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electronic marketplaces for international business

E-MARKETPLACES IN THE RETAIL & CONSUMER GOODS INDUSTRY

Report

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Abstract

The retail sector represents a cornerstone of economic activity within Europe, with around 3 million retail enterprises currently in the EU, employing nearly 14 million people. As there is still untapped potential, electronic business may eventually have major implications for the retail value chain.

The use of electronic business in the retail sector is far from being a pervasive reality and is below the average adoption rates in other sectors. One of the main reasons for this situation is that, in contrast with most manufacturing sectors, micro enterprises and SMEs still play a dominant role. Nevertheless, in most countries of the former EU-15, SMEs are organised as buying groups or franchising groups. This allows economies of scope and power negotiation in relations with the upstream and downstream players of the value chain.

Background information

According to e-Business W@tch, (the e-Business W@tch monitors the adoption, development and impact of electronic business practices in different sectors of the European economy) the retail sector comprises retail and wholesale trade, of food and non food items, in specialised and non-specialised stores. Retail trade is characterised by a complex structure with on one hand very small enterprises and on the other hand large enterprises. The sector is increasingly shaped essentially by a few very large groups or chains exploiting economies of scale, mixed with many small shops serving a local market. The increasingly important role of large enterprises in EU retail trade can be seen from their share in total turnover (about 50%) and employment (about 35%).

European food retailing continues to grow as well as the size of its largest players. Most of the biggest European food retailers figure amongst the 50 largest business groups in Europe. Non food retail trade through stores is a much more mature industry. The main activities in the non-food retail industry concern the retail sale of goods like clothes, footwear, home accessories, electrical goods, medical and cosmetic goods, and furniture.

Retail trade is one of the industries where e-commerce presents an evident opportunity to develop a completely new trading form with lower transaction costs. E-business directly modifies the trading activity because of the following factors: independence from opening hours, frequent updates of prices and promotion, smaller shops and show-rooms, better stock control, on-line automatic support and after-sales service. As a consequence, logistics, store management, customer retention are all functions likely to be strongly impacted by e-business.

Consumer goods

Consumer goods industries are among those getting most visibility in the e-economy. Many companies in these sectors are actively engaging in B2B e-business. In the near future, the growing convergence between back-office and front office processes into "e-business" may further challenge legal and functional categorisations. In this context, a purely sectoral policy approach resulting in an artificial distinction between manufacturers ("industry") and retailers ("commerce", "services") would prove unrealistic. As other industry sectors, consumer goods manufacturers are also rapidly evolving from traditional ICT applications such as "enterprise resource planning" which focused on productivity improvements and cost cutting, to advanced forms of collaborative e-business.

These schemes involve a large number of heterogeneous partners and entail more complex processes of information exchange and value creation between partners. The main challenges raised by e-business are organisational rather than technological. Evidence at firm and sector level convincingly demonstrates that technological innovation needs to be accompanied by substantial organisational change to deliver its benefits.

Traditional intermediaries are seeing their role challenged in an environment characterised by consolidations, globalisation and restructuring. In parallel, new intermediaries (e.g. logistic specialists, wholesaling activities of large retailers) appear. Besides, the reorganisation of intermediaries is being slowed down in some sectors for a variety of reasons – business traditions, exemptions from competition rules (e.g. car distribution), product legislation (e.g. pharmaceuticals).

E-marketplaces are a specific aspect of collaborative e-business. However, these marketplaces raise a number of issues for concern. One is that of financial viability. There may be just too many exchanges for the market to support. As in other areas of the e-economy, consolidation is rapidly taking place.

Another issue is that of competition. Issues include the potential for control of information, notably pricing information, and the emergence of dominant positions by leading “market makers”. However, beyond competition issues, the wider policy challenge is to ensure that e-marketplaces remain open, in order to maximise opportunities for all stakeholders.

The purpose of this report is to analyse B2B e-marketplaces in the retail and consumer goods industry.

Structure of the sector

On the basis of the European classification of business activities, the retail industry includes:

- Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods
- Retail sale in non-specialised stores with food, beverages or tobacco predominating
- Other retail sale in non-specialised stores
- Other retail sale of new goods in specialised stores

Below I would like to highlight two sectors of the consumer goods industry: the electronics and electrical machinery sector and the food, beverages and tobacco sector.

Electronics and electrical machinery

This sector covers a group of three divisions on the basis of the European classification:

- The manufacture of office machinery and computers
- The manufacture of electrical machinery and apparatus
- The manufacture of radio, television and communication equipment and apparatus

The sector accounts for approximately 11% of the total production in the EU manufacturing sector. The development and production of ICT hardware, which is a heavy user of ICT by itself, is also included in this sector.

