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**Electronic supplementary material:** The online version of this chapter (doi:10.1007/978-3-319-50091-1\_4) contains supplementary material, which is available to authorized users.

**Learning Objectives**

Upon completion of this chapter, you will be able to:

1. Describe the B2B field.
2. Describe the major types of B2B models.
3. Discuss the models and characteristics of the sell-side marketplace, including auctions.
4. Describe sell-side intermediaries.
5. Describe the characteristics of the buy-side marketplace and e-procurement.
6. Explain how reverse auctions work in B2B.
7. Describe B2B aggregation and group-purchasing models.
8. Define exchanges and describe their major types.
9. Describe third-party exchanges.
10. Describe how B2B can benefit from social networking and Web 2.0.
11. Describe collaborative commerce.

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**OPENING CASE: ALIBABA.COM—THE WORLD’S LARGEST B2B MARKETPLACE**

Alibaba Group is a collection of Internet-based e-commerce companies, some of which are B2B (notably Alibaba.com); the others are B2C and EC services (e.g., payments). For a company overview, see [alibabagroup.com/en/about/overview](http://alibabagroup.com/en/about/overview). The company started as a portal for connecting Chinese manufacturers with buyers from other countries. By 2014, Alibaba Group became the world’s largest e-commerce enterprise. Its business-to-business (B2B) operation (Alibaba.com) is the world’s largest marketplace. The fascinating story of the company is described by Charles (2014) and by Erisman (2015).

## The Opportunity

The Alibaba Group was started in 1999 by Jack Ma and his partners. Ma envisioned an opportunity to connect foreign buyers with Chinese manufacturers, especially the small ones. These companies wanted to go global but did not know how to do it. The initial business was Alibaba.com, a B2B portal, which later on developed into a comprehensive B2B marketplace. The Alibaba Group also added a consumer-to-consumer (C2C) marketplace called Taobao ([taobao.com](http://taobao.com)). In 2004, Alibaba added the “Alipay Cross-Border E-Payment Service” ([alipay.com](http://alipay.com)). In 2007, the Alibaba Group founded Internet-based business management software company Alisoft ([alisoft.com](http://alisoft.com); introduced into [alibaba.com](http://alibaba.com) in 2009), followed by Tmall.com ([tmall.com](http://tmall.com)), a giant B2C platform. The company established a cloud computing platform and restructured over time. In 2014, Alibaba Group had an IPO in the USA raising over \$20 billion. This case concentrates on Alibaba.com, the B2B company (herein “Alibaba.com”).

## The Solution

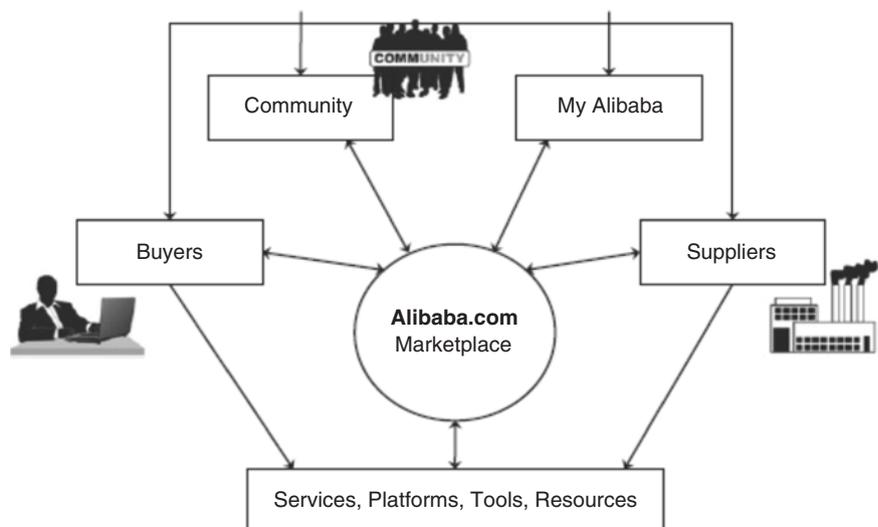
Alibaba.com is an online marketplace composed of a platform for buyers, a platform for sellers, a community, and B2B services. The company’s mission is to provide all the necessary support for buyers, suppliers, and traders. The components and role of the company are illustrated in Figure 4.1

- **Suppliers:** Post their catalogs, company information, special promotions, etc. on the suppliers’ space. Alibaba.com helps to reach international buyers. Suppliers can get free online training.
- **Buyers:** Search for potential products and suppliers and also have the option to post what they need (requests) on

the buyers’ space and get quotes from suppliers. Buyers can verify the suppliers’ worthiness. (See a video about suppliers’ assessment at [sa.alibaba.com](http://sa.alibaba.com)). Alibaba.com provides inspection services with reliable experts. Buyers can compare prices and terms of service as well.

- **Services for Buyers and Suppliers:** Alibaba.com helps to communicate, negotiate, and assist in reaching a deal. They also arrange the payment process, insurance, and delivery details. Alibaba.com provides all the technology necessary to support the activities on its site. It also provides services such as escrow and handling customer complaints.
- **My Alibaba:** A personal communication and trade management tool on Alibaba.com. It is now separated for buyers and suppliers.
- **Tools and Resources:** Alibaba.com provides information and tools for export and import. It also provides a trade-show channel.
- **Alibaba Cloud Computing and Other Infrastructure:** The company is a developer of cloud computing services. The company is committed to supporting the growth of Alibaba Group companies and providing a comprehensive suite of Internet-based EC-oriented computing services, which include e-commerce data mining, high-speed massive e-commerce data processing capabilities, and data customization.
- **Alipay ([alipay.com](http://alipay.com))** is a cross-border online payment platform, mainly used by buyers and sellers engaging in e-commerce transactions. It offers an easy, safe, and secure way for millions of individuals and businesses to make and receive payments on the Internet. By 2016, Alipay had 400 million registered users who made over 519 billion monthly payments; mobile users, through Mobile Alipay. Mobile Alipay is now the largest mobile platform in the world. See [expandedramblings.com/index.php/alipay-statistics](http://expandedramblings.com/index.php/alipay-statistics).

**Figure 4.1** The role of Alibaba.com in B2B



- Alibaba.com Secure Payment (an escrow service; [activities.alibaba.com/alibaba/secure-payment.php](http://activities.alibaba.com/alibaba/secure-payment.php)) is a service that holds the payment to the seller until both parties have confirmed that the transaction is complete. Alibaba Secure Payment also has a Dispute and Refund process if the buyer does not receive the goods or is unhappy with the delivery. For more information about the Escrow Service and the Dispute and Refund process, see [service.alibaba.com/buyer/faq.htm](http://service.alibaba.com/buyer/faq.htm).

Alipay also offers an online global payment solution to help buyers or sellers outside China to do business in China. Alipay supports transactions in 28 major foreign currencies (February 2016).

### The Database

The center of Alibaba.com is its huge database, which is basically horizontal information organized into dozens of industry categories, including agriculture, apparel and fashion, automobiles, and toys. Each industry category is further divided into subcategories (over 800 in total). For example, the toy category includes items such as dolls, electronic pets, and wooden toys. Each subcategory includes classified postings organized into four groups: sellers, buyers, agents, and corporations. Each group may include many companies and products. (Some categories have thousands of product postings.) A powerful search engine helps navigate the database.

### Community Services

Alibaba.com provides the following major features all related to import and export: free e-mail, help center, 24/7 online intelligent robot to assist with answering questions, tutorials for traders, Trade Alert free updates to your inbox, news, tradeshow information, legal information, arbitration, forums and discussion groups, trade trends, and so on. In addition, a supplier can create a personalized company Web page as well as a “product showroom”; members also can post their own marketing leads (where to buy and sell). Alibaba.com also offers the TradeManager mobile app ([trademanager.alibaba.com](http://trademanager.alibaba.com)), which is their Instant Messaging tool. TradeManager can be used to chat with buyers in real time, get real-time translation, easily search for buyers and suppliers, and get the latest trade results. The TradeManager app is provided in multiple languages and at relatively low fees (the IM is free). For details, see Charles (2014) and [trademanager.alibaba.com/features/introduction.htm](http://trademanager.alibaba.com/features/introduction.htm).

According to DYC Software Studio ([chat-translator.com](http://chat-translator.com)), DYC sells translation software called ChatTranslator for TradeManager, which is available in 20 languages. It can translate and send messages in any foreign language and translate replies from one language into the user's language.

(For information about features and to purchase and download the software, see [chat-translator.com/products/chat-translator-trademanager.html](http://chat-translator.com/products/chat-translator-trademanager.html) and [download.cnet.com/Chat-Translator-for-TradeManager/3000-20424\\_4-75212643.html](http://download.cnet.com/Chat-Translator-for-TradeManager/3000-20424_4-75212643.html)). To see more about the tools and features Alibaba offers to help buyers and sellers, see [alibaba.com/help/alibaba-features.html](http://alibaba.com/help/alibaba-features.html).

### The Competition

Many companies are attempting to rival Alibaba. For example, JD.com ([jd.com](http://jd.com), which merged with Tencent) is China's second largest e-commerce company. (It is used for both B2B and B2C.) Made-in-China.com ([made-in-china.com](http://made-in-china.com)), another world leading B2B portal, is another competitor. In the international market, companies such as TradeBanq ([tradebanq.com](http://tradebanq.com)), EC21 ([ec21.com](http://ec21.com)), Hubwoo ([hubwoo.com](http://hubwoo.com)), and Allactiontrade.com ([allactiontrade.com](http://allactiontrade.com)) are all competing.

### The Results

By 2016, Alibaba.com covered over 5200 product categories and had about 280 million registered, active buyers. The company conducts business in over 240 countries and regions, and it employs more than 35,000 people.

**Sources:** Based on Charles (2014), Chen (2016), Erisman (2015), [crunchbase.com/organization/alibaba](http://crunchbase.com/organization/alibaba), [buyer.alibaba.com](http://buyer.alibaba.com), and [seller.alibaba.com](http://seller.alibaba.com) (all accessed March 2016).

Note: For seven things to know about Jack Ma, see [upstart.bizjournals.com/entrepreneurs/hot-shots/2013/09/25/meet-jack-ma-things-to-know-about.html](http://upstart.bizjournals.com/entrepreneurs/hot-shots/2013/09/25/meet-jack-ma-things-to-know-about.html).

## LESSONS LEARNED FROM THE CASE

B2B e-commerce, which constitutes over 85% of all EC volume, is composed of different types of marketplaces and trading methods. The opening case illustrates a marketplace for many buyers and sellers to make transactions. The case presents the technology support provided for the B2B marketplace. In addition, the case describes information about support services (e.g., escrow services). The case illustrates the services provided for sellers (which are discussed in more detail in Sections 4.4 through 4.6) and the services for buyers (described in Sections 4.8, 4.10, and 4.13). The case also demonstrates the role of marketplaces (Sections 4.15 and 4.17). All the major EC buying and selling B2B methods as well as types of B2B marketplaces and portals are described in this chapter. Finally, we relate B2B to social networking and other support services.

## 4.1 CONCEPTS, CHARACTERISTICS, AND MODELS OF B2B E-COMMERCE

B2B EC has some special characteristics as well as specific models, components, and concepts. The major ones are described next.

### Basic B2B Concepts and Process

**Business-to-business e-commerce (B2B EC)**, also known as *eB2B (electronic B2B)*, or just B2B, refers to transactions between businesses conducted electronically over the Internet, extranets, intranets, or private networks. Such transactions may take place between a business and its supply chain partners, as well as between a business and a government, and with any other business. In this context, a *business* refers to any organization, private, public, for profit, or non-profit. In B2B, companies aim to computerize trading transactions and communication and collaboration processes in order to increase efficiency and effectiveness. B2B EC is very different and more complex than B2C. It is much more difficult to sell to a company than to individuals. For a comprehensive discussion, see Wirthwein and Bannon (2014).

Key business drivers for electronic B2B (some of which were shown in the opening case) are the need to reduce cost, the need to gain competitive advantage, the availability of a secure Internet platform (i.e., the extranet), and the private and public B2B e-marketplaces. In addition, there is the need for collaboration between business partners, the need to reduce transaction time and delays along the supply chain, and the emergence of effective technologies for interactions and systems integration. Several large companies have developed efficient B2B buying and selling systems. An example is “Dell PremierConnect” that is illustrated in the video “Premier Connect Demo” at [youtube.com/watch?v=-GAZIWGJMLI](https://www.youtube.com/watch?v=-GAZIWGJMLI).

For B2B statistics, see Pick (2015).

### The Basic Types of B2B Transactions and Activities

The number of sellers and buyers and the form of participation used in B2B determine the five basic B2B transaction activity types:

1. **Sell-side.** One seller to many buyers.
2. **Buy-side.** One buyer from many sellers.
3. **Marketplaces or exchanges.** Many sellers to many buyers.
4. **Supply chain improvements.**

### 5. Collaborative commerce.

The last two categories include activities other than buying or selling inside organizations and among business partners. They include, for example, removing obstacles from the supply chain, communicating, collaborating, sharing information for joint design and planning, and so forth.

Figure 4.2 illustrates these five B2B types. A brief explanation follows.

### The Basic Types of B2B E-Marketplaces and Services

The following are the descriptions of the basic types of B2B e-marketplaces.

#### **One-to-Many and Many-to-One: Private E-Marketplaces**

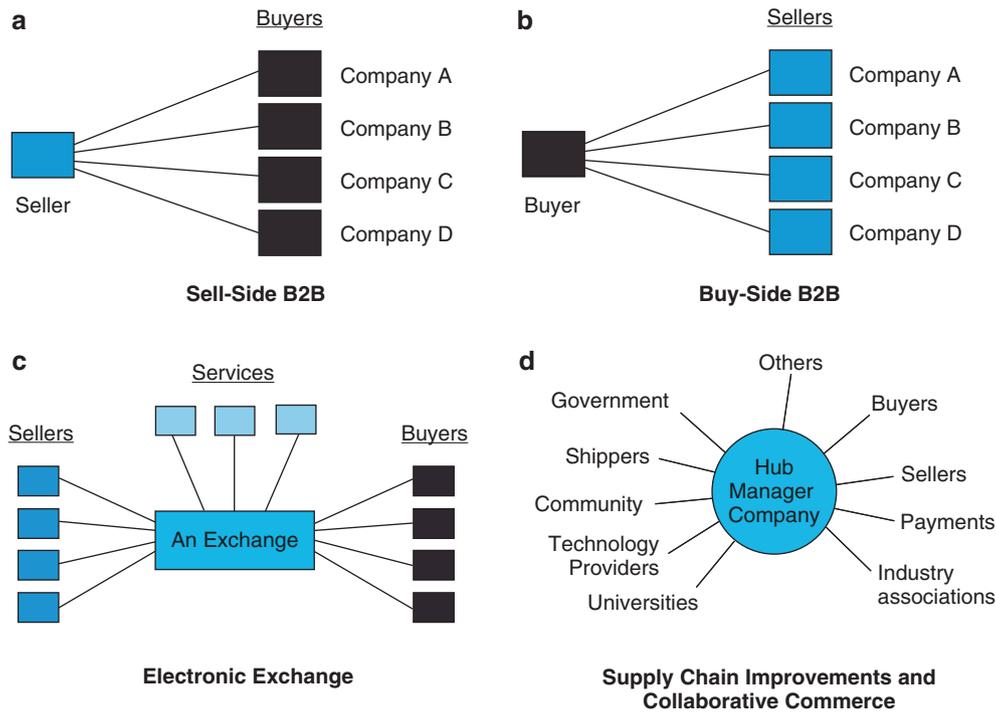
In one-to-many and many-to-one markets, one company does either all the selling (*sell-side market*) or all the buying (*buy-side market*). Because EC is focused on a single company’s buying or selling needs, this type of EC is also referred to as **company-centric EC**. Company-centric marketplaces—both sell-side and buy-side—are discussed in Sections 4.2, 4.3, 4.4, 4.5, and 4.6.

#### **Many-to-Many: Public Exchanges (or E-Marketplaces)**

In many-to-many e-marketplaces, many buyers and many sellers meet electronically to trade with one another. There are different types of such *e-marketplaces*, which are also known as **exchanges (trading communities or trading exchanges)**. We will use the term *exchanges* in this book. Exchanges are usually marketplaces owned and run by a third party or by a consortium. They are described in more detail in Section 4.7. **Public e-marketplaces** are open to all interested parties (sellers and buyers). Alibaba.com is an example of an exchange.

