

Achieving Real-time Cost Savings with the Help of eAuctions

Challenges

- Multi-million pound spend on purchasing commodities such as doors, showers, windows, boilers, and other items for house improvement and maintenance
- Sought innovative measures to drive down costs as part of a wider goal of raising procurement capability within the organization
- No prior experience with modern procurement tools
- With major repairs coming up for renewal, quickly reducing costs and market testing existing purchases was critical

“The decision to select Ariba StartSourcing was easy since Ariba was offering the licence on a competitive, low-cost basis along with a trial period of only three months. This was an ideal, low-risk way for WNWhL to buy it on a ‘proof of concept’ basis. WNWhL had not conducted an eAuction before, so if it delivered the savings, they would commit to a year’s licence; if it didn’t, they would ditch it. It was as simple as that.” Douglas MacKellar, Director, Sourcing Vantage

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Solutions

- Brought in Sourcing Vantage Ltd. to assist with their procurement requirements
- After assessing WNWhL’s needs, Sourcing Vantage recommended that WNWhL introduce eAuctions
- Sourcing Vantage suggested that WNWhL first establish the proof of concept for eAuctions—delivering cost savings without being detrimental to key criteria such as service levels and quality
- Working with key internal and external stakeholders, the WNWhL and Sourcing Vantage team determined that internal doors was the first commodity to go through the eAuction process because of its simplicity and readily available commercial data concerning current prices, suppliers, and quantities
- Invited all WNWhL staff to watch first live auction on a large tv. Extending invitation to all staff raised procurement’s profile within the organization
- Head of WNWhL’s Finance and Corporate Services witnessed fierce competitive bidding and dramatic price drops with all line items firsthand

Results

- On-demand software required no additional IT resources
- Since achieving success with its first auction, WNWhL has conducted eAuctions for fans, shower trays, and pumps (with savings of more than 20%, on average) as well as one for a health and safety advisory service
- Services savings results—of more than 15%—demonstrate that services can also be successfully eAuctioned
- Much tighter contract management processes to assess that savings from eAuctions are actually realized
- Closely monitors spend and quantities purchased with winning bidders
- Any savings go straight to the bottom line and, where appropriate, can be earmarked for reinvestment in the community
- Cost reductions achieved with first eAuction paid for Ariba StartSourcing many times over—resulting in no hesitation in committing to purchase Ariba Sourcing for more complex eAuctions

Company

West North West homes Leeds (WNWhL)

Profile

Located in the United Kingdom, the organization is responsible for managing and improving more than 20,000 homes in Leeds.

Ariba Commerce Cloud Features

- Ariba StartSourcing™
- Ariba Sourcing™

“I was very impressed with the auction. Not only did I see prices reducing by over 20% in real time, but also a very comprehensive record being created by the software of who was bidding, when they were bidding, and what they were bidding. The report generated by the tool serves as an excellent audit trail of our procurement activity. It also demonstrates to the Audit Commission that we are market testing our purchases using leading-edge procurement tools.”
Pamela Bleasdale, Head of Finance and Corporate Services, WNWhL

