

Chapter 4

B2B E-Commerce

Learning Objectives

1. Describe the B2B field.
2. Describe the major types of B2B models.
3. Discuss the models and characteristics of the sell-side marketplace, including auctions.
4. Describe the sell-side intermediaries.
5. Describe the characteristics of the buy-side marketplace and e-procurement.
6. Explain how reverse auctions work in B2B.
7. Describe B2B aggregation and group purchasing models.

Learning Objectives

8. Describe other procurement methods.
9. Define exchanges and describe their major types.
10. Describe B2B portals.
11. Describe third-party exchanges.
12. Describe how B2B can benefit from social networking and Web 2.0.
13. Describe Internet marketing in B2B, including organizational buyer behavior.

Concepts, Characteristics, and Models of B2B E-Commerce

- **business-to-business e-commerce (B2B EC)**

Transactions between businesses conducted electronically over the Internet, extranets, intranets, or private networks; also known as eB2B (electronic B2B) or just B2B

Concepts, Characteristics, and Models of B2B E-Commerce

- **THE BASIC TYPES OF B₂B TRANSACTIONS AND ACTIVITIES**
 - **Sell-side**
 - **Buy-side**
 - **Exchanges**
 - **Supply chain improvements and collaborative commerce**

Concepts, Characteristics, and Models of B2B E-Commerce

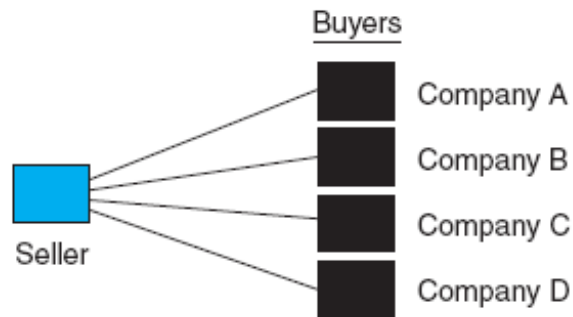
- **THE BASIC TYPES OF B₂B E-MARKETPLACES
AND SERVICES**

- **One-to-Many and Many-to-One: Private E-Marketplaces**

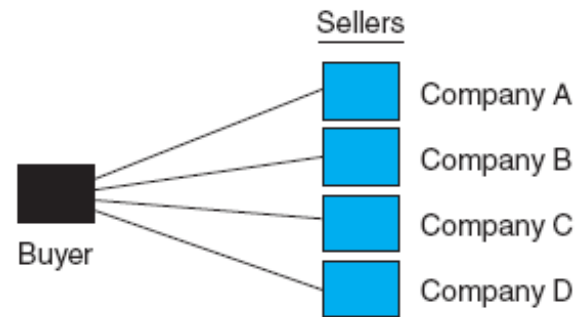
- **company-centric EC**

E-commerce that focuses on a single company's buying needs (many-to-one, or buy-side) or selling needs (one-to-many, or sell-side)

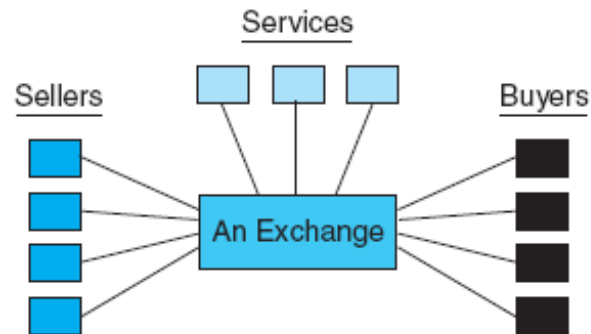
EXHIBIT 4.1 Types of B2B E-Commerce



(a) Sell-Side B2B



(b) Buy-Side B2B



(c) Electronic Exchange



(d) Supply Chain Improvements and Collaborative Commerce

Concepts, Characteristics, and Models of B2B E-Commerce

- **Many-to-Many: Public Exchanges**
 - **exchanges (trading communities or trading exchanges)**

