5.1 Introduction

Webster's third new international dictionary has defined the term 'tender' in marketing context as follows.

- a) An offer or proposal made for acceptance
- b) An offer of a bid for a contract
- c) An offering of securities for bidding
- d) Something that may be offered in payment" (79)

In Chamber's twentieth century dictionary the term 'tender' is defined as "to offer for acceptance, especially to offer in payment; to proffer; to make a tender; an offer or proposal especially of some service; the paper containing it; the thing offered. A formal offer to save the consequence of non-payment or non-performance". (19)

Literature survey shows that no clear-cut definition of international tendering is available. Literature survey and analysis of present practices of various export organisations in India shows that international tendering is a part of export operation which includes collection of tender information, procurement of tender documents and submission of bids according to tender terms and conditions. However, some of the literature has treated international tendering as part of import operation which covers functions like formulation of tender requests, floating a tender, receiving bids, evaluating and
In the present study international tendering is treated as part of export operation and it has not covered the functions related to import operation. Thus, the working definition of international tendering for the present study is formulated as follows.

International tendering is a formal procedure towards exporting products or services or turnkey projects by which bids are submitted against an offer or a floated tender.

5.2 Classification of International Tenders

On the basis of the procedure followed for inviting bids, international tenders can be classified into following three broad categories.

(i) **Public or Open Tenders**: adequate publicity is given to the floatation or invitation of the tender through advertisement and other forms of public notices. Any prospective bidder is eligible to submit his bid.

(ii) **Selective or Restricted Tenders**: only firms already registered with the tender inviting body are asked to submit their bids or a pre-qualification stage is introduced whereby a short list of qualified bidders is prepared from whom bids are invited.

(iii) **Private or Single Tender**: the awarding authority asks for quotation from a single supplier.
It is also possible to classify tenders on the basis of the degree of discretion allowed to the awarding authority. 
e.g. (a) A tender is of automatic type, the contract is to be awarded on the basis of criteria which are decided before hand.
(b) A tender is of discretionary type, the authority may accept bid, considered to be most advantageous - a procedure which allows the tender inviting authority a certain degree of freedom.
(c) In the case of negotiated tenders, the authority may negotiate freely with the supplier regarding the conditions of the contract.

In practice, most international tenders can not be classified strictly under any of these headings. However, international tenders for standard product/equipment, involving not very large amount are generally of open and automatic type. In the case of large value contracts, the selective or restricted tender is more common. The tender may be even open in such cases at the prequalification stage and any bidder may submit the prequalification forms for being qualified to submit bids. Such large value contracts are generally not automatic. The final award is likely to be given after protected negotiations. (8,81)

5.3 Tender Document

Most of the tender floating authority provide bidding document popularly known as tender document. Generally tender document provides the maximum amount of information regarding
the nature of the tender, procedure for bidding, various facets of tender, coverage of the contract, format of bid presentation, etc. Such that the prospective bidders could follow the instructions and will be able to submit the bid to the satisfaction of the tender floating authority. The presentation of bid in standard format (specified by the buyer) helps the prospective buyer to evaluate the bid document easily. The contents, coverage and presentation of tender documents widely vary from one to another.

Sometimes the same tender is divided into two parts and two different tender documents are issued to the prospective bidders. One is called commercial tender and the other is technical tender. In the commercial tender document information regarding commercial aspects of the contract is dealt such as, price structure for each product, various commercial terms and conditions. In technical tender document information regarding required technical specification of the products are given in detail. In case of two part tender, the bidders are also expected to submit their bids in two parts, viz. commercial bid and technical bid.

If a prospective bidder requiring any clarification of the tender documents, can notify the tender inviting authority in writing or by telex or cable at the contact address indicated in the document. The prospective buyer in turn responds to the request for clarification of the tender documents.

At anytime prior to the deadline for submission of bids, the tender floating authority may for any reason, whether at
its own initiative or in response to a clarification requested by a prospective bidder, modify the tender documents by amendments. The amendment is notified in writing or by telex or cable to all bidders who have received the tender document. In order to afford the prospective bidders reasonable time to take account of the amendment in preparing a bid, the bid invitor may at its discretion extend the deadline for the submission of bids.

The bidder is expected to examine all instructions, forms, terms and specifications in the tender document. Failure to furnish all information required by the tender document or submission of a bid not substantially responsive to the tender documents in every respect will be at bidder's risk and may result in the rejection of the bid.

