

# GDT Marketplace - User guide to buying via Fixed Price and Tender listings



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Sellers select between a fixed price or tender trading model when they offer product via GDT Marketplace.

This user guide explains how Fixed Price and Tender listings work, and how you can maximise your chance of securing the product you want.

For all GDT Marketplace listings, the winning price, quantity purchased and the identity of buyers is entirely confidential between the buyer, the seller and GDT.

## Fixed Price Listings

### How Fixed Price listings work

In a Fixed Price listing, the seller sets a fixed sale price for an available quantity of product. It is the simplest method of online trading, and buyers can secure product immediately as they trade.

The seller specifies the sale price, along with

- Available quantity – this is the offer quantity, less whatever has been sold
- Maximum quantity per bid – this is the maximum quantity you can buy with each purchase
- Minimum supply quantity – this is the smallest quantity you can buy with each purchase.

You enter the quantity you wish to purchase, and select “Trade now”. The successful purchase will be confirmed on screen, and you will also receive a notification.

The listing will reduce the available quantity by the amount just purchased.

Once the available quantity is reduced to 0 or falls below the minimum supply quantity, then no more product can be purchased on that listing.

When a price is showing ‘To be confirmed’ this means The seller is not ready to confirm the price. They will do this before the listing goes live and bids can be placed.

**Bid Panel (Fixed Price) ?**

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Time left  
**6 days, 10 hours, 21 minutes and 29 seconds**

Start  
16 May 2016 2:30 PM UTC

End  
30 May 2016 2:30 PM UTC

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Price ?  
**\$2,015.00 USD / kg**

Available Quantity ?  
**200 kg**

Minimum Supply Quantity ?  
20 kg

Quantity (kg):

**Trade Now**

[Bid History](#)

Price ?  
**To be confirmed**

Available Quantity  
**100 MT**

# Tender listing

Tender listings use a sealed bid approach. Once the listing has started, approved buyers submit their bids, indicating the price they are willing to pay and the quantity they wish to purchase. Buyers can submit more than one price/quantity bid. All bids are “sealed” in that no bids are visible to the seller or other buyers.

When the listing closes, the tender system determines which buyers have been successful, their winning price and the quantity of product allocated to each.

All buyers who submit bids are informed as to whether they have been successful.

- Successful buyers are informed of the price they pay and the quantity allocated. This information is also provided to the seller to begin the delivery process.
- Unsuccessful buyers are informed that they have not won product.
- The seller receives aggregated data on the unsuccessful bids, prices and quantities, but not the identity of unsuccessful buyers.
- Anonymity of unsuccessful buyers is ensured. Anonymous bid data is only provided to the seller if there are at least five or more approved buyers who were either unsuccessful, or did not submit a bid.

## 1. PRINCIPLES OF TENDERS

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The tender system is designed on three key principles:

Maximise value for all participants	The system is designed to efficiently maximise the total value gain across both sellers and buyers.
Simplify the buying decision	Buyers' decisions are kept as simple as possible by eliminating the need to correctly guess how other buyers will bid. Instead, you can bid the price you are prepared to pay, confident that the tender system will set the price you pay as close as possible to where demand matches supply.  The algorithm seeks a uniform winning price for all successful buyers where possible.
Provide Buyers with control over minimum quantity won	Alongside your price/quantity bids, you can indicate your flexibility in terms of the minimum quantity you are prepared to accept, ensuring you are not awarded quantities smaller than you want.

## 2. INFORMATION PROVIDED BY THE SELLER

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Along with the usual listing details, sellers specify:

- The total quantity of product available, specified as maximum and minimum supply quantities
- The minimum bid quantity, which is the smallest transaction size the seller will accept from buyers
- The reserve price - this is the price below which the seller does not wish to sell.

Buyers can view:

- Maximum quantity. The minimum quantity is not visible to buyers.
- Minimum bid quantity. The system will not let buyers enter less than this.
- The reserve price is not visible to buyers.

### 3. HOW BUYERS PLACE THEIR BIDS

As a buyer, you place a bid by entering:

- The maximum price you are prepared to pay
- The maximum quantity you are prepared to purchase
- The minimum acceptable quantity, indicating the smallest quantity you are prepared to accept if the system cannot allocate you your maximum bid quantity.

