Electronic Business and B2B Marketplaces
Updates from the Field

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Agenda

- About this research
- Opportunities
- Developments
- Challenges
- Recommendations for practice and research
About This Research

Lots of Overlap
Opportunities

- Total annual cost of inadequate supply chain information 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

Developments
Developments—EMP s

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

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
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

A Health Care Cooperative

- Community health information networks foundered
  - 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
Challenges

Challenge—B2B Business Models

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

Challenge—Standards vs. Legacy

- Your benefits increase with number of electronic partners
- Partners will adopt standards
- Legacy may hinder you from adopting standards
Challenge—Bowling Alone

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

Recommendations
**Recommendations—Practice**

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

**Recommendations--Research**

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

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