



Electronic Tendering – An Overview

In today's economic environment, organizations of all types and sizes that were once merely encouraged to improve procurement processes and reduce costs have now been mandated to do this. Procurement and tendering are at the forefront for every organization that is looking to improve efficiency, which can be a difficult challenge with various levels of management focusing on solving their own business problems. Procurement departments are often required to make this happen with fewer resources available to them.

In recent years, public and private sector organizations have come under intense scrutiny to improve their procurement practices. Inconsistent procurement policies have resulted in the cancellation of projects, cost overruns and delays, staff dissatisfaction and litigation. Increasingly, stakeholders, shareholders and the general public are demanding that organizations take greater accountability for their actions.

Tendering in Today's Environment

The traditional tendering practices used today are largely manual and involve managing paper or using email to send and receive documents, addenda, communications, bid submissions and award notices. Manual (i.e. paper-based) tendering highlights the following areas of concern for procurement organizations.

- Dealing with paper bids often puts suppliers who are out of a particular geographic area at a disadvantage if they need to pick up a bid package or deliver a submission in a specified location.
- Tracking addenda, plans and drawings can consume scarce human resources and be expensive to manage.
- There are often difficulties in resolving disputes due to the lack of an effective paper trail and audit history.

Managing the tendering process this way is not only a time consuming and cumbersome task, but due to the considerable resources required to properly track and provide audit trails; stakeholders are often left with inaccurate or outdated information.

Procurement departments are also under pressure to find the most qualified vendors who offer the most competitive prices. Often a tender is released with only few bid responses in return. With few bids to evaluate, value for money is often sacrificed. Re-tendering a project not only increases costs and creates delays but puts a strain on already stretched

resources. In addition to the external processes that must be managed, there are also many levels of internal approval to be completed before a tender can be issued. This often adds further delays and additional costs. Other costs associated with traditional paper-based tendering include distribution, administration and clerical work.

With all of the issues surrounding traditional paper-based tendering, organizations have increasingly begun to turn to electronic tendering to manage their tendering process.

Electronic Tendering

Electronic tendering is an online process that manages the tendering cycle from the advertisement of the notice straight through to the issuing of an award. It provides a centralized process to help organizations improve efficiencies and accountability while reducing traditional tendering costs.

Electronic tendering has grown in popularity in recent years. Some of the recent developments include:

- Support for specific commodity procurement
- Virtual plans rooms to facilitate construction procurement
- Increased integration with current procurement processes
- Electronic bid submission
- Support for “By invitation” tendering
- Increasing acceptance by the supplier community of electronic tendering practices

International Acceptance – A Case Study

Electronic tendering has grown significantly in the international community. Public jurisdictions and private organizations throughout the world have improved the efficiency and transparency of their procurement processes through the use of electronic tendering. Various world bodies including the WTO, UN, NAFTA and IMF recognize the value of e-tendering and are working to develop guidelines to assist others in its implementation.

The government of the Philippines implemented electronic tendering in 2000. Like many other public sector organizations, their procurement departments had a limited familiarity with the new technology along with inconsistent internal tendering processes, and were therefore quite reluctant to adopt new processes and technology. The Philippines government however recognized the benefits they would receive from electronic tendering and decided to run a pilot. During their six year pilot of electronic tendering (from 2000 through to 2006), they focused on the value of providing the basic tendering functions including search and notification features for suppliers and the distribution of tender documents through electronic means only. The goal for this pilot project was to become more open, transparent and competitive as well as provide internal tracking and audit reporting on their tendering processes.

While there was an initial reluctance of buyers within the Philippines government to adopt and use the new electronic tendering technology, buyers slowly began to embrace it. By 2006 there were over 12,000 buyers using the system, publishing more than 13,000 notices every month. As the number of tenders being posted grew, so did their supplier base. By the end of the pilot, close to 30,000 suppliers were responding to bids listed on the Philippines government's electronic tendering site.

After the six year pilot program, the government of the Philippines discovered they had realized significant savings as a result of implementing electronic tendering. The savings on commodities and services ranged from 11% to 53%.