#### **Supply Chain Improvers and Collaborative Commerce**

B2B transactions are conducted frequently along segments of the supply chain. Therefore, B2B initiatives need to be examined in light of other supply chain activities such as procurement of raw materials, fulfilling orders, shipments, and logistics (see Chapter 11). For example, Liz Claiborne, Inc. (retail fashion company) digitized its entire supply chain, reaping substantial results (see case study at [gxs.com/assets/uploads/pdfs/caseStudies/CS\\_L\\_Claiborne\\_GXS.pdf](https://www.gxs.com/assets/uploads/pdfs/caseStudies/CS_L_Claiborne_GXS.pdf)).



**Figure 4.2** Five types of B2B e-commerce

### Collaboration

Businesses deal with other businesses for purposes beyond just selling or buying. One example is that of *collaborative commerce*, which includes communication, joint design, planning, and information sharing among business partners (see Section 4.9).

### Market Size and Content of B2B

The U.S. Census Bureau estimates B2B online sales to be about 40% of the total B2B volume depending on the type (e.g., 49% in manufacturing). Chemicals, computer electronics, utilities, agriculture, shipping and warehousing, motor vehicles, petrochemicals, paper and office products, and food are the leading items in B2B. According to the authors' experience and several sources, the dollar value of B2B comprises at least 85% of the total transaction value of all e-commerce, and in some countries, it is over 90% for a total of about \$20 trillion worldwide. For statistics, see Pick (2015).

B2B EC is now in its sixth generation, as shown in Figure 4.3. This generation includes collaboration with suppliers, buyers, government, and other business partners via extensive use of mobile computing; use of blogs, wikis, and other Web 2.0 tools; deployment of in-house social networks; use of public social networks such as LinkedIn and Facebook;

and increased use of intelligent systems. In addition, the sixth generation is capitalizing on mobile computing, especially tablets and smartphones.

The B2B field is very diverse, depending on the industry, products and services transacted, volume, method used, and more. The diversity can be seen in Figure 4.4 where we distinguish five major components: Our company, which may be manufacturer, retailer, service provider, and so forth, is shown in the center. It has suppliers (on the left) and retailers (on the right). Our company operations are supported by different services (bottom), and we may work with several intermediaries (top of Figure 4.4). The solid lines show the flow of information.

### B2B Components

Next, we present various components of B2B commerce.

#### **Parties to the Transaction: Sellers, Buyers, and Intermediaries**

B2B commerce can be conducted *directly* between a *customer* and a *manufacturer* or it can be conducted via an *online intermediary*. An **online intermediary** is a third-party entity that brokers the transactions between the buyer and seller; it can be either virtual or click-and-mortar. Some of

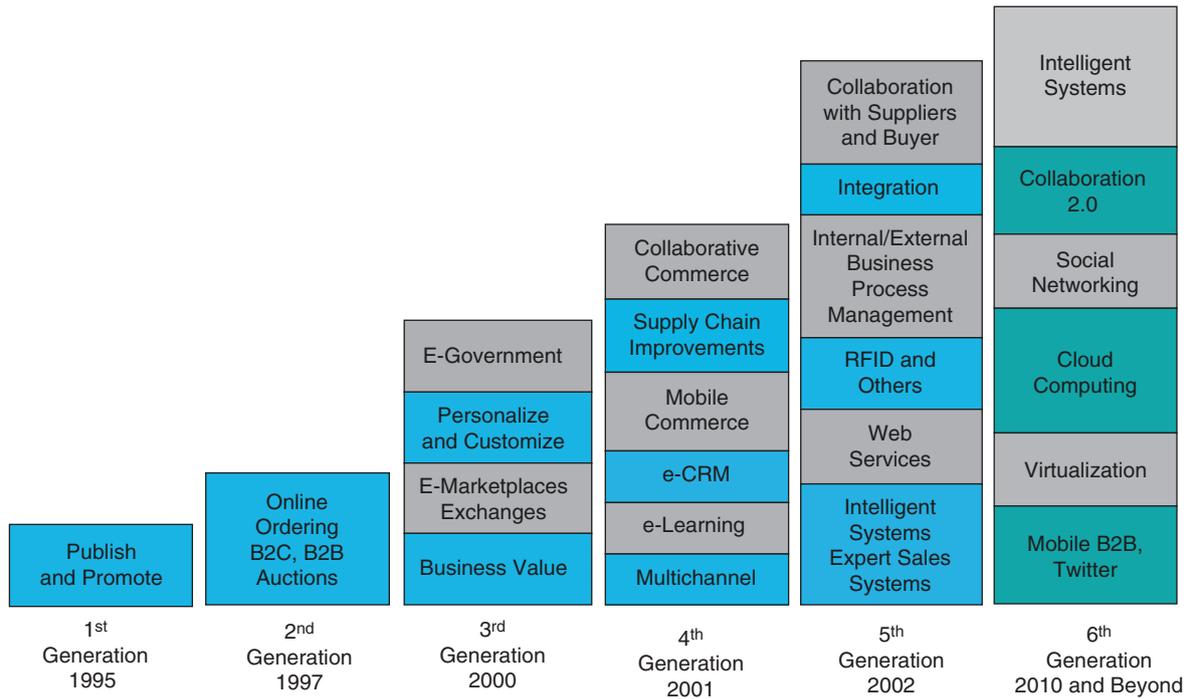


Figure 4.3 Generations of B2B e-commerce

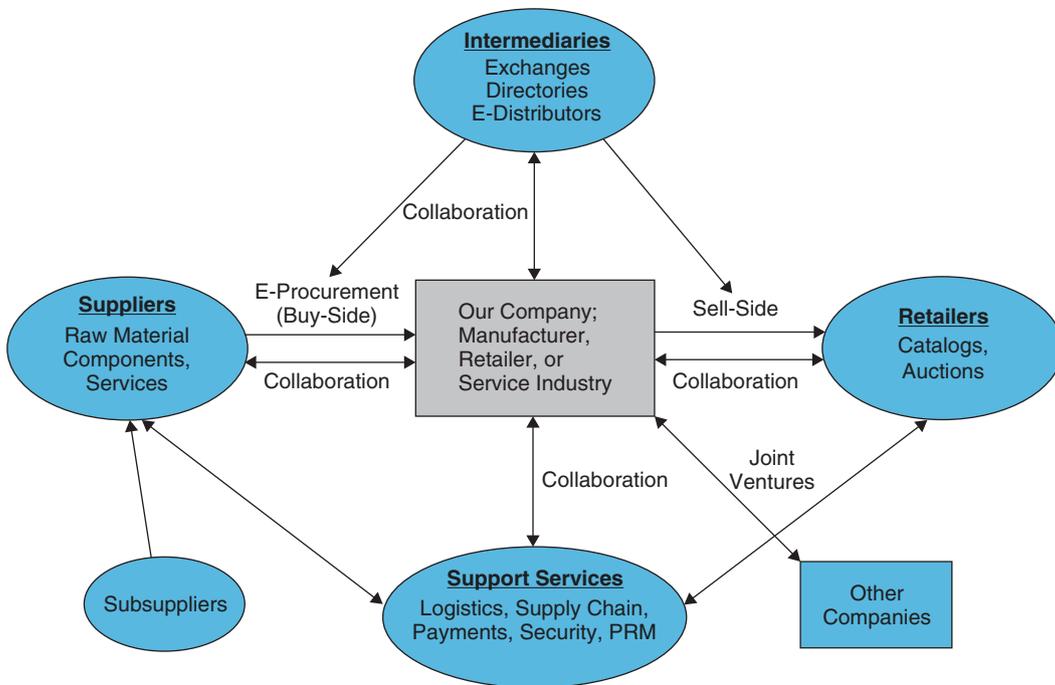


Figure 4.4 The components of B2B

the electronic intermediaries for individual consumers mentioned in Chapter 3 also can be used for B2B by replacing the individual consumers with business customers. Aggregations of buyers or sellers are typical B2B activities conducted by intermediaries.

**Types of Materials Traded: What Do Firms Buy?**

Two major types of materials and supplies are traded in B2B markets: *direct* and *indirect*. **Direct materials** are materials used in making products, such as steel in a car or paper in a book.

**Table 4.1** Summary of B2B characteristics

Parties to transactions	Types of transactions
Direct, seller to buyer or buyer to seller	Spot buying
Via intermediaries	Strategic sourcing
B2B2C: A business sells to a business, but delivers to individual consumers	
Types of materials sold	Direction of trade
Direct materials and supplies	Vertical
Indirect (MROs)	Horizontal
Number and form of participation	Degree of openness
One-to-many: sell-side (e-storefront)	Private exchanges, restricted
Many-to-one: buy-side	Private exchanges, restricted
Many-to-many: exchanges	Public exchanges, open to all
Many, connected: collaborative, supply chain	Private (usually), can be public

**Indirect materials** are items, such as office supplies or light bulbs, which support operation and production. They normally are used in **maintenance, repair, and operation (MRO)** activities. Collectively, they are also known as *non-production materials*.

### B2B Marketplaces and Platforms

B2B transactions are frequently conducted in marketplaces such as Alibaba.com. B2B marketplaces can be classified as *vertical* or *horizontal*. **Vertical marketplaces** are those for one particular industry or industry segment. Examples include marketplaces specializing in electronics, cars, hospital supplies, steel, or chemicals. **Horizontal marketplaces** are those in which trading is in a service or a product that is used in many types of industries. Examples are office supplies, cleaning materials, or paint. Alibaba.com is an example of a horizontal marketplace.

The types of materials traded and the types of B2B transactions are used to define the B2B marketplaces. One way of classifying these markets is:

- *Strategic (systematic) sourcing* and indirect materials = MRO hubs (horizontal markets for MRO)
- Systematic sourcing and direct materials = Vertical markets for direct materials
- *Spot buying* and indirect materials = Horizontal markets for spot sourcing
- Spot sourcing and direct materials = Vertical markets

The various characteristics of B2B transactions are presented in summary form in Table 4.1.

### Service Industries Online in B2B

In addition to trading products between businesses, services also can be provided electronically in B2B. Just as

service industries such as travel, banking, insurance, real estate, and stock trading can be conducted electronically for individuals (as discussed in Chapter 3), they also can be conducted electronically for businesses. The major B2B services are:

- **Travel and hospitality services.** Many large corporations arrange their travel electronically through corporate travel agents. For instance, American Express Global Business Travel offers several tools to help corporate travel managers plan and control their employees' travel. In addition to traditional scheduling and control tools, American Express offers the following EC-based tools (**amexglobal-businessstravel.com/total-program-management**):
  - *TrackPoint* enables locating a traveler in real time.
  - *Travel Alert* provides travel advisories and updates, such as weather conditions and delays.
  - *Info Point* (**businessstravel.americanexpress.com/info-point**) is a website that includes detailed information about countries and cities around the world.
  - *Meetings and Events* (**amexglobalbusinessstravel.com/meetings-and-events**) assists in managing meetings, including searching for venues.
  - *American Express* has a presence on social networks (e.g., Facebook, Twitter, YouTube).
  - *Egencia LLC* (**egencia.com/en**; an Expedia company) partners with organizations to optimize the organizations' total travel activities by providing advice and travel management software. For details, see **egencia.com/en/about-egencia**.

- Expedia ([expedia.com](http://expedia.com)), Travelocity ([travelocity.com](http://travelocity.com)), Orbitz ([orbitz.com](http://orbitz.com)), and other online travel services provide similar services for both B2C and B2B.
- **Real estate.** Commercial real estate transactions can be large and complex. Therefore, the Web might not be able to replace existing human agents completely. Instead, the Web can help businesses find the right properties, compare properties, and assist in negotiations. Some government-run foreclosed real estate auctions are open to dealers only and are conducted online.
- **Financial services.** Internet banking can be an efficient way of making business payments, transferring funds, or performing other financial transactions. For example, electronic funds transfer (EFT), which provides for electronic payments, is popular with businesses, as are electronic letters of credit. Transaction fees over the Internet are less costly than any other alternative method. To see how payments work in B2B, see Chapter 11. Businesses can also purchase insurance online, from both pure online insurance companies and click-and-mortar ones.
- **Banking and online financing.** Business loans can be solicited online from lenders. Because of the economic downturn, it is difficult for some business owners (even those with excellent credit scores) to obtain loans; therefore, they may turn to companies like Biz2Credit ([biz2credit.com](http://biz2credit.com)), a company that helps small businesses grow. Biz2Credit is an online credit marketplace that matches loan applicants with over 1200 lenders (see [biz2credit.com/about](http://biz2credit.com/about) and [cnbc.com/id/101009116](http://cnbc.com/id/101009116)). Several sites, such as Garage Technology Ventures and LLC ([garage.com](http://garage.com)), provide information about venture capital. Institutional investors use the Internet for certain trading activities.
- **Other online services.** Consulting services, law firms, medical services, and others sell enterprise knowledge and special services online. Many other online services, such as the purchase of electronic stamps (similar to metered postage, but generated on a computer), are available online (see [stamps.com](http://stamps.com)). Recruiting and staffing services can also be done online.

- Creates new sales opportunities (S)
- Eliminates paper and reduces administrative costs (J)
- Expedites processing and reduces trading cycle time (J)
- Lowers search costs and time for buyers to find products and vendors (B)
- Increases productivity of employees dealing with buying and/or selling (J)
- Reduces errors and improves quality of service (J)
- Makes product configuration easier (B)
- Reduces marketing and sales costs (S)
- Reduces inventory levels and costs (J)
- Reduces purchasing costs by cutting down on use of intermediaries (B)
- Enables customized e-catalogs with different prices for different customers (J)
- Increases production flexibility, permitting on demand delivery (S)
- Reduces procurement costs (B)
- Facilitates customization via self-configuration (J)
- Provides for efficient customer service (B)
- Increases opportunities for collaboration (J)
- Web-based EC is more affordable than traditional EDI (J)
- Allows more business partners to be reached than with EDI (J)
- Reaches a more geographically dispersed customer base (S)
- Provides a better means of communication with other media (J)
- Provides 24/7 coverage of the shop front (J)
- Helps equalize small enterprises (B)

B2B EC development has limitations as well, especially regarding channel conflict and the operation of public exchanges. Furthermore, personal face-to-face interactions may be needed but are unavailable.

Implementing e-B2B might eliminate the distributor or the retailer, which could be a benefit to the seller and the buyer (though not a benefit to the distributor or retailer). In previous chapters, such a phenomenon is referred to as *disintermediation* (Chapter 3). The benefits and limitations of B2B depend on such variables as who buys what items, and in what quantities; who are the suppliers; how often a company buys, and so forth.

## The Benefits and Limitations of B2B

The benefits of B2B are for buyers, sellers, or for both, and they depend on which model is used. In general, though, the major benefits of B2B (the beneficiaries are marked after each benefit: S = seller, B = buyer, J = joint) are that it:

## SECTION 4.1 REVIEW QUESTIONS

1. Define B2B.

2. Discuss the following: spot buying versus strategic sourcing, direct materials versus indirect materials, and vertical markets versus horizontal markets.
3. What are company-centric marketplaces? Are they public or private?
4. Define B2B exchanges.
5. Relate the supply chain to B2B transactions.
6. List the benefits and limitations of B2B.

## 4.2 B2B MARKETING: SELL-SIDE E-MARKETPLACES

A major portion of B2B is selling in what is known as *B2B marketing*. *B2B marketing*, which is also described in Online File W4.1, refers to marketing by manufacturers and wholesalers along the sell-side of the supply chain. A variety of methods exist. For information, see the periodic reports from eMarketer, such as eMarketer (2016).

### Sell-Side Models

In the B2C model, a manufacturer or a retailer electronically sells directly to consumers from a *storefront* (or *webstore*). In a B2B **sell-side e-marketplace**, a business sells products and services to business customers electronically, frequently over an extranet. The seller can be a raw material producer selling to manufacturers, or a manufacturer selling to an intermediary such as a wholesaler, a retailer, or an individual business. Intel ([intel.com](http://intel.com)), Exxon ([exxon.com](http://exxon.com)), Cisco Systems, Inc. ([cisco.com](http://cisco.com)), and Dell ([dell.com](http://dell.com)) are examples of such sellers. Alternatively, the seller can be a distributor selling to retailers or businesses (e.g., W.W. Grainger, Inc.; [grainger.com](http://grainger.com)). In either case, sell-side e-marketplaces involve one seller and many potential buyers. In this model, both individual consumers and business buyers might use either the same private sell-side marketplace (e.g., [dell.com](http://dell.com)) or a public marketplace.

