



**TRADE
INTERCHANGE**
Smarter Supplier Management

Best Practice Guide

How to Run a Successful eAuction

7 stage process for delivering successful results through online negotiations

Introduction

eAuctions facilitate an effective platform for two or more suppliers to compete and negotiate for business. eAuctions offer many unique benefits including dramatic cost savings through encouraging healthy competition and increased market visibility, through to enabling more suppliers to take part in a negation process.

Whether you currently use eAuctions as part of your existing eSourcing strategy or you are looking to incorporate eAuctions going forward, it is key to have a clear eAuction process. A clear process helps you establish best practices and consistent and comparable information, helping ensure you maximise your purchasing power.

The Process

As one of the first eSourcing providers in the UK, Trade Interchange has worked with many companies across a variety of sectors. Based on our extensive experience and industry knowledge, we have honed and developed a standard 7 step process to help drive best practice into your eAuction process.



1. Category Selection

The first step in setting up your eAuction is to identify what categories would be right for auctioning and what categories offer strong saving potential.

A good starting point is to look at how suppliers fit within different categories across your company, identifying the top suppliers for each area. As a general rule of thumb, an item that offers good saving potential falls into two or more of the following statements;

eAuction Selection

- It has a medium to high value, offering more scope for negotiation
 - The category hasn't been negotiated recently
 - It can easily be defined and quantified
 - It is a competitive market and there are a number of potential suppliers
 - There are two or more incumbents
 - There are new entrants in the supplier market
 - There is increased capacity in the supplier market
 - The current contract is coming to an end.
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It is a good idea to make a list of categories that you have identified as having savings potential, perhaps ranking and scoring each to prioritise auction events. Trade Interchange is always happy to discuss this with you, offering assistance in identifying possible savings opportunity. For more information please [Click Here](#).

2. Preparation

Depending on your category, it is important to identify a clear strategy and set of objectives that you want to achieve from running your eAuction event. It might be that you solely want to achieve the most competitive price for your category, but very often there are more complex factors which need to be considered, including complex product or service specifications, consolidating a supplier base or supply chain distribution.

Whatever your intended outcome, identifying these objectives from the outset will direct buyers throughout the process, including how they prequalify suppliers and what auction type they decide to imply.

3. Prequalifying Suppliers

However you choose to source your suppliers, it's generally better not to limit the number of potential suppliers you consider, which is why we often recommend using an online eRFx. Although this process can be carried out offline using spread sheets, it can prove cumbersome. Online systems ensure you gather comprehensive information on potential suppliers in a streamlined and consistent way, allowing you to quickly and easily approach a larger pool of suppliers.

Use the eRFx to gain as much relevant information as possible to help establish capabilities in delivering the exact goods and services that you require. Try and include new suppliers in the process as often new suppliers are able to bring fresh ideas and a different angle to proceedings. Adding weighting and scorings to your questions is a good way to ensure consistency of evaluation, which can be reflected in your eAuction event to follow.

4. Communicating with Suppliers

Communication with your suppliers is key to running a successful eAuction event. Once you have established the suppliers that you want to take part in your event, it is important that you are open with them about the process and what is expected of them. This will help to engage suppliers in the procedure and achieve greater supplier buy-in. If you are planning to run an eRFx prior to your auction event, it is good practice to explain this to suppliers beforehand so they are aware of what is expected from them from the outset.

It is important that you set out all requirements and 'rules' before the event. Sending invitation letters to suppliers explaining the auction process will ensure suppliers submit bids that truly reflect the service or product level you are expecting.

