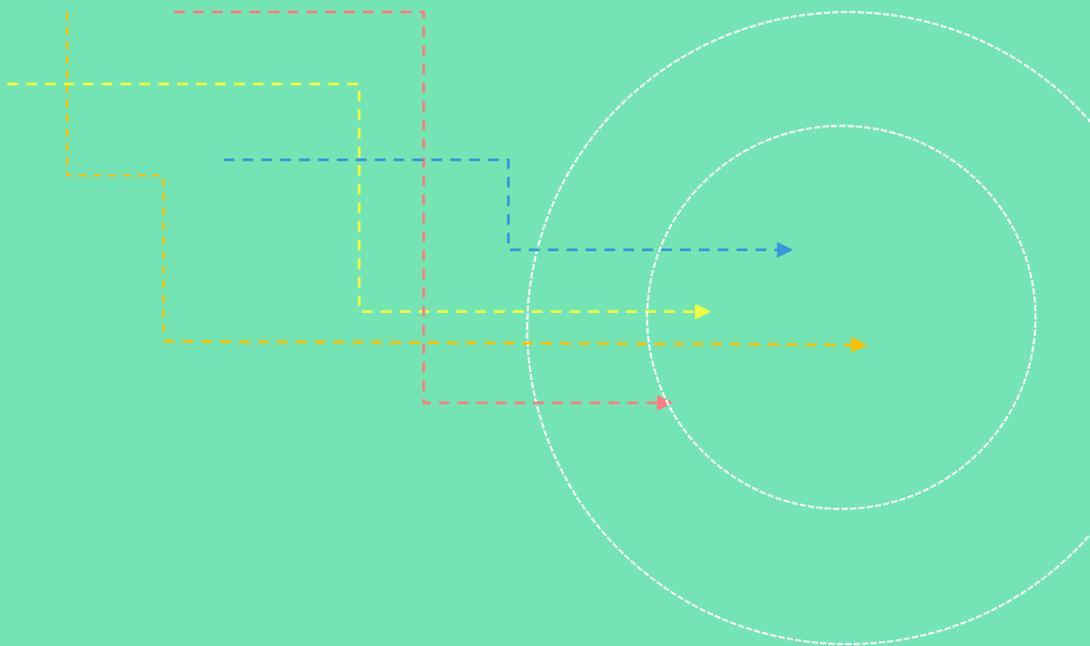


The Ultimate Guide to your **First** Reverse Auction

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About this e-book

You might think a reverse auction is a simple, 30-minute task, but **the real effort actually occurs during the preparation stage.** That's why proper preparation is paramount, and you need to make sure that you've thought things through carefully to ensure a successful event.

If you've worked in procurement for a while now you probably already know what a reverse auction is, but to make sure we're on the same page I will explain it again.

In an ordinary auction (also known as a 'forward auction'), buyers compete to obtain goods or services by offering increasingly higher prices. A reverse auction is a type of auction in which the traditional roles of buyer and seller are reversed: there is only one buyer and many potential sellers, which means the sellers compete to obtain business from the buyer and prices typically decrease as sellers underbid each other.

If you're planning to organize a reverse auction in the near future, this guide will help you understand what you need to do along the process



Want expert guidance on your sourcing strategy?

Prokuria can recommend and help you implement a sourcing strategy adapted to your internal process. Get in touch and we'd be happy to help.

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Gather all the necessary information

Gather stakeholders & requirements

1. Acquire buy-in from key internal stakeholders. These might include management, and also various other departments that might have their "skin in the game" in the current event.

2. Confirm the product/service requirements.

You may need to clarify:

- Technical specifications;
- Logistic requirements;
- Packaging;
- Commercial conditions;
- Deadlines;
- Other requirements important for the stakeholders.

Gather suppliers' identification

1. Study the market.

Is it a buyer's market or a seller's market? (i.e., Who has the upper hand? Are you in a good position because there are many sellers of highly competitive products, or are there few sellers, with quite distinctive product offerings)

Are there any important events bound to happen soon in the market?

Who are the top players, and who are the emergent competitors?

2. Get suppliers' contact details.

It may seem trivial, but making sure you have the proper contacts for selected suppliers can save you a lot of time and hassle when you'll actually launch the event.

3. Decide if you need to qualify suppliers through an RFP or RFQ before launching the eAuction event.



Prepare the Reverse Auction

Start building the event well in advance

This will allow you to think through different eAuction parameters, test, and adjust where necessary.