The one-to-many model has three major marketing methods: (1) selling from *electronic catalogs* with fixed prices; (2) selling via *forward auctions*; and (3) one-to-one selling, usually under a *negotiated* long-term contract. Such one-to-one negotiation is familiar: The buying company negotiates the price, quantity, payments, delivery, and quality terms with the selling company. We describe the first method in this section and the second method in Section 4.3.

For 33 case studies, see Petersen (2015).

### B2B Sellers

Sellers in the sell-side marketplace may be click-and-mortar manufacturers or intermediaries (e.g., distributors or whole-

salers). The intermediaries may even be pure online companies (e.g., Alibaba.com).

We now turn our attention to the most common sell-side method—selling online from a company’s e-catalog.

### Sales from Catalogs: Webstores

Companies can use the Internet to sell directly from their online catalog. A company might offer one catalog for all customers or a *customized catalog* for each large customer (possibly both). For example, Staples ([staples.com](http://staples.com)), an office-supply vendor, offers its business customers a personalized software catalog of about 100,000 products at different pricing schemes (see their ordering site at [order.staplesadvantage.com](http://order.staplesadvantage.com)).

Many companies use a multichannel marketing strategy where one channel is e-commerce.

In selling online to business buyers, manufacturers might encounter a similar problem to that of B2C sellers, namely conflict with the regular distribution channels, including corporate dealers (channel conflict). To avoid conflicts, some companies advertise online, but sell only in physical stores.

### Distributors’ Catalogs

Webstores are used by manufacturers (e.g., Gregg’s Cycles) or by *distributors*. Distributors in B2B are similar to retailers in B2C. They can be general (like W.W. Grainger, see Section 4.2) or they can concentrate on one area, much like Toys “R” Us ([toysrus.com](http://toysrus.com)) in B2C.

### Example: Stone Wheel

Stone Wheel ([stonewheel.com](http://stonewheel.com)) distributes over 100,000 different auto parts from 15 warehouses serving over 3500 independent repair shops in the Midwest region of the USA. They deliver within 30 min, using their own vehicles. Using the e-catalog, customers can order the exact part, saving time and minimizing misunderstandings and errors.

### Self-Service Portals

Portals are used for several purposes, one of which is to enable business partners to conduct self-service, as is shown in the following example.

### Example: Whirlpool B2B Trading Portal

Whirlpool ([whirlpool.com](http://whirlpool.com)) is a large global manufacturer of home appliances. The company needs to operate efficiently to survive in an extremely competitive market. It must collaborate with its business partners along the selling segments of the supply chain and provide them with outstanding customer support.

The company sells its products via all types of retailers and distributors (25% of which are small), located in over 170 countries. Until 2000, the small retailers had entered their orders from Whirlpool manually. This process was slow, costly, and error prone.

Therefore, Whirlpool developed a B2B trading partner portal (for the small retailers), which enabled self-ordering, therefore reducing the transaction cost considerably.

The system was tested with low-volume items and then extended to larger volume items. In addition, more features were added. Adding the portal has increased Whirlpool's competitive advantage.

For additional information, see IBM (2000) and [whirlpoolcorp.com](http://whirlpoolcorp.com).

### **Benefits and Limitations of Online Sales from Catalogs**

Successful examples of the B2B online direct sales model include manufacturers, such as Dell, Intel, IBM, and Cisco, and distributors, such as Ingram Micro ([ingrammicro.com](http://ingrammicro.com)) that sells to value-added retailers; the retailer adds some service along with the product. Sellers that use this model can be successful as long as they have a solid reputation in the market and a large enough group of loyal customers.

While the benefits of direct online sales are similar to that of B2C, there are limitations also. One of the major issues facing direct sellers is finding buyers. Many companies know how to advertise using traditional channels, but are still learning how to contact would-be business buyers online. (Note: This is where Alibaba.com and similar companies provide help.) In addition, B2B sellers may experience channel conflicts with their existing distribution systems. Another limitation is that if traditional electronic data interchange (EDI)—the computer-to-computer direct transfer of business documents—is used, the cost might be passed on to the customers, and they could become reluctant to go online. The solution to this problem is transferring documents over extranets and using an Internet-based EDI (see Online Tutorial T2). Finally, the number of business partners online must be large enough to justify the system infrastructure and operation and maintenance expenses.

### **Comprehensive Sell-Side Systems**

Sell-side systems must provide several essential functionalities that enable B2B vendors to execute sales efficiently, provide outstanding customer service, allow integration with existing IT systems, and provide integration with non-Internet sales systems. For an example of such a system provided by Sterling Commerce (an IBM Company), see [ibm.com/software/info/sterling-commerce](http://ibm.com/software/info/sterling-commerce).

### **Selling via Distributors and Other Intermediaries**

Manufacturers can sell directly to other businesses, and they do so if the customers are large buyers. However, manufacturers frequently use intermediaries to distribute their products to a large number of smaller buyers. The intermediaries buy products from many other manufacturers and aggregate those products into one catalog from which they sell to customers or to retailers. Many of these distributors also are selling online via webstores.

Some well-known online distributors for businesses are Sam's Club ([samsclub.com](http://samsclub.com)), Avnet ([avnet.com](http://avnet.com)), and W.W. Grainger ([grainger.com](http://grainger.com)). Many e-distributors sell in horizontal markets, meaning that they sell to businesses in a variety of industries. However, some distributors sell to businesses that specialize in one industry (vertical market), such as Boeing PART Page (see [boeing.com/assets/pdf/commercial/aviationservices/brochures/MaterialsOptimization.pdf](http://boeing.com/assets/pdf/commercial/aviationservices/brochures/MaterialsOptimization.pdf)). Most intermediaries sell at fixed prices; however, some offer quantity discounts, negotiated prices, or conduct auctions.

#### **Amazon Business**

This site provides services to different types of sellers as well as a marketplace. For details, see [amazon.com/business](http://amazon.com/business).

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## **SECTION 4.2 REVIEW QUESTIONS**

1. What are buy-side and sell-side transactions? How do they differ?
2. List the types of sell-side B2B transaction models.
3. Describe customer service in B2B systems.
4. Describe the direct online B2B sales process from catalogs.
5. Discuss the benefits and limitations of direct online B2B sales from catalogs.
6. What are the advantages of using intermediaries in B2B sales?
7. Compare an e-distributor in B2B to Amazon.com. What are the similarities? What are the differences?
8. State two benefits to Whirlpool and their customers from the portal.

---

## **4.3 SELLING VIA E-AUCTIONS**

Auctions are gaining popularity both as B2B buying and as sales channels. Some major B2B auction issues are discussed in this section.

## The Benefits of Auctions on the Sell-Side

Many companies use *forward auctions* to liquidate their surplus products or capital assets. In such a situation, items are usually displayed on an auction site (private or public) for quick clearance. Forward auctions offer the following benefits to B2B sellers:

- **Revenue generation.** Forward auctions support and expand online and overall sales. Forward auctions also offer businesses a new venue to quickly and easily dispose of excess, obsolete, and returned products (e.g., see [liquidation.com](#)).
- **Cost savings.** In addition to generating new revenue, conducting e-auctions reduces the costs of selling the auctioned items, which helps increase the seller's profits.
- **Increased “stickiness.”** Forward auctions give websites increased “stickiness,” namely, potential buyers stay there longer. *Stickiness* is a characteristic that measures customer loyalty to a site that eventually results in higher revenue.
- **Member acquisition and retention.** Registered members of auctions can invite their business contacts. In addition, auction software aids enable sellers to search and report on virtually every relevant auction activity. Such information can be analyzed and used for business strategy.

Forward auctions can be conducted in two ways. A company can conduct its forward auctions from its own website or it can sell from an intermediary auction site, such as [liquidation.com](#) or [ebay.com](#). Let us examine these options.

### Auctioning from the Company's Own Site

For large and well-known companies that frequently conduct auctions, it makes sense to build an auction mechanism on the company's own website. Why should a company pay a commission to an intermediary if the intermediary cannot provide the company with added value? Of course, if a company decides to auction from its own site, it will have to pay for infrastructure, and operate and maintain the auction site. Note that, if the company already has an electronic marketplace for selling from e-catalogs, the additional cost for conducting auctions might not be too high.

## Using Intermediaries in Auctions

Several intermediaries offer B2B auction sites (e.g., see [assetnation.com](#) and [liquidation.com](#)). Some companies specialize in government auctions while others focus on surplus stock auctions (e.g., [govliquidation.com](#)). An intermediary can conduct private auctions either from the intermediary's or from the seller's sites. Alternatively, a company can conduct auctions in a public marketplace, using an intermediary (e.g., eBay, which has a special “business exchange” for small companies).

Using an intermediary to conduct auctions has many benefits. The first is that no additional resources (e.g., hardware, bandwidth, engineering resources, or IT personnel) are required. There are no hiring costs for using corporate resources. B2B auction intermediary sites also offer fast time-to-market as they are capable of running the auction immediately. Without the intermediary, it can take weeks for a company to prepare an auction site in-house.

Another benefit of using intermediaries relates to payments, which are handled by the intermediary.

For an example of using an intermediary in B2B auction services, see Liquidity Services Inc. ([liquidityservicesinc.com](#)).

For more about B2B online auctions, see [vasthouse.com/b2b-online-auctions.php](#) and [liz.petree.tripod.com/test\\_2/auctions.html](#).

### Examples of B2B Forward Auctions

The following are examples of B2B auctions:

- Whirlpool Corp. sold \$20 million in scrap metal in a single auction via [equipmentone.com](#); the sale price received was 15% higher than prior e-auctions.
- Sam's Club ([samsclub.com](#)) auctions thousands of items (especially electronics) at Sam's Club Auctions ([auctions.samsclub.com](#)). Featured auctions include the current bid, the number of bids, and the open and close date. They liquidate overstock items, returns, and out of style goods.
- Yahoo! conducts both B2C and B2B auctions in Hong Kong, Taiwan, and Japan.

To learn more about B2B auctions, see [vasthouse.com](#).

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## SECTION 4.3 REVIEW QUESTIONS

1. List the benefits of using B2B auctions for selling.
2. List the benefits of using auction intermediaries.

3. What are the major purposes of forward auctions, and how are they conducted?
4. Comment on the number of bidders and bids using an online auction as compared to using an offline auction.

#### 4.4 ONE-FROM-MANY:E-PROCUREMENT AT BUY-SIDE E-MARKETPLACES

The term *procurement* refers to the purchase of goods and services by organizations. Procurement is usually done by *purchasing agents*, also known as *corporate buyers*.

The buyer's purchasing department sometimes has to enter the order information manually into its own corporate information system. Furthermore, manually searching web-stores and e-malls to find and compare suppliers and products can be slow and costly. As a solution, large buyers can open their own marketplaces called **buy-side e-marketplaces**, and invite sellers to browse and offer to fulfill demand.

#### Inefficiencies in Traditional Procurement Management

**Procurement management** refers to the process of planning, organizing, and coordinating of all the activities pertaining to the purchasing of the goods and services needed by an organization. It involves the B2B purchase and sale of supplies and services, as well as the flow of required information. Approximately 80% of an organization's purchased items, mostly MROs, constitute 20–25% of the total purchase value. In this case, much of the buyers' time is spent on clerical activities, such as entering data and correcting errors in paperwork.

The procurement process may be lengthy and complex due to the many activities performed. The following are the major activities that may be included in a single purchase:

- *Search for items* using search engines, catalogs, virtual fairs and showrooms, and sellers' sales presentations.
- *Learn details of items and buying terms* using comparison engines and quality reports, and research industry report and vendors' information.
- *Negotiate or join group purchasing* using software support (if available).
- *Determine when and how much to order each time.* Authorize corporate buyers.
- *Join business-oriented social networks* such as [linkedin.com](http://linkedin.com).

- *Sign agreements or contracts* using e-contract management (e.g., from Ariba, Inc. [ariba.com](http://ariba.com); a SAP company); arrange financing, escrow insurance, etc.
- *Create specific purchasing order(s)* using a computerized system.
- *Arrange packing, shipments, and deliveries* using electronic tracking, RFID, etc.
- *Arrange invoicing, payments, expense management, and purchasing budgetary control* using software packages (e.g., from [ariba.com](http://ariba.com)).

An example of the traditional procurement process that is often inefficient is shown in Figure 4.5. For high-value items, purchasing personnel need to spend considerable time and effort on procurement activities. However, the purchasers may not have time to do a quality job since they are busy with the many items of small value such as MROs.

Other inefficiencies, ranging from delays in deliveries to the high cost of rush orders, also may occur in conventional procurement. This situation is called **maverick buying**, which occurs when a buyer makes unplanned purchases of items needed quickly, resulting in buying at non-pre-negotiated, and usually higher, prices.

To correct the situation(s) that may result from traditional procurement, companies must reengineer their procurement systems, implement new purchasing models, and, in particular, introduce e-procurement. Let us elaborate on the generic procurement methods first.

#### Procurement Methods

Companies use different methods to procure goods and services depending on factors such as what and where they buy, the quantities needed, and how much money is involved. Each method has its own process benefits and limitations. To minimize the inefficiencies described earlier, companies automate activities in the process. This is the major objective of e-procurement. Examples of companies utilizing efficient methods are Walmart ([walmart.com](http://walmart.com)), Dell ([dell.com](http://dell.com)), and Starbucks ([starbucks.com](http://starbucks.com)) to name a few. The major procurement methods include the following:

- Buy directly from the catalogs of manufacturers, wholesalers, or retailers, and possibly by negotiation (Sections 4.2 and 4.3).
- Buy at private or public auction sites in which the buying organization is one of many (Section 4.5).

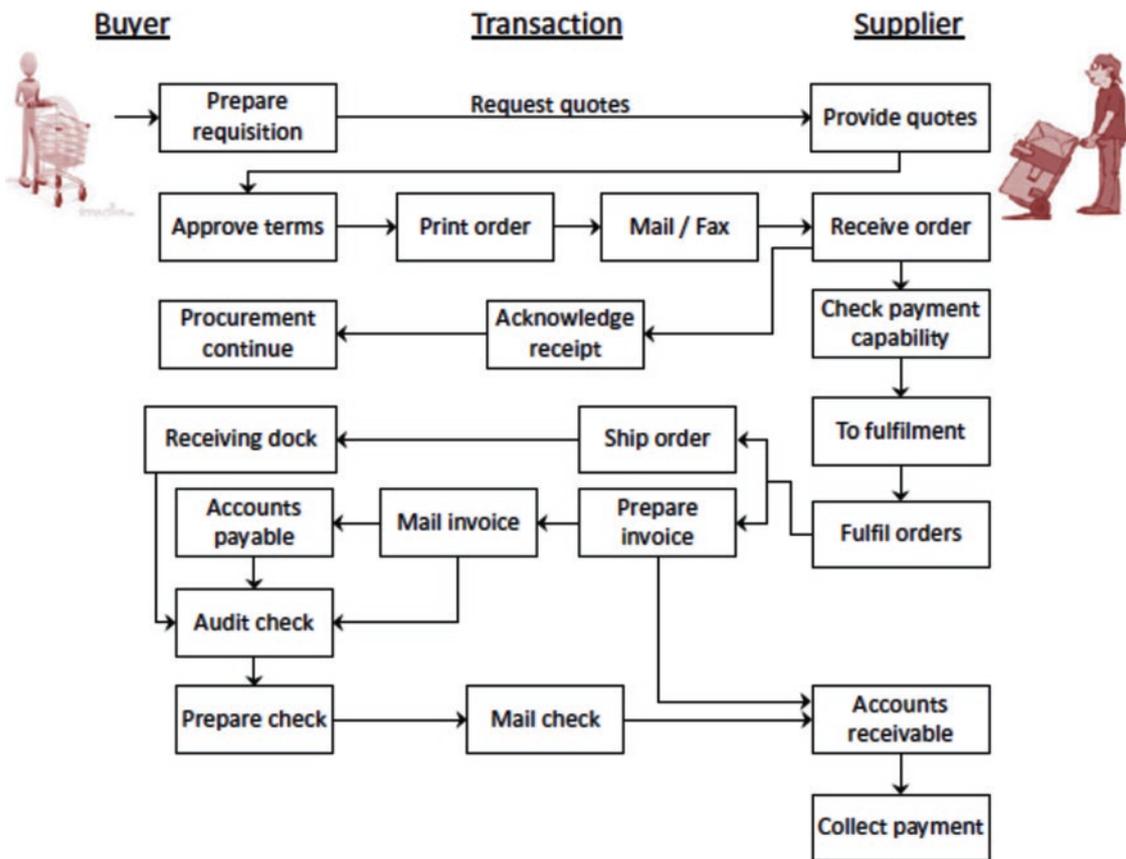


Figure 4.5 Traditional (manual) procurement process

- Conduct bidding in a reverse auction system where suppliers compete against each other. This method is used for high-value items or when large quantities are involved (Section 4.5).
- Buy from the catalog of an intermediary (e-distributor) that aggregates sellers' catalogs (Section 4.6).
- Buy from the company's own internal buyer catalog. Such catalogs usually include agreed-upon prices of items from many suppliers. This is part of *desktop purchasing*, which allows the users to bypass the procurement department (Section 4.6).
- Join a group-purchasing system that aggregates participants' demands, creating a large volume. Then the group may negotiate prices or initiate a tendering process (Section 4.6).
- Buy at an exchange or industrial mall (Section 4.7).

