

# Reverse Auction



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Level C1

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Purchasing department  
JESUS Carlos – JOSEPH Cindy

# Definition

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**An auction is qualified « reverse » when it involves one buyer and several sellers**

*(a classic auction involves one seller and several buyers)*

- ❖ Reverse e-auction is an Internet tool used for price negotiation exclusively which comes as a complement or as substitution to traditional negotiation.
- ❖ Use of auction is regulated by the French law ([2005 Art.51](#)). Additionally, PSA published a [code of conduct](#) for transparency towards all suppliers since 2003.

## Reverse auctions advantages

- ❖ Greater transparency on our supplier relationships
- ❖ Optimized negotiation time

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# General operating rules

# Actual organisation

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- ❖ Reverse auctions are run on an **independent marketplace**
  - \* guarantee of impartiality between PSA and its suppliers
  - \* standard market tool
  - \* training provided to the suppliers for every auction's project
  
- ❖ An internal team dedicated to the buyers
  - \* knowledge about the tool and know-how
  - \* responsible for the respect of [Code of Ethics](#)

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# Various type of reverse auctions

# Dutch Auction

Award to the **lowest bidder**

- ❖ Upward auction (or downward when you are selling)
- ❖ Auction start at a fixed price and increase at regular time
- ❖ The winner is the first bidder



**Fnr 1**

**Fnr 2**



**Fnr 3**



**Fnr 4**

**Business  
awarded to the  
winner**

# English Auction

Award to the **lowest bidder**

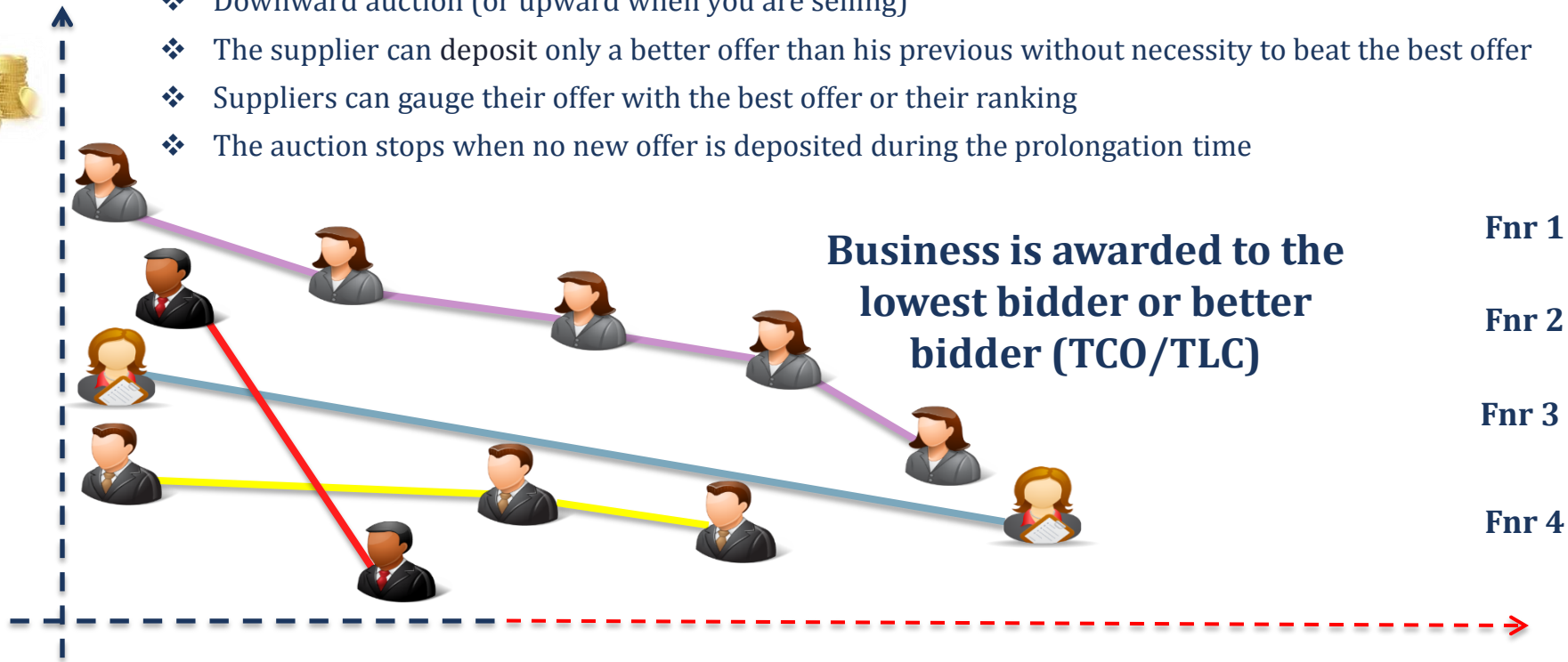
- ❖ Downward auction (or upward when you are selling)
- ❖ The supplier can only propose a better bid than the current bid
- ❖ The auction stop when no new offer is deposited during the prolongation time



