



**uniTender**  
*b2b electronic auction services*

## **White Paper**

**Benefits in time and cost savings of reverse auctions**

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## Benefits of reverse auctions

The following article is intended to clarify the benefits in time and cost savings of reverse auctions and will address some regular reactions. It proposes an adjusted perspective of reverse auctions that prescribes their use as one of numerous sourcing devices accessible. It likewise portrays circumstances when reverse auctions ought to be used and when they ought not be used and gives some bearing to sourcing staff trying to execute them as a major aspect of a generally sourcing system.

Online reverse auctions are very popular when it comes to purchasing large amount of goods or services at a corporate level. Electronic procurement, or e-procurement, is a term often used to describe business to business reverse auctions where buyers start by describing the product(s) or service(s) they want to acquire then send out invitations through the reverse auctions platform they're using.

Invitations are then electronically sent to previously selected suppliers/sellers who will have to register in the platform through an easy process as auction participants and place bids. Buyers can eliminate certain bids, pause or stop the auction as they wish. uniTender's reverse auctions platform even allows buyers to communicate directly with bidders and request more information or additional clarifications. These features will allow the buyer to select the supplier/seller that fully meets the needs.

Sellers also benefit from reverse auctions if they use them effectively. Through online reverse auctions and e-procurement software, suppliers/sellers from around the world are offered access to procurement auctions from multiple buyers with a wider range of business opportunities. Savvy suppliers are given the chance to increase their value by proposing a variety of other products and/or services, which will benefit buyers who look beyond price alone.

Buyers who are interested in using reverse auctions need to understand that price may be an important factor in the decision but it is not the only one as other elements, such as added services, must also be taken into consideration. Some bidders will cut out normal services, use less quality materials or extend deadline

just to make it possible for them to place a more competitive initial bid, even though the final amount may end up being much higher. When placing an auction, buyers must be aware of these decision factors and need to realize that, on a fort approach, treating vendors with respect in the course of the negotiation can secure a trustworthy supplier in the future.

## There are two basic reactions against reverse auctions:

1) One is that reverse auctions don't encourage long term associations with suppliers. Reverse auctions are intended for buying items with basic determinations, shorter term contracts, with little joint effort from both buyer and supplier. It is not standard to use reverse auctions with vital suppliers or suppliers where a great level of cooperation or coordination of supply chains are in place, a typical scenario in long term relationships.

Thereof, reverse auctions are best used for relationships that are more transactional in nature. Key associations with suppliers seldom meet these criteria.

2) The second feedback is that suppliers don't usually like reverse auctions. This feedback is not purely focused on reverse auctions, but it applies to any sourcing system that intends to reduce the final amount of a proposal, the argument being that when suppliers bring down their prices, it diminishes their most direct benefit.

If suppliers/vendors are asked whether they wish to lessen their benefits, they would probably say no. Reverse auctions are extremely viable at bringing down costs when they are used well.

As far as anyone is concerned, no supplier has ever been compelled to take part in a reverse auction. Online procurement platforms suppliers all take part voluntarily because they are inspired to win the business, whether any other normal supplier might not participate in a reverse auction if it thought it wouldn't be worth the trouble.

In a reverse auction platform, suppliers are given ongoing input on the aggressiveness of an offer. The supplier does not have to think about whether the offer was excessively high or excessively low. By using online reverse auctions software suppliers also abbreviate the time it takes to win the business and likewise, give different profits to suppliers. Consequently, the feedback that suppliers don't like reverse auctions does not hold a great deal of weight.

Reverse auctions are perfect to buy crude materials, transformed merchandise, travel, printing administrations, capital gear, segments, and numerous different things. Reverse auctions work best when value is a key purpose of transaction for the purchasing association.

Usually before the auction event a Request For Information, or RFI, will be sent to every potential supplier to determine that every one of them is identical to the others regarding quality and other aspects deemed relevant for the business. RFI's might be utilized to assess quality and generating benchmarks while the converse closeout might be designed for getting the best value accessible from the qualified merchants.

There are a few variables that influence people to choose reverse auctions: the details of the items, the structure of the supply base, the business valuing structure, contract status, the expenses of exchanging merchants, the investment funds chance, the extent of the buy and the key nature of the supplier connections.

The particulars of an item are an imperative component in deciding if this item is adequate for reverse auctions. Reverse auctions are more helpful for purchases where the details are basic and there is not a great deal of contrasts between supplier offerings. This is accurate if the items or services being acquired are wares or if the particulars for the items are characterized by a decently acknowledged industry standard. Exceptionally built, marked, or interesting items with complex determinations by and large loan themselves to an alternate obtaining procedure (like a RFP).

You additionally need to determine which supplier items are truly and genuinely comparable so you won't

be frustrated in the quality, characteristics or different elements when a specific supplier wins. This will allow the purchasing association to consider different elements in supplier offer.

The lowest bid doesn't have to be the winner. That is up to the buyer. All bids are different and always have some specific characteristics.

The fact that the supplier/seller is different and carries its own reputation, can be enough to make a higher bid win against a lower price made by another supplier/seller with less proven record.

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