



Major Insurance Company Ensures 21st Century Procurement Practices

Success Highlights:

- Entire RFP and sourcing project completed in half of the time as the previous manual process.
- Automated WebAuction™ expedited the evaluations and comparisons of the responses, revealing the clear leaders for price, SLA's and T&C's.
- As a result of the very positive pricing and terms obtained, the company will be upgrading to state of the art MPLS technology for its data network.

Customer profile

Providing insurance and investment products as well as advisory services to more than 3 million policy owners and clients requires an extensive communications environment. This major US insurance and financial services company had implemented a network consisting of frame relay connections, Asynchronous Transfer Mode (ATM) with DSL backup to 200 sites, internet connections as well as traditional toll free and long distance calling to serve its clients and employees.

Business Challenges

The Enterprise Networking and Voice teams at the company were faced with a time bound challenge. All of their current communications contracts were scheduled to lapse in early 2007. Per a corporate mandate, they had to re-evaluate all contracts with the company's major inter-exchange vendors every three years by going through an RFP (Request for Price) process. And, given the cost of its existing voice and data contracts, the company needed to have new contracts ready for approval at its Board of Trustees meeting in November 2006.

The team agreed that the previous way they had approached doing an RFP was not an easy process. The RFP process generated six – four inch thick binders of information. There was no correlation in the responses they received, except for a rough numbering scheme of the various RFP questions. All of the responses were in different forms and formats which made evaluating and comparing results an arduous and manual process. Once the team decided on the vendors, the contract negotiation process continued to be difficult because of the ongoing "lawyer tag" to finalize the Terms and Conditions (T&C) and (Service Level Agreements) SLA's.

The Solution – Avotus eProcurement

Hoping to gain some efficiencies in the RFP and vendor sourcing process, the team investigated online web auction vendors. During this evaluation process, they determined that Avotus eProcurement and its patent-pending WebAuction™ was the clear leader for sourcing communications services. The decision was helped by the fact that Avotus Corporation had been a vendor partner of the company since 1998 providing traditional telecom management products to monitor communications usage.

Some of the specific reasons that this customer chose the Avotus eProcurement solution included:

- Online RFP process – to eliminate the lengthy and cumbersome paper-based process
- Standard RFP questions and responses – to enable direct comparison of vendors' responses
- Best in class database of communication prices and terms – to obtain the most recent market information
- Avotus team of communications and online auctions professionals

The Enterprise Networking and Voice team also decided that by utilizing Avotus eProcurement, all of the vendors would have an equal opportunity to offer their best rates and terms during the online reverse auction process.

The Avotus eProcurement Experience

The members of the Enterprise Networking and Voice team worked with Avotus to develop and refine the questions that would be presented to the selected vendors during the online RFP process and auction. A set of 604 questions were developed which would allow the vendors to respond to



specific issues that concerned the customer. The questions were then assigned weights to provide the bidders with critical information about the importance of particular terms and conditions. A total set of 421 bid items were developed for voice, data, audio conferencing and calling card services. According to the Voice Technology Manager on this project, “we found that Avotus was a strong advocate for us, and we had a true partner in the RFP development process.”

Once all of the preparation work was completed, the WebAuction commenced on July 6 and included 13 carriers invited by the customer to participate. The WebAuction ran for 11 business days until July 20, 2006. During the auction, the Enterprise Networking and Voice team observed the vendors lowering their bids in an attempt to win a better share of the business. During this time, the vendors also competed against each other to continually offer better terms and SLA's.

While the WebAuction itself is totally automated, there is also a human side to the process. An Avotus “Web Auctioneer” works with customer and the vendors throughout the process. One of the major functions of the Web Auctioneer is to encourage the vendors to maximize the bidder participation.

At completion of the auction period, the results including possible award scenarios were delivered to customer by the Avotus eProcurement auction team. Avotus then assisted the customer as they analyzed the results and “sliced and diced” the information to do direct comparisons between the vendors’ offers. The customer could easily see the rankings to determine best of breed for specific categories and the responses to particular questions.

Surprising Discovery

Initially this major insurance company was interested in just replacing its current ATM/Frasi network with an MPLS solution in a like-for-like configuration. After analyzing the MPLS pricing, which was very favourable, the customer abandoned its initial plans and decided to go to an Enhanced MPLS-based network plan.

Results

The customer’s Enterprise Networking and Voice team completed their entire RFP and sourcing project in half of the time than their previous manual process. In addition to the entire process being done more quickly, using the automation expedited the evaluations and comparisons of the responses. Per the Voice Technology Manager, “using the results of the auction, it was easy to determine the clear leaders for price, SLA's and T&C's.”

The customer met its schedule and delivered the contracts ready to sign to its Board of Trustees in time for the November board meeting.

Additionally, as a result of the very positive pricing and terms they obtained during the auction, the company will be moving to state of the art MPLS technology for its data network.



Total Control from Procurement to Payment™

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