

# Successful E-Auctions

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# What is an e-auction?

- Internet - based activity which we use to negotiate prices for purchasing or sale of direct materials, capital or services
- This can be either:
  - private (few bidders)
  - open (little or no restriction)
- A tool which replaces conventional methods of paper tendering or face to face negotiations

# How does it work

- Suppliers log onto the website via a password protected access screens
- Can place multiple bids for the same product during an event
- Identities of bidders are usually hidden from other suppliers, although the position or ranking of other suppliers may be visible during the event
- Independent of other e-procurement activity

# When to e-auction

- ✓ Many qualified suppliers
- ✓ Commodity product
- ✓ Excess capacity in market
- ✓ Buyers business is large to suppliers
- ✓ Price is a key to selection criteria  
(though matrix selection can be applied using some tools)

## When not to e-auction

- ✗ Few qualified suppliers
- ✗ Specialised product
- ✗ Buyers business is small to suppliers
- ✗ Little or no excess capacity in market

**Care - - - - -E-auctions are a very useful tool but are not suitable for everything!**

# Tips for a successful event

## **Preparation is key**

- *right products - not everything can be auctioned*
- *the right suppliers (pre-qualified)*
- *provide clear documentation of what is required*
- *ensure a contingency in place in case of technology fails*

# Tips for a successful event

## **Keep auctions simple**

- ✓ *keep the number of items low*
- ✓ *keep the suppliers informed*
- ✓ *ensure correct timing and time zones?*
- ✓ *check time of day / day of the week?*

# Tips for a successful event

## **Suppliers must understand process**

- ✓ *explain it*
- ✓ *train the suppliers*
- ✓ *ask for feedback after the event*
- ✓ *(what did the suppliers think of participating in an e-auction?)*

# Ethics

- Suppliers will be initially suspicious - **do not misuse the technology**
- Train and prepare suppliers - run a mock auction in advance of the live event to build confidence
- Follow up with suppliers that were unsuccessful to get their feedback

# The event

- Supplier bid strategy - waiting until last few minutes to bid or their opening bid is extremely aggressive to frighten competition
- Duration - typically 1 to 2 hours but can be as short as 30 minutes or as long as 24 hours
- Allow bid extensions usually of 5 minute duration
- Proxy bids - contingency if technology fails

# Ensure

- You provide clear documentation of requirements
- You provide the supplier with clear instruction on how to use the tool
- You provide constructive feedback to unsuccessful suppliers
- You put in place the appropriate contract

# Remember

- If all parties are prepared and trained to participate effectively, then all participants will reap the benefits that e-auctions can and do bring.
- Remember -If ALL participating suppliers are well prepared and equally trained it will create a competitive environment and successful event.