

# What's Next for Online Auctions and Packaging?

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**Online auctions. Buyers of packaging love them; suppliers hate them.** As a buyer, what's *not* to like about an immediate discount of 10% to 15% or more on your orders? As a supplier, what's *to* like about seeing your margin gouged by the same amount?

Nothing in recent memory has charged the atmosphere in the packaging business like online, or "reverse" auctions. Packaging procurement managers find e-auctions offer savings too compelling to turn down. And, according to our analysis, their use is spreading.

But, there's much more happening under the surface with this procurement tool that impacts everyone along the supply chain. This new study assesses how and why reverse auctions gained such a foothold in packaging and looks at their future course in packaging procurement. Along the way this study interviews some of the main players on both the buyer and supplier side for their views and projections.

**What's Next for Online Auctions and Packaging?** examines the e-auction process, offers strategies for both suppliers and buyers on how to maximize their participation in online auctions. The study also forecasts changes in the use of online auctions, and discusses new tools which might enable both buyers *and* suppliers to come to better terms with the online process. Another feature of the study is a special case study involving folding cartons, multilayer films, and plastic bottles. The decision about what and what not to auction in this case study features the comments of a panel of six purchasing executives.

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# What's Next for Online Auctions and Packaging?

## Table of Contents

### I. Executive Summary

*Background to the emergence of e-auctions, how they're growing, why they're growing and issues now facing both buyers and suppliers of packaging.*

- A. Grab your partner?
  - What happened to partnerships?
  - New tools cannot dislodge old truths
- B. How did we get here?
  - Drivers behind the emergence of e-auctions
- C. Where do we go from here?
  - Don't blame the tool
  - E-auctions are a tool, e-procurement is the strategy
  - Better tools are coming
- D. Relationships still matter
- E. How much money do buyers save using online auctions?
- F. What's a supplier to do?
  - Maintain relationships
  - Become a strategic supplier
  - Create own online tools
- G. What's a buyer to do?
  - Use e-auctions for the right products
  - Changing software and applications

- Maintain auction's integrity, usefulness
- Communicate after the auction

### II. The e-auction Process

*Description and analysis of the step-by-step process of e-auctions. Strategies for both end-users and suppliers are made for the e-auction event.*

- A. Define attributes of the supply group
- B. Identify potential suppliers
- C. Prepare a request-for-information (RFI)
- D. Assess RFIs and select suppliers
- E. Complete documentation of selected supplier group
- F. Preparation of a request-for-proposal (RFP)
- G. RFP response period
- H. Supplier visits
- I. Prepare and communicate lots to be auctioned and the "reserve" price
- J. Training suppliers in e-auction software and processes
- K. Conduct the e-auction
- L. Selection of the supplier
- M. More strategies for buyers and suppliers

### III. E-auctions: Key Questions and Answers

*This chapter tackles some of the key controversies that have arisen in the debate about online auctions,*

*including how much price compression takes place and what kinds of packaging products are best suited to online auctioning.*

- A. How much price compression takes place?
- B. How often does the low bidder win the order?
- C. What is the impact on supplier margins?
- D. But don't e-auctions cut sales and other costs for suppliers too?
- E. Can you e-auction value-added materials?
- F. Do second-, third-round auctions continue to yield low prices and savings?
- G. If an e-auction results in a supplier change, do buyers still save money?
- H. What products should be bid online?

### IV. Views of e-auctions From Both Sides of the Monitor

*Experience speaks loudly. Through interviews both buyers and suppliers offer their thoughts on the e-auction process and how it both helps and hurts their operations.*

- A. Box USA
- B. Carastar
- C. AEP Industries
- D. Nestle USA
- E. Top Ten Food Company
- F. Major Consumer Goods Company
- G. Major Food Company

- H. Topco
- I. Glaxo Smith Kline
- J. Blyth

### V. E-auctions Are A Tool, e-procurement Is The Long-term Strategy

*This chapter considers the future of online auctions, not as an end in itself, but as one component in a total e-procurement process within the company supply chain.*

- A. What will e-procurement look like in the future?
- B. What about the procurement professional?

### VI. An e-auction Packaging Case Study

*When to play, when to hold, when to fold? Six professional, experienced procurement executives give their opinions about when and how to bid online for this special packaging case scenario involving folding cartons, multilayer barrier films, and blowmolded plastic bottles.*

- A. The case of the premium package
- B. Case study results and analysis
- C. Author analysis
- D. Summary commentary

### VII. E-auction Providers

*Listing and profiling some of the leading providers of e-auction services and software.*

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