Instructor’s Manual: Chapter 12

B2B E-commerce: Supply Chain Management and Collaborative Commerce

**Learning Objectives**

After reading this chapter, your students should be able to:

# Discuss the evolution and growth of B2B e-commerce, as well as its potential benefits and challenges.

* Understand how procurement and supply chains relate to B2B e-commerce.
* Identify major trends in supply chain management and collaborative commerce.
* Understand the different characteristics and types of Net marketplaces.
* Understand the objectives of private industrial networks, their role in supporting collaborative commerce, and the barriers to their implementation.

# Key Terms

accountable supply chain, p. 790

adaptive supply chain, p. 789

automated order entry systems, p. 777

B2B commerce, p. 777

B2B e-commerce (B2B digital commerce), p. 777

B2B e-commerce website, p. 779

Bring Your Own Device (BYOD) policy, p. 794

buyer-side solutions, p. 778

cloud-based B2B system, p. 795

collaborative commerce, p. 800

collaborative resource planning, forecasting, and replenishment (CPFR), p. 818

contract purchasing, p. 785

direct goods, p. 784

e-distributor, p. 805

electronic data interchange (EDI), p. 778

enterprise systems, p. 787

e-procurement Net marketplace, p. 807

exchange, p. 808

horizontal markets, p. 778

hub-and-spoke system, p. 778

indirect goods, p. 784

industry consortium, p. 811

just-in-time production, p. 788

lean production, p. 788

legacy computer systems, p. 787

liquidity, p. 809

MRO goods, p. 785

multi-tier supply chain, p. 785

Net marketplace, p. 779

private industrial networks (private trading exchange, PTX) p. 779

procurement process, p. 781

seller-side solutions, p. 777

spot purchasing, p. 785

supply chain competition, p. 775

supply chain management (SCM) systems, p. 796

supply chain management (SCM), p. 787

supply chain simplification, p. 788

supply chain visibility, p. 786

supply chain, p. 777

sustainable supply chain, p. 791

tight coupling, p. 788

trans-organizational business process, p. 813

value chain management (VCM) services, p. 808

vertical market, p. 778

# Brief Chapter Outline

*Amazon Takes on B2B: With Amazon Business*

12.1 An Overview of B2B E-commerce

Some Basic Definitions

The Evolution of B2B E-commerce

The Growth of B2B E-commerce

Potential Benefits and Challenges of B2B E-commerce

*Insight on Society: Where’s My iPad? Supply Chain Risk and Vulnerability*

12.2 The Procurement Process and Supply Chains

Steps in the Procurement Process

Types of Procurement

Multi-Tier Supply Chains

Visibility and Other Concepts in Supply Chain Management

The Role of Existing Legacy Computer Systems and Enterprise Systems in Supply Chains

12.3 Trends in Supply Chain Management and Collaborative Commerce

Just-in-Time and Lean Production

Supply Chain Simplification

Supply Chain Black Swans: Adaptive Supply Chains

Accountable Supply Chains: Labor Standards

Sustainable Supply Chains: Lean, Mean, and Green

Electronic Data Interchange (EDI)

Mobile B2B

B2B in the Cloud

*Insight on Technology: Your Shoes Are in the Cloud*

Supply Chain Management Systems

Collaborative Commerce

Social Networks and B2B: The Extended Social Enterprise

B2B Marketing

12.4 Net Marketplaces: The Selling Side of B2B

Characteristics of Net Marketplaces

Types of Net Marketplaces

12.5 Private Industrial Networks

Objectives of Private Industrial Networks

*Insight on Business: Walmart’s Private Industrial Network Supports Omni-Channel Growth*

Private Industrial Networks and Collaborative Commerce

Implementation Barriers

12.6 Careers in E-commerce

12.7 Case Study: *Elemica: Cooperation, Collaboration, and Community*

12.8 Review

Key Concepts

Questions

Projects

References

# Figures

Figure 12.1 The Evolution of the Use of Technology Platforms in B2B E-commerce, p. 778

