



# 7 STEPS TO A SUCCESSFUL eAUCTION

eAUC is a module which exists within Trade Interchange's ARCUS<sup>®</sup> platform, providing companies with the ability to invite pre-approved suppliers to participate in online auctions. eAuctions provide an online platform which allows two or more suppliers to directly compete for business. eAuctions offer many benefits, for example delivering dramatic cost savings by encouraging healthy competition and increased market visibility, in addition to enabling more suppliers to participate in the negotiation process.



## THE PROCESS

**Whether your existing eSourcing strategy involves eAuctions or you are looking to utilise eAuctions in the future, it is key to have a clearly defined eAuction process. A clear course of action helps you to establish best practices and generate consistent and comparable information, helping to ensure you maximise your purchasing power.**

Trade Interchange was one of the first eSourcing providers in the UK, working with numerous companies across a variety of sectors. Since eAUC's introduction in 2000 the module has been utilised in retail, construction, health care, and the food and drink industry. Based on extensive experience and industry knowledge, we have developed a standard seven step process to help ensure best practice and maximum cost savings are achieved.

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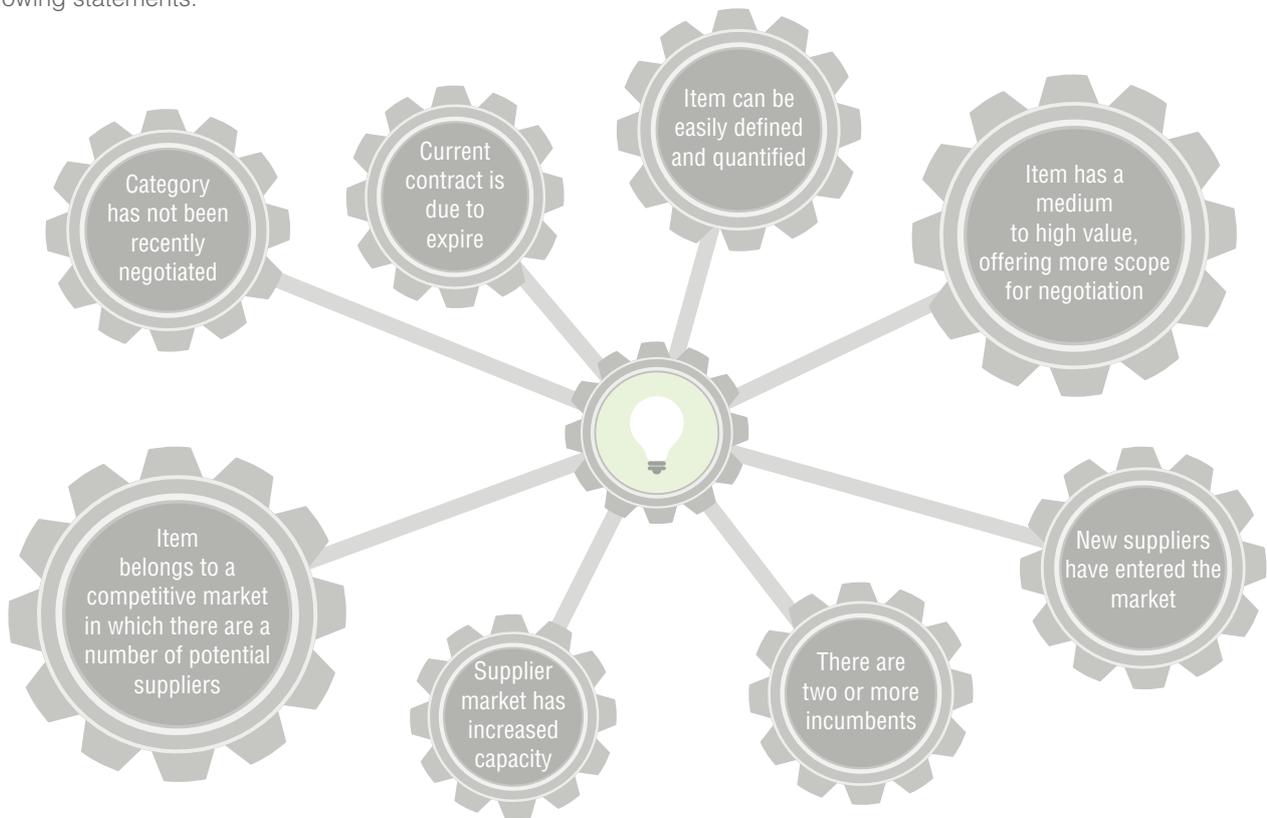
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EVALUATION

