

E-Auctions optimise costs only on continuity of e-Auction mode for longer duration



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It has been experienced that certain clients start e-auctioning for sale and purchase functions in their organizations and get the benefits of optimization of costs. It is worth sharing **that first e-auction gives the maximum financial benefits** as it taps all the potential component of prices which could not be extracted due to limitation of physical negotiations as a process. Therefore, it is normally not possible to accrue similar kind of benefits by clients in second and subsequent e-auctions also. However, it is sure that e-auction as an inherent process by design brings the best prices to clients at a given time of e-auctioning as per prevailing market prices which could have not been achieved through convention quotes followed by physical negotiation. This is, what is permanent gain of client through e-auctions if he continues e-auctioning continuously without switching over to other modes. It is also desirable that all smart and knowledgeable clients should be aware of this concept of e-auctions.

- In spite of knowing the above or sharing the same by SP, there are some clients who expect similar benefits in every e-auctions as achieved in first e-auction. This kind of expectation of clients is neither correct nor logical and cannot be fulfilled through e-auctions. One should understand and appreciate that how prices will go on reducing when it has already reached lowest affordable say rock bottom from supplier.
- As said e-auctions cannot ensure similar price reduction/increase every time in every e-auction. Therefore, when these clients do not get similar benefits like first e-auctions though bidding might have been competitive, these clients withdraw from e-auctions and again switch over to their commercial transactions through normal tender process. Such clients loose the benefits of e-auctions and adopt conventional modes of sale and purchase.
- It so happens that such clients again start e-auctions in between and then again go to tender mode. This kind of flip-flop by some clients for e-auction cannot assure best prices through any of the modes and bidders take full advantage of such situations not to bid their lowest/highest rates.
- Keeping above in view, it is strongly recommended that it is essential for clients to continue e-auction mode for longer durations without switching over to conventional mode to get benefits on sustainable basis through competitive bidding of e-auctions.

- This philosophy of continuance of e-auction as mode for longer duration is demonstrated and justified well by a live example here. A leading motor manufacturing of NCR was procuring aluminum alloy ingots worth large value every month through tender through participation of 5 to 6 suppliers. The company switched over to purchase through e-auction mode and got real good savings in price in first e-auction itself. However, the company did not switch over to convention mode of procurement and now also this company is continuing procurement through RA for the last 4 years and is able to get competitive rates all through. The senior management of company is very happy to purchase aluminum through RA on continuous basis.
- It is also a classic example of adding new suppliers in between, by small trial quantity order.

Conclusion: *The above demonstrates, how client can get benefits of procurement through RA by continuing single mode of procurement.*

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