

# Construction Institute Facilities Management Council

June 25, 2003

## E-Sourcing for Facilities & Services

Presenters:  
**Peter Harting / Greg Bosaz**



# Agenda:

- Overview / history
- Project examples
- Best practices / lessons learned
- Audience Q&A

## FreeMarkets QuickSource:

- Provides supply management and purchasing tools & support
- Tool serves as the central database for supplier information, procurement templates, specifications, and pricing history
- Collaboration tools to manage all aspects of relationship with suppliers, including RFI, RFP, communication, as well as on-line bidding

# UTC Experience with FreeMarkets

- In use since 1996 for product procurement in over 466 events for \$2.3 Billion spend
- Expanding into services and non-product spend
- Direction to competitively bid all facilities projects >\$5,000 -- tool of choice is QuickSource

# Facilities Experience with FreeMarkets

- First event held: October 2002
- Conducted over 50 sourcing projects
- Over US\$1M+ in identified savings

# What Makes a Successful On-Line Event?

- Clear statement of work
  - All T&C identified as part of bid package
  - No gray areas for misinterpretation
- Pre-qualified, capable suppliers
- Enough suppliers to drive competition
- Supplier training provided by QS
- Only award to participants (no side deals)
- Pre-defined award criteria
  - Lowest cost is not only driver

# UT500 Facilities Team Strategy

- Create QuickSource “toolkit”
  - Standard work scope templates
  - QS on-line templates
  - Identify regional, pre-qualified suppliers
  - Moving towards a national process / policy

# Successful Facilities Events

- Machine Pit Fill - Windsor Locks
- Mazak Foundation install – Windsor Locks
- Group re-lamping - WL & Fuel Cells

# HS-WL - Fill Machine Pits

Owner: Peter Harting

- Identify nine suppliers recommended by UTC divisions
  - Previous plan was to use one of two on-site suppliers

## Results:

- Total time: three weeks from concept to award
- 19% savings over expected cost of \$31K
- Not awarded to low bidder

## Value to UT500 Facilities Team


- Validation of QS process
- Nine General Contractors set up on QS tool
- Faster reaction time for next event

# HS-WL Fill Machine Pits

Bidding Console - Microsoft Internet Explorer

**Auction 1195 - 50225 Clearing Press** Official Date and Time

Buyer: United Technologies Corporation 10/17/2002 12:09:08 PM (all Times US-CT)



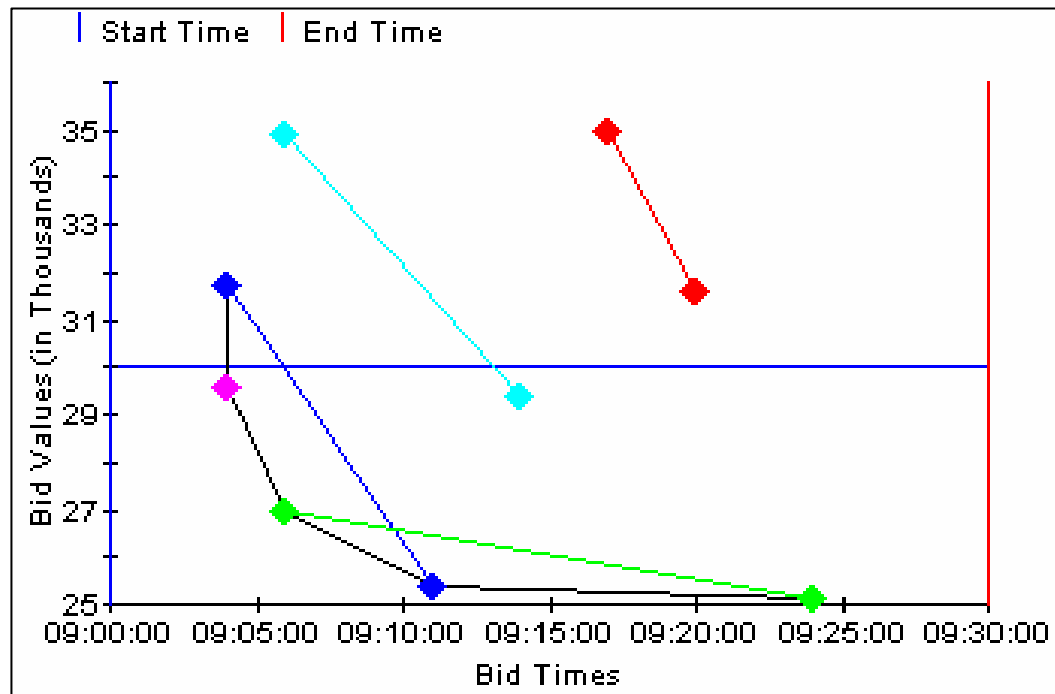
**Lot:** 1 - Transport fill via Pump meth

