

## E-Sourcing platforms as reasonable marketing tools for suppliers

Prof. Dr. Martin Göbl (martin.goebl@fh-kempton.de)

University of Applied Sciences Kempten, Germany

and

Thomas Greiter (thomasgreiter@web.de)

MBA Graduate, Professional School of Business and Technology

### Summary

- Research questions:** E-sourcing platforms offer purchasing organisations often easy access to a high number of relevant suppliers, their goods and services and the according prices. For the suppliers, e-sourcing platforms are a good and easy possibility to present their products and services to the relevant buyers and to get in contact with potential customers. Subject of this research will be the question, whether e-sourcing platforms are also a reasonable marketing tool for suppliers in order to address the buyers with an assimilated marketing mix.
- Methods:** Guidelined expert interviews were chosen in order to ensure a comparability of the results without keeping the experts from contributing own ideas.
- Results:** E-sourcing platforms are a proper way for suppliers to market their companies and products in different ways. Thereby the preferred marketing measures differ according to criteria like the company size or the offered services or goods.
- Structure of the article:** 1. Introduction ; 2. Theoretical Background; 2.1 E sourcing platforms; 2.2 Impacts of E sourcing on Marketing; 3. Methods and Key Findings; 3.1 Data Collection; 3.2 Questionnaire; 3.3 Results; 4. Conclusions; 4.1 Summary; 4.2 Limitations and Further Research; 5. About the Authors; 6. References

## 1. INTRODUCTION

For quite some time now companies are focusing on increasing challenges as well as new possibilities through globalisation and digitalisation. This is - among others - valid for purchasing departments, where the global sourcing of parts and components has become a standard through the market transparency that the Internet offers. Based on the positive experiences from the procurement of small articles, where cheap prices at a given quality level as well as regular and numerous

ordering processes requested a smart solution, electronic sourcing and procurement is meanwhile also playing an important role in the purchasing of services (Bogachewsky, 2012). Online catalogues, electronic auctions and tendering platforms are examples for possible tools for electronic sourcing. These possibilities are offered either as general platforms or as dedicated platforms for a defined group of goods or service. The dedicated platforms often offer, additionally to tender-, auction- and analysis functions, a pool of appropriate, registered suppliers.

The purpose of this paper is to prove whether suppliers at dedicated electronic sourcing platforms are willing to pay for the option to use these e-sourcing platforms not only for taking part in tenders, but also to use them as a marketing tool for their own purposes.

Therefore, a representative set of suppliers that is registered at dedicated sourcing platforms were asked in expert interviews if they are willing to use these electronic market places, where supply and demand meet, for their marketing activities. The interviews were conducted with the company representatives that are responsible for the sales or marketing activities in order to get substantial information from the relevant people. Thereby, the respondents had to assess suggested possibilities how to use the tendering platforms for their marketing activities and were afterwards asked for own ideas and their comments.

As a result, the quantitative analysis has shown that there is a broad interest and willingness to work actively with the e-sourcing platforms and to use them as marketing tools. Not only the placement of banners or logos, but also the possibilities of active communication through the platforms attract wide interest.

## 2. THEORETICAL BACKGROUND

### 2.1 E Sourcing platforms

Due to the fact that process improvements in the daily business between supplier and customer provide an opportunity for economies, procurement was one of the first and most important fields of electronic business. E-procurement describes the utilisation of information and communication technology for the operational and strategic purchasing process. As a result, it helps the purchasing organisations to buy for the best possible market prices with optimised processes and costs.

E-procurement can be divided into the sub-concepts of e-sourcing and e-ordering. E-sourcing can thereby be defined as the usage of web-based applications in order to improve the strategic procurement processes, especially in terms of supplier selection and qualification (Bächle/Lehmann, 2010, p. 64). Bogaschewsky and Müller describe e-sourcing as information technology-supported processes of finding and selecting appropriate

suppliers (Bogaschewsky/Müller, 2008). While e-sourcing is focusing on strategic procurement, e-ordering is defined as the electronic support in the operative procurement process. Consequently e-sourcing supports the search for the best suppliers and products while e-ordering puts its main focus on standardised and efficient processes in the daily procurement business. These efficient processes are mainly relevant for goods that are classified as C-articles with a low value and frequent ordering repetitions.

