

# DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY

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## DLA LAND AND MARITIME





# What is a Reverse Auction?



*“A type of auction in which sellers bid for the prices at which they are willing to sell their goods and services....”* – Investopedia



# What is a Reverse Auction?



- Buyers Determine a Competitive Range from the Solicitation Responses
- Vendors within the Competitive Range are invited to the Reverse Auction
- Vendors' initial bids are set at the prices they proposed on the solicitation through DIBBS/Fax/Mail/Etc.
- The lowest current bid is displayed and vendors can reduce their price to become the lowest quote or offer a more competitive non-low price.
- Competing vendors cannot see:
  - Who they are competing against
  - How many competing vendors are invited/participating



# How Long Will it Take?



- Auction Times are generally set for half an hour for one time buys, an hour for LTCs
- Time Extensions
  - Bids placed at the end of the auction will extend the auction time
  - Generally, bids placed in the last 5 minutes will extend the auction by 5 minutes
  - Gives each vendor an opportunity to offer their best and final offer
  - Prevents the government from making an award based on the vendor with the fastest internet connection, best timing, etc.



# How does it work?



- Minimum Decrement
  - The Amount a Vendor must reduce their own price to place a bid
  - You do not need to beat the low bid by this amount
  - You can reduce your price even if you can't beat the low price, so long as:  
$$\text{Your Price} - \text{Low Price} > \text{Minimum Decrement}$$
  - Minimum Decrement is usually set at 1/2% of the lowest quote from the solicitation.



# Auction Strategy



- Show up!
  - You will get to see the market price/current low bid
  - Give a best and final offer even if you can't beat the low bid to maximize your chances of a best value award



# Auction Strategy



- Know your pricing
  - Have a complete pricing picture (*Material, Labor, G&A, Profit, etc.*)
  - Know how much you can reduce your price without operating at a loss
  - Don't lose sight of your costs by getting caught up in a bidding war



# Supplier Benefits



- Increased pricing visibility
- No need to lose an award to compete on an item
- Turns negotiation into a standardized process
  - Shorter time period in some cases
  - Fewer man hours spent negotiating
  - Consistent process across buyers



# Government Benefits



- Lower Prices
- Increased Competition in the Marketplace
- Reduced Administrative Lead Time
- Measurable and Trackable savings
  - Quantifying the success of negotiations
  - Quantifying the ALT required for negotiations



# Registration



- You may already be registered
- Buyers create supplier accounts based on the quotes they receive
- Select the “I forgot my password” link to have a password emailed to you.
- If you are not registered:
  - Register for an Account at:  
<https://dla.procurexinc.com>



# Registration



- Each account must have at least one unique email address associated with it
- Each account may have multiple email addresses associated with it
- Email addresses cannot be assigned to more than one account
- Multiple CAGEs may only be assigned to a single account if they are all CAGEs for different locations of the same company



# How to Participate



- Once you are logged in, select the “Seller Software Training” link for a detailed walkthrough of the auction process
- Select “Accept/View/Bid in Events” to see the scheduled start dates of your auctions
- You will not be able to see the lowest price or Start Price until you accept the invitation to an event



# How to Participate



[Home](#) | [Help](#) | [Log Out](#)

**DLA Demo Vendor 1**

Portal ▾ Procurex ▾ Profile

October 10, 2012 -- 08:51 EST

Welcome, Sam Smith

[Change Procurex Account Options](#)

## Administration

- [MAINTAIN MY COMPANY USERS](#)
- [MODIFY MY COMPANY PROFILE](#)
- MODIFY GENERAL INFORMATION:
  - [CLASSIFICATION CODES](#)
  - [SEARCH KEYWORDS](#)
  - [SEARCH CATEGORIES](#)

Access Training

## Training Tools

### Training

- [SELLER SOFTWARE TRAINING](#)

See schedule of upcoming auctions

## Event Tools

### Seller

- [ACCEPT/VIEW/BID IN EVENTS](#)
- [VIEW A COMPLETED EVENT](#)
- [VIEW ADVERTISED EVENTS](#)
- [VIEW QUESTIONNAIRES](#)

### Spread the Word About Procurex!

- DO YOU THINK YOUR COMPANY COULD BENEFIT FROM USING PROCUREX? SEND AN [E-MAIL](#) TO YOUR PURCHASING MANAGER TO RECOMMEND THIS EASY-TO-USE, AFFORDABLE TOOL THAT CAN HELP YOUR COMPANY SAVE TIME AND REDUCE THE COST OF PURCHASED MATERIALS. [CLICK HERE TO SEND AN E-MAIL.](#)

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# When do buyers use Reverse Auction?



- Policy requires Reverse Auction (RA) on most competitive procurements
  - 2 or more competitive offerors
  - Procurements over \$150,000
  - Buyers may use for Procurements under \$150,000 if they feel RA is the best negotiation strategy
- Does not apply to sole source procurements



# Scheduling



- Buyers will normally schedule auctions 3 to 4 business days out
  - Example: Auctions created on Monday will open on Wednesday or Thursday
- Auctions will normally be scheduled for half an hour
- Late bids extend the closing time



# Scheduling



- Buyers may take exception to normal scheduling due to
  - Urgency
    - RA may be scheduled sooner
    - Same day RA's are a possibility
  - Complex Procurements
    - Open period may be extended
    - Preview period may be extended
    - Practice Auctions may be held
- Buyers will coordinate with you when exceptions are necessary



# Waivers



- Waivers may be issued for noncompetitive procurements at the buyer's discretion
  - Surplus vs. new material
  - Wide disparity in pricing between vendors