

E-marketplaces

Introduction

e-marketplace

An online market, usually B2B, in which buyers and sellers exchange goods or services; the three types of e-marketplaces are private, public, and consortia

What is it ?

An E-marketplace is a website where buyers and sellers come together to communicate, share ideas, advertise, bid in auctions, and co-ordinate and fulfill inventory

EXHIBIT 2.1 Functions of a Market

Matching of Buyers and Sellers

- Determination of product offerings
 - Product features offered by sellers
 - Aggregation of different products
- Search (of buyers for sellers and of sellers for buyers)
 - Price and product information
 - Organizing bids and bartering
 - Matching seller offerings with buyer preferences
- Price discovery
 - Process and outcome in determination of prices
 - Enabling price comparisons
- Others
 - Providing sales leads

Facilitation of Transactions

- Logistics
 - Delivery of information, goods, or services to buyers
- Settlement
 - Transfer of payments to sellers
- Trust
 - Credit system, reputations, rating agencies such as *Consumer Reports* and the BBB, special escrow and online trust agencies
- Communication
 - Posting buyers' requests

Institutional Infrastructure

- Legal
 - Commercial code, contract law, dispute resolution, intellectual property protection
 - Export and import law
- Regulatory
 - Rules and regulations, monitoring, enforcement
- Discovery
 - Provides market information (e.g., about competition, government regulations)

Market space

market space

A marketplace in which sellers and buyers exchange goods and services for money (or for other goods and services) but do so electronically

Vertical Marketplaces

Deal with a single industry; e.g., metals, chemicals, energy, autos, etc.Â VerticalNet, Chemconnect, Covisint

Horizontal Marketplaces

cut across industries & deal with a certain function; e.g., marketing, human resources, finance, etc.Â Ariba Network, Commerce Oneâ€™s MarketSite.net



Buy-side Marketplaces

Gathers a large number of buyers onto a site to drive price down; e.g., K-Mart's Retail Link, Freemarkets.com, Covisint

Sell-side Marketplaces

Purpose to gather multiple sellers onto online catalogue and information centres; ability to group purchases as a package; e.g., Grainger.com, GE Global Exchange, DoveBid, E2Open.com



Neutral Marketplaces

True open markets, favoring neither buyer nor seller; third-party brokers deal between buyer & seller; e.g., Altra, PaperExchange, Arbinet

Online Catalogue Model

accumulation of a number of companies' catalogues on one website

Auction Model

purchase and sale carried out in bidding fashion; surplus inventory, used capital equipment, refurbished items

Market Exchange Model

Deals with specific commodity market, e.g., natural gas, electricity, communications bandwidth, etc., numerous buyers & sellers involved

Community Market Model

buyers & sellers from a specific industry gather online, whose websites feature industry-specific content, such as relevant news articles, editorials, market information, job postings, message boards

E-Marketplace Components and Participants

- ★ Customers
- ★ Sellers
- ★ Products and services
 - ★ Digital products
 - ★ Goods that can be transformed to digital format and delivered over the Internet
- ★ Infrastructure
- ★ Front end
- ★ Back end
- ★ Intermediaries
- ★ Third parties that operates between sellers and buyers
- ★ Other business partners
- ★ Support services

Cont.

Front end

The portion of an e-seller's business processes through which customers interact, including the seller's portal, electronic catalogs, a shopping cart, a search engine, and a payment gateway

Back end

The activities that support online order fulfillment, inventory management, purchasing from suppliers, payment processing, packaging, and delivery

Types of E-Marketplaces

- ★ Electronic Storefronts

- ★ storefront

- ★ A single company's Web site where products or services are sold

- ★ e-mall (online mall)

- ★ An online shopping center where many online stores are located

- ★ Visualization and virtual reality in shopping malls

Types of Store

★ Types of Stores and Malls

- ★ General stores/malls
- ★ Specialized stores/malls
- ★ Regional versus global stores
- ★ Pure-play online organizations versus click-and-mortar stores

Type Of Marketplace

- ★ Private e-marketplaces

Online markets owned by a single company; may be either sell-side and/or buy-side e-marketplaces

- ★ Sell-side e-marketplace

A private e-marketplace in which one company sells either standard and/or customized products to qualified companies

- ★ Buy-side e-marketplace

A private e-marketplace in which one company makes purchases from invited suppliers

Type Of Marketplace

Public e-marketplaces

B2B marketplaces, usually owned and/or managed by an independent third party, that include many sellers and many buyers; also known as exchanges

