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## The 6 Rules for Hosting Successful Reverse Auctions

Rules, rules and more rules.

From rules for grammar and punctuation (in the spirit of non-conformity I have broken some of them here) to the rules of Tiddlywinks for tournament play, from rules on how to properly whack a birthday piñata to outlawing Bic lighters on airplanes in checked baggage, you think we'd have enough rules already.

But, in the spirit of "if you can't beat them join 'em" I humbly submit to you "The 6 Rules for Hosting a Successful Reverse Auction" with full knowledge that by doing so I have in some small way contributed a cog to the enormous rules apparatus that moves modern society.

If you have been doing your homework then you already have the skinny on the value and benefits to using reverse auctions in your overall procurement strategy. But how do you create an atmosphere of auction fever to drive down your purchase prices and host a successful reverse auction? Wouldn't you like to know?

The following factors are critical to your success in hosting a reverse auction:

### 1. Exert your buying power

Even though you will be surprised at the savings that you can get out of the use of a reverse auction on relatively small purchases, your most effective tool for enticing your vendors into an auction is your buying power. Old and new vendors will be more willing to compete in a reverse auction for those juicy year long or multi-year long service contracts and big volume purchases. So when you look at your overall procurement strategy whether dealing with strategic or non-strategic purchases try to build enough purchasing volume so as to put up for bid a deal that they can't afford to lose.

Fortunately, if you don't have your purchasing centralized we offer a Bundling Auction wherein automated emails will be sent out to various departments and locations in your company initiating a pooling period in which to build up volume before the auction invitations go out to your vendors. Companies with numerous branches find our Scanmarket Bundling Auction very helpful.

## The 6 Rules for Hosting Successful Reverse Auctions (cont.)

### 2. Always invite 3 or more vendors to compete

Many of you are already required to send out at least 3 RFPs when purchasing goods or services at certain price ranges, so this should be old hat for you. Remember though, that the vendors that you invite into the auction should be pre-qualified and serious contenders for your business. It is not necessary to have innumerable vendors in the auction as long as the vendors that you do have can compete with each other.

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“It is critical that you set your starting price high enough that your vendors will feel comfortable in entering the auction.”

### 3. Make sure that the goods or services to be purchased have some compressibility in price.

It is a waste of time to employ a reverse auction on goods or services that have no price margin. You don't want to squeeze the life out of your friendly neighborhood vendors. Having said that, be aware that many Scanmarket clients have been shocked at just how low their incumbent vendors are willing to go beneath their previously stated “absolute bottom line.”

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“... reverse auctions are simply a tool for determining some of the last factors in the purchasing process – usually price.”

### 4. The more detailed the specifications the better

Remember that reverse auctions are simply a tool for determining some of the last factors in the purchasing process – usually price (but also can be used to determine shipping date, switching costs, and other factors). The more detailed the specs the better. If you want a green neon ½” titanium widget delivered in a picnic basket on Thursday then you better say so in the specifications. Get that pre-qualification work done on the front end rather than comparing products after you have the bids in. Use our Scanmarket RFP function to establish some of this groundwork. Make sure that a clear bidding specification and a level playing field can be established.

### 5. Set a reasonable starting price

One of the lesser known arcane secrets to the martial arts of reverse auctions is the setting of the starting price. It is critical that you set your starting price high enough that your vendors will feel comfortable in entering the auction. With our Scanmarket reverse auction software a vendor has to bid the starting price in order to get into the auction and witness the bid progression of the other vendors. Studies show that once the vendor commits to that starting bid he is well on his way to catching auction fever and going on a road rage-like frenzy of slashing prices and chewing bubblegum.

There is a science and an art to determining your starting price. Your starting price should actually be set a little bit higher than your current price. Don't worry “auction fever” will quickly drop this down beneath your current price if you follow the 6 rules and do your market value homework well. Since market value prices are prone to fluctuate you can't simply base your starting price on last year's contract price.

### 6. Train your vendors

We are in the internet age right? Well some of your vendors may still be carving on stone tablets and think that email has something to do with pen pals in Europe so it is important to familiarize your vendors with the bidding process. Here again you will find yourself fortunate using our Scanmarket auction software as it is user friendly for both the purchaser setting up the auction and the seller making the bids. Scanmarket's flat rate annual subscriptions are a real advantage here because the purchaser can easily set up a practice auction at no additional cost so that the vendors can get into the system and play around until they are comfortable with it.

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# The Collections Management Solution for Navision

## Improved AR Management = Increased Cash Flow

In this ever more fragile economy, managing cash flows may prove to be one of the keys to survival. Customers will delay payment in an effort to preserve what little free cash they have. Unfortunately this can prove to be extremely painful for suppliers and could potentially contribute to their demise.

The Collections Management Solution for Navision has been designed from the ground up to help users track and collect overdue accounts and manage the collection process more effectively than they could using any existing procedures and certainly more effective than relying on an Aging Report which has been the standard for far too many years.

