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B2B Overview

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Business-to-Business (B2B) Overview

The global e-commerce revolution is entering a new phase. While the first stage was fueled by the vision and innovation of business-to-consumer Internet companies, the next phase will be defined by the leadership and market success of companies engaged in business-to business or B2B e-commerce. This refers to electronic transactions between and among companies and their employees and suppliers.

The early consumer-focused, e-commerce winners created the Internet business model, but it will be their business-to-business (B2B) successors that realize the full potential of the new electronic economy.

The second Internet revolution consists of equal parts threat and opportunity.

From the perspective of today's enterprise managers, this second Internet revolution consists of equal parts threat and opportunity. The new B2B wave will split most industries' competitive field into two camps - the prepared and the unaware. Many organizations, reluctant or unable to initiate the deep change that the new business climate requires, have made only minor technical changes so far. These changes modify their culture or business processes. These organizations have yet to make the investment in the strategy, people, and money necessary to survive in the B2B e-commerce world. Those who fail to address the opportunity at hand risk becoming displaced by more forward-thinking competitors.

For those who do respond to the new realities of B2B e-commerce, the worldwide B2B market offers opportunities on a grand scale. Still in its infancy, B2B e-commerce is already the fastest growth area in the Internet economy and carries potential almost beyond measure. A Boston Consulting Group report estimates that Internet-based electronic business relationships will account for $2.8 trillion in sales by 2003. Gartner Group places this figure even higher at $7.2 trillion.

But although helpful in sizing the growth of B2B Internet sales, such projections of transaction volume give a false impression of the future importance of the e-commerce market. More important than volume, from a business-to-business perspective, is value. Today's volume projections only hint at the value that the Internet will provide in the years to come as an enabling technology for e-business.

Businesses have three choices in how they prepare for the coming B2B storm: (1) they may ignore the trends and leave their organizations unchanged; (2) they may take half-hearted steps to adapt for Internet business, superficially altering their organizations but leaving their core processes unchanged; Or (3), they may recognize the tremendous opportunity offered by this paradigm shift, transform the way they serve their customers, and ensure their future in the digital age.

Developing a B2B Presence

The rise of Internet-based electronic commerce has changed the global business landscape forever. After a few years of explosive growth in the worldwide adoption of web technology, business leaders have completely changed the way they perceive online technology. Once seen as an unfamiliar and threatening medium, the Internet has proven itself as a superb environment for commerce. In today's fast-paced competitive atmosphere, no B2B supplier that lacks a strategy to conduct sales and operations over the Internet may be considered a leader.

Participation in the new economy means very different things to different selling organizations.

Organizations that move decisively and intelligently into web business can register significant competitive gains. These gains include increased revenue, lowered costs, new customer relationships, innovative branding opportunities, and the creation of new lines of customer service. Sellers who fail to gear up for the coming B2B e-commerce explosion will not only pass up those opportunities, but in many industries will find their very survival threatened. As their customers and competitors outpace them, they will slide further into irrelevancy.

How can suppliers ensure their place in the B2B Internet revolution? Participation in the new economy means very different things to different selling organizations. Generally speaking, the most important requirements for sellers seeking to push their business onto the Internet are a total commitment to success, recognition of the infrastructure challenges involved, and an intelligent plan of action.

Commitment

Whether your organization sells office supplies to multinational companies or provides specialized consulting services to a handful of clients, strong commitment is a prerequisite for engaging in Internet business. If the web is to be central to the way any company operates, the effort to gear up for e-commerce and an Internet-enabled value chain must be understood and accepted by key functional areas within your organization, as well as by executive management. This is true for sellers large and small, highly centralized or distributed along several continents.

This commitment is necessary because each incremental advance down the path of web-enabled commerce carries deep implications for business processes and organizational culture. Company leadership must be willing to commit the resources in the people, money, and focus necessary to carry the e-commerce deployment through to fulfillment. Line managers and employees must embrace new tools for internal communications, sales processing, and customer fulfillment.