**Lot Status:** Closed

**End Date and Time:** 10/16/2002 9:30 AM

**Time Remaining:** 0 day(s) and 00:00:00

<b>Market Leading Bid:</b> 25,132.00	<b>Historic Price:</b> 30,000.00	<b>Starting Price:</b> 35,000.00	<b>Bid Pricing:</b> Extended
<b>Reserve Price:</b> None	<b>Savings:</b> 4,868.00 (16.23 %)	<b>Bid Decrement:</b> 1.00 %	<b>Currency:</b> USD



# HS-WL – Mazak Foundation

Owner: Peter Harting

- Utilized 3 of the 9 suppliers from Pit Fill job
- Second of two foundations – 1st awarded via traditional RFP

## Results:

- Total time: three weeks from concept to award
- 39% savings over expected cost of \$37K
- Low bidder awarded work)

## Value to UT500 Facilities Team


- Faster reaction time than Pit fill
- Direct comparison to traditional RFP

# HS-WL Mazak Foundation

Bidding Console - Microsoft Internet Explorer

**Auction 1440 - Project #: 64267 Maz** **Official Date and Time**

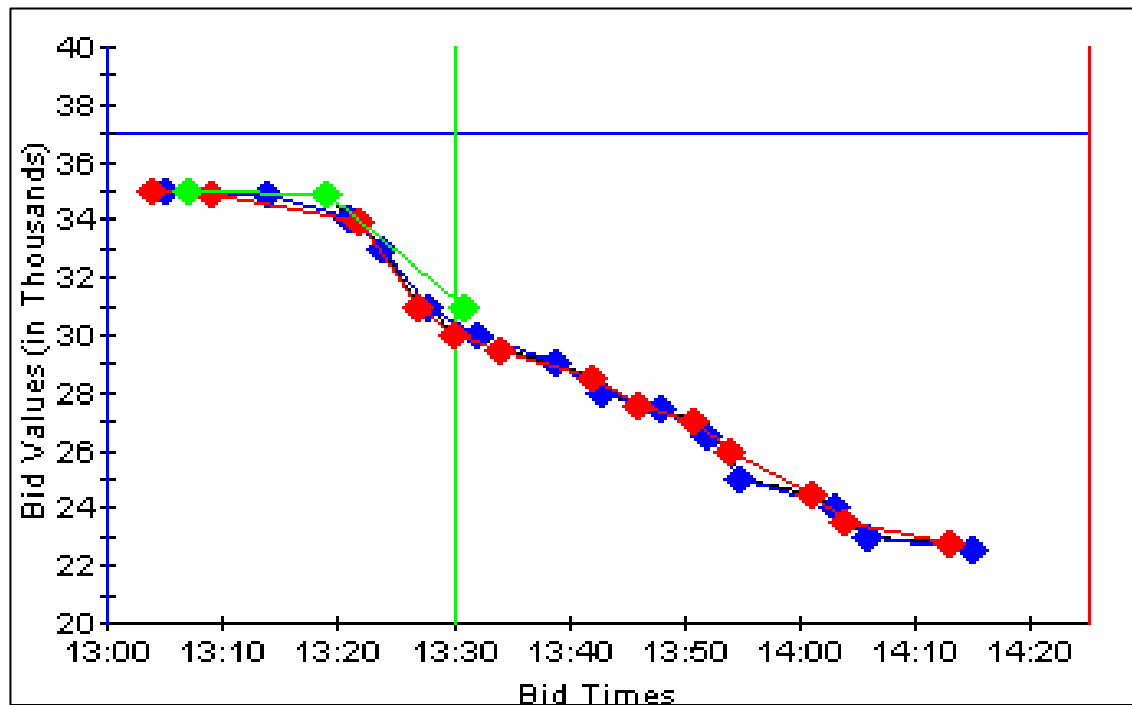
Buyer: United Technologies Corporation 04/01/2003 9:01:55 AM (all Times US-PA)