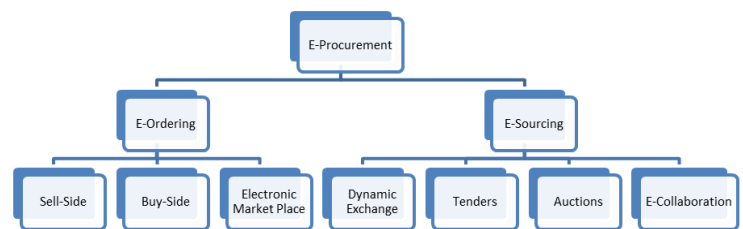


Figure 1: Segmentation of E-Procurement (adapted from Bächle/Lehmann, 2010, p.55)

The on-going success of e-procurement caused transformation of the procurement departments from fulfilment departments to strategic entities, the requirements have changed fundamentally. The consequences are job extensions in the field of procurement and new tools that help to manage these challenges.

Operative tasks of ordering and providing materials have been complemented by strategic tasks. These are mainly:

- Bundling of procurement know-how in lead buyer concepts
- Influence in the early stages of product development (standardisation, quality and costs)
- Internationalisation of the procurement processes
- Handling the growing complexity
- Need to claim not only best prices but also high innovation power from suppliers
- Requirements in transparency, compliance and reporting
- Positive configuration of legal relationships between customer and supplier
- Responsibility for the partner's ability to supply (Soltmann, 2011, p. 159)

The e-sourcing process on electronic tendering platforms is very much characterised by standardised processes that ensure an easy tender process without taking away from buyers the flexibility to use own structures and documents.

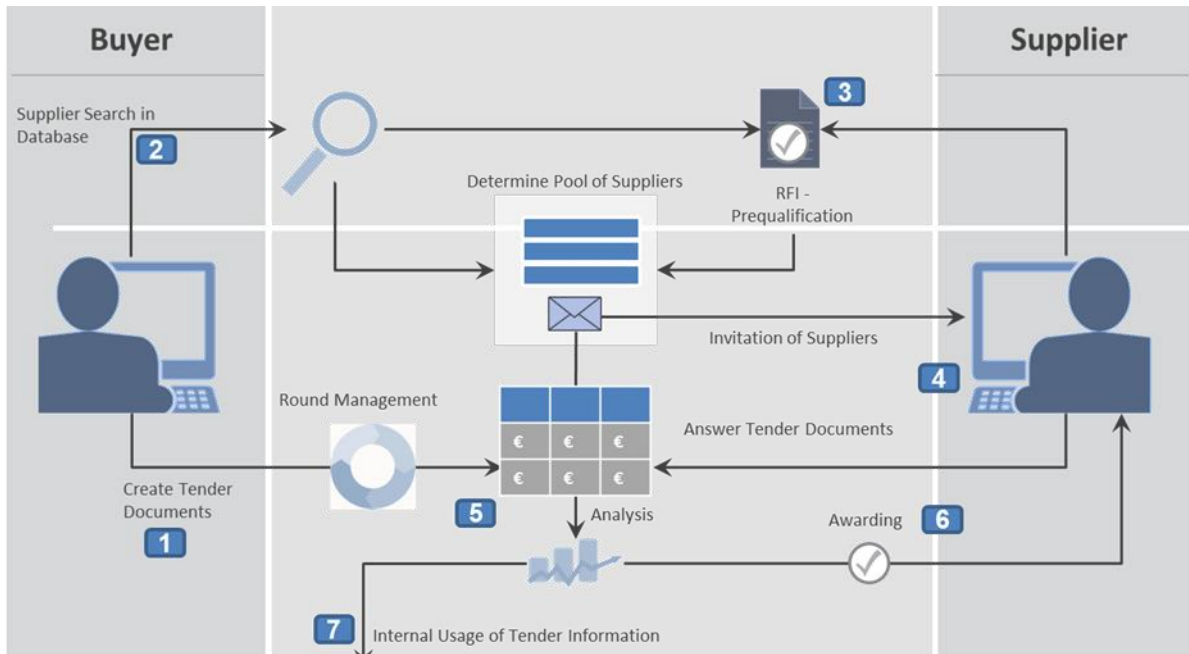


Figure 2: Tender Process on E-Sourcing Platforms.

The tender process is basically divided in different parts. First part, the RFI process (request for information), the possible tender participants are defined by research and individualised RFI questionnaires (1-3). Afterwards the prices are requested, compared and negotiated, in the following RFQ process (request for quotation 4-7).