Figure 12.2 Growth of B2B E-commerce in the United States, p. 780

Figure 12.3 The Procurement Process, p. 784

Figure 12.4 The Multi-Tier Supply Chain, p. 786

Figure 12.5 The Evolution of EDI as a B2B Medium, p. 793

Figure 12.6 Cloud-based B2B Platforms, p. 796

Figure 12.7 Supply Chain Management Systems, p. 799

Figure 12.8 Elements of a Collaborative Commerce System, p. 801

Figure 12.9 Pure Types of Net Marketplaces, p. 805

Figure 12.10 E-distributors, p. 806

Figure 12.11 E-procurement Net Marketplaces, p. 807

Figure 12.12 Exchanges, p. 809

Figure 12.13 Industry Consortia, p. 811

Figure 12.14 Procter & Gamble’s Private Industrial Network, p. 814

Figure 12.15 Pieces of the Collaborative Commerce Puzzle, p. 818

# Tables

Table 12.1 Major Trends in B2B E-commerce, 2017–2018, p. 776

Table 12.2 Concepts and Challenges in Supply Chain Management, p. 787

Table 12.3 Characteristics of Net Marketplaces: A B2B Vocabulary, p. 804

Table 12.4 Examples of Independent Exchanges, p. 810

Table 12.5 Industry Consortia by Industry, p. 813

# Teaching Suggestions

This chapter discusses B2B e-commerce, supply chain management, and collaborative commerce. Many students will be completely unfamiliar with business-to-business commerce, as well as supply chain management, and collaborative commerce. Therefore, it is worthwhile to spend some time introducing these topics before going into depth on the various types of B2B digital commerce relationships.

The challenge in this chapter is to make some sense out of very confusing literature and portray to students the basic ideas without getting them lost in the details. B2B e-commerce is much less visible to students than B2C e-commerce, but it is having a profound impact on how businesses operate.

The opening case, *Amazon Takes on B2B: With Amazon Business*, highlights the growing interest in B2B, particularly from a sell-side marketplace perspective. Some class discussion questions for this case might include the following:

* Why did Amazon Business move from being a distributor of supplies to providing a B2B marketplace?
* What benefits over other B2B marketplaces does Amazon Business offer buyers?
* What benefits do suppliers have in using Amazon Business?
* Does Amazon Business pose any disadvantages for buyers or sellers?

## **Key Points**

*Overview of B2B E-commerce.* Section 12.1 provides an introduction to, and overview of, B2B e-commerce. B2B trade among business firms is huge, about $13.4 trillion in the United States. Consider taking the time to walk students through Figure 12.2, which describes the current and future size of B2B commerce. Contrast the size of B2B e-commerce in 2017 (about $7.6 trillion) with the size of B2C, which is only about $600 billion. The promise of B2B e-commerce is to reduce the transaction costs involved in this inter-business trade. The estimated benefit to the U.S. economy of such a change is in the trillions, money that could be put to more productive uses.

Define B2B commerce as all types of computer-enabled inter-firm trade; it has evolved over a 40-year period. You can help anchor students in this evolution by discussing Figure 12.1, which traces the evolutionary path of B2B. This allows students to put the Internet-enabled variant of B2B commerce into perspective as an evolutionary migration. One way you can motivate students to understand B2B is by discussing the potential benefits discussed on page 780. It is important for students to understand that there are also some risks created by the increasing globalization and consolidation enabled by B2B e-commerce and supply chains. The *Insight on Society* case, *Where’s My iPad? Supply Chain Risk and Vulnerability*, focuses on this issue. Class discussion questions for this case might include the following:

* Why does concentrating production on fewer suppliers also concentrate risk?
* How does globalization play a part in increased risk?
* What types of procedures could be implemented, given increased globalization, to reduce risk?

