

WHITE PAPER

EXPRESSIVE FEEDBACK:

A Collaborative Sourcing Edge over Conventional RFPs and Reverse Auctions

Close collaboration with suppliers during the sourcing process is not a new concept, but its importance is gaining traction across all parts of the purchasing function. Working closely with suppliers to identify supply chain efficiencies and new product innovation increases the strength of relationships, reduces risks and drives cost reductions for all parties involved. Nearly a decade ago, CombineNet introduced the concept of Expressive Bidding[®], a more flexible and creative process for capturing supplier efficiency and innovation during the sourcing process. That concept has since been at the heart of CombineNet's advanced sourcing product.

In 2011, CombineNet introduced Expressive Feedback, another powerful, value-added way to increase collaboration with suppliers and improve the results of strategic sourcing activities. Unlike a conventional reverse auction which focuses solely on working suppliers down to lowest price, Expressive Feedback delivers feedback to suppliers based upon both price and non-price factors, at any point in the bidding process, thereby enabling sourcing decisions made on best overall value and match to the buyers' defined business requirements.

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COLLABORATIVE SOURCING WITH SUPPLIERS

Buyers that collaborate more strategically with their suppliers are able to identify new areas of cost reduction and product innovation. By sharing more information with suppliers – what the buying organization’s needs are, how they would like suppliers to participate in their sourcing process, etc. – buyers are helping their suppliers respond more strategically to their needs. Suppliers that have a more thorough understanding of their customers (the buyers) can better match their capabilities to those needs and respond with more value-added ways of supporting their customers’ business.

In turn, suppliers that are able to better match their strengths with their customers’ business requirements can increase their own efficiencies, introduce more innovative products or solutions, and propose ways of servicing the customer that reduce their cost of delivery. Those cost savings can be shared with the buyer, strengthening the buyer-supplier relationship and creating a win-win for all involved parties.

Nearly a decade ago, CombineNet introduced the concept of [Expressive Bidding](#) through our Advanced Sourcing Application Platform (ASAP), a strategic sourcing process by which buyers and suppliers work more collaboratively during the e-sourcing cycle to create better results. The hallmark of Expressive Bidding is its focus on more than just price – allowing buyers and suppliers to find value-adding matches against non-price factors, such as capacity, terms, delivery times, service levels, industry certifications, and other attributes the buying organization deems important. By providing more information to suppliers through the publication of a detailed online RFP, and enabling suppliers to create more expressive, creative proposals that reflect their strengths, Expressive Bidding opens up new avenues for finding supply chain efficiency and cost reduction opportunities.

In 2011, CombineNet increased the collaboration capabilities of ASAP even further by adding [Expressive Feedback](#), which provides a variety of mechanisms by which a buyer provides feedback to the suppliers responding to an RFP to guide them towards more strategic and competitive responses. More details about Expressive Feedback will be covered a bit later, but first let’s look at how feedback is approached and valued in a typical sourcing process.

THE ROLE OF FEEDBACK IN THE SOURCING PROCESS

Buyers will often provide some sort of feedback to suppliers during a sourcing event. Especially with strategic suppliers and incumbents, buyers typically use email, phone, or face to face meetings to discuss the supplier’s proposal, its merits, and deficiencies during the bidding cycle. New suppliers, or those suppliers less familiar to the buyer, may receive some of this feedback also, though it is less common and often not as in-depth. There can be multiple goals in providing this feedback:

- Encourage suppliers to provide more competitive bids
- Increase the amount of business on which they are bidding
- Drive more strategic responses through volume discounts, increased supply capacity, or improved service terms.

