

Good Trading Practices in Electronic Bidding Processes: Reverse Auctions

Recommended best practice guidelines designed to ensure fair trading and to avoid misuse.

1 Transparency

- ▶ All participants in the bidding/reverse auction process should be fully visible and known to all parties concerned eight days before the auction starts in order to:
 - avoid any kind of manipulation (such as the involvement of “dummies”).
 - guarantee that only “qualified” suppliers with sufficient capacity are involved.
- ▶ During the auction process, all bidders will be able to view their position versus the competition by company name.
- ▶ The winner of the bidding process should be made known without delay to all parties involved.

2 Acceptance Criteria

- ▶ Must be clearly defined
 - be it “best price”
 - be it “best package” of various, clearly specified criteria, such as “price + terms of payment + ...”
- ▶ Once the acceptance criteria have been fulfilled and the best bid accepted, this acceptance will represent a full commitment to proceed to a contract to purchase. Once the auction or bid is declared closed, no further price negotiation will take place.
- ▶ No withdrawal by the auctioneer and the client can be accepted once the bidding is closed.

3 Specification

- ▶ Must be defined for all participants in the same way.
- ▶ Must include core information on:
 - terms of payment (including currency)
 - terms of delivery (including validity)
 - technical specification: The supplier should be able to suggest an alternative specification and the buyer should be able to accept or reject the suggestion. (In such circumstances, any amended specification offered must be communicated to all participants).

- quantities
- terms of trade
- outer packaging
- should name the ultimate end user and intended application – this to ensure complete product ‘fitness for purpose’ and to avoid later misunderstandings or liabilities.

- ▶ Clearly identified sample(s) of all items bid are to be received by the bidding companies 21 days before the auction event.

4 Security & Confidentiality

- ▶ Certification by a well-established external auditor should guarantee absolute security and confidentiality in the handling of the data. All information passed between the auctioneer and the client and all other parties must remain completely confidential and be used exclusively for the bidding event for which it has been provided.
- ▶ Technical precautions should be put in place to protect against possible user mistakes and decision changes during the process of the auction (e.g. double-click systems or withdraw/return buttons).

5 Supervision

- ▶ On request, the record of the bidding/reverse auction process must be made available to an independent external auditor (to be agreed upon prior to the bidding/reverse auction process) for evaluation, and with the obligation – in case of inconsistency with the rules laid down – to inform any adversely affected participant (regardless of whether it has initiated the request or not) of such inconsistency in a way that insures confidentiality of third party data.

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