Background information

- High potential for e-business in the sector: The electronics industry in particular is very suitable for e-business because of the high degree of standardisation of products, globalisation of production, and specialisation of firms along the value chain. In addition, this sub-sector is naturally IT-savvy and predestined to be open to experiment with new technology-driven management solutions. Consequently, the entire sector is among the early adopters and already advanced in the usage of e-business. Within the sector, the electronics industry is clearly more advanced than the electrical engineering industry.
- SMEs more advanced than in other sectors: Large firms lead in some e-business applications, but SMEs are not falling behind as markedly as in other sectors. This can be attributed to the high degree of IT knowledge and experience that naturally exists in this sector, even in smaller firms. Those SMEs that purchase online procure even larger proportions of their total purchasing volume over the Internet than large firms. The sector could be a model for SMEs from other sectors in some respects.
- Model sector for exploiting e-business opportunities: In contrast to other industry sectors, where a "battle of power" and a systematic divergence of interests could be observed between different stages of the value chain (for example between System Integrators and OEMs in the automotive industry), the advantages of e-business are clearly recognised and solutions are jointly promoted by all parts of the value chain in the electronics industry. Thus the sector could potentially serve as a model how e-business can increase the efficiency and competitiveness with all stakeholders in the value chain profiting.

Dynamic development calls for continuous monitoring: the latest developments reveal an intact and dynamic upward trend for e-business usage in this sector. Companies' plans indicate that online sales, B2B marketplaces, CMS, CRM, and website usage could gain further momentum in the near future, which calls for a continued monitoring in the future.

Food, beverages and tobacco

This sector consists of two major activities within the European classification, the manufacture of food products and beverages and the manufacture of tobacco products. Food and beverages are further subdivided into nine groups covering meat, fish, fruit and vegetables, fats, dairy products, grain mill and starch products and beverages and finally a group for animal feed. Food is more than 75% of the total production value of the sector, whilst beverages represent about 15%. Tobacco represents about 8% of total production.

The food industry is highly concentrated. There are a few large multinationals, sometimes vertically integrated and producing a vast array of products, which play a significant role in the international performance of the industry. On the other hand, there are a large number of dispersed firms responsible for local production specialising in one or two sub-sectors.

The production share of the four largest countries in Europe is well below (about 65%) their corresponding share in the manufacturing output (more than 70%). This depends, on one hand, on the fact that the food industry processes fresh products with a relatively low production value which often remain within national markets and, on the other hand, on the fact that regional preferences reinforces local productions.

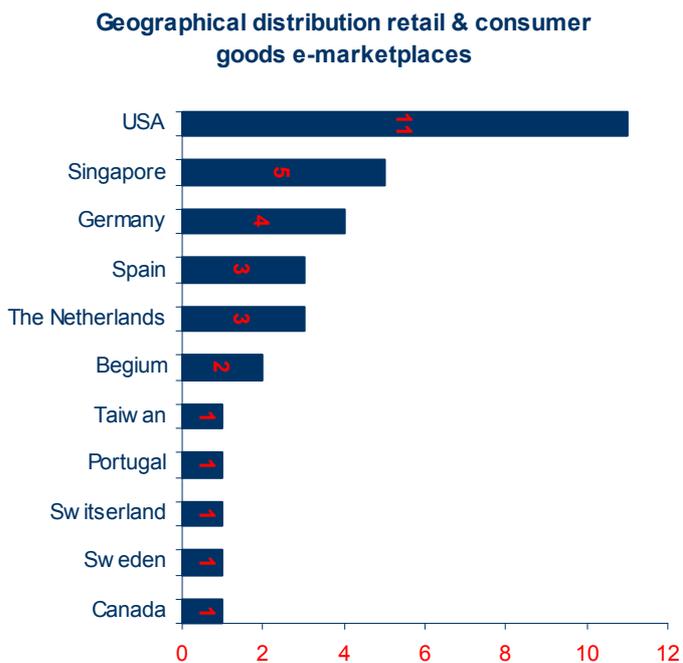
This dichotomic structure of the industry takes in account for the construction of the sample and for the evaluation of impacts indicators on the industry.

Purchasing online as the most important application

Purchasing online is the most important e-business application in the sector, with the main objective of optimising supply chain processes. E-purchasing helps firms to reduce purchasing costs, and to increase the efficiency of processes in the supply chain. The most frequently used method of buying online is making purchases from suppliers' websites. Other methods of online purchasing, such as using special B2B marketplaces, extranets, mobile commerce (e.g. via WAP) and via EDI are used to a lesser extent. Electronic B2B marketplaces are effectively used by SMEs in order to save purchasing costs, whereas large retail firms increasingly use extranet connections as a means of efficient cooperation with their main suppliers.