Lot:

**Lot Status:** Closed  
**End Date and Time:** 03/31/2003 2:25 PM  
**Time Remaining:** 0 day(s) and 00:00:00

<b>Market Leading Bid:</b> 22,500.00	<b>Historic Price:</b> 37,000.00	<b>Starting Price:</b> None	<b>Bid Pricing:</b> Extended
<b>Reserve Price:</b> None	<b>Savings:</b> 14,500.00 (39.19 %)	<b>Bid Decrement:</b> 0.05 %	<b>Currency:</b> USD



# WL & UTCFC - Group Relamping

Coordinator: Greg Bosaz

Bundled jobs at two sites for single event


- 15 suppliers invited, 12 suppliers bid
  - 7 incumbents
  - 10 lamping companies (national)
  - 5 custodial
- Fixed price bid with cost breakdown after event
  - Lot 1 - relamping
  - Lot 2 - ballast
- Savings of 52% - 56%

# HS-WL Group Re-lamping

Bidding Console - Microsoft Internet Explorer

**Auction 1207 - UTC Group Re-lamp** Official Date and Time

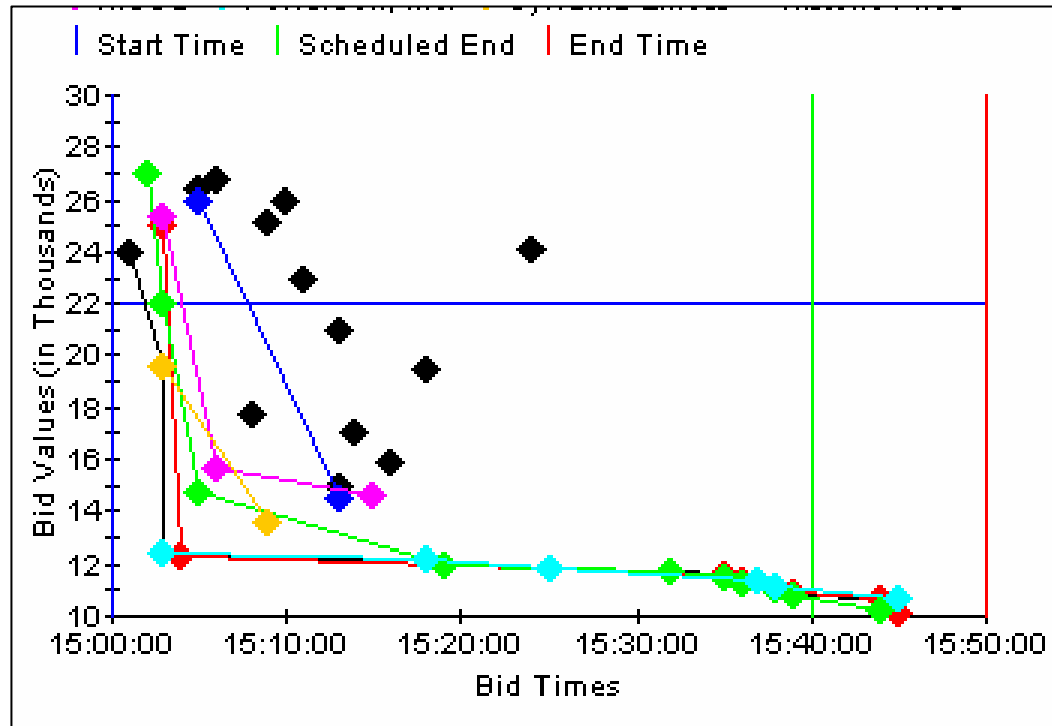
Buyer: United Technologies Corporation 11/13/2002 10:35:53 AM (all Times US-CT)



