

## FREQUENTLY ASKED QUESTIONS

### **1. What is a Reverse Auction?**

It is a requirement for goods or a service that is put to an auction. Potential suppliers are then invited to bid to deliver the commodity or service using an on-line Reverse Auction platform. The prices start high and reduce in the face of competition - the purchaser then selects the contractor (not necessarily the lowest bidder) at a competitively lowered price.

### **2. How much do Auctions cost?**

We guarantee that our costs will never exceed your savings which makes any auction risk free for our clients. Fees will vary depending on the size and type of commodity being auctioned.

### **3. Will this mean I can get rid of my purchasing department?**

No - Pricing is only a small part of the procurement process, it just happens to be a very important part. Any bid still needs to be weighted on a service vs. price basis. The primary purpose of the Reverse Auction is simply to make sure the price paid, is as low as possible. Our statistics show that only 30% of the time the winning bid gets to supply, it just so happens that the auction price is, coincidentally, 30% lower on average than previously benchmarked costs.

### **4. The types of goods and services we buy are bespoke and cannot easily be auctioned on a like for like basis.**

It is true, that the more unambiguous the specification of a product or service is, the easier it is to auction. However, all goods and services need a price and it is therefore more about how the auction is 'set up' which determines the success of the process. We have auctioned goods and services ranging from £1000 to £30,000,000 and each of those auctions or series of auctions, would have been 'set up' differently to ensure they delivered best value. The actual 'price' of a product or service will be weighted differently for each procurement exercise. For a highly bespoke product it might be 10% of the weighting, for a more commoditised category of spend, it might be 90%. Either way, by running the price element through the transparent auction process, you will be assured of the best possible price.

## 5. Will I need training?

The auctions are designed to be intuitive for both our clients and suppliers. Training for clients to set up an auction for the first time takes 10 minutes.

## 6. How long does an auction last?

Auctions generally last 30 minutes, although, if a bid is placed in the last 5 minutes, the auction will extend for 5 minutes and as a result, auctions have been known to carry on for up to 3 hours as prices continue to drop!

## 7. What about the audit process?

A key strength of the auction concept is the transparent nature of the bidding. Every key stroke is recorded and available for audit. Suppliers will know where they are in a bidding process but they will not know who their competitors are.

## 8. If I want to trial the system what do I do?

We are a small company, the backbone of which is our auction platform. We find that most companies who are new to the Reverse Auction concept want to ease their way into process. On this basis we walk you through each key step of the auction process, from communicating with potential suppliers, the setting up any auction templates to analysing the results. All the time we back this up with our No Win No Fee offer, meaning our clients cannot lose.

For more information, please contact:

David Armstrong

Mobile: 07525 275 706

Email: [david.armstrong@purchasingauctions.co.uk](mailto:david.armstrong@purchasingauctions.co.uk)

Web: [www.purchasingauctions.com](http://www.purchasingauctions.com)

