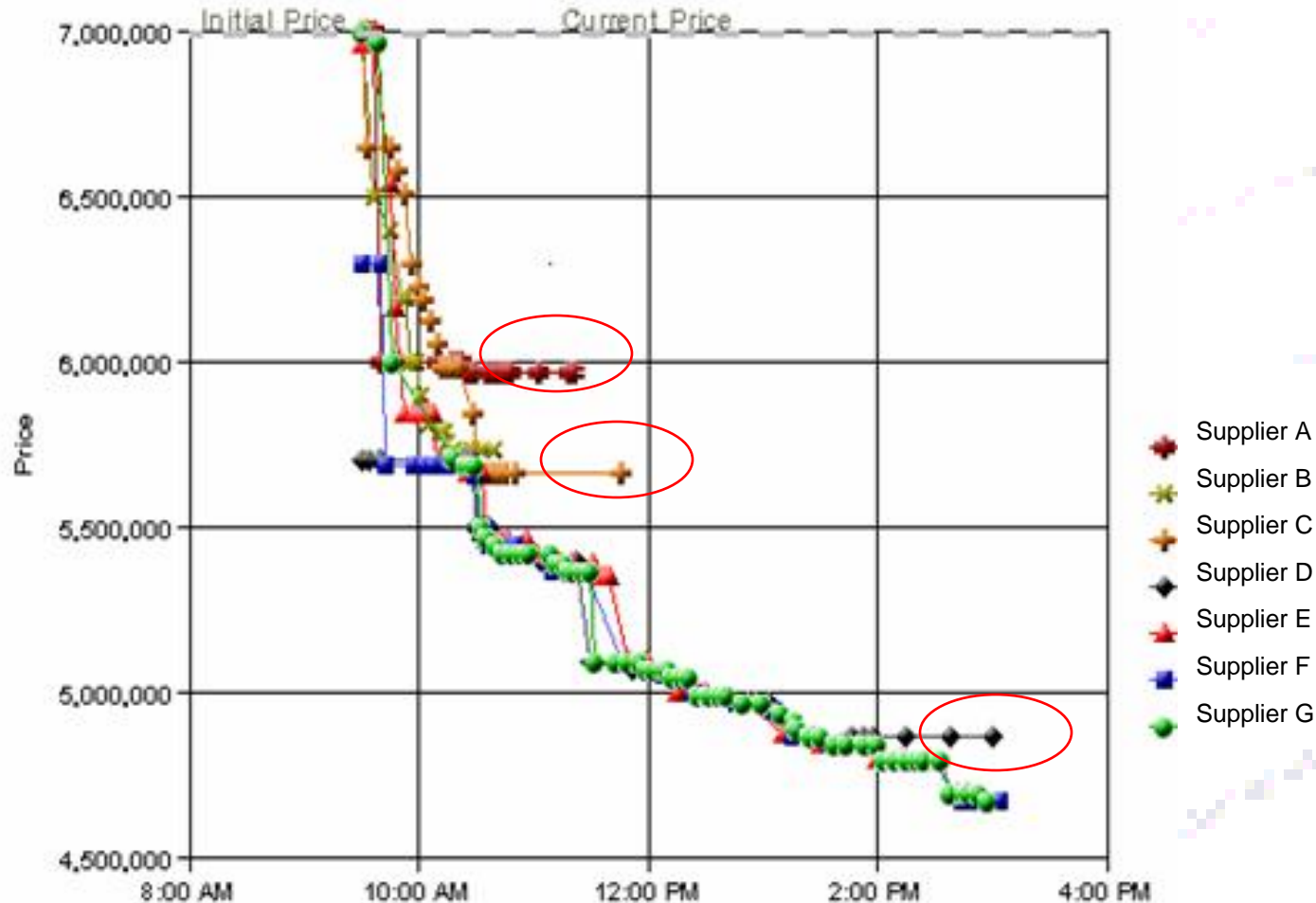
What has worked well (continued):

- Sponsor provided bid prep worksheets
- Vendor visibility: lowest bid & overall rank
- Limited items / lines per lot
- Use of post-auction bid detail template
- Auto-extension rules
- Reasonable minimum bid decrements
- Parallel communication routes during auction
- Bid error correction process