Savings	Commodities & Services
53 %	Various drugs/medicines
43 %	Equipment for electrification projects
42 %	Printing of letterhead
33 %	IT equipment & supply & construction material
25 %	Supplies/materials and services
19 %	Construction suppliers, IT equipment
17 %	Electrical/mechanical supplies
15 %	Various office supplies, equipment and materials
11 %	Vehicle & supplies/materials

Based on the promising results, the electronic tendering program was instituted as policy and continues to be successful today.

E-Tendering – Tools & Techniques

There are many different tools and techniques available using electronic tendering. The leading electronic tendering sites include basic features to process and distribute tender notices and supporting documentation. These features include:

- Notice creation functions for buyers including the attachment of associated documents
- Search and alert functions for suppliers to locate opportunities
- Ordering function to obtain the documents and amendments
- Audit and tracking functions to support monitoring and follow up

The basic functions of electronic tendering make the tendering process easier for both buyers and suppliers. Suppliers can easily locate the tenders of interest and receive instant access to all documents and amendments necessary for the preparation of a bid proposal. Buyers simply post notices and all associated documents online and can rely on the system to inform suppliers and ensure they have a full bid set with all associated documents and addenda. All information is tracked and a full audit trail is provided, which is essential to solving disputes.

Electronic Tendering sites can include additional advanced functionality to further benefit both the buyer and supplier communities. These include:

- “By invitation” Tendering
- Electronic Bid Submission
- Virtual Plans Rooms
- Awards Notification
- Bid Receiving Application
- Management Reporting

“By invitation” Tendering

“By invitation” Tendering is typically a multi-stage bidding process in which potential suppliers expressing an interest in bidding are always evaluated first. A list of qualified suppliers is then drawn up from the evaluation stage for the sole purpose of inviting bids. This is also often referred to as Dynamic Purchasing, Select Tendering, Pre-registered Tendering and Qualified Tendering. “By invitation” tendering can be used to support the creation and use of Master Vendor lists, Vendor of Record lists, Standing Offers and Supplier Arrangements.

The qualified tendering process involves an initial opportunity notice being made available/open to the public. Tender notices and supporting documentation provide all qualification details and suppliers can submit proposals to join any time during the open period. A notification of admittance or rejection is sent out to all suppliers who submitted a bid for the first stage. The secondary call up notice is then published with specific requirements and only qualified suppliers are invited to respond. Proposals are then evaluated on published award criteria.

Advantages of “by invitation” tendering:

- Receipt of better proposals from qualified suppliers
- Optional use of forms greatly speeds up the evaluation of bids
- No requirement to evaluate proposals from non-qualified vendors
- Less risk of non-compliant proposals

Issues to be considered in the “by invitation” tendering process include:

- Time required to identify the qualified suppliers
- Keeping the suppliers information up-to-date

Using qualified tendering in conjunction with electronic tendering ensures suppliers get all documents and amendments in a timely manner. A full audit trail on documents ordered provides quick insight to potential non-compliant proposals.

Electronic Bid Submission

Electronic Bid Submission (also known as Electronic Bid Response or EBS) is the electronic transfer of proposal bid data between a potential supplier and the contracting authority. The electronic bid submission system includes safeguards to ensure the security and authenticity of the material being transferred. Legislation in Canada and the United States supports that electronic submissions have the same binding effect as traditional paper bids.

Electronic bid submission is a very secure process. A tender is prepared and then posted; an authorized buyer is given secure access for document retrieval. The deadline and procedures for EBS are clearly identified for both buyers and suppliers. Prospective bidders register, are authenticated and are then given a secure access key with which to submit their bids. Proposals and associated response documents are submitted through an electronic bid submission system which logs a receipt and sends the supplier confirmation. Updates to the submissions can be made up to the time of closing. All submitted documents are stored in a secure fashion with a high level of security and bids may only be opened by the authorized buyer *after* the closing date and time have passed. A full electronic audit trail on all activity is maintained.