During the preliminary stages of the sourcing process, the tender documents need to be prepared (1). Therefore it is important to collect all information that possible suppliers need in order to be able to provide a qualified offer. The next step is to find possible suppliers that can fulfil the needs that were defined before. Besides the known suppliers and partners, internet research or supplier databases offer additional, possible business partners. Many sourcing platforms offer affiliated supplier pools where, buyers are able to select the appropriate partners for the sourcing process according to company profiles (2). These company profiles summarise the basic information on the goods and services that the suppliers offer and are used for the supplier selection. The suppliers are informed when they are invited for a tender and answer the tenders on web portals.

In order to prequalify the suppliers and to minimise the number of participating suppliers, it is possible to conduct a request for information (RFI) before the tender (3). Questionnaires help to assess and compare possible suppliers and to select the best ones for the tender project.

After the start of the tender and the submission of the tender documents, the suppliers qualify the requests and check, if they are able to deliver the requested product, service or information like quality, performance, equipment or service level. If this is the case, they answer the tender and submit the requested information (4). This information mainly concerns product specifications and prices. Buyers thereby need to be available while the tender is running in order to answer upcoming questions. After the tender has been terminated, the buyers can start additional rounds or analyse the received tender documents (5). In order to be able to compare prices, products and services, it makes sense to predefine the structure of requested information. Based on the results of the analysis, the business is afterwards awarded to one or more suppliers (6). The tender documents are used internally for the subsequent daily busi-

ness, quality and invoice control or for documentary purposes (7).

## 2.2. Impact of E sourcing on Marketing

As the application of different marketing measures on e-sourcing platforms through the suppliers is a subject of the research, it is important to know which market possibilities generally exist and what their benefits for the supplier are. Also the concepts of business-to-business marketing and electronic marketing will be a subject.

Business-to-business marketing and business-to-consumer marketing are usually treated separately because they differ in important aspects like the market structure, products, buying behaviour, reasons for demand, sales channels, prices and communication. This causes differences in the applied marketing tools and the necessary marketing processes. Today, the most common distinction is that business-to-business marketing is all marketing which is not consumer goods marketing (Godefroid/Pförsch, 2008, pp. 21). This paper will focus on business-to-business marketing in the following.

Electronic marketing includes all marketing activities that are supported by information technology. Online marketing is defined as marketing measures that use electronic networks like the Internet as a medium. This definition includes the fact that the Internet is also used for the purpose of market research (Warschburger/Jost, 2001, pp. 5).

The four classical instruments of the marketing mix are the basis for the search for possible marketing activities on e-sourcing platforms. Product policy, as the first instrument, includes the market-conform configuration of single products or the whole product portfolio of a company. Especially in the business-to-business market, where demand cannot be created easily through advertising but needs to be met and covered, the product policy is the most significant part of the marketing mix (Eckardt, 2010, pp. 130). A major feature of the product policy in electronic marketing is the huge variety of articles and product lines that the transparency of the Internet offers (Heinemann, 2010, pp. 36). E-sourcing platforms also offer suppliers to see which tenders and auctions are running during a certain period and are then able to adjust their product policy to the observed demands. Tenders request rather an information if a prod-

uct fulfils certain criteria than a description of the product. So, they can serve as an indicator for the market demand and its development which is important to adapt the right marketing strategies.

The specifics of contracting- or price policy in the online marketing mix are characterised by the challenge of offering the best prices on a medium that allows a high degree of price transparency. Too high prices in a very transparent market will have the effect that the product cannot compete with comparable products which can be easily found on the Internet. Too low prices will increase the sales figures but can have the effect that the revenues cannot cover the costs (Warschburger/Jost, 2001, pp. 118). Sellers try to counter this additional market power of the buyers through the Internet by individualised offers which are difficult to compare or by emphasising the advisory service and the easier handling of repairs and maintenance (Heinemann, 2010, pp. 38).

Besides these individualised offers, the Internet also provides the opportunity to present not only certain products or services but also product combinations and useful supplements and enhancements. This inclusion of additional integral parts and specifications to contracts enhances the classical price policy to contracting policy. Price policy is basically defined as the sum of all instruments that are part of a contract and affect the remuneration for a product or service (Warschburger/Jost, 2001, pp. 117) and is mainly defined by the company strategy to position a price or quality leader in the market. The online business and electronic tenders with all the possible auctioning functions are a way to increase transparency and competition in a market. Especially price templates lead to more standardisation, if there is a mixture of product and service which is hardly comparable. The right balancing of competitive pricing and maximum profits is much more difficult for sellers while buyers are trying to use this additional market power for best sourcing processes and results.