*The Procurement Process and Supply Chains*. Section 12.2 covers the procurement process and supply chains. Figures 12.3 and 12.4 are a good way to introduce students to the procurement process and the supply chain. Figure 12.3 describes the procurement business processes and chain, and Figure 12.4 describes the multi-tiered nature of the supply chain. Be sure students understand the different types of procurement: direct versus indirect goods and spot versus contract purchasing. MRO goods should also be explained.

*Trends in Supply Chain Management and Collaborative Commerce*. Section 12.3 covers trends in supply chain management and collaborative commerce. The first step is to make sure your students understand what supply chain management entails. Then review the major trends detailed in this section, including just-in-time and lean production, supply chain simplification, adaptive supply chains, accountable supply chains, sustainable supply chains, EDI, mobile B2B, and cloud-based B2B systems. Figure 12.5 is a good way to describe how B2B and EDI objectives have changed from simple automation into continuous replenishment. The holy grail of supply chain managers is to produce only enough goods to meet immediate demand and, therefore, to eliminate buffers and inventory in all tiers of the supply chain. New material on mobile B2B and cloud-based B2B software platforms highlights the increasing use of both technologies and their impact on B2B e-commerce. Figure 12.6 illustrates a cloud-based B2B platform.

The *Insight on Technology* case, *Your Shoes Are in the Cloud*, examines how Wolverine International, one of the world’s largest footwear companies, implemented a cloud-based supply chain platform to deal with its global supply chain. Questions for class discussion might include the following:

* What challenges did Wolverine face in its global supply chain?
* What factors led Wolverine to move to a cloud-based supply chain platform?
* What advantages does a cloud-based platform provide? Are there any disadvantages?

The section concludes with a discussion of supply chain management systems, collaborative commerce, and the impact of social networks on B2B. Figure 12.7 provides an illustration of a contemporary supply chain management system, and Figure 12.8 provides an illustration of a collaborative commerce system.

*Net Marketplaces.* Section 12.4 goes into greater detail on Net marketplaces. There are four “pure” types (use Figure 12.9 in class to describe the four types). It is important that students understand the various biases built into Net marketplaces. Market bias has been one reason that Net marketplaces have not flourished as expected; suppliers would rather not compete with one another for large contracts. The chapter next provides descriptions and examples of each of the four primary types of Net marketplaces: e-distributors, e-procurement companies, exchanges, and industry consortia.

*Private Industrial Networks.*Section 12.5 covers private industrial networks.Private industrial networks are extensions of the earlier EDI to an Internet but support a much wider variety of communications and file types including e-mail, chat, CAD diagrams, and graphics formats. Figure 12.15 describes the key elements of collaborative commerce. The ultimate objective is to closely coordinate the requirements of large manufacturers and distributors with a limited set of suppliers and transportation firms. Figure 12.14 illustrates a private industrial network developed by Procter & Gamble.

The *Insight on Business* case, *Walmart’s Private Industrial Network Supports Omni-Channel Growth*, describes Walmart’s efforts to build its Retail Link private industrial network. It permits the issuance of worldwide RFQs (requests for quotes) based on real-time demand for products in Walmart’s stores worldwide. However, Walmart is not willing to join industry-wide groups seeking to develop these capabilities for all general merchandisers. Class discussion questions for this case might include the following:

* What is Walmart’s Retail Link system, and how has it changed since the early 1990s?
* What functionality does Walmart’s GRS provide?
* Why did Walmart have an inventory problem beginning in 2014?
* Why has Walmart had difficulty competing with Amazon?

In Section 12.6 we offer students information and tips about how the concepts they’ve learned in this chapter can help them prepare for an interview for an entry-level position as a junior supply chain analyst.

The chapter-ending case study, *Elemica: Cooperation, Collaboration, and Community*, in Section 12.7, is a good wrap-up to the chapter. Elemica is a wonderful example of an industry-owned “hub,” a transaction environment where chemical industry firms can come together in a market to buy and sell. It is also unusual in that it is a platform that allows the enterprise information systems of participants to share information at very high speed. The hub is owned by the industry participants, not third parties, and any gains or profits rebound to industry participants, not third parties.