At every level of e-business adoption, organizations must evolve and adapt to new ways of working and delivering customer value. The new processes and responsibilities required by world-class, B2B e-commerce are demanding; management cannot easily force their creation and execution. Establishing leadership in the new economy requires company-wide commitment. The commitment to adapt and transform must be built into all levels of the organization.

Understanding Digital Infrastructure

Suppliers seeking to make the web a significant platform for sales and order fulfillment must gain an understanding of e-commerce infrastructure requirements. These infrastructure challenges are frequently misunderstood, and often exaggerated, by new deployers of Internet business solutions.

The key to success online is the creation of a digital infrastructure that is tightly integrated with the company's physical infrastructure

Sellers are already familiar with the physical infrastructure that allows them to deliver their goods or services to their customers. Elements of this physical infrastructure include storefronts, processing centers, and transportation fleets. What is less familiar to new entrants to the electronic economy is the digital infrastructure of business - the combination of internal applications, network connectivity, online presence and web-based customer fulfillment that allows companies to track and satisfy a customer's total experience.

The Internet is creating a paradigm shift in B2B commerce, a transformation that enables new business processes and improves upon existing ones. The key to online success is the creation of a digital infrastructure that is tightly integrated with the company's physical infrastructure. Establishing the right flow of information links the organization's digital and physical infrastructures, providing target elements of the company with data about all aspects of the acquisition decision, including order fulfillment, payment, and customer support.

Plan for Action

Under pressure to perform in a new, unfamiliar arena, many companies sacrifice strategy to urgency. These initiatives fail because of a lack of forethought. By not taking the time to carefully assess the market, companies sometimes fail to realize where the real areas of opportunity lie in this new economy.

Many sellers are already well down the path of transforming their business processes and implementing the necessary infrastructure for their e-commerce operations. These companies may already have found their entry point in the new digital economy and are concentrating on expanding their operations or improving their business results.

Other B2B players have not yet begun to address the challenge, and face the need for a much more concerted and far-reaching deployment to integrate the web into their customer communication and transaction processes. Regardless of their deployment stage, however, e-commerce ventures’ success or demise depend on the quality of their conception and execution.

Each supplier's specific strategy, objectives and technical infrastructure for e-commerce will be shaped by variables that include the supplier’s size and scope, market pressures, industry focus, and available resources. Management must develop a coherent course of action that is both feasible and appropriate to the company's overall situation.

It is also critical to ensure that the organization's e-commerce strategy contains both a short-term and long-term perspective. For companies lacking a quality presence online, rapid time to market is essential; these organizations should seek the execution path that allows them access to business results quickly.

But the velocity of change online demands that companies also plan for the future, whether that be six months or three years down the road. The action plan for e-commerce deployment is never completed. It is best thought of as a living strategy, one that will evolve to fit the organization as its requirements and capabilities grow over time.

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B2B E-Marketplaces

Online markets, also known as B2B marketplaces, are commerce sites on the public Internet. These e-marketplaces allow large communities of buyers and suppliers to "meet" and trade with each other. They present ideal structures for commercial exchange, achieving new levels of market efficiency by tightening and automating the relationship between supplier and buyer.

They allow participants to access various mechanisms to buy and sell almost anything, from services to direct materials. The extreme flexibility of these marketplaces, which may be customized to serve the full supply chain of virtually any industry, will establish themselves as pillars of the new B2B e-commerce economy.

Ultimately, all businesses will buy on a marketplace, sell on a marketplace, host a marketplace, or be marginalized by a marketplace. For organizations committed to participating in the coming wave of online business, B2B marketplaces offer a compelling entry point into the new economy. As e-commerce becomes more central to the operations of mainline companies, a diversity of marketplaces will arise in every sector.

So far, most of the early movers have been small, aggressive third-party, dot-coms seeking first-mover advantage, which they hope to leverage into market dominance. But they will not have the playing field to themselves for long. Already the established brick-and-mortar players are moving to leverage their existing trade relationships and access to buyer liquidity into established B2B marketplaces.

B2B marketplaces are redefining how businesses interact with each other. Inevitably, all businesses will be affected by this revolution. The important question that all companies must answer is: "How?"

