

# CS155b: E-Commerce

Lecture 14: March 1, 2001

Introduction to B2B E-Commerce

# Assignments

HW4 due in class March 27, 2001

Reading:

“How XML Enables Internet Trading Communities and Marketplaces,” by R. Glushko

“Entering the 21<sup>st</sup> Century: Competition Policy in the World of B2B Electronic Marketplaces”

Executive Summary, Chapters 1 and 2: Required  
Chapter 3: Optional

# Electronic Commerce Definitions

- Electronic commerce is a set of technologies, applications, and business processes that link business, consumers, and communities.
  - For buying, selling, and delivering products and services
  - For integrating and optimizing processes within and between businesses.

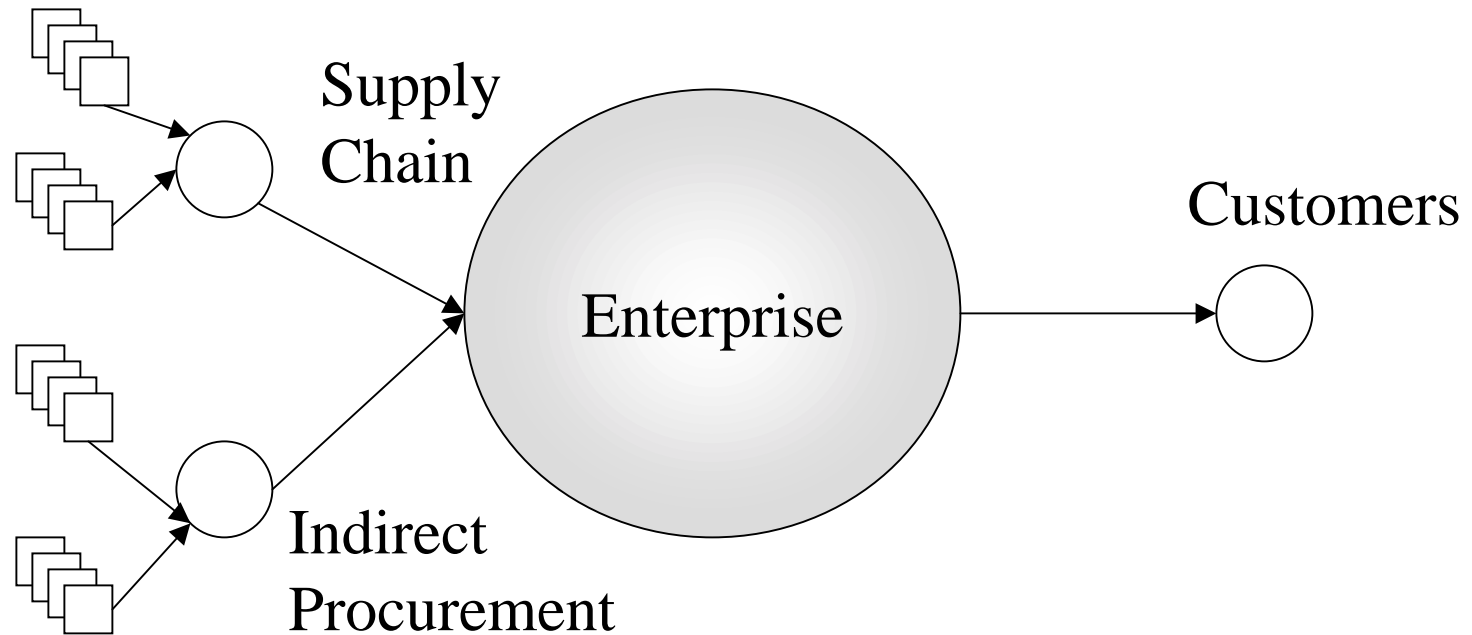
# Definitions, continued

- B2B Commerce: “Interactions relating to the purchase and sale of goods and services between businesses.” Estimated to be 70% of the US economy!
- B2B electronic marketplaces (“B2Bs”): Systems of suppliers, distributors, customers and infrastructure and service providers that use the Internet for communications and transactions.