Specific benefits include:

- ✓ An immediate reduction in Accounts Receivable balances. As an example, a 3 day reduction in AR (a very reasonable and achievable target) will generate \$5,000 in cash flow for every \$1 million in revenue). Thus, a \$10 million dollar company should be able to generate \$50,000 in cash flow.
- ✓ Instant identification of overdue invoices.
- ✓ Assignment of collection responsibility to named individuals within your firm.
- ✓ Utilization of a built-in Contact Manager to track and resolve each overdue invoice.
- ✓ Comprehensive management oversight of the collections process.

## Key Elements

The three key elements to The Collections Management Solution are the Exception List, the Exception Manager, and the notion of Trigger Points.

- ✓ The Exception List is your daily call list just as you would expect in any contact manager. It displays all overdue invoices currently assigned to an individual Collection Representative or workgroup.
- ✓ The Exception Manager is the contact manager itself and tracks the contact history for each invoice providing users with all of the functionality and information required to facilitate the collections process.
- ✓ The Collections Management Solution allows users to define a Trigger Point (Due Date + X Days) when an invoice will be transferred to a Collection Representative's Exception List.

## Power and Ease-of-Use

The Collections Management Solution can serve smaller companies with a single person responsible for collections or it could be deployed in very large organizations with many people involved in the collection process.

- ✓ The basic setup requires less than one hour.
- ✓ Customers can be assigned to individual Collection Representatives or workgroups where people share responsibility for the collections process. In addition sales representatives can be given full or read-only access.

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"The Debt Collection Solution will help you reduce your Accounts Receivable balances significantly and manage those balances so that they will remain within acceptable limits."

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"A 3 day reduction in AR (a very reasonable and achievable target) will generate \$5,000 in cash flow for every \$1 million in revenue."

## Collections Management for Navision (cont.)

Next Contact Date	Customer Name	Invoice No.	Remaining Amount	Invoice Date	Due Date	Last Prom. Pay Date	Status	Category
08/17/01	American Family Insuranc...	103872	9,976.68	12/28/99	01/28/00		Follow Up	Overdue
08/20/01		G01071	10.00	04/01/01	05/01/01		Paid Off...	Overdue
08/20/01	James Dailey Ltd.	G01017	256.00	05/10/01	05/17/01		New	Small Value
08/20/01	James Dailey Ltd.	G01031	400.00	01/01/01	01/15/01		New	Small Value
08/20/01	Tiffany Home Crafts, Inc.	103864	2,124.90	12/28/99	01/28/00		New	Overdue
08/20/01	The Video Store	103859	2,422.20	12/24/99	01/24/00		New	Overdue
08/20/01	Auto-Günther KG	103428	2,857.99	01/13/01	01/27/01		New	Overdue
08/20/01	Beef House	2804	3,390.42	01/19/01	02/19/01		New	Overdue
08/20/01	Auto-Günther KG	2809	3,852.74	01/24/01	02/24/01		New	Overdue
08/22/01	Englungs Kontormöbler AB	103434	12,253.92	01/18/01	01/31/01		Follow Up	Overdue
09/01/01	Helmlisprydi	103435	203,414.83	01/22/01	01/31/01	08/28/01	Follow Up	Extraordina
09/02/01	Designstudio Gmunden	103423	92,556.81	01/12/01	02/12/01	08/31/01	Follow Up	Extraordina
09/04/01	BYT s.r.o.	103420	60,244.76	01/12/01	02/12/01		Follow Up	Extraordina
09/06/01	The Cannon Group PLC	G01073	8,699.00	02/14/01	03/14/01	08/24/01	Follow Up	Overdue
09/06/01	The Cannon Group PLC	G01029	9,845.00	04/01/01	05/01/01		Follow Up	Overdue
09/06/01	The Cannon Group PLC	104300	16,600.00	01/22/01	02/22/01		Follow Up	Overdue
10/05/01	The Cannon Group PLC	G01023	700.00	05/25/01	06/15/01		Follow Up	Overdue

The Collections Management Solution gives you all of the tools you need to minimize payment delay while contributing to customer relationship management objectives and strategies.

- ✓ A responsibility hierarchy with up to three levels can be defined to increase management oversight.
- ✓ Invoices can be passed up the line for more serious action or just for advice.
- ✓ Trigger Points can be defined as system defaults, customer specific, or based on a customer's payment history (including automatic updates to reflect current payment patterns).
- ✓ High-value or partially paid invoices can be transferred earlier in the process to reflect their special status. Alternately, small value invoices can be held until there are a sufficient number where the cost to collect would be more reasonable.
- ✓ The Exception List is sorted by Next Contact Date just as you would find in any contact manager.

- ✓ The Exception Manager will display all overdue invoices for a customer so that Collection Representatives can maximize their effectiveness.

### Exception Manager

Once an invoice has been selected from the Exception List, it will be displayed in the Exception Manager including a complete contact history for that invoice.

- ✓ The Exception Manager provides the same general functionality as a Contact Manager, but unlike a Contact Manager is geared specifically to your collection requirements.
- ✓ You will be able to record and review both customer specific comments and contact specific comments so that you can understand more completely the

customer and each person in the customer's organization.

