

# The B2G Marketplace

## and its Dynamic Pricing Tools

The Business-to-Government (B2G) marketplace can be thought of as an online bazaar featuring dynamic pricing where dynamic pricing is described as environments where prices are not fixed. Dynamic pricing tools, four of which are described below, are increasingly becoming a means for government to:

- Erase the image of backroom purchasing agents thumbing through paper catalogs and haggling for prices with suppliers over the telephone; and
- Streamline operations and cut costs by capitalizing on process efficiencies enabled by Internet technology that features new purchasing models.

Dynamic pricing tools include:

1. **Auctions** – where real time market prices are established for goods and services. Forms of auctions include:
  - **Reverse auctions** , where a buyer invites many sellers to bid.
  - **Forward actions** , allows sellers to post goods or services they want to sell and buyers to compete for the best prices the seller will accept for the goods or services;
  - **Traditional sealed bid auctions** where winners are determined by high bid (for sale of an item) or low bid (for purchase of an item);
  - **English auctions** , where prices are bid up by buyers bidding against each other anonymously;
  - **Yankee auctions** , a multi-item version of an English auction where winners are determined by ranking bids according to the highest bid price, then by the largest quantity and lastly, by the earliest bid time;
  - **Dutch auctions** , where the auctioneer sets a high starting price and gradually lowers the price until bids are received.
  - **Vickrey auctions** , where the winner is the one with the highest bid price, but pays only the bid price of the next-highest bidder

Most auctions in today's government marketplace are in the form of reverse auctions.

2. **Demand aggregation** - combines orders of multiple buyers into more powerful higher-volume transactions to increase buyer purchasing power.
3. **Bid systems** – where organizations operate their own customized, auction system on the Web to accommodate procurement actions that require a formal bidding process, detailed specifications, or contract addenda during the bidding process.
4. **Exchanges** - where many buyers and sellers can both offer and bid in a dynamic price market environment. There are two broad forms of exchanges today:

Industry-led exchanges – industry specific marketplaces where the exchange operators use software and technology to connect buyers and sellers and have hands-on knowledge of the industry and its participants.

Consortium-led exchanges – large purchasers bring their requirements together to have their suppliers compete for their business. One example is the automobile industry's Convisint Exchange whose partners include DaimlerChrysler, Ford, GM, Renault/Nissan and Toyota.

*“One day the Federal Government will be buying weapon systems via the Internet with an open bidding process that everyone can see” - Newt Gingrich.*