B2B E-Marketplaces and Supply Chains

Businesses with well-defined trading relationships use EDI and ERP to create point-to-point interfaces with each other.

Marketplaces and exchanges are emerging to serve each point of every industry's supply chain. Whether it's a spot market to clear excess raw materials in the metals industry or a new "virtual" distributor in the life science chemicals industry, these electronic markets bring buyers and suppliers together through new methods of dynamic collaboration and trade. They remove costly inefficiencies and deliver bottom-line savings to all participants.

Although still in their infancy, B2B marketplaces have the potential to drive the B2B e-commerce revolution. By virtue of their structure, which unites member companies in seamless trading communities of common business interest, B2B marketplaces maximize speed and efficiency. They offer buyers and sellers uniquely powerful forums to reduce transaction costs, enhance sales and distribution processes, deliver and consume value-added services, and streamline customer management.

Evolution of E-Commerce Mechanisms

To understand the step forward that B2B marketplaces represent, it is useful to examine the progression of electronic business. A brief review of the rapid evolution of B2B e-commerce helps set the context for B2B marketplaces:

EDI/ERP

- EDI (Electronic Data Interchange) and ERP (Enterprise Resource Planning)
- Businesses with well-defined trading relationships use EDI and ERP to create point-to-point interfaces with each other
- Expensive to implement, outside the reach of all but the largest companies

- Useful for transactions involving replenishment orders for direct production goods tied to a previously negotiated contract.

Sell-Side Storefront

- Primary model used in current business-to-consumer scenarios
- Single seller, typically a distributor, constructs a web storefront to sell to many consumers (i.e. Amazon.com)
- Unless a single distributor can aggregate all the suppliers in a given industry, the buyer remains responsible for comparison shopping between stores
- Expensive for buyer and does not meet the needs of corporate procurement organizations.

Buy-Side E-Procurement

- Buy-side applications generally consist of a browser-based self-service front end to ERP and legacy purchasing systems
- Corporate procurement aggregates many supplier catalogs into a single "universal" catalog and allows end-user requisitioning from the desktop, facilitating standard procurement for the organization and cutting down on "maverick" purchasing
- Purchases made through this system are linked to the back-office ERP or accounting system, cutting time and expense from the transaction and avoiding potential bookkeeping errors
- Model yields reduced transaction costs but not lower purchase costs; no impact on size of supplier base, no enablement of dynamic trade; buying organizations must set-up and maintain catalogs for each of their suppliers; too costly and technically demanding for most small and medium-sized businesses.

Many-to-many liquidity allows the use of dynamic pricing models such as auctions and exchanges.

B2B Marketplace

- Latest evolution of B2B e-commerce, enabling a many-to-many (M:M) relationship between buyers and suppliers
- Buyers and suppliers leverage economies of scale in their trading relationships and access a more "liquid" marketplace
- Sellers find buyers for their goods, buyers find suppliers with goods to sell

- Many-to-many liquidity allows the use of dynamic pricing models such as auctions and exchanges, further improving the economic efficiency of the market.

Marketplace Requirements

As the new B2B trading hubs, marketplaces must enable certain processes and enterprise trading requirements. They should accommodate existing procurement processes and buyer-supplier interactions, and offer full interoperability with other markets.

Procurement Processes - Procurement professionals configure a "virtual procurement system" within B2B marketplaces. This replicates the buyers' unique procurement process down to individual permissions, rules and workflow, allowing the procurement organization to control the overall buying process while distributing the buying task to end users.

Buyer-Supplier Relationships - Before moving to a marketplace, most buyers and suppliers will have existing relationships that must be reflected in the marketplace. Suppliers can configure the system to reflect pre-negotiated discounts for certain buyers, which will automatically be applied when those buyers access the marketplace. This many-to-many marketplace combines the advantages of both sell-side and buy-side models, but since it is hosted, avoids setup and maintenance costs for the participants. Significantly, this can allow access to smaller organizations that would not otherwise have had the resources for B2B trade online. Both buyers and suppliers gain the advantage of a much broader trading community. Both sides can also enjoy the benefits of a streamlined trading process.