Lot:

**Lot Status:** Closed  
**End Date and Time:** 11/12/2002 3:50 PM  
**Time Remaining:** 0 day(s) and 00:00:00

<b>Market Leading Bid:</b> 10,147.50	<b>Historic Price:</b> 22,600.00	<b>Starting Price:</b> 27,000.00	<b>Bid Pricing:</b> Extended
<b>Reserve Price:</b> None	<b>Savings:</b> 12,452.50 (55.10 %)	<b>Bid Decrement:</b> 1.00 %	<b>Currency:</b> USD



# UTC Fuel Cells Group Re-lamping

Bidding Console - Microsoft Internet Explorer

**Auction 1207 - UTC Group Re-lampi** Official Date and Time

Buyer: United Technologies Corporation 11/13/2002 10:39:07 AM (all Times US-CT)



---

Lot:

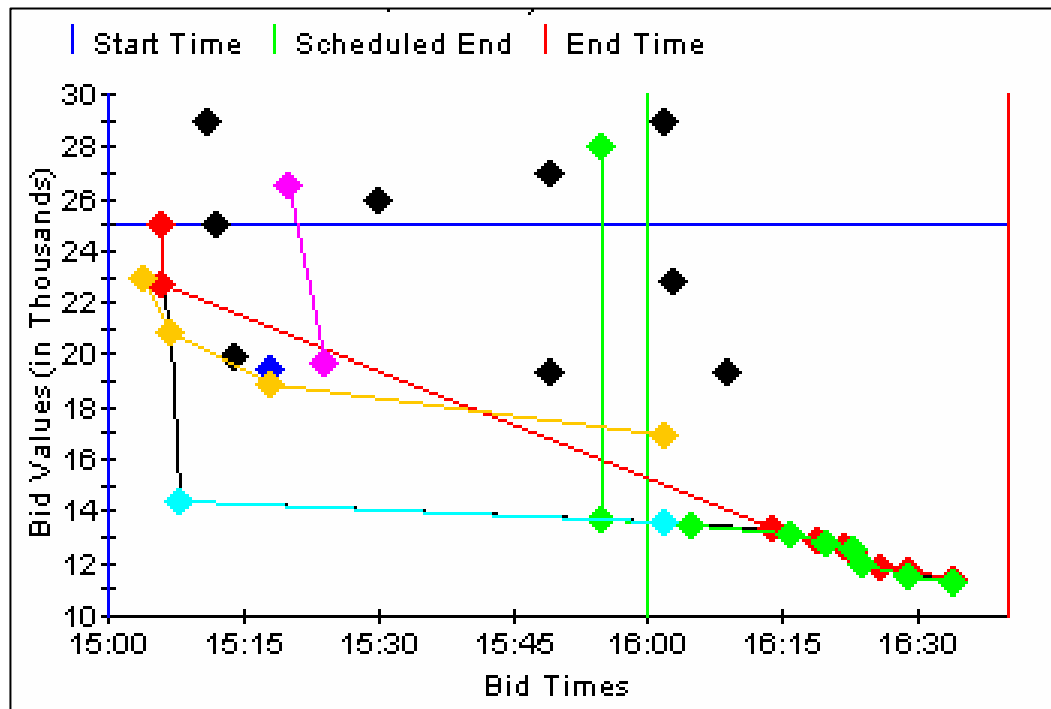
