

# PowerChain Solutions White Paper

## Realize Savings and Competitive Advantage in the Age of e-Auctions and e-RFx Procurement

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### **Prelude**

This white paper will discuss e-Auctions and e-RFx's (Requests for Quotes/Proposals/Information) procurement. With this, it will show how PowerChain Solutions unique approach can help you achieve a competitive advantage in both expenditures and time.

### **Topics**

#### **I. The Company**

PowerChain Solutions is a division of Activo Technologies, Inc., a private company founded in 2002. We manage e-Procurement business software over a secure network for a monthly or annual fee. We offer our customers a business software solution that we believe is among the best solutions available to meet the needs of our enterprise customers. Easy to use and master, PowerChain Solutions is a high-level, secure, real-time e-Procurement system serving companies and organizations worldwide. Our innovative "cost crunching" solutions enable the simple creation of unlimited, self-service, fully customized reverse auctions or RFX's.

#### **II. The Objectives**

PowerChain Solutions computerizes reverse auctions, and RFX's so that e-Procurement costs are reduced for our clients. It enables our clients to bring suppliers together to bid on events, submit quotes, and return requests for information electronically. The end result: much greater productivity and much lower cost outlays for our buyer clients. For suppliers, we offer potentially new sources of business relationships. Paper bidding processes of the past, costing much more time and money, including the printing and time involved for sending of Requests for Information (RFI's), are now fully automated processes with PowerChain Solutions. The Return on Investment (ROI) using PowerChain Solutions will be multifold.

#### **III. The Software and Features**

- a. Ease of use – simple 5-step setup of any reverse auction or request for quote event.
- b. Create unlimited, completely automated Reverse Auctions, Requests for Quotes, and Requests for Information.
- c. Easy set up of multiple future events – with PowerChain Solutions, you may setup your reverse auction or request for quote events to run at pre-determined times, such as weekly, monthly, or any frequency. When a future event is "activated", all permitted suppliers for the event are notified by email. Then,

approximately 24 hours prior to the actual start of the event, automatic email reminders are sent out. In addition, approximately 2 hours prior to the event, a final email reminder is sent to all eligible suppliers.

- d. World-class, completely automated Request for Information (Power-RFI) functionality. Available since release 7.0 of PowerChain Solutions, this sophisticated functionality will immediately benefit your organization as it automates your RFI processes. After filling out some basic information about a supplier (name and email address) and the click of a button, PowerChain Solutions creates and sends out an RFI questionnaire to the designated supplier. The supplier is automatically notified to login (login information is sent to the supplier), asked to complete, and then send back the RFI to the issuer. There are no paper forms for you to set up or send out through regular mail. When the supplier electronically returns the RFI, you are automatically notified. Then login to your account, review the RFI and determine if the answers qualify the supplier to move to your "Qualified" supplier list. In addition, if more information is needed, simply click another button, ask for additional information, and re-send the RFI to the supplier. The improvement in RFI functionality will immediately benefit your e-Auction and RFx events by helping you keep track of qualified or unqualified suppliers. The savings in time alone will add to your ROI. With PowerChain Solutions, Power-RFI productivity will bring you savings instantly.
- e. "PowerCreate" feature – any reverse auction or RFx event can be used as a template for any future event. All fields are pre-filled in for ease of event creation. Then modify any event parameters as necessary. In addition, any uploaded event documents are completely copied from the source event to the "PowerCreate" event. The savings in time and increase in productivity is remarkable. Reduction in employee costs is noticeable. This is a valuable function to use for the set up of multiple events as in (b) above with multiple lots. For example, if you start out with a Request for Quote that contains 250 different lots and your plan is to issue 100 or more similar RFQs over the course of one year, you will use "PowerCreate" at least 100 times, saving you potentially hundreds of hours in setup time. PowerChain Solutions becomes your number one key to e-Procurement savings and productivity. Your substantial ROI starts on day one.
- f. Industry Category Maintenance – with release 7.0 of PowerChain Solutions, you may set up Industry Categories for suppliers. With this categorization, you may find qualified suppliers by industry for potential inclusion in your event(s). This helps take the guesswork out of the decision to include or preclude a supplier in an event.
- g. "Event Report" – at your fingertips for every event is a link to our unique "Event Report". This spreadsheet is available for quick download to your desktop PC. The spreadsheet report lists all of the suppliers for the event, their bids or quotes, and an analysis of the results to help enable you to make informed decisions. PowerChain Solutions "Event Report" automatically displays the mean, average, and low price for each event lot. In addition, the report shows the Previously Paid Price Per Unit, the Targeted Cost Per Unit, the Cost Reduction computed value, and the Cost Avoidance computed value.
- h. File Sharing – upload any documents in any format so that permitted suppliers may view them prior to the start of the event. These could be word documents, spreadsheets, CAD/CAM files, image files, zipped files (containing many

documents) or any other file type as necessary to elaborate on the event requirements.

- i. For e-Reverse Auctions, a real-time Bid Monitor with full-color graphs mapping the bidding. This enables easy tracking of the bids as they come in. In addition, on the bid monitor, you always know which suppliers are logged in but are waiting to place their bids.
- j. “Viewed” and “Intent To Bid” indicator – these indicators show if a supplier has viewed the event’s details and if the supplier intends to place a bid or quote when during the event’s duration.
- f. Transformation Bidding – Efficiency, Quality, Performance applied to supplier ratings to “handicap” supplier bids. This is one of more sophisticated tools for power users.

