

# Lifting the lid on e-auctions

# e-auctions

E-AUCTION masterclasses delivered by the NWIEP's Efficiency Commission have helped seven Merseyside councils save more than £3.2million. The Efficiency Commission, via the North West Procurement Hub, has promoted e-auctions to local authorities as a valuable and efficient way for them, in the right circumstances, to find a supplier. And, as well as supporting councils to stage e-auctions, it has held a number of masterclasses so that procurement professionals can get to grips with what is becoming a more popular and less unconventional way to do business.

In July 2010, the NWIEP Efficiency Commission staged an e-auction masterclass which guided procurement professionals through the steps to successful e-auction procurement.

## It showed delegates:

- how to identify savings sweet spots,
- the ins and outs of electronic tendering,
- how to construct e-auction lots for maximum returns,
- common, and not so common, sourcing mistakes.

The workshop also gave delegates 10 key steps to running a successful event, tips on how to turn suppliers into e-sourcing champions and how to ensure that best value on the contract is maintained when it is due for renewal.

One of the delegates at the event was Kevin Rogers, Programme Procurement Manager for the Merseyside Procurement Hub which, in August 2010, worked with Buying Solutions to stage an e-auction for office supplies for seven councils.

The e-auction used pre-selected suppliers from Buying Solutions Office Supplies Framework Agreement and saved just over £3.5million against a pre-auction value of £8.25million.

Said Kevin: *"The workshop was a useful way to study e-auctions at close quarters and to confirm to me – and my colleagues – that an e-auction can be an extremely beneficial and efficient way to tender successfully."*

The Efficiency Commission has also promoted an OGC e-auction for the supply of laptops and hard drives which made savings of £6.107m on a baseline spend of £20.451m, equating to 29.9%.

## Headline news

The seven councils who took part in the e-auction for office supplies were Knowsley MBC, Sefton MBC, St Helens MBC, Wirral MBC, Liverpool City Council, Halton Borough Council and Cheshire West and Cheshire Council. There were 83 bids from five suppliers received over a 101 minute period at the auction.

The NWIEP has a contracts register – The Vault – that is a key tool for collaborative procurement via e-auctions. It is a one-stop shop containing an instant view of all the contracts held by local authorities – and their renewal dates. Local authorities looking to aggregate spend can hook up with other councils who have similar contracts up for renewal and collaborate to stage an e-auction for the commodity/service in question.

Commodities and services which traditionally have yielded significant returns when taken to e-auction include: IT hardware, software and consumables; courier services, freight and logistics; recruitment and training; janitorial supplies and PPE; fleet vehicles and insurance and maintenance; commercial print and print management.

## What were the risks?

- E-auctions aren't for everyone, nor are they suitable for all commodities or tenders.
- A lack of understanding about the e-auction process – both by suppliers and council staff managing the e-auction – can hinder and reduce the effectiveness of the e-auction so it's wise to run a dummy e-auction so that everyone is familiar with the process.
- Suppliers may refuse to take part.
- It's important to ensure that, for a collaborative tender, the specification suits all partners and is developed at the outset.

## Why did the project succeed?

- E-auctions usually give a saving that is greater than on normal tender exercises and allow for a better understanding of the profit margins within specific category areas.
- E-auctions, when delivered, as a collaborative exercise, reduce duplication of effort and the aggregation of spend can help reduce costs at a greater rate than on an individual spend.

## Hindsight is 20-20 vision

The Efficiency Commission recognised that e-auctions are more effective when the process is understood properly by procurement professionals and, therefore, held e-auction workshops.

"There are many ways in which councils can look to make efficiencies and, in the right circumstances, e-auctions are a tried and tested way to achieve savings and high-quality contracts. Given the current pressures on councils to get best value for their reduced budgets, it makes sense to use e-auction processes wherever feasible."

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Councils in the North West have saved more than £10million from e-auctions supported by the NWIEP in the last three years.

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