# Business Models for Electronic Commerce

- Stores and malls
- Virtual communities
- Purchasing center
- Auctions and reverse auctions
- ★ Value-chain service provider
- ★ Value-chain integrator
- ★ Collaboration and concurrent engineering
- Information brokerage

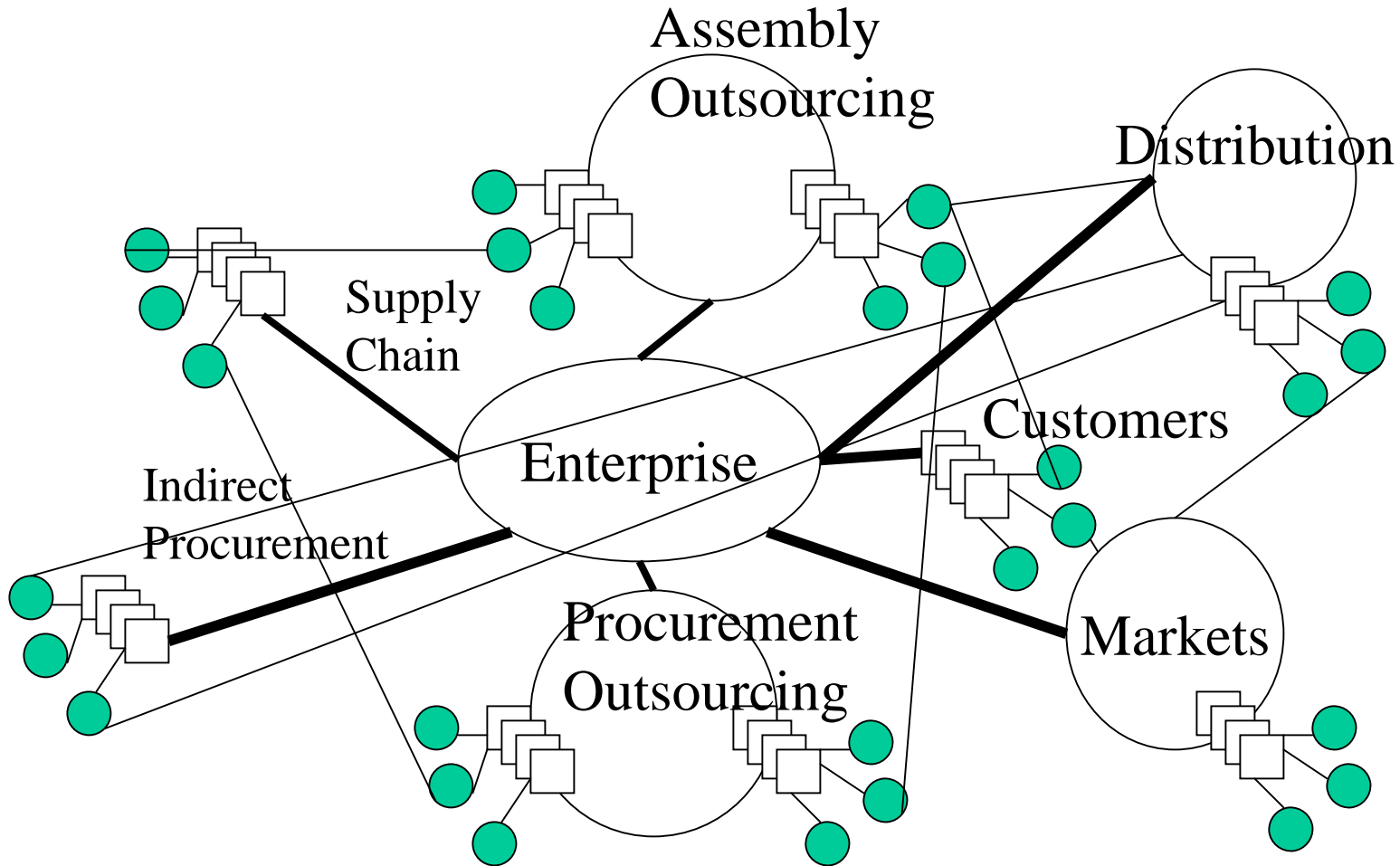
# Traditional Enterprise-Centric View



# Internet Business Models and Integration Requirements

Internet enables new models for marketplaces, trading communities, outsourcing, open sourcing, buying consortia, supply chain integration and “virtual enterprises” that are fundamentally different