## E-Procurement Concepts

**E-procurement (electronic procurement)** is the online purchase of supplies, materials, energy, work, and services. It can be done via the Internet or via a private network such

as an electronic data exchange (EDI). For the different types of EDI and the trading community, see [edibasics.com/types-of-edi](http://edibasics.com/types-of-edi).

Some activities done by e-procurement include enabling buyers to search for products and suppliers, comparing prices, facilitating reverse auctions for buyers, and automating paperwork and documentation.

Some of these activities are done in private marketplaces, others in public exchanges.

### The Goals and Process of E-Procurement

As stated earlier, e-procurement frequently automates activities in the purchasing process from multiple suppliers via the Web for better execution and control.

Improvements to procurement have been attempted for decades, usually by using information technologies. Using e-procurement results in a major improvement. For comprehensive coverage and case studies, see [zdnet.com](http://zdnet.com).

Essentially, e-procurement automates the process of auctions, contract management, vendor selection, and management.

For an overview of e-procurement goals and processes, see [plenitude-solutions.com/index.php?option=com\\_content&view=article&id=54&Itemid=62](http://plenitude-solutions.com/index.php?option=com_content&view=article&id=54&Itemid=62).

The general e-procurement process (with the exception of tendering) is shown in Online File W4.2. For a free e-book on e-procurement, see Bausa Peris et al. (2013).

### Example: Volvo's E-Procurement

Volvo is a premium Swedish car manufacturer (now owned by a Chinese company). The company operates in dozens of countries worldwide. The company has more than 30 purchasing centers on six continents. In the past, this has resulted in inconsistent purchasing practices, lack of collaboration among the centers, and inefficient and inconsistent procurement processes. To overcome the problems, management decided to use a unified e-procurement system. They selected Ariba's Sourcing and Ariba's Contract Management solutions (Ariba is a B2B SAP company). The system assures standardization of the purchasing processes, sharing of best practices activities, and streamlining of the contracting process and its management. All these systems are digital. The e-procurement resulted in a greater cohesion among the sourcing centers, better use of best practices, and reduced cost of procurement while its effectiveness increases.

### Types of E-Procurement

Four major methods of e-procurement are available: (1) Buy at buyer's own website, (2) buy at sellers' store, (3) buy at exchanges, and (4) buy at others' e-market sites. Each method includes several activities, as illustrated in Figure 4.6. Some of these will be described in Section 4.7.

The seven main types of e-procurement are as follows: (1) e-sourcing, (2) e-tendering, (3) e-reverse auctioning, (4) e-informing, (5) Web-based ERP (enterprise resource planning), (6) e-market sites, and (7) E-MRO (maintenance, repair, and operating).

### The Benefits and Limitations of E-Procurement

E-procurement has the ability of improving supply chain management, and providing real-time information on what is going on in the supply chain (known as *visibility* of the supply chain), starting with the customers' needs.

#### The Benefits of E-Procurement

By automating and streamlining the procurement process, corporate purchasing buyers can focus on more strategic activities that result in:

- Increasing the productivity of purchasing agents, providing them with more nonroutine time and reducing job pressures, possibly reducing purchasing departments' overhead.
- Lowering purchase per item prices through activities such as product standardization, reverse auctions,

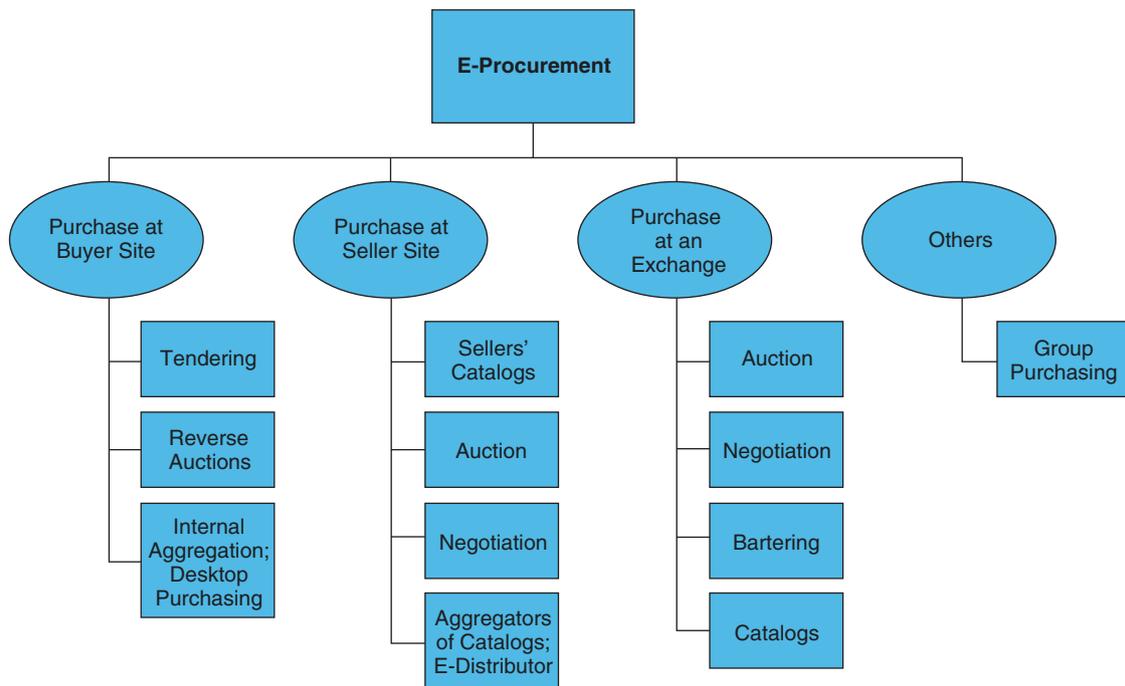


Figure 4.6 E-procurement methods

volume discounts, and consolidation of purchases from fewer suppliers.

- Improving information flow and its control (e.g., price comparisons).
- Reducing the frequency and cost of maverick buying.
- Improving the payment process, and sellers' savings due to expedited payment cycle.
- Establishing more efficient and collaborative partner relations due to information sharing.
- Improving the manufacturing process for the suppliers.
- Ensuring delivery on time and fewer stock-outs.
- Reducing the skill requirements and training needs of purchasing agents.
- Reducing the number of suppliers.
- Streamlining and expediting the purchasing process.
- Controlling inventories more effectively at the buyers' end.
- Streamlining invoice reconciliation and dispute resolution.
- Reducing the administrative processing cost per order by as much as 90% by reducing purchasing overheads and intermediary fees.
- Finding new suppliers that can provide goods and services faster and/or less expensively (e.g., by going global and use online price comparisons).
- Integrating budgetary controls into the procurement process (e.g., [ariba.com](http://ariba.com)).
- Minimizing human errors in the buying or shipping processes.

For more on the benefits of e-procurement and on implementation issues, see the video titled “eProcurement Case Study: Oldcastle Materials” (3:16 min) at [youtube.com/watch?v=PPVC\\_CaG1S4](https://www.youtube.com/watch?v=PPVC_CaG1S4).

### **The Limitations and Challenges of E-Procurement**

Unfortunately, e-procurement practices have some limitations and risks such as:

- The total cost (TCO) may be too high.
- It may be subject to hacker attacks.
- It may be difficult to get suppliers to cooperate electronically.
- The system may be too complex (e.g., when it uses a traditional EDI; see Online Tutorial T2).
- It may be difficult to have internal and external integration (sometimes it involves different standards).
- The technology may change frequently.

For software issues, see [eprocurementsoftware.org](http://eprocurementsoftware.org). For an example of how procurement is used in government, see NC E-Procurement ([eprocurement.nc.gov](http://eprocurement.nc.gov)). Governments frequently use reverse auctions for procurement, which we present next.

Procurement is an extremely important success factor for many companies. Therefore, it is important to learn about the future of e-procurement as well. For ideas about procurement in 2020, see Oka et al. (2011). To learn about Shoplet's platform for e-procurement, see Regal (2014) and [shoplet.com/about](http://shoplet.com/about).

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## **SECTION 4.4 REVIEW QUESTIONS**

1. Define the procurement process.
2. Describe the inefficiencies of traditional procurement.
3. List the major procurement methods.
4. Define e-procurement and list its goals.
5. List the major e-procurement methods and list some activities in each.
6. List the major benefits of e-procurement.

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## **4.5 REVERSE AUCTIONS AT BUY-SIDE E-MARKETPLACES (E-TENDERING)**

A major method of e-procurement is using reverse auctions. A **reverse auction** is a process in which many sellers (suppliers) compete to fulfill orders requested by one buyer. Recall from our earlier discussion that a *reverse auction* is a tendering system where suppliers are invited to bid on the fulfillment of an order, and the lowest bid wins. In B2B usage of a reverse auction, a buyer may open an e-market on its own server (or use an independent auctioneer such as eBay) and invite potential suppliers to bid on the items. This “invitation” to such reverse auctions is a form or document called a **request for quote (RFQ)**. Traditional tendering usually implies one-time sealed bidding, whereas an e-reverse auction opens the process to competing *sequential bidding*. For a comprehensive overview of reverse auctions, see [reverseauctions.com](http://reverseauctions.com), [epiqtech.com/reverse\\_auctions-Overview.htm](http://epiqtech.com/reverse_auctions-Overview.htm), and [reverseauctions.gsa.gov](http://reverseauctions.gsa.gov).

Governments and large corporations frequently mandate reverse auctions, which may provide considerable savings because more suppliers are participating in a more competitive process. The electronic process is faster and administratively much less expensive. It also can benefit suppliers in finding RFQs. Reverse auctions are very important B2B mechanisms in e-procurement.

### The Major Benefits of Reverse Auctions

The major benefits of the technology to a buyer are: (a) lower cost of items purchased, (b) reduction of administrative costs of procurement, (c) reduction of corruption and bribes, and (d) decrease in time to receive the goods, which may result from the suppliers' ability to produce their products and services faster (see closing case).

For suppliers, as seen in the opening case, savings comes from a reduction in: (a) time required to find customers, (b) administrative costs, and (c) time needed by managers to conduct manual bids.

Note that some question the value of reverse auctions (e.g., see Rockwell 2013).

### Conducting Reverse Auctions

As the number of reverse auction sites increases, suppliers may not be able to monitor all relevant open RFQs manu-

ally. This problem has been addressed with the introduction of online directories that list open RFQs. Another way to solve this problem is through the use of monitoring software agents. Software agents also can aid in the bidding process itself. Examples of agents that monitor and support the bidding process are [auctionsniper.com](http://auctionsniper.com) and [auctionflex.com](http://auctionflex.com).

Alternatively, third-party intermediaries may run the electronic bidding, as they do in forward auctions (e.g., see Opentext Corporation; [opentext.com](http://opentext.com)). Auction sites such as [ebay.com](http://ebay.com), and [liquidation.com](http://liquidation.com) also belong to this category. Conducting reverse auctions in B2B can be a fairly complex process. This is why using an intermediary may be beneficial.

The reverse auction process is demonstrated in Figure 4.7. As shown in the figure, the first step for the would-be buyer is to post bid invitations. When bids arrive, contract and purchasing personnel for the buyer evaluate the bids and decide which one(s) to accept.

An example of e-tendering is provided in Case 4.1.

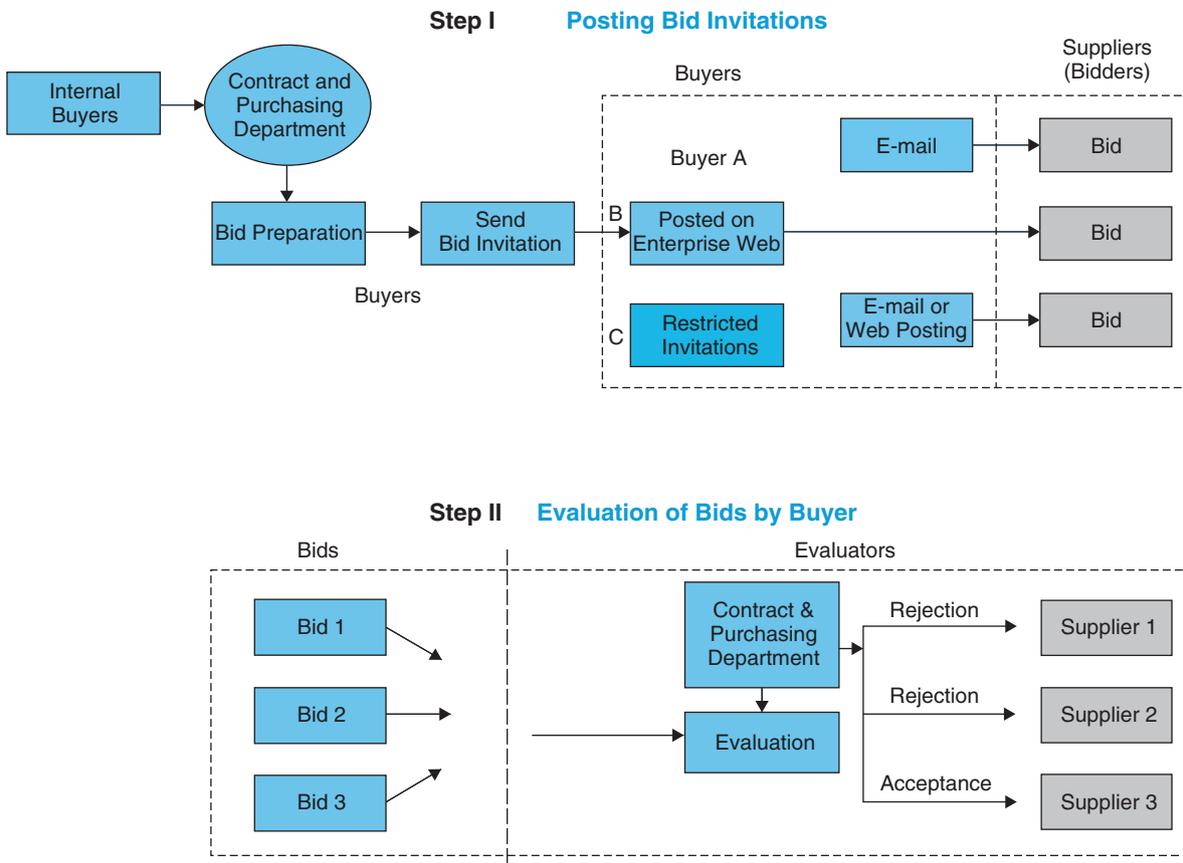


Figure 4.7 The reverse auction process

## CASE 4.1: EC APPLICATION BRANAS ISAF COMPETES BY USING E-TENDERING

Branas Isaf is a small UK company that provides therapeutic care for children who exhibit harmful behavior. A central part of the company is its education department, which provides several types of training.

### The Problem

The company has grown rapidly since 2005 and has doubled in size to 25 employees. The company serves both the private and the public sectors in the UK.

Branas Isaf's major competitive advantages are: (1) competitive fees, (2) provision of customized training, and (3) provision of on-site training. These advantages enable the company to compete with large training institutions such as colleges.

Branas Isaf frequently bids on jobs, especially in the public sector where tendering is mandatory. Many of its 1000 customers began using electronic tendering over the Internet. Thus, to maintain its competitive advantage, Branas Isaf decided to participate in e-tendering also. This case describes Branas's experience with its first electronic bid.

