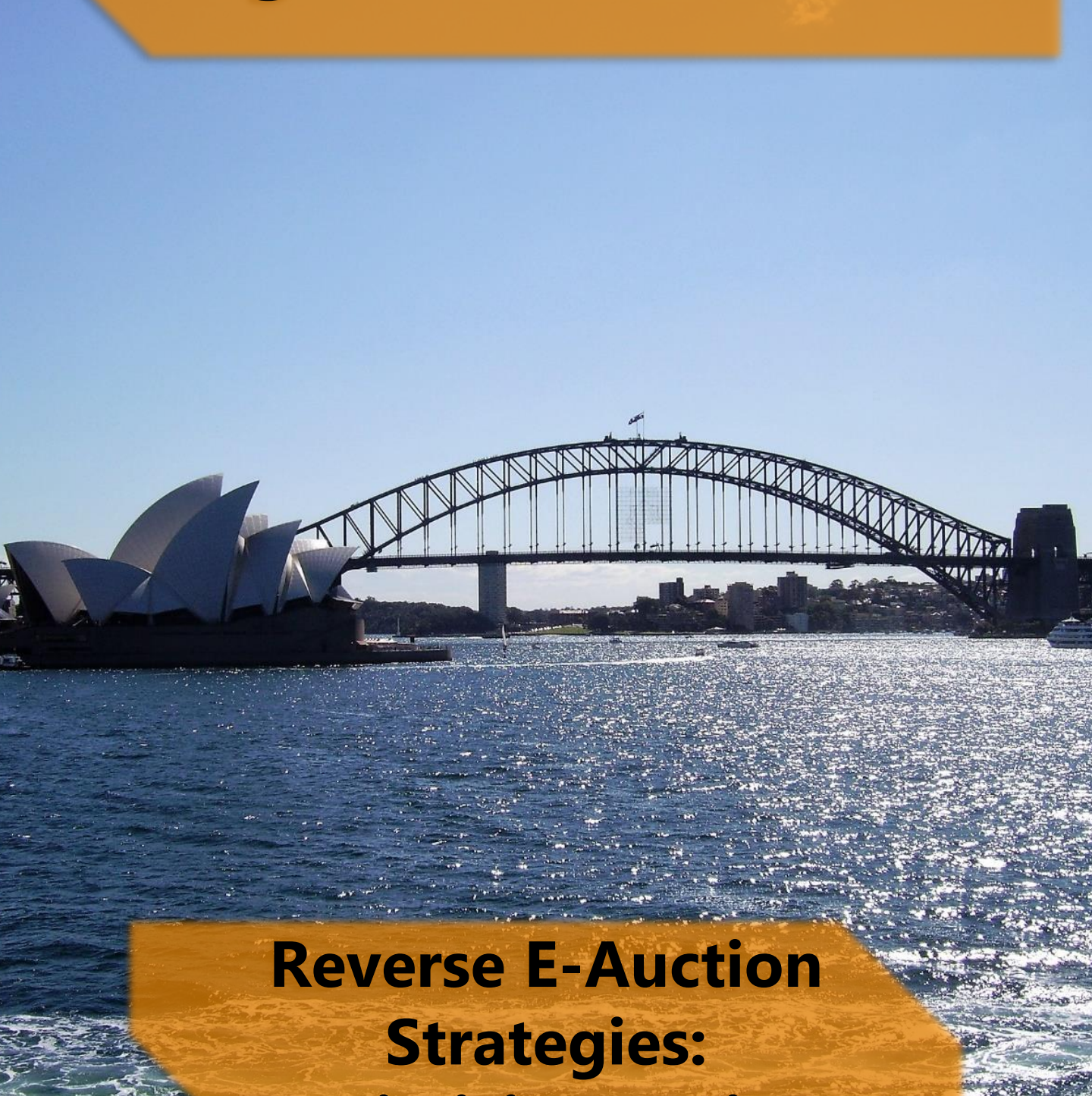


# Digital Excellence



## Reverse E-Auction Strategies: Maximizing Savings



# Foreword

Have you engaged in digitizing your sourcing process and would you like to outperform your savings indicators?

Are you consolidating your supplier base or want to source your backup supplier online?

E-Auctions are among your last levers in the sourcing negotiation. Let's see how to maximize their output so you get a competitive edge in purchasing efficiency.





**#1**

# **Auction planning**

# When and Why?

This is important to **plan all negotiation rounds** that will happen before or after this auction. Does it follow an RFI, RFI+RFP, is it a two-round auction with supplier elimination in between?

