

## **Reverse Auction 101**

If you are reading this then you have taken the next step in learning more about KACo and the free auction service it offers to its members.

KACo has been offering the free service of reverse auctions for over 15 years, procuring just about anything imaginable. After hosting the salt auction for the past 10+ years, we've seen the salt auction participation grow from 5 counties (auction #1) to now, well over 100 governmental entities (counties & cities). The reason the salt auction is so popular, is that it's super easy. It's like that infomercial's catchy saying, "set it and forget it." You literally register and wait until the prices come in – yes, it's that easy.

Reverse Auctions are exactly like "**yabe**" (ebay in reverse). With ebay, a SELLER, post something to SELL, to the HIGHEST buyer. Now, "reverse" all that. A BUYER (government) post something to BUY to the LOWEST seller. The reason for the auctions' success is that it doesn't follow Coach John Calipari's philosophy of "one and done," like the sealed bid method. With sealed bids, suppliers submit one blind bid - that's it. Reverse Auctions allow the suppliers to see the price they have to beat and allows them to compete with other suppliers by submitting as many bids as they need to win the award. In a nutshell, it's 1 competitive price (sealed bid) vs a competition of multiple bids (reverse auction). You be the judge.

## **New Look & Feel**

Please allow me this opportunity to inform you about some exciting news regarding the **2019 Salt Auction**. This year we made some massive changes to the salt auction, as well as the registration site. The first change, and one you won't see right off, is that when you register for the **2019 Salt Auction**, you will also be setting up an account for your respective governmental entity to use as a free procurement tool to purchase additional items in the future – so keep your login information.

This new program will allow you to use the auction platform for reverse auctions, sealed bids, RFP, RFI, and RFQ's. Whether you have to bid or not, advertise or not, this tool will allow you to receive pricing and/or information, expand your vendor list, expand competition, and potentially, expand savings. The most notable change you'll see will be during the actual auction registration. Your auction date, time, group # and advertisement, usually received weeks later in previous years, will now be immediately available via a confirmation email sent to the registered individuals upon the completion of registration. How's that for new and fast?

Remember, your advertisement will be embedded into the "link" that will be in your confirmation email. Simply click the link and review the ad before you submit to the local paper. Additionally, for back up, you will also receive a second email containing just the ad, so please make sure you **send the advertisement to your local paper ASAP**.

As for a copy of the ITB, it too will be made available instantly, during the registration process. Simply click the red link titled "ITB Link Here" and it's yours! It's that easy.

Another big change you'll notice for this year is inside the ITB. For the past few years we have talked about incorporating the 80/120 procurement rule. To protect both the governmental entity (buyer), and the salt vendor (seller) and to receive more competitive bids, we decided to implement "the rule" this year, however, as 70/130 instead of the higher percentage mentioned above, thus favoring the local

governments. “The rule” states that the governmental entity (buyer), must procure a minimum of seventy percent (70%) of their estimated amount, from the awarded supplier, at the agreed upon price, by the end of the term stated within the agreement. Likewise, the salt vendor (seller), must provide a minimum of thirty percent (30%) above the buyers estimated amount, at the agreed upon price, through the end of the term stated within the agreement. What this means is that the salt vendor (seller) must have available to the governmental entity (buyer), , a total of one hundred and thirty percent (130%) of salt, at the agreed upon price, through the end of the term stated within the agreement.

Please remember that the auctions are a free services to governmental entities. Also, if you do not like the 70/130 rule, there is no obligation to participate. Additionally, if you participate, and do not like the prices, you can reject all bids. It’s safe and easy. However, please know that we tried “the rule last” year for a separate salt auction and the prices were lower. Matter of fact, another entity bid out their salt using “the rule” per our recommendation and instantly saved. Why? Because the suppliers know if they are competitive enough they’ll sell salt. Without “the rule,” all risk is assumed by the suppliers, so they have to bid “cautiously,” in fear of not making a sale – which happens too frequently. Incorporate “the rule,” and the suppliers see that the governments are willing to “share” some of the risk, which now makes the buyers “more attractive.” Some will say “the rule” is to help the suppliers. Actually, it’s to help both parties. Remember, an auction doesn’t happen without a seller. Let’s work with them, not against them. Finally, remember, we work for you – the local governments. We are on your side.