# Networks of Commerce Communities





# Specific B2B Tasks

- Search
- Source
- Specify
- Negotiate and bid
- Order
- Receive goods and services

# “Horizontal” B2Bs

- Serve many different industries.
- “Product focus” is broad.
- Examples
  - HotOffTheWire (consumer goods for small and midsized retailers)
  - NTE (National Transportation Exchange, which sells unused trucking capacity to businesses)
  - equalFooting (obtains volume discounts for small businesses through “virtual aggregation”)

# “Vertical” B2Bs

- Serve a single industry
- Product focus is on “the supply chain of one product category” or on “expertise and in-depth content knowledge for one industry.”
- Examples
  - Covisint (automotive)
  - MetalSite
  - BuyProduce

# Revenue Models

- Transaction-related fees
  - Per-transaction
  - Flat (*e.g.*, monthly, yearly)
  - Value-based
- Membership/Subscription fees
- Value-added service fees
  - Logistics (*e.g.*, shipping)
  - Financing
- Advertising and Marketing
- ★ Sales of Data and Information

# Participant Ownership

- Advantages
  - Economies of scale
  - Technical expertise and content knowledge
  - Incentive to maintain high-volume participation
- Disadvantages
  - Barriers to niche-player and new-player entry
  - ★ Anti-trust Issues
- Alternatives
  - Ownership by technology firms
  - Ownership by 3<sup>rd</sup> party investors, *e.g.*, venture capitalists

# COMMERCE ONE

- Full Name: Commerce One, Inc.
- Employees: 3500
- Stock Price: \$17.5 (Feb 27, 2001)
- Revenues in Q4, 99-00: \$191,000,000
- Business Area: E-Marketplace

