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## INTERNET AUCTIONS AS A TOOL FOR INTERNATIONAL BUSINESS COMMUNICATION

The aim of the article is to analyze the legal and economic aspects of Internet auction operations and to identify the main challenges facing their development in the global economy. The article explores Internet auctions as an emerging form of e-commerce, gaining increasing popularity in the context of globalization and digital economic transformation. One of the key advantages of Internet auctions is the reduction of time costs and the simplification of documentation processes, making them an attractive tool for both public and private sector transactions. The research presents a detailed classification of Internet auctions, covering various types based on participants, legal status, the transparency of bids, and other criteria. It identifies that Internet auctions can be both public, where bids are visible to all participants, and private, where bid information is concealed until the auction ends. Special attention is given to the regulatory aspects of forced and voluntary Internet auctions, as well as their role in government procurement and commercial transactions. The article highlights the need for improving the institutional framework, particularly the development of new regulatory measures to ensure the efficiency of auctions and prevent fraudulent activities.

**Keywords:** Internet auctions; e-commerce; transparency; regulation; fraud prevention; international business communication.

**Formulation of the problem.** The dynamic development of e-commerce and digital platforms has revolutionized traditional auction

practices, leading to the rise of Internet auctions. This type of auction system offers unique advantages in terms of accessibility, convenience, and broader participation. However, it also poses challenges related to regulatory frameworks, data security, and market fairness. The increasing role of Internet auctions in various business models, including B2C, C2C, and G2C, raises the need for a comprehensive analysis of their specific features, legal aspects, and operational risks. The problem is to understand how the institutional environment and technological solutions can enhance the efficiency of Internet auctions while minimizing risks such as fraud, unfair competition, and transaction failures.

### **Analysis of recent research and publications**

Recent studies have explored the growing influence of Internet auctions on both national and international trade. Notable research highlights the integration of electronic payment systems and user authentication mechanisms, which have significantly improved the security and transparency of auction transactions (e.g., eBay's Buyer Protection program). Moreover, scholars emphasize the regulatory challenges associated with Internet auctions, especially in the context of cross-border transactions and legal enforcement [1; 2]. Other studies examine the classification of Internet auctions based on the direction of price movements (e.g., English and Dutch auctions), as well as the differences between public and private online auctions [3; 4]. However, there is still a gap in the literature regarding the institutional frameworks that govern these auctions, particularly in the context of emerging markets.

**Formulating the article goals.** The main goal of this article is to analyze the institutional environment of Internet auctions and identify key factors that influence their development and regulation. The article aims to provide a classification of Internet auctions, examine their economic and legal implications, and suggest recommendations for improving their operational frameworks. Special attention will be paid to the role of technological innovations and legal reforms in enhancing the transparency and security of online auction systems.

**Outline of the main research material.** Online auctions refer to private Internet commerce, commonly known as C2C (Customer-to-Customer) or B2C (Business-to-Customer). The seller on an online auction can also be the government (G2C – Government-to-Customer model), as was the case when the U.S. Department of the Treasury sold government bonds through an online auction. Most online auctions extend the bidding period if a bid is placed shortly before the auction



ends, allowing other participants to respond. In other words, the final bid on a lot must remain unchallenged for a certain period and not be outbid by another participant. The starting price of a lot in online auctions can either be set by the seller or determined by the buyer. Additionally, there may be an option to sell the item to the first participant who offers the starting price set by the seller.

To participate in a large online auction, both sellers and buyers must be registered in the system. Registration ensures the fulfilment of the agreement, i.e., the delivery of the goods and the payment for them. During registration, personal data is collected to identify the buyer and seller and determine their location in case of disputes. A mandatory condition for registration is the acceptance of the terms of service, usually through a public offer, terms of use, or a service agreement. The public offer includes all essential conditions of the auction, defining the specific terms of the sale.

Registration and bidding in online auctions are generally free of charge. A fee may be charged for listing the item or as a percentage of the sale, or both. The auction end time is pre-set by the seller when the item is listed for sale. Once the auction is over, the buyer must transfer the money to the seller using the agreed payment method, typically a cashless transaction, though cash payments may occur upon receipt of the item in person. The seller is obligated to send the item to the buyer, often by mail, and often to any location within the country or worldwide.

According to the public offer, the online auction acts (in most cases) as an intermediary that provides software for selling a particular product or service, rather than being a party to the transaction itself. This allows the auction platform to avoid liability for the quality of the goods, the information posted about the item, or the fulfilment of the agreement. For example, the online auction platform eBay offers a «Buyer Protection» program, under which, in the event that an item is not delivered or the quality differs from what was stated during the auction, eBay compensates the buyer for their expenses (up to \$2,000), subsequently recovering the funds from the seller.

