

# Electronic Business and B2B Marketplaces Updates from the Field

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## Agenda

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- ✍ About this research
- ✍ Opportunities
- ✍ Developments
- ✍ Challenges
- ✍ Recommendations for practice and research

## About This Research

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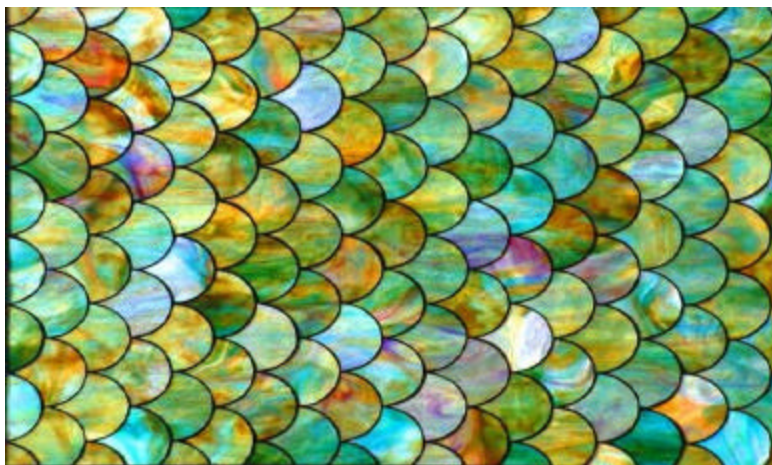
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## Lots of Overlap

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## Opportunities

- ✗ Total annual cost of inadequate supply chain infrastructures (NIST 2004)
  - ✗ >\$5 billion automotive
  - ✗ ~\$3.9 billion electronics
  - ✗ 1.2% value of shipments
- ✗ Potential *new* cost reductions through interorganizational IT in mortgage industry (MBA 2003)
  - ✗ 50% loan origination cost over 10 years



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## Developments



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## Developments—EMPs

- ✗ Proliferation
- ✗ Inertia
- ✗ Private solutions
- ✗ Failures
- ✗ Network effects
- ✗ Evolving business models—services
- ✗ Thriving EMPs benefit both buyers and sellers



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## Developments—Standards



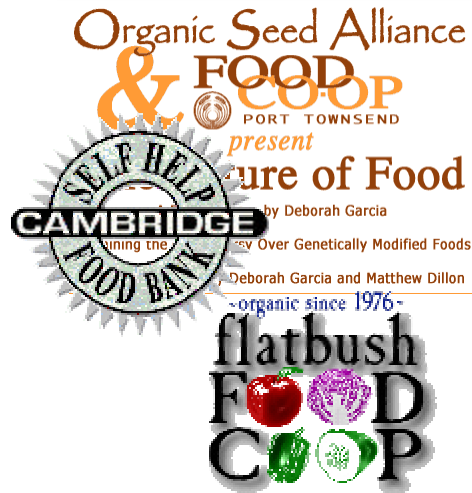
- ✗ Product ID and EDI standards reenergized and transformed by Internet and wireless technology in many sectors
  - ✗ RFID
  - ✗ Data standards
  - ✗ XML DTDs
  - ✗ Partner interface processes (PIPs)
- ✗ Rapid take up by software and services vendors, some users

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## Developments—Cooperatives & Hubs

- ✦ Strong interest in private cooperatives
  - ✦ CPFR initiatives
  - ✦ Collaboration hubs
- ✦ Surprising energy in sectoral and public-private cooperatives
  - ✦ Elemica in chemicals
  - ✦ 1Synch in retail
  - ✦ NEHEN in health care
  - ✦ CAPWIN in public safety



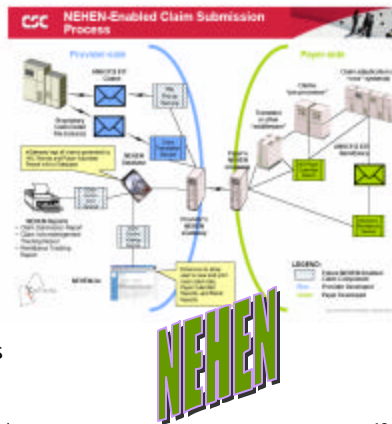
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## A Health Care Cooperative

- ✦ Community health information networks founded
  - ✦ Required members pay extra to supply their own data to central database (and lose control)
- ✦ NEHEN developed a peer-to-peer network
  - ✦ Each partner maintains own data
  - ✦ Virtual record created on demand
- ✦ Members benefit
  - ✦ No per transaction fees for EDI clearinghouses
  - ✦ Open-source IPR agreements make software interfaces available at very low cost



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# Challenges



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# Challenge—B2B Business Models

- ✗ Paying twice
- ✗ The intermediary's profit squeeze
- ✗ Should all parties pay?
- ✗ Who should pay?



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## Challenge—Collective Action



- ⌘ Industry standards require collective action by participants with vastly differing interests
  - ⌘ Industry leaders
  - ⌘ SMEs
  - ⌘ Sector A
  - ⌘ Sector B
  - ⌘ IT products and services vendors
- ⌘ How to catalyze?
  - ⌘ Contracts
  - ⌘ Commitments

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## Challenge—Standards vs. Legacy

- ⌘ Your benefits increase with number of electronic partners
- ⌘ Partners will adopt standards
- ⌘ Legacy may hinder you from adopting standards



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## Challenge—Bowling Alone

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- ✍ Desire to avoid tight coupling
- ✍ Collaboration doesn't scale
- ✍ I'd rather collaborate myself

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## Recommendations

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## Recommendations—Practice

- ✍ Pursue standards
- ✍ Help your partners adopt
- ✍ Share costs and benefits equitably
- ✍ Don't be afraid to help your competitors



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## Recommendations--Research



- ✍ Focus both on process
  - ✍ Collaboration
    - ✍ Participants
    - ✍ Ownership
    - ✍ Contracts
    - ✍ Commitment
- ✍ ... and on content
  - ✍ Solution
    - ✍ Technical
    - ✍ Economic
    - ✍ Social

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# Questions?

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