# Case Study Questions

1. *If you were a small chemical company, what concerns would you have about joining Elemica?*

Although small and medium firms do not need to have an ERP system to connect to Elemica, they do require some level of technological sophistication even to use the online portal. Elemica offers an online portal for those companies not as technically sophisticated as the larger global chemical companies. For all firms, Elemica reduces the burden on IT staff. In fact, one of the missions of Elemica is to help companies do more with fewer resources—including IT staff. As a small firm, you would be concerned that you would be able to respond to requests for large quantities of commodities that might be requested by partners.

1. *Elemica provides a community for participants where they can transact, coordinate, and cooperate to produce products for less. Yet these firms also compete with one another when they sell chemicals to end-user firms in the automobile, airline, and manufacturing industries. How is this possible?*

This is a difficult question. The chemical industry is very interrelated with a long history of firms buying/selling from each other. All firms in the industry at one point or another end up with spare inventory they would like to sell, or come short on specific chemicals preventing order execution. The Elemica hub is perceived as a neutral trading platform where all can benefit from lower-cost-to-serve, greater efficiencies, and overall more efficient operations that can serve customers better. By keeping bids and quotations anonymous, and the community fairly large and open, members can get a sense of “market price” and available quantities quite easily without revealing their names.

1. *How does the purchase of Elemica by Thoma Bravo, a private equity firm, change how Elemica fits into the B2B framework illustrated in Figure 12.9?*

With the purchase by Thoma Bravo, a private equity firm, Elemica can no longer technically be considered an industry consortium, as it was originally, although it still retains most of the attributes associated with being one.

# End-of-Chapter Questions

1. *Explain the differences between total B2B commerce and B2B e-commerce*.

Total B2B commerce describes all types of computer-assisted, inter-firm trade. whereas B2B e-commerce relates to that portion that uses the Internet to assist firms in buying and selling a variety of goods to each other.

*2. What are the key attributes of a B2B e-commerce website? What early technology are they descended from*?

The two key attributes that distinguish a B2B e-commerce website are:

* They use the Internet as the communication media instead of private networks.
* They tend to serve horizontal markets, that is, they carry products that serve a wide variety of industries.

Automated order entry systems preceded B2B e-commerce websites.

*3. List at least five potential benefits of B2B e-commerce.*

B2B e-commerce promises many strategic benefits for participating firms, both the buyers and the sellers, including:

* Lower administrative costs.
* Lower search costs for buyers.
* Reduced inventory costs due to increased competition among the suppliers (which increases price transparency) and reducing inventory to a bare minimum.
* Lower transaction costs due to the elimination of paperwork and the partial automation of the procurement process.
* Increased production flexibility by ensuring delivery of parts “just-in-time.”
* Improved quality of products due to increased cooperation among buyers and sellers, reducing quality issues.
* Decreased product cycle time due to the sharing of designs and production schedules with suppliers.
* Increased opportunities for collaborating with suppliers and distributors.
* Increased price transparency.

1. Name and define the two distinct types of procurements firms make. Explain the difference between the two.

The two types of procurements that firms make are for direct goods and indirect goods. Direct goods are directly involved in the production process such as the sheet steel used to produce an automobile body. Indirect goods are all other goods that are needed to carry out the production process, but are not directly involved in creating the end product. They include office supplies and maintenance products, which are sometimes also called MRO (maintenance, repair, and operations) goods.

1. Name and define the two methods of purchasing goods.

The two methods of purchasing goods are contract purchases and spot purchases. Contract purchases are long-term agreements to buy a specified amount of a product. There are pre-specified quality requirements and pre-specified terms. Spot purchasesare for goods that meet the immediate needs of a firm. Indirect purchases are most often made on a spot purchase basis in a large marketplace that includes many suppliers.