A type of online auction includes auctions that are not held entirely online but accept bids through the internet. This method is used in high-value auctions where the participant cannot be physically present at the auction location.

Online auctions can be classified as public or private. Public online auctions allow participants to view the bidding process throughout the entire auction, and there are no restrictions on bid amounts. In private

online auctions, bids are placed only once during a limited time, and participants do not know the amounts offered by competitors. The bid amounts and number of bids remain confidential. In another format, known as a «silent auction», participants' names remain anonymous, but information about the highest current bid is available to all.

Recently, there has been a trend toward integrating additional e-commerce solutions into online auctions, such as payment systems and user authentication mechanisms.

Key factors driving the development of e-commerce include reduced business costs and increased competitiveness, especially in the context of global labour division. Priority areas for the development of e-commerce are the B2C and C2C segments.

At the current stage of e-commerce development on the Internet, there are three main forms of e-commerce organization: online stores, trading platforms, and online auctions. An online auction is a specialized website that mimics the bidding process of a traditional auction. The provider of such a system earns revenue through transaction fees and the sale of software for auction participation [5].

Online auctions are designed to provide every citizen with equal access to services, information, and knowledge offered through information and communication technologies. The principle of accessibility can be realized through the concerted efforts of politicians, government agencies, businesses, and civil society. Removing barriers is a key factor in expanding access to the global information environment and knowledge. Online auctions represent a new form of government and commercial tenders, replacing traditional auction halls. These auctions are created for the convenience of participants and, most importantly, to eliminate corruption. Global trading platforms and auctions represent a new generation of multipurpose e-commerce platforms that unite dozens of different types of goods and services for export-import companies as well as wholesale and retail clients worldwide.

An online auction (also known as an «Internet auction») is an auction conducted via the Internet on specialized websites. Unlike traditional auctions, online auctions are conducted remotely, and participants can take part without being physically present by placing bids through an auction website or computer software [6].

E-commerce in the form of online auctions is rapidly developing, driven by the increasing number of Internet users, the simplicity of organization, and the ability to use various business models.

Electronic trading on universal exchanges includes the following



procurement/sales systems [7]:

- Electronic trading exchange system: designed for conducting electronic exchange auctions and electronic exchange auctions with product groups by remote users in real-time via Internet communication channels. It can also be used for electronic public procurement.
- Training trades: conducted under prior agreements. These are a full analog of real electronic trades, allowing market participants to gain practical skills in working with the electronic trading system (ETS) without the risk of losing financial or product resources.

On the day of the electronic auction, auctioneers log into the electronic trading platform. Cryptographic security measures are mandatory. Once the auction begins, participants submit their price offers. During the auction, participants do not know their competitors. After the auction ends, the winner is required to justify their price to prevent dumping. Participants who win but fail to provide the required documentation lose their deposit, and the documentation of the runner-up is then reviewed.

The participant who offers the lowest price and submits all necessary documentation earns the right to sign the contract. The winner must deposit 30% of the contract's initial value as collateral for fulfilling the contract. Typically, a bank guarantee is used as contract performance security. If the goods are not delivered in full or services are of inadequate quality by the delivery date, the collateral funds are retained by the customer. Payment to the auction participant is made only after all acts are signed.

The institutional environment of electronic auctions should be understood as the formation of qualitative institutions, rules, and norms for the operation of such auctions, specifically [8]:

1. Parliamentary approval of new rules for the operation of electronic auctions (laws, regulatory structures, traditions, and value systems) in response to the dynamic structural transformations shaped by powerful global digital development.

2. The emergence of institutional entities with legal status and a new financial infrastructure to formally ensure the implementation of regulatory functions and adherence to the rules governing electronic auctions; decentralization of the management system of state finance institutions both vertically and horizontally (separation of regulatory and economic functions).

3. The formation of citizens' attitudes toward financial rules and financial structures that reflect their consent to the institutional order.

4. The primary focus of government agencies on ensuring quality results in the operation of electronic auctions, with the establishment of rules and procedures that should not excessively limit their tactics for achieving goals.

To improve the system of Internet auctions, it is advisable to create a structured classification of auction types based on the most significant characteristics. The goal of classifying Internet auctions is to reveal the scope of concepts, identify group characteristics of the studied objects, and develop general criteria for their identification (Table).