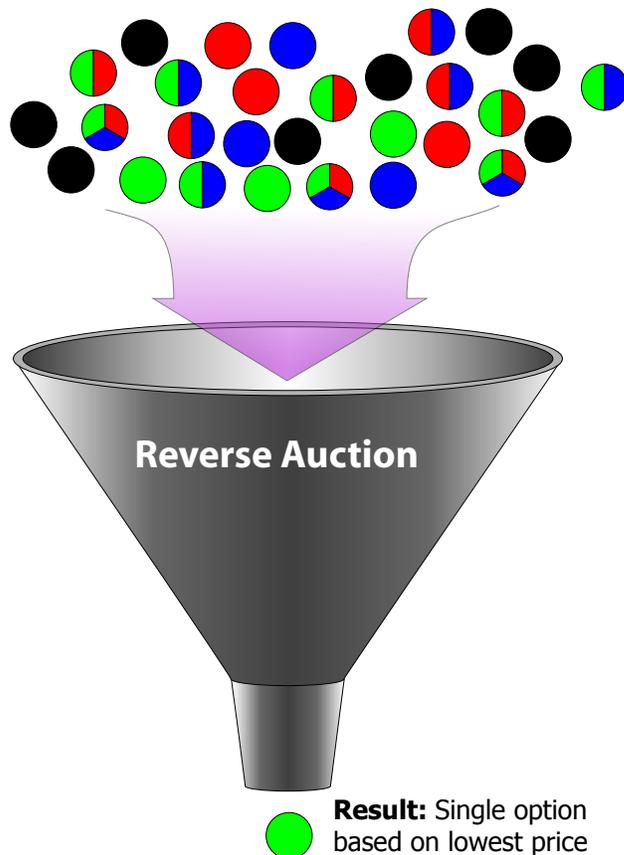
This feedback is valuable to the sourcing process, as it can prompt suppliers to “sharpen their pencils” and reduce their pricing, review the items they haven’t covered to find additional business opportunities, or rethink their service or business terms.

As we've noted though, this feedback is often conducted in an ad hoc fashion. With increasing focus on greater transparency, auditable business practices, and compliance at some organizations, a more centralized and formalized approach to delivering such feedback may be a growing business need.

REVERSE AUCTIONS AS A FEEDBACK MECHANISM

One e-sourcing technology that employs feedback extensively is the [electronic reverse auction, or e-auction](#). Used for years as a means to source non-strategic goods and services for a business, the reverse auction relies on competitive bid feedback to reduce costs by providing immediate feedback to suppliers based on their bids. This is an effective type of feedback delivery, as suppliers can instantly see where their bids rank in relation to those from other suppliers. The power of reverse auctions to drive price reduction is universally understood by those who have used them.

Suppliers may have favorable price ●, **terms** ●, or **capacity** ●, **may be favorable in two or three areas**, ●●, ●●●, or **may not be favorable at all** ●.



However, reverse auctions have their drawbacks, for both buyers and suppliers. Where the items are well defined, suppliers are pre-approved, and the award decision can be made on lowest price in a winner-takes-all strategy, reverse auctions can be employed effectively. But for larger events and more strategic spend categories, reverse auctions are usually not supportive of the buyer's strategy or the suppliers' interests. While reverse auctions create an exciting environment with fast paced and competitive price bidding, they are poorly suited for spend categories and sourcing events where buyers need to award business on the total value of their suppliers' responses.

The shortcomings of reverse auctions for all but the most simple of sourcing events are well documented. Most strategic spend categories are best not left to award decisions based on price alone. Nor are they typically small enough or limited in scope to award to sole suppliers in a winner-takes-all outcome. In these spend areas, suppliers are less than enthusiastic with the reverse auction process, as they are unable to compete on their strengths outside of price. As non-price factors, supplier value, incumbency, service levels, supply capacity, and stakeholder preferences become part of the decision making process, reverse auctions quickly prove ineffective, and online RFPs with bidding and analysis flexibility become the tool of choice.

FEEDBACK IN ONLINE RFPs

Online Request for Proposal, or RFP, provides significantly more ability to collect the type of information needed for strategic spend categories than reverse auctions. When properly equipped with Expressive Bidding and Optimized Scenario Analysis capabilities, such as those delivered in CombineNet ASAP, online RFPs give the buying organization an easier, more centralized way to collect price and non-price factors, service levels and terms, a supplier's capacity for each item being sourced, and other supplier value-add factors. Additionally, with advanced analytics, buying organizations can make better award decisions based on total value that reflects the preferences of stakeholders and other interested parties. RFPs enable a buying organization to identify a pool of qualified suppliers (based on price and non-price factors) to choose from, rather than hammer suppliers on pricing until only one supplier is left standing.

But providing feedback to suppliers during the course of an RFP – even when that RFP is conducted online – has traditionally been a manual process and often quite time consuming. Buyers will sometimes cherry-pick which suppliers are provided feedback, based on relationships or other strategic considerations, and so not all suppliers will receive timely or effective feedback. The feedback is often provided between bid rounds after a period of bid analysis, or at the end of the process as part of the formal contract negotiation stage. Unfortunately, this can reduce the opportunities for value and savings as suppliers that could have responded well to this feedback, if it were provided in a more timely and consistent manner, may not have had an opportunity to benefit from it.

