

Our World Class eReverse Auction Program

- 163 Reverse Auctions run in 2002
- Spend of £347M / \$550M auctioned
- Average savings of 25% achieved; up from 19% average (1999 - 2001)

Galaxy™ ePASS™

- 53 auctions run since 25/07/'02
- £55M in spend
- 8 Electronic Sealed Bids run representing £25M in spend and averaging 19% savings
- 17 Electronic RFI's run representing £149M in spend

The Powerful Effect of On-Line Competition

Exiting FreeMarkets - the right thing to do?

- FreeMarkets lost ground to competitors in eRFx space
 - only had reverse auction capability
- Service element of contract did not suit GSK
 - Full utilisation of vertical market “expertise”?
 - Value for money?
- 82% of our 2002 auctions undertaken via self service tool - up from 34% in 2001.

GSK has developed a leading edge competency around Reverse Auction Bidding

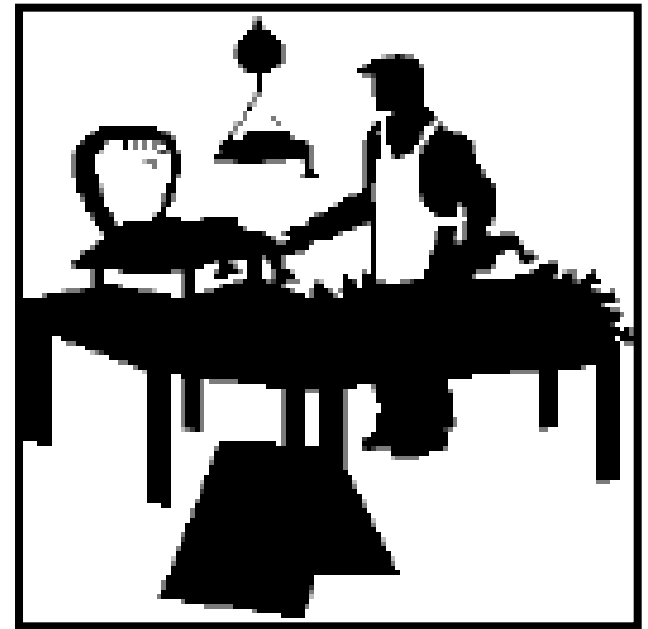
A Profound Enabler ...

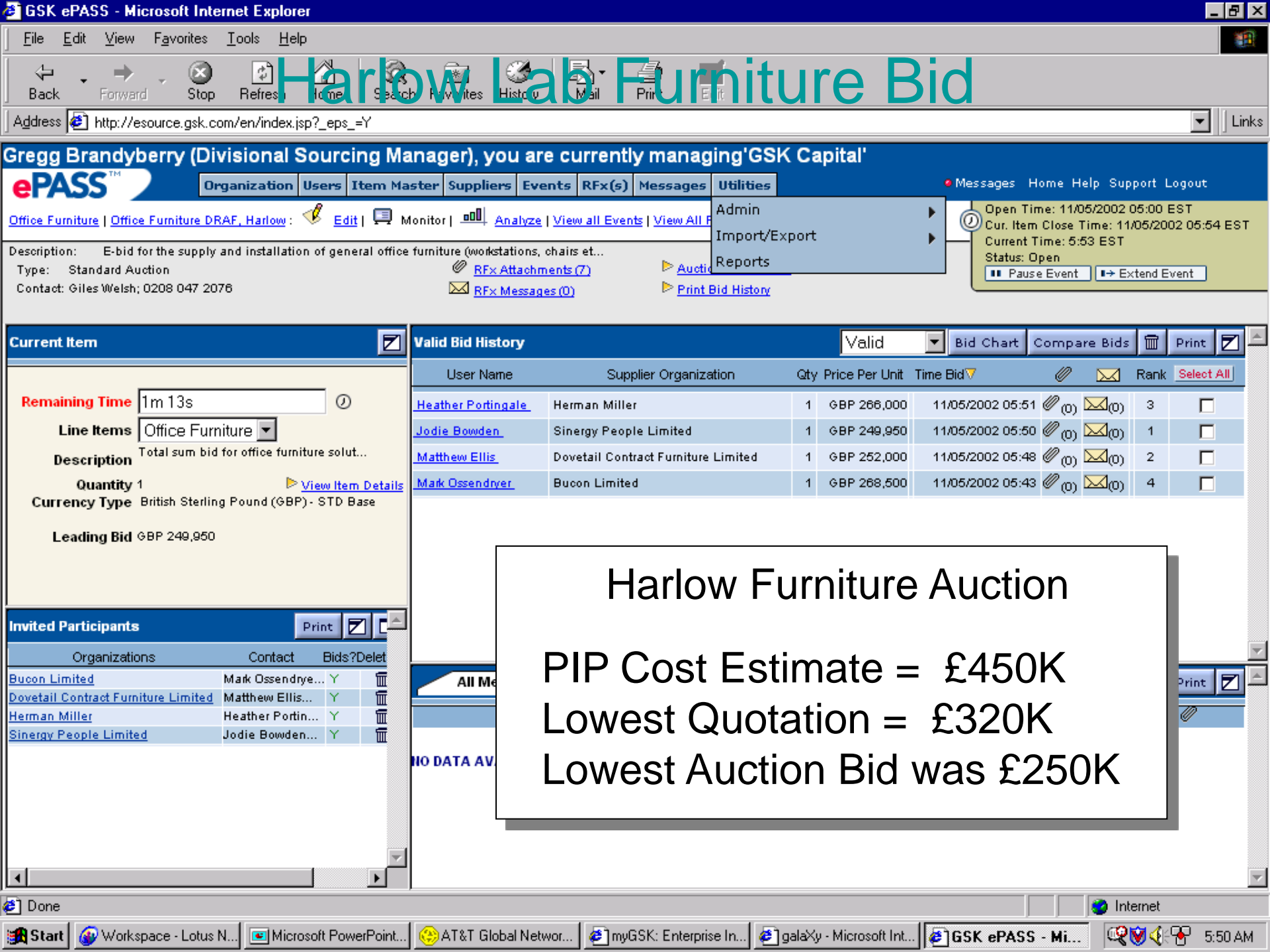
... it's 10:00 a.m. on a Tuesday morning (5 Nov. 2002) and I'm sitting in my room at the Hotel Metropole in Brussels, Belgium watching an on-line reverse auction from my laptop which is connected to a 41,333 bps telephone line ... suddenly I recognize that Procurement has changed and will never be the same!