Equally important is the award structure and timeline.

- **Structure:** is this business going to be fully awarded to one supplier, do you know in advance you need one or more backup suppliers at negotiated and guaranteed pricing?
- **Timeline:** When are suppliers going to know that they got the business or not, when is the contract expected signature date, when is the service or delivery starting?

## Don't

- Go for a last minute auction
- Change timing rules without sufficient notice
- Forget to communicate

## Instead, do

- Announce the online event ahead of time
- Stick to the scheduled day, time and duration
- Organize one-on-one open question sessions plus supplier onboarding and training

### By the way, why an eAuction?

- Market fairness
- Common comparison criteria across all bidders
- Margin compression





**#2**

**Target Savings**

# Who and What?

You want your **savings** to be **bold** and **ambitious**.

But yet, this is a negotiation that will happen online. So better prepare and know your cards.

## Who is invited to the auction

- Sufficient audience
- They can all supply the quality and quantity you need

## Know your audience

- When was the contract last renegotiated?
- What is the financial health of your suppliers, are they recently profitable?

Collect these answers through RFI, and RFP questions.

## What are you sourcing?

Is the scope identical compared to the last time you sourced? What are the previous contract terms? Is there an existing contract?

Ultimately, the business needs to be significant to trigger invited vendors' interest.

Aggregate spend to create appeal and ensure competition.

Aim for **Total Cost of Ownership (TCO)** in your cost term structure by including:

- A switching cost from your incumbent supplier(s)
- Shipping costs, servicing and maintenance for the contract duration
- End-of-life costs: return, waste or recycling costs

Payment terms can also be included as part of the cost structure





**#3**

## **Auction settings**

# Tweaking your eAuction

## 1. Keep it short & simple

An E-Auction should not last longer than an hour, focus on a small number of items.

*Questions are for RFIs and RFPs.*

*You should have 10 or less items in the auction. Bundle or basket if you have numerous items.*

*eAuctions are not a one-size-fits-all kind of event. Test different scenarios and cost structures prior to launching training auctions.*

## 2. Market confidentiality

Rank only, sealed bid, dutch, envelope bidding ... there is a wide variety of settings that can be leverage to address each business case.

## 3. Bid Decrement

Ensure that the competition is meaningful by imposing a bid decrement that is significant to you.

*Don't overlook the Bid Buffer value to enforce proper spacing between bids*

*It happens that extensions take up to 30 minutes. Be sure to warn your participants to remain connected to the event until it is closed.*

## 4. Bidding Extension

Competition usually picks up momentum in the last minutes of an auction. Short bidding extensions help you capture the bottom market price and max your savings





**#4**

**The untold**

# Secret spice

Your **E-Auction** is an **event**. Treat it as such and **give your savings some visibility**:

- Book a room
- Screen the bidding console
- Bring some popcorn
- Report globally about the auction results and positive impacts
- Analyze any shortcomings with honesty. If any to take corrective actions
- Publicize eAuctions in the organization
- Communicate on the results and savings
- Create emulation within the company to use eAuctions

It's time to embark on the eSourcing journey.

## Ensure supplier satisfaction

- Organize a training and test event
- Be ready to answer any questions: involve buyers and stakeholders during the event
- Provide phone support for suppliers
- Train an online sourcing champion, or get help from an external company
- By using online sourcing, suppliers save on travel costs and negotiation time

## Learn from your past events

- Lessons learned sessions
- Collect feedback: post-event internal and supplier surveys

*Use **Forward Auctions** to extract value from your inventory surplus or industrial scrap. You may turn a cost into a profit.*





**Conclusion**



# Digitizing Strategic Sourcing

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Remember that if your **suppliers** are not familiar with online sourcing and E-Auctions, if they need to be **assisted** and supported during their **onboarding**, it probably means that you are **doing it right**.

Leveraging online tools to get **additional savings** is the **competitive edge** you need today.

Yet this is not a silver bullet that will yield savings under any condition.

**Be prepared** to use **online sourcing** as a tool in your strategic sourcing process.

Get in touch now to know how Certified Consultants from our **Sourcing Desk** can assist you **leverage** your SAP Ariba sourcing platform to **generate savings**.

*On average, eAuctions yield close to 10% savings.*

*A short and efficient negotiation, saving time for both buyers and suppliers.*



# **Digital Excellence**

## Generate savings through SAP Ariba

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