Key Learning: “Commodity-Like” Behavior

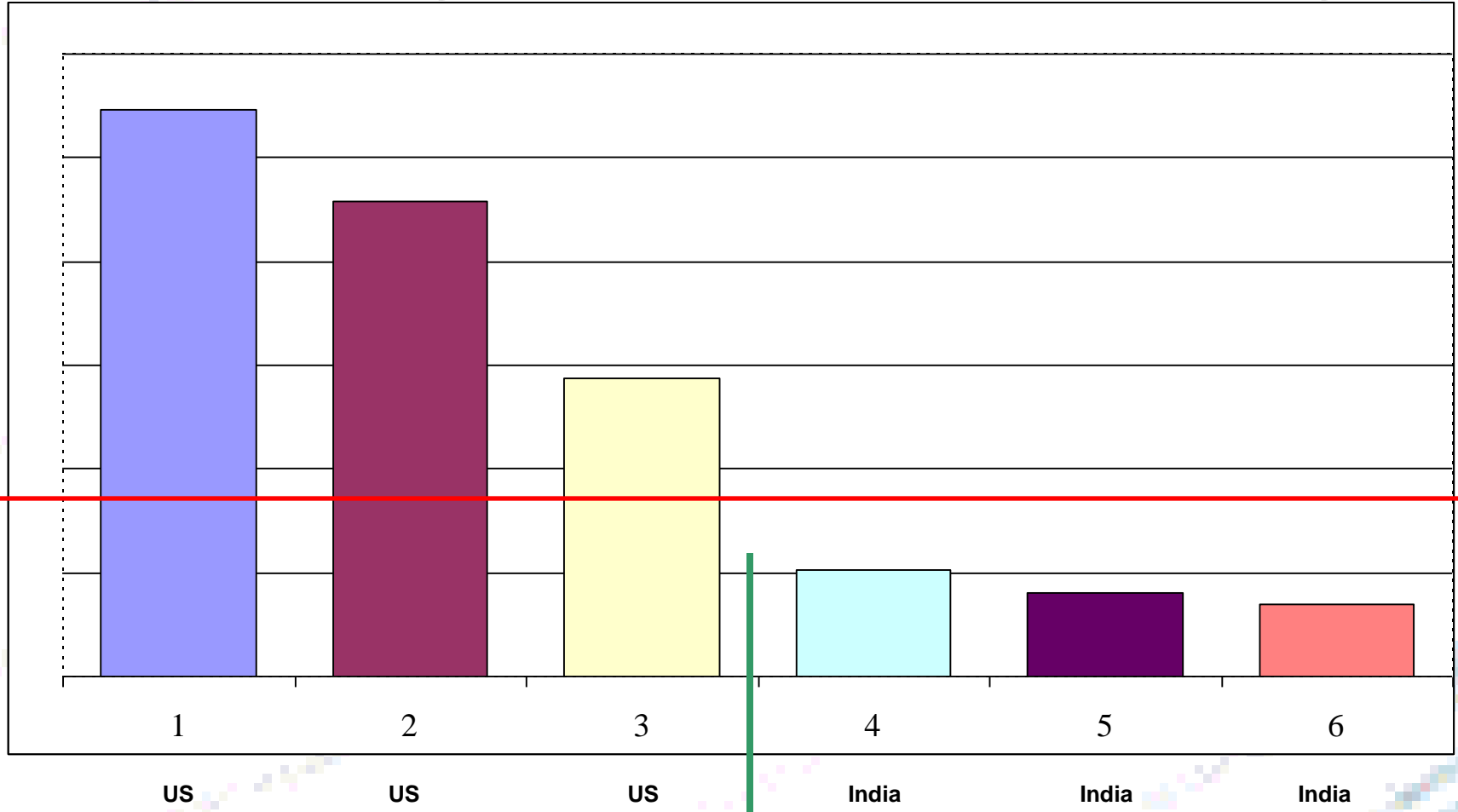


Key Learning: “Non-Commodity” Like Behavior



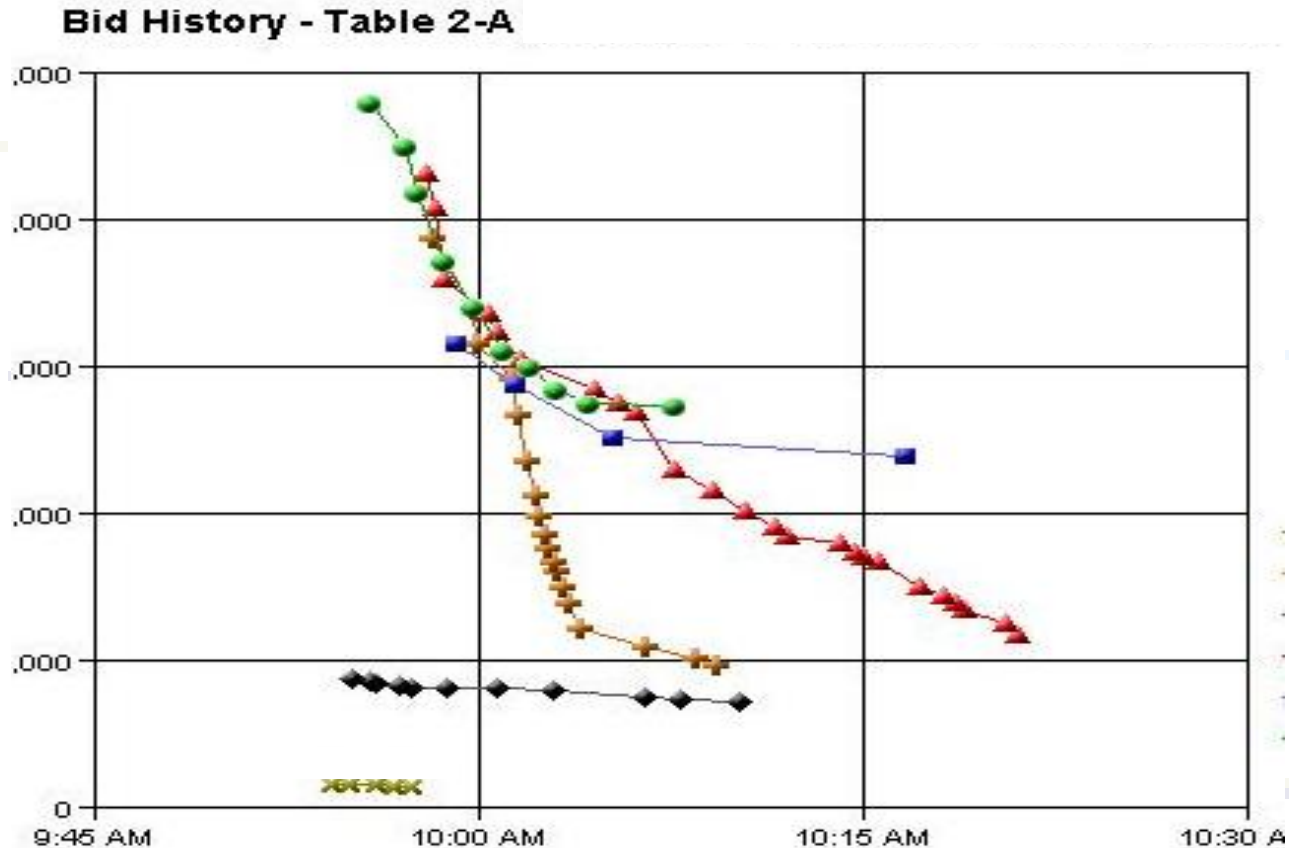
Vendors are Rational and Establish “Walk-Away” Positions

Key Learning: Low Cost Country Strategies



Event Structure Must Address Geographic Cost Stratification & Maintain Competition Throughout