1. *Define the term supply chain and explain what SCM systems attempt to do. What does supply chain simplification entail*?

The supply chain refers to the series of transactions that links sets of firms that do business with each other. It includes not only the firms themselves, but also the relationships between them and the processes that connect them. SCM (supply chain management) systems attempt to coordinate and link the activities of suppliers, shippers, and order entry systems to automate the order entry process from start to finish. This includes the purchase, production, and moving of a product from a supplier to a purchasing firm. Supply chain simplification refers to the reduction of the size of a firm’s supply chain. Firms today generally prefer to work closely with a strategic group of suppliers to reduce both product costs and administrative costs. Long-term contract purchases containing pre-specified product quality requirements and pre-specified timing goals have been proven to improve end product quality and ensure uninterrupted production.

1. Explain the difference between a horizontal market and a vertical market.

Horizontal markets serve a myriad of different industries. An electronic storefront is an example of a horizontal market in that it tends to carry a wide variety of products that are useful to any number of different industries. Vertical markets, on the other hand, provide expertise and products targeted to a specific industry. EDI (electronic data interchange*)* systems usually serve vertical markets.

1. *How do the value chain management services provided by e-procurement companies benefit buyers? What services do they provide to suppliers*?

The value chain management services benefit buyers by automating a firm’s entire procurement process including purchase orders, requisitions, sourcing, business rules enforcement, invoicing, and payment. For the suppliers, they provide automation of the entire selling business process including catalog creation and content management, order management, fulfillment, invoicing, shipment, and settlement.

1. What are the three dimensions that characterize an e-procurement market based on its business functionality? Name two other market characteristics of an e-procurement Net marketplace.

The three dimensions that characterize an e-procurement market based on its business functionality are that (1) they are horizontal marketplaces (2) in which long-term contractual purchasing agreements are used (3) to buy indirect goods. Other market characteristics of e-procurement Net marketplaces are that they are independently owned, that they are many-to-many markets, and that they use fixed price catalogs.

E-procurement companies serve as intermediaries connecting hundreds of online suppliers offering millions of MRO goods to business firms who pay a fee to join the market, thus it is a public marketplace. They are mediated by an independent third party that purports to represent both buyers and sellers; however, they are likely to have a bias in favor of the buyer because they include the catalogs of competing suppliers and competing e-distributors.

1. Identify and briefly explain the anticompetitive possibilities inherent in Net marketplaces.

The anti-competitive possibilities inherent in Net marketplaces include:

* The possibility that they may provide some firms with an ideal platform to collude on pricing, market sharing, and market access. For example, in a Net marketplace owned by large industry players, owner-members could collude with one another on the prices they are willing to pay for inputs.
* The sharing of information to reach market-sharing agreements in which they divide the market up into segments and agree to produce only enough for their allocated segment.
* The coordination of a reduction in purchases, forcing the suppliers to sell their inputs below market prices.
* The restriction of market access if large industry players exclude smaller rivals, thus forcing them to pay higher prices for their inputs.

1. List three of the objectives of a private industrial network.

The objectives of a private industrial network may include to:

* Develop efficient industry-wide purchase and selling business processes.
* Develop industry-wide resource planning to supplement enterprise-wide resource planning.
* Create increasing supply chain visibility so that the inventory levels of buyers and suppliers will be known to the participants.
* Achieve closer buyer-supplier relationships, including demand forecasting, communications, and conflict resolution.
* Foster operations on a global scale.
* Reduce industry risk by preventing imbalances in supply and demand, including developing financial derivatives, insurance, and future markets.

1. *What is the main reason why many of the independent exchanges developed in the early days of e-commerce failed*?

The main reason is that they failed to attract enough players to achieve liquidity. That is, the number of buyers and sellers in the market, the transaction volume, and the size of the transactions were insufficient to sustain a profit.