Many-to-many e-marketplaces, usually owned and run by a third party or a consortium, in which many buyers and many sellers meet electronically to trade with each other
 - **public e-marketplaces**

Third-party exchanges open to all interested parties (sellers and buyers)
- **Supply Chain Improvers and Collaborative Commerce**

EXHIBIT 4.2 Generations of B2B E-Commerce

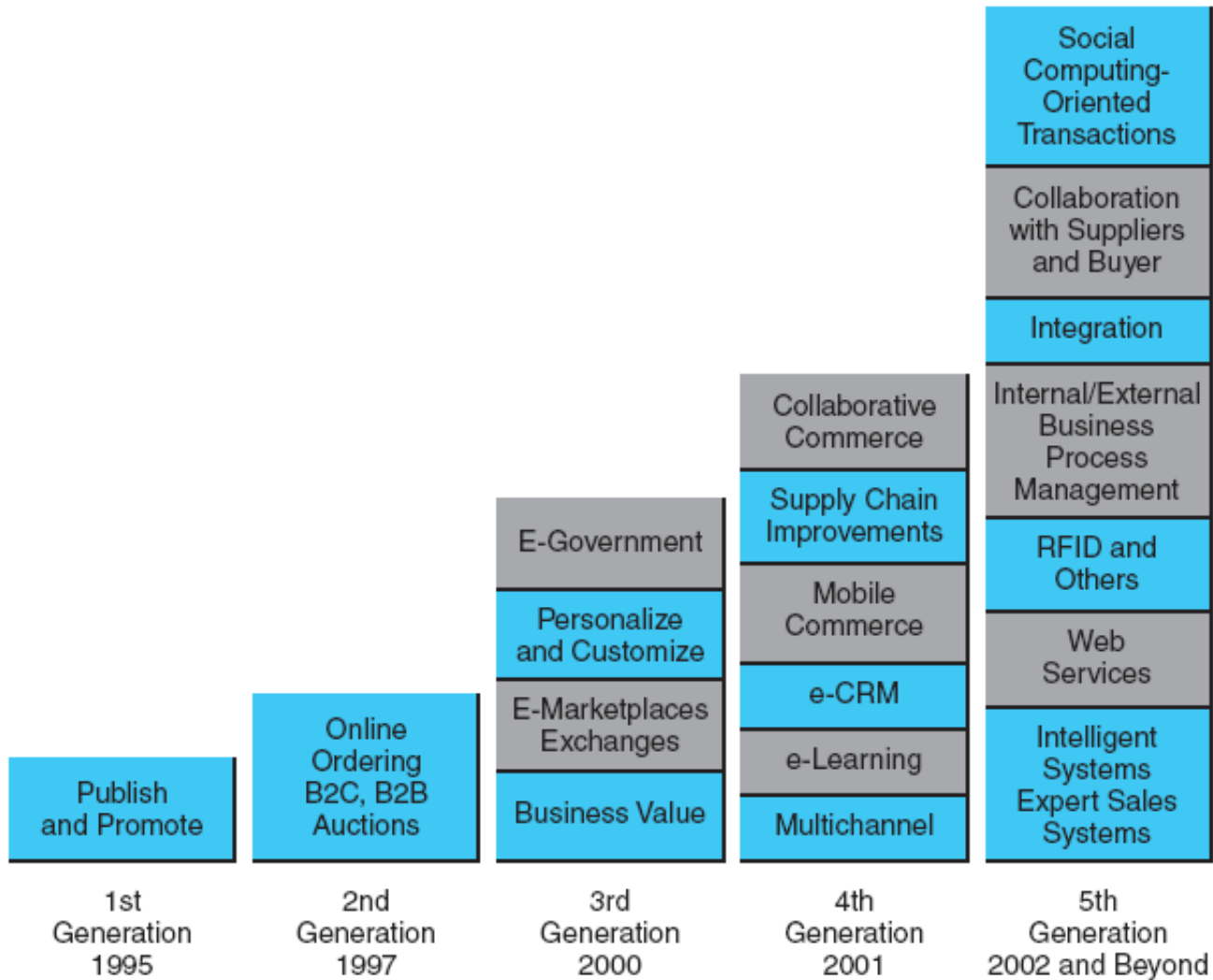
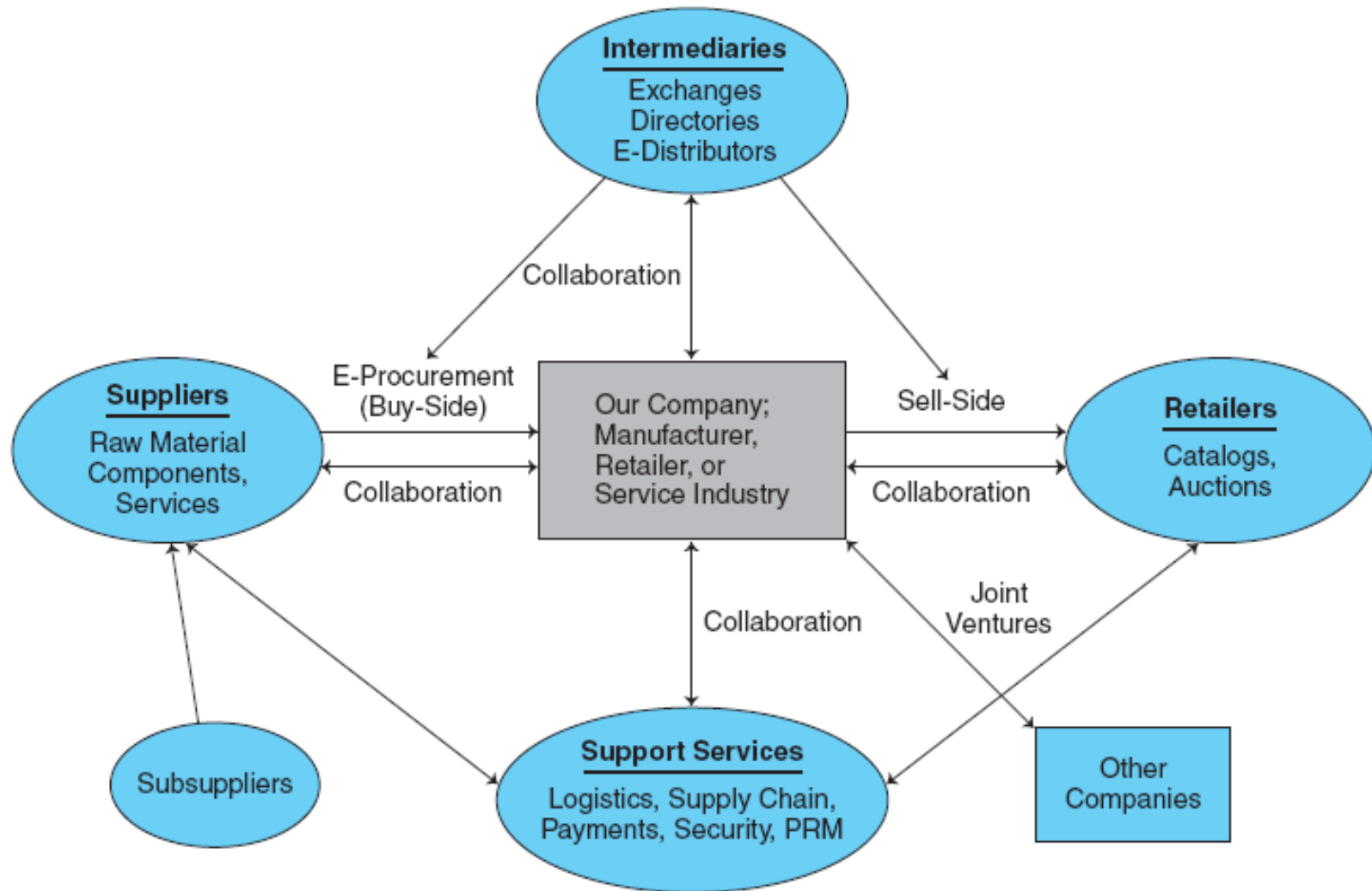


