

## New Zealand engineering company finds that marketplaces are not a short-term solution

"Initially, we thought e-marketplaces were a very good idea, with lots of opportunities. Three years later, we have a different opinion – e-marketplaces do not have as much potential for us as we originally thought," says Alan Parker.



*Marketservices Interview with Alan Parker, Accord Precision Limited*

By Moira Niven, eMarket Services

Industry	<b>Science and Engineering</b>
Location	Auckland, New Zealand
Company	Accord Precision Ltd
Company URL	<a href="http://www.accord.co.nz">www.accord.co.nz</a>
Products traded	Machined components
Description company	Accord Precision Ltd specialises in the manufacture of precision machined components utilising specialist lathes and machine tools combined with computer integrated manufacturing techniques. Accord Precision Ltd is one of the largest machined component manufacturers in Australasia and manufacture parts in brass, aluminium, carbon and stainless steels.
eMarket	FreeMarkets
eMarket URL	<a href="http://www.freemarkets.com">www.freemarkets.com</a>
Description eMarket	FreeMarkets provides companies with software, services and information for Global Supply Management.

### Lessons Learned:

E-marketplaces do not always bring instant success but Accord Precision thinks it is worth persevering.

### Tell us how you came to use an e-marketplace for doing business.

About three years ago, one of our US clients decided to purchase their parts through FreeMarkets. In order to keep doing business with our client, we became a supplier on FreeMarkets. Before this, we did not know that e-marketplaces existed.

### Did you have any concerns about using this new tool?

None whatsoever. We were quite excited. It offered quite a lot of opportunity to generate more sales.

### What were the steps to start doing business on the e-marketplace?

In order to become a supplier, we had to fill out a very thorough online questionnaire. We were asked about our capabilities, our machinery, our processes etc. We also had to detail which international standards we use, for example ISO9001.

**What support did you get from the e-marketplace?**

FreeMarkets were very good in the service they provided to us. They sent us online bidding software, they gave us advice over the phone and they walked us through a demonstration. The software was very easy to use. We did not have to make any changes to our computer systems.

**Was security a concern and how did the e-marketplace protect your company data?**

Our company's intellectual property is not exposed on site, so security is not a concern to us.

**How did the e-marketplace work? i.e. what trading or transaction tool did you use?**

FreeMarkets uses Reverse Auctions – the lowest bidder wins the auction on the day, the bids are reassessed later and then the contract is awarded once the buyer has vetted the supplier.

**Tell us about your experiences with the bidding process.**

We receive a CDROM from FreeMarkets about two or three times a year for products that are relevant to us. The CDROM has drawings on it (these drawings can also be downloaded from FreeMarkets' website) – we quote on making the products listed on the CDROM. We are given about 2-3 weeks to make a bid.

We have been involved with six bidding events. Some buyers insist on a pre-bidding supplier agreement, which has been an advantage to us. We have been able to see if the conditions of working with these companies suited us – in two cases we withdrew from the process before bidding.

We have actually bid twice – we won one round but subsequently withdrew from the process due to contractual reasons.

**Did the e-marketplace give you flexibility to differentiate your products on non-price factors such as brand or quality or delivery terms?**

Absolutely not. It appears that for our product, turned/machined parts, buyers in this marketplace are only interested in who is going to make the product for the least amount of money. Quality is not as important as cost.

**What did you achieve as a result of using the e-marketplace compared with the traditional method?**

We have not achieved anything material so far from the use of an e-marketplace and neither has the buyer. The buyer is again purchasing from us but via email, not through an e-marketplace. The product that we manufacture is not an easy product to make. It is also obviously important that the product functions properly. We make a quality product that works properly.

**Will you continue to use e-marketplace tools for your business?**

We consider being listed in FreeMarkets as a form of free advertising, so we will keep our listing on the e-marketplace. It is good for the company to be listed there. It is a good tool to see what is happening out in the US market. FreeMarkets sends out a CD, and there is a spreadsheet on the website, with target prices for products. This enables us to get a rough idea of what people are paying for products in the US. We may get a hit out of it one day that will make the whole thing worthwhile.

**Would you register with another e-marketplace?**

We would have to weigh up the advantages and disadvantages of participating in another e-marketplace. Initially, we thought e-marketplaces were a very good idea, with lots of opportunities. Three years later, we have a different opinion – e-marketplaces do not have as much potential for us as we originally thought. However, it is early days yet, it is a learning experience for everyone involved – for the buyers, the sellers and the emarket itself.

**Would you recommend e-marketplaces to other businesses?**

It would depend on what industry the business was in. E-marketplaces could be a way for buyers to get their costs right down.

**What other sales channels are you using? Does the e-marketplace cause conflicts with existing sales channels?**

For our overseas sales, we go through agents that we have used for years. We use printed catalogues to list our products. There is no conflict as, so far, we have not sold products via the e-marketplace.

**Do you feel being in New Zealand is a disadvantage in trading on a US e-marketplace?**

No! Our initial customer had previously been buying from us, so they already knew us. On FreeMarkets the buyers are generally large US companies but the suppliers come from all over the world.

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