

Use e-auction for small, standardised purchases

Summary

Electronic auctions (e-auctions) are online auctions where preselected bidders submit electronic offers in response to a buyer's specifications and where all communication is carried out in real time (electronically).

The preselected bidders are invited to take part in the e-auction after an initial full tender evaluation. The e-auction enables the shortlisted bids to be ranked using automatic evaluation methods. Therefore, only quantifiable elements that can be expressed in numbers entered into a specific formula, e.g. price and quantifiable quality parameters, can be provided in the e-auction. Other aspects should be assessed before the e-auction stage.¹

Procurements with accurately specified criteria and for which a competitive market exists, are suitable for e-auction. However, e-auctions are most often used for negotiated and restricted public procurement procedures and by joint buyers.² E-auctions can be run for goods, services and works, but they are most suitable for small, standardised purchases of goods/works and are rarely used for services, given the constraints of using e-auctions for contracts with intellectual performance as their subject matter, e.g. the design of works.

Despite the fact that e-auctions have distinct advantages in terms of time reduction, transaction costs, bureaucracy and bias, their use is far from widespread.

Input

Cost – €€€

High set-up and operation cost



Time – More than 12 months



Complexity – High

Dedicated IT infrastructure and processes are required

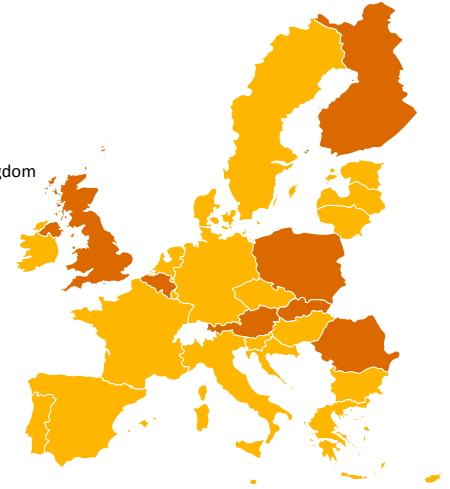


Related Good Practices

- Interoperability between e-procurement systems and other government databases
- Streamline public procurement procedures
- Make better use of framework agreements

Good Practice Examples

- ✓ Austria
- ✓ Belgium
- ✓ Finland
- ✓ Poland
- ✓ Romania
- ✓ Slovakia
- ✓ United Kingdom



Impact

Reduce administrative burden



One of the main advantages of the e-auction technique is reduced bureaucracy.

Advance modernisation and digitisation



E-auctions integrate digital technologies, replacing paper-based procedures. This helps streamline the procurement process and improve efficiency, reducing both time and transaction costs.

Enhance value for money



E-auctions provide buyers with very competitive prices for products, putting suppliers directly against each other to see who offers the lowest prices.

Increase competition



On the one hand, e-auctions can enable smaller businesses to compete and allow suppliers to compete in new sectors. On the other hand, when there is severe price competition, suppliers may incur business losses by offering lower prices at auction.

Key success factors and potential pitfalls

Educate buyers as to when they can run an e-auction

The EU legal framework limits the applicability of e-auctions where certain services or public works involving intellectual performance are purchased – this must be well understood and, if necessary, clarified explicitly in dedicated e-auction guidance/checklists.

Ensure interoperability

One of the main challenges in implementing e-auction systems lies in making them interoperable with electronic tendering platforms; therefore, sufficient time must be dedicated to establish the necessary links when developing the e-auction system.

Avoid a price race to the bottom

E-auctions may encourage too strong a focus on low price. The following considerations must be borne in mind in this regard:

- A key issue with e-auctions is that contracting authorities may concentrate on price instead of the most economically advantageous tenders, as only qualitative criteria are used for assessment during the e-auction stage. Therefore, a buyer may discover that the lowest bid is not the one of the highest quality or best service-level-agreement conditions for customer support. Overall, the cost of monitoring and managing e-auctions may outweigh the benefits for buyers.
- Suppliers determined to win an e-auction may similarly focus on placing the lowest possible bid, which could be too low for them. Thus, an economic operator may find that winning means making a loss as a result of the contract.

Case Study

United Kingdom – Electronic auctions

The UK implemented e-auctions according to the following process. First, an expression of interest is made and an evaluation carried out using the award criteria specified in the bid documents or contract notice. Then, successful bidders are invited simultaneously and electronically to take part in the e-auction, which starts at the earliest two working days after this invitation is sent and ends when no new prices or values that meet the minimum criterion are submitted. The invitation to participate is accompanied by the result of the initial evaluation as well as details of the formula (including criteria weightings) to be used for ranking bids during the e-auction stage.

E-auctions are based on either the most economically advantageous offer or the lowest price. In the former case, the quality features of bids (e.g. warranty or terms of delivery) used at the e-auction stage must be expressed as a value (percentage or figure), to be incorporated in a formula used for ranking bids. Ranking is visible to bidders throughout the e-auction stage. At the end of the e-auction, the full initial evaluation is combined with any changes to values stemming from the auction in order to identify the winning bid.

To address price-dumping issues, regulations stipulate that before launching an e-auction, contracting authorities must first make an initial evaluation using the specified award criteria. They also stress that the e-auction stage is not limited to assessing price, as it includes additional quantifiable criteria. Buyers can also consult extensive guidance and an e-auction decision tool exists, helping them decide whether an e-auction is suitable for their specific call.



Contact

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¹ OGC, "Guidance on Electronic Auctions in the Procurement Regulations" (2008), see:

http://webarchive.nationalarchives.gov.uk/20110601212617/http://ogc.gov.uk/documents/OGC_Guidance_on_eAuctions.pdf

² PwC, "Public Procurement in Europe: Cost and effectiveness" (2011)