Type Of Marketplace

Information portal

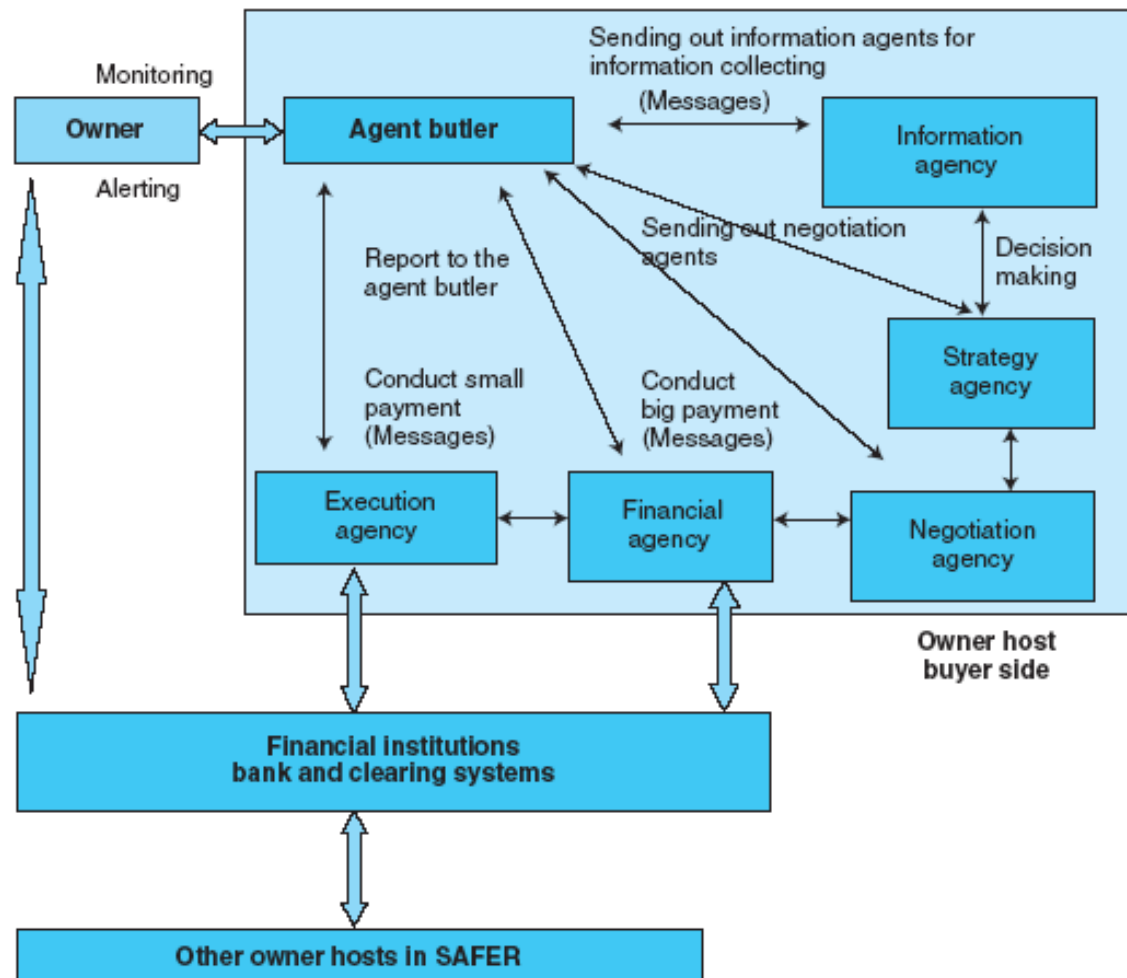
A single point of access through a Web browser to business information inside and/or outside an organization

Types of Portals

- ★ Commercial (public)
- ★ Corporate
- ★ Publishing
- ★ Personal
- ★ Mobile
- ★ Voice
- ★ Knowledge

