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### Customer Profile

**Welsh Health Supplies (WHS)**  
Cardiff, Wales  
<http://www.whs.wales.nhs.uk/>

**Industry:**  
Healthcare

**Annual Revenue:**  
101 Million to 500 Million

### Oracle Products & Services

- Oracle Financials
- Procurement

### Key Benefits

- Lowered purchase price for auctioned goods by 10%
- Achieved projected savings of £600,000 (US\$1 million) over three years
- Gained support for future auction events

### Auction Provides New Path to Savings

In healthcare, cost is important--but not at the expense of quality. Welsh Health Supplies (WHS), which negotiates contracts on behalf of the National Health Service (NHS) in Wales, discovered an innovative way to save without compromising quality: by auctioning online the contract for the supply of blood-collection bottles. The July 2003 e-auction, the first for medical products conducted within the NHS in England and Wales, proved the point: WHS saved £600,000 (US\$1 million) over three years. The event was managed by Oracle Partner UKprocure Ltd, using Oracle exchange technology.

By venturing into the world of online auctions, WHS follows in the footsteps of the private sector, where the approach has gained popularity as an efficient way to lower costs. "We were very keen to prove that the concept of an auction works and to have the experience of trying it out," said Mark Roscrow, director of Welsh Health Supplies.

Although WHS does not expect auctions to replace traditional tender processes, it does believe they are a useful alternative in specific circumstances. Indeed, WHS used a traditional tender process for initial bids, then used the auction as a post-tender negotiating tool. "When it comes to finding suppliers and negotiating prices and terms--especially in our field of healthcare--the quality of the products and services is paramount," Roscrow said. "So it was vital that we applied the auction to a product in which the quality was assured. With quality assured, the main driver was price, so there was a competitive edge we could benefit from."

The choice of blood-collection bottles as the first auction undertaken by Welsh Health Supplies followed careful consideration. Whilst there was a lack of significant numbers of competitors, it was nevertheless an extremely competitive market: the

existing supplier, who had won the business from its major competitor in 2001, was very keen to secure the new contract, whilst the company that dominated the market was clearly very keen to win back the business. Both suppliers were positioned to provide the required quality in terms of product and delivery--making the key issue price.

With the right circumstances in place, WHS took a money-saving leap into online auctions.

### **High-Level Project Goals**

- Prove the usefulness of an auction as an alternative tool for securing attractive supplier contracts
- Reduce the price of a particular product without reducing the quality of product or delivery

### **Why Oracle?**

Since 1999 Oracle E-Business Suite has been the main platform of operation throughout the NHS's Bro Morgannwg Trust, of which WHS is a part, and for the All Wales Project, a consortium of 12 NHS trusts in Wales. "The All Wales Project collaborated on the procurement of a standard system and chose to go with Oracle," Roscrow explained. "We implemented Oracle as a single-instance multi-organizational structure, which means we work collectively as a consortium and have a standardized approach--for example, a standard chart of accounts. We collectively chose an Oracle system because it is at the leading edge of procurement and financial systems in the world. We wanted to get the benefit of that into all our business processes across the NHS in Wales."

Due to its ongoing experience with Oracle, the WHS management team took confidence in knowing that the auction tool used by UKprocure is based on the Oracle exchange platform. The common technology base makes it possible to automatically export the result of the Oracle-based auction into WHS's online catalog, making the savings immediately available to the other trusts. "We see this as a definite development for the future," Roscrow said.

### **Why UKprocure?**

UKprocure offers a fully managed online auctioning event--including consultancy, support, and hardware--as a standalone product or as part of its core offering of an exchange that subscriber

suppliers load their generic catalogs onto then tailor to individual buyers. The exchange runs on Oracle technology.

Once WHS decided to hold an auction for blood-collection bottles, it needed someone to run the event. WHS looked at a number of companies, including Accenture. WHS chose UKprocure, citing several reasons: "We were happy with the Oracle-based technology UKprocure was offering," Roscrow explained. "We also wanted someone to project-manage the auction, and UKprocure excelled in that regard. UKprocure provided us and our prospective suppliers with training and helped us secure buy-in from all the parties concerned. We knew the auction wouldn't work unless the suppliers were prepared to play ball, and we wanted them to feel comfortable with the process and the people running it. Thanks to UKprocure, we achieved this."

### **Early Planning Paves the Way to Success**

The high level of planning was crucial to the success of the auction, Roscrow said. "We probably spent about three to four months securing buy-in, not only within our own organization but with supplier organizations and the NHS in Wales. Everybody needed to be clear about how the auction works and what its purpose is."

WHS signaled its intention to run the auction at the start of the tendering process, then set the rules in advance. The rules included what decrements the bids should be reduced by and where the initial bid must be pitched. In this case, the decrements were agreed at £3,000 and the opening bid was set at the amount each supplier bid as part of its initial, conventional tender.

As part of its preparation work, WHS did some price benchmarking to ascertain where the market might go and help with post-auction analysis of how much a price might be attributable to the auction and how far it might have moved using the conventional process.

Working with UKprocure, WHS allayed suppliers' concerns about the untraditional approach.

### **Increased Competitiveness Yields Price 10% Below Expectations**

To participate in the auction, all the bidders needed was an internet connection. UKprocure set

up the auction as a standalone managed event. Bidders logged onto the exchange to make their bids and were permanently logged out when the auction was finished.

The WHS auction was set to run for an hour, with an auto-extend period of 10 minutes if a bid came in within the last 10 minutes of the timeframe. During the live event, bidding became so competitive that the auction actually ran for two hours and 40 minutes. At every stage, each bidder was aware of the value of the latest bid, although not who had placed it, while WHS had the full details visible on its own monitor.

The auction resulted in a significantly lower price than WHS had expected, bringing a saving of £600,000 from the tender price over three years. "The price of blood-collection bottles had not moved for two years so we would not have been surprised had we seen some increases," Roscrow said. "Our research in the market suggested that we might expect a possible reduction of a few percent given the highly competitive nature of the market. But in the event, the price came in 10% lower than we anticipated."

Roscrow is clear that although auctions do not lend themselves to every situation, they have a part to play in the procurement process as a tool to focus bidders' minds and concentrate attention on the price of the particular products being auctioned.

The winning supplier was delighted with the outcome. "It was a very strategic win, even though the supplier dropped the price lower than it planned to," Roscrow said. "After the auction the relevant participants from WHS, the supplier companies, and the NHS in Wales all said they were comfortable with the process and had learned a great deal to carry forward into future auction events. Everyone said they would do it again. The Oracle technology and the process itself as managed by UKprocure impressed everyone involved. For us, it represented a great cost-saving and a positive experience."