### The Solution

The UK government mandated that all bids for government-related jobs must be done via the eTendering (also called e-tendering) system, including the Government Work Based Learning Programme, on which Branas bids on as a supplier. Branas followed these steps on the eTendering portal, where requests for bids are posted:

1. Electronically submitted a prequalification questionnaire.
2. Accepted the terms and conditions of BravoSolution eTraining System.
3. Downloaded online supplier guidance material.
4. Created a user name; received a password.
5. Found the specific invitation to tender (ITT) on which it wanted to bid online.
6. Pressed the "Express Interest" button—moved automatically to "My ITTs."
7. Downloaded all the necessary documents for the specific bid.
8. Made a decision to bid and pressed the "Reply" button.
9. Accessed the project's details; found and filled out a questionnaire.
10. Submitted the tender electronically and uploaded all necessary attachments. (It is possible to update or change the documents until the deadline is reached.)

Sending and receiving messages are embedded in the portal with e-mail alerts. Acceptance notification is done in the same manner. Once the bid is accepted by the system, a "winner" icon is displayed.

### The Results

Since its inception in late 2006, the practice of e-tendering at Branas has grown rapidly. Branas employees have become experts in using the computerized system. While the cost to Branas declined only slightly, the opportunity for such a small company to compete with very large competitors increased significantly.

Furthermore, since most nonprofit organizations and many for-profit ones mandate e-tendering, bidders have no choice but to use the system. In addition, Branas understands that e-tendering is clearly more beneficial for its customers as well as being a more sustainable way of doing business. Overall, Branas has been able to maintain its competitive advantage and continue to grow rapidly.

**Sources:** Based on [eProc.org](http://eProc.org) (2010), [branas.co.uk](http://branas.co.uk), and [etenderwales.bravosolution.co.uk](http://etenderwales.bravosolution.co.uk) (both accessed March 2016).

### Questions

1. Discuss the drivers of e-tendering for Branas.
2. Given the small size of the company, was it an advantage or disadvantage to participate?
3. Is the process of e-tendering simple or complex? Explain.
4. Why do buyers choose e-tendering instead of regular tendering?
5. What are the benefits of e-tendering for a small company such as Branas?

### E-Tendering by Governments

Most governments must conduct tendering when they buy or sell goods and services. Doing this manually is slow and expensive. Therefore, many governments are moving to e-reverse auctions for their purchasing.

### Group Reverse Auctions

To increase their bargaining power and get price discounts, companies, like individuals, can buy in a group, and the group can use a reverse auction to get an even better deal than a quantity discount.

B2B reverse auctions can be done in a private exchange or at an aggregator's site for a group of buying companies. Such *group reverse auctions* are popular in South Korea and usually involve large conglomerates. For example, the LG Group operates the LG MRO Auction for its member companies,

and Samsung Group operates the Samsung iMarketKorea ([imarketkorea.com](http://imarketkorea.com)), which provides procurement services and MRO goods. Samsung's iMarketKorea's revenue comes primarily from B2B transactions (see Online File W4.3). This practice is popular in the healthcare industry in the United Kingdom, the United States, and other countries where hospitals are banding together to buy their supplies at a quantity discounted low prices.

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## SECTION 4.5 REVIEW QUESTIONS

1. Describe the manual tendering system and its deficiencies.
2. How do online reverse auctions work?
3. List the benefits of Web-based reverse auctions.
4. Describe group reverse auctions.

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## 4.6 OTHER E-PROCUREMENT METHODS

Other innovative e-procurement methods have been implemented by companies. Some common ones are described in this section.

### Desktop Purchasing

**Desktop purchasing** refers to purchasing by employees without the approval of supervisors and without the involvement of a procurement department. This usually is done by using a *purchasing card* (*P-card*). Desktop purchasing reduces the administrative cost and the cycle time involved in purchasing urgently needed or frequently purchased items of small dollar value. This approach is especially effective for MRO purchases.

The desktop purchasing approach can be implemented by collaborating with external private exchanges. For instance, Samsung Electronics of South Korea, a huge global manufacturer, and its subsidiaries, have integrated its iMarketKorea ([imarketkorea.com](http://imarketkorea.com)) exchange (see Online File W4.3) with the e-procurement systems of its buying agents. This platform can also be linked easily with *group purchasing*, which is described next.

### Group Purchasing

Many companies, especially small ones, are moving to *group purchasing*. With **group purchasing**, orders from several buyers are aggregated so that better prices due to larger quantities purchased can be negotiated. This model is similar

to the one we described for B2C. For B2B group purchasing in China, see Young (2015). Two sub-models are in use: internal aggregation and external (third-party) aggregation.

### Internal Aggregation of Purchasing Orders

Large companies, such as GE, spend many millions of dollars on MROs every year. These companies aggregate the orders from their subsidiaries and various departments (sometimes there are hundreds of them) for quantity discounts. They can cut administrative costs by 20%.

### External Aggregation for Group Purchasing

Many SMEs would like to enjoy quantity discounts but have difficulty finding others to join a group purchasing organization to increase the procurement volume. Finding partners can be accomplished by an external third party such as BuyerZone ([buyerzone.com](http://buyerzone.com)), the Healthcare Supply Chain Association ([supplychainassociation.org](http://supplychainassociation.org)), or the United Sourcing Alliance ([usa-llc.com](http://usa-llc.com)). The idea is to provide SMEs with better prices, larger selections, and improved services by aggregating demand online and then either negotiating with suppliers or conducting reverse auctions. The external aggregation/group-purchasing process is shown in Figure 4.8.

Several large companies, including large CPA firms and software companies such as EDS Technologies ([edstechnologies.com](http://edstechnologies.com)) and Ariba, Inc. ([ariba.com](http://ariba.com)), provide external aggregation services, mainly to their regular customers. Yahoo! also offers such services. A key to the success of these companies is a critical mass of buyers.

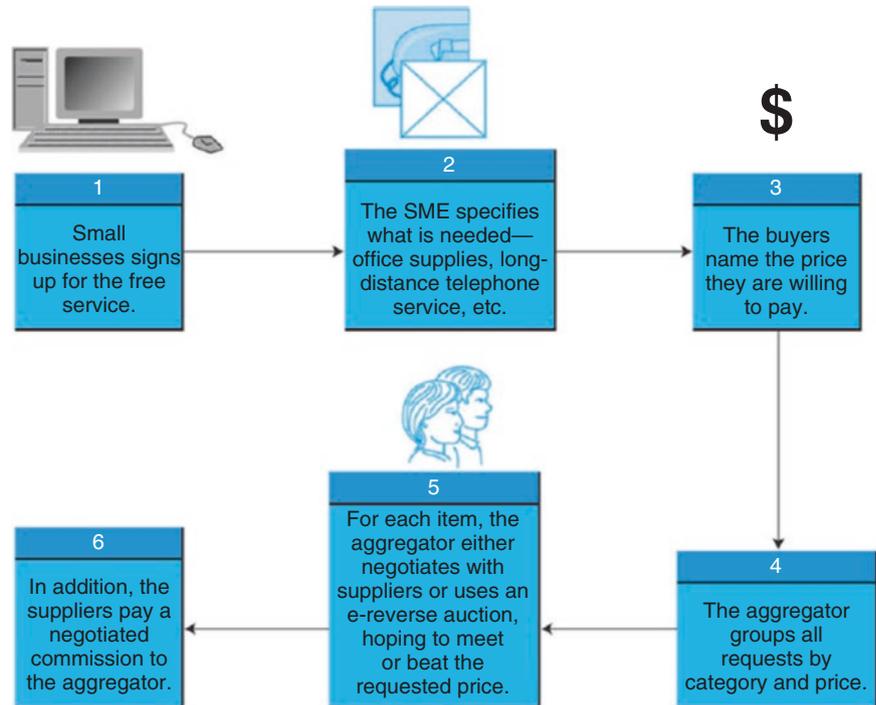
### Buying from Other Sources

Section 4.2 described how companies use e-distributors as sales channels. When buying small quantities, purchasers often buy from an e-distributor. Another option for e-procurement is to buy at a B2B exchange using one of several available methods. In all of these options, one may automate some actions in the process, such as the generation of a purchasing order (e.g., see [esker.com](http://esker.com) and [ariba.com](http://ariba.com)).

### Acquisition via Electronic Bartering

*Bartering* is the exchange of goods or services without the use of money. The basic idea is for a company to exchange its surplus for something that it needs. Companies can advertise their surpluses in classified ads and may find a partner to make an exchange, but in many cases, a company will have

**Figure 4.8** The group-purchasing process



little success in finding an exact match on its own. Therefore, companies usually ask an intermediary to help.

A bartering intermediary can use a manual search-and-match approach or it can create an electronic bartering exchange. With a **bartering exchange**, a company submits its surplus to the exchange and receives points of credit, which the company can then use to buy items that it needs. Popular bartering items are office spaces, idle facilities and labor, products, and even banner ads. For examples of bartering companies, see U-Exchange ([u-exchange.com](http://u-exchange.com)) and Itex ([itex.com](http://itex.com)).

### Selecting an Appropriate E-Procurement Solution

Having many procurement methods, consultants, and software makes the selection of the right method(s) difficult. Ariba, Inc. ([ariba.com](http://ariba.com)) provides an innovative score sheet that companies use to evaluate vendors based on the described success factors. The success factors are grouped by cost reduction, increased agility, managing complete commerce, and fulfilling tactical requirements.

When organizations make such decisions, these decisions may be influenced by factors such as: Who is buying? What are you buying? How much information do you need to make the decisions? What is the reputation of the vendor(s)? What testimonials are available?

## SECTION 4.6 REVIEW QUESTIONS

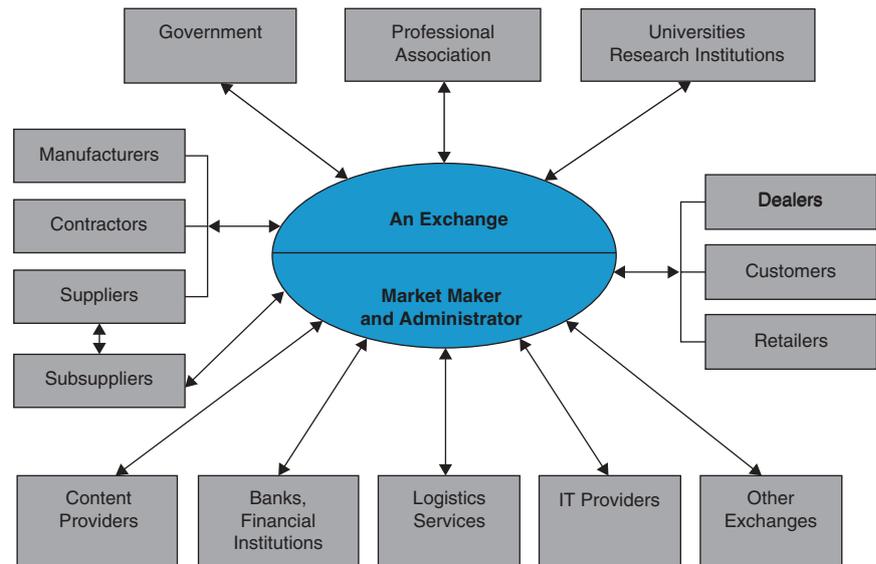
1. Describe a buyer-operated procurement marketplace and list its benefits.
2. Describe the benefits of desktop purchasing.
3. Discuss the relationship of desktop purchasing with group purchasing.
4. Explain the logic of group purchasing and how it is organized.
5. How does B2B bartering work?
6. What are the major considerations for selecting an e-procurement vendor and solution?

## 4.7 B2B EXCHANGES (E-MARKETPLACES): DEFINITIONS AND CONCEPTS

The term *B2B exchange*, or simply *exchange*, implies the existence of a marketplace with many potential buyers and many potential sellers. In addition to being online trading venues, many exchanges provide support services such as payments and logistics software and consulting services. They also act as industry portals.

Exchanges are known by a variety of names: *e-marketplaces*, *trading exchanges*, *trading communities*, *exchange hubs*, *Internet exchanges*, *Net marketplaces*, and *B2B portals*. We will use the term *exchange* in this book to describe the general many-to-many e-marketplaces, but we will use some

**Figure 4.9** The community of an exchange: flow and access to information



of the other terms in more specific contexts (e.g., see [epiqtech.com/others-B2B-Exchanges.htm](http://epiqtech.com/others-B2B-Exchanges.htm)).

Despite their variety, all exchanges share one major characteristic: Exchanges are electronic trading-community meeting places for many sellers and many buyers, and possibly for other business partners, as shown in Figure 4.9. At the center of every exchange, there is a market maker that operates the exchange and, in some cases, may also own it.

Exchanges can be horizontal, serving many industries (e.g., [ariba.com](http://ariba.com) or [alibaba.com](http://alibaba.com)), or vertical, serving one or a few connected industries (e.g., see [supplyon.com](http://supplyon.com) for automotive; and [oceanconnect.com](http://oceanconnect.com) for refineries and shipping services). In an exchange, just as in a traditional open-air marketplace, buyers and sellers can interact and negotiate prices, quantities, and other terms.

## Global Exchanges

Most large exchanges, such as Alibaba and Amazon Business operate in many countries. Such activities, as will be described in Chapter 12, require special arrangement such as dealing with country regulations, money transfers, language translation, and more. For examples and details, see Blur (2014).

## Functions of and Services Provided by Exchanges

Exchanges have the following four major sets of functions: (1) Matching and connecting buyers and sellers, (2) facilitating transactions, (3) developing and maintaining exchange

policies and infrastructure, and (4) providing services to buyers and sellers. Details of these functions are provided next.

### Functions and Services of B2B Exchanges

The following are the major functions of B2B exchanges (compiled from Demery 2015, E-Commerce Wiki 2013, and the authors' experiences):

1. Matching buyers and sellers. The matching of buyers and sellers includes such activities as:
  - Presentation of product offering (e.g., the company's catalogs)
  - Aggregating and posting different products for sale—to meet buyers' need
  - Providing price comparisons
  - Organizing bids (bartering) and (auctions)
  - Providing sellers' profiles and product information
  - Matching suppliers' offerings with buyers' requests
  - Supporting negotiations between buyers and sellers
  - Providing directories of sellers
  - Maintaining security, privacy, and anonymity
2. Facilitating transactions. Facilitating transactions by optimizing the purchasing and sales processes, including the following activities:
  - Allowing for efficient trading between participants
  - Providing for B2B auctions
  - Providing the trading platform with mechanisms such as arranging payment, insurance, order fulfillment, and security

- Providing escrow services
- Arranging for group (volume) purchasing and other discounts
- Defining terms and other transaction values, including negotiation
- Inputting searchable information, including industry news
- “Grant[ing] exchange access to users and identify[ing] company users eligible to use exchange
- Collecting transaction fees and providing the necessary software and its integration with buyers and/or sellers systems, including EDI, XML, etc.
- Providing analysis and statistics of products’ transactions
- Registering and qualifying buyers and suppliers”

The types of services provided by an exchange depend on the nature of the exchange. For example, the services provided by a stock exchange are completely different from those provided by a steel or food exchange or by an intellectual property or patent exchange. However, most exchanges provide the services illustrated above. Note that, some B2B exchanges may have individuals as either sellers or buyers, in addition to corporations. An example is [localdirt.com](http://localdirt.com), an online marketplace that connects thousands of farmers with many buyers, promoting efficient trading of local produce.

### Ownership of B2B Exchanges

Exchanges, portals, and directories are usually owned by a third-party operator. Both sellers and buyers prefer such an arrangement. Alternatively, exchanges may be owned by a few very large sellers or buyers. This kind of arrangement is referred to as a *consortium*.

#### Third-Party Independent Exchanges

Third-party exchanges are electronic intermediaries. The intermediary not only presents catalogs, but also tries to *match* buyers and sellers and encourages them to make transactions by providing electronic trading tools and rooms.

#### Example 1: Intercontinental Exchange Group (ICE)

The Intercontinental Exchange ([theice.com](http://theice.com)) is an Internet-based global network of B2B exchanges (23 regulated exchanges and 6 central clearing houses [2014 data]) that operates marketplaces that trade commodities contracts and over-the-counter (OTC) energy and commodity features as well as related financial products. While the company’s original focus was energy products, recent acquisitions have expanded its activity into “soft” commodities (grains, sugar, cotton, and coffee), foreign exchange, and equity index features. For details, see [intercontinentalexchange.com/about](http://intercontinentalexchange.com/about).

ICE is linked electronically to all its customers (members). Trading is global and is done 24/7. Currently, ICE is organized into three business lines:

- **ICE Markets.** Futures, options, and OTC markets. Energy futures are traded via ICE Futures Europe; soft commodity futures/options are handled by ICE Futures U.S.
- **ICE Services.** Electronic trade confirmations and education.
- **ICE Data.** Electronic delivery of market data, including real-time trades, historical prices, and daily indices.

