

# InformationWeek

September 19, 2005

## Capital One's Vendor Equation -- The financial-services company's vendors must be motivated to deliver beyond expectations, the CIO says

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**HIGHLIGHT:** Working with vendors is as much art as science, says Capital One Financial Corp.'s CIO, **Gregor Bailar**. Vendors need to be motivated, much like employees, to deliver beyond expectations.

Relationships with vendors tend to be cyclical. During the dot-com boom, Capital One was besieged with sales pitches; after the bubble burst, the pitches subsided to the point where Capital One had to proactively tease out vendor-based solutions. "You have to seed [ideas] with vendors to encourage them to innovate," Bailar says.

One of Bailar's strategic goals is to keep vendor costs down without sacrificing quality. Capital One took a giant step in that direction last year by leveraging E-commerce software from Perfect Commerce Inc. in its supply-chain-management operations for requests for proposals. The software also was used to conduct the largest reverse auction in Capital One's history (more than \$100 million) and its first ever in the services category. By commoditizing the services Capital One was requesting, the reverse auction created a competitive market that resulted in a 16% reduction in costs and a reduction in sourcing cycle time.

The requests for proposals were issued using a beta version of Perfect Commerce's Perfect 7 online sourcing platform. When the project uncovered flaws in the platform, Capital One analysts built a spreadsheet that exported data from the online system, allowing for manual scoring of data. The flaws were corrected in the final release.

The reverse auction used Perfect Commerce's Perfect Bid platform, an established reverse-auction tool used previously at Capital One. The auction generated more than 3,000 bids in two hours. The volume of bidding overwhelmed the platform because of previously unrecognized memory limitations at the host servers. Working with the Perfect Commerce support crew, the Capital One project team paused the auction while the problem was fixed.

Perfect 7 and Perfect Bid have become the sourcing platforms of choice for Capital One. The lessons learned have led to the platform's refinement and serve as a case study within Capital One's supply-chain-management group.

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