Executive Breakfast

Your Business Multiplier : e-Auction & Sourcing

23 October 2002, Singapore

Background

Abecha is a subsidiary of

jtc Corporation

with a mandate to provide value-add e-business synergies to JTC's tenant community of 7,000 industrial businesses and beyond.

AGENDA

- Current Situation
- The Road Ahead
- Why Sourcing & e-Auction?
- Case Studies



Current Construction e-Enabling

Public/ Private Construction Initiatives

- e-Tendering
- e-Catalogue
- e-Procurement
- e-Project Management
- e-Archive/ Knowledge Management



Critical Hurdles in Current Approach

- Overall Costs of Adoption
- Level of IT Literacy
- Determination of Top Management
- Conversion of Business Partners



Fallacies of Process Oriented Approach

Challenges faced by Construction Industry

- **Shrinking Industry**

  Q2 Economic Survey of Singapore 2002

  - Economy ⬆ 3.9%, the first expansion (year-on-year) in 5 quarters
  - Q2 Construction sector ⬇ 10% after declining by 9% in Q1
  - Overall certified payments ⬇ 21%
  - Value of contracts awarded ⬇ 33%

Challenges faced by Construction Industry

- **Rising Costs (Cont'd)**
  - **↑ Procurement Costs**
    a. ↑ Affluent Requirements, thus ↑ Sourcing Costs
    b. ↑ Material Costs



Challenges faced by Construction Industry

- **Rising Costs**
  - **↑ Labour Costs**
    - Unit Labour Cost (ULC) Index of Overall Economy ↓ 3.5%, the first decrease in 6 quarters
    - Since Q4 2000, ULC Index ↑ 6.6% for the past 6 quarters



Challenges faced by Construction Industry

- **Rising Costs (Cont'd)**
  - **↑ Tendering Costs**
    a. ↑ Cost of technology adoption
       - Online submission & tendering procedures, both private & public construction portals

    b. ↑ Tendering participation & transaction fees
       - High fees charged from private construction portals



The Road Ahead

VALUE-driven vs Process-driven

- **Immediate ROI**
- **Minimal Upfront IT Investment**
- **Minimal Requirement On IT Literacy**
- **Non-Platform Specific**
- **Quick To Deploy**
- **Pay Only When Value Is Realized**



The Road Ahead

The Value-Focused Emphasis

- **Sourcing**

Extensive search and pre-qualification of alternative contractors/suppliers conforming to specifications outside current pool of participants

- **e-Auction**

The use of online bidding by contractors to determine the price and quality for provision of services or products

Why *SOURCING?*

- **Increased Cost Effectiveness**
- **Competition**

"... My current suppliers had worked with me over the past years..."

Has The Market Been Stagnant Over The Past Years?



Why *SOURCING?*

Critical Success Factors

- Network Base
- Domain Expertise



Promoting *SOURCING* as a Procurement Practice

Building and Construction Authority

CIDB MALAYSIA

PSB Corporation

SPRING singapore

Why *e-AUCTION?*

- One-off Negotiation Process
- Drive Down Costs Upfront While Ensuring Transparency
- True Market Price Discovery

"...After numerous rounds of negotiation, my supplier had given me his best price..."

When have we truly given our BEST price?

True Market Price

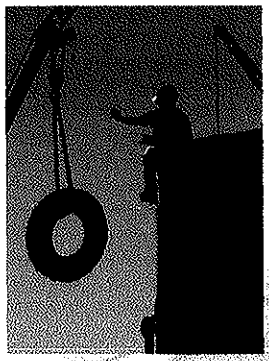
- Quality of Specifications
- Level of Excess Stock
- Desire of New Portfolio
- Need of Project
- Relationship with Client
- Economic Climate
- Competition



True Market Price can only surface through transparent bidding

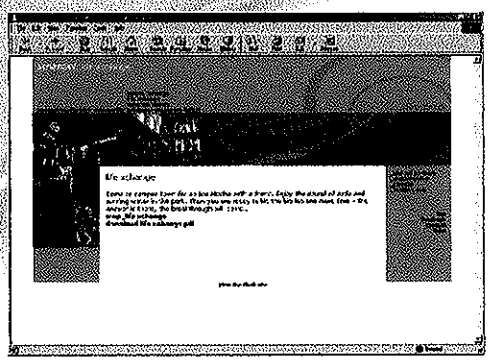
Critical Success Factors

- **Professionally Structured Event**
  - Auction Strategy
  - Legal Framework
  - Training of Bidders
  - Tele-Bidding/ Booth Setup
  - Robustness of e-Auction Engine
  - Customisation & Branding



