

## Fairness according to SupplyOn

### **The cornerstones of trustworthy and constructive cooperation between suppliers and buyers on SupplyOn's electronic marketplace.**

Industry suppliers welcome the presence of SupplyOn's electronic marketplace and gladly take part in its dynamic development. Through improved communications and information flow, suppliers and buyers expect to reduce costs along the entire value chain.

Worldwide standards regarding the procedure, interfaces and data used are essential in order to minimize investments and running costs. The goal is to standardize the diverse approaches developed and used by different participant companies, existing marketplaces and proprietary portals.

The reduction of process costs is always at the forefront for SupplyOn when developing new functions. In the areas of development, purchasing and logistics, SupplyOn offers a comprehensive service – always considering the needs of the marketplace users - that is constantly being expanded and improved. Another cornerstone of the business model is that the costs e.g. for access and services, are not applied to just the buyer or the supplier. Cost sharing is implemented here for both parties with consideration of the respective usage and savings potential.

When a company is initially confronted with the E-Business application, Auctions, uncertainty with regard to the procedure is not uncommon. As a rule, in the traditional purchasing process, after the invitation to tender has been announced by the buying company a comparison of the bids is presented. It is thus necessary that supplier bids are “comparable” with one another. Ultimately, bilateral negotiations establish the final conditions.

Via this type of marketplace auction, the traditional procedure is thus transformed into an electronic procedure. The fundamental process, however, is not changed. The outstanding feature of this type of bid comparison is the substantially faster conclusion of deals. In addition, bidders have a much more transparent view of competitive proposals.

As a result, using the SupplyOn electronic marketplace offers advantages to both sides. The only requirement is that fair and honest cooperation is established and maintained.

The ground rules for this are described below.

### **I. Preparation/specification**

The basis for a qualified search, in particular of a potential new supplier, is the SupplyOn Business Directory. In order to enable the most efficient use of the tool for the buyer, suppliers must provide the directory with the most current and comprehensive information possible. This is the only way to establish a qualified selection of suppliers. This is the prerequisite for a supplier to receive qualified inquiries.

Based on the information in the Business Directory and his own personal experience, the buyer creates a distribution list for the inquiry. If a supplier - despite thorough entry of information in the Business Directory - does not receive a suitable inquiry, or receives one that for some reason does not warrant consideration at that time, he may decline the buyer with a short statement of the reason.

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In an auction, the clear specification of the service/product that the buyer expects is decisive. If this cannot be guaranteed, then auctions are not the appropriate forum.

Before the auction, the participants are provided with a description of products and services. The contract conditions (for example, delivery, warranty and payment conditions as well as quantity to be supplied) must be known.

The bidder has the opportunity to publish comments online.

### II. Transparency and clear rules for auctions

1. Before the supplier is invited to take part in Internet auctions, clear rules between the participants must be agreed upon.  
All participants in an auction will need sufficient time to prepare.
2. The buying company may not remain anonymous. It must make itself known to the bidders. The buyer establishes the bidder's circle. He must make sure that bids only come from suppliers who are able to meet his requirements (for example, regarding quality, capacity, logistics and service).
3. If an assessment of the requirements is carried out, fairness dictates that the bidders are familiar with the use of the mechanism.
4. The award process that takes place after the auction must be made clear in advance (for example, the best-of-auction, or a bidder from the still-to-be-defined "winners group" receives the award).
5. The supplier should have the possibility, and the time, to display his product/service portfolio in advance.
6. Test auctions must be announced as such.
7. The completion of the purchase at the end of an auction is not automatically legally binding. A separate contract must be agreed upon.
8. A bidder's position in relationship to the current "Best bid" must be transparent and understandable during the auction.

### III. Confidentiality and security

Confidentiality, reliability of the system and fairness among the participants are all equally indispensable if the use of an electronic marketplace is to be established over the long term. Everyone is responsible in their area for keeping business secrets from reaching any unauthorized third parties. Aspects of data security and availability of the system are fully outlined in the Service Level Agreement, a part of the usage contract from SupplyOn. It is the responsibility of SupplyOn to make sure all necessary measures are in place to guarantee the confidentiality of the information in the marketplace and the reliability of the system.

### IV. Discussion forum and arbitration

1. With the formation of work groups, SupplyOn provides a community discussion forum for the further development of the marketplace functionality. User experiences can be exchanged among buyers and sellers within these work groups.
2. In cases of non-compliance to contractual conditions, SupplyOn can be brought in as an arbitrator between buyers and sellers.