



INSIGHT ARTICLE

Buyers Market?

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Question: We are a young design agency looking to procure new business and build our client list. It's been recommended to us that we take a closer look at eAuctions and eSourcing. What are your views on this? Is it a good way of driving our business forward? And are there any aspects that we should be especially aware, or even wary, of before taking the plunge?

Tina Fegent: We've seen the use of eAuctions to buy media services and commodities such as point of sale and audit services. However, eAuctions have not worked very well in the marketing arena to date, and many purchasing clients have been left debating the validity and benefits of them. Agencies often feel that the actual auction is just about obtaining the lowest price regardless of any other factor such as quality, delivery and other added value propositions.

While eAuctions have been used successfully for many years to buy commodities, they have not been used as successfully in the buying and selling of marketing services.

If you do get asked to participate in an eAuction, then make sure you establish with the client what the primary objectives of the exercise are before you enter the auction. If the client says that it is all about obtaining the lowest price, then you have to decide whether you want to participate or not. My recommendation would be not to.

eSourcing is increasingly being used by client organisations who want to streamline their procurement process, maximise their efficiency and cost-effectiveness, and ensure compliance with internal procurement policies. Many client organisations are seriously looking at adopting eSourcing for the buying of marketing services in 2007.

eSourcing is much more sophisticated than a straightforward eAuction. That's the generally held view of those agencies with hands-on experience of it. How does it work? Well, eSourcing basically employs a range of secure web-based tools that procurement departments can use to manage all their online procurement activities with suppliers. It's a simple yet effective solution that can reduce unnecessary paperwork while maximising time-efficiency.

These activities cover the whole procurement process from setting up the initial specification and scope of work required, to the issuing and collation of RFI data, via tenders, negotiation, the award of a contract and ongoing supplier relationship management.

At the moment, there's a lot of debate within the purchasing community about the use of eSourcing tools, and their applicability to marketing categories. Companies such as GSK, Vodafone and Nokia have already taken on board sourcing in a big way, but many other organisations remain unsure as to whether their investment in the technology will ultimately be worth it.

In the final analysis, I think that it certainly pays to be aware of it and how it works. My advice would be to research the many different systems and suppliers that can be used, and to adapt your ways of working so that your agency is able to utilise the required technology and participate in eSourcing if required.

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