- **Domain Expertise in e-Auction & Construction**

B2B Sourcing for BioPolis Project



BioPolis – BioMedical and Life Sciences mega hub

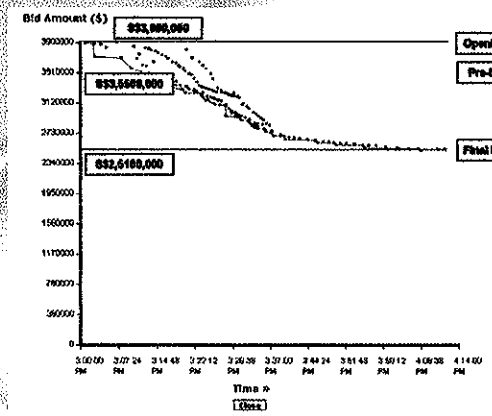
Site Abstract

BioPolis – a 1.8 million sq ft facility will house the full spectrum of Biomedical Sciences R&D activities

Project Responsibilities

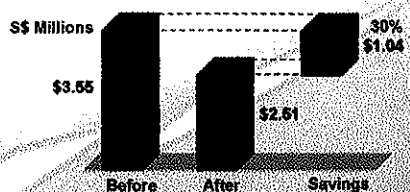
- e-Sourcing agent for building materials and services
- Estimated project value of S$15 million
- **Estimated cost savings of 10 – 30%** ($1.5million - $4.5 million)

Results - Biopolis

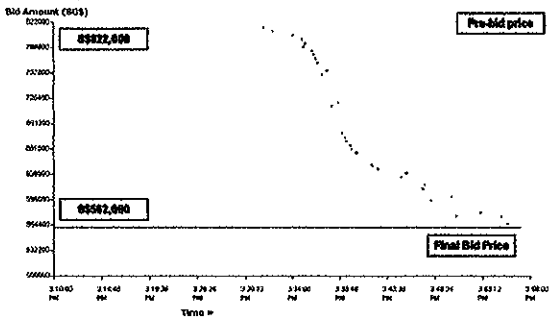


Event Summary

The Event:	Supply and Installation of Doors and Ironmongeries
Pre-bid Cost:	$3.55 Million
Total bids:	161
Buyer:	Government
Suppliers Sourced:	40 suppliers
Suppliers Participated:	5 suppliers

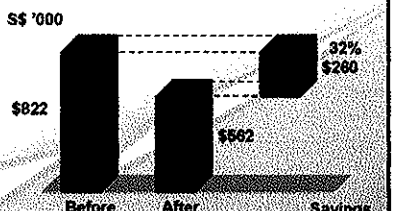


Results - Biopolis



Event Summary

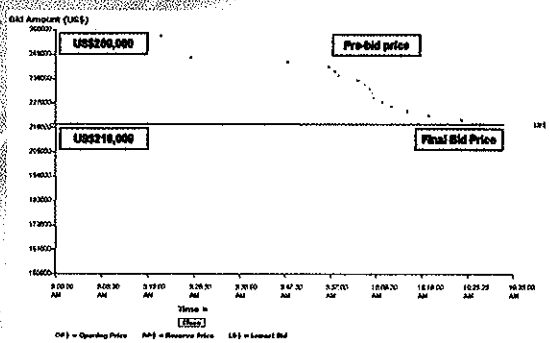
The Event:	Supply of Sanitary Wares and Fittings
Pre-bid Cost:	$822,000
Total bids:	33
Buyer:	Government
Suppliers Sourced:	12 suppliers
Suppliers Participated:	4 suppliers

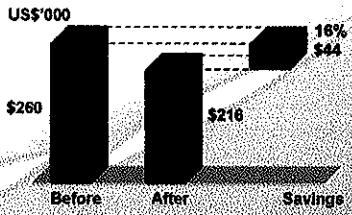


Results – SRC

Event Summary

The Event:	Supply of Furnace Tubes
Pre-bid Cost:	US$260,000
Total bids:	17
Buyer:	SRC
Suppliers Sourced:	7 suppliers
Suppliers Participated:	4 suppliers





Conclusion

Construction e-Enabling

Value-Focused Era