Interoperable Marketplaces - One of the key factors in building a successful B2B marketplace is to focus on meeting all of the buying needs of the target user. These needs may go beyond the specialist capabilities of any single marketplace. To cater to broader buying requirements, therefore, marketplaces may link to each other, effectively extending the product range without giving up "control" of the buyer.
The ability of marketplaces to interoperate extends the idea of liquidity and network effect by joining more buyers with more suppliers, but does not sacrifice

the ability of each marketplace to be highly specific to the supply-chain node or target buyer group it serves.

Benefits of B2B E-Marketplaces

Both buyers and suppliers gain the advantage of a much broader trading community..

- Sellers, buyers, and market makers each stand to benefit from the B2B marketplace.
- Sellers use B2B e-commerce to lower costs and access new customers.
- Marketplaces extend that reach still further by creating and leveraging close collaboration between trading partners, tightening the relationship between supplier and buyer, promoting price discovery and spend aggregation and slashing supply chain costs.
- Buyers can use B2B marketplaces to reduce direct and indirect supply chain costs by leveraging their global scale, focusing their spending on preferred suppliers, and taking advantage of dynamic models such as auctions and bid-quote for efficient sourcing and spot buying. Beyond leveraging spend, new tools for logistics, payment and tax create new opportunities to build transparency in the supply chain, decrease logistics costs, increase inventory turns, and improve the overall performance of the manufacturing and procurement processes.
- Market makers are the fulcrum of these new B2B e-commerce relationships, catalyzing the growth of the B2B economy by leveraging their domain expertise, customer relationships and supply chain strength to fuel the growth of B2B marketplaces. In return for delivering incredible value, market makers stand poised to reap substantial rewards by sharing in the returns achieved by buyers and suppliers.

Marketplace Characteristics

It is important to understand the principles that underlie B2B marketplaces and determine the shapes that they assume under the pressure of time and competition.

Every market whether online or not, represents a complex assembly of buyers and suppliers united by intricate lines of power and dependency.

Every market, whether online or not, represents a complex assembly of buyers and suppliers united by intricate lines of power and dependency. Although forces of supply and demand control the flow of business, each market carries a built-in measure of inefficiency. The B2B marketplace minimizes that inefficiency by tightening the relationship between supplier and buyer, promoting price discovery and spend aggregation, slashing supply chain costs, and increasing the reach of suppliers. If enough liquidity is built into the system, B2B marketplaces are the ultimate trading structures - the closest thing to a perfectly efficient trading system ever developed in the long history of commerce.

Buyer liquidity - the critical mass of transaction volume that is the lifeblood of every market - is essential to electronic exchanges. With so much speed and capacity, the B2B marketplace is the ideal technological platform for commercial exchange. Without enough buyers and suppliers on the network, or enough total purchase volume, the marketplace cannot capitalize on its potential for efficiency; it would be bound by the same inefficiencies as old-world exchanges.

Marketplace Expansion Strategies

Electronic marketplaces create value for participants by playing three roles: connector, value-added service provider, and spend aggregator. The initial value proposition of every marketplace lies in the connector role, serving as the common platform over which trading companies route information and transactions. To become a value-added service provider, B2B marketplaces must provide access to services ranging from baseline interoperability and directory services to specialty services, such as online payment, logistics, and dynamic trade. Many marketplaces also take on the role of spend aggregator, negotiating lower prices for buyers by leveraging collective volume.

The early stage of marketplace development focuses on establishing enough basic capability and buyer liquidity to make the market competitive.

In nearly all cases, markets start out with a narrow range of products and services and target either a product category or a buyer group. As they grow, they must expand from this sharp focus to support a broader base of buyers and suppliers.

B2B E-Marketplaces and Exchanges

A product-focused B2B marketplace may develop when a product or family of products is purchased across multiple industries (e.g., steel, PCs). Product-focused marketplaces typically serve industries in which extensive buy- and sell-side fragmentation makes it difficult for the players to achieve price and product discovery independently. That fragmentation, and the resulting natural friction in the market, makes these industries ideal candidates for B2B marketplaces, which let them drastically cut down on volatile and uneven pricing, improve information access, speed up transaction cycles, and slash transaction costs.