Type Of Marketplace

EXHIBIT 2.3 Agent-Based E-Marketplace



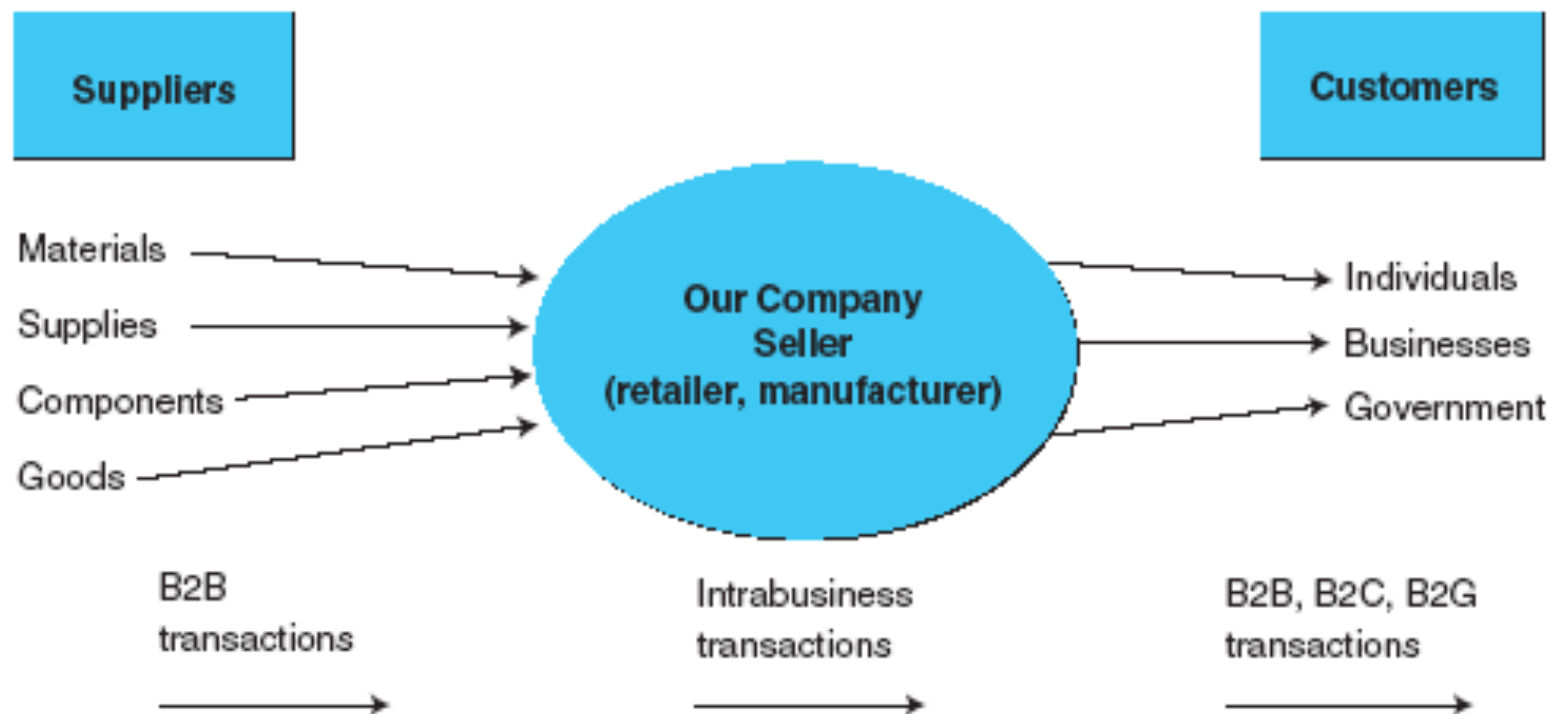
Transactions, Intermediation, and Process in E-Commerce

Sellers, Buyers, and Transactions

- ★ A seller (retailer, wholesaler, or manufacturer) sells to customers
- ★ The seller buys from suppliers: either raw material (as a manufacturer) or finished goods (as a retailer)

Transactions, Intermediation, and Process in E-Commerce

EXHIBIT 2.4 EC Activities



Transactions, Intermediation, and Process in E-Commerce

The Roles and Value of Intermediaries in E-marketplaces

★ Infomediaries

Electronic intermediaries that provide and/or control information flow in cyberspace, often aggregating information and selling it to others

Transactions, Intermediation, and Process in E-Commerce

A *broker* is a company that facilitates transactions between buyers and sellers

Types of brokers

- ★ Buy/sell fulfillment
- ★ Virtual mall
- ★ Metamediary
- ★ Bounty
- ★ Search agent
- ★ Shopping facilitator

Transactions, Intermediation, and Process in E-Commerce

Intermediaries can address the following five important limitations of direct interaction:

- ★ Search costs
- ★ Lack of privacy
- ★ Incomplete information
- ★ Contract risk
- ★ Pricing inefficiencies

Transactions, Intermediation, and Process in E-Commerce

e-distributor

An e-commerce intermediary that connects manufacturers with business buyers (customers) by aggregating the catalogs of many manufacturers in one place—the intermediary's Web site

Transactions, Intermediation, and Process in E-Commerce

Electronic catalogs

The presentation of product information in an electronic form; the backbone of most e-selling sites