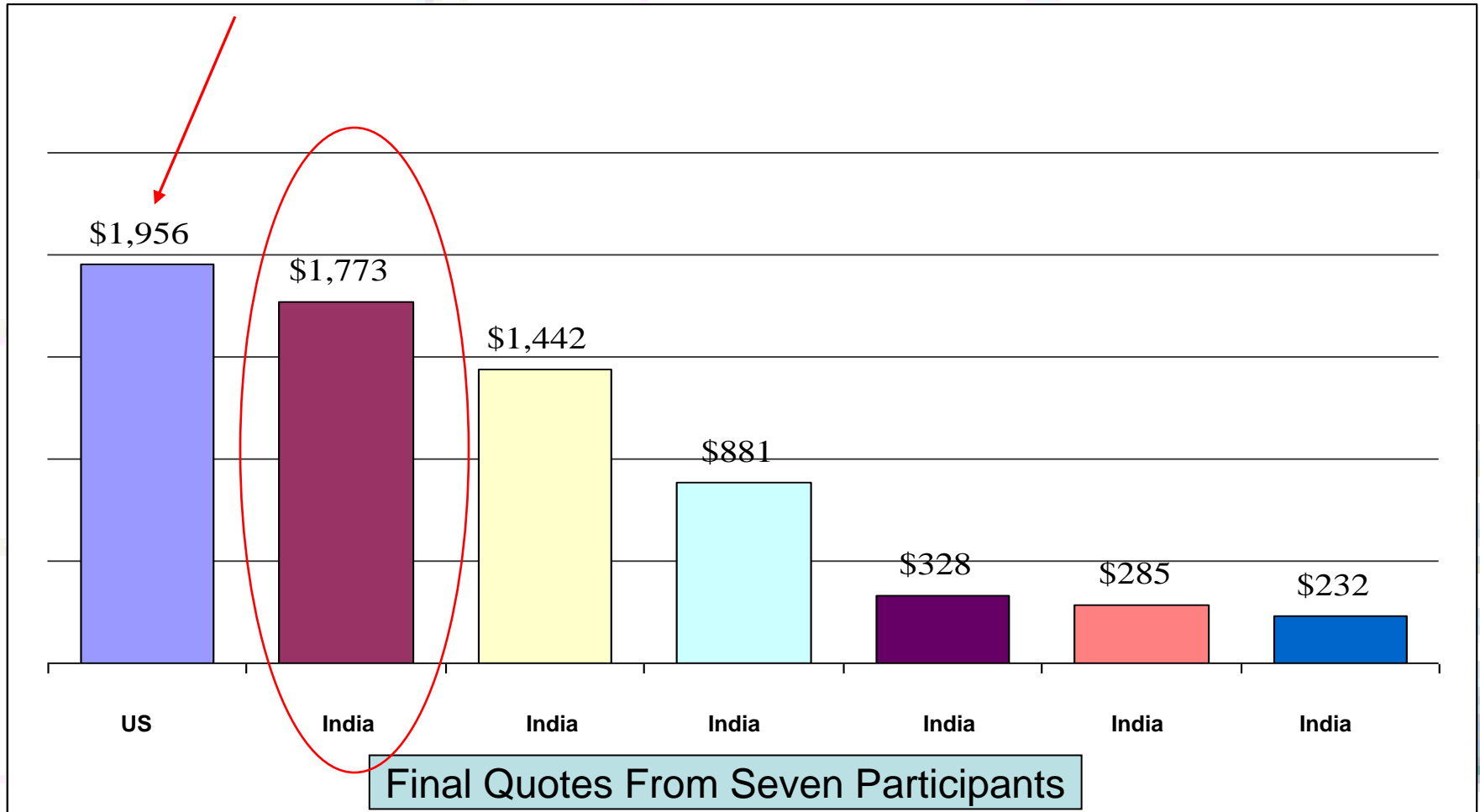
Key Learning: Opening Bid Strategies



Suppliers May Attempt to Shorten Event with Aggressive Unforced Opening Bid

Key Learning: How Is Labor Arbitrage Shared (or not!)

Initial Cost ~\$2.48MM



Source: May 19 on-line reverse auction (in thousands)

Closing Thoughts

Reverse Auctions....

- Can be utilized effectively in non-traditional high-order service areas
- Require great care and attention to detail when structuring
- Are not suitable for use in all situations
- May be effectively coupled with low cost country sourcing efforts
- Provide a powerful tool to create a competitive market dynamic
- Require sourcing professionals that are adept at influencing and collaboration
- Are not a substitute for a sourcing strategy

Questions?

Please Feel Free to Contact Me

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