ICE offers market participants a range of trading and risk management services globally:

1. Benchmark futures contracts
2. Risk management via a global central counterparty clearinghouse
3. Integrated access to global derivatives markets
4. Leading electronic trading platform
5. Transparency and regulation
6. Independence governance

Intercontinental Exchange owns several pioneering exchanges such as ChemConnect.

#### Example 2: The Receivables Exchange

The Receivables Exchange is a website where businesses seeking financing can sell their receivables to those who are willing to loan them money. (The receivables are used as collateral for the loans.) The process involves auctions and is managed by The Receivables Exchange, LLC. ([recx.com](http://recx.com)). A demo is available on the site.

For a list of exchanges all over the world, see [internet-worldstats.com/links2.htm](http://internet-worldstats.com/links2.htm).

#### Example 3: SolarExchange.com

SolarExchange.com is a global *solar marketplace* facilitating B2B online *auctions* for solar-related materials and finished goods. This exchange is a global community where suppliers collaborate with buyers from anywhere in the world.

According to the company, their service portfolio “spans the solar supply chain, delivering procurement management, risk management, online auctions, price indexes, human resource sourcing and a knowledge base serving the solar industry.”

The major benefits, according to the company, are:

- “Connect with the global solar trading community
- Reduce costs by automating solar procurement and sale activities
- React rapidly to changing market conditions for greater competitive advantage
- Extend your market reach through access to new trading partners and suppliers

- Accelerate sales cycles and minimize inventory risk
- Lower operating costs and improve margins
- Promote your brand to increase awareness and drive commerce activities
- Source global talent”

(see [solarexchange.com/solarxpages/StaticAboutUs.aspx](http://solarexchange.com/solarxpages/StaticAboutUs.aspx)).

For how this exchange works and the bidding process, see [solarexchange.com/solarxpages/StaticGetStarted.aspx](http://solarexchange.com/solarxpages/StaticGetStarted.aspx) and [solarexchange.com/solarxpages/StaticBiddingProcess.aspx](http://solarexchange.com/solarxpages/StaticBiddingProcess.aspx).

### Consortium Trading Exchanges (CTE)

A **consortium trading exchange (CTE)** is an exchange formed and operated by a group of major companies in one industry. They can be suppliers, buyers, or both. The major declared goal of CTEs (also called consortia) is to provide services that support trading activities. These services include links to the participants’ back-end processing systems as well as collaborative planning and design services. Examples of consortia exchanges are [avendra.com](http://avendra.com) in the hospitality industry and OceanConnect [oceanconnect.com](http://oceanconnect.com) in the shipping industry.

Note that some consortia have hundreds of members in the same industry.

### Dynamic Pricing in B2B Exchanges

The market makers in both vertical and horizontal exchanges match supply and demand in their exchanges, and this matching determines prices, which are usually *dynamic* and are based on changes in supply and demand. **Dynamic pricing** refers to the rapid movement of prices over time and possibly across customers. Stock exchanges are a prime example of dynamic pricing. Another good example of dynamic pricing occurs in auctions, where prices vary all the time.

The typical process that results in dynamic pricing in most exchanges includes the following steps:

1. A company posts a bid to buy a product or an offer to sell one.
2. An auction (forward or reverse) is activated.
3. Buyers and sellers can see the consecutive bids and offers but usually do not see who is making them. Anonymity often is a key ingredient of dynamic pricing (e.g., in stock markets).

4. Buyers and sellers interact with bids and offers in real time.
5. Sometimes buyers join together to obtain a volume discount price (group purchasing).
6. A deal is struck when there is an exact match between a buyer and a seller on price, volume, delivery date, and other variables, such as location or quality.
7. The deal is finalized, and payment and delivery are arranged.

### Advantages, Limitations, and the Revenue Model of Exchanges

Exchanges have several benefits, for buyers and sellers, including making markets more efficient, providing opportunities for sellers and buyers to find new business partners, reducing the administrative costs of ordering MROs, and expediting trading processes. They also facilitate global trade and create communities of informed buyers and sellers.

Despite these benefits, beginning in 2000, exchanges started to collapse, and both buyers and sellers realized that they faced the risks of exchange failure or deterioration. The potential benefits and risks of B2B exchanges for buyers and for sellers are summarized in Table 4.2. As the table shows, the benefits outnumber the risks.

#### Revenue Models

Exchanges, like all organizations, require revenue to survive. Therefore, an exchange’s owners, whoever they are, must decide how they will earn revenue. The potential sources of revenue for exchanges are similar to those discussed in Chapter 1. They include transaction fees, membership fees, service fees, advertising fees, and auction fees (paid by the sellers and/or buyers). In addition, for a fee, exchanges offer software, computer services, management consultation, and so forth.

Note: For many new B2B e-marketplaces, see Demery (2015).

## SECTION 4.7 REVIEW QUESTIONS

1. Define B2B exchanges and list the various types of exchanges.
2. List the major functions of exchanges and the services they provide.
3. What is dynamic pricing? How does it work?

**Table 4.2** Potential gains and risks in B2B exchanges

	For buyers	For sellers
Potential gains	One-stop shopping, huge	New sales channel
	Search and comparison shopping	No physical store is needed
	Volume discounts	Reduced ordering errors
	24/7 ordering from any location	Sell 24/7
	Make one order from several suppliers	Community participation
	Huge, detailed information	Reach new customers spending only little cost
	Access to new suppliers	Promote the business via the exchange
	Status review and easy reordering	An outlet for surplus inventory
	Community participation	Can go global more easily
	Fast delivery	Efficient inventory management
	Less maverick buying	Better partner relationship management
	Better partner relationship management	Loss of direct CRM and PRM
Potential risks	Unknown vendors; may not be reliable	More price wars
	Loss of customer service quality (inability to compare all services)	Competition for value-added services Must pay transaction fees; possible loss of customers to competitors

4. List the potential advantages, gains, limitations, and risks of exchanges to buyers.
5. List the major advantages and limitations to sellers.
6. List the major ownership types in B2B exchanges.
7. Define consortium trading exchanges.

## 4.8 B2B IN WEB 2.0 AND SOCIAL NETWORKING

Although a large number of companies conduct social networking activities that target individual consumers (B2C), there also is increasing activity in the B2B arena. However, the potential in B2B is large, and new applications are added daily. The opportunities of B2B social networking depends on the companies' goals and the perceived benefits and risks involved (for more information see [adage.com/article/btob/social-media-increasingly-important-b-b-marketers/291033](http://adage.com/article/btob/social-media-increasingly-important-b-b-marketers/291033)).

### E-Communities in B2B

B2B applications may involve many participants: buyers and sellers, service providers, industry associations, and others. In such cases, the B2B market maker needs to provide community services, such as chat rooms, bulletin boards, and possibly personalized Web pages.

E-communities connect employees, partners, customers, and any combination of the three. E-communities offer

a powerful resource for e-businesses to leverage online discussions and interactions in order to maximize innovation and responsiveness. It is therefore beneficial to study the tools, methods, and best practices of building and managing B2B e-communities. Although the technological support of B2B e-communities is basically the same as for any other online community, the nature of the community itself and the information provided by the community are different. For a list of B2B communities, see DiMauro (2014).

B2B e-communities are mostly communities of transactions and, as such, members' major interests are trading and business-related information gathering. Many of the communities are associated with vertical exchanges; therefore, their needs may be specific. Communities also support partner-to-partner collaboration and networking. For example, see [partners.salesforce.com](http://partners.salesforce.com) for partnership software. However, it is common to find generic services such as classified ads, job vacancies, announcements, industry news, and so on. For B2B social communities, see Brooks et al. (2013). Communities promote collaboration. The newest variation of these communities is the business-oriented or professional social network such as [linkedin.com](http://linkedin.com), presented in Chapter 8.

### The Opportunities of Social Commerce in B2B

Companies that use B2B social networking may experience the following advantages:

- Use the network to advertise to large audiences and create brand awareness.
- Discover new business partners and sales prospects.
- Enhance their ability to learn about new technologies, competitors, customers and the business environment.
- Generate sales leads via “contacts,” especially on [linkedin.com](http://linkedin.com) and by tweeting ([twitter.com](http://twitter.com)), or engaging on [facebook.com](http://facebook.com). See Templeman (2015).
- Post questions and facilitate discussions on [linkedin.com](http://linkedin.com) by searching the “Help Center,” asking the community a question through the “Help Forum,” or by using the posting module on your homepage to ask your network a question. Post questions on the question and answer forums on other social networks.
- Improve participation in industry association activities (including lobbying).
- Create buzz about upcoming product releases.
- Drive traffic to their Facebook page and other social sites and engage visitors there (e.g., provide games, prizes, competitions). Word of mouth also may increase traffic.
- Create social communities to encourage discussions among business partners (e.g., customers and suppliers) about their products.
- Use social networks, such as [facebook.com](http://facebook.com) and [linkedin.com](http://linkedin.com), to recruit new talent.

For more opportunities using [linkedin.com](http://linkedin.com), see Tepper (2015).

More uses of B2B social networking are seen in *enterprise social networks*, which are private social networks within enterprises (see Chapter 8).

### The Use of Web 2.0 Tools in B2B

Many companies are using blogs, microblogs, wikis, RSS feeds, video ads, podcasts, and other tools in B2B EC. For example, Eastern Mountain Sports ([ems.com](http://ems.com)) uses blogs ([blog.emsoutdoors.com](http://blog.emsoutdoors.com)), RSS feeds, and wikis to communicate and collaborate with their suppliers and distributors. Thousands of other companies are using (or experimenting with) these tools. For a study on using YouTube for B2B, see [scgpr.com/41-stories/youtube-for-b2b-marketers](http://scgpr.com/41-stories/youtube-for-b2b-marketers); and on using Twitter, see Tepper (2015). For comprehensive coverage, see Bodnar and Cohen (2012). For case studies, see Ueland (2015).

### Example: Orabrush Inc.

Orabrush Inc. ([orabrush.com](http://orabrush.com)) is a startup company that makes tongue cleaners that reduce bad breath. The company created funny YouTube videos targeting Walmart employees. In a short time, the company had over 160,000 subscribers on YouTube, and more than 39 million views. In addition, the company advertised on Facebook at a cost of \$28, resulting in 300,000 fans. This publicity convinced some Walmart buyers to try the product, and Orabrush landed a huge contract with Walmart. For details, see Neff (2011).

### B2B Games (Gamification)

Virtual games, or **gamification**, refer to virtual games designed to support B2B training and decision-making. Players compete against each other and make market predictions. For details, see Petersen (2015).

### Virtual Trade Shows and Trade Fairs

Virtual trade shows and fairs are gaining popularity. They are primarily B2B oriented.

*Virtual trade shows* are an application of virtual worlds. A **virtual trade show**, also known as a *virtual trade fair*, is the online analogy of a physical trade show. These are temporary or permanent showplaces where exhibitors present their new products to potential customers. For a detailed description of virtual trade shows, see Online File W4.4.

For a large number of screen shots of virtual trade show, conduct a Google search for “Virtual Trade Show.”

### Example: MarketPlace365

MarketPlace365 ([marketplace365.com](http://marketplace365.com)) is a vendor that gives companies tools to build virtual trade shows and attract traffic to the shows. For details, see [marketplace365.com](http://marketplace365.com) and [marketplace365.com/Marketing/features.aspx](http://marketplace365.com/Marketing/features.aspx).

Note: Social media can be used to support exhibits even in physical trade shows. For more on using social media at trade shows, see Browne (2013) and download his free “Social Media Tradeshow Marketing Checklist” at [tradeshowguy-blog.com/downloads/Social-Media-Tradeshow-Marketing-Checklist.pdf](http://tradeshowguy-blog.com/downloads/Social-Media-Tradeshow-Marketing-Checklist.pdf).

### Social Networking in B2B

Businesses can use B2B social networking to improve knowledge sharing, collaboration, and feedback. Furthermore, social networking sites may also prove beneficial in aiding troubleshooting and problem-solving efforts. Companies (especially small ones) are using social networks and Yahoo! Answers ([answers.yahoo.com](http://answers.yahoo.com)) and specialized groups

within LinkedIn; for example, for problem-solving. B2B participants need to look into social networking as part of their overall EC strategy, otherwise they may miss an opportunity to reach the B2B audience and differentiate themselves from the competition.

By the end of 2013, social networking was playing a much more important role in B2B. Both small and large businesses are using social networks quite successfully to find and retain new business. Other applications include:

- Several companies globally use social networks for various networking functions.
- Some businesses have found new customers via social networks.
- Some companies include social networking activity to both acquire and retain customers in the marketing budget.

The main uses of social networks are keeping in contact with business contacts; meeting with special interest groups; learning useful business intelligence; and organizing, managing, and connecting with customer groups.

For some interesting applications and tips, see Monty (2015).

Social media use among B2B marketers is already very high. However, many do not calculate the return on investment for social media. In 2013, Twitter and LinkedIn were the most-used social networks in B2B. By 2016, LinkedIn and Facebook were at the top.

### Using Twitter in B2B

Twitter is used extensively in B2C mainly as a communication tool for customer service advertising campaigns, customer engagement platforms, CRM, and market research. Similar uses are evidenced in B2B. The applications include the monitoring of conversations for identifying business opportunities, enabling small businesses to engage with potential customers, making contacts with potential customers, and customers discovering potential suppliers.

### Examples of Other Activities of B2B Social Networks

The following are examples of some social network-oriented B2B activities:

- **Location-based services.** These may provide opportunities for B2B.
- **Corporate profiles on social networks.** LinkedIn and Facebook include substantial information on companies and their individual employees. In fact, employee profiles can be part of a company's brand. For example, as early as

2014, IBM had over 300,000 employees registered on LinkedIn; Microsoft had approximately 134,000 as of early 2014. In addition, some sites feature company profiles, with comments by employees and customers.

### Success Stories

*BtoB's* Interactive Marketing Guide (available periodically at [btobonline.com](http://btobonline.com); now part of AdAge) provides examples of successful B2B implementation (e.g., look for Cisco Systems, Arketi Group, and Hewlett Packard Co.).

For case studies, read Simply Zesty's eBook titled "50 Brilliant Social Media B2B Case Studies" (available for purchase at [simplyzesty.com/Blog/Article/June-2011/50-Brilliant-Social-Media-B2B-Case-Studies](http://simplyzesty.com/Blog/Article/June-2011/50-Brilliant-Social-Media-B2B-Case-Studies)).

### The Future of B2B Social Networking

Marketing users are developing social media and search tools. Products such as Google's OpenSocial may increase interest in social networking.

Businesses must embrace social networking in order to better understand their customers and business partners.

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## SECTION 4.8 REVIEW QUESTIONS

1. List some of the opportunities for corporations to use social networking in B2B EC.
2. What are some of the benefits of social networking for B2B EC?
3. List some Web 2.0 social software for B2B applications.
4. Describe some of the applications of B2B in social networks.
5. Discuss the strategies for B2B social networking.
6. Define e-communities in B2B.

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## 4.9 COLLABORATIVE COMMERCE

*Collaborative commerce* is an e-commerce technology that can be used to improve collaboration within and among organizations, frequently in supply chain relationships.

### Essentials of Collaborative Commerce

**Collaborative commerce (c-commerce)** refers to electronic support for business collaboration. It enables companies to collaboratively plan, design, develop, manage, and research products, services, and innovative business processes, including EC

applications. An example would be a manufacturer who is collaborating electronically with an engineering company that designs a product or a part for the manufacturer. C-commerce implies communication, information sharing, and collaborative planning done online by using tools such as groupware, blogs, wikis, and specially designed EC collaboration tools. Sometimes as a digital partnership, c-commerce can drive significant business success (see McCafferty 2015). Many collaboration efforts are done along the supply chain where the major benefits are cost reduction, increased revenue, fewer delays, faster movement of goods, fewer rush orders, fewer stock-outs, and better inventory management. C-commerce is strongly related to **e-collaboration**, which is collaboration using digital technologies among people for accomplishing a common task.

with its suppliers, designers, and other business partners, as well as with its customers and possibly the government. The major elements of the collaboration process are illustrated in Figure 4.10. Notice that the collaboration process is based on the analysis of internal and external data that are made visible via a visualization portal. On the lower left side of the figure, we show the cyclical process of c-commerce. The people involved in this cycle use the information in the displays as well as the interactions among the major groups of participants (shown on the right side of the figure). The elements of c-commerce can be arranged in different configurations, one of which is a hub.

