

Self-test 2.5

Some of the advantages of using e-catalogues include:

1. Always up-to-date
2. Ease of access from PC with Internet browser
3. Easy-to-use interface that requires little training
4. Detailed searches can be quickly carried out
5. Buyers can easily compare products and prices
6. Orders can be placed with electronic order forms
7. Supplier stock levels and availability can be checked
8. Purchase orders, approvals and financial transactions are automated
9. Details such as lead times and delivery information can be obtained
10. Order status can be confirmed online
11. Employees' time is saved and administrative expenses are reduced

Some of the advantages of using e-auction include:

1. When the purchase item is commodity-like and price is the key concern.
2. When there are many qualified suppliers.
3. When speed is important.

Self-test 2.6

There are a number of factors that procurement professionals should consider when using any type of online auction:

1. *Risks of interrupting good supply relationships:* Committing a material or service to auction sends a signal to the supplier that the buyer has evaluated the supply relationship and is prepared to consider switching to a new source. It also implies that price, not service, is a determining factor. If the supply relationship is an important one and its performance must be assessed on factors other than only price/cost, then the tension created by suing an auction may not produce the intended results. Furthermore, analysis should take into consideration non-price factors, such as switching costs and supplier performance with respect to quality and delivery.
2. *Risks of developing a poor reputation with the supply base:* Extensive auctions, without consideration of the suitability of this method for the procurement involved, may send a signal to the supply base that the procurement has a one-dimensional approach to supply management and is prepared to switch suppliers regularly on the basis of aggressive price/cost competition.
3. *Cost of running the auction versus expected savings:* The costs of running an auction can be high, regardless of whether or not a third party is hired to conduct the auction. Considerable time must be spent setting specifications, training suppliers and setting up the technology. These costs must be weighed against the potential benefits. Firms may have to run several auctions each year to cover the fixed costs.
4. *Cost savings potential of auctions versus traditional sourcing processes:* There may be opportunities to achieve better outcomes in terms of price/cost, service, quality or delivery through other means, such as negotiation, re-engineering and value analysis or RFQ.

5. *Significant up-front preparation and cost required compared to traditional RFQ:* The costs associated with setting up and running the auction can be quite high compared to traditional RFQ methods of price determination.

6. *Actual versus bid price discrepancies:* Differences frequently exist between the close-of-auction price and the final contract price and cost. These differences can be caused by factors such as unforeseen costs related to the product or service being acquired, tooling, pilot testing, changes in design or specification, and switching suppliers as well as post-auction negotiation.