“We make extensive use of reverse auctions to buy a wide range of products including carpet, office supplies, display fixtures, and POS terminals. We also use reverse auctions to buy services such as armored car pickup, electricity, store maintenance, and freight transportation. A procurement we make through an auction can be as much as $80 million.

The process of running an auction starts with our purchasing agent working with users to develop a specification. The purchasing agent also establishes the rules for the auction such as the required difference for a new bid versus the previous low bid, whether bidders will see the names associated with each bid or just the amount of the lowest bid, and when the auction will open and close. We typically have bidding end when no new bid has been made for five minutes after the designated closing time. This rule prevents gaming by bidders waiting until the last minute to make their best offer.

After setting the rules, the purchasing agent locates qualified sources and invites them to participate in the auction. We screen all potential suppliers to make sure they have the financial resources and capabilities to provide products and services that meet our standards. We also make sure that women and minority owned businesses are among the set of bidders. Usually, we open the bidding to between five and seven suppliers.

Then the fun begins. Bidders log on to the system thirty minutes before the auction starts to make sure there are no technical glitches and when the auction opens, the price starts dropping.

While my area is responsible for buying products and services that are not for resale, we have had so much experience and success running reverse auctions, that we provide the administrative support for the auctions involving with buying our private-label merchandise. However, the buyers develop the specifications for the merchandise – the description of the fabric, thread count, lining, buttons, etc.