How should suppliers be participating?

What are their requirements and how should they be integrated?

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Context

- B2B eMarket trends
- B2B eMarket options

Value Proposition

- Buyer value proposition
- Supplier value proposition
- Supplier benefits

Participation Approach

- High level eMarket strategy
- Channel strategy
- Capability development
- Technology integration
- Market share
- eCRM

Summary
The rapid growth of B2B eCommerce is being fueled by the promise of significant value gained through the use of eMarkets.

Sources of Value in eMarkets

- Increased operational efficiencies
- Transparent access to trading partners
- More effective trading partner and service segmentation
- Increased supply chain collaboration
- Supply chain synchronisation


Source: Forrester, Goldman Sachs, Accenture analysis
We see an evolution towards industry led marketplaces as B2B exchanges try to unlock this value and achieve the liquidity which will be vital to their long term survival.
Both horizontal (cross industry) and specific vertical eMarkets have developed so most industries face an array of participation choices.
There are three fundamental participation choices for eMarket participants

- **eMarketplaces**
  - Emerged first as intermediaries matching buyers and sellers
  - Often partnering with existing industry players for liquidity
  - Open access to the marketplace
  - Focus to date on matching buyers and sellers, expanding reach, transparency

- **Vertical exchanges**
  - A group of companies in the same industry join together
  - Typically interested in bringing together all industry participants
  - Focuses on deep integration between trading partners

- **B2B eMarkets**
  - Between a single company and its existing trading partners
  - Limited access to the marketplace
  - Can focus on deep integration between trading partners
The development of value propositions for eMarkets has predominantly been focused on the buyer side

- The buyer value proposition is well recited and chronicled.
  - Reduce prices
  - Increase operational efficiencies
  - Reduce inventories
- The buyer value proposition was initially focused on supplier aggregation, price transparency, and supplier discovery.
- The buyers have often been in a position to drive eMarket development in their industry.
The value proposition for suppliers has not been as evident and sell side exchanges face some unique challenges

- If multiple sell side exchanges form, buyers will have to be proficient in the use of multiple exchanges.
- Buyers are generally able to pull sellers to a buy side exchange, the converse is not always true.
- Sell side exchanges face substantial risks of creating channel conflicts.
- Sell side exchange participants will have to re-equip sales professionals to add more value by becoming more consultative as their role as simple information providers becomes less important.
- Charging different prices to buyers may be harder to justify due to increased visibility into pricing.
While less recognised and understood, a number of benefits are potentially achievable by eMarket suppliers.

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Source of Value</th>
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<tbody>
<tr>
<td>Increase Market Share</td>
<td>• Provide value-added service to enhance relationships with existing customers and attract new customers</td>
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<tr>
<td>Retain Market Share</td>
<td>• Respond to changing customer requirements and competitive threats</td>
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<tr>
<td>Create Operational Efficiencies</td>
<td>• Reduce operating costs through improved processes and alternative offerings</td>
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<tr>
<td>Reduce Inventories</td>
<td>• Reduce production and finished goods inventories through improved information flow and accuracy</td>
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<tr>
<td>Optimise Pricing</td>
<td>• Obtain better product / service prices through enhanced yield management and broader customer discovery</td>
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As companies consider selling through eMarkets, they will need to address a number of challenges moving from strategy through implementation.

- **Strategy**
  - What do eMarkets mean to us?
  - What are the major opportunities and threats?
  - Do we wish to participate in eMarkets? If so, what general types?
  - How do eMarkets fit into our larger corporate strategy?
  - Which eMarkets should we sell through?
  - Which products should we sell through which eMarkets?
  - How should we price through eMarkets?
  - How does this effect our distributors and sales force?

- **Enablement**
  - How do we connect to eMarkets?
  - How do we implement core functionality?
  - How do we use eMarkets to improve customer service and enhance customer intimacy, while reducing costs?
Suppliers will need to consider several issues in planning their eMarket strategies

- Do we understand the eMarket landscape in our industry? (Functionality, trends and value propositions)
- Do we understand internal and external forces that would shape our eMarket strategy?
- Can we identify our strengths, weaknesses, opportunities and threats?
- How should our corporate strategy be altered to include an eMarket strategy?
- What is our general approach to eMarkets:
  - Build a proprietary eMarket
  - Participate in an independent trading exchange
  - Join an industry consortium
  - Wait and see
Having considering the various types of eMarkets, suppliers must realise the task is **not** to pick which eMarkets are right for their company as a whole ...

**Which eMarkets are right for my company?**
...instead, developing an eMarket strategy involves considering the channel strategy for each product group.

Consider Each Product Category in Product Portfolio

Which channel(s) should be used for each product category?

How should products be priced in each channel?
For each possible combination of product group and market type, benefits and difficulties should be assessed

- What are the benefits?
- What are the difficulties?

In assessing the benefits and difficulties, the major areas already identified should be explored in greater depth

- Increase Market Share
- Retain Market Share
- Create Operational Efficiencies
- Reduce Inventories
- Optimise Pricing
A number of technology integration options exist
When considering market share growth, special attention should be paid to differentiating the company by serving the customer more effectively

- Customised product configuration
- Detailed reports on organisation's purchases
- Visibility into order status and inventories
- Publishing extensive technical and other information online

and

- Harnessing data to enable eCRM (Customer Relationship Management)
Of these approaches, harnessing eMarket data to enable eCRM is especially promising as a means to grow market share, because better data on customers enables

- Better customer insight
- Better customer offers
- Better customer interactions
B2B eMarkets are evolving to unlock value potential

While the buyer value proposition is more apparent, suppliers also have much to gain

A supplier participation approach should be driven by a corporate eMarket strategy
  • Channel strategy
  • Capability development
  • Processes, technology and people requirements

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