

E-Auction Preparation: Systematic Preparation of Digital Auctions in Procurement

E-Auction preparation encompasses all the steps for the structured planning and execution of an electronic auction within the procurement process. It is a decisive factor in whether an E-Auction actually delivers price and supply benefits or fails due to a lack of acceptance and poor data. Well-prepared auctions create transparency for all parties involved and in practice frequently lead to savings in the single-digit to low double-digit percentage range compared with the previous purchase price.

Key facts

- E-Auction preparation encompasses requirements clarification, market analysis, specification, bidder selection and the auction rulebook.
- Only competitive, standardisable goods and services are suitable for an E-Auction; complex requirements often require preliminary stages such as bidder meetings.
- In practice, the rule applies: no auction without a validated specification and a reliable cost base.
- Typical auction formats are open, ranked and Japanese auctions, each with different effects on bidder behaviour.
- Clear communication and escalation rules before the auction starts significantly increase the participation rate and bid quality.
- The follow-up phase, including the award decision and supplier feedback, is an integral part of the preparation.

Definition: E-Auction Preparation

E-Auction preparation refers to the systematic planning of an electronic auction as an E-Sourcing instrument, from the requirements analysis through to sign-off for the auction start. It comprises functional, market-related, technical and communicative building blocks that ensure bidders can compete under fair and comparable conditions.

Distinction from Other Sourcing Instruments

The E-Auction is a competitive instrument, not a substitute for a well-considered procurement strategy. It usually follows a structured tender (Request for Quotation) and draws on the qualified bidder field established therein. While classic negotiations also address qualitative aspects and potential for cooperation, the auction places the primary focus on price competition. Preparation therefore also means examining whether the auction is the right instrument for the specific requirement, or whether negotiation, tendering or bundling levers across multiple volumes would be more effective.

Legal Framework

In the private sector, freedom of contract applies in principle; what matters is a clear, unilaterally binding auction document that defines the rules, bid increments and award criteria in advance. In the public sector, auctions are subject to public procurement law, in particular with regard to transparency and equal treatment. In all cases, the documentation should be reviewed legally before the start, as subsequent changes to the rules can invalidate the process and cause lasting damage to bidders' trust. These notes are general in nature and must be assessed on a case-by-case basis.

Methods and Approach of E-Auction Preparation

In practice, preparation follows a proven phase model that reflects the classic stages of E-Sourcing and integrates the auction as the final, competitive stage.

Requirements Analysis and Specification

The starting point is a clean requirements planning process with the internal customer: which line items, quantities and contract terms are to be awarded? The specification must be so precise that all bidders quote for exactly the same requirement – only then are reliable price comparisons possible. For catalogue items, catalogue compliance supports data quality; for direct materials, drawings, material specifications and test conditions must be consolidated. In practice, unclear requirements lead to follow-up negotiations that negate the auction's benefits.

Market Analysis and Building the Bidder Field

Before the auction, the supplier market must be analysed: how many qualified suppliers are there, what is their capacity utilisation, which cost structures dominate? As a rule of thumb, at least three to five genuinely competitive bidders should take part so that effective competition arises. The bidder field is built up through supplier identification, supplier master data and pre-qualification; incumbent A-suppliers frequently need to be included, but new suppliers can also create fresh competitive pressure. Bidder meetings held in advance clarify capacity and technical questions.

Auction Design and Rulebook

The rulebook covers the auction format (open, ranked/sealed-bid, Japanese or English), bid increments, duration, extension logic and the crucial question of the value-added criterion: will bidding be based purely on price or on an overall score including transport costs, payment terms or a CO2 price? Communication channels during the auction, break rules and the technical test phase (dummy auction) should also be defined in advance. The more transparent the rules, the lower the risk of abandoned auctions or subsequent disputes.

Key KPIs and Success Criteria of the Preparation

The success of an E-Auction is decided predominantly before the start. Measurable metrics help to assess the quality of preparation and to improve processes across multiple auctions.

Preparation and Process Metrics

Key metrics are the participation rate of invited bidders, the proportion of actively bidding participants and the number of bids per line item. A high number of non-participants frequently indicates unclear specifications, unrealistic target prices or insufficient advance communication. The lead time from tender to auction start is also a practical indicator: it shows whether the organisation is running the preparation

efficiently or whether internal approval processes are delaying the competition.

Outcome Metrics

On the results side, what counts are savings versus the baseline (previous year's price, last quoted price or internal target costs), volume under contract and the quality of the award decision. It is important not to look only at auction day: it is only the subsequent contract award and later delivery performance (for example, measured by adherence to delivery schedules) that show whether the auction has created sustainable value. A price-crushing success at the expense of quality or ability to deliver will later rebound in procurement controlling.

Risks and Controls in the Preparation Phase

E-Auctions carry specific risks that can be largely avoided through thorough preparation. The key points of leverage lie in the specification, supplier relationships and internal organisation.

Specification and Market Risks

The greatest risk is an incomplete or ambiguous specification: bidders price differently, the auction produces artificial prices, and follow-up negotiations undermine the result. Further risks are a bidder field that is too small, collusive participation or market situations of scarcity in which auctions prove counterproductive and strain supplier relationships. An audit checklist for auction readiness – specification complete, market reviewed, budget available, management buy-in secured – systematically reduces such sources of error.