### Collaboration Hubs

A popular form of c-commerce is the *collaboration hub*, which is often used by the members of a supply chain. A **collaboration hub (c-hub)** is the central point of interaction and of a company's supply chain. A single e-hub can host multiple *collaboration spaces* in which trading partners transact, collaborate, communicate, and share information.

### The Elements and Processes of C-Commerce

The elements of the processes of c-commerce vary according to situations. For example, in many cases, c-commerce involves a manufacturer (or an assembler) who collaborates

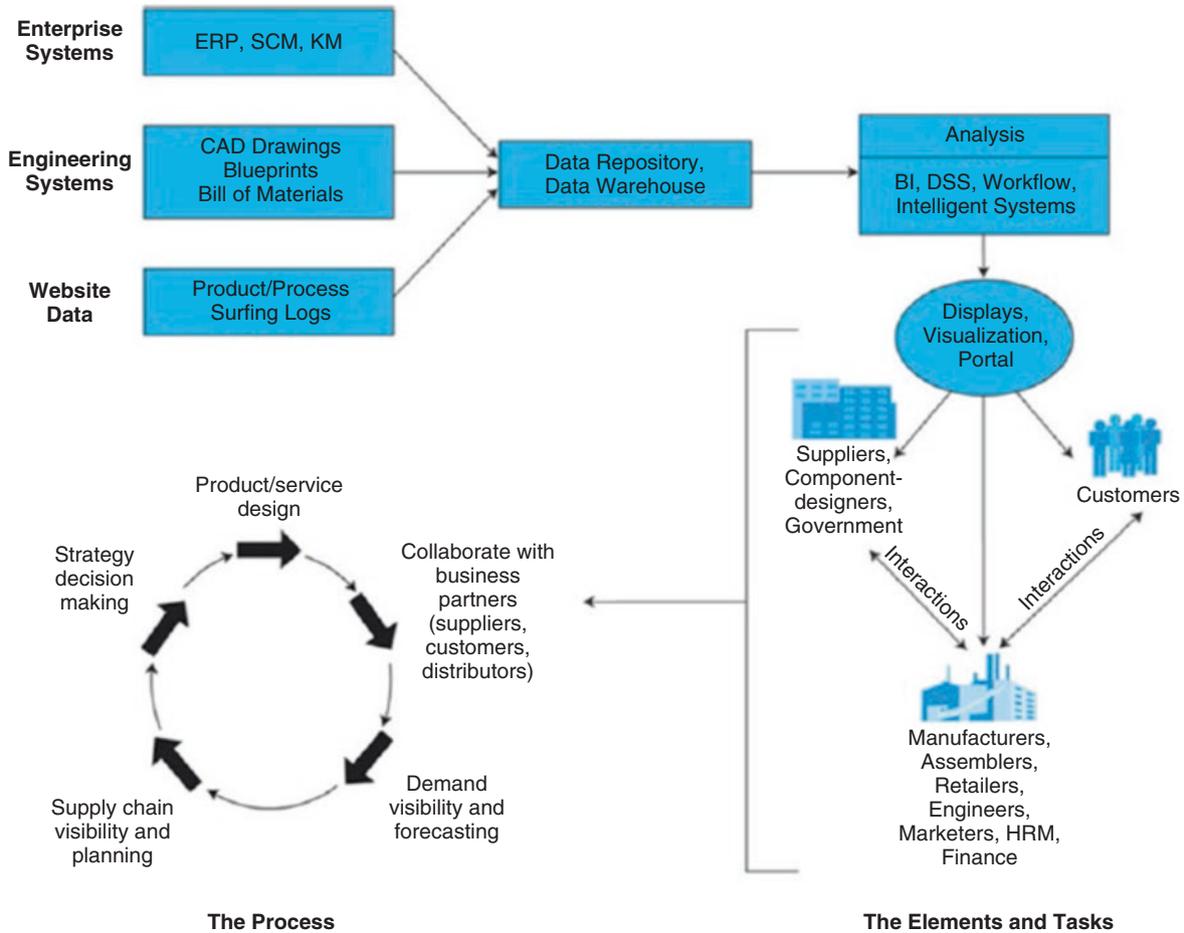


Figure 4.10 Elements and process of c-commerce systems

## Improving Collaborative Commerce

C-commerce can be divided into two major categories: internal and external. *Internal collaboration* refers to inter-departmental collaboration such as collaboration among organizational employees and collaboration of departments with their mobile employees. It also refers to collaboration among teams and individual employees who are off premises. *External collaboration* refers to any collaboration between an organization and others in the external environment.

A large number of electronic tools are available to improve collaboration, starting with e-mail and wikis and ending with collaborative spaces and comprehensive tools such as Microsoft SharePoint ([office.microsoft.com/en-us/sharepoint](http://office.microsoft.com/en-us/sharepoint)), Salesforce Chatter ([salesforce.com/ap/chatter/overview](http://salesforce.com/ap/chatter/overview)), and Jive Software ([jivesoftware.com](http://jivesoftware.com)). For example, SAP Inc. provides a social-based layer of software products that optimizes collaboration.

A large number of publications are available on how to improve c-collaboration. For a 2016 list of collaboration software products, see [captera.com/collaboration-software](http://captera.com/collaboration-software). For a comprehensive coverage, see Beard (2014).

## Representative Examples of Collaborative Commerce

Leading technology companies such as Dell, Cisco, and HP use collaborative commerce mostly for supply chain improvement such as e-procurement. Other collaboration EC initiatives are used to increase efficiency and effectiveness of operation as can be seen in the following examples.

### Vendor-Managed Inventory Systems

**Vendor-managed inventory (VMI)** refers to a process in which retailers make their suppliers responsible for monitoring the inventory of each item they supply, and determining when to order each item, and how much to order each time. Then the orders are generated electronically and fulfilled by the vendors. (A third-party logistics provider (3PL) can also be involved in VMI by organizing the shipments as needed.) The retailer provides the supplier with real-time usage (depletion) information (e.g., point-of-sale data), inventory levels, and the threshold below which orders need to be replenished. With this approach, the retailer is no longer involved with inventory management, and the demand forecasting becomes the responsibility of the supplier who can calculate the need for an item before the item is depleted. In addition, instead of sending purchase orders, customers electronically send daily information to the supplier, who generates the replenishment orders for the customer based on this demand information (see [datalliance.com/whatisvmi.html](http://datalliance.com/whatisvmi.html)).

Thus, administrative costs are reduced, inventories are kept low, and stock-outs become rare. A VMI also can be conducted between a supplier and its sub-suppliers. For more information, see [en.wikipedia.org/wiki/Vendor-managed\\_inventory](http://en.wikipedia.org/wiki/Vendor-managed_inventory), [vendormanagedinventory.com](http://vendormanagedinventory.com), and SAP (2016). Representative VMI software solutions are provided by Vecco International ([veccointl.com](http://veccointl.com)) and JDA Software Group, Inc. ([jda.com](http://jda.com)).

### Example: VMI and Information Sharing Between a Retailer (Walmart) and a Supplier (P&G)

Walmart provides P&G access to sales information on every item P&G sells to Walmart. The sales information is collected electronically by P&G on a daily basis from every Walmart store. By monitoring the inventory level of its items, P&G knows when the inventories fall below the threshold that triggers an automatic order fulfillment and a shipment. Everything is done electronically. The benefit for P&G is accurate demand information; the benefit for Walmart is adequate inventory, and both enjoy reduced administrative costs (minimum paper orders and manual work). P&G has similar agreements with other major retailers; Walmart has similar agreements with other major suppliers.

### Retailer–Supplier Collaboration

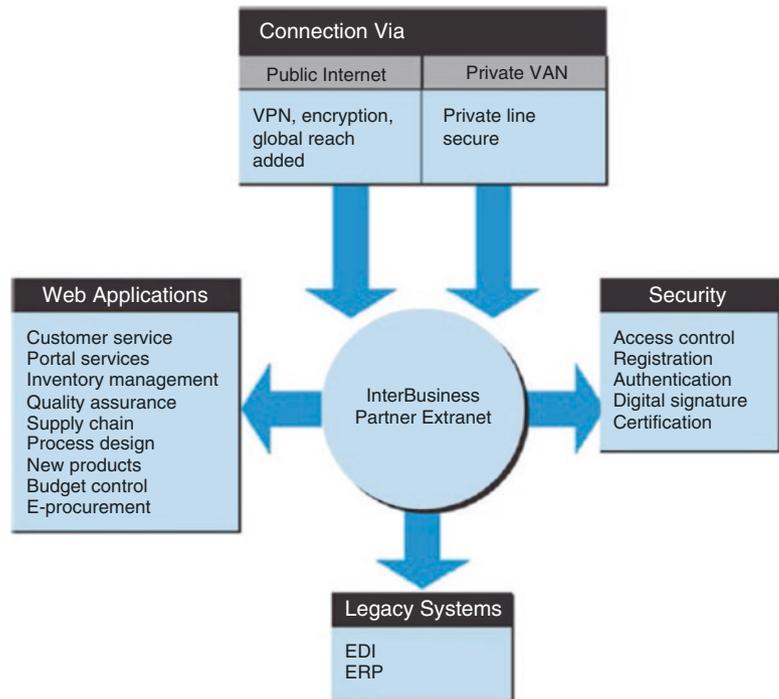
In addition to VMI, retailers and the suppliers can collaborate in other areas as illustrated in the following example.

### Example: Target Corporation

Target Corporation ([corporate.target.com](http://corporate.target.com)) is a large retail conglomerate. It conducts EC activities with tens of thousands of trading partners. The company has an extranet-based system for those partners who are not connected to its value-added network (VAN)-based EDI (see Online Tutorial T2). The extranet enables the company not only to reach many more partners but also to use many applications not available on the traditional EDI. The system enables the company to streamline its communication and collaboration with suppliers. It also allows the company's business customers to create personalized Web pages, as shown in Figure 4.11. Target now has a business website called Partners Online ([partnersonline.com](http://partnersonline.com)), which it uses to communicate with business partners, providing them with valuable information.

### Reducing Transportation and Inventory Costs

Cost reduction in shipping and inventory can be achieved through collaboration. An example is the collaboration between Amazon.com ([amazon.com](http://amazon.com)) and shippers such as UPS ([ups.com](http://ups.com)). Amazon.com delivers millions of items every week from its distribution centers. Rapid delivery is critical and collaboration with the shippers is essential.

**Figure 4.11** Target's extranet

### Reduction of Design Cycle Time

The following examples demonstrate cycle time reduction through c-collaboration.

#### Example 1: Clarion Malaysia

Clarion Malaysia ([clarion.com/my/en/top.html](http://clarion.com/my/en/top.html)), a subsidiary of the global car-audio electronics company Clarion Group, manufactures audio electronic systems for cars.

Using computerized technologies provided by IBM, such as computer-aided design (CAD) and product cycle management, the two companies reduced the time-to-market by about 40%, while at the same time improving the design of the products because engineers were able to spend more time creating innovative designs. In addition, closer interaction with Clarion's customers is easier now throughout the design process. Finally, there is also a reduction in tooling preparation time.

Companies such as Commerce Guys ([commerceguys.com](http://commerceguys.com)) offer a socially oriented collaboration platform (e.g., see [drupalcommerce.org](http://drupalcommerce.org)).

### Elimination of Channel Conflict: Collaboration with Dealers and Retailers

As discussed in Chapters 3 and 4, a conflict between manufacturers and their distributors, including retailers and/or dealers, may arise when customers order online directly

from the manufacturer. One solution mentioned earlier is to order from the manufacturer and pick up the merchandise from a local retailer or dealer instead. This requires collaboration between the manufacturer and the local vendor. One company that provides the support for such collaborative EC is JG Sullivan Interactive, Inc. (see [jgsullivan.com/#digital\\_asset\\_management](http://jgsullivan.com/#digital_asset_management)). Their product allows manufacturers to sell online with minimal channel conflict. Another example is Cisco Systems (see [cisco.com/c/en/us/solutions/collaboration/index.html](http://cisco.com/c/en/us/solutions/collaboration/index.html)).

#### Example: Whirlpool Corp.

Whirlpool ([whirlpool.com](http://whirlpool.com)) is another company that experienced the problem of channel conflict. Consumers prefer to buy appliances (sometimes customized) online, directly from Whirlpool. Whirlpool's nationwide network of dealers was not happy with the direct ordering. Note that, some appliances (e.g., a dishwasher, a washing machine) need to be installed, a job usually organized by the dealers.

JG Sullivan's system for Whirlpool was then used globally. The system was designed to enable direct online ordering, and at the same time manage the delivery, installation, warranty, and services by the local dealers. This made customers as well as dealers happy, since marketing and sales expenses decreased significantly. Also, the direct contact with customers allowed Whirlpool to know their customers better.

## Social Collaboration

A growing area in c-commerce is **social collaboration**, which refers to the process where people, individually or in groups, interact and share information and knowledge while in social networks, or when pursuing social goals. According to Carr (2015), online collaboration should be social enough to enable employees to be more productive yet not distract their work. For a discussion, see McCafferty (2015).

A large number of collaborative software are available to support social collaboration. For example, see [g2crowd.com/categories/team-collaboration](http://g2crowd.com/categories/team-collaboration). For more information, see [en.wikipedia.org/wiki/Social\\_collaboration](http://en.wikipedia.org/wiki/Social_collaboration).

## Barriers to C-Commerce

Despite the many potential benefits, and with the exception of some very large companies, c-commerce adaptation is moving ahead slowly. Reasons cited in various studies include technical factors involving a lack of internal integration and standards. Other reasons include network security and privacy concerns, and some distrust over who has access to and control of information stored in a partner's database. Internal resistance to information sharing and to new approaches and lack of company skills to conduct c-commerce are also possible factors. Gaining agreement on how to share costs and benefits can also prove problematic.

Finally, global collaboration may be complicated by additional barriers ranging from language and cultural misunderstandings to insufficient budgeting.

## Overcoming Barriers to C-Collaboration

Specialized c-commerce software tools may lessen some of the barriers to c-commerce. In addition, as companies learn more about the major benefits of c-commerce—such as smoothing the supply chain, reducing inventories and operating costs, and increasing customer satisfaction—it is expected that more companies will implement c-commerce. New approaches, such as the use of cloud computing and its variants and the use of Web Services, could significantly lessen the implementation problem. The use of collaborative Web 2.0 tools based on open source could help as well. Finally, it is essential to have a collaborative culture within and among organizations.

## Collaboration Processes and Software

A large number of proprietary methods and supportive communication and collaborative software are available to support c-commerce.

## SECTION 4.9 REVIEW QUESTIONS

1. Define c-commerce.
2. List the major types and characteristics of c-commerce.
3. Describe some examples of c-commerce.
4. Describe the elements and processes of c-commerce.
5. List some major barriers to c-commerce. How can a company overcome these limitations?
6. How is C2C practiced in social networking?

## MANAGERIAL ISSUES

Some managerial issues related to this chapter are as follows.

1. **Which B2B model(s) should we use for e-procurement?** When evaluating the various upstream B2B models, we need to match the suitable e-procurement goals with solution strategies depending upon whether the purchases are direct material or indirect material. Four typical goals that should be distinguished are organizational operational efficiency, minimum price, minimum inventory and stock-outs, and low administrative costs. For each of these goals, the appropriate solution and system should be designed accordingly. Managing many small and medium suppliers that do not have sophisticated systems is a challenging goal.
2. **Which B2B model(s) should we use for online B2B sales?** A key issue for B2B sales is how to reconcile with the multiple buyers who adopt different EDI and ERP systems. The Enterprise Application Integration (EAI) solution transforms the internal data of multiple EDI formats used by different buyers. The integration of various types of EDI standards with ERP solutions is another challenge to overcome. In addition to contract management, B2B marketers use auctions, liquidations, and social networks to increase sales.
3. **Which solutions and vendor(s) should we select?** Vendors normally develop and deploy B2B applications, even for large organizations. Two basic approaches to vendor selection exist: (1) Select a primary vendor such as IBM ([ibm.com](http://ibm.com)), Microsoft ([microsoft.com](http://microsoft.com)), or Oracle ([oracle.com](http://oracle.com)). This vendor will use its software and procedures and add partners as needed. (2) Use an integrator that will mix and match existing products and vendors to create “the best of breed” for your needs.
4. **What is the organizational impact of B2B?** The B2B system will change the role of the procurement department by redefining the role and procedures of that department. The function of the procurement department may be completely outsourced. A procurement

policy portfolio is necessary to balance strategic sourcing items, spot purchasing items, and design a supply relationship management system.

