

## Secrets To Winning Reverse Auctions Notes

### Questions To Answer Before The Auction:

1. How many firms will be competing in the auction?
2. Will the bidding be online and automated?
3. At a high level, what kind of contact will you be bidding on?
4. Is there an incumbent firm – are you that firm?
5. Does the purchaser know you – have they done business with you before?
6. What do you know about the other firms: is there a low-margin supplier? Is there anybody with quality or delivery problems?
7. How much do you know about these other firms? Do you know what their cost structure is, and how far they are likely to go?
8. What are the parameters that will be involved in the bidding: price, shipping, terms?
9. Do you know your walk-away price?
10. Who will be doing the bidding for you?
11. What time will the auction start and how long is it scheduled to run for?

## How To Prepare For The Auction:

1. Reverse auctions are designed for purchases that feature little collaboration, shorter term contracts, products with common specifications and little complexity, and purchases where there are savings opportunities. Strategic relationships with suppliers rarely meet these criteria.
2. Participating in this reverse auction will provide you with real time feedback on the competitiveness of your bid. Even if you don't win the deal, you are still going to get insights into your competition's pricing.
3. On the average, reverse auctions result in a 10% - 24% price reduction over traditional bids.
4. Reverse auctions are not binding for the buyer.
5. Companies will sometimes go with the second- or third-lowest bid based on qualitative factors such as reliability, customer service.
6. There is a cost of switching away from an incumbent supplier that needs to be accounted for.
7. You may find yourself having to make a lot of snap decisions about contract terms, pricing, and packaging during the auction.
8. What can happen is that you become emotional. You'll see somebody else bidding over and you lose your sense of perspective and make a poor decision.
9. Prior to the auction, you are going to want to figure out how any single adjustment to your supply chain can improve your profitability.
10. Today you need to identify any "what if" questions that could affect your bidding. You need to get answers to these questions before the auction starts tomorrow.
11. Your goal needs to be to keep calm and play by the numbers.
12. Make sure that you keep your senior management in the loop: let them know what your strategy and what your walk away price is.
13. Be careful about **Almost There Syndrome**. You have already put a lot of time and effort into responding to your original proposal. This means that you think that with just a little more effort you can close the deal.
14. Your greatest strength comes from the simple fact that the reverse auction takes a great deal of the buyer's time in order to do correctly. They have to identify sellers, collect bids, evaluate, revisit to collect information, and then revisit again to negotiate a final deal. All this takes time that they may not have to give. What you need to do is to present yourself as being the seller who best understands that the buyer's needs are. If you can convince him of your credibility then you'll be well positioned to close the deal.
15. If your Internet connection failed during tomorrow's auction, what would you do?

## Your Auction Strategy:

1. If you are bidding against someone who has known quality or delivery problems, then you don't have to be the low-cost provider – you can aim for second place. The purchaser will probably not select them.
2. If you are the incumbent, then you also don't have to be the low cost provider, you just have to be one of the low cost providers because of the cost of switching providers.
3. If the bidding web page shows you your overall ranking based on a collection of factors, then you'll want to engage in what is called "**transformational bidding**": improve your offer methodically--first on price, then on shipping, then on terms--and watch to see how your overall ranking changes. The buyer will control how each of these components affects your ranking – pay close attention and see which one has the biggest impact on your ranking.
4. One strategy is to start with a lowball offer – your lowest price. This may scare away some of the competition right off the bat.
5. Give In Slowly: This is always a good tip – do not hurry to make concessions to the buyer.
6. If you think you will eventually prove to be the cheapest game in town, start high and drop down slowly to preserve as much margin as possible.
7. Alternate strategy: if you can't win this one, then you may want to do as much damage to one of your competitors as possible. You'd love to saddle them with a losing contract. Your goal here is to drive down prices in the hope that a rival will underbid them--and end up winning an unprofitable piece of business.
8. If you decide to bid below your walk-away price, do you have a plan for how you'll make the money back: changes made to the contact after it has been signed will probably end up costing a great deal, you may end up delivering the product late, or you may even shave some corners on the quality of what gets delivered.