Geographical distribution

Currently there are 33 active retail and consumer goods industry e-marketplaces in the eMarket Services directory. The headquarters are located in the USA (11), Singapore (5), Germany (4), Spain (3), The Netherlands (3), Belgium (2), Canada (1), Portugal (1), Sweden (1), Switzerland (1), and Taiwan (1).



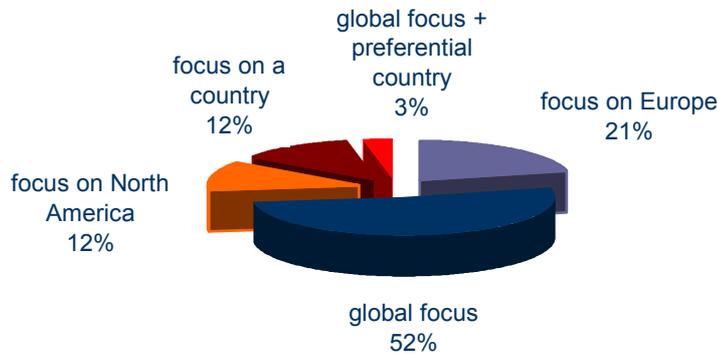
Buyers and sellers

The participants in retail and consumer goods e-marketplaces are mostly suppliers, wholesalers, retailers and manufacturers.

In the US, a number of so-called e-pharmacies have developed favoured by the specific characteristics of the US health system. The US administration has taken a number of steps to regulate this development.

In Europe, e-pharmacies have been established legally in Denmark, Netherlands and in the UK - the three Member States allowing distance selling of pharmaceuticals under certain circumstances.

Geographic focus



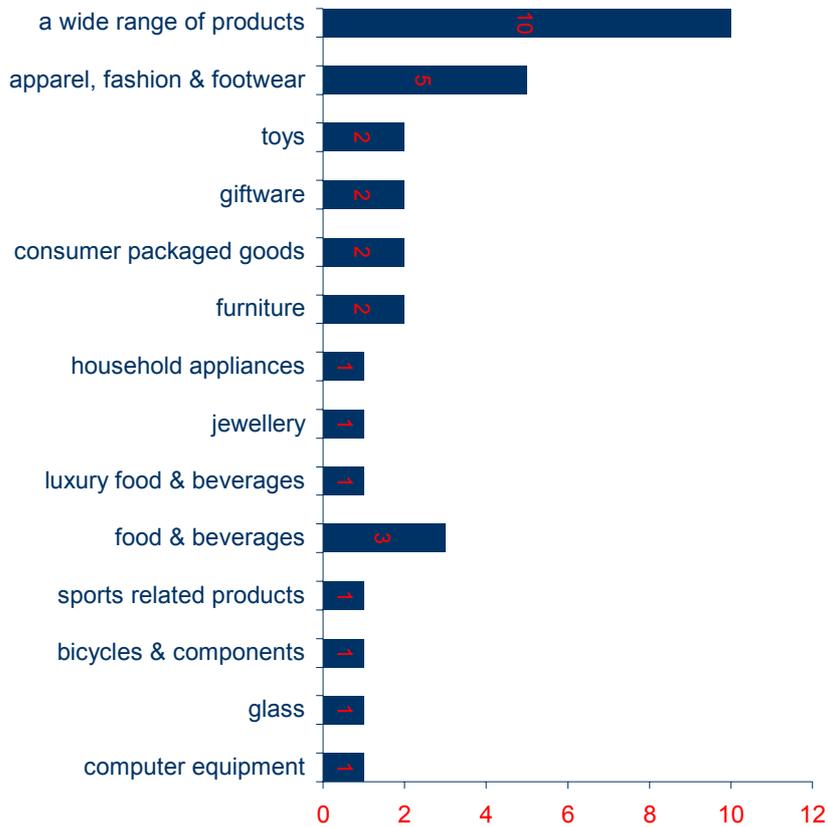
Focus

The majority of the e-marketplaces have a worldwide focus where transactions take place in several countries. Also, there are a large number of e-marketplaces with sellers operating in Asian countries, such as China en Taiwan.

Products traded

There are 10 e-marketplaces trading a wide range of products. These products are mostly computers, houseware, giftware, fashion, accessories, electronics, textile, furniture, stationary/office products, medical equipment, transportation equipment, and sports equipment. There is one e-marketplace that specialises in luxury food & beverages and three e-marketplaces for food & beverages in general.

Products traded on e-marketplaces in the retail & consumer goods industry



Registration and services

Most of the e-marketplaces require registration. Only two e-marketplaces allow free access. The services provided by the e-marketplaces vary from marketplace to marketplace. They are for example collaboration tools, consulting services, management solutions, industry news, website hosting and supply chain management.