Example: clients set the ratings of how it values a supplier’s efficiency, quality, and performance. Once these are set, the client will rate each or its suppliers for these qualities. Then, when bidding takes place, the client sees not only the real bid, but also the “transformed bid” based on these attributes. A supplier’s bid is, in effect, handicapped, based on their ratings. Look at this hypothetical reverse auction example:

	Ratings (for 3 attributes) 1.0 = best	Actual Bid	Transformed Bid (based on ratings)
Supplier A	(1.0, 1.1, 1.3)	50 (best)	58
Supplier B	(1.2, 1.4, 1.5)	45	60
Supplier C	(1.0, 1.0, 1.0)	55	55 (best)

Notice that although supplier A has placed the best (lowest) bid, it is supplier C that shows the best (lowest) “transformed” bid. Although this example may be somewhat extreme, it demonstrates that better ratings for a supplier can influence the decision making process. For buyers who use this functionality, it is best for their suppliers to realize that it may not always be the lowest bid that wins.

- g. History of Transactions – look back at the complete history of any event to analyze the bids. The history of your events is always available for comparison purposes.
- h. Ease of Bid Comparison – Actual Bids vs. Transformed Bids during and after the event.
- i. “Decremental Bidding” option – conduct an orderly event by setting a bid decrement amount. Suppliers must bid at a certain declining price set by the buyer.
- j. “Intelli-Rank” bidding option – buyers use this to prevent suppliers from seeing competitors’ bids or the number of suppliers bidding on the event. For example, if a supplier notices that their bid is ranked 3<sup>rd</sup>, the supplier will know that there are at least 3 bidders, but not know how many are waiting to bid. In essence, this supplier may be somewhat more aggressive with their bid when the number and bid amounts of competitors are unknown.
- k. Set lots to bid together or bid separately – lots may be set to bid together or bid on an individual basis. For events that bid separately, it enables our clients to accept bids from different suppliers on different lots. Find out which

suppliers bid more aggressively on specific lots. This is a great way to find the best suppliers (by price) on particular items for future events.

- l. "Supplier Vision" option. By default, suppliers see other suppliers as "competitor". The "Supplier Vision" option allows suppliers to see real competitor company names.
- m. Optional Purchase Transaction Processing – if a bid or quote is accepted, a "purchase transaction" is automatically created. This optional function allows a buyer and supplier to trace the purchase from order to delivery to payment.
- n. Optional "Corporate Branding" option – corporate, organization, or government buyers may have the PowerChain Solutions logo replaced with that of the business, organization, or government entity.

#### IV. The Software and Benefits

- a. "Level playing field" – suppliers play by the same rules. The resulting benefit can be better prices for the buyer and more business for some suppliers who may have been previously unknown to buyers.
- b. Theoretical lower supplier bids with PowerChain Solutions vs. suppliers bidding with other e-Procurement software vendors – suppliers pay no commissions or fees to PowerChain Solutions, leading to the potential of more aggressive pricing when bidding in a PowerChain Solutions reverse auction or RFX event.
- c. Events history (as discussed in features) is available electronically for retrieval and comparisons at any time.

#### V. Data Center & Security

PowerChain Solutions is hosted on secure servers with the following data center and hardware attributes:

Established, Reliable Network:

- a. Two Full OC3c connections through premium bandwidth providers Savvis/Cable & Wireless and Verio
- b. Dual Cisco GSR 12012 Edge Routers along with multiple 7206 VXR routers
- c. BGP4 (Border Gateway Protocol) employed at the network edge for performance and redundant line reliability
- d. Cisco 3550 Catalyst core switches for vlan segmentation and distribution
- e. Hewlett-Packard Procurve rack switches
- e. Network Vlan segmented by customer type and use

Robust Electrical System Including:

- a. Incoming commercial power service routed underground to a dedicated transformer
- b. 300 kVA Powerware 9315 centralized UPS with redundant battery cabinets
- c. Over 2 hours of UPS runtime on battery backup at current load
- d. 313 kVA standby Cummins diesel generator (Automatically activated by transfer switch)
- e. Over 24 hours of runtime on generator before requiring additional fuel at full load
- f. Liebert Precision power distribution unit
- g. UPS full maintenance bypass allows for power upgrades and UPS service without interruption of power to equipment

Security:

- a. Complete network IDS (Intrusion Detection System) monitors data and network

- security transparently through an optical tap
- b. Closed circuit security camera system covering all building and data center entrances along with integrated motion detection systems
- c. Six to eight weeks of security data is retained at all times
- d. Access to facility is restricted to technical staff employees

#### Building Structure and Floor Plan:

- a. Over 11,000 square feet of available data center and office space
- b. Industry-standard hard floors covered by vinyl tile and overhead wiring systems for better cooling capability and more secure cable infrastructure
- c. Built to surpass local area building codes and seismic requirements

#### Climate Control:

- a. Multiple Liebert Precision 22 ton up flow air conditioning units (N+1)
- b. Regulates temperature and humidity precisely for optimal server stability
- c. Air filtration systems remove dust and foreign particulates from circulation
- d. Independent compressors and cooling loops enhance redundancy
- d. Capacity for over 120 Tons of Cooling

### **Conclusion**

PowerChain Solutions brings you state-of-the-art e-Procurement reverse auctions and RFx's at the best value in the industry. Suppliers pay no fees or commissions so the savings is passed on to the buyers. There is no software or equipment for our clients to install or maintain. PowerChain Solutions customer service is highly responsive and available 24 hours a day, 365 days per year.

Functional enhancements to the software are a top priority. PowerChain Solutions goal is to remain the best value in e-Auction and e-RFx Procurement for both the private and public sectors.