Procurement will never be the same ...

... for thousands of years man has bartered, negotiated, bought/sold goods and services ...

... what GSK Procurement has accomplished with electronic reverse auctions has created fundamental change in the process of buying goods and services ...





Harlow Furniture Bid

Gregg Brandyberry (Divisional Sourcing Manager), you are currently managing 'GSK Capital'



Organization Users Item Master Suppliers Events RFx(s) Messages Utilities

Messages Home Help Support Logout

Office Furniture | Office Furniture DRAF, Harlow: Edit | Monitor | Analyze | View all Events | View All

- Admin
- Import/Export
- Reports
- Auction
- Print Bid History

Open Time: 11/05/2002 05:00 EST
 Cur. Item Close Time: 11/05/2002 05:54 EST
 Current Time: 5:53 EST
 Status: Open
 Pause Event Extend Event

Description: E-bid for the supply and installation of general office furniture (workstations, chairs et...
 Type: Standard Auction
 Contact: Giles Welsh; 0208 047 2076

RFx Attachments (7)
 RFx Messages (0)

Current Item

Remaining Time: 1m 13s

Line Items: Office Furniture

Description: Total sum bid for office furniture solut...

Quantity: 1

Currency Type: British Sterling Pound (GBP) - STD Base

Leading Bid: GBP 249,950

View Item Details

Valid Bid History

User Name	Supplier Organization	Qty	Price Per Unit	Time Bid	Rank
Heather Portingale	Herman Miller	1	GBP 266,000	11/05/2002 05:51	3
Jodie Bowden	Sinergy People Limited	1	GBP 249,950	11/05/2002 05:50	1
Matthew Ellis	Dovetail Contract Furniture Limited	1	GBP 252,000	11/05/2002 05:48	2
Mark Ossendryer	Bucon Limited	1	GBP 268,500	11/05/2002 05:43	4

Invited Participants

Organizations	Contact	Bids?Delet
Bucon Limited	Mark Ossendrye...	Y
Dovetail Contract Furniture Limited	Matthew Ellis...	Y
Herman Miller	Heather Portin...	Y
Sinergy People Limited	Jodie Bowden...	Y

