

FedBid.com: Reverse e-Auctioning “Ethernet Cards to Explosives” in Two Easy Steps

This site was reviewed in March 2005.

Back in the mid-1990s, a tsunami of statutes swept through Congress. Known collectively as “acquisition reform,” these acts were aimed at cutting the cost of doing business with the federal government. At the same time, they aspired to boost procurement officials’ efficiency.

One of the specific catchphrases of this legislation, in fact, was “efficient competition,” (Federal Acquisition Reform Act of 1995, Section 4101). Many within the government procurement community have scoffed at this notion, stressing that staging a competition is inherently inefficient—after all, competitions consume valuable agency resources (i.e., contracting, legal, and technical support) and take a great deal of time.

Ten years ago, however, no one could have envisioned the energy and speed with which “efficient competition” has been embraced. To help drive down the cost of certain commodities, federal agencies have followed the lead of commercial firms, entering into blanket purchase agreements and enterprisewide contracts. Around the turn of the 21st century, they also began to experiment with an even more radical idea: reverse e-auctioning.

Two Easy Steps

Reverse e-auctioning is a simple concept, as the FedBid.com model demonstrates. First step: procurement officials articulate their needs. They describe the desired product or service and state their evaluation criteria (i.e., price or past performance) and set a deadline for receipt of bids. Second step: sellers compete with one another to offer a solution that represents the lowest price or best value, depending on the agency’s criteria. Sellers are told only whether they are in a “lead” or a “lag” position. They are not informed of other bidders’ prices. Knowing their relative standing, however, does permit them to improve their offers, at least until the auction closes.

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Depending on the procurement situation, buyers may have multiple opportunities to specify and confirm their requirements. They can cancel the reverse e-auction at any time and avail themselves of FedBid client services throughout the (virtually) risk-free process. Buyers pay nothing in this process—only the winning seller is assessed a transaction fee (1 to 3 percent), which is built into all offers by FedBid.com software.

FedBid Overall

FedBid.com is a dynamic, real-time medium for setting terms and soliciting bids that meet or exceed agency requirements. In many ways, it captures the spirit of acquisition reform, streamlining and simplifying procedures for buyers. It automates the once time-consuming functions of contacting sellers and collecting, recording, and comparing bids. FedBid.com also complies with the *Federal Acquisition Regulation* (which no longer prohibits auctions) and facilitates full, open competition.

First established in December 1999, FedBid.com had to close operations until it secured appropriate financing to resume in April 2001 under Daston Corporation, an 8(a) company. In the second launching, its target clientele became less broad, aiming more now toward public-sector procurement officials. Some commercial buyers also can be accommodated, depending on the nature of their procurement guidelines and policies. Current FedBid.com customers come from more than 50 agencies, including contracts with 10 executive branch departments, such as Department of State (DOS), Department of Commerce (DOC), and Department of Homeland Security (DHS).

More Specifics

There is no single-purchase dollar amount limit when using the site. According to Brendan Walsh, co-founder and vice president, FedBid.com’s “sweet spot” purchases range from \$1,000 to \$100,000—in 2005, the average reverse e-auction dollar value was \$28,000. In 2004, agencies competed more than 5,000 reverse e-auctions through this e-business, saving an average of 9 percent while also awarding 68 percent of the dollars to small businesses.

Sellers offer goods ranging from ethernet cards to explosives,

filing cabinets to fax machines, video cards to voice recorders, mousepads to medical equipment, and headphones to hand trucks. Sellers also feature basic services ranging from IT instruction to facilities management. While this list is lengthy, most items do fall under the “tangible-gear-with-defined specifications” category. Many other services are procured using subjective criteria such as past performance, technical approach, and financial viability.

Sellers can boost their exposure to business opportunities and reduce their cost per sale. Additionally, they can quickly determine the aggressiveness of their pricing strategies and the effectiveness of their manufacturer alliances. Participating through FedBid.com offers sellers insight into agency purchasing patterns, as well as immediate access to RFIs, RFQs, and RFPs.

With more than 7,000 registered sellers currently—a figure growing at a rate of almost 100 new vendor registrants per week—FedBid leverages the Central Contractor Registry (www.ccr.gov) and the Excluded Parties List (EPLS) to validate sellers before activation.

According to John Lee, another FedBid vice president, subjective criteria can be used in concert with objective pricing. For example, DOS, DOC, and DHS have used complementary tools such as FedBizOpps.gov and FedBid.com to compete best-value acquisitions. FedBizOpps.gov was used to publicly notify all interested parties, and FedBid.com conducted the price competition. The federal business opportunities announcement directed offerors to

submit technical proposal to the procuring agency before entering their pricing data online. This enabled the contracting officer to rate the technical approach while taking advantage of real-time price competition. In addition to establishing price reasonableness through competition, buyers can easily establish audit-trail documentation through the site.

The Big Picture

FedBid.com also supports socioeconomic programs by allowing agencies to set aside auctions to various small business classifications (woman-owned, HUBZone, or JWOD). Even more importantly, the on-line bidding process helps to level the playing field by giving all bidders marketing information. In the past, large businesses have benefited through resources that can extract market information and give them an inherent advantage. Now, small businesses can gain that insight, as well.

The acquisition reform champions would certainly cheer for that! **CM**

About the Reviewer

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