



E-commerce Overview Series

Electronic Marketplaces

March 2004

As online exchanges become the newest channel for conducting business, Canadian companies are recognizing the fact that doing business online is no longer an option, but rather a requirement to maintain competitive parity.

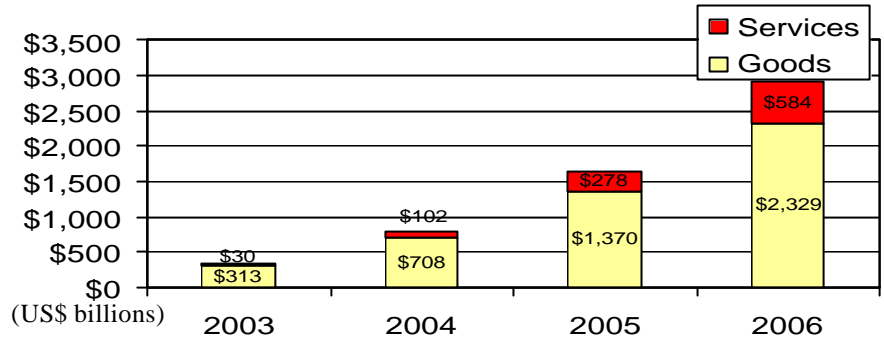
Type of e-marketplace

Vertical hubs serve a specific industry sector, such as Quadrem in mining and the Canadian Healthcare Marketplace (CHM.ca). Usability features are tailored to the needs of the specific industry, and each industry competitive structure governs the kind of exchanges that are created and how they evolve.

Horizontal hubs serves several / all industry sectors, and usability features are non-industry specific. Emerging leaders, such as Onvia and Firmbuy, have targeted office supplies and Maintenance, repair and operation (MRO) as a starting point.

Government sponsored e-marketplaces, such as SourceCAN, are established to accelerate the adoption of e-business and entry in to the global market. The driving force has been transparency, and achieving cost efficiencies for the government and its business partners. This has resulted in widely adopted cross-industry online tendering service that is transforming itself into an e-marketplace. This government platform also aims to promote export activities by matching Canadian firms with international trade opportunities from other governments¹.

A- Electronic Marketplace market in North America², 2002



- North American e-marketplace market is expected to grow from 343 US\$ billions in 2003 to 2913 US\$ billions in 2006.
- E-marketplaces will capture more than 40% of online trade in numerous sectors such as business services, computing and electronics, consumer goods and utilities by 2006.
- 28% of utilities industry will flow through e-marketplaces by 2006.

B- Electronic Marketplace market by sector in North America², 2002

eMarketplace trade (US\$ billions)	2003	2004	2005	2006	% of industry total 2006	% of online trade 2006
Aerospace and defense	\$ 0.3	\$ 1.1	\$ 3.5	\$ 8.7	4%	23%
Agriculture/food/forestry/fishing	\$ 9.7	\$ 30.7	\$ 79.1	\$ 159.2	7%	35%
Business services	\$ 8.9	\$ 24.0	\$ 49.7	\$ 83.0	16%	54%
Chemicals and allied products	\$ 10.2	\$ 31.3	\$ 79.4	\$ 161.5	9%	35%
Computing and electronics	\$ 151.6	\$ 263.1	\$ 366.8	\$ 453.6	18%	57%
Construction	\$ 31.9	\$ 84.9	\$ 175.3	\$ 292.7	7%	40%
Consumer goods	\$ 28.5	\$ 72.4	\$ 141.0	\$ 220.7	15%	48%
Financial services	\$ 8.2	\$ 34.6	\$ 120.1	\$ 303.1	9%	40%
Industrial equipment and machinery	\$ 16.8	\$ 47.7	\$ 103.5	\$ 176.2	18%	50%
Insurance services	\$ 8.8	\$ 31.4	\$ 78.8	\$ 138.9	9%	44%
Mining	\$ 4.9	\$ 16.6	\$ 46.3	\$ 102.0	10%	35%
Motor vehicles/transportation equipment	\$ 3.4	\$ 13.0	\$ 41.5	\$ 103.9	5%	26%
Paper and allied products	\$ 4.3	\$ 13.7	\$ 34.8	\$ 68.9	9%	38%
Petroleum refining	\$ 8.6	\$ 20.1	\$ 35.6	\$ 50.1	12%	44%
Telecom equipment and services	\$ 1.7	\$ 7.5	\$ 26.1	\$ 67.2	7%	33%
Transportation services	\$ 4.0	\$ 12.0	\$ 29.7	\$ 59.0	10%	41%
Utilities	\$ 40.6	\$ 106.0	\$ 237.3	\$ 464.0	28%	45%
Total	\$ 342.6	\$ 809.9	\$ 1,648.3	\$ 2,912.8	11%	12%
Goods	\$ 312.7	\$ 708.1	\$ 1,370.1	\$ 2,328.8	12%	12%
Services	\$ 29.9	\$ 101.8	\$ 278.2	\$ 584.0	10%	10%