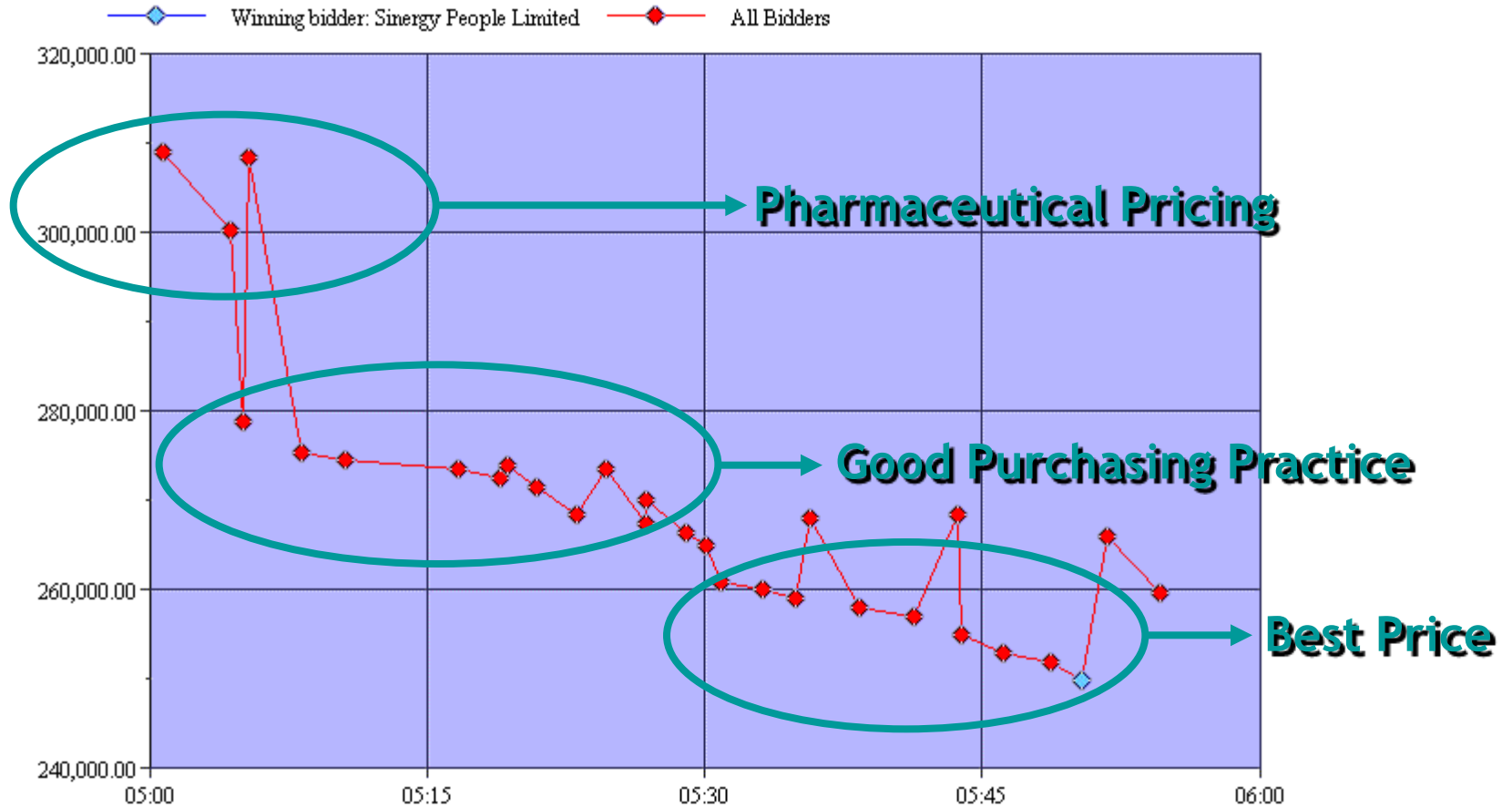
Harlow Furniture Auction

PIP Cost Estimate = £450K

Lowest Quotation = £320K

Lowest Auction Bid was £250K

Harlow Lab Furniture Bid



eReverse Auctions are good for GSK ...

The process brings the best suppliers to the buyer ... only the best will be able to compete ... the suppliers that focus on “first time” quality, lean processes and innovation that results in low cost / high quality goods and services ...

They're even better for the suppliers ...

- open markets
- transparency
- quick decisions
- clear process

We're leveraging supply and demand real time / online ...

- Market Conditions
- Excess Capacity
- Cash Flow
- Volume Not Important
- Marginal / Contribution Pricing

What drives competitive markets? What makes for strong economies?

- Open Markets
- Competition
- Intellectual Property (protected innovation)
- Entrepreneurial Spirit

We're promoting these critical fundamentals on the "Buy Side" where we are challenged on the "Sell Side" ...

GalaXy™ ePASS™ functionality goes way beyond Reverse Auctions ...

- RFI's
- Sealed Bids
- Standard Auctions
- Advanced Auctions
- Bid Analysis
- Bid Optimization
- Survey Capability

2003 POP

650 RFI's

250 Sealed Bids

400 Standard Auctions

125 Advanced Auctions

GS&O must optimize Capacity Utilization

What CAPS is Saying

“Trak for Trak”; “Best in Class”

Stewart Beall, July 2002

“GSK’s overall Procurement system portfolio is the best I’ve ever seen ...”

Bob Monckza, Oct. 2002

“GSK’s electronic reverse auction deployment is ‘best in class’ (the greatest!) ...”