Time left  
**7 days, 8 hours, 53 minutes and 4 seconds**

Start  
16 May 2016 1:00 PM UTC

End  
31 May 2016 1:00 PM UTC

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Available quantity  
100 MT

Minimum Supply Quantity ?  
15 MT

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Maximum Quantity (MT)	Maximum Price (\$USD/MT)	Maximum Total (\$USD)
<input type="text" value="15"/>	<input type="text"/>	0.00 ✖

Minimum Acceptable Quantity (MT)

**Add bid line**

*Lines reorder on submit.*

**Submit bid**

You may want to purchase more product at a lower price, and you can do this by placing multiple bids on the same listing.

You can place several bids on the same listing, each bid specifying a price and the quantity you would purchase at that price.

In this example, the buyer is willing to purchase a maximum of 30MT if the price is \$2600 or below. If the winning price is \$2,350 or below they would be willing to purchase up to 100MT.

Please note that these bids do not create a cumulative total bid quantity. In this example, if the winning price is \$2,350 the most the buyer can win is 100MT, not 130MT.

The buyer has also specified that they do not want to win less than 15MT.

All bids contribute to the determination of successful buyers and the winning price(s), as described in section 4.

If a buyer is successful, they can only win product at one price.

Buyers can change or cancel their bids up to the closing time.

Time left  
**7 days, 8 hours, 54 minutes and 8 seconds**

Start  
16 May 2016 1:00 PM UTC

End  
31 May 2016 1:00 PM UTC

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Available quantity  
100 MT

Minimum Supply Quantity ?  
15 MT

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Maximum Quantity (MT)	Maximum Price (\$USD/MT)	Maximum Total (\$USD)
<input type="text" value="100"/>	<input type="text" value="2350.00"/>	235,000.00 ✖
<input type="text" value="30"/>	<input type="text" value="2600.00"/>	78,000.00 ✖

Minimum Acceptable Quantity (MT)

**Add bid line**

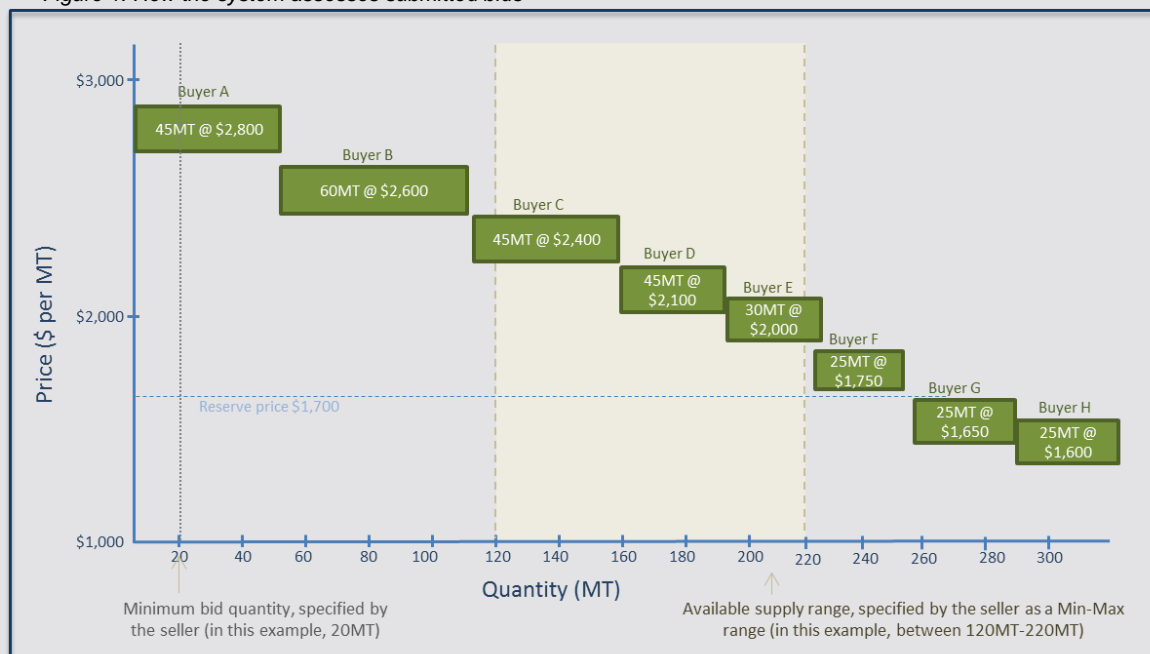
*Lines reorder on submit.*

**Submit bid**

#### 4. HOW THE WINNING PRICE IS CALCULATED

Figure 1 below illustrates the tender solution process. At the tender closing time, the auction will have gathered a range of bids, each with different prices and quantities as depicted below. The tender system uses an algorithm to determine the successful buyers and winning prices and quantities. For convenience, Figure 1 assumes each buyer enters a single price/quantity bid.