**Lot Status:** Closed

**End Date and Time:** 11/12/2002 4:40 PM

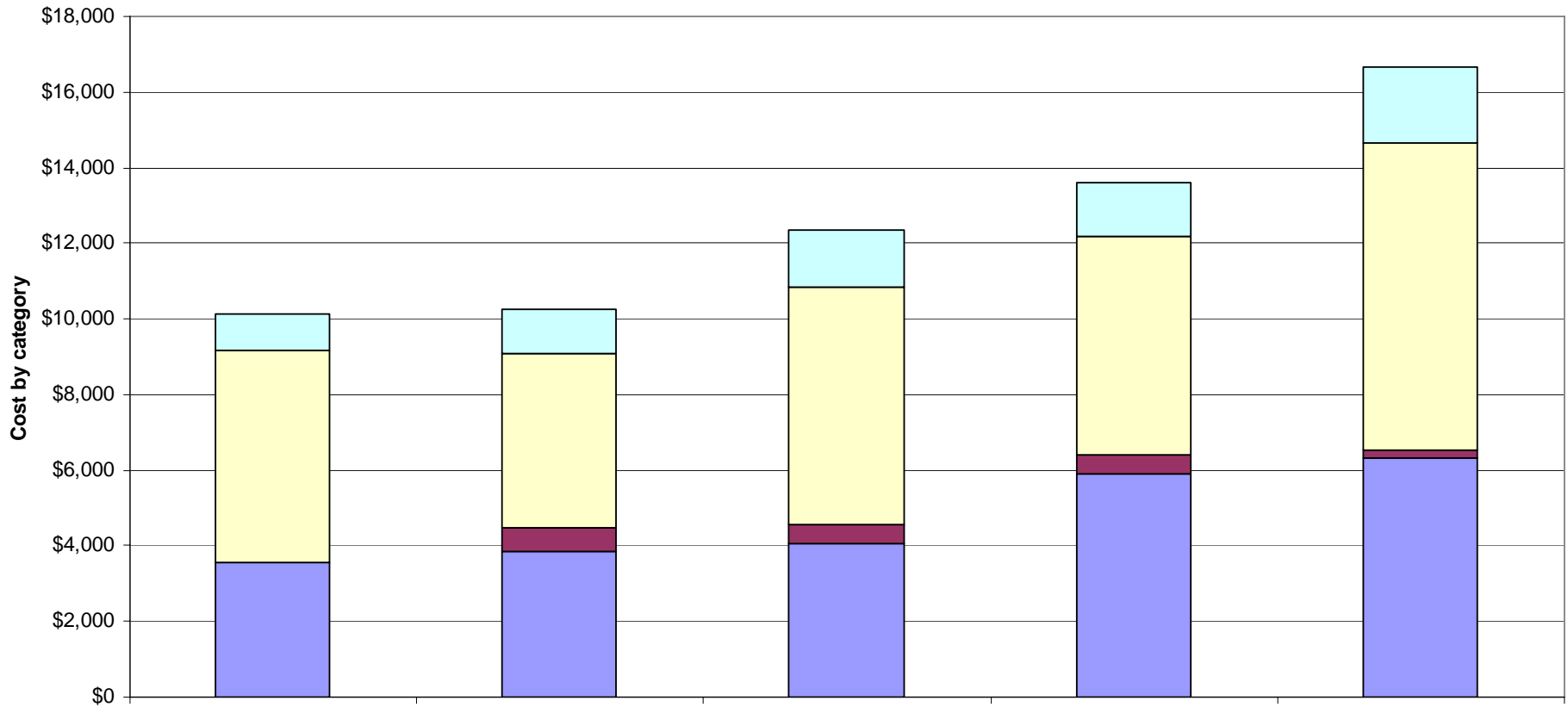
**Time Remaining:** 0 day(s) and 00:00:00

---

<b>Market Leading Bid:</b> 11,222.145	<b>Historic Price:</b> 25,600.00	<b>Starting Price:</b> 30,000.00	<b>Bid Pricing:</b> Extended
<b>Reserve Price:</b> None	<b>Savings:</b> 14,377.855 (56.16 %)	<b>Bid Decrement:</b> 1.00 %	<b>Currency:</b> USD



# Post-bid cost breakdown – Low 5



# Summary Lessons Learned

- Bid results directly correlated to pre-bid effort
  - Project definition
  - Supplier pre-qualification
- Willingness to look outside current supply base pays off
- The soft stuff is the hard stuff
- Implementation plans are paramount
- It's not just about price!