1. Explain the difference between an industry consortium and a private industrial network.

Private industrial networks, which presently dominate B2B commerce, are web-enabled networks for coordinating trans-organizational business processes (collaborative commerce). These networks range in scope from a single firm to an entire industry. Although the central purpose of a private network is to provide industry-wide global solutions to achieve the highest levels of efficiency, they generally start with a single sponsoring company that “owns” the network. This differentiates private markets from industry consortia, which are usually owned collectively by major firms through equity participation.

1. *What is CPFR, and what benefits could it achieve for the members of a private industrial network*?

CPFR (collaborative resource planning, forecasting, and replenishment) involves working with network members to forecast demand, develop production plans, and coordinate shipping, warehousing, and stocking activities. The goal is to ensure that retail and wholesale shelf space is precisely maintained. The benefits it could achieve for private industrial network members are that hundreds of millions of dollars of excess inventory and capacity could be wrung out of an industry.

1. *What are the barriers to the complete implementation of private industrial networks?*

One barrier is that participating firms are required to share sensitive data with their business partners up and down the supply chain. This is a huge corporate mindset change as what was previously considered proprietary and secret must now be shared. Furthermore, in the digital environment, it can be difficult to control the limits of this information sharing. Information that a firm willingly gives to its largest customer may wind up being shared with its closest competitor.

Other barriers include difficulties in integrating private industrial networks into existing ERP (enterprise resource planning) systems and EDI (electronic data interchange) networks. Most ERP systems were not designed initially to work with extranets or even to be particularly Internet compliant; they were based on business models that use entirely internal business processes. Furthermore, changes in corporate culture and attitudes organization-wide and among all employees are essential so that a shifting of allegiances occurs from the firm to the wider trans-organizational enterprise. This is difficult to achieve. Employees must recognize that the firm’s fate is intertwined with that of their suppliers and distributors. Suppliers, in turn, must change how they manage and allocate resources because their own production is closely aligned with the demands of the private industrial network partners. A loss of independence among all participants in the supply and distribution chains occurs and this requires huge behavioral changes in individual organizations for their participation to reap the benefits of participation.

*16. What is EDI and why is it important?*

EDI is a communications standard for sharing business documents such as invoices, purchase orders, shipping bills, product stocking numbers (SKUs), and settlement information among a small number of firms. Virtually all large firms have EDI systems, and most industry groups have industry standards for defining documents in that industry. Today, EDI remains a general enabling technology that provides for the exchange of critical business information between computer applications supporting a wide variety of business processes. EDI is an important industrial network technology, suited to support communications among a small set of strategic partners in direct, long-term trading relationships.

*17. Describe six major trends in supply chain management and collaboration.*

Major trends in supply chain management and collaboration include:

* just-in-time production, which is a method of inventory cost management that aims to keep excess inventory at a bare minimum.
* lean production, which is a set of production methods and tools that focuses on elimination of waste throughout the customer value chain, not just inventory.
* supply chain simplification, which involves working with a strategic group of suppliers to reduce product and administrative costs and improve quality.
* adaptive supply chains, which seek to reduce the risks caused by relying on single suppliers who are subject to local instability by creating regional- or product-based supply chains.
* accountable supply chains, which involve efforts to make global supply chains more accountable in terms of labor conditions.
* sustainable supply chains, which take social and ecological interests into account and seek to use the most efficient environment for production, distribution, and logistics.

*18. Describe the challenges inherent to B2B e-commerce.*

Although there are many potential benefits to B2B e-commerce, there are also considerable risks and challenges. Often real-world supply chains fail to provide visibility into the supply chain because they lack real-time demand, production, and logistics data, and have inadequate financial data on suppliers. The result is unexpected supplier failure and disruption to the supply chain. Builders of B2B supply chains often had little concern for the environmental impacts of supply chains, the sensitivity of supply chains to natural events, fluctuating fuel and labor costs, or the impact of public values involving labor and environmental policies. The result is that many Fortune 1000 supply chains are risky, vulnerable, and socially and environmentally unsustainable.

