

Managing Director Amin Saleem had the brilliant idea of applying a reverse auction model to the world of car sales. He now has a lean, successful and highly profitable business, AutoeBid.

### OBJECTIVES

The UK heaves with motor dealers – there are thousands of showrooms up and down the country offering different makes, models and varieties of car. In this environment, it should be easy for an informed purchaser to get a really good deal. But it isn't. The huge choice of resellers and the industry reputation for pushy salesmen, all offering slightly different deals, makes car purchase a nightmare.

Amin's objective was to provide a mechanism to make it easier for a prospective car purchaser.

In AutoeBid's unique 'reverse auction' website, prospective buyers place orders through the website and specify how much they are prepared to pay. The information is accessible to a network of suppliers such as UK franchised dealers, supermarkets and brokers. These multiple suppliers then bid against each other to match or go below the offered price, with the lowest price winning the sale.

The customer gets the desired car at the best possible price, the seller gets a sale with no wasted time or marketing costs and AutoeBid earns commission; this is paid by the buyer when the winning supplier's contact details are handed over. AutoeBid has created a win-win scenario that is proving a highly successful business model.

### SOLUTION

Amin says that this is the first application of a reverse auction process for new car sales in the world. To achieve this, he had to engineer a real-time, reverse auction website. The system was developed entirely within the company. It took 12 months of planning before the first version of the website was started and this experimental version took three months of solid effort to produce. The site was then thoroughly tested for a further two months to ensure that it delivered the anticipated benefits faultlessly.

AutoeBid's system uses a database to generate web-pages in response to the customer's inputs and requests. Suppliers are given their own logins to the 'provision' part of the site, so they can see what orders are being placed and evaluate the price at

**Best practice in:**  
Start-up

**Sector:**  
Other

**Size of firm:**  
2 employees

**Location:**  
London

**Website:**  
[www.autoebid.com](http://www.autoebid.com)



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AMIN SALEEM – MANAGING DIRECTOR, AUTOEBID

which they are willing to bid. Customers can log on directly, compare thousands of cars they might like to buy, get quotations and place orders.

The website holds all information on a secure server in the UK with credit card information being taken and held by Barclays Merchant Services using its own secure systems. Customers can only place orders after their credit cards have been pre-authorised, which not only cuts out everyone who is not a serious buyer but also removes the problem of card fraud.

The company even harnesses the power of the internet for its promotional activities. All of its marketing and promotion are carried out online with customers generated through online affiliate marketing, online advertising or online partnerships.

The automated nature of the service is a huge business advantage. As Amin says: “because our system is fully automated, we are able to achieve sales and get our suppliers to fulfil the supply chain. Most of the service is carried out automatically, with a few quality control measures that require human intervention. This means that manpower is reduced to the minimum and therefore the costs to run the business are very low.”


## **RESULTS**

AutoeBid is rapidly increasing the volume of its activities and has completely avoided one of the biggest problems for start-up businesses – that of unpaid invoices and delayed payments. Its pre-approval process ensures that all customers are able to pay and the system ensures that the payment is received in advance.

By running virtually all of its business online (with only 1% of orders taken over the telephone), the company has forced down costs compared to a paper-based business. “All of our marketing and promotion is carried out online,” says Amin, “even our invoices are sent by e-mail”. Almost the only physical outputs are faxes, which are sent to suppliers with details of customer orders.”

For suppliers, the site provides an additional benefit, a low cost mechanism to meet sales targets. “When they need a certain number of sales to achieve their targets, they simply log in and bid on orders to achieve those extra sales,” Amin explains. “Their cost of sales acquisition is virtually zero, as they don’t pay anything to achieve a sale – no advertising, marketing or promotion costs.”





So far, the site has sold more than 300 new cars, and earned widespread press coverage in national newspapers and trade publications. The site is particularly popular with young professionals and, because it is available 24/7, it appeals to people who work shifts, like Doctors, who would otherwise find it very difficult to get to showrooms.

Due to its success in implementing this e-business model, AutoeBid is the winner of the National category for e-business start-ups in the DTI and InterForum Awards for E-commerce.

### CHALLENGES

The two biggest challenges for the company were funding the development of the site and encouraging its use by suppliers. The lengthy development process, although necessary to prove the concept and ensure foolproof systems, provided a significant funding challenge.

Also, there have to be both plenty of customers and plenty of suppliers for the reverse auction model to work well, because any imbalance between the two sides can stall growth. The company's strategy of using online promotional methods, including affiliate marketing schemes, where third-party websites are paid to encourage people to visit the AutoeBid site appears to be generating sufficient growth in customers without incurring high levels of advertising cost.

### Top tips:

- Do plenty of research – get to know your industry inside and out.
- Don't underestimate your start-up costs – get sufficient investment before beginning.
- Plan carefully, grow organically and keep to your business plan.

### LAST WORD

"Our business could not exist without the internet as we are a real-time reverse auction," says Amin. For the future, the company intends to expand into the physical world, by opening a retail shop in London and then expanding across the UK within three years.

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