Peter & Greg are happy to help:



Back-up slides follow:

## Holes in the process:

- Commitment to project definition is mandatory
- Experience limited for multi-trade projects (GC)
- Time is involved in gearing-up for QS
- Time saver for the “buyer”, not for the “Proj.Mgr.”
- Wiggle room is eliminated – EC’s will be more costly

## Auction #1357 – UTRC (Comp.Air Receiver tanks)

### Turnaround time:

- Project Communication – 1 day (UTRC)
- Supplier Identification – 3 weeks (UTRC / UTC)
- Bid package prep & review – 2 days (UTC / UTRC)
- Supplier review & pricing – 4 days (Suppliers)

### Supplier Identification / qualifications:

- Carrier recommended (4 Suppliers)
- Sullair recommended (2 Suppliers)
- (4) of (6) used QuickSource before
- (1) supplier no-bid due to timing / workload

## Auction #1357 – UTRC (Comp.Air Receiver tanks)

### Pricing / Lotting structure:

- (2) designs considered for production
- (3) timeframes for delivery
- Historic pricing:
  - Original Prototype: \$13.6K (short lead-time, by custom shop)
- Lots 1&4: Prototype (–20%)
- Lots 2&5: Lots 1&4 (–20%)
- Lots 3&6: Lots 2&5 (–15%)
- Historic pricing validated by UTRC, UTC & Sullair based on Prototype pricing and current market knowledge.

### Average savings by quantity:

- Lots 1&4 (1pc): 82 to 85% savings
- Lots 2&5 (14pc): : 79 to 86% savings
- Lots 3&6 (150pc): : 78 to 84% savings

# Auction #1357 – UTRC (Lot #1 – Qty:1)

Bidding Console - Microsoft Internet Explorer

**Auction 1357 - Fabricate & deliver c** Official Date and Time

Buyer: United Technologies Corporation 02/21/2003 2:24:52 PM (all Times US-CT)