Distribution policy is generally defined as the way how to bring things closer to the customer. This definition not only includes the physical transport to the customers but also the question which commercial distribution channels to use and how. A distinction must be made, thereby, between direct and indirect distribution channels. While direct distribution aims to sell products or

services directly to the organisation or person that is the final consumer, indirect distribution focuses on the sales by intermediaries, retailers and wholesalers (Godefroid/Pförsch, pp. 257).

The specifics of the distribution policy in the electronic business are mainly challenging tasks that are expected due to the technical possibilities of information technology and the Internet. People, who are buying via the Internet, expect exact information about the product availability, the transport times, transportation costs or the product itself. This information is expected to be available at any time. Furthermore, the Internet provides a cheap and easy solution to address many persons or companies at the same time. This is not only used in communication policy for online advertising, but also in the direct distribution for mailing campaigns or online surveys (Heinemann, 2010, pp. 40). It is a further distribution channel that can support and partly replace personal selling and enables direct contact to potential customers.

In indirect marketing, the Internet has created additional possibilities of intermediaries like Internet markets, online catalogues or tendering platforms. These additional possibilities can create demand by positioning products or services on platforms, catalogues or tenders where possible buyers take notice of these additional possibilities. An example of a successful online distribution strategy is the producer of personal computers DELL which has enjoyed great success through online distribution in both the private and business sectors (Godefroid/Pförsch, 2008, pp. 278). So, E-sourcing platforms can be used as an additional distribution channel and enables suppliers to get in touch with often unknown buyers. It is a cheap possibility to get direct market access.

Communication policy is defined as the sum of all activities towards a systematic planning, elaboration, coordination and control of all communication measures that are aimed at the relevant target groups of the company (Eckardt, 2010, p. 161). Meyer defines communication policy as the transmission of a beneficial picture of the company and its products to the customers (Meyer, 2009, p. 59). Its aims are to make the product known to the relevant customers, provide necessary information about the product that enable the potential customers to test it, to encourage them to use it immediately, to accomplish a repeated purchasing and to sell a preferably high volume of the products with a maximum

profit margin. The impact of Electronic tenders on the Communication policy could be summarized:

- Tenders as a neutral, independent platform before it comes to personal sales
- Tenders, as a way of collecting the most important information in a transparent and comparable way is fading out communication measures like the company image or other emotional values
- Contact group of tenders are often a business analyst which evaluate information
- Possibility to show references, feedback or valuations
- Option, to promote a company on electronic platforms

### 3. METHODS AND KEY FINDINGS

#### 3.1. Data collection

The aim of this paper is to prove if suppliers at electronic tendering platforms are willing to pay for the option to use these e-sourcing platforms as marketing tools. Additionally the paper should find out what the mainly requested services are and how much the suppliers are willing to pay for these new marketing possibilities. Therefore, different possible marketing applications were elaborated based on the marketing mix and summarised in an interview guideline.

These possible applications were in a first step developed in workshops with some dedicated suppliers, based on the theoretical influences of tendering platforms that were defined in the chapter above. These suppliers had different backgrounds in terms of company size, offered service or nationality in order to get a wide and diversified basis of possible options. Additionally, the participants in the expert interviews were asked for own additional ideas and possibilities.

Figure 7 is giving an overview on the possible marketing activities that were derived from the main influences of electronic tendering platforms on the marketing mix which were explained in the chapter above as well as from the analysis of the tender process:



Figure 3: Derived Marketing Options.

Based on the provided interview guideline, fifty selected contact persons at suppliers were asked about their willingness to use the suggested features for the marketing activities of their companies.

Guidelined interviews were chosen as the appropriate method for data collection as they offer the opportunity to explain the suggested marketing options. This choice is also based on the fact that the target group, sales and marketing managers, are usually not working themselves on sourcing platforms and need therefore additional guidance. The reason for the selection of marketing and sales contacts is that they can oversee the benefits of these possible marketing tools much better than the persons that are responsible for conducting the tenders. It is also important that the contact persons are responsible for the marketing budget and can therefore make a statement about how much they are willing to spend for the presented possibilities. As a consequence, in every interview an initial explanation is necessary about what the tendering platforms generally do. Afterwards it needs to be explained that the interview is dealing with the question if they are willing to use tendering platforms as a marketing tool. Subsequently, the suggestions which the respondents should assess and evaluate

are not that clear for people with a sales and marketing background who do not know the functionalities of tendering platforms in detail. Therefore the interview appears to be the most appropriate method of data collection.