# 1. CATEGORY SELECTION

Identifying what categories would be suitable for auctioning, and which categories offer strong saving potential is the first step in setting up your eAuction.

A good starting point is to examine the ways in which suppliers fit within different categories across your company, identifying the top suppliers for each area. As a general rule, an item which offers good saving potential complies with two or more of the following statements:



It is useful to make a list of categories you have identified as having savings potential, perhaps ranking and scoring each to prioritise auction events. Trade Interchange is always on hand to discuss this with you, offering assistance in identifying possible savings opportunities. For more information please visit <https://tradeinterchange.com/products/eauctions/>.

## 2. STRATEGY IDENTIFICATION

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

Regardless of the intended result, identifying objectives such as these from the outset will direct you through the process. It will help to determine the way you pre-qualify suppliers, and the type of auction you choose to employ.

## 3. PRE-QUALIFYING SUPPLIERS

Regardless of the ways you choose to source your suppliers, it is generally more useful not to limit the number of potential suppliers to be considered. This is why we often recommend using ARCUS® eRFx, our online request for information tool to aid supplier selection. Although the process of requesting information can be carried out offline, using spreadsheets and other paper based systems, this process is often inefficient and erroneous, while consuming a vast amount of procurement professional's time which could be better spent. Online systems ensure comprehensive supplier information is gathered in a streamlined and consistent way, allowing you to quickly and easily collect information from an unlimited number of suppliers.

Using ARCUS® eRFx allows you to gain as much relevant information as you need, allowing you to tailor suppliers' questionnaires to your requirements, while establishing suppliers' capabilities in delivering the exact goods and services which you require. Including new suppliers in this process often generates new ideas, while offering a different insight to proceedings. Adding weighting or scoring to your questions ensures consistency of evaluation, which can be reflected in your subsequent eAuction event.

## 4. COMMUNICATING WITH SUPPLIERS

Communication with your suppliers is key to conducting a successful eAuction event. Once you have established which suppliers are most suitable for participation, it is important to be open about the process and transparent about your expectations. This will aid supplier engagement and achieve greater supplier buy-in. If you are intending to run an eRF prior to the auction, it is good practice to explain this to suppliers from the outset so they understand what to expect.

All requirements and 'rules' should be established from the outset. Sending invitation letters to suppliers explaining the auction process beforehand will ensure suppliers' bids are truly reflective of the service or product level you anticipate.

Running a practice or training event before the auction is a standard part of Trade Interchange's service, as this allows suppliers to become familiar with the particular auction format ensuring during the event suppliers are focused on their bidding and offering a competitive price.

If any suppliers have not previously participated in an eAuction, there may be some apprehension. Some points which can be suggested to ensure supplier buy-in include:

- eAuctions ensure a fair and even playing field, as all suppliers are following the same process and competing within the same requirements
- eAuctions dramatically reduce sales cycles, saving the supplier's time and potential travel costs of needing to attend negotiations in person
- eAuctions promote transparency
- eAuctions can be weighted to take in to account other factors, not just price

## 5. CHOOSING THE RIGHT AUCTION SET UP

Depending on your auction category and the objectives established at the beginning of the eAuction process, it is imperative you select the correct auction type to maximise your savings and meet your business goals. Trade Interchange can aid you in this selection, while offering a number of auction types and functionalities to ensure the event is of the utmost success. Auction types include:

- **PRICE**

Suppliers are able to view the leading price in the eAuction. This type of auction can be useful if pricing transparency is required.