---

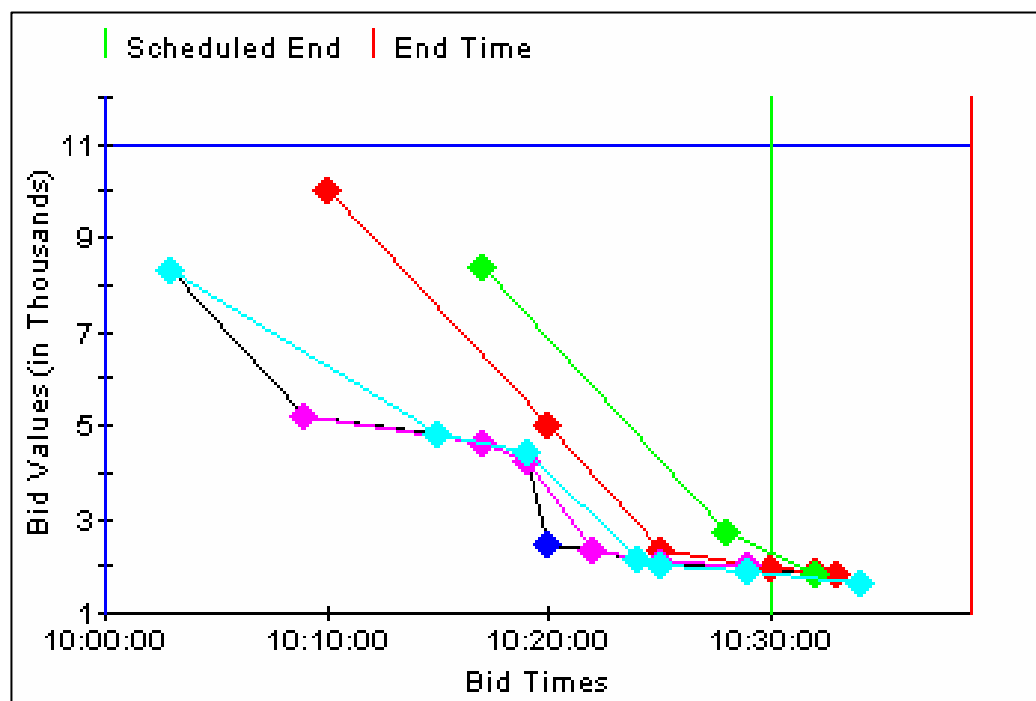
Lot:  **Lot Status:** Closed

**End Date and Time:** 02/21/2003 10:39 AM

**Time Remaining:** 0 day(s) and 00:00:00

---

<b>Market Leading Bid:</b> 1,622.00	<b>Historic Price:</b> 11,000.00	<b>Starting Price:</b> 12,100.00	<b>Bid Pricing:</b> Piece Part
<b>Reserve Price:</b> None	<b>Savings:</b> 9,378.00 (85.26 %)	<b>Bid Decrement:</b> 1.00 %	<b>Currency:</b> USD



# Auction #1357 – UTRC (Lot #2 – Qty:14)

Bidding Console - Microsoft Internet Explorer

**Auction 1357 - Fabricate & deliver c** Official Date and Time

Buyer: United Technologies Corporation 02/21/2003 2:28:33 PM (all Times US-CT)

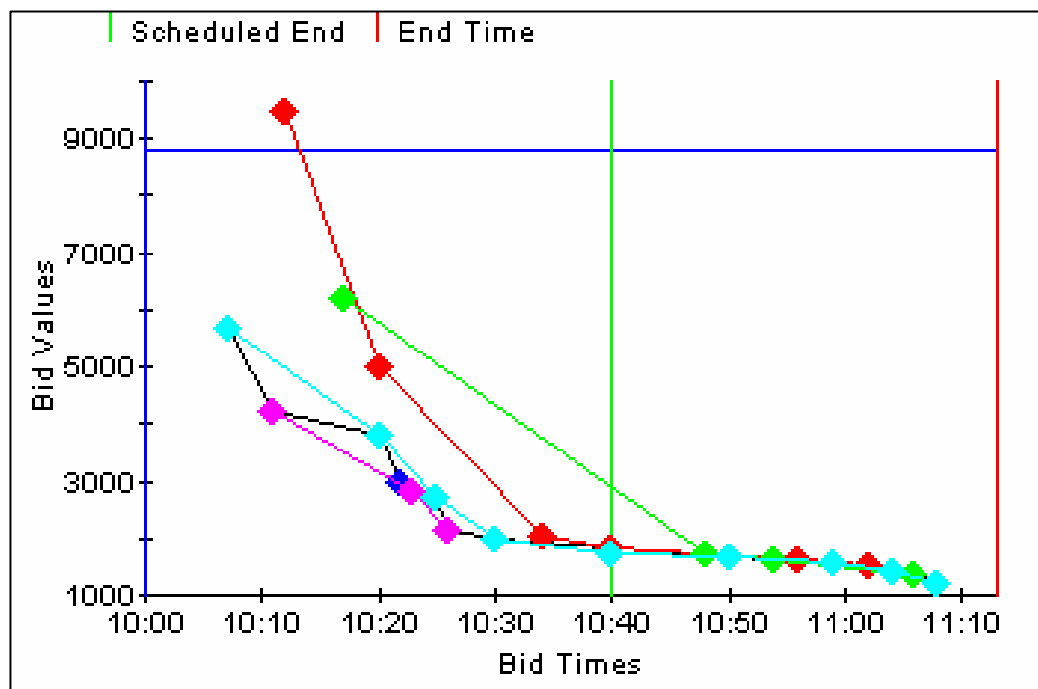


Lot:  Lot Status: **Closed**

End Date and Time: 02/21/2003 11:13 AM

Time Remaining: 0 day(s) and 00:00:00

<b>Market Leading Bid:</b> 1,199.00	<b>Historic Price:</b> 8,800.00	<b>Starting Price:</b> 9,700.00	<b>Bid Pricing:</b> Piece Part
<b>Reserve Price:</b> None	<b>Savings:</b> 7,601.00 (86.38 %)	<b>Bid Decrement:</b> 1.00 %	<b>Currency:</b> USD