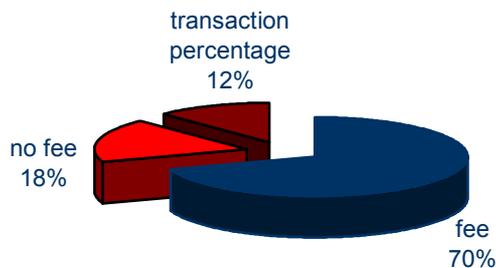
E-marketplaces which require registration



Access

A fee must be paid to use the trading platform and related services for 70 % of the consumer goods & retail industry e-marketplaces. The payment can be as a membership fee or a transaction fee, or both. Some of them have different types of memberships with different fees. The transaction percentage is paid mostly by the suppliers.

E-marketplaces which require fee or transaction percentage



eMarket Services list

The Retail & Consumer Goods e-marketplaces from the eMarket Services directory are listed below in alphabetical order. Information is presented on URL, headquarters location, the language, and the requirements for access or participation.

Retail & Consumer Goods

Name	Country HQ	Language	Fees	Registration required
AlmacenPC www.almacenpc.com	Spain	Spanish	No fee	YES
AsianProducts www.asianproducts.com	Taiwan	English	No fee	YES
Atradapro www.atradapro.de	Germany	German	Transaction percentage	YES
BicyclesB2B www.bicyclesB2B.com	Singapore	English	Membership fee	YES
BrandXchanges.com www.brandxchanges.com	Belgium	English	Transaction fee	YES
Buylink www.buylink.com	USA	English	Monthly fee for vendors	YES
CPGmarket.com www.cpgmarket.com	Switzerland	English French German	Different fees for different services	YES
designmarket.com www.designmarket.com	Sweden	English Swedish	Membership fee	NO
EcMarkets www.ecmarkets.com	USA	English	Membership fee	YES
FashionUnited.com www.fashionunited.com	The Netherlands	Dutch English German	Hosting fee, free for buyers	YES
furnituretradeB2B.com furnitureb2b.asiatrademart.com	Singapore	English	Membership fee	YES
giftwareB2B.com www.giftwareb2b.com	Singapore	English	Membership fee	YES
GNX www.gnx.com	USA	Chinese English French German Italian Japanese Portuguese Spanish	Membership fee	YES
House of Glass www.glasschange.com	USA	English	Membership fee	YES
ITEX www.itex.com	USA	English	Membership fee. Transaction fee. Different fees for different services.	YES

JCommerceRetail.com www.jcommerceretail.com	Belgium	Dutch English	Membership fee Transaction fee	YES
LiquidXS.com www.Liquidxs.com	USA	English	Transaction percentage. Free membership. Sellers pay a variable transaction fee.	YES
Moddo.com www.moddo.com	Spain	English Portuguese Spanish	Membership fee. Different fees for different services.	YES
nmedia.de www.nmedia.de	Germany	English French German	Transaction percentage. Transaction percentages are paid by the suppliers.	YES
Polygon Network www.polygon.net	USA	English	Polygon is a Membership Organization and all its transactions are private.	YES
portugalshoes.com www.portugalshoes.com	Portugal	Portuguese	No fee	YES
RetailExchange.com www.retailexchange.com	USA	English	Fees for offline services	YES
Shoe-Stocks.com www.shoe-stocks.com	The Netherlands	English	No fee	NO
Solution Provider: vLinX www.vlinx.com	Canada	English	Membership fee Transaction fee	YES
sportingB2B.com www.sportingb2b.com	Singapore	English	Membership fee. Free Buyer and Supplier Online Registration.	YES
TexYard www.TexYard.com	Germany	English German Turkish	Fees are only paid by the authors of auctions upon successful completion of an auction	YES
toytradeB2B.com www.toytradeb2b.com	Singapore	English	Membership fee. Free Buyer and Supplier Online Registration.	YES
tractesjuguete.com www.tractesjuguete.com	Spain	Spanish	Membership fee Transaction fee Transaction percentage	YES

Tradeplace
www.tradeplace.com

The Netherlands

Danish
 Dutch
 English
 Finnish
 French
 German
 Italian
 Norwegian
 Spanish
 Swedish

There is no fee to be paid to be a member of the site. But though Tradeplace members get entry to another site, and here you have to pay €230 per year

YES

Transora
www.transora.com

USA

English
 French
 German
 Italian
 Spanish

Fees depend on the solutions used

YES

VertMarkets: Grocery Retail Online
www.groceryretailonline.com

USA

English

Different fees for different services

YES

WorldWide Retail Exchange
www.worldwideretailexchange.org

USA

English
 French
 German
 Spanish

Membership fee

YES

ZDI Online Marktplatz
www.zdi.de

Germany

German

Membership fee

YES