As markets grow, they must become more inclusive and functional to survive.

A buyer-focused, vertical B2B marketplace emerges to serve the product needs of a particular group of buyers (i.e. Chemdex, which focused initially on serving scientists in the life sciences industry). Buyer-focused marketplaces deliver the same benefits and are structured along the same lines as product-focused markets, and typically adapt over time to serve more categories of buyers.

The division between product- and buyer-focused marketplaces is sharpest for early entrants. As markets grow, they must become more inclusive and functional to survive.

Procurement Portals

The newest example of the electronic B2B marketplace is the procurement portal, in which the market maker leverages deep relationships with small and medium-sized buyers to create an exchange. In this model, the market maker offers value to the exchange members — including lower pricing driven by its own spend consolidation and access to new customers and suppliers — while enjoying a range of special benefits.

The procurement portal becomes a powerful platform through which the host can extend brand, offer value-added services, and strengthen relationships with customers.

Companies with the strong competitive positioning and customer relationships to create and populate a procurement portal gain access to a unique range of opportunities. If leveraged intelligently, portals open the door to significant growth in the company's sales, service, and supply operations. It unites companies in a trading community of common interest driven by the market maker, who realizes substantial secondary business benefits from the endeavour, including branding opportunities and increased exposure to potential customers.

Keys to B2B Success

Every enterprise's value chain may be enhanced through business-to-business e-commerce. While the details of a company's e-commerce action plan must reflect its broader competitive situation, almost all companies will share several high-level objectives. How an organization goes about targeting these goals will determine the success or failure of its Internet initiative.

Increase Revenue and Lower Costs

The ultimate goal of every e-commerce expansion is to achieve bottom-line, measurable results.

The ultimate goal of every e-commerce expansion is to achieve bottom-line, measurable results — to increase revenue and reduce expenses. If well executed, a web strategy allows businesses to accomplish this at several levels.

Aggressive web-enabled businesses gain new revenue from multiple sources, including acquiring new customers and increasing business from existing customers. By expanding into the online medium, a supplier grows its universe of potential trading partners tremendously. And by developing a complete online business solution, the seller can gain increased revenue from existing technology-enabled customers that prefer to do business through e-commerce.

Suppliers lower their operating expenses by taking advantage of the web's unique abilities to communicate and process transactions. By implementing new processes that automate functions long performed by salespeople or support staff - for instance, notifying customers of their order status - they register important savings.

Find Partnerships of Opportunity

The right partnership strategy can allow a seller just entering the online space to accelerate towards a world-class business presence, or help an established e-commerce player expand into new markets and services. It is neither necessary nor advisable for companies hoping to tap the flow of B2B e-commerce to go at it alone. The alliance concept is alive and well on the Internet, where the special capabilities of the online medium can make such relationships especially advantageous. Simply by selecting the right technology and marketplace partners — many of whom offer access and services at low cost — suppliers can take a giant step towards true e-commerce enablement.

Sellers seeking to fast-track their web plans should seek partnerships of opportunity — alliances with other companies that allow them to quickly develop. Partnerships help sellers rapidly deploy e-commerce solutions and gain access to buyer infrastructure, services, and access to new customers. Pursuit of this strategy may mean joining a B2B marketplace, an electronic market on the public Internet that brings together buyers and sellers into a seamless trading community. These online marketplaces allow sellers to gain broad access to buyers and develop new, highly efficient lines of trade. Or it may mean selecting an ASP (Application Service Provider) that will provide hosted access to the applications the organization requires to conduct its e-commerce solution. For suppliers of small size and limited resources, web communities exist that offer basic e-commerce infrastructure, including hosting and transaction management.

Seize First Mover Advantage

Suppliers who move quickly to establish effective electronic business presence put themselves in a position of strength. Those who adopt a wait-and-see approach, hesitate too long over infrastructure decisions, or who are too tentative in execution, run the risk of being passed by. Internet business is characterized by its rapid pace and intense competition. Once a competitor has fallen far behind, it can be too late to catch up. Time-to-benefit is directly correlated to the speed at which a supplier establishes its B2B e-commerce presence. Rapid time-to-market is an essential component to every e-commerce rollout.