Table

Classification of Internet Auctions

<b>Classification Criteria</b>	<b>Classification</b>	<b>Classification Description</b>
By the participants competing for the lot	<p>1. Seller auction (reverse) – The buyer sets their maximum price for a product, service, or work they wish to purchase, and sellers submit lower price offers.</p> <p>2. Buyer auction (direct, ascending) – The seller lists a product, service, or work with an initial price, and buyers submit their offers, with the most advantageous offer winning.</p> <p>3. Double auction – Offers from both buyers and sellers are received simultaneously.</p>	<p>The significance of this classification lies in defining the status of the offeror and acceptor. A seller auction is valid with at least two sellers offering products of the same quality. A seller auction is valid with just one buyer (offeror). The electronic trading system identifies the winning seller and accepts their price offer. The buyer auction is the most common. Offers come from the seller, and participants compete with their bids (acceptance) for the lot. In a double auction, both parties to the contract are offerors and acceptors.</p>
By the legal status of the seller and buyer and the purpose of the product	<p>1. C2C (consumer-to-consumer) – Both sellers and buyers are private individuals not engaged in business activities.</p> <p>2. B2C (business-to-consumer) – A business seller offers goods for personal use to individual consumers.</p> <p>3. B2B (business-to-business) – Both sellers and buyers are businesses, and the goods offered are intended for business activities.</p>	<p>This classification is important for determining the means of protection for violated rights and jurisdiction of disputes.</p>



### Continuation of the table

<p>By the transparency of price offers</p>	<p>1. Open bid auction – Each participant can see the price offers of others via an information and telecommunications system. 2. Closed bid auction – The system hides the bidding process, and participants can only view all offers after the auction ends.</p>	<p>Both types have their advantages and disadvantages. In an open auction, participants have more opportunities to engage in classic bidding. Armed with information, participants avoid overbidding and can compete with more advantageous offers. However, an open auction exposes the risk that the offeror might not receive a good deal as price equilibrium is established through open competition. In contrast, closed auctions reduce the risk of collusion among participants but are less transparent.</p>
<p>By information on demand for the auctioned lot</p>	<p>1. Auction with price offer disclosure (as per Part 18, Art. 19 of the Law of Ukraine on the Privatization of State and Municipal Property, 2018) – Along with their application, the participant submits their price offer and pays a deposit calculated based on their offer. The auction commission or electronic system determines the best offer as the starting price. 2. Auction without price offer disclosure – The starting price is based on market prices for similar items or services.</p>	<p>In a forced auction, information about the lot's demand reduces the organizer's costs for expert evaluation, but low demand could negatively affect the rights and interests of creditors and debtors. In a voluntary auction, demand information helps the seller assess the appropriateness of auctioning the lot and its potential value.</p>
<p>By the volition of the property transferor</p>	<p>1. Forced auction – The seller is a specialized organization selling property seized from debtors (the beneficiary is the creditor). 2. Voluntary auction – The property owner voluntarily puts the property up for sale at their own risk (the beneficiary is the property owner).</p>	<p>This classification helps determine the seller's status in an Internet auction. In forced auctions, the sellers are usually the organizers and creditors. The seller's status in a voluntary auction is defined by the agreement between the seller and the property owner or their authorized representative. The beneficiary</p>

Continuation of the table

		of a forced auction is the creditor, while the property owner or their representative benefits from a voluntary auction.
By access to the Internet auction	1. Public (open) – Any legal subject of civil law can register, pay a deposit, and participate in the auction. 2. Private (specialized) – Access is limited based on the participant's legal status.	Specialized auctions typically involve restricted goods, the use, ownership, and disposal of which require special licenses or permits.
By the direction of price movement	1. Ascending (English) auction. 2. Descending (Dutch) auction.	This classification helps determine how the winning participant is identified. In an ascending auction, the winner is the one who submits the highest bid by the auction's close. In a descending auction, the first bid submitted is automatically accepted by the electronic system.
By the purpose of the auction	1. Charitable – Conducted under the patronage of charitable organizations to fulfill their statutory goals. 2. Commercial – Goods, services, and works are sold to make a profit. 3. Government – Goods, services, and works are sold in the state's interest based on legal orders. 4. Compensatory – Forced sale of debtors' property to satisfy creditors' interests.	
By the number of lots	1. Single-lot (classic) auction – Participants compete for one individually defined lot. 2. Multi-lot auction – The seller lists multiple lots at once, which may be identical but individually defined or different in type. Winners are determined by sorting all bids from highest to lowest, and they pay the lowest price offered.	
Additionally	1. Chinese auction – Usually held at charity events. Participants buy tickets, and their chances of winning are proportional to the number of tickets purchased. 2. Vickery (second-price) auction – A direct closed auction where the winner pays not their highest bid but the second-highest offer. This system is used by eBay. 3. Yankee (discriminatory) auction – The seller offers several lots, and buyers submit secret bids. Identical items are sold at different prices.	