# PRODUCTS

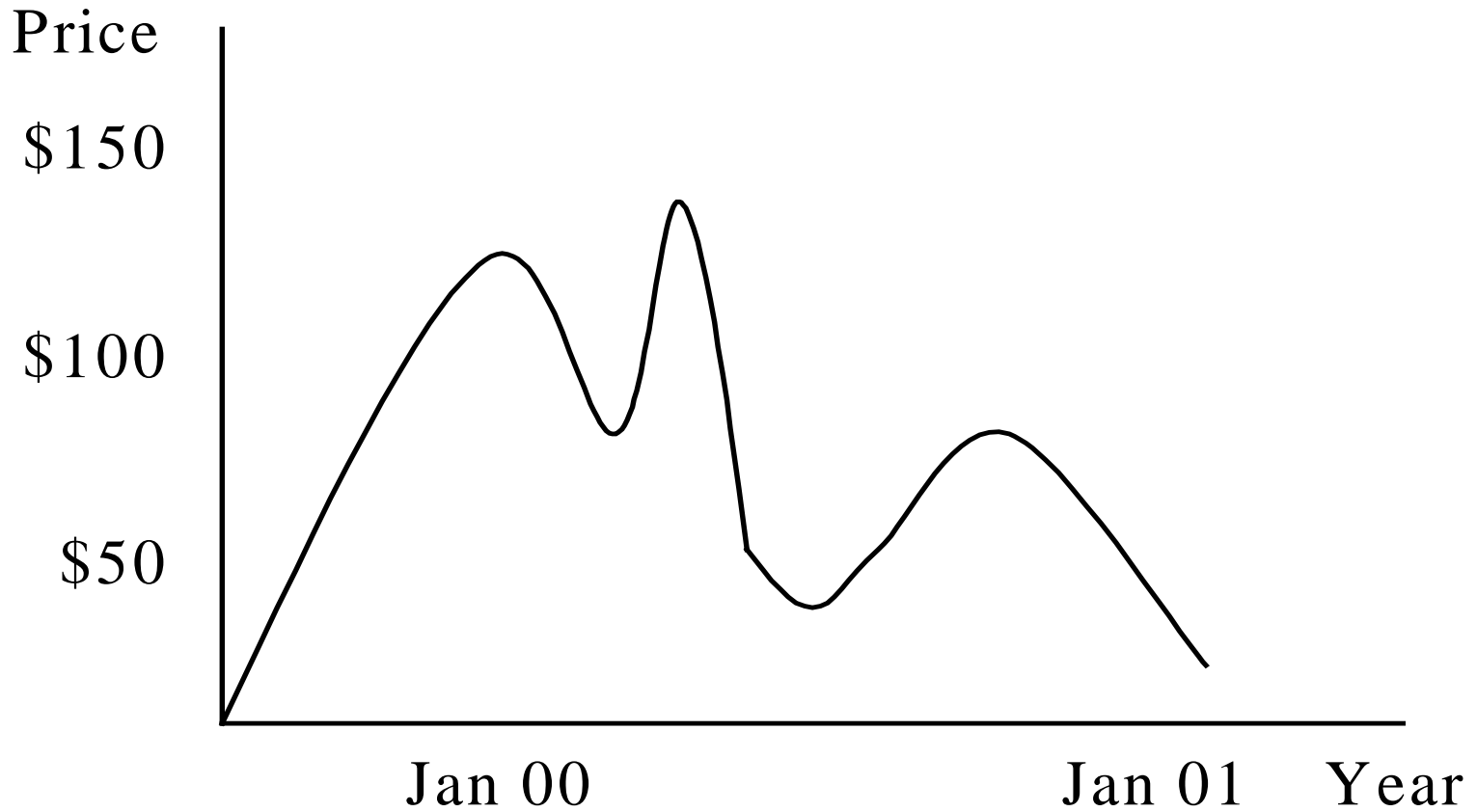
- E-Market Solutions: MarketSet™, MarketSite™, and Net Market Maker
- Enterprise Buyer: Automates the procurement cycle
- Services: Strategy & technology consulting, Integration, Educational Services, etc.
- Customers: Companies (including CitiBank, Compaq, Nokia, and Staples) and Exchanges (including Covisint)