# Auction #1357 – UTRC (Lot #3 – Qty:150)

Bidding Console - Microsoft Internet Explorer

**Auction 1357 - Fabricate & deliver c** Official Date and Time

Buyer: United Technologies Corporation 02/21/2003 2:33:08 PM (all Times US-CT)

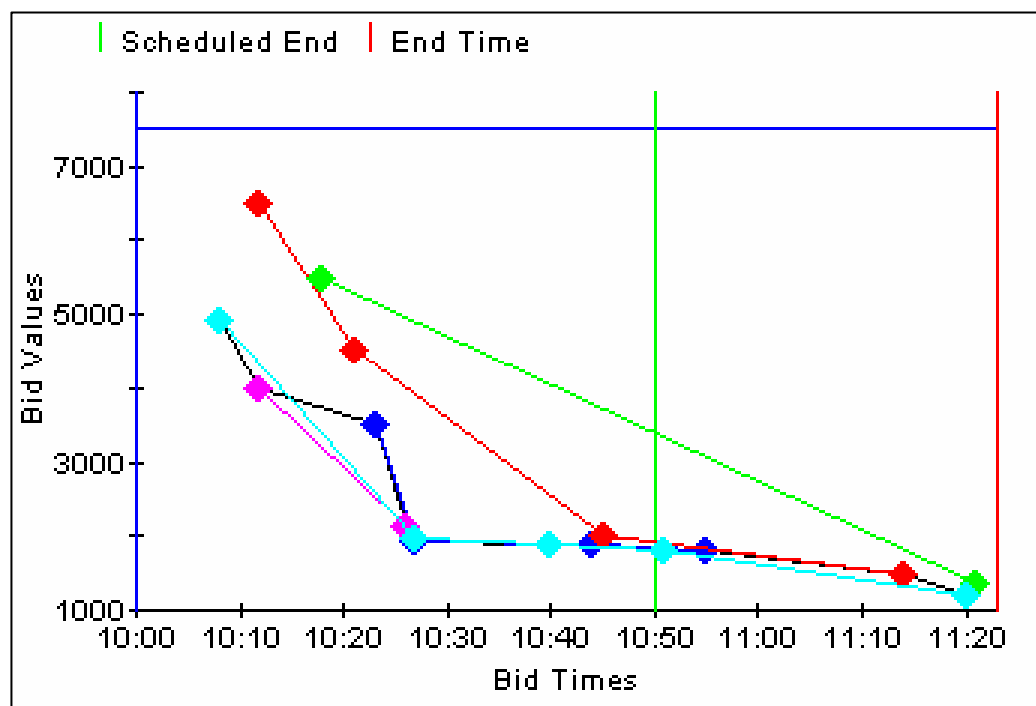


Lot:  **Lot Status:** Closed

**End Date and Time:** 02/21/2003 11:23 AM

**Time Remaining:** 0 day(s) and 00:00:00

<b>Market Leading Bid:</b> 1,189.00	<b>Historic Price:</b> 7,500.00	<b>Starting Price:</b> 8,300.00	<b>Bid Pricing:</b> Piece Part
<b>Reserve Price:</b> None	<b>Savings:</b> 6,311.00 (84.15 %)	<b>Bid Decrement:</b> 1.00 %	<b>Currency:</b> USD



## **WIN - WIN - WIN - WIN for UTC:**

- Quality supply base identified thru internal resources
- Maximum savings achieved thru on-line auction and accurate specification
- Cost and market knowledge gained for future pricing
- Testimonial for collaborative internal efforts and Standard Work templates