EXHIBIT 4.3 The Components of B2B



Concepts, Characteristics, and Models of B2B E-Commerce

- **B2B CHARACTERISTICS**

- **Parties to the Transaction: Sellers, Buyers, and Intermediaries**

- **online intermediary**

An online third party that brokers a transaction online between a buyer and a seller; may be virtual or click-and-mortar

Concepts, Characteristics, and Models of B2B E-Commerce

- **Types of B2B Transactions: How Do Firms Buy?**

- **spot buying**

The purchase of goods and services as they are needed, usually at prevailing market prices

- **strategic (systematic) sourcing**

Purchases involving long-term contracts that usually are based on private negotiations between sellers and buyers

Concepts, Characteristics, and Models of B2B E-Commerce

- **Types of Materials Traded: What Do Firms Buy?**

- **direct materials**

Materials used in the production of a product (e.g., steel in a car or paper in a book)

- **indirect materials**

Materials used to support production (e.g., office supplies or light bulbs)

- **MRO (maintenance, repair, and operation)**

Indirect materials used in activities that support production

Concepts, Characteristics, and Models of B2B E-Commerce

- **The Direction of the Trades**

- **vertical marketplaces**

Markets that deal with one industry or industry segment (e.g., steel, chemicals)

- **horizontal marketplaces**

Markets that concentrate on a service, material, or a product that is used in all types of industries (e.g., office supplies, PCs)

Concepts, Characteristics, and Models of B2B E-Commerce

- **SUPPLY CHAIN RELATIONSHIPS IN B₂B**
- **SERVICE INDUSTRIES ONLINE IN B₂B**
- **PARTNER AND SUPPLIER RELATIONSHIP MANAGEMENT**
 - **partner relationship management (PRM)**

Business strategy that focuses on providing comprehensive quality service to business partners
 - **supplier relationship management (SRM)**

A comprehensive approach to managing an enterprise's interactions with the organizations that supply the goods and services it uses.
- **THE BENEFITS AND LIMITATIONS OF B₂B**