*19. What is a multi-tier supply chain, and why does it pose a challenge for B2B e-commerce*?

A multi-tier supply chain is the chain of primary, secondary, and tertiary suppliers that together constitute the supply chain for a firm. For a large company, the number of suppliers can be in the thousands. The sheer number of companies involved makes it difficult to manage the supply chain and to obtain supply chain visibility.

*20. What is a cloud-based B2B platform, and what advantages does it offer?*

In cloud-based B2B systems, much of the expense of B2B systems is shifted from the firm to a B2B network provider, sometimes called a data hub or B2B platform. The cloud platform owner provides the computing and telecommunications capability; establishes connections with the firm’s partners; provides software on-demand (software-as-a-service or SAAS) to connect the firm’s systems to its partners’ systems; performs data coordination and cleaning; and manages data quality for all members. Network effects apply here: the cost of these tasks and capabilities is spread over all members, reducing costs for all. B2B network providers also provide communication environments and file storage services that allow partners to work together more closely, and to collaborate on improving the flow of goods and transactions. B2B network providers charge customers on a demand basis, rather than on a percentage of their transactions’ value, depending on their utilization of the network. Another advantage of cloud-based B2B systems is that, unlike traditional firm-based B2B systems, cloud-based B2B data networks can be implemented in short periods of time to respond to corporate mergers and rapidly changing markets.

*21. Describe the differences and similarities between B2C and B2B marketing.*

B2B e-commerce is in some respects very different from B2C e-commerce, and as a result, there are substantial differences between B2B and B2C marketing. Long-term sourcing typically involves large purchases with commercial relationships that can last several years or longer. The sellers and buyers may have known about each other for years; the capabilities and financial situations of the firms are known. Both parties share an understanding of the price and quality of what is being exchanged in the market. In these situations, B2C retail marketing tactics are not appropriate. Instead, interpersonal relationships, networking, brand, and informative content marketing using white papers, videos, podcasts, webinars, blogs, e-books, conferences, and professional associations are the primary and most effective marketing tools. However, in spot purchase markets for MRO or other commodity products, B2B marketing uses many of the same marketing tactics and tools found in B2C marketing: display ads, search engine marketing, websites, social network channels, videos, and mobile ads.

**Projects**

1. *Choose an industry and a B2B vertical market maker that interests you. Investigate the site and prepare a report that describes the size of the industry served, the type of Net marketplace provided, the benefits promised by the site for both suppliers and purchasers, and the history of the company. You might also investigate the bias (buyer versus seller), ownership (suppliers, buyers, independents), pricing mechanism(s), scope and focus, and access (public versus private) of the Net marketplace.*

Students should go to eMarketservices.com, click the Worldwide Directory link, choose an industry, and then choose a Net marketplace company within that industry. For instance, a student might select the Building & Construction industry. The next step is for the student to select a company, for example Abrasives1.com, within the industry. This displays a directory entry for that company. The directory provides further information on the company. Finally, to perform the analysis required by the project, the student should visit the website of the company chosen, and also use Google or other search engines to find relevant information in trade, industry, popular journals, and newspapers.

1. Examine the website of one of the e-distributors listed in Figure 12.9, and compare and contrast it to one of the websites listed for e-procurement Net marketplaces. If you were a business manager of a medium-sized firm, how would you decide where to purchase your indirect inputs—from an e-distributor or an e-procurement Net marketplace? Write a short report detailing your analysis.