Figure 1: How the system assesses submitted bids



The system dismisses any bids that fall below the seller's reserve price.

- Buyers G and H placed bids at prices below the reserve price of \$1,700, so they cannot be allocated product.

The system sums the total quantity (in MT) of submitted bids, starting with the highest priced bid and progressively adding bids placed at lower prices, until the total bid quantity crosses, or falls within, the available supply range.

- In this example, the seller has specified an available supply range of 120MT - 220MT, and a minimum bid quantity of 20MT.
- Bids have been placed (shown as green blocks) by 8 buyers A-H, each with different prices & quantities.
- Adding the total quantity bid from the highest price downwards, the bids placed by Buyers A, B, C, D and E amount to 225MT (which is 5MT higher than the seller's maximum supply quantity of 220MT).

The system sets the "target price" as the lowest price of the bids that cross, or fall within, the supply range. The system seeks to achieve the target price as a weighted average across all winning buyers.

- Buyer E's bid crosses the maximum supply quantity
- At \$2,000, buyer E's bid represents the lowest priced bid that is at least partially within the supply range
- This price is set as the target price.

The system then works out which buyers can be allocated product. This may depend on their flexibility to accept quantities lower than their bid.

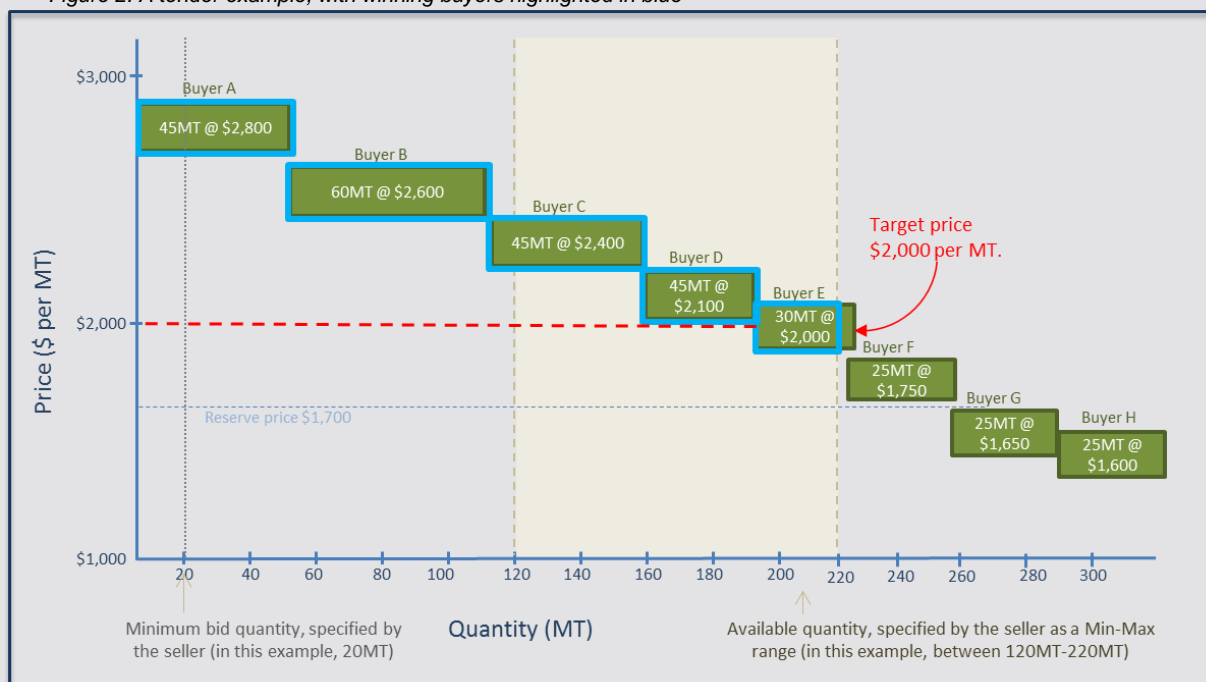
- In this example, buyers A, B, C and D can all be allocated the full quantity of their bids.
- Buyer E's bid quantity exceeds the available supply, but if this buyer is prepared to accept less product (i.e. is flexible), then they can be allocated product (25MT) and the system can sell the maximum supply quantity.