A NEW SOLUTION – EXPRESSIVE FEEDBACK

Expressive Feedback, as delivered in CombineNet ASAP, provides collaborative communication and time-saving automation capabilities to the buying organization, so they can conduct more strategic sourcing events with suppliers. CombineNet ASAP users can [employ Expressive Feedback within their online RFPs](#), benefitting from multiple feedback mechanisms that encourage more competitive and strategic responses from their suppliers. Coupled with the Expressive Bidding capabilities of CombineNet ASAP, Expressive Feedback drives buyers and suppliers to new levels of collaboration.



Quickly and easily configured using a wizard-driven process, Bid Feedback and Supplier Feedback are two feedback mechanisms that provide timely information to the suppliers during an RFP.

There are two aspects of CombineNet ASAP's Expressive Feedback that buyers can configure to provide automated feedback to suppliers:

- [Bid Feedback](#)
- [Supplier Feedback](#)

BID FEEDBACK

Bid Feedback provides suppliers with information about their individual bids relative to: Competitiveness, Target price, Lowest price, % from Target, and/or Rank. Similar to the type of feedback provided in a reverse auction, Bid Feedback provides suppliers with information on the pricing they've provided for each individual item being sourced. But unlike a reverse auction, Expressive Bidding enables suppliers to provide pricing on multiple cost elements for each item in the sourcing event, which means the feedback can show suppliers that they are competitive in some of the bid elements for each item, but not as competitive in other bid elements.

Example: *In a material such as aluminum cans purchased by food and beverage companies, the supplier may provide pricing on aluminum costs, production costs, processing costs (such as adding a protective film or printing), and even freight costs. With Bid Feedback, a buyer may choose to provide feedback on each of the bid elements, and a supplier may see that they are competitive on the aluminum and production costs, but not as competitive on the freight cost. This can have the effect of encouraging the supplier to rethink their shipping methods to reduce the freight portion of the total cost and improve their competitiveness.*

SUPPLIER FEEDBACK

Another Expressive Feedback mechanism in CombineNet ASAP, Supplier Feedback provides an online mechanism for the buyer to send personalized feedback to select suppliers on their overall performance in the sourcing event. This feedback is not tied to the prices they've submitted in the online RFP response, but rather provides strategic feedback on how they can be more competitive as a whole. Rather than sending this feedback "off-line" outside the sourcing tool, this communication is sent via the tool, providing a central repository and stored history of what feedback was provided to which suppliers to help drive increased competitiveness in the bid process.

Examples: *A buyer may provide Supplier Feedback to a new supplier that has bid on only 25% of the items in the RFP. The buyer may choose to encourage the supplier to take another look at the remaining 75% of the items to see where else they could increase their participation in the sourcing event. Or, an incumbent supplier could be prompted to return to the RFP to add proposals for some of the items that they have historically provided but have not yet submitted a response. Additionally, buyers can encourage suppliers to become more competitive by creating different types of Expressive Bids, such as Conditional Offers for volume discounts or Packages that provide discounts on groups of items where they have strengths.*

BENEFITS OF EXPRESSIVE FEEDBACK

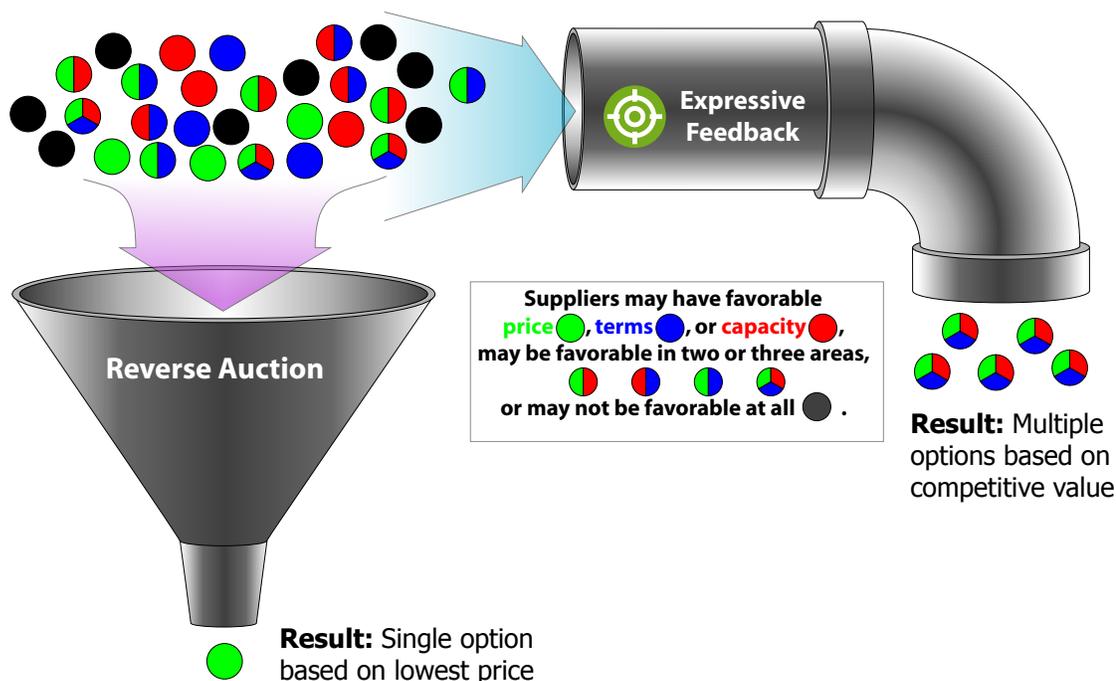
Expressive Feedback enables a very strategic form of buyer-supplier collaboration by giving buying teams the opportunity to create feedback on pricing via Bid Feedback for all suppliers, and Supplier Feedback for any supplier during a sourcing event. The following are key benefits:

MORE TIME FOR SUPPLIERS TO RESPOND STRATEGICALLY

Users can easily configure when and for how long Expressive Feedback is delivered to suppliers. Expressive Feedback can be provided during the entire RFP process, or a buyer may choose to enable feedback only during specific periods of time, such as between bid rounds or for short periods during the sourcing event. And unlike the “always-on” feedback of a reverse auction, suppliers aren’t racing against time to interpret the feedback and respond. For certain sourcing events or with strategic suppliers, this time-based flexibility can remove the frenzied and stressful “bid-review feedback-rebid” cycle that discourages supplier participation in reverse auctions. By providing less time-constrained and reactionary windows of opportunity for suppliers to contemplate their response to the feedback, they are able to refine their proposals in a more strategic and well considered manner.

LARGER POOL OF QUALIFIED SUPPLIERS

Because it is employed in an online RFP rather than a reverse auction, Expressive Feedback also increases the pool of qualified suppliers that have competitive proposals for award consideration. Through the price compression qualities of Bid Feedback, a larger number of suppliers will have put forth competitive pricing. Rather than having a pool of qualified suppliers with sometimes very different pricing (as in an RFP without feedback), or a single low cost supplier (as in a reverse auction), an RFP enabled with Expressive Feedback should provide the buying organization with a larger number of supplier options to choose from when making award decisions.



AUTOMATION = FORMALIZATION AND EFFICIENCY

In addition, because the delivery of Expressive Feedback to suppliers is automated through CombineNet ASAP, the process of providing feedback to suppliers during the RFP is no longer a time consuming activity left on the shoulders of the buying team. Buyers simply need to set up their preferences for feedback and reap the benefits of automation, including process formalization and efficiency.

SUMMARY

CombineNet ASAP's Expressive Feedback feature [provides timely and collaborative feedback to suppliers to increase the cost savings, innovation, and efficiency improvement opportunities within an RFP.](#) Users can configure both competitive Bid Feedback and strategic Supplier Feedback to be provided during the entire sourcing event, or only during specific periods of the bidding cycle based on their sourcing strategy. Unlike reverse auctions, which provide feedback solely to drive down pricing to award a single supplier based on the lowest price, the objective of CombineNet ASAP's Expressive Feedback is to widen the number of qualified suppliers with competitive pricing and commercial terms, as well as select the right supplier based on a combination of price and overall value to the buying organization.

COMBINENET ASAP

CombineNet ASAP is a best-of-breed sourcing solution that improves the way organizations conduct sourcing events across all of their spend categories. CombineNet ASAP takes spend under management to the next level, by driving significant value improvements to all sourcing events and by creating a more collaborative and strategic sourcing environment between buyers and suppliers.

With CombineNet ASAP, sourcing teams can quickly and easily create, launch and manage sourcing events of any size, scale, or complexity. ASAP streamlines and automates routine, straightforward bidding events yet also provides the industry's most robust scenario analysis capabilities to support the largest, most complex global sourcing needs.



Learn more about Expressive Feedback and the creation of more collaborative and strategic sourcing activities with CombineNet ASAP.

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