# BRIEF HISTORY

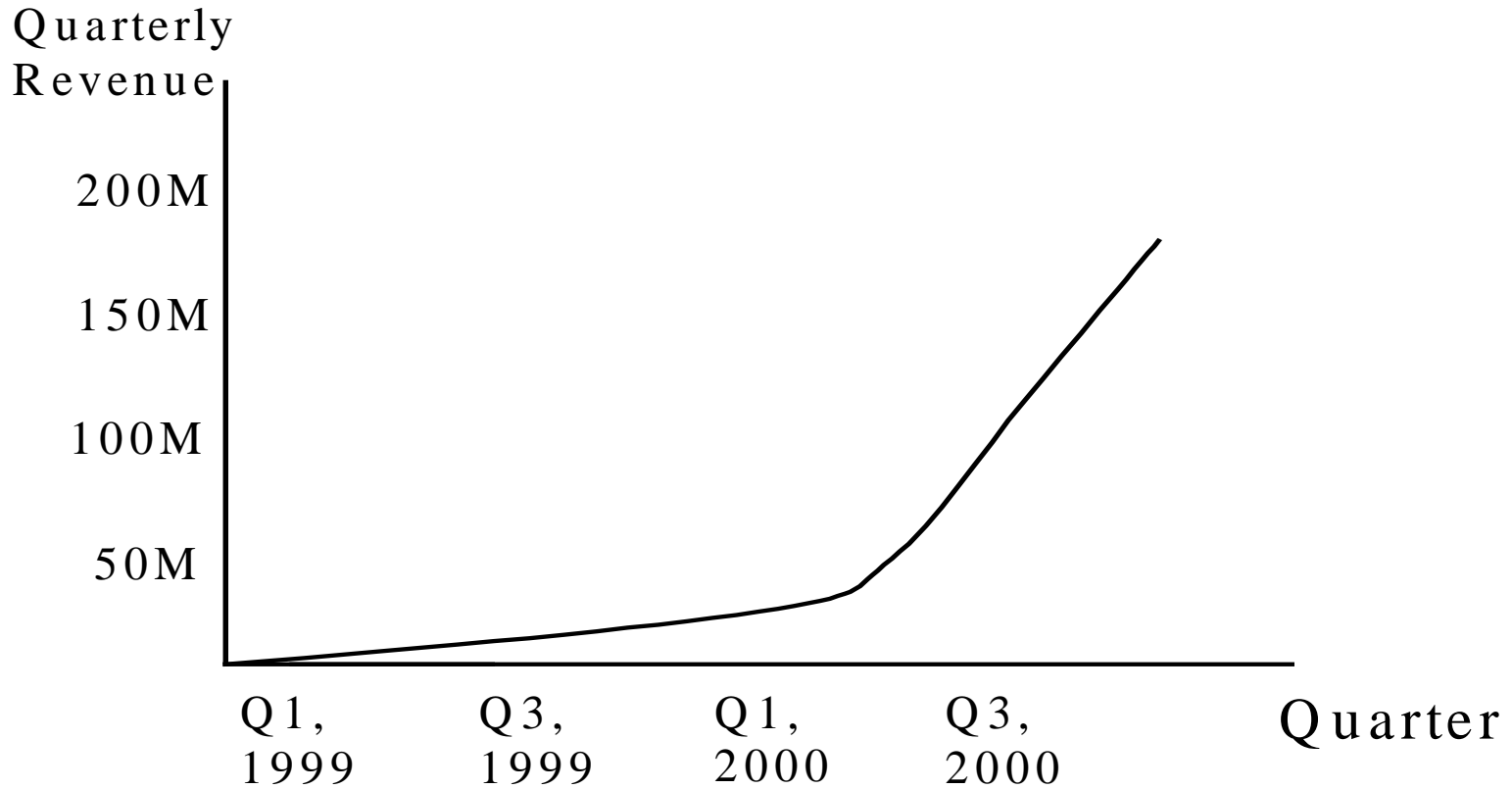
- 1994      Founded as *DistriVision Development Corporation*
- 1997      Re-launched as *Commerce One*
- July 1999      IPO
- Mar 2000      Historic Peak of Stock Price (\$135.625)
- Q3, 00-01      Starts earning money



# STOCK PRICE CHART



# REVENUE CHART



# ARIBA

- Full Name: Ariba, Inc.
- Employees: 1680
- Stock Price: \$17.25 (Feb 27, 2001)
- Revenues in Q1, 00-01: \$170,200,000
- Business Area: integrated commerce solutions and web-based commerce services

