



Online Auctions

Case Study: Epsilon Products Company

COST REDUCTION AND NEW GLOBAL SOURCES FOR KEY POLYPROPYLENE ADDITIVE

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— MARK NIKOLICH
VICE PRESIDENT OF BUSINESS MANAGEMENT
EPSILON PRODUCTS COMPANY

Case Study

THE BUSINESS CHALLENGE

Epsilon Products Company, a leading polypropylene producer, identified a key buy for an antioxidant used for thermal stabilization. Although Epsilon only had two qualified suppliers for this particular product, this new buy would involve producers and products from around the world. Epsilon's primary goals were to find new supply sources and to reduce their cost by 5 percent compared to the best price available to them at the time.

THE SOLUTION: ONLINE AUCTIONS

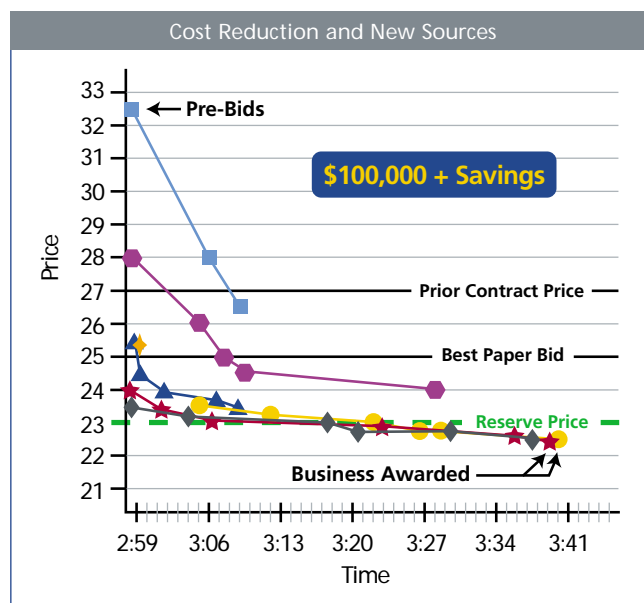
Epsilon contacted ChemConnect about holding a procurement workshop. During the workshop, this buy was identified as ideal for an online auction by a specialty polymer additives expert. "The workshop sold us on the concept of holding an online reverse auction," says Mark Nikolich, Epsilon's Vice President of Business Management. "We really learned from the experience of having the ChemConnect team use its qualitative and quantitative scoring process to identify this buying opportunity, as well as others."

What followed was a six-step procurement process involving Scope Development, Rapid Value Assessment, Event Development, Event Preparation, Execution, and finally, Assessment and Awarding the buy.

The ChemConnect team looked at details such as quantities, expected prices, and possible limitations, and then completed a Rapid Value Assessment, providing assurance that the market timing was right and bidder interest would be high. This was followed by extensive global producer research and discussions with potential suppliers to confirm that product and package specifications could be met, and that the proposed online auction would produce competitive bidding dynamics. ChemConnect also conducted comprehensive training for potential suppliers in how to use the online bidding tools to their best advantage.

The reverse auction generated offers from seven potential suppliers from around the world. Ultimately, Epsilon saved 12 percent on the buy compared to the best paper bid previously collected offline.

"We were extremely pleased with the entire process," says Nikolich. "The ChemConnect team designed and delivered an auction that created intense bidding dynamics and resulted in savings greater than we expected. Plus, we identified two new suppliers that met our high quality standards." Epsilon also felt that ChemConnect's thorough six-step procurement process increased the company's confidence that the reverse auction would be a success.



THE BENEFITS: NEW SUPPLIERS, BIG SAVINGS

- Results that exceeded expectations, with multiple offers submitted for consideration
- Two new qualified suppliers identified and awarded the business
- Significant savings of over \$100,000, or 12 percent — more than twice Epsilon's original savings target

To see real examples of how other companies are lowering product costs and cutting negotiating times in half, visit our web site at www.chemconnect.com or call:

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