Sometimes exporters have to get tender documents expressed in foreign languages translated into English through Indian diplomatic mission abroad against payment of translation charges or through other sources. (54)

5.3.1 Case Study 1

Tender document for Arab Republic of Egypt (EGY 85/01A/IDA; Credit 1069 EGT) is analysed and the main features of the document is described below. (69)

The contents of this tender document is divided into seven sections viz., Guidelines for bidders, General conditions of contract, Special conditions of contract, Bid form, Bid security form, Performance security form, Contract form and Contract Supplement.
1. **Guidelines for Bidders:** This section again subdivided into five sub-sections, viz. introduction, bidding documents, preparation of bids, submission of bids, bid opening and evaluation, award of contract.

In introductory topics like source of funds and purchaser, eligible bidders, eligible goods and services, cost of bidding are dealt with. The chapter Bidding Documents includes invitation to bid and enclosures, clarification of bidding documents, amendments to bidding documents. Language of bid, document comprising the bid, bid form, bid prices, customs import and other duties payable, bid currencies, documents establishing bidder's eligibility and qualification, country of origin, technical specification and description, bids to cover 100% of product sub-groups, delivery delay, spare parts, bid security, period of validity of bid and format and signing of bid are dealt with in the chapter on Preparation of Bids.

The chapter on Submission of Bids covers topics like sealing and making of bids, deadline for submission of bids, samples, late bids, modification and withdrawal of bids. In bid opening and evaluation chapter, opening of bids by purchaser's representative, clarification of bids, preliminary examination, conversion to single currency, evaluation and comparison of bids, delivery, domestic preference, contracting the purchaser's representative are included. Award of contract includes chapters like disqualification, award criteria, purchaser's representative's right to accept any bid and to reject any or all bids, notification of award, signing of contract and perform-
2. **General Condition of Contracts:** This section is also divided into various sub-sections. Various terms that are used in this document are defined in the **Definition** sub-section. The **Status of Purchaser** sub-section explains the purchaser's function under this contract. The meaning of 'country of origin' is provided in the next sub-section. What and how standards for the goods supplied by the contract are indicated in the **Standards** sub-section. Use of contract documents and information is also mentioned in this section. Instructions are provided about how the suppliers should furnish the patent, trademark or industrial design rights against any third-party claims arising from use of goods or any part thereof in the purchaser country. Procedure for performance security after the supplier's receipt of notification of award of the contract is also indicated. The claim for inspection and testing of goods to confirm their conformity to the contract specifications is explained. Packaging specifications are also provided in this section. Various other aspects like procedure for goods delivery, insurance, transportation, incidental services, spare parts supply and termination, warranty, payment, prices, change orders, contract amendments, assignment, subcontracts, delays in the supplier's performance, liquidated damages, termination for default, force majeure, termination of insolvency, termination of contract, resolution of disputes, governing language, applicable law, notices, taxes of duties are included in this section.
3. **Special Condition of Contract**: The purpose of this section is to mention all special conditions of contract which will supplement the general conditions of contracts. If and when there is a conflict, the provisions here in shall prevail over those in general conditions of contract. Some of the aspects which are covered in this sections are preparation of shipment, shipping documents, payment methods, currency of payment, standards, special climatic treatment, spare parts and training of operators, painting, electric system, dimensional system, quality, documentation, reservations, resolution for disputes.

4. **Bid Form**: The format of bid form is provided for supplier to follow the format while submitting its bid form along with the bid.

5. **Bid Security Form**: A format of the bid security form is given for the benefit of the supplier to follow its format. Supplier must procure this bank guarantee from a first class bank in the supplier's country.

6. **Performance Security Form**: The format of the performance security form is given which the supplier should follow. This bank guarantee also should be issued by a first class bank in the supplier's country.

7. **Contract Form and Contract Supplement**: The format of contract form and contract supplement is provided which a supplier has to follow strictly while submitting his bid.
Sometimes purchaser gives the responsibility to invite the bid to other agency or organisation. In this case, the International Labour Organisation (ILO), acted as procurement agency for the Government of the Arab Republic of Egypt which invited sealed bids for the supply of goods and related services. It is also possible that the purchaser received a grant or credit from another organisation for procurement of goods and services. e.g. the Government of the Arab Republic of Egypt has received a credit from the International Development Association.

