Abstract

The reverse auction tool has evolved to take advantage of Internet technology and has been identified by many large organisations as a tool to achieve substantial procurement savings. As companies adopt this technology it is important for them to understand the implications of this type of procurement. This chapter re-visits a reverse auction event and discusses the impacts the reverse auction format had upon all participants involved in the auction. In late 2001 a small Australian supplier of transport and logistics services was asked to participate in a reverse auction for services they had provided for five years to a multi-national organisation. They were not successful in retaining their contract position.
and this chapter looks at the reverse auction and its business impacts two years after the initial auction. The case study is viewed through the eyes of the winning supplier, losing supplier, auction vendor, and buyer. The main outcomes show that the reverse auction struggles to adapt to fluid business conditions and is limited if it is used as only a price fixing mechanism. It did not engender co-operative supply chains or win-win situations between the auction players.

Introduction

Today, organisations spend over US$20 trillion globally on external goods and services, and thus, the supply chain is now the focus in cost reduction and efficiency increase (Minahan, 2001). As more and more innovative applications are developed, electronic commerce has increasingly adopted an ever-widening definition. One recent application that has sought the “e” treatment is procurement. Minahan (2001) defined e-procurement as:

“The process of utilising Web-based technologies to support the identification, evaluation, negotiation, and configuration of optimal groupings of trading partners into a supply chain network, which can then respond to changing market demands with greater efficiency” (Minahan, 2001).

Activities that could be applied to the e-procurement process include:

- Advertisement of tenders.
- Electronic submission of tenders.
- Electronic ordering.
- Internet sourcing via third parties.
- Electronic mail between buyers and sellers.
- Electronic mail in contract management.
- Research into supplier markets.
- Integration of procurement within the financial and inventory systems.
Enterprise Information Systems and B2B E-Commerce: The Significance of XML
www.igi-global.com/chapter/enterprise-information-systems-b2b-commerce/9496?camid=4v1a