

## General FAQs

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### **Is buyjunction a marketplace?**

buyjunction is not a "Marketplace". We are Procurement Service Providers. We provide more than mere consultancy or a software solution. Our services are available to large businesses that are looking to bring about cost reductions for raw materials, services and MRO items, greater economies of scale, process efficiencies and enhanced domain expertise than are available in-house. We can be considered as an extension of the material/services procurement arm of any business.

### **What is Reverse Auction?**

A Reverse Auction is one where the client (auction originator) wants to purchase supplies and/or raw materials at the lowest price possible, without compromising on quality. Bidders (suppliers) are pre-qualified and when the auction begins, they bid what they will charge to supply a commodity. As the auction proceeds, the best price for the client is actually the lowest price, hence the name reverse auction. At the end of the auction, the final price is the lowest price at which the winning supplier will provide the material to the client.

### **Why should you outsource Procurement?**

Procurement outsourcing has proved that it delivers economies of scale, category expertise and infrastructure that many firms lack. Recent advances in procurement and analytics technologies provide the visibility and control to enable enterprises to effectively manage these outsourced relationships. A study by the US based Aberdeen Group says that, within five years companies not outsourcing under-performing areas of the procurement function will be at a competitive disadvantage.

However, outsourcing should not be viewed merely as a way to divest of assets or reduce headcount. Such a narrow view of outsourcing can indeed deliver short-term results. However, this tactical approach to outsourcing has proven to be at high risk of long term failure if the decision does not support future growth and direction of business.

An enterprise should outsource a procurement activity if it cannot sufficiently perform the process internally or if the process does not support the company's competitive differentiation.

### **Why should you outsource?**

On one level, procurement outsourcing can be viewed as a classic build-versus-buy decision. To determine which procurement activities, if any, should be outsourced, companies must conduct a thorough gap analysis of their competency along both procurement process and spend category lines. Once a company has an understanding of its performance in certain activities and categories, it must benchmark its performance against best-in-class performers. Only then can an enterprise

truly understand which spend categories and which procurement processes should remain "core" and which should be outsourced.

Enterprises are advised to first assess their procurement competencies on two key matrixes. One matrix should evaluate the strategic value and spend "control" of the purchase category. The other matrix should assess the internal domain expertise and infrastructure to support specific spend categories and specific sourcing, procurement and supply management processes required to effectively manage the category.

### **Who needs to outsource Procurement?**

Quite frankly, everybody needs to outsource procurement. A research study conducted by the Aberdeen Group, into the sourcing, procurement and supply management practices of US and European enterprises clearly indicated that even the largest firms lack the skills, expertise and infrastructure necessary to effectively manage procurement across all spending categories.

Specifically the following gaps were identified in enterprise procurement strategies:

- On average, enterprises have applied strategic sourcing principles to less than half of their overall spending.
- Nearly 70% of companies continue to make sourcing decisions at the divisional or site level
- Nearly a third of purchases are off-contract buys.
- At most enterprises, domain expertise is limited to the most strategic or high dollar volume categories of spending
- Few enterprises have standardized sourcing and procurement processes
- Clear visibility into total spending remains elusive for most companies
- Sourcing, procurement and supply management activities are labour intensive, time consuming and manual at most times
- Procurement continues to lag other enterprise functions in the utilization of automation and analysis tools

Such factors strongly suggest that even the largest enterprises suffer from inadequate spend coverage and fragmented, under-leveraged, and inefficient procurement operations. In short, procurement is an under-performing asset at many companies. As a result, enterprises are leaving Crores of Rupees on the table owing to sub optimal procurement processes and under-leveraged spend. This is a luxury that few companies can afford in today's tight economic environment.