Create the Right Digital Infrastructure

Even small or medium sized B2B suppliers should not consider infrastructure an obstacle to the development of an electronic market presence. In many ways, it is easier than ever before for such organizations to gain early-stage access to the benefits of e-commerce and to an Internet-enabled supply chain. The last few years have seen remarkable evolution in web hosting, dynamic electronic marketplaces, and applications that process and route sales information. These are the essential building blocks of e-commerce infrastructure, assuring the organization's ability to

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establish connectivity, put product or service information online, access a broad range of customers, process transactions and fulfill orders.

Successful e-commerce demands the right alignment of human assets and technology elements, working together to support all phases of the customer experience: selection, purchase, delivery, and support.

Selection - Customer review of key product and service information prior to the purchase decision. This function is best served by a well designed web site that contains a complete range of information to guide the customer through the decision-making process.
Purchase - Sales transaction and processing. This requires a tracking solution that routes information to all functional groups needed to complete customer orders.
Delivery Fulfillment - This should also include a customer response capability to keep end recipients apprised of order status.
Support Customer Service - Often the forgotten element of e-commerce, support can be a make-or-break proposition in B2B, which is far more sensitive to service issues than B2C. From an infra-structure standpoint, this need is served through a web presence that places technical information and access to customer service information company representatives.

Create a Single Point of Access to All Markets of Opportunities

Sellers want to get their products and services in front of as many customers as possible, while minimizing their online investment of time and resources. To achieve this goal they should try to join a system of interconnected B2B marketplaces. By using common data standards, these electronic marketplaces allow suppliers to maintain their product and service information at a single online location while participating in several markets.

Maintaining multiple points of online product information forces a seller to do expensive work in several places — updating prices and information, eliminating dated content and managing customer data. This extra commitment leads to costly errors, drains money and time resources, and potentially makes the organization less responsive and customer-focused. Participation in a global network of integrated B2B marketplaces helps sellers gain tactical advantage and access to a virtually unlimited stream of buyer liquidity, maximizing the return on their investment in effort and money.

Exploit Branding and Customer Personalization

Online business offers a special range of opportunities for branding and customer personalization.

Online business offers a special range of opportunities for branding and customer personalization. Both encourage customer loyalty. B2B marketplaces let sellers access many customers, while maintaining one point of product and service information.

The high cost of customer acquisition demands that organizations focus on retaining existing customers through innovative branding and personalization initiatives. Maintaining brand identity on the web can be a challenge for B2B sellers.

Buyers have easy access to so many competing suppliers that product and service offerings can be reduced to a commodity presence, if aggregated. Building a high-quality, distinctive web site, particularly one that is enabled for integration via standards such as Commerce XML (cXML) to interact with network-based e-commerce purchasing solutions, can differentiate suppliers online by maintaining their brand identity and competitive differentiation.

Build Buyer Power

Building buyer power is the single most important element to establishing market control. Buyer power refers to the flow of transaction volume that market makers can drive through their B2B marketplace. For single companies with enough present purchase volume to qualify as the dominant player in the market, or for a consortium of major buyers able to aggregate their spend, buyer power represents a potentially unbeatable weapon in the struggle to edge out rival market makers. Companies that achieve market-leading buyer power are able to bind a community of suppliers and smaller buyers firmly to their B2B marketplace.

Cater to Buyer Behavior

Understanding how the market operates presently is critical. What preferences do buyers have around issues like business standards, supplier terms, and vendor assurances? What value-added services are in demand in the market, and which can be realistically supported over the exchange platform? Buyer behavior offers another leverage point in the struggle to establish B2B marketplace ownership.

Enable Technology

Players with market-leading buyer power are able to bind a community of suppliers and smaller buyers firmly to their B2B marketplace.

