Abstract. Most B2B activity to date has centered on on-line exchanges and auctions, and most observers have assumed that these electronic marketplaces would come to dominate the B2B landscape. Once you look beyond the hype, you quickly see that most Internet exchanges are floundering. Use of the Internet to facilitate commerce among companies promises vast benefits: dramatically reduced costs, greater access to buyer and sellers, improved marketplace liquidity, and a new array of efficient and flexible transaction methods. But if the benefits are clear, the part to achieving them is anything but. The B2B market is still in its infancy, and the structure and players remain in rapid flux. This presentation examines the model for the future shape of B2B and how it will evolve on the Internet.

The Opportunity. Key elements of the characteristics of the future shape of the B2B exchange are:

- Understanding the current B2B players and flaws
- Understanding the business models of B2B players
- Understanding the trends for the future shape of the B2B marketplace

Objectives. The objective of this presentation is to look at the current B2B marketplace and some of the players, their business models and the trends that will emerge from the current landscape. Some basic questions still remain difficult for most companies such as: which exchanges should we participate in, should we form a trading consortium with our competitors, should we demand that our suppliers go on-line and what software/platform should we invest in? While searching for these answers companies should understand the benefits of participating in an e-marketplace. Why e-markets? E-markets provide a more-efficient method of conducting trade. They create for both buyers and sellers; cost and time savings benefits by simplifying the product search process, reducing communication, staffing costs, ordering errors, enhancing order tracking, payment and collections, facilitate product reordering and replenishment. The long-term value is value-added services in logistics, finance, transaction analytics and market management.

Some of the core functionality’s for an e-marketplace platform are: auction and exchange software, catalog management, order acceptance and tracking, mechanism for requesting quotes and proposals and payment capabilities. Platforms must allow buyers and suppliers to be easily integrated and must facilitate the incorporation of value-added components. The business models for most e-platform providers are software licenses fee, transactions and subscriptions fees. Most providers also provide value-added services for a fee such as professional consulting, product maintenance, application hosting and other related services.

Pcard providers are also entering the e-marketplace via interoperability agreements or their own home grown systems. The business models for Pcard providers are merchant discount rate assessed to the supplier, annual card fees, cash management fees, fees associated with interoperability agreements, software license fees, consulting fees and system integration fees.
Other players in the B2B marketplace are the one to many market places (plug and play). These providers specialize in horizontal/vertical market places. Their business models consist of subscription fees to the buyers and transaction or slotting fees to the suppliers.

The model for the future shape of the B2B marketplace is the financial services industries. Information-based transactions, large and liquid exchanges and intense competition characterize this industry. Financial markets closely resemble the new B2B markets, but have been around for centuries. Value tends to accumulate among a diverse group of specialist’s that focus on standard setting and information management.

Four formative trends of the future B2B market place are:
• From simple to complex transactions
• From middlemen to speculators
• From transactions to solutions
• From buyer-seller exchange transactions to sell-side asset swaps.

In recent years, highly complex financial transactions have been successfully packaged as securities that can be freely bought and sold. By adopting universal standards for loan terms and lending parameters, the financial industry enabled more customization within open marketplaces. Expect to see a similar fragmentation of roles in the B2B world as markets are restructured to accommodate the complex goods and services that account for the bulk of most companies’ spending. Decision support tools will allow for more complex B2B sales and comparison of offerings.

The disappearance of transaction income has set off an intense search for new sources of revenue, which has in turn given rise to a new set of business models. Instead of extracting fees from transactions, a number of players now make their money by actively trading in the underlying market. As competition pushes down the profit margins of B2B exchanges, some exchanges will start to take their own speculative positions, buying and selling large quantities of the goods traded in their markets.

The B2B landscape is also well suited to solutions providers. By using the Internet to bundle products with related information and services, creative companies can improve the effectiveness and efficiency of their clients’ businesses.

Sell-side swap models are emerging in B2B e-Commerce. Asset swaps benefits suppliers by allowing them to better utilize their key assets - whether factories, trucks, warehouses, or containers for shipping. At the same time, they enable buyers to tap a broader, more efficient supply base.

The new B2B models emerging are:
• Mega exchange
• Specialist originator
• E-speculator
• Solution provider
• Sell-side asset exchange
Because scale and liquidity are vitally important to efficient trading, today’s fragmented and illiquid exchanges will consolidate into a relatively small set of mega-exchanges that will occupy the center of the B2B universe. Specialist originator will structure and take orders for complex transactions, aggregate them – bundle them into large order request – and send them to mega-exchanges for execution. E-speculators, seeking to capitalize on an abundance of market information, will tend to concentrate where relatively standardized products can be transferred easily among a large group of buyers. They will also look for price volatility in markets such as specialty chemicals, paper, and certain basic auto parts. In many markets, a handful of independent solution providers with well-known brand names and solid reputations will thrive alongside mega-exchanges. A good number of them will leverage distinctive technical expertise to become indispensable to customers. Many B2B transactions will consist of sell-side asset exchanges, in which suppliers will trade orders among themselves. Sell-side swapping will be most valuable where markets are highly fragmented both on the buyer and seller sides- where, demand and supply are often mismatched and where suppliers can benefit greatly from keeping expensive fixed assets fully utilized.

Companies will need to develop a deep knowledge of the emerging landscape and the various business models it will contain. Radical changes in markets require radical responses. The ability to understand and capitalize on market dynamics may become more important that traditional skills in such areas as product development, marketing and manufacturing.

REFERENCES

Journal or magazine article references: