




From The Editor | December 2, 2004

Commerce One Declares Bankruptcy: Does This Foretell The Fate Of B2B E-Commerce?

On October 6, 2004, business-to-business (B2B) e-commerce solution provider Commerce One filed for bankruptcy. That's a long fall for a company that an irrationally exuberant Wall Street had valued at \$20 billion before the bubble burst. Does this mean that B2B e-commerce is an over hyped technology that never did, doesn't now, and never will deliver real business value? The answer is no. 

The entire SRM (supplier relationship management) industry is coming out of a 36-month lull. This is primarily due to the normal adoption cycle for new technology. The cycle starts with hype, proceeds to disenchantment, results in consolidation, and gradually leads to sustainable growth. The post Y2K slowdown in IT spending and an economic recession made matters even worse. SRM's B2B e-commerce segment, which is presently in its consolidation phase, was hit particularly hard by the bursting of the dot com bubble.

"We are just now emerging from B2B's nuclear winter," says Dan Rawlings, executive vice president of worldwide sales and marketing at SRM solution provider Perfect Commerce. "Going forward, the demand for SRM will be directly proportional to the amount of savings it can deliver." Rawlings pitches SRM's ability to drive 15% to 20% reductions in the cost of procured products and shorten sourcing cycle time as much as 75%.

Commerce One's business model of charging transaction fees didn't work. "Buyers don't want to use a system that taxes their suppliers," says Brian Desmond, vice president of SRM product marketing for PeopleSoft Enterprise. "First of all, it antagonizes their supplier base, and secondly, they realize the added costs will just come right back at them."

Supplier networks' real value lies in their ability to address the technical complexity of setting up business transactions with multiple suppliers, be they EDI, XML, or fax and e-mail based. PeopleSoft's Desmond believes that the buyers should be charged for this service according to the actual value delivered.

While Commerce One may be a casualty, the SRM industry will continue to consolidate and grow. As procurement officers work to justify and implement e-procurement solutions from surviving SRM vendors, they should remember two valuable lessons from the past. First, it doesn't matter how much money is spent via e-procurement. What matters is how much money is saved. Secondly, the key to unlocking the value of an investment in e-procurement lies in the ability to connect suppliers to it.

Download a white paper from Perfect Commerce entitled, "Accelerating ROI With On-Demand E-Procurement."

By Kurt Menges, chief editor, RFID Solutions Online, Data Collection Online, Supply Chain Market, and Logistics Online