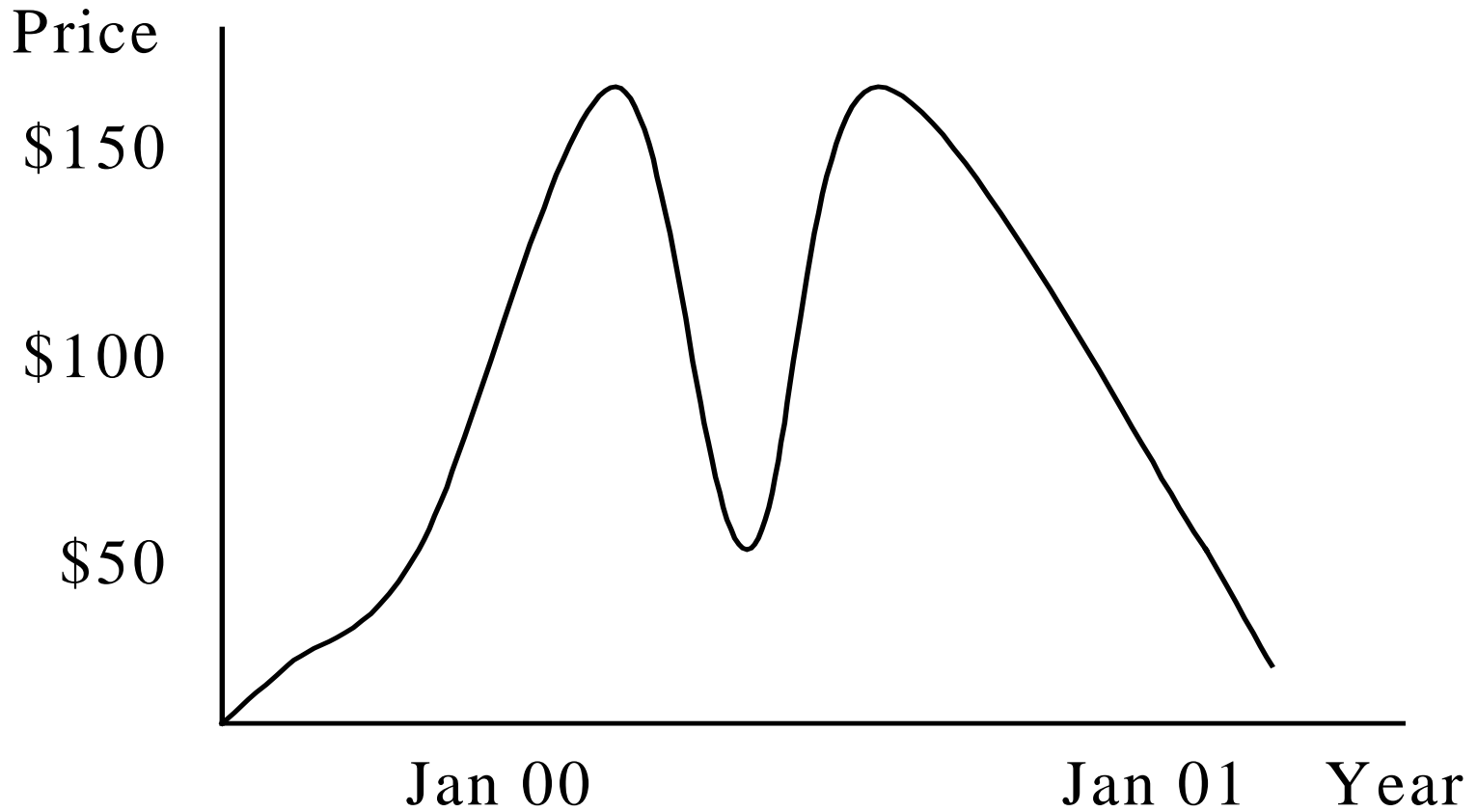
# PRODUCTS

- Procurement systems for managing buying, selling, and marketplace eCommerce processes
- Product series include Ariba Buyer, Ariba Marketplace, Ariba Dynamic Trade, etc.
- About 40% sales from technical support, training, and other related services
- Major clients: DuPont, Federal Express, Chevron, Hewlett-Packard, etc.