5.3.2 Case Study 2

Bidding documents of UKingdom of Thailand, Ministry of Education, Institute of Technology and Vocational Education (No. ITVE/LITE II/ADB.03) is analysed and the main features of the document is highlighted below. (40)

This document also covers various aspects of the bid and instructions for bidders. Topics like eligibility of bidders and goods, clarification of status of the bidder, delivery and acceptance of equipment, description of the bid proposal form, contract for sale and general condition of contract, equipment specification, etc. are described in this document. One special feature of this document is that the purchaser has insisted upon the supplier to supply equipment list comparison tables where first column must mention the required specification and second column should provide the corresponding specification for bidder's proposed item.
5.3.3 Case Study 3

A tender document from Ministry of Education, Malaysia is analysed and the salient features of the document is indicated. (48)

Two separate tender documents are issued viz. commercial tender document and technical tender document. The commercial tender document emphasises the commercial aspects of this contract. A typical entry in this document includes items as follows.

Code number, description of the machine, Country of origin, Unit price - Ex-factory rate and Domestic value added in the manufacturing cost as percentage of the factory price for the domestic goods, Unit price - FOB port of loading and unit cost - CIF port of entry for the import goods, Unit cost of inland delivery (including installation and commissioning) total cost per item at site, Total quantity required, Total price and other remarks.

The technical tender document emphasises the technical specification of the products. A typical entry in this document includes code no., description of the machine, tenderer's specification, catalog/model no., country of origin and remarks.

5.4 Decision Framework for International Tendering

An export organisation identifies a large number of tender, all of which is not be interested to him. The desirability of a tender depends on product specifications, the
company inviting tender, payment terms, expected profitability of the tender and the internal supply position. Any organisation has got limited amount of resources either in terms of production capacity, financial resources, managerial and administrative expertise. Therefore, it is necessary for an organisation for making a conscious choice related to selection of tenders. Some of the decisions which are necessary to make for an organisation engaged in international tendering are:

(i) **Decision to Bid:** For each bid to submit, the bidder has incur the cost for the preparation of cost estimation. The preparation cost, complexity increases as the value of tender or the quantity of products increases. It should be noted that the preparation costs is a dead weight loss, if the bid is not awarded. A bid or not to bid decision has to be taken by evaluating the tender against the perspective of the company's overall corporate plan. If a tender floated in a country which the company has identified as a priority market, then that tender will rank higher in the preference order. The profit norm, as decided by the top management, is a very important consideration though the target rate may be modified. There are some other factors which are to be taken into account, e.g. the order book situation, expectation regarding future profitability. A less profitable and less desirable tender may be accepted for bidding if it is ensured that there is no prospect for a more profitable and desirable order in the near future. (See Sec. 6.5)
(ii) **Determining most Profitable Bid:** In open competitive bidding, price quotation is the crucial factor which determines the success and failure in securing the contract. Preparing a bid in the absence of accurate information on competitor's bidding strategy involves decision making under uncertain situations. Probability of getting the contract can be calculated. A lower limit and an upper limit for price can be decided by analysing the lowest and highest bid on every past occasion. The expected profit associated with various bids can be calculated. The final choice as to the bid to be submitted depends on

(a) the importance of the tender to the company in the context of its present and future level of operation;

(b) the alternatives, if any, open to the company to use its productive resources; and

(c) the attitude of the management to risk-taking.

(iii) **Guessing Competitor's Quotation:** The comparison of its own cost with competitor's is an important factor. If the company is using technology similar to that of the potential competitors, it is possible to compute approximately the direct manufacturing cost of the competitor's company.

(iv) **Factor Rating Technique:** It is necessary to identify what is the importance that the tender is likely to attach to non-price factors and how does the company stands in comparison with the potential competitors in terms of relevant non-profit factors. In order to compute the probability of success against
the probable bidders, factor rating procedure can be used. In this procedure, the basic step is to assign weights to the various factors which may influence the decision regarding the award of the contract. Weights reflect the relative importance that the management attaches to the various factors in determining the outcome of the bid. (7)

5.5 Information Support to Tendering

The visible flow of information into a tender document calls for gathering of information from several sources and several subjects. The diverse nature of diffusion of information has currently led on to the problems of access and utility. Unless information is analysed and consolidated, depending on the context, the information becomes useless. To create an information storage and retrieval system with transaction modelling capabilities as well as requirement specification capability, it is helpful to develop intermediate lexicons. The functional approach to a system moves towards the analysis of methodologies for quoting international tenders.