5. **What are some ethical issues in B2B?** Because B2B EC requires the sharing of proprietary information, business ethics are necessary. Employees should not be able to access unauthorized areas in the trading system, and the privacy of trading partners should be protected.
6. **Which type of social network should we use—private (proprietary) or public?** There are successes and failures in both types. Some large companies have both types (e.g., [northwesternmutual.com](http://northwesternmutual.com)). In most cases, it is better to use public networks such as [linkedin.com](http://linkedin.com) and [facebook.com](http://facebook.com).
7. **Which business processes to automate?** It depends on the company, industry, and value chain. However, as illustrated in this chapter, selling and purchasing and other activities along the supply chains are the prime targets. These include payments (financial supply chains). Also important are logistics, shipments, and inventory management.
8. **How difficult is it to introduce e-collaboration?** Dealing with the technological aspects of e-collaboration may be the easy part. Tackling the behavioral changes needed within an organization and its interactions with the trading partners may be the greater challenge. Change management may be needed for the newly created collaborations, to deal with issues such as the resistance to change. In addition, the responsibilities of the collaborative partners must be articulated with the business partners. Finally, e-collaboration costs money and needs to be economically and organizationally justified; however, justification may not be an easy task due to the intangible risks and benefits involved.
9. **How much can be shared with business partners? Can they be trusted?** Many companies are sharing forecast data and actual sales data. However, when it comes to allowing real-time access to product design, inventory, and interface to ERP systems, there may be some hesitation. It is basically a question of security and trust. The more information that is shared, the better the collaboration. However, sharing information can lead to accidentally giving away some trade secrets. In some cases, there is an organizational cultural resistance against sharing (some employees do not like to share information, even within their own organization). The business value of sharing needs to be assessed carefully against its risks.
10. **Who benefits from vendor-managed inventory?** When VMI systems are deployed, both sellers and retailers reap benefits. However, small suppliers may not have the ability to systematically monitor and manage inventory of their business customers. In this case, the large buyer will

need to support the inventory management system on behalf of its suppliers. Sensitive issues must be agreed upon when initiating VMI. One such issue is how to deal with item shortages created in the system.

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## SUMMARY

In this chapter, you learned about the following EC issues as they relate to the chapter's learning objectives.

1. **The B2B field.** The B2B field comprises e-commerce activities between businesses. B2B activities account for 77–95% of all EC. B2B e-commerce can be done by using different models.
2. **The major B2B models.** The B2B field is quite diversified. It can be divided into the following segments: sell-side marketplaces (one seller to many buyers), buy-side marketplaces (one buyer from many sellers), and trading exchanges (many sellers to many buyers). Each segment includes several business models. Intermediaries play an important role in some B2B models.
3. **The characteristics and models of sell-side marketplaces.** Sell-side B2B EC is the online direct sale by one seller (a manufacturer or an intermediary) to many buyers. The major technology used is electronic catalogs, which also allow for efficient customization, configuration, and purchase by customers. In addition, forward auctions are becoming popular, especially for liquidating surplus inventory. Sell-side auctions can be conducted from the seller's own site or from an intermediary's auction site. Sell-side activities can be accompanied by extensive customer service. E-commerce allows customization of products and services in personalized catalogs.
4. **Sell-side intermediaries.** The primary role of intermediaries in B2B is to provide value-added services for manufacturers and business customers. Intermediaries can also support group buyers, conduct auctions, and aggregate catalogs of many sellers.
5. **The characteristics of buy-side marketplaces and e-procurement.** Today, companies are moving to e-procurement to expedite purchasing, save on item and administrative costs, and gain better control over the purchasing process. Major procurement methods are reverse auctions (bidding systems), buying from web-stores and catalogs, negotiating, buying from an intermediary that aggregates sellers' catalogs, internal marketplaces and group purchasing, desktop purchasing, buying in exchanges or industrial malls, and e-bartering. E-procurement offers the opportunity to achieve significant cost and time savings.

6. **B2B reverse auctions.** A reverse auction is a tendering system used by buyers to get better prices from suppliers competing to fulfill the buyers' needs. Auctions can be done on a company's website or on a third-party auction site. Reverse auctions can lower buyers' costs dramatically, both in product costs and in the time and cost of the tendering process.
7. **B2B aggregation and group purchasing.** Increasing the bargaining power and efficiency of companies can be done by aggregating either the buyers or the sellers. Aggregating suppliers' catalogs into a buyer's catalog, for example, gives buying companies better control of purchasing costs. In desktop purchasing, employees are empowered to buy up to a certain limit without the need for additional approval. Employees view internal catalogs with pre-agreed-upon prices with the approved suppliers and then buy within their budget. Industrial malls or large distributors specialize in one industry (e.g., computers) or in industrial MROs. They aggregate the catalogs of thousands of suppliers. A purchasing agent can place an order for parts or materials, and shipping is arranged by the supplier or the mall owner. Buyer aggregation through group purchasing is very popular because it enables even SMEs to get better prices on their purchases. In addition to direct purchasing, items can be acquired via bartering.
8. **Exchanges defined and the major types of exchanges.** Exchanges are e-marketplaces that provide a trading platform for conducting business among many buyers, many sellers, and other business partners. Types of public e-marketplaces include B2B third-party trading exchanges and consortium trading exchanges. Exchanges may be vertical (industry oriented) or horizontal.
9. **Third-party exchanges.** Third-party exchanges are owned by an independent company and usually are operated in highly fragmented markets. They are open to anyone and, therefore, are considered public exchanges. They try to maintain neutral relations with both buyers and sellers.
10. **B2B in Web 2.0 and social networks.** Although considerable B2C social networking activities exist, B2B activities are just beginning. A major success has been seen in the use of blogs and wikis to collaborate with suppliers and customers. Large companies use social networking to create and foster business relationships. Smaller companies use social networking for soliciting expert opinions. Other companies use it for finding business partners, cultivating business opportunities, recruiting employees, and finding sales leads.
11. **C-commerce.** Collaborative commerce (c-commerce) refers to a planned use of digital technology by business partners. It includes planning, designing, researching,

managing, and servicing various partners and tasks, frequently along the supply chain. C-commerce can be conducted between different pairs of business partners or among many partners participating in a collaborative network. Collaboration with Web 2.0 tools and in social networks adds a social dimension that could improve communication, participation, and trust. There are many new tools, some of which are being added to traditional collaboration tools. Better collaboration may improve supply chain operation, knowledge management, and individual and organizational performance.

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## KEY TERMS

Bartering exchange  
 Business-to-business e-commerce (B2B EC)  
 Buy-side e-marketplace  
 Collaborative commerce (c-commerce)  
 Collaborative hubs (c-hubs)  
 Company-centric EC  
 Consortium trading exchange (CTE)  
 Desktop purchasing  
 Direct materials  
 Dynamic pricing  
 E-collaboration  
 E-procurement (electronic procurement)  
 Exchanges (trading communities or trading exchanges)  
 Gamification  
 Group purchasing  
 Horizontal marketplaces  
 Indirect materials  
 Maintenance, repair, and operation (MRO)  
 Maverick buying  
 Online intermediary  
 Procurement management  
 Public e-marketplaces  
 Request for quote (RFQ)  
 Reverse auction  
 Sell-side e-marketplace  
 Social collaboration  
 Vendor-managed inventory  
 Vertical marketplaces  
 Virtual trade shows

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## DISCUSSION QUESTIONS

1. Explain how a catalog-based sell-side e-marketplace works and describe its benefits.
2. Discuss the advantages of selling through online auctions over selling from catalogs. What are the disadvantages?

3. Discuss and compare all of the mechanisms that group-purchasing aggregators can use.
4. Should desktop purchasing only be implemented through an internal marketplace?
5. Compare and contrast a privately owned exchange with a private e-marketplace.
6. Compare external and internal aggregation of catalogs.
7. Relate social commerce to B2B group buying.
8. Compare an organizational buyer to an individual consumer.
9. It is said that c-commerce signifies a move from a transaction focus to a relationship focus among supply chain members. Discuss.
3. Match a B2B business model with the services on each site listed in the previous question.
4. Visit [ebay.com](http://ebay.com) and identify all of the activities related to its small business auctions. What services are provided by eBay? Then, enter eBay Business & Industrial area at [ebay.com/rpp/business-industrial](http://ebay.com/rpp/business-industrial). What kind of e-marketplace is this? What are its major capabilities?
5. Enter [ondemandsourcing.com](http://ondemandsourcing.com) and use the free registration to view the product demo. Prepare a list of benefits to small- and medium-sized organizations.
6. Enter [bitpipe.com](http://bitpipe.com) and find recent B2B vendor reports related to e-procurement. Identify topics not covered in this chapter.
7. Visit [iasta.com](http://iasta.com) and [cognizant.com](http://cognizant.com). Examine the major tools they sell for conducting various types of e-procurement. List and analyze each tool.
8. Enter [blog.marketo.com](http://blog.marketo.com) and find eight recent successful applications of social B2B. Prepare a list of topics covered at the site. Write a brief summary about the content, including tips and guides and lessons learned.
9. Enter [smallbusiness.yahoo.com/ecommerce](http://smallbusiness.yahoo.com/ecommerce) and summarize one of the “Success Stories.”
10. Enter [eprocurement.nc.gov](http://eprocurement.nc.gov). What e-procurement methods does it provide? What are the benefits of each method?
11. Enter [equinix.com](http://equinix.com) and identify the B2B services they provide.
12. Enter [collaborativeshift.com](http://collaborativeshift.com) or other c-collaborative sites, and read about recent issues related to e-collaboration. Prepare a report.
13. Enter [opentext.com](http://opentext.com) or [kintone.cybozu.com/us](http://kintone.cybozu.com/us). Read the company vision for collaborative commerce and view the demo. Explain in a report how the company facilitates c-commerce.

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## TOPICS FOR CLASS DISCUSSION AND DEBATES

1. Discuss B2B opportunities in social networking.
2. Discuss the risks in B2B social networking.
3. Discuss how globalization is related to B2B.
4. Relate B2B to the four Ps of marketing (product, pricing, placement, and promotion) and the four Cs (content, connection, communication, and conversion).
5. Discuss potential channel conflicts in B2B.
6. What is the contribution of B2B directories such as Alibaba.com to global trade? What are the potential limitations?
7. Debate: Some say that exchanges must be owned by a third-party intermediary and that consortiums should not be allowed.
8. Discuss why [facebook.com](http://facebook.com) is not as good as [linkedin.com](http://linkedin.com) in generating sales leads.
9. In class, watch the video “B2B Marketing in a Digital World” (4:11 min) at [youtube.com/watch?v=-nTkBh-SUIRQ](http://youtube.com/watch?v=-nTkBh-SUIRQ). Discuss the implications for a progressive marketing manager.
10. Research companies that conduct liquidations. Concentrate on: [liquidation.com](http://liquidation.com), [govliquidation.com](http://govliquidation.com), and [govdeals.com](http://govdeals.com). Examine the similarities and uniquenesses in the services provided. Discuss the value added to the companies that use these services.

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## INTERNET EXERCISES

1. [Tripadvisor.com](http://Tripadvisor.com) launched a B2B division in 2010. Find information about the benefits to a company using it and to its business customers.
2. Examine the following sites: [ariba.com](http://ariba.com), [ibm.com](http://ibm.com), and [ibxplatform.com](http://ibxplatform.com). Review their products and services. How do they support mobile marketing and social commerce?

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## TEAM ASSIGNMENTS AND PROJECTS

### 1. Assignment for the Opening Case

Read the opening case and answer the following questions.

- (a) What directory services are provided by Alibaba.com?
- (b) Identify the revenue sources of Alibaba.com.
- (c) Find information about the 2014 IPO. Do you think that the company valuation is realistic?
- (d) Enter [slideshare.net/yanhufei/case-study-alibaba-final-v-11](http://slideshare.net/yanhufei/case-study-alibaba-final-v-11) and review the Alibaba.com case study. Expand on the answers to questions which are designated by your teacher.
- (e) Describe Alibaba’s business model.

- (f) Enter [sa.alibaba.com](http://sa.alibaba.com) and watch the video about supplier assessment at Alibaba.com (3:31 min); summarize its content.
- (g) Watch the video titled “e-Riches 2.0—The Best Online Marketing Book by Scott Fox” (6:18 min) at [youtube.com/watch?v=6O747UHN9Mw](http://youtube.com/watch?v=6O747UHN9Mw). What have you learned from this video?
2. Each team should explore a different social networking B2B activity and prepare a summary paper for a class presentation. The paper should include the following about the activity or method:
- The mechanisms and technologies used
  - The benefits to buyers, suppliers, and others (if applicable)
  - The limitations to buyers, suppliers, and others (if applicable)
  - The situations for which each method is recommended. Hint: Look at Leake et al. (2012), and vendors' products.
3. Each team finds a global B2B intermediary that competes with [alibaba.com](http://alibaba.com) (e.g., [globalsources.com](http://globalsources.com)). Prepare a list of services available to sellers and to buyers from both Alibaba.com and your chosen competitor.
4. Enter [amazon.com/Amazon-Business-Tour/dp/B00WN5U03W](http://amazon.com/Amazon-Business-Tour/dp/B00WN5U03W) and view the video tutorial. Also explore the site. Describe the benefits to manufacturers and distributors as well as customers.
5. Enter [ariba.com](http://ariba.com) and find out what its software solutions such as Ariba Commerce Cloud can do to facilitate inter-enterprise commerce. Also examine the company's solution for sourcing, procurement, and contract management. Present your findings to the class.
6. View the slide presentation “Vision 2020: Ideas for Procurement in 2020 by Industry-Leading Procurement Executives” by Oka and 13 other procurement executives (2011) available at [slideshare.net/Ariba/vision2020-the-futureofprocurement](http://slideshare.net/Ariba/vision2020-the-futureofprocurement). Each team analyzes the ideas of several contributors and presents the highlights to the class.
7. Watch the video titled “eProcurement Case Study: HOYER Group” (3:44 min) at [youtube.com/watch?v=BFaJPeDQyIs&noredirect=1](http://youtube.com/watch?v=BFaJPeDQyIs&noredirect=1). Answer the following questions.
- What problems did the Hoyer Group face?
  - What were some of the software requirements?
  - How did they evaluate the software? What criteria did they use?
  - What have you learned from the video?
8. The class researches Ariba's supplier network and compares it to several similar networks (e.g., to IBM Sterling B2B Collaboration Network). Each team examines one comparison and makes a presentation to the class.
9. View the video “Panel Discussion on Collaborative Commerce (Pt.1) @ Ariba LIVE 2011” (12:36 min) at [youtube.com/watch?v=bucxXpDvWDL](http://youtube.com/watch?v=bucxXpDvWDL). (Part 2 (11:11 min) at [youtube.com/watch?v=dV\\_KUJ0eVuE](http://youtube.com/watch?v=dV_KUJ0eVuE) is optional.) Answer the following questions:
- What benefits do the buyers see? Relate these benefits to collaborative commerce.
  - How is EC used to support c-commerce?
  - How can buyer/supplier relationships be fostered with c-commerce?
  - Run a similar panel discussion in class. If possible, ask large buyers to attend and take part.
  - How is bringing business partners online accomplished?
  - What role does Ariba play? (Check its website [ariba.com](http://ariba.com).)
  - What have you learned from this video about the benefits of c-commerce and e-commerce?

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## CLOSING CASE: THE UNIVERSITY OF SHEFFIELD'S E-TENDERING SYSTEM

The University of Sheffield in Sheffield, England ([sheffield.ac.uk](http://sheffield.ac.uk)), is a leading large public teaching and research institute with over 25,000 registered students and over 5300 staff (see [sheffield.ac.uk/about/facts](http://sheffield.ac.uk/about/facts)).

The University's research output is recognized all over the world. Despite its excellent reputation, it operates on a tight budget. One area where the university saved a considerable amount of money was in procurement.

Due to its research activities, the university purchases over £110 million of supplies a year from about 12,000 suppliers, of which 4500 are regular. The university needed an electronic system in order to minimize procurement delays, standardize processes across all departments, and reduce potential errors. In addition, the administrative expenditures (e.g., postal cost, employees' time, photocopying) were very high. As of 2005, the university has enhanced an e-tendering system as part of its government mandated e-procurement system.

### The E-Tendering Initiative

The objective of the procurement department, which initiated the e-tendering initiative, was and still is to support the university in attaining its mission. The initiative must also comply with public procurement regulations. The system was built with software called *in-Tend* (a standard European Union tendering tool) in collaboration with users, suppliers, the staff of the procurement department, and the IT development team.



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