# BRIEF HISTORY

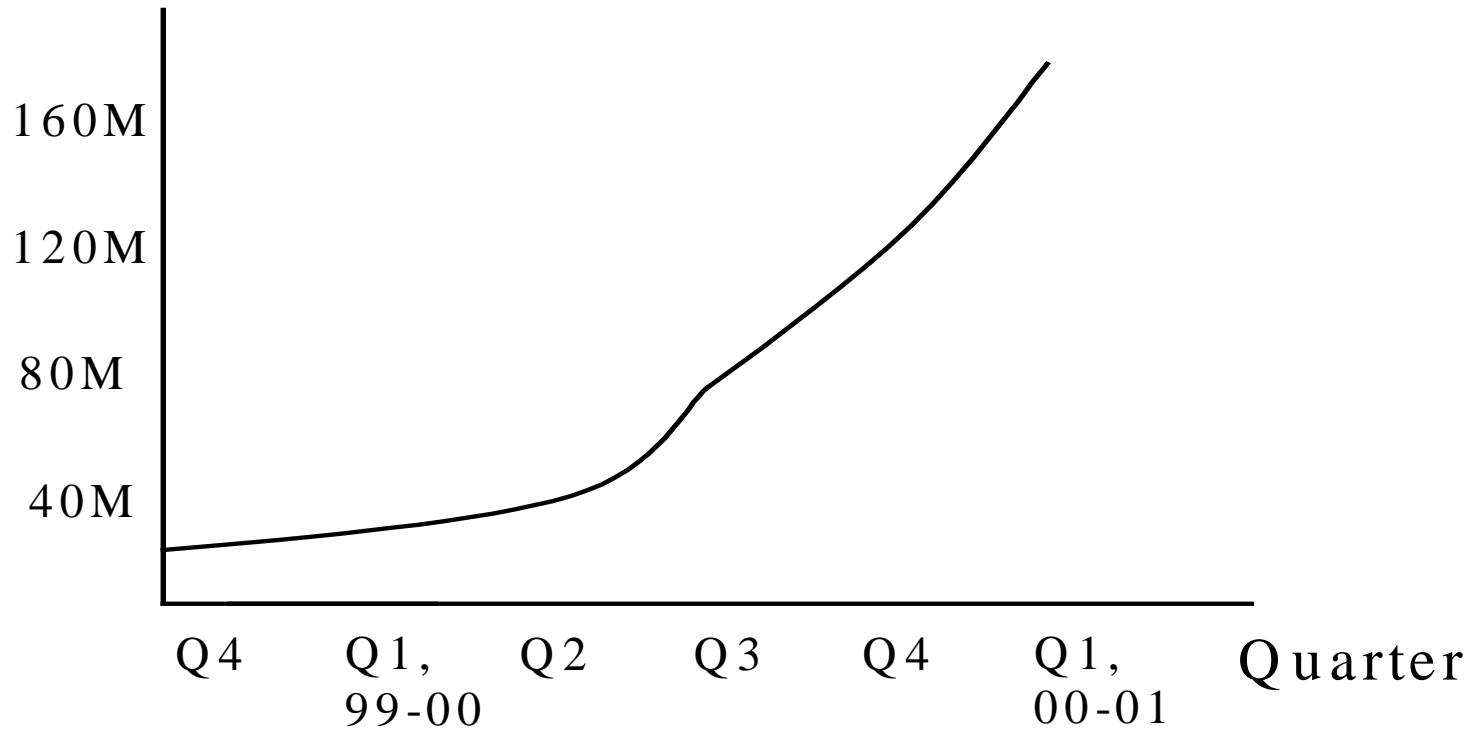
- Sept 1996      Founded
- June 1999      IPO
- Q4, 99-00      Revenue up 687% from same period last year
- Sept 2000      Historic Peak of Stock Price (\$168.75)
- Q1, 00-01      Starts earning money

# STOCK PRICE CHART



# REVENUE CHART

Revenue



# Covisint

- Founded officially Dec 11, 2000 by Ford, General Motors, Nissan and Renault.
- Started originally as a vision group 12 mo. earlier.
- B2B e-business exchange allowing automotive original equipment manufacturers (OEMs) and suppliers to speed the flow of material through the supply chain
- If Covisint lives up to its promise, consumers will eventually be able to custom-configure a car -- from engine size to upholstery color -- and drive it home a week after placing their order.