Transactions, Intermediation, and Process in E-Commerce

EXHIBIT 2.6 Comparison of Online Catalogs with Paper Catalogs		
Type	Advantages	Disadvantages
Paper catalogs	<ul style="list-style-type: none">• Easy to create without high technology• Reader is able to look at the catalog without computer system• More portable than electronic	<ul style="list-style-type: none">• Difficult to update changed product information promptly• Only a limited number of products can be catalog displayed• Limited information through photographs and textual description is available• No possibility for advanced multimedia such as animation and voice
Online catalogs	<ul style="list-style-type: none">• Easy to update product information• Able to integrate with the purchasing process• Good search and comparison capabilities• Able to provide timely, up-to-date product information• Provision for globally broad range of product information• Possibility of adding on voice and animated pictures• Long-term cost savings• Easy to customize• More comparative shopping• Ease of connecting order processing, inventory processing, and payment processing to the system	<ul style="list-style-type: none">• Difficult to develop catalogs, large fixed cost• There is a need for customer skill to deal with computers and browsers

Transactions, Intermediation, and Process in E-Commerce

Electronic shopping cart

An order-processing technology that allows customers to accumulate items they wish to buy while they continue to shop

Auctions as EC Market Mechanisms

Auction

A competitive process in which a seller solicits consecutive bids from buyers (forward auctions) or a buyer solicits bids from sellers (backward auctions). Prices are determined dynamically by the bids

Auctions as EC Market Mechanisms

Traditional Auctions versus E-Auctions

- ★ Limitations of traditional offline auctions

 - Rapid process gives potential buyers little time to make a decision

- ★ electronic auction (e-auction)

- ★ Auctions conducted online

 - dynamic pricing

- ★ Prices that change based on supply and demand relationships at any given time

Auctions as EC Market Mechanisms

- ★ Types of Auctions

- ★ One buyer, one seller

- ★ One seller, many potential buyers

- ★ forward auction

- ★ An auction in which a seller entertains bids from buyers. Bidders increase price sequentially

Auctions as EC Market Mechanisms

- ★ One buyer, many potential sellers
 - ★ reverse auction (bidding or tendering system)
 - ★ Auction in which the buyer places an item for bid (tender) on a request for quote (RFQ) system, potential suppliers bid on the job, with the price reducing sequentially, and the lowest bid wins; primarily a B2B or G2B mechanism
 - ★ “name-your-own-price” model
 - ★ Auction model in which a would-be buyer specifies the price (and other terms) he or she is willing to pay to any willing and able seller. It is a C2B model that was pioneered by Priceline.com

Auctions as EC Market Mechanisms

- ★ Many sellers, many buyers
 - ★ Double auction

Auctions in which multiple buyers and their bidding prices are matched with multiple sellers and their asking prices, considering the quantities on both sides

Auctions as EC Market Mechanisms

- ★ Benefits of E-Auctions
 - ★ Benefits to Sellers
 - ★ Benefits to Buyers
 - ★ Benefits to E-Auctioneers
- ★ Limitations of E-Auctions
 - ★ Minimal security
 - ★ Possibility of fraud
 - ★ Limited participation

Mobile Computing

Use of portable devices, including smart cell phones, usually in a wireless environment. It permits real-time access to information, applications, and tools that, until recently, were accessible only from a desktop computer

Mobile Computing

mobile commerce (m-commerce)

- ★ E-commerce conducted via wireless devices-business
- ★ The broadest definition of m-commerce, in which e-business is conducted in a wireless environment

Competitive Factors-Online Transactions Allow

- ★ Lower search costs for buyers
- ★ Speedy comparisons
- ★ Lower prices
- ★ Customer service
- ★ Barriers to entry are reduced
- ★ Virtual partnerships multiply
- ★ Market niches abound
- ★ Differentiation and personalization

Impact

- ★ Product promotion
- ★ New sales channel
- ★ Direct savings
- ★ Reduced cycle time
- ★ Improved customer service
- ★ Brand or corporate image

Impact

- ★ Customization
- ★ Advertising
- ★ Ordering systems
- ★ Market operations
- ★ Accessibility

Impact

- ★ Build-to-Order Manufacturing
 - ★ Build-to-order (pull system)
 - ★ A manufacturing process that starts with an order (usually customized). Once the order is paid for, the vendor starts to fulfill it
- ★ Real-Time Demand-Driven Manufacturing
- ★ Virtual Manufacturing
- ★ Assembly Lines
- ★ Impacts on Finance and Accounting
- ★ Impact on Human Resources Management and Training

Why they fail

- ★ Unrealistic expectations
- ★ User resistance
- ★ Lack of value-added provided
- ★ Ineffective marketing