Forward and Reverse Auction

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Forward Auction

- Forward auctions are auctions, which can be used by sellers to sell their items to many potential buyers.
- Sellers and buyers can be individuals, organizations etc.
- Items are commonly placed at a special site for auction (e.g. eBay.com or marketdojo.com or opt-source.com).
- Buyers can continuously bid for the items they are interested in.
- Eventually the highest bidder wins the item.
- Two types of forward auctions are common.
- The first is a liquidate auction. Here buyers seek to obtain the lowest price for an item they are interested in.
- The second type is a marketing efficiency auction. Buyers wish to obtain a unique item.

Reverse Auction

- A reverse auction is a type of auction in which the traditional roles of buyer and seller are reversed.
- Thus, there is one buyer and many potential sellers. In an ordinary auction (also known as a 'forward auction'), buyers compete to obtain goods or services by offering increasingly higher prices.
- In contrast, in a reverse auction, the sellers compete to obtain business from the buyer and prices will typically decrease as the sellers underbid each other.
- A reverse auction is similar to a unique bid auction because the basic principle remains the same; however, a unique bid auction follows the traditional auction format more closely as each bid is kept confidential and one clear winner is defined after the auction finishes.

- For business auctions, the term refers to a specific type of auction process (also called procurement auction, e-auction, sourcing event, e-sourcing or eRA, eRFP, e-RFO, e-procurement, B2B Auction).
- Open procurement processes, which are a form of reverse auction, have been commonly used in government procurement and in the private sector in many countries for many decades.

Auction

- An auction is usually a process of buying and selling goods or services by offering them up for bid, taking bids, and then selling the item to the highest bidder or buying the item from the lowest bidder.
- The branch of economic theory dealing with auction types and participants' behavior in auctions is called auction theory.
- The open ascending price auction is arguably the most common form of auction in use throughout history.
- Participants bid openly against one another, with each subsequent bid required to be higher than the previous bid.
- An auctioneer may announce prices, bidders may call out their bids themselves or have a proxy call out a bid on their behalf, or bids may be submitted electronically with the highest current bid publicly displayed.
- Auctions were and are applied for trade in diverse contexts.
- These contexts are antiques, paintings, rare collectibles, expensive wines, commodities, livestock, radio spectrum, used cars, even emission trading and many more.