There are many advantages to electronic bid submission:

- Lower preparation costs for suppliers and greater consistency in submissions
- Shorter turnaround time
- Easier for buyers to evaluate those suppliers who intend to bid
- Virtual elimination of errors due to strict process
- Ability to automatically eliminate noncompliant bids
- Provides fairness to all regardless of the geographical location of a supplier
- Improved audit trails

Electronic bid submission issues to be considered include:

- Computer/network malfunctions can impact bid submission
- Need for computer literacy and/or training for supplier community

There are some implementation points to consider when creating a supplier authentication process for electronic bid submission. An electronic signature technique (not a signature) will be needed; this would be the legal equivalent of a signature and must be digitized requiring a special password. It is also important to support proposal updates prior to bid closing dates and secure storage of all submitted files will also be needed.

With electronic bid submission, suppliers have the flexibility to modify and withdraw bids once they have been submitted, as long as the date and time of closing have not passed. Buyers on the other hand do not need to man a bid receipt station to timestamp bids as they come in. Electronic bid submission is being embraced globally as the most efficient and effective way for suppliers to submit bids and for buying organizations to process the receipt of bids.

Virtual Plans Room

Specific to the construction industry, the Virtual or Electronic Plans Room functionality allows for the electronic distribution of plans and specifications.

Suppliers save time by accessing all of the information online and are able to view the electronic plans as soon as they are issued. Suppliers may also view pertinent information without ordering the complete set of plans. A major benefit to virtual plans rooms is that buyers no longer need to be concerned with amendment and distribution issues which can be cumbersome and time consuming. Plan takers and amendments are tracked to reduce the risk of noncompliant bids due to missing information.

Key features of virtual plans rooms include:

- Ability to track distribution of electronic plans and specs
- Capability to identify and download drawings
- Support for hierarchy of drawings
- Preview/order concept for better buyer tracking
- Support for ordering paper copies

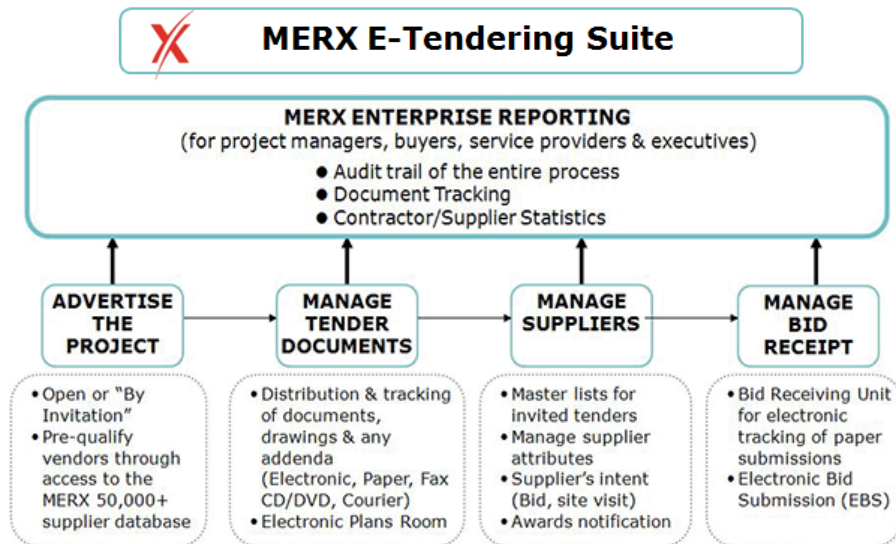
Challenges with virtual plans rooms include:

- Varied bandwidth availability

Some other observations of virtual plans rooms have been noted. The adoption within the industry is quickly growing; however sub-trades are slower to embrace the use of electronic distribution. There may also be local industry considerations that need to be taken into account when implementing the virtual plans room.

The MERX Electronic Tendering Suite

The MERX Electronic Tendering Suite is a complement to all procurement processes. It provides not only the basic functions of electronic tendering but also the more sophisticated functions available in the world of electronic tendering. All of the aforementioned features in this document, both basic and advanced are available in the MERX Electronic Tendering Suite.



Advertise the project

Tender projects can be posted as 'Open' and available to the general public or alternatively a 'By Invitation' posting can be issued which will go out to a specified list of qualified vendors. Vendors may also be pre-qualified through access to MERX's large database of suppliers and contractors.