In order to give the contact persons the possibility of informing themselves about the topic they are initially contacted with a directly addressed mail concerning the general information that they are selected as contact persons for this survey. These initial mails also include the request to inform about the topic and to suggest a date and time for the interview. This ensures that people have an understanding for the topic and can coordinate the answers with the tender managers. Additionally, the respondents are able to block a certain time for the interviews. The requested thirty minutes for the interview ensure that the respondents have enough time and the results are not influenced through external factors like a lack of time or disturbing interruptions.

The way, in which the interviews have to be conducted, is roughly predefined through guidelines. This ensures a comparability of the given answers. The initial explanation is also predefined in order to ensure that all respondents have the same idea of what the survey is about and misunderstandings are excluded.

3.2. Questionnaire

In order to find out whether the suppliers are willing to pay for the option of using tendering platforms as marketing tools, the interviewers introduce all suggested marketing options and ask whether the suppliers see an additional value for their company through this possibility and how much they are willing to pay for the service. The interviews included also a part where the suppliers are free to suggest own ideas or marketing measures. This two-way survey aims to serve not only measurable and analysable data for an assessment of the survey, but also to give the respondents the option to contribute own ideas and opinions.

For the evaluation of the marketing options, the four criteria no-, low-, medium- and high additional value is selected. This hierarchical approach of predefine answers helps to classify the options. Thereby the respondents are in a position where they can answer with tendencies when they are not totally convinced or doubtful.

3.3. Results

All in all, the country where the suppliers are located did not play a remarkable role in the results. Comparing the results according to the company size, it is evident that the small and medium sized companies are rather focusing on the increase of their brand awareness and the marketing possibilities, while the large suppliers are already well known in the market and focus on the improvement of their tendering processes and the qualitative positioning of their company. All possibilities

where suppliers had the chance to get in touch with purchasers were very much favoured by almost all companies. Joint events or electronic networking are two examples for this kind of personal and sales focused marketing.

In terms of the financial value that the suppliers gave the marketing measures, it is an obvious consensus that most suppliers are able and willing to spend some hundred euros for the options. Arguments for this amount are mostly the facts that this amount reflects the value of the options and there is no explicit budget or approval necessary. Figure 8 will give an overview, which marketing measures are favoured most by the suppliers. Thereby it is obvious that the chance to see all running tenders and to apply for participation as well as the opportunity to meet purchasers in person is widely favoured. Purchasers who are using E-sourcing platforms are obviously more open for other E business activities or network events. Furthermore, they prefer to place links via banners, analyses of tender statistics or take part in other social media events.

The qualitative part of the survey confirmed widely the findings of the analysis. Despite the fact that the respondents were asked to prepare for the survey in a written announcement, the qualitative part of the survey did not produce any new suggestions for marketing options and only a low amount of comments. These comments concerned basically possible pricing models. This can indicate that the suppliers had difficulties to deal with the new possibilities or did not comprehend the aim of the survey. Following results were surveyed:

	FEATURE	MARKETING MEASURE	ADDITIONAL VALUE				TOTAL
			NO	LOW	MEDIUM	HIGH	
		VALUATION	0	1	2	3	
P2	Search for running tenders/auctions	Product	0	1	9	40	139
C4	Take part in platform events	Communication	0	3	22	25	122
C6	File a logo/banner on the log-in page	Promotion	5	3	22	20	107
PI3	Easy option, to analyse own tender statistics	Price	1	6	31	12	104
C5	Take part in XING/Linked-In groups	Communication	5	18	16	11	83
C1	File references	Communication	8	14	23	5	75
D2	Additional services	Distribution	11	10	22	7	75
D1	Write mails to registered purchasers	Distribution	9	17	16	8	73

Figure 4: Possible Marketing Measures.