You can start with the good old pen and paper or you can actually do it directly in Prokuria.

Choose an appropriate date and time for the event

Make sure that suppliers have enough time to ask questions, and that you have enough time to reply to them and clarify any concerns.

Try to avoid organizing events first thing in the morning, or at the end of the day. If suppliers are spread over several time zones, this may not always be possible, but bear in mind that you want to maximize chances that suppliers are actually able to participate. More often than not people will arrive to work late, things will happen that derail them during the day, and if one key supplier can't make it to the event, you'll have to either reschedule or go forward without them; both are obviously less than ideal alternatives.

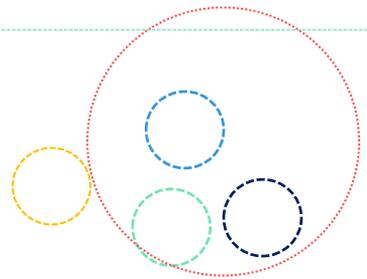
Check if your suppliers are on different time-zones, and accommodate event times accordingly. Make sure your event-related communication is clear in this regard. Prokuria helps by sending comprehensive emails that specify the start time of eAuctions in GMT, but you'll have to make sure you don't generate any confusion, as well.

Check for public holidays, especially if suppliers are spread across multiple countries, where non-working days might be different from yours.

Design the reverse auction for optimum competition

You'll have to think and decide upon:

- The starting price: for a reverse auction, what is the maximum price that suppliers start bidding from?
- Minimum step: what is the minimum difference between two successive quotations from the same supplier?
- Cool-down period: how long do you want the Auction to extend automatically if the best bidder changes in the last few minutes?
- Should suppliers see the value of the best bid? Using this approach, suppliers can see what the exact amount quoted by the best bidder is, and are incentivized to match it.
- Should suppliers see their rank? Using this approach, suppliers can see their position relative to the best bid (i.e., your position is 2) and will try to improve their bids to get a better rank, without knowing what the exact amount that separates them from the best bidder is.



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3 Prepare the Suppliers

Preparing the suppliers is a crucial step, though sometimes overlooked. Many of your suppliers might have never participated in a reverse auction, and may not clearly understand the system or process. As your goal is to level the playing field to get a good and fair deal from each of them, outreach and training may be needed to assist them in fully understanding and participating in the reverse auction.

Set supplier expectations about the process.

- To be more specific - the correct expectations.
- Be transparent and direct.
- Be timely and to the point.
- Over communicate and gain suppliers' engagement.
- Have written information, like FAQ, ready to send anytime is required.

Explain the timeline and the process:

- What happens before the auction
- What happens during the auction
- What happens after the auction

Send suppliers a guide on how to use the platform well in advance

- Allow them time to get used to the platform and ask questions
- Get yourself time to clarify any points they might raise

Run a trial reverse auction

- So that the suppliers have an opportunity to practice with the software and iron out any potential issues.
- If there are suppliers who have never participated in such online events, they should receive special attention at this stage so that they do not have a disadvantage to other suppliers.
- Communicate to suppliers what happens if there is a technical error.
- Communicate to suppliers what happens if they behave unethically or infringe the auction rules that you have set.

4 Run the Event

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1. Double-check everything (including start time) and publish the event.

2. Check regularly to see if suppliers are accepting or declining to participate. If suppliers seem to have no intention to submit a proposal or bid, they should be contacted to confirm whether they have received the invitation and whether they intend to participate. That way, you keep strict control of the process and ensure that you get the maximum or at least sufficient participation for effective negotiation.

3. Notify suppliers about any changes. Extensions of deadlines, change of project conditions, or any other changes to the event should be relayed to the suppliers as soon as possible.

4. Clear your schedule immediately before, during the event, and a couple of hours after.

Before: you'll receive last-minute questions to which you want to answer.

During: you'll want to keep an eye on the auction using Prokuria's interface, see exactly what suppliers offer, and be on the lookout for their questions.

After: you'll want to think through the auction's results, communicate post-event with the suppliers, and potentially decide on awarding the contract.