Manage Tender Documents

Distribution of documents, drawings and addenda are available to suppliers in a format of their choice. They can choose to electronically download the documents, or receive them by email, fax, or courier. Suppliers can also choose to receive all documents on a CD or DVD. The tracking of takers of documents, drawings and addenda is an important function that allows buyers to easily track who has not received a complete bid set and quickly determine those which one's will likely be non-compliant. A Virtual Plans Room is also available for all plans and specifications to allow sub-trades to view and order only those drawings that pertain to them.

Manage Suppliers

Managing supplier lists can be a time consuming and cumbersome task. With the Master List function available in the MERX Electronic Tendering Suite, buyers can easily manage and keep their supplier lists up-to-date. Buyers can also manage their suppliers' intent with regard to a particular bid. (*Will they attend the site visit? Do they intend to bid?*) This can greatly assist buyers in planning for site visits or gauging interest on how many suppliers will actually submit bids for a particular project. Buyers are also able to manage the awards notification through the use of the MERX. Awards notification can be posted to the general public or sent to only those suppliers who submitted bids for the posted tender.

Manage Bid Receipt

MERX can help buyers manage both paper and electronic submissions. With the Bid Receiving Unit, buyers can electronically track all paper submissions and provide reports on submissions as needed. Alternatively, Electronic Bid Submission may be used to receive electronic proposals providing more detailed reports and audit trails for resolving disputes.

Reporting

An important feature available with the MERX Electronic Tendering Suite is the reporting capabilities. The available reports provide insight to all levels of management within the buying organization which helps to increase transparency and visibility both internally and externally. There are reports designed for Buyers, Project Managers, Management and for Executive Management.

Reports available to Project Managers and Buyers include:

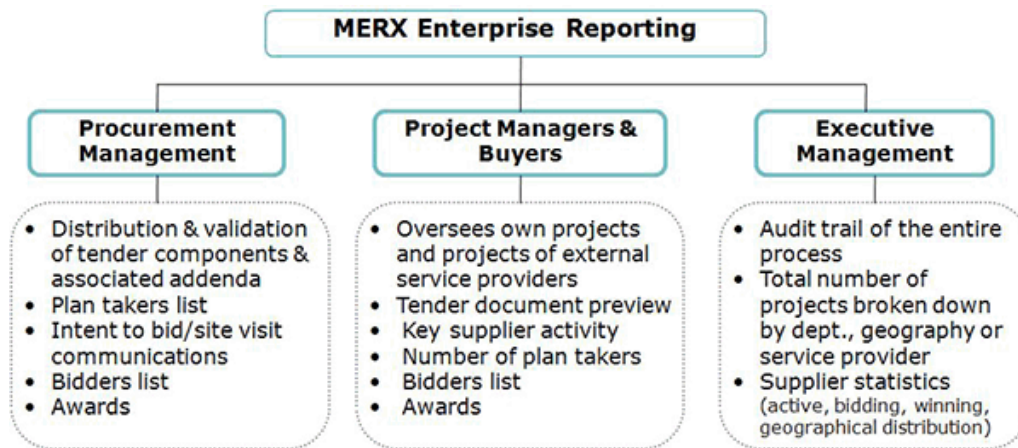
- Reports on self-posted projects and those of external service providers
- Key supplier activities
- Number of document takers for a given opportunity
- A Bidders list
- Reporting on awards issued

Reports available to Management:

- Distribution and validation of tender components and associated addenda by opportunity and by buyer
- Plan takers list
- Intent to bid and site visit communications available by tender issued
- Bidders list by tender
- Reporting on awards issued

Reports available to Executive Management:

- Audit trail of the entire tendering process
- Total number of projects broken down by department, geography or service provider
- Supplier statistics including active, bidding, winning and geographical distribution



Electronic Tendering Overview

Procurement departments are under pressure to reduce costs while maintaining timeliness and quality. Inconsistent procurement policies can result in the cancellation of projects, cost overruns and delays, staff dissatisfaction and litigation. Procurement policies must reflect the needs of the organization in question. After policies have been established, selecting the right electronic tendering tools and techniques through careful analysis can help you meet your procurement challenges.

For more information on electronic tendering or for a consultation on how your current tendering process can be integrated with the MERX Electronic Tendering Suite please contact MERX at 1-888-738-3005 or priv@merx.com.