Finally the system determines the winning price to be paid by each successful buyer.

- In this example, the target price of \$2,000 per MT can be achieved by allocating a uniform price of \$2,000 to all successful buyers.

The result of this example is illustrated below.

Figure 2: A tender example, with winning buyers highlighted in blue



- Buyers A, B, C, and D are allocated the full quantity of their bids at \$2,000 per MT, and buyer E is allocated 25MT at the same price (as illustrated in Figure 2).
- Buyer F's bid quantity exceeded the maximum supply quantity at a lower price, and was therefore not included in the winning bids.

## Possible outcomes

The tender system must consider all submitted price/quantity bids, and allow for buyer inflexibility where they have chosen to set their minimum acceptable quantity.

This can lead to a number of possible outcomes:

- All buyers, whose aggregate demand falls within the supply range, are allocated product at one uniform price (as per example provided above);
- Some buyers win product at a price lower than their bid price
- Buyers are successful, but are not allocated the maximum quantity of their bid;
- A buyer places a bid at a price higher than the winning price, but is not allocated product due to their inflexibility;
- More than one winning price is determined, and winning buyers do not all pay the same winning price<sup>1</sup>.

<sup>1</sup> If, in the above example, buyer E was not willing to take less than 30MT the system could not allocate them product. In this case the remaining 25MT would be allocated to buyer F. The system will still look to achieve the target price of \$2000 per MT across the allocated sales whilst ensuring buyers pay no more than their maximum bid price. In this case it would allocate 25MT to buyer F at \$1,750, and allocate a slightly higher price of \$2,019 to buyers A, B, C & D. Each of these buyers are still paying less than their bid price.

## Common Questions

1. Is it possible to be allocated product at a winning price that is lower than my bid price?  
The tender model will attempt to allocate a uniform price to all successful buyers. If there are bids placed by other buyers at a lower price than yours, and their bid quantity lies within the supply range, it is likely that you will pay a price lower than the one you bid.  
This removes the need for you to try to guess the market price, and allows you to place bids at whatever price you are prepared to pay, knowing that your bid price alone will not set the winning price.
2. Is it possible to be allocated product at a price higher than my bid price?  
No, your bid price represents the highest price you are prepared to pay.
3. Do all buyers always pay the same price?  
In most cases, the tender process results in one uniform price paid by all winning buyers. As explained in the example on the previous page, there are circumstances where the system may allocate different prices to different buyers, in order to sell more of the quantity available.
4. What happens if no bids are placed above the reserve price?  
If the reserve is not met, no sale occurs.
5. What happens if bids are placed above the reserve price but they amount to less than the minimum supply quantity?  
If the total demand amounts to less than the minimum supply quantity, no sale occurs for any buyers.
6. If I am unsuccessful as a buyer, do I get to see the winning price?  
No, only successful buyers are notified of their winning price.
7. Why is the seller's reserve price not visible to buyers?  
The purpose of a tender is to enable buyers to bid what they are prepared to pay, based on their own independent view of market prices (rather than being influenced by sellers' views). It is common practice amongst most online tender sites for the reserve price to be hidden.
8. As a buyer, is it smarter to place bids at the lowest or the highest price?  
Buyer should only place bids at prices they are prepared to pay. As explained above, whilst buyers are ranked in order from the highest to lowest price bids, the winning price is usually the lowest price to clear the total offer quantity. This is similar to the GDT Events platform and is designed so that buyers can place bids at the maximum price they are prepared to pay, with confidence that doing so will not necessarily cause a higher winning price. Buyers also have the option of placing multiple-priced bids with different quantities, to reflect their price sensitivity.
9. What is the purpose of the buyer's "minimum acceptable quantity"?  
Buyers can specify a minimum quantity they are prepared to accept. This can be used to avoid being allocated quantities smaller than the buyer would want to accept. In some circumstances, the system may seek to reduce buyer's bids in order to maximise the quantity sold. Setting your minimum acceptable bid at a high level can reduce your flexibility, and may reduce your chances of being allocated product. Typically, we advise buyers to set low minimum acceptable quantities unless absolutely necessary.
10. Do buyers see who else placed bids, or who was allocated product?  
No information on buyer activity is shared between buyers or other participants (sellers are advised only of the winning buyers' identity, the price they are going to pay, and the quantity allocated to them, to enable the seller to begin the delivery process).