BENEFITS AND BARRIERS ON B2B E-MARKETPLACES

By Sammy El Ghazaly
eMarket Services - Swedish Trade Council

www.emarketservices.com

December 2005
Introduction

B2B e-marketplaces provide buying and selling companies significant and proven benefits. The article will present the reader with an overview of such benefits and put them in counter with barriers on joining an e-marketplace.

Benefits and Barriers

The major benefits of B2B e-marketplaces are within procurement and collaborations activities. An e-marketplace often has a particular business purpose and focuses on one of those two activities. Thus some benefits within these activities are more accurate than others and depend on what type of e-marketplace is in question.

Classifying Benefits

The following text classifies and brings forward major benefits for buyers and sellers when using e-marketplaces. Companies are obviously both a buyer and seller. In this case a seller is defined as a company that wants to sell products through an e-marketplace and vice versa for a buyer. “Cost Reduction on Purchasing” is a benefit only for the buyers, but all the others are beneficial for both suppliers and buyers.

Cost Reduction on Purchasing

Companies that have adapted B2B e-commerce solutions have reported cost savings on direct materials of up to 15%. It is done by reducing waste and supplier margins and retrieving price transparency on the market. Reversed auctions are a common way to achieve price transparency. Buyers may also reduce search costs when catalogues or matching of products are available. [B, H]

Lowering Transaction Costs

E-marketplaces often include standardisation and automation of agreement, inquiring, paying/receiving and ordering processes. Such attributes reduce transaction costs and streamlines business methods.

Find and Conduct New Business

Companies can find business partners that they previously did not know about or could not trade with. The global span of the Internet allows many-to-many interactions. In addition the costs of finding and promoting new customers are minimal through such e-marketplaces.

The Supply Chain

E-marketplaces give companies the advantage to increase their efficiency of their supply chain, by automated procurement processes. Companies can e.g. receive deliveries just in time, reduce inventory and bring products to the market quicker. Such benefits often require strong collaboration from both parties and an implementation of an e-commerce solution.
Monitor Corporate Spending

B2B e-commerce solutions enable buyers to gain information on their buying patterns, consequently allowing organizations to allocate, control and reduce corporate spending. This is done through integrating procurement applications with the corporate computing systems. Such an application can also extend the companies Material Requirement Planning (MRP) and Enterprise Resource Planning (ERP) system to their suppliers and enable more competitive bidding process. Suppliers can also better provide the needs of their customers. [B, C, H]

E-commerce solutions of such type are defined as an application service provider (ASP). They are a tailor-made for different companies and hardware and software implementations are required.

Classifying Barriers

Barriers for using e-marketplaces are tangible issues and require awareness in the matter in order to break through them. The chapter brings forward essential barriers when joining an e-marketplace or implementing an e-commerce solution in the firm.

Strategic Change

A change in a firm's business system can be an evolutionary (operational) or a revolutionary (strategic) process. A balance of the both is necessary. Resistance to changes can among others depend on psychological and cultural reasons. Psychological reasons are when many people resist to changes due to them becoming fixed to organizational routines and them establishing certain habits. Cultural resistance is when a firm carries on a number of out of date assumptions about the market, typically when they surrounded by others with the same inconsistent certainty. In these two cases it can be necessary to make a revolutionary change in the firm. [E]

There are many success stories where companies have used e-commerce and been able to find new markets, reduce costs, etc. Yet SMEs are not convinced that their business would benefit from using e-commerce. Common barriers for such resistance are due to lack of motivation on changing traditional business strategies, methods and technologies. SMEs are mainly concerned with surviving and spend little time on developing new strategies. They are not familiar with the opportunities available through e-commerce.

The e-Europe (European Information society) view is that SMEs are more flexible in their internal organization than larger companies and can more efficiently adapt to the change of market conditions. [F] Further more e-Europe states that particularly SMEs have good benefits in e-commerce because they normally find it difficult to trade beyond their country. [G]

Costs and Financing of Implementing E-commerce

Costs of implementing e-commerce can be a serious barrier for SMEs. Costs include planning, procuring hardware and software, maintenance and telecommunications charges.

When deciding whether it is a good idea to purchase such solutions firms can make a return-on-investment analysis.
The analysis should consider the value and importance of trade partners that already are members of the e-marketplace and the long-term benefits of joining the e-marketplace. Long-term benefits can e.g. be reducing product cycle times, lowering inventory levels and increasing trade volumes.

Yet an obstacle for such an analysis is that it can be difficult to understand commercial benefits of the e-marketplace and therefore hard to calculate the return-on-investment. SMEs often have limited resources and need to see a significant return before deciding on using e-commerce. [A, F]

It is worth mentioning that there are numerous of e-commerce solutions that charges minimum rates and do not require software nor hardware implementations in the firm, i.e. a return-on-investment analysis does not imply all solutions.

**Personal contact**

Within various industry sectors personal contact is important. Each buyer has a different situation and all special requirements are difficult to include in an e-marketplace. Business processes in such situations is complicated to completely integrate in an e-marketplace. [I]

**Security and regulations**

Security aspects such as impact of hacker attacks, thefts of business information and funds as well as dishonest transactions and conflicts makes companies sceptical on using e-marketplaces.

In order to reduce security threats it is recommended to check if the e-marketplace verifies memberships, publishes members past successful engagements or recent testimonials and includes a security certification.

SMEs have a tendency to avoid the legal risks of engaging in abroad commerce. Legal issues such as privacy, VAT, and signatures are other resistances that companies are doubtful of.

**Technology**

New technologies often emerge and companies that choose to build a certain e-commerce platform will lose out if new standards are adopted. SMEs usually do not have the resources to implement such a platform but must often follow the technology and business standards set by their major clients. They can hence limit themselves to a certain technology not used by their other clients. [B, F]

**Supplier Issues**

Some type of e-marketplaces benefit buyers more than suppliers and price transparency is not always acceptable for suppliers. Other suppliers are not convinced on sharing inventory and capacity information in believe that it will cost them sales. Further B2B e-marketplaces reduce the direct relationships that sellers had with their customers. Many suppliers have therefore avoided such types of e-marketplaces. [D, B]
Conclusion

There is a diversity of B2B e-marketplaces when it comes to potential benefits and barriers, which need to be assessed in business matters. The diversity depends mainly on the e-marketplaces business purpose and quality. To match the right e-marketplace for your business purpose is not an easy assignment, it requires familiarity and time. Yet a successful match may reduce mentioned barriers and enhance company earnings.

References

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