A student choosing to compare Staples.com (e-distributor) versus Ariba (e-procurement) might provide the following analysis:

* **E-distributors** are the most common type of electronic marketplace; they sell products on an “as needed” basis. Staples.com efficiently organizes goods from more than one source for potential buyers. E-distributors such as Staples.com offer a reasonable compromise between price and service, and provide the convenience of one-stop shopping for a wide range of products from processed materials to finished goods. This is especially valuable to customers in the MRO or office supplies market. Buyers like placing one order, tracking one order, and having only one invoice to pay.
* **E-procurement** companies are typically used for long-term contractual purchasing of indirect goods. They expand on the business model of e-distributors by including the online catalogs of their suppliers and value chain management services. Ariba encourages new levels of communication and collaboration between buyers and suppliers. An e-procurement system automates and streamlines the purchasing process by eliminating managers and multiple orders while reducing the cost of processing an order. For a medium-sized company, the advantages of an e-procurement system allow the company to control expenses on indirect goods as well as direct goods. This gives companies more control over the bottom line. However, if a company does not want to make an expensive investment into an e-procurement system or get locked into one e-procurement system, then e-distributors are another way companies can make their indirect purchases less expensive and more streamlined.

1. *Assume you are a procurement officer for an office furniture manufacturer of steel office equipment. You have a single factory located in the Midwest with 2,000 employees. You sell about 40% of your office furniture to retail-oriented catalog outlets such as Quill in response to specific customer orders, and the remainder of your output is sold to resellers under long-term contracts. You have a choice of purchasing raw steel inputs—mostly cold-rolled sheet steel—from an exchange and/or from an industry consortium. Which alternative would you choose and why? Prepare a presentation for management supporting your position.*

An e-procurement officer’s goal is to find the best product at the best prices. Exchanges and consortia offer both. The benefits of exchanges are reduced search costs for parts, spare capacity, and lower prices due to a global marketplace fueled by competition among suppliers. Suppliers are often reluctant to join exchanges due to the fierce competition and price wars that can make profit margins miniscule, so the exchange might not have all the suppliers with which a company might wish to do business. Exchanges also usually don’t provide value-added services.

An industry consortium helps to develop long-term, stable relationships between buyers and sellers. Consortia are mainly developed by established Fortune 1000 companies. Both supplier and buyer benefit in a consortium. The buyer benefits because buyers control access to market channels. Suppliers benefit by having access to large procurement systems and large order sizes. This, in turn, leads to long-term purchasing relationships.

The best alternative is to join the industry consortia to secure long-term, low prices on the firm’s basic inputs. This does not mean that the e-procurement officer should ignore prices and goods available from an exchange: these should be purchased when good deals become available, but they should not be relied upon as the major source of sheet steel.

1. *You are involved in logistics management for your company, a national retailer of office furniture. In the last year the company has experienced a number of disruptions in its supply chain as vendors failed to deliver products on time, and the business has lost customers as a result. Your firm only has a limited IT department, and you would like to propose a cloud-based solution. Go to the website of GT Nexus. Explore the Why GT Nexus tab and the Solutions By Industry/Retail tab. Read several case studies on the site. Write a report to senior management why you believe that a cloud-based B2B solution is best for you firm.*

*[Note: The GTNexus.com website has been slightly redesigned. Currently, relevant material is available by selecting the Industries link, and then the Read More button under Retail.]*

Although student answers will vary, they should all reference several of the points highlighted on the GT Nexus website, including the ability to decrease costs, gain visibility into the firm’s extended supply chain, improved speed to market, among other benefits.

**Companion Website, Learning Tracks, and Video Cases**

You can also direct your students to the Companion Website for the book, located at [www.e-commerce2018.com](http://www.e-commerce2018.com). There they will find a collection of additional projects and exercises for each chapter; links to various technology tutorials; information on how to build a business plan and revenue models; information on careers in e-commerce, and more. Learning Tracks that provide additional coverage of various topics and a collection of video cases that integrate short videos, supporting case study material, and case study questions are also available for download from the book’s Online Instructor Resource Center at [www.pearsonhighered.com/irc](http://www.pearsonhighered.com/irc). Video Cases for Chapter 12 include:

* Video Case 12.1 Flextronics Uses Elementum’s Cloud-based Mobile Supply Chain Apps
* Video Case 12.2 Mechan Groep Streamlines with Sana Commerce