- ✓ Collections Representatives can access a complete payment history, aging reports, sales order and invoice details, and other critical information from within the Exception Manager.
- ✓ Users can reprint invoices or statements and access e-mail from within the application.
- ✓ Once a contact has been completed, a Next Contact Date is assigned and the invoice is assigned a new position in the Exception List depending on the Next Contact Date.
- ✓ If a customer disputes an invoice, even though it may not be overdue, it can be moved to the application automatically.

### Trigger Points

The key to any collections process is how quickly it can start after an invoice is overdue. The sooner the customer is contacted, the sooner they will pay. This is particularly true for customers who run into financial difficulty. If you do not start the process soon enough, a customer can reach their own point of no return and no efforts on your part will result in payment.

The Collections Management Solution gives you tools that cannot be found elsewhere and as a result your control of the collection process will be enhanced significantly.

- ✓ A default Trigger Point (Due Date + X Days) can be defined for all customers. Trigger Points can be based upon a customer's payment history and dynamically changed as that customer's payment history improves or deteriorates.

## Collections Management for Navision (cont.)

- ✓ High-value invoices can be assigned specific Trigger Points to minimize the time required to start the collections process.
  - ✓ Partially-paid invoices can be transferred to The Collections Management Solution immediately under the assumption that a customer would not normally part-pay an invoice.
  - ✓ Customers with historically poor payment histories can be assigned a negative Trigger Point so that they are contacted prior to the Invoice Due Date and reminded to pay their invoice.
- give users all of the assistance they need to not just collect overdue accounts, but to become more proactive in preventing accounts from becoming overdue in the first place.
- ✓ All customers no matter whether they are assigned to a Collection Representative or not will be tracked by the system.
  - ✓ If a customer disputes an invoice, even though it may not be overdue yet, that invoice can be transferred to the system for tracking and resolution.
  - ✓ If a Collection Representative needs the assistance of someone else in the organization, they can send the entire collection file to that person.

### Control is the Name of the Game

The key to effective utilization of any software application is giving people what they need in order to do their jobs better. We have taken a great deal of time creating a set of tools that

Users can group invoices by customer and establish the same Next Action Date so that they can discuss multiple invoices with their contact. Users can copy all relevant contact information to other invoices if more than one invoice has been discussed at the same time.

- ✓ Every piece of information users need to discuss either a single overdue invoice, multiple overdue invoices, or even a customer's deteriorating payment history is available within the same set of screens.
- ✓ If users need to transfer responsibility for a single file or a group of invoices or even an entire account, each of these actions can be accommodated with ease.

### Summary

The Collections Management Solution is a critical success tool that can and should be used by all organizations. There are no other products like this on the market today.

Author: Charles Chewning

Give ABS a call to order Collections Management for Navision. At \$3,500 it will pay for itself in no time.

## Navision Training on CD

Bring the class to you. Save on travel. Re-watch as many times as you need. Help your new employees Speed up their Navision Learning with these Training CDs. This is a great way to learn all the basics of Navision Software. The key is that you can watch when it is convenient for you, watch as many times as you need, and watch at your own pace. These "self study" classes on CD contain a workbook to print out and be used in conjunction with the training videos.

How to Search, Find, and View Information. (Filters, Sorts, and more), Adding Master Records, Vendor Activities (Exercises), Customer Activities (Exercises), and Workflow Diagrams to help understand data locations. \$400.00

### "Getting Started with Report Writer"

This is a one-day Class on CD for Navision Report Writer. It covers: Mr. Wizard, Filters, Sorts, Data Items, Totals and Sub-Totals, Variables, Variable Totals, Tool Bar, Fonts, Nested Sorts, and many report building Exercises. \$800.00

### "Getting Started with Navision"

This is a one-day "Self Study" Class on the basics of Navision. Workbook and CD Topics Include: Screen Orientation, How to Add, Change, Delete (F3, F2, F4),

### "Getting Started with Job Manager"

This is a 2-Day Class on CD for "Job Manager" customers. There are 22 Movie Segments that cover everything from BOM and Router Setup to Estimating,

## Navision Training on CD (cont.)

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### "Getting Started with Navision Manufacturing"

This is a 4-Day Class on CD for Navision  
Manufacturing.

Topics include: Item Card, BOM, Routing,  
RLCs, Setup, Machine Centers, Work  
Centers, Sources of Demand, Production  
Orders, Subcontractors, Released Prod.  
Orders, Consumption, Output, History, etc.

There are over 25 hours of recordings.  
Segments have "Lecture", "Exercise", and  
"Answer Keys" for reinforcement.  
Objective: The student will complete this  
course with a thorough understanding of  
the basic setup and workflow options

within Navision Manufacturing. We provide  
the class database to expedite and  
enhance the learning experience.  
\$1,600.00

### "Getting Started with Tables and Forms"

This is a 2-Day Class on CD for "Tables  
and Forms". Topics Include: Table  
Creation, Form Creation, Numbering  
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Fields, Exporting/Importing FOBs, and the  
Navigation Pane Designer. \$800.00

For more information or to place an order  
contact Chris Carrige at Advanced  
Business Systems.

## About Advanced Business Systems ...

Established in 1999, Advanced Business Systems provides world class software solutions for your toughest accounting and business management problems as well as e-auction software for your procurement needs.

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