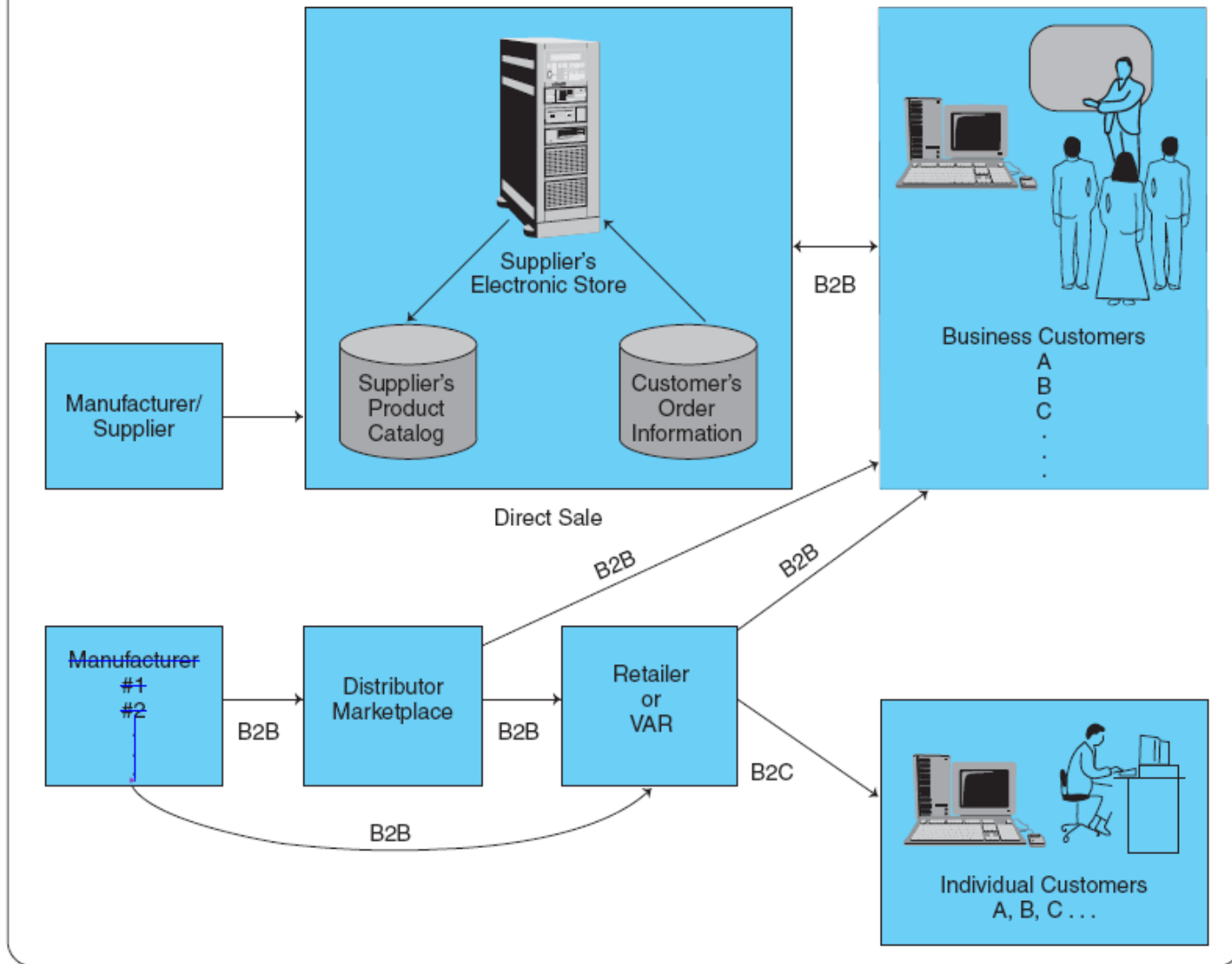
One-to-Many: Sell-Side E-Marketplaces

- **sell-side e-marketplace**

A Web-based marketplace in which one company sells to many business buyers from e-catalogs or auctions, frequently over an extranet

- **B2B Sellers**
- **Customer Service**

EXHIBIT 4.5 Sell-Side Configuration Intermediations in B2B



One-to-Many: Sell-Side E-Marketplaces

- **SALES FROM CATALOGS: STOREFRONT**
 - Customization and Self-Configuration
 - Benefits and Limitations of Online Sales from Catalogs
- **COMPREHENSIVE SELL-SIDE SYSTEMS**

Selling Via Distributors and Other Intermediaries

- Manufacturers can sell directly to businesses, and they do so if the customers are large buyers.
- Frequently they use intermediaries to distribute their products to a large number of smaller buyers.
- The intermediaries buy products from many manufacturers and aggregate them into one catalog from which they sell to customers or to retailers.

Selling Via E-Auctions

- **USING AUCTIONS ON THE SELL SIDE**
 - Revenue generation
 - Cost savings
 - Increased “stickiness”
 - Member acquisition and retention
- **AUCTIONING FROM THE COMPANY’S OWN SITE**
- **USING INTERMEDIARIES IN AUCTIONS**
- **EXAMPLES OF B₂B FORWARD AUCTIONS**

Summary

1. The B2B field
2. The major B2B models
3. The characteristics and models of sell-side marketplaces
4. Sell-side intermediaries
5. The characteristics of buy-side marketplaces and e-procurement