The B2B marketplace model relies on light, client-side technology — buyers and suppliers must be able to do business over the site through a standard browser that facilitates buyer/supplier transaction - but imposes special demands on the market maker, who must be able to manage the commerce process from requisition to order fulfillment and payment. This end-to-end support must take place over a network application architecture capable of supporting thousands of users in a highly distributed, fully scalable Internet environment. The B2B marketplace platform should also enable complex business rules, workflow, and relationships, and allow for integration with custom and third-party commerce modules.

To compete successfully in the B2B marketplace arena, market makers need a fully functional solution that accommodates the needs of their buyers and suppliers. This should allow market makers to extend advanced services to the trading community. The advantage will accrue to those market makers who ally themselves with technology solutions vendors with the expertise to launch and customize B2B marketplaces quickly.

Make the First Move

Speed-to-market is another front on which small, third-party players can potentially gain valuable ground over existing players. Slow-moving, complacent large buyers can be outdone by small, nimble competitors able to establish and quickly populate a B2B marketplace. If not anticipated by the larger market maker, this early-strike strategy can leave the market with no true consolidation of buyer power, allowing the third-party platform to grow into industry-standard status. Once established, the new marketplace may be able to resist pressure from the lagging rivals.

The Future of B2B

From the perspective of today's business managers, the new B2B e-commerce wave consists of equal parts threat and opportunity. It will split most industries' competitive field in into two camps — the prepared and the unaware. Like every great paradigm shift, the global rise in electronic B2B trading relationships presents a potentially massive shift in power. Small suppliers can establish access to an entirely new class of technology-enabled customer, and rapidly develop into a major market player. Established giants can suddenly find themselves vulnerable, threatened by faster moving and more technology-enabled competitors.

Suppliers who want to be an industry leader must seize the opportunity presented by the new economy. For those aggressive and focused enough to perform online, the upheaval and pace of today's electronic business world can yield tremendous benefit.

The rapid adoption of B2B marketplaces will shape the future of global business.

The compelling benefits that B2B marketplaces offer for buyers, suppliers, and market makers are driving the rapid adoption of these new markets. Marketplaces are the latest and most significant weapons to reshape B2B commerce relationships, and will soon affect all businesses in one way or another. The primary beneficiaries of the coming B2B wave will be those who use the web to extend, deepen, and create business relationships.

Marketplaces offer companies the chance to develop and enhance their most important relationships — those with buyers and suppliers — while enabling market makers to profit from new revenue opportunities. Companies can use B2B marketplaces to strengthen their existing trade relationships, discover and develop new ones, and promote faster and more efficient trading.

The rapid adoption of B2B marketplaces will shape the future of global business. In the years to come, marketplaces of all types will proliferate on the worldwide stage, integrating progressively deeper layers of the global business ecosystem.

The aggregation of buyers and sellers in centralized e-markets has significant implications for competition, pricing, and efficiencies. These exchanges will likely reshape some industries greatly, depending on what transparencies are lacking and to what degree.

It will vary significantly by industry, and we think blanket assumptions are dangerous. It's like we're in Pamplona, and that click behind you was the latch on the gate for the running of the e-commerce bulls, and we'll see who gets trampled. A few predictions:

Weak competitors get weaker as they lose geographic protection from stronger competitors.

- Strong competitors will become dominant in efficient markets, since their comparative advantages become known and applicable across the entire market.
- Weak competitors will get weaker as they lose geographic protection from stronger competitors.
- Intermediaries who profited from the geographic fragmentation could be at risk if their only added value was bridging the spatial gap.
- Suppliers will become more specialized as they search for comparative advantages by squaring off against the top tier of national and global competitors, instead of regional competitors. Specialization will lead to more choice, service, and customization.
- Since buyers will be able to initiate and terminate supplier relation ships more easily, the cost of searching for and establishing new commercial relationships will fall.
- In all likelihood, prices won't be driven through the floor and suppliers' margins will not completely erode.
- There will be some savings, but they're more likely to come in the form of uniform prices for similar buyer needs. Transparency will root out inefficiencies and aberrations. Buyers with less efficient processes that enforce uniform buying across their own organizations will now have the tools to implement and monitor procurement policy. Suppliers can't count on the unknowledgeable buyer to prop up margins and will have to take care to target customers who value their products and services.