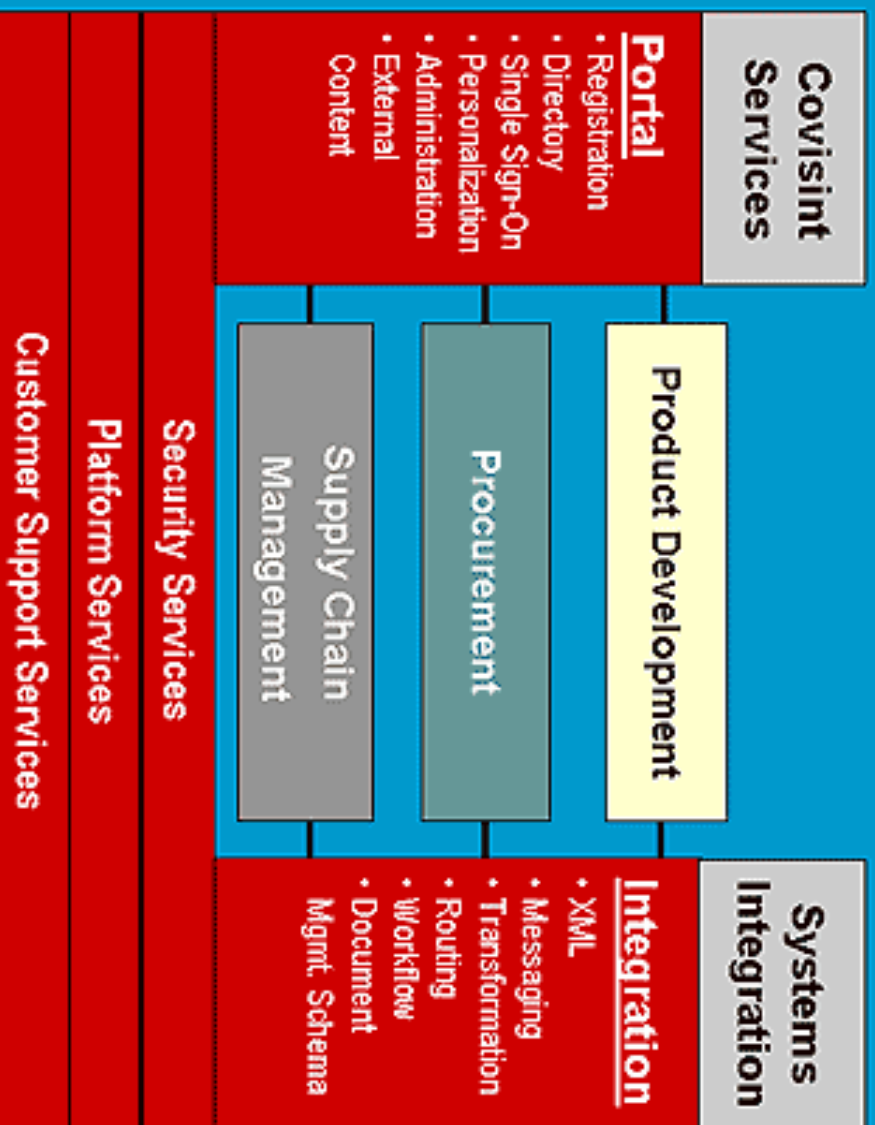


# The Exchange

- Virtual Project Workspace
  - Desktop application that allows members to buy and sell automotive parts, supplies, and services
- Procurement
  - Auctions: Seller and Buyer auctions
  - Catalogs: Custom and Community
- Supply
  - SupplyConnect: Access to every step of the supply process

# integrated solutions

covisint



# Revenue Model

- One-time licensing fees for members
- Flat transaction fees
- Variable-rate transaction fees
- Additional fees for auctions and catalogs
- Covisint hopes to tap into the \$1.3 trillion of purchased goods and services in the global automotive industry (eventually).

# Unresolved Issues

- Initially there won't be transparent, real-time, two-way supply-chain connections between the auto companies and all tiers of suppliers – no real improvement.
- Not all auto companies and suppliers will be signed up.
- Auto companies are the only ones to set the rules for the exchange.
- Rising tensions between software partners as Covisint delays final specs for application development.
- Other similar exchanges are planned by other automotive companies.