Relationship and Organisational Risks

Auctions can be perceived as a signal of mistrust by strategic suppliers; here, early, honest communication about objectives and framework conditions helps. Internally, clear mandates are often lacking: who decides on technical queries during the auction? Who is responsible for escalation, and where necessary an emergency team for critical line items? Clear roles, agreed rules of conduct towards bidders in advance and a documented reserve price protect against ill-considered decisions under time pressure.

Current Developments in E-Auctions

Digitalisation, sustainability requirements and dynamic markets are changing the preparation of electronic auctions. Procurement organisations are extending classic price auctions with multi-dimensional evaluation and a better data basis.

Multi-Criteria Auctions and Sustainability

Increasingly, overall scores rather than just prices are being bid: in addition to price, payment terms, delivery flexibility, emission values or a CO2 price are incorporated into the bid as score-based components. This requires the evaluation logic to be defined early in the preparation and communicated transparently to all bidders. Otherwise, the impression of arbitrariness arises. Sustainability requirements, too, are increasingly being qualified as binding criteria before the auction rather than being verified only afterwards.

Data Integration and Dynamic Markets

Modern E-Sourcing platforms increasingly enable the machine-readable transmission of tender data, for

example via formats such as cXML, making preparation faster and less error-prone. Volatile raw material and logistics markets – from container shortages with demurrage risks to customs and reporting requirements such as Intrastat – by contrast call for more flexible auction designs, for example with price adjustment clauses instead of pure fixed prices. In practice, the focus is therefore shifting from pure price hunting towards robust, reliable award decisions.

Typical metrics

Participation rate of invited bidders: typically > 80%

Low figures indicate an unclear specification or unattractive terms.

Actively bidding suppliers: at least 3

Below this threshold, effective competition generally does not materialise.

Savings versus baseline: commonly 5–15%

Depends on the intensity of competition, volume and initial price level.

Lead time from tender to auction start: 2–8 weeks

Benchmark for complex direct materials; catalogue goods considerably faster.

Practical Example

A medium-sized mechanical engineering company wanted to re-tender around 40 standardised bought-in parts with an annual volume in the mid seven-figure range. Rather than putting all line items straight into an auction, the team structured the preparation: first, all line items were assessed by degree of standardisation, intensity of competition and switching risk. Around two-thirds of the line items proved suitable for auction, while the remainder were handled through bidder meetings and bundling levers.

- Validated specifications and drawings consolidated in advance for all auction-suitable line items
- Bidder field expanded from eight to eleven qualified suppliers, including two new suppliers
- Test auction (dummy round) and a short briefing carried out with all bidders before the live event
- Value-added criteria (payment terms, delivery flexibility) anchored as fixed evaluation components in the auction rulebook

Conclusion

E-Auction preparation is the real lever for the success of electronic auctions – not auction day itself. Those who set up requirements, specification, bidder field and rulebook carefully achieve not only savings but also accepted outcomes on the supplier side. Conversely, poorly prepared auctions lead to artificial prices, follow-up negotiations and damage to supplier relationships. Structured preparation with checklists, clear communication and measurable metrics therefore makes the instrument reliable for medium-sized companies and large corporations alike. Complemented by a clean follow-up and contract management process, the E-Auction thus evolves from a price-squeezing tool into a steering instrument of a professional procurement strategy.

Frequently asked questions

When is an E-Auction worthwhile in procurement?

An E-Auction is typically worthwhile for standardisable goods or services, sufficient competition with at

least three to five qualified bidders and a relevant volume. The company's willingness to switch suppliers and the price elasticity of the market also play a role. For strategic single sources or strongly technology-driven goods and services, bidder meetings or negotiations are usually the better instrument.

How long does the preparation of an E-Auction take?

In practice, preparation takes between two and eight weeks depending on complexity, and longer for complex direct materials. Time requirements include requirements clarification with the internal customer, market analysis, creation of the specification, bidder qualification and drafting the auction rulebook. A test phase for bidders should always be scheduled.

What auction formats exist in E-Sourcing?

The most important formats are the open auction with visible bids (also known as the English auction), the ranked or sealed-bid auction without price information between bidders, and the Japanese auction with falling prices and an exit option. In addition, there are multi-criteria and rank auctions in which overall scores rather than pure prices are bid. The choice depends on the intensity of competition and market culture.

How many bidders does an E-Auction need?

As a practical rule of thumb, at least three, preferably four to five, actively competing bidders are required. With fewer participants, no genuine competition arises, and the auction result frequently remains at the level of the original offers. More important than the sheer number is genuine competitiveness: even seven bidders are of little help if only two can realistically deliver.

How do I prepare suppliers for an E-Auction?

Early, transparent communication has proven effective: the aim and rules of the auction, the bid mechanics and the evaluation criteria should be explained in advance in writing and ideally in a briefing. A test auction with practice bids significantly reduces technical inhibitions. In addition, questions should be channelled and response deadlines defined so that any uncertainties shortly before the start do not impair bidding behaviour.

What is the difference between an E-Auction and E-Sourcing?

E-Sourcing is the umbrella term for digital procurement processes from the enquiry through to the award; the E-Auction is a distinct competitive stage within that process. The preparation of an E-Auction typically draws on the results of previous E-Sourcing stages such as the tender and supplier qualification. The two instruments therefore interlock, but do not replace each other.