- **POSITIONAL**

Suppliers are able to see where they are ranked in the eAuction, for example if they are 1st, 2nd or 3rd. Most procurement auctions benefit from the competition this type of auction normally delivers.

- **LEADING / NOT LEADING**

Suppliers are only able to see whether they are leading or not leading in the eAuction. This can be useful when there are a limited number of specialist suppliers who are bidding.

- **BASKET**

This eAuction allows multiple items to be auctioned while their values appear as a total value. Basket eAuctions are useful when a contract has a number of line items, however you require one supplier to deliver the entire contract.

- **MULTI ITEM**

Multiple items can be auctioned while their values appear separately. Multi item eAuctions are typically used when a number of items are being auctioned, yet not every supplier can provide all the items.

- **FORWARD**

A forward eAuction is similar to a traditional selling auction, where bids go up instead of down. This can be useful when negotiating rebate values of goods or services, or in other special circumstances.

- **WEIGHTED**

Weighted eAuctions consider additional factors such as different currencies, delivery terms and any items which cannot be supplied. Weighted eAuctions ensure a level playing field for all suppliers.

- **DUTCH**

Dutch eAuctions are characterised by a first come, first served principle. From a set starting price the auction will increase in pre-defined price steps, until the first supplier accepts the current level. Dutch eAuctions are useful when the market price is uncertain.

- **JAPANESE**

Japanese eAuctions use a series of intervals, with one bid price per interval. These intervals may last one minute or several minutes, which are pre-determined by the buyer during the planning stage. The intervals progress until the final supplier declines a reduced interval. Japanese eAuctions are useful for establishing, and driving down the market price of a product or service level.

## 6. MONITORING THE EAUCION

It is important to keep communication lines open before and during the event, ensuring you are available to answer any supplier questions should they arise. Through monitoring the event you will also be able to watch the progression of the bidding. Minor adjustments can be made to the eAuction set up throughout the event, ensuring the optimisation of suppliers' experience. Adjustments can include reducing the extension times of the event if the bidding is protracted, to ensure all suppliers remain engaged in the negotiation process.

## 7. EVALUATING EAUCION RESULTS

It is considered good practice to follow up with all suppliers involved soon after the event. Trade Interchange always provides a post event summary report to the buyer which breaks down the event. This can be useful to help analyse the bids and help determine to whom the contract should be awarded. Buyers should always communicate performance feedback with all participants, regardless of their success in the eAuction.

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

## NEXT STEPS TO IMPLEMENTING A SUCCESSFUL EAUCION

As an initial step to implementing successful eAuctions, we recommend reviewing your current processes. Whether there are inconsistencies with how eAuctions are being used across procurement departments, internal resistance to the use of eAuctions, or you currently use offline methods to negotiate with suppliers, eAuctions can help you and your business.



Trade Interchange offers industry leading eAuction solutions and support. If you are looking for more transparent, competitive and consistent negotiations, we invite you to discuss your sourcing objectives and current limitations with us to find out more about how we can help. We will be able to evaluate your current processes and offer insights based on our vast experience to illustrate how specific eAuction benefits can deliver your company's business goals.

Learn more about how ARCUS® eAUC can impact your entire eSourcing process:

Call us on 03333 209933

Email us at [info@tradeinterchange.com](mailto:info@tradeinterchange.com)

Visit our website [www.tradeinterchange.com](http://www.tradeinterchange.com)



Trade Interchange helps organisations reduce the costs, risks and complexities associated with managing a large volume of supplier information. 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 ARCUS® platform features a suite of easily configurable modules that are fast to deploy and simple to use. The ARCUS® eSourcing modules underpin the fully managed eAuction service.

Founded in the UK in 2000, Trade Interchange is a privately held company, with software developed in-house in our Teesside head office. Trade Interchange supports international clients including leading brands such as Brakes, AAK, PizzaExpress, Morrisons, Sodexo, Whitbread and Domino's. Trade Interchange is accredited to the ISO27001 information security management standard.