Dr. Phil Carter, Nov. 2002

ePASS™ Allows GSK to eSource “Everything & Anything”

To date we have auctioned:

Freight, Rental Cars, Hotels, Cartons, Chemicals, Solvents, Temporary Help, Plastic Bottles, DeskTop, Furniture, Print, Print Promotions, Promotional Items, Cable, Tubular Glass, Molded Glass, Vitamins, Facility Maintenance, Electrical Supplies, HVAC Maintenance, Manufactured DNA, Fasteners, Pumps, Valves, Lab Equipment and on, and on, and on ...

2003 GalaXy™ ePASS™ Objectives

- 500 Reverse Auctions
- \$1.0B of spend auctioned
- \$2.0B of spend through ePASS™

GalaXy™ ePASS™ will deliver
\$1.0M/Day by end of Q1 ...

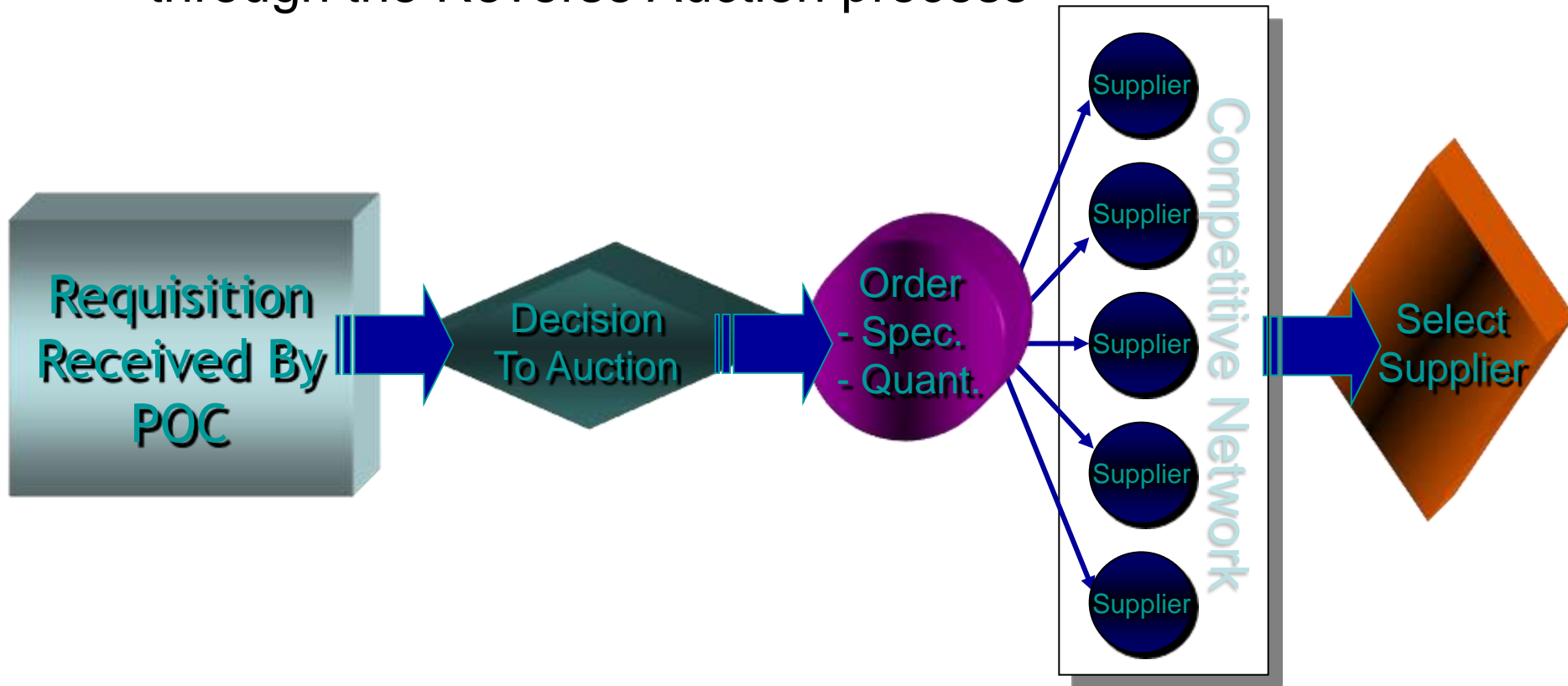
How We're Going To Achieve This

- Central Procurement will more than double the number of Reverse Auctions performed in 2002
- Production Procurement has set an objective of 2 Reverse Auctions per site (47 sites)
- Production Procurement and International will designate Site Champions
- Procurement Operation Centers will review all orders > £35,000 / \$35,000 as Reverse Auction candidates

Central Procurement	200
Site Champions	150
Procurement Operations	150
Total	500

How This Will Work

POC's are reviewing 2002 spend to evaluate what purchases are auctionable. Competitive Supplier Networks will be pre-approved to expedite orders through the Reverse Auction process



Global eSourcing Suites

