

Hiring e-Auction service provider for e-Auctions



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1.0 Why service provider (SP)?

When a company does not have its own the e-auction portal, therefore, company needs service provider to conduct e-auctions on its behalf.

Need of service provider may be due to any of the following conditions:

- Client's e-auction portal may be under development and will still take some time.
- Client does not want to develop e-auction portal as it is not economical based on cost benefit analysis.
- Before developing own e-auction portal, client wants e-auctioning experience as part of strategy of company.

1.1 Choice between portal of service provider and client's own web for e-Auctions:

For starting e-auctions for sale and purchase in any organization, there are two options. The first option is to use existing online auction service provider. The second option is that client to set up its own dedicated e-auction site with a provision of deployment of specialized operation and information technology staff to oversee the e-auctions.

Most of the clients prefer the first choice (service provider) because of following advantages over the second:

- I. Less start-up cost for e-auctions.
- II. Lesser operating cost

- III. Availability of latest and better web designs of e-auction formats and efficient website due to the reason that service provider regularly adopts latest technologies and updates its portals.
- IV. Faster implementation of e-auction process for client as portal is readily available in use with service provider just like an item in self.
- V. Service provider is having large database of bidders for sale and purchase. This is a very significant advantage as these bidders create more competition in sale and purchase, which cannot be achieved in own website of clients.
- VI. Service provider is impartial independent agency for conducting e-auctions and credible for bidders.
- VII. Bidders have more trust and confidence in independent third party e-auction service provider than client's website where client's independence may be doubtful.
- VIII. SP has the necessary expertise of e-auctioneering by virtue of rich experience of having conducted many different types of e-auctions for many clients.
- IX. SP has many representatives physically available and operating from different major cities of country and some also from foreign countries. This makes it easy for service provider to contact directly to clients and bidders.

Some observations on option of clients' own e-auction web-sites:

- It is true for large clients/companies, who have to conduct high number of e-auctions repeatedly and regularly for their sale and purchase, a dedicated e-auction website of their own could be their choice.
- In spite of the above, the main disadvantage of this in-house web site choice, is that designing and maintaining is expensive.
- Also, in this option of clients websites, bidders will not have credibility contrary to the websites of service providers.

1.2 Client's options for hiring number of service providers (SP):

Clients while hiring SP may adopt either of two approaches as per following to meet their needs of e-auctioning:

- I. Hiring only one service provider for all e-auctions of the company for total volume of sale and purchase.
- II. Hiring more than one service providers and distributing the e-auctions among them for all sale and purchase activities.

1.3 Client to decide issues before hiring SP:

Client to decide complete scope of e-auction to be serviced by e-auction service provider. Following may be referred, while deciding the scope of e-auction:

- I. Listing of all possible e-auction activities as per e-auction plan of the company. It is worth considering that all items of sale and purchase are not amenable for e-auctions. Therefore, examine the amenability of items for e-auctions and accordingly, decide the list for e-auctions.
- II. Decide the e-auction target in terms of volume of business as per e-auction strategy and business plan.
- III. Estimate the expected gain/value additions/cost reduction/ optimisation of prices / improvements in service levels through e-auction as per business plan of company.
- IV. Survey, compare and web technology use: What technology and which versions is suitable for e-auctioning by SP.
- V. Suitability of fee structure to be paid to SP as per estimated budget.

1.4 Pre-requisites of a good e-Auction SP:

While selecting potential service provider for e-auctioning by client, the following relevant pre-requisites should be considered:

- I. E-auction engine and web of SP should be of latest technology version so that conducting e-auctions is efficient with lowest response time in transactions.
- II. Website of SP should have all capabilities and features of doing all required functions of e-auctions effectively and efficiently.
- III. SP is backed-up with required adequate e-auction experience and manned by knowledgeable and dedicated team having necessary expertise.
- IV. SP also should have large database of bidders (vendors and customers) for creating competition in e-auctions conducted by SP.
- V. SP should have data base of all relevant information required for e-auctions like present and past prices trends of all items and commodities. SP should have intensive monitoring of the market trends of all relevant items of e-auction so that same can be shared with clients as per their need.
- VI. SP should be capable of convincing clients that good price have been achieved in e-auctions so that clients could take sale/purchase decision based on e-auction rates. SP should do intensive analysis of achieved prices through e-auctions and reasons of variations for same with reference to other modes, if any.
- VII. Feedback from existing clients of SP also should be taken before considering the eligibility by client. This feedback for SP should be good and positive. It is desirable that SP enjoys good image in the business circle.
- VIII. While choosing the e-auction service provider, it is essential that he has proven work experience and can conduct all required type of e-auctions including RA, FA, rank auctions and other

required categories of e-auctions for sale and purchase of amenable goods and services of the company. SP should be in position to launch few of e-auctions simultaneously so that there is no restriction in schedule of e-auctions.

- IX. Client to enquire and get convinced that SP is having adequate supporting infrastructure like communication facilities, space and accommodation, standby software for e-auction portal, latest computers, e-auction halls, secured software, e-auction room to be physically inaccessible for entry of persons.
- X. Client to see that SP is having presence in different regions of country and abroad. It is desirable that SP is having good necessary networking with vendors and customers, technology providers and financial institutional and big business houses.
- XI. SP should have experts of marketing, IT technology and e-commerce.
- XII. SP should be in position to provide terminals to clients, if they are interested to conduct the e-auctions directly by them.
- XIII. One of the most important issue client must examine whether SP is simply an e-auctioneer or he can provide additional cost improvement solutions in sale and purchase of the company.
- XIV. SP's portal should be capable of latest software updates.
- XV. SP should be in position to conduct e-auction in different currencies and prices should be visible in required currency after auto-conversion as per need.

1.5 Criteria for selection of service provider for e-Auction:

These days, number of service providers are available in the market for conducting e-auctions. It becomes difficult for a new client who wants to start e-auctions, to select suitable service provider for conducting e-auctions for his company for sale and purchase. Following points should be taken in consideration for selecting e-auction service provider:

1.5.1 User friendly platform:

1.5.2 SP to have capacity of multiple options for e-Auctioning

1.5.3 SP to provide e-Auction insight report

1.5.4 SP to have a pro-active customer support team

1.5.5 Summary of considerations by clients while selecting a SP

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