Trends

Public exchanges, open to many buyer and supplier companies, and private exchanges, limited to either one buyer or one seller, are integrating many functions of a company into their systems.

From basic matching capability, e-marketplaces are moving into supply chain synchronization applications such as Collaborative Planning and Forecasting Replenishment (CPFR), order status and sharing of advance electronic catalogue over the Internet. Customer relationship management (CRM) capabilities as well as the integration to financial systems are current trends that leaders are adopting.

Benefits

Public Electronic marketplaces allow firms to find new buyers through the access of thousands of potential opportunities delivered through the market place. Attracting new customers has been ranked first among all sectors as the reason for increasing revenue (see chart D).

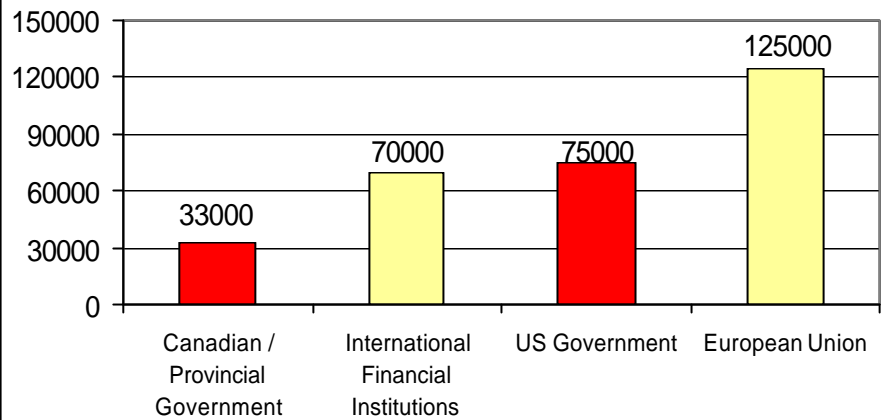
Advanced e-business applications that integrate partners business systems together enable firms to decrease their sales and general administration expenses by 8.2% in manufacturing sector, 9.4% in retail/wholesale and 12% in public sector organisations. Cost of goods sold are usually decreasing by 715% depending on sector specific applications³.

Future trends

Electronic marketplaces, public and private, are expected to grow and become a fundamental tool for trade, finance, customer relationship and supply chain management.

Very few Canadian firms, especially SMEs are currently participating in the e-marketplace arena. Adoption by SMEs is essential to maintain and gain a competitive edge.

C- International / Domestic Feeds Market delivered through Government electronic marketplaces⁵



➤ **Attracting new customers is the key reason for increasing revenue in e-business strategy; 79% for manufacturing, 75% for wholesale / retail trade and 91% for public sector organisations.**

➤ **Government public electronic marketplaces allow all firms to access thousands of new opportunities via electronic matching and tendering capabilities.**

➤ **More than 200 000 domestic and international opportunities are offered free of cost to Canadian firms.**

D-Reasons for increase in revenue in e-business Strategy³, 2003

Reasons for Increase Revenue	Manufacturing	Financial Services	Wholesale / Retail Trade	Public Sector
Existing Customers buy more frequently	27%	37%	33%	40%
Existing customers buy in greater volume	28%	11%	30%	15%
Ability to raise prices	11%	34%	16%	4%
Attracting new customers	79%	69%	75%	91%

To do business and access new opportunities on the net;

register your firm at www.SourceCAN.gc.ca

SourceCAN

For more information on e-business

Visit <http://strategis.gc.ca/ebizenable>

ebiz.enable

Source :

1- Canadian Online Marketplaces Report, E-Search Canada, 2001-2002

2-eBusiness Propels Productivity, Forrester Research Inc, 2002

3-Net Impact Study Canada, Canadian e-Business Initiative, 2003

4- Tirez Profit des Portails, Cefrio, 2002

5- SourceCAN, March 2004