

## **Guidelines for effective and reliable co-operation between suppliers and buyers in the electronic market place**

Suppliers welcome the use of the electronic market place in trade and industry and wish to collaborate in the definition and development of systems right from the development phase. Through improved information and communication between suppliers and buyers, a reduction of process costs can be expected in the whole value-added chain. Cost savings must be of benefit to both sides. Common purchase platforms must not lead to a one-sided concentration of purchasing power. Suppliers see global standards as regards the methods applied, interfaces and data for portals as being indispensable in order to minimise both investments and ongoing costs. Success must be achieved in the standardisation of the processes created by the various portal suppliers.

### **I Transparency and clear rules for auctions**

Before the supplier is called upon to participate in internet auctions, clear rules of the game must have been agreed

1. upon between the market participants. Sufficient time is required for all involved in the auction process to prepare themselves thoroughly for this.

Auction participants and the criteria needed for participation must be defined clearly and known to all auction

2. participants. In particular it must be ensured that only those suppliers who have been invited to actually take part in the bidding process.

3. Auction participants must be comparable concerning capacity, quality, logistics and service.

4. Costs, such as access and service charges, must not be shifted one-sidedly on to the supplier.

5. The period of the auction should be tightly limited and must not be changed during the auction.

Auctions must not be misused as a tool for creating further downward pressure on suppliers' prices. Therefore the

6. auction process must end in all cases with a definite purchase decision (i.e. an order). For the sake of fairness, test runs must be announced as such.

7. As a matter of principle, auctions should not be based on any upper limit prices, which have to be underbid.

### **II Specification**

A clear specification of the buyer's requirements takes on a decisive role in a bidding procedure in which the price is the exclusive deciding factor. If this specification cannot be guaranteed, an auction is not a suitable method of doing business.

All participants shall receive, simultaneously and in good time for the auction, a complete and clear product description, including function and use.

The conditions and terms of contract (such as terms of delivery, guarantee and payment conditions plus delivery quantities) must be agreed unequivocally.

### **III Confidentiality and security**

In order to enable the electronic market place to become permanently viable, confidentiality, system reliability and fairness

amongst the persons trading are all equally indispensable.

1. The buyer and the supplier have to guarantee confidentiality and reliability/security in the handling of the specific business information. They are responsible for making sure that no business secrets are passed on to unauthorised third parties in their respective areas of activity.

2. If the buyer makes use of an internet providers or service company to carry out auctions, he has nevertheless himself to guarantee this confidentiality and reliability and to be able to demonstrate this in individual cases.

3. Commercial protection and copyright as well as the technical know-how of all involved must continue to be respected in the future. Effective technical security precautions must be an integral constituent of every electronic market place.

4. Technical methods must be established to be able to recognise and correct faulty input into the system.

#### **IV Discussion forum and arbitration board**

1. A discussion forum with representatives of suppliers and buyers could be a neutral platform for the discussion and exchange of experience in connection with electronic market places.

2. Besides this there should be an arbitration board which can be called upon in cases of violations of agreed rules.