



Sold on reverse auctions

Ex-Kodak duo turns quick profit with online bidding

By Ben Rand
Staff writer

(March 15, 2004) — Jamie Orzell was tired of it. Tired of reading about companies in his home region laying off employees, tired of hearing about good local businesses struggling with financial difficulties almost beyond their control.

Fortunately, he had the blend of ambition, courage, expertise and money to do something about it.

The 37-year-old executive quit his job at Eastman Kodak Co. two years ago to start a firm that tries to help businesses save money and streamline parts of their operations.

The firm, Advanced Purchasing Technology, LLC. of Pittsford, sets up online "reverse" auctions for organizations looking to purchase large quantities of products and services — anything from road salt and chemicals to office supplies.

In a reverse auction, suppliers compete to win business by offering to sell their product or service to the acquiring company at a progressively lower price.

Done well, reverse auctions can save millions of dollars. Late last year, for example, Birds Eye Foods Inc. of Penfield held an online auction — with Advanced Purchasing's help — for labels that go on cans of vegetables and related products. The company, facing a 3 percent increase from its incumbent supplier, ended up paying 12 percent less.

Like many entrepreneurs, Orzell admits he always wanted to start his own business. In this case, however, his motivations ran deeper.

As a corporate purchasing manager at Kodak, Orzell saw up close that global competition was demanding products and services that are constantly faster, better and cheaper.

He figured that by helping local firms save on corporate purchases, he could free up money for companies to invest in research, new equipment or new technologies.



JAMIE GERMANO STAFF PHOTOGRAPHER

From left, Jerry Lighthouse and Jamie Orzell of Advanced Purchasing Technologies visit the headquarters of one of their clients, Birds Eye Foods. Advanced Purchasing, formed two years ago by the former Kodak executives, helps businesses save money and streamline operations through online "reverse" auctions, where suppliers offer to sell large quantities of their products or services to acquiring companies at progressively lower prices. [Day in Photos]

"I saw an opportunity to help mid-sized companies become more competitive," said Orzell, who spent a decade with Electronic Data Systems before joining Kodak.

To build his company, Orzell recruited a fellow Kodak purchasing manager, Jerry Lighthouse, who was preparing to retire after 34 years.

Lighthouse says he had planned to "ease into" retirement by working three-quarters of the time or less. But "it's not working out that way," says Lighthouse, 57.

The two men have built a business whose reputation is steadily growing. Besides Birds Eye, Advanced Purchasing has been involved in planning online auctions for the University of Rochester, Rochester Institute of Technology, the University of Pennsylvania and other organizations. Their company recently was hired to handle all online bidding for the state of Massachusetts, an arrangement that may grow to include Vermont, New Hampshire and other states.

Some of the online auctions are sizable, such as a \$75 million long-term contract for office supplies for 12 colleges and two hospitals in Pennsylvania and a \$28 million bid for rock salt for Massachusetts. But Advanced Purchasing will handle contracts as low as \$60,000, Orzell said. In total, the two men have helped run more than 175 online auctions worth more than \$300 million in products and services.

Orzell and Lighthouse didn't come to reverse auctions cold. The two were involved in setting up an online bidding process at Kodak before they left.

Orzell admits that, in the beginning, he was skeptical about using the Internet in corporate purchasing.

"I didn't want to do it," he remembers when he was first assigned to set up Kodak's bidding system. "But it's probably been the best thing that could happen to me. I just didn't think online bidding was as strategic as it turned out to be."

The men didn't need a lot of upfront capital to pursue their dreams. They spent less than \$20,000 to acquire computer systems, high-speed Internet connections and licenses for software that automates bidding procedures.

Expenses are minimal. "We were in the black in the first year," Lighthouse said.

The auctions are successful because they save time and provide a uniform set of rules to be followed by companies and suppliers.

Online bidding, "forces us to become more organized at the start," said Ron Roach, vice president of procurement at Birds Eye, which used Advanced Purchasing Technology in two pilot auctions, last fall, for product labels. "From there, it just accelerates."

Advanced Purchasing Technology offers clients a high degree of professionalism, said Larry Havens, senior manager for corporate purchasing at UR.

"What they brought," Havens said, "was not only a technique but a proven process."

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