



A Case Study on Forward Auction

Annual Contract of Scrap sale for a Cable Manufacturing Major

The Client:

The Client is a Mumbai Head Quartered manufacturer of Power & Control Cables, Jelly Filled Telephone Cables, Optical Fibre Cables and House wiring Cables. The Manufacturing plants for the Organization are spread across Pan India.

The Business Need:

The Organization is selling scrap in lots individually for each location. The negotiations are done manually by the purchase team and on periodic basis. This is resulting in the rate contracts based on the individual skills and the market rate on the negotiation date.

Key Challenge:

The Key Challenge is to reduce the efforts of periodic negotiations to annual frequency with an increased rate of sale and bring in a transparent process for all the bidders to participate in the auction.

Solution:

The Solution proposed to the client is to execute auction based on the discounted percentage of the market index price on the date of dispatch. This approach opened gates to more vendor participation and the volume of the consolidated annual order multiplied the interest levels with the vendors.

Facts

Product/ Service	Sale of Aluminium, Copper wires scrap of different types
Volume	Annual Contract (1000 MT per Annum)
Auction type	English Reverse Auction (Due to discounted %)
Number of service providers	6 for each location

Value Delivered

- Provided a solution to execute the actual for annual contract there by reducing the monthly negotiations.
- Executed Multi lot event to complete the auction for all materials from a particular location in parallel.
- Provided a web based platform where in all the vendors are trained and made the bidding process transparent and encouraging.

Results:

Achieved 8% increase in the cost of various materials of the scrap compared to the previous year.