Running a practice or training event before the auction is a standard part of Trade Interchange's service as it allows suppliers to become familiar with the particular auction format, so during the event they are able to focus on bidding and providing a competitive price. If any suppliers haven't been involved in an eAuction before, they might have some apprehensions about proceeding. Some selling points you could mention to ensure their buy-in include;

eAuction Selling Points

- eAuctions ensure a fair and even playing field, as all suppliers are competing against the same requirements and following the same process.
 - eAuctions dramatically reduce sales cycles, saving the supplier time and potentially travel costs of having to attend face-to-face negotiations.
 - eAuctions promote transparency
 - eAuctions can be weighted to take into account other factors not just price.
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5. Choosing the Right Auction Set Up

Depending on your auction category and the objectives you set out at the beginning of the eAuction processes, it is key that you choose the right auction type to maximise your savings and meet your business goals. Trade Interchange offers a number of auction types and functionalities to ensure you get the most from your event. Auction types include;

Auction Type	Auction Features
Price	Suppliers are able to see the leading price in the auction. This offers a good platform to use when negotiating a price driven item or service.
Positional	Suppliers can see where they are ranking, if they are 1 st , 2 nd , 3 rd in the auction.
Leading/not leading	Suppliers can only see if they are leading or not leading in the auction. This can be useful when you have a limited number of specialist suppliers bidding.
Basket	Multiple items are auctioned and their values appear as a total value. Basket auctions are useful when a contract has a number of line items, but you are looking for one supplier to supply the whole contract.
Multi Item	Multiple items are auctioned and their values appear separately. Multi auctions are typically used when a number of items are being auctioned but not every supplier can supply all the items.
Forward	Similar to a traditional reverse auction, but bids go up instead of down. This can be useful when negotiating rebate values of goods or services.
Weighted	Takes into consideration additional factors including different currencies, delivery terms as well as items that can't be supplied. Weighted auctions ensure an even playing field for all suppliers.
Dutch	Characterised by a first come first served principle. From a set starting price the auction will go up in pre-defined price steps until the first supplier accepts the current level. Dutch auctions are useful to use when the market price is uncertain.

6. Monitoring the eAuction

It is important to keep communication lines open before and during the event, to ensure you are available to answer any supplier questions should they arise. Monitoring the event, you will also be able to see how the bidding is progressing. Minor adjustments can be made to the eAuction set up throughout the event to ensure the suppliers experience is optimised. An example of this would be reducing the extension times of the event if the bidding is protracted, to ensure that all suppliers remain engaged in the negotiation process.

7. Evaluating eAuction Results

It is good practice to follow up with suppliers soon after the event. Trade Interchange always provides a post event summary report that breaks down the event, which can be used to help analyse the bids and help determine who to award the contact to. Buyers should always communicate with all participants, even those who weren't successful.

Buyers should be encouraged to document and share saving results with other buyers, to highlight savings and ensure information gathered throughout the process is used in future events.



Next Step for Implementing a Successful eAuction

Are there inconsistencies with how eAuctions are being used across your procurement function? Do you face resistance internally to using eAuctions? Are you currently using offline methods to negotiate with suppliers?

As an initial step to implementing successful eAuctions, we recommend reviewing your current processes. Here are a few questions that you could start by looking at;

eAuction Questions

- What % of your negotiations are being conducted offline?
 - What visibility do you currently have over your negotiation process?
 - How is negotiation information currently being shared between departments?
 - What visibility and reporting functionality do you have over supplier responses?
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Trade Interchange offers Industry leading eAuction solutions and support, so if you are looking to gain more competitive, transparent and consistent negotiations, we invite a next step discussion to better understand your sourcing objectives and current limitations. From this we can help you evaluate your current processes and offer a demonstration to illustrate specific benefits of eAuctions to deliver your company's business goals.

Learn more about how ARCUS® eAuctions can impact your entire eSourcing process;

Call us on **+44 (0) 20 8780 0610**

Email us on info@tradeinterchange.com

Trade Interchange helps organisations reduce the costs, risks and complexities associated with managing a large supplier base. Its solutions support a range of supplier management activities: from initial tenders and supplier information management (SIM), through to supplier contract and performance management. The cloud-based proprietary ARCUS® platform features a suite of easily-configurable modules that are fast to deploy and simple to use. The ARCUS eSourcing modules also underpin the fully managed eAuction service.

Founded in the UK in 2000, Trade Interchange is a privately held company with offices in London, Teesside and Sydney, Australia supporting international clients, including leading brands such as Brakes, Centerparcs, Macmillan, Morrisons, Sodexo, Whitbread and WHSmith. Trade Interchange is accredited to the ISO27001 information security management standard.

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