The activities of online auctions are intermediary in nature; however, the intermediation here is twofold – commercial and informational, with the informational component predominating. The primary goal of the auction is to convey information to potential counterparties and to bring them together. The matter of concluding a sales agreement and agreeing on its essential terms is left to the discretion of the parties and is settled without the auction's involvement. This explains why the relationship between online auctions and clients is formalized not by a traditional legal service contract but by a factual service agreement, as there is no legal representation involved, only factual intermediation.

Thus, the main advantage of the electronic trading system is time savings, as well as the minimization and simplification of paperwork. It is also important to consider the short duration of such procedures and the cost savings on organization.

**Conclusion.** Internet auctions are one of the most promising forms of e-commerce, offering convenience, accessibility, and broad participation from users worldwide. The primary advantages of online auctions include time savings, reduced paperwork, and lower organizational costs. With the rapid development of information and communication technologies, these platforms are becoming more secure and transparent, which helps reduce fraud risks and build greater trust among users. A key feature of Internet auctions is their dual intermediary role – they serve both commercial and informational functions, with the emphasis on facilitating information exchange between counterparties. However, the legal aspects of the sale agreement are left to the discretion of the parties, providing flexibility in the auction process. To support the further growth of Internet auctions, it is essential to improve the institutional framework, particularly in terms of regulating the legal and economic aspects of these platforms. Enhancing transparency, efficiency, and security in the auction process will help attract more participants globally and contribute to the continued expansion of e-commerce.

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## **ІНТЕРНЕТ-АУКЦІОНИ ЯК ІНСТРУМЕНТ ДЛЯ МІЖНАРОДНОЇ ДІЛОВОЇ КОМУНІКАЦІЇ**

Мета статті полягає в аналізі правових та економічних аспектів функціонування інтернет-аукціонів, а також у визначенні основних викликів, з якими вони стикаються в умовах розвитку глобальної економіки. Інтернет-аукціони розглядаються як новітня форма електронної комерції, що набирає популярності в контексті глобалізації та цифрової трансформації економіки. Однією з ключових переваг інтернет-аукціонів є зниження витрат часу та спрощення документальних процесів, що робить їх привабливим інструментом як для публічних, так і для приватних угод. У статті представлено детальну класифікацію інтернет-аукціонів, яка охоплює різні типи, залежно від учасників, правового статусу, прозорості ставок та інших критеріїв. Зокрема, інтернет-аукціони можуть бути як публічними, де ставки видимі для всіх учасників, так і приватними, де інформація про ставки залишається прихованою до завершення аукціону. Окрему увагу приділено регуляторним аспектам примусових та добровільних інтернет-аукціонів, а також їх ролі в державних закупівлях і комерційних угодах. Розвиток інтернет-аукціонів відбувається на тлі постійного вдосконалення правового регулювання та економічних механізмів. У статті аналізуються особливості правового регулювання інтернет-аукціонів у різних юрисдикціях, наголошується на необхідності уніфікації законодавчих норм для забезпечення належного рівня прозорості та захисту прав учасників. Проблеми шахрайства та недобросовісної конкуренції в інтернет-аукціонах залишаються актуальними, що вимагає створення чітких регуляторних інструментів для їх попередження. Додатково досліджується економічна складова функціонування інтернет-аукціонів.

**Їх популярність серед різних категорій користувачів пояснюється не лише зручністю використання, але й можливістю швидкої адаптації до змін ринкової кон'юнктури. Інтернет-аукціони дозволяють значно зменшити витрати на проведення торгів, що є важливим фактором для малого та середнього бізнесу, який прагне зменшити адміністративні витрати та отримати доступ до нових ринкових можливостей. Однак, попри очевидні переваги, інтернет-аукціони також стикаються з низкою економічних викликів, таких як нерівність доступу до технологій, різниця в рівні цифрової грамотності учасників та наявність технічних бар'єрів, що можуть перешкоджати ефективній участі в аукціонах.**

**Ключові слова:** інтернет-аукціони; електронна комерція; прозорість; регулювання; запобігання шахрайству; міжнародні бізнес-комунікації.

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