

## Chapter 2:

# e-Auctions

## Outcome comparison between e-Auctions and traditional negotiations



### Characteristics

- In traditional negotiation, suppliers are met in sequence over several negotiation rounds while in e-Auctions suppliers make their offer simultaneously in a limited time frame.
- Suppliers are hardly informed about their position in comparison to their competition and hence ambiguity prevails in the mind of suppliers while in e-auctions competitive position is known to suppliers to an extent.



### Advantages

- In traditional negotiation both sides have time to evaluate other sides offer and to adjust their calculation while in e-auctions suppliers have pressure to best price in a limited time frame.
- In e-auctions buyers have to qualify all suppliers first and ensure that the T&C's are finalized and informed to suppliers before the auction starts while in traditional negotiation buyers tend to keep changing the T&C's while negotiating.



### Outcomes

- In comparison to e-auctions which consume a few min/hours for negotiation, traditional negotiation may take days to conclude.
- In e-Auctions supplier competition and transparency drives final rates unlike traditional negotiation methods.

# Applicability of different commodities for e-auctions

## ➤ Generally, all items can be purchased via e-auctions but it is

- All relevant T&C to be mentioned in an unambiguous manner on the auction platform
- Sufficient competition on supplier side exists in majority of auctions although there are auction methodologies which can facilitate single or two supplier scenarios also
- The commodity price is not volatile but if it is then required T&C to mitigate fluctuations in price to be mentioned beforehand on the platform for suppliers to quote accordingly

## ➤ Items generally source through e-auctions to start with in any

- Indirect materials: Office material, IT hardware, Heating/oil products, safety products, services like maintenance, fleet/lease agreements
- **Production supplies:** Production machines having multiple suppliers, tools and standard spares, lubricants, consumer goods
- **Services:** IT services, marketing, cleaning, logistics, security, construction and engineering services

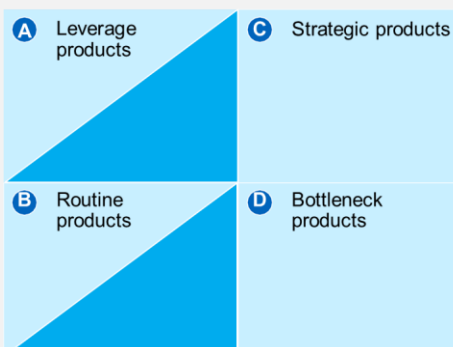
### ● Typical savings generally achieved by e-auctions:

Commodity	Savings Range
Office supplies	6-10%
Travel	5-8%
Facility Management	6-8%
Packaging	5-7%
Telecom	5-7%
Marketing	6-8%
MRO/Consumables	4-6%
IT Hardware	5-6%
Capex	3-5%
Professional Services	3-5%
Logistics	3-5%
Energy	1-3%

### ● Relevance of Auctions depend on spend category:

Applicability of Auctions		
High	Medium	Low
Safety items	Freight	Engines
Electrical items	Uniform services	Natural Gas
Pipes	Waste Mgmt	Foodgrain
Bolts & screws	Electrical Services	Retail Merchandise
Corrugated Pkg	Solvents	Legal Services
IT equipments		
Hand Tools		
Furniture		
Consumables		

### ● Complexity of supply market



- A Leverage products:** The use of e-Auctions helps to effectively exploit company's bargaining power and to implement low purchasing prices
- B Routine products:** The use of e-Auctions helps to minimize the internal work load for the management of necessary supplier negotiations
- C Strategic products:** The use of e-Auctions might weaken important supplier relationships and complicates the finding of win-win solutions

Chapter 1:  
e-Auctions

Chapter 3:  
coming by the end of Jan'23 will cover "Development of specific e-Auction Strategy."

For more information contact



sales@mavenvista.com



+91 90330 30061



www.mavenvista.com

MavenVista Technologies Pvt. Ltd.

S-1, First Floor Norquest House, Near Lions Hall, Mithakali Six Roads, Ellisbridge, Ahmedabad - 380006. Gujarat, INDIA