# Dynamic Auction

Award to the **lowest bidder** or **better bidder**

- ❖ Downward auction (or upward when you are selling)
- ❖ The supplier can deposit only a better offer than his previous without necessity to beat the best offer
- ❖ Suppliers can gauge their offer with the best offer or their ranking
- ❖ The auction stops when no new offer is deposited during the prolongation time

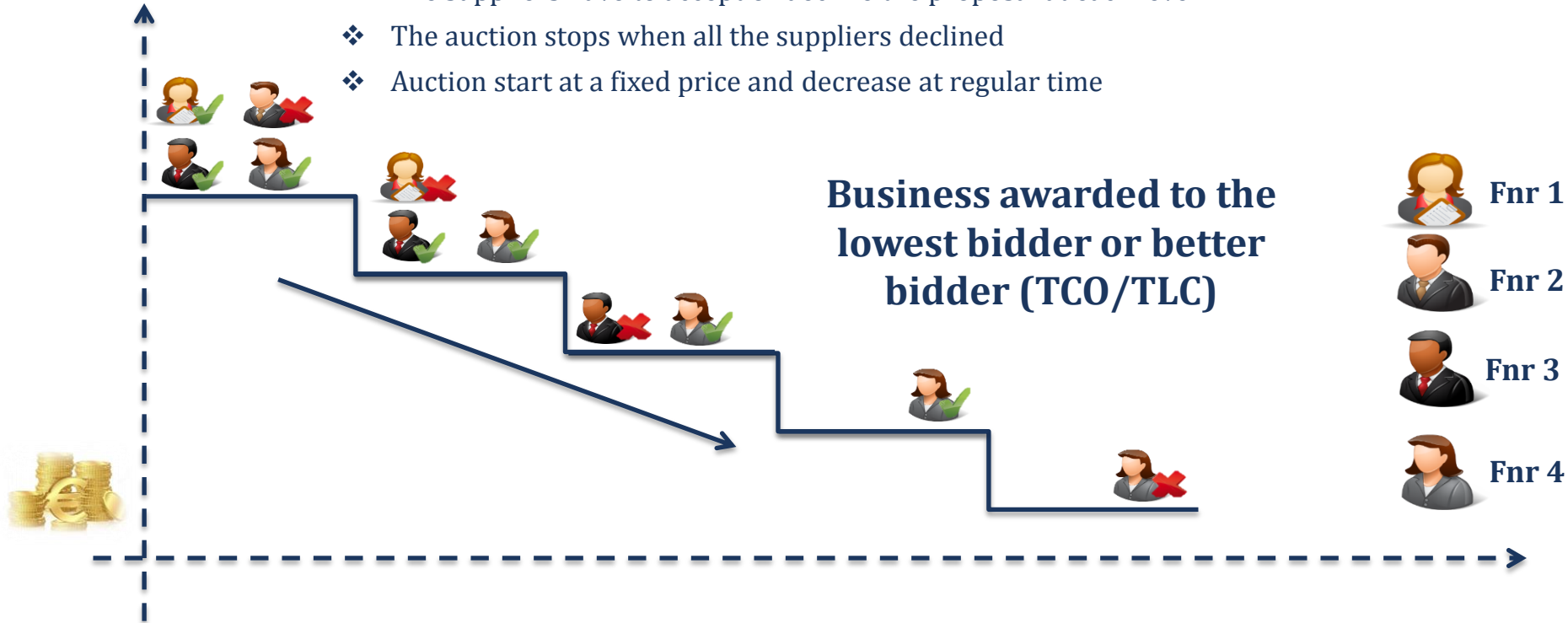




# Japanese Auction

Award to the **lowest bidder** or **better bidder**

- ❖ The suppliers have to accept or decline the proposal at each level
- ❖ The auction stops when all the suppliers declined
- ❖ Auction start at a fixed price and decrease at regular time



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# CONCLUSION

# Legal requirements and fundamental points:

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- ❖ Minimum 2 suppliers
- ❖ Only **suppliers eligible** can take part to the auction
- ❖ Every auction lead to **business attribution**
- ❖ Only a supplier who participate to the auction can be awarded
- ❖ Reverse auction is a tool for price negotiation, **price only**
- ❖ **No offer after auction can be accepted**