## 4. CONCLUSIONS

### 4.1. Summary

In order to find out if suppliers are willing to pay for the possibility to use e-sourcing platforms as marketing tools, it is important to find out which marketing tools an e-sourcing platform can provide. The main purpose for working with an e-sourcing tool for the suppliers is to take part in the tenders and auctions in order to gain business. Some have registered to take part in the tenders in order to keep the existing business at only one buyer. Others did this only in a first step and use the platform now to get in contact with other buyers as well. There are also suppliers that were not invited by one of their customers but registered in order to get the possibility to get in contact with demanders. Through an e-sourcing platform and its' transparency it is now easier for them to get access to the tendered business.

The main focus of the suppliers that are registered at e-sourcing platforms is to get in contact and to get known by the relevant purchasers. But this is only successful if the prices that are offered are very competitive and the suppliers are on one of the best positions of the tenders. There is currently no chance to be recognised outside a tender or to establish a personal contact.

This study shows that E-sourcing platforms have an impact on all marketing instruments and are supposed to be considered in sophisticated B2B marketing plans.

### 4.2. Limitations and further research

The guide lined expert interviews were conducted with fifty selected experts. In order to confirm the findings of the survey it will be a useful task to conduct this survey with an even larger sample. Therefore it is expedient to diversify the set of included suppliers in order to be able to make a valid statement for different sectors and specific results for different types of companies. This segmentation can complement the results of this survey which includes mainly companies from one industrial sector in Europe.

Another option is to find out which pricing models they prefer in order to access additional services at sourcing platforms and of course which amount they are willing to pay for these additional services.

In terms of the pricing model an option can be to work with an annual or monthly amount including a defined set of services. Another option is to work with a modu-

lar model where suppliers only book the services that offer the highest additional value for them and that they really want to use.

Even within the possible marketing options, that were developed and evaluated in this paper, there is some need for further clarification. It is for example not really useful for suppliers to get access to a high number of running tenders where they are not invited, if the publishers of these tenders do not accept other companies than the invited ones to quote for it. Also the option to organise common events where purchasers and suppliers can meet will provide additional value if an adequate number of suitable purchasers is taking part.

This willingness of purchasers is influencing the results of this paper very much and needs to be subject of further research.

## 5. ABOUT THE AUTHORS

Prof. Dr. Martin Göbl has been lecturing in logistics and business management at the University of Applied Sciences in Kempten, Germany since 2006.

After graduating as an industrial engineer he worked in different areas and positions in the area of logistics management. While working he graduated as a PHD. His research interests are the evaluation of services, strategic logistics management and logistics service providers.

Thomas Greiter holds a Diploma degree in Economics from Duale Hochschule Baden-Württemberg, Mannheim and an MBA in International Business Management from Kempten University of Applied Sciences. After seven years in the forwarding industry, the author became deputy operating manager in the beverage industry. Today Thomas Greiter works as a Business Development Manager for an e-sourcing platform.

## 6. REFERENCES

Text Books

Bächle, M., Lehmann, F. R. (2010): E-Business – Grundlagen elektronischer Geschäftsprozesse im Web 2.0. München: Oldenbourg Wissenschaftsverlag GmbH.



- Bogaschewsky, R., Müller, H. (2008): Best Practice in Einkauf und Logistik. Wiesbaden: GWV Fachverlage GmbH.
- Eckardt, G. H. (2010): Business-to-Business-Marketing. Stuttgart: Schäffer-Poeschel Verlag für Wirtschaft – Steuern – Recht GmbH.
- Gabath, C. (Hrsg.) (2011): Innovatives Beschaffungsmanagement, Gabler Verlag / Springer Fachmedien Wiesbaden GmbH.
- Godefroid, P., Pförsch, W. (2008): Business-to-Business-Marketing. Ludwigshafen: Friedrich Kiehl Verlag GmbH.
- Heinemann, G. (2010): Der neue Online-Handel. Wiesbaden: GWV Fachverlage GmbH.
- Meyer, B. L. (2009): B2B-Marketing-Konzeption. München: Martin Meidenbauer Verlagsbuchhandlung.
- Warschburger, V., Jost, C. (2001): Nachhaltig erfolgreiches E-Marketing. Braunschweig, Wiesbaden: Friedr. Vieweg & Sohn Verlagsgesellschaft mbH.
- Articles
- Bogaschewsky, R.; e.a. (2012): Stimmungsbarometer des BME.
- Soltmann, B. (2011): Einkauf 3.0 – Entwicklungen im Bereich eSourcing, in: Gabath, C. (Hrsg.) (2011) Innovatives Beschaffungsmanagement, Gabler Verlag / Springer Fachmedien Wiesbaden GmbH, p. 159-184.