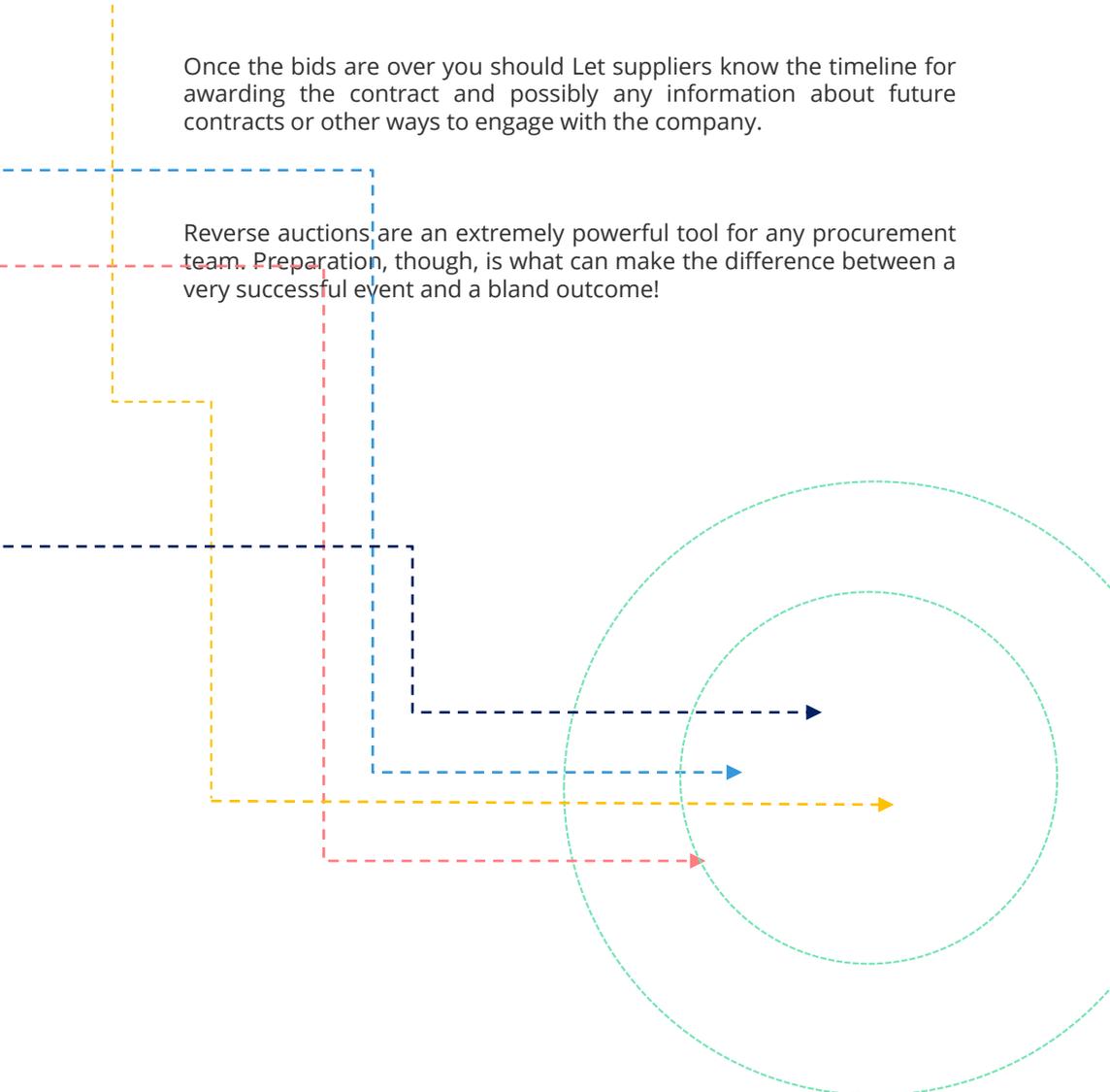
5. Make sure you are easy to reach and that you have a back-up person. Again, an eAuction happens in real time. If for some reason, you can't make it, you'd want to ideally still run the event as you have finally got everyone to participate. Thus you need a backup who can help in case you are not available.

5 After the Event

First, always take time at the end of the eAuction to let suppliers know that their efforts to prepare and submit a bid are appreciated. It's not only polite but also will ensure your suppliers are not

Once the bids are over you should Let suppliers know the timeline for awarding the contract and possibly any information about future contracts or other ways to engage with the company.

Reverse auctions are an extremely powerful tool for any procurement team. Preparation, though, is what can make the difference between a very successful event and a bland outcome!



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Prokuria is a cloud-based solution that helps organizations automate sourcing and procurement and achieve cost and time savings.

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