

Promoting Business with B2B and B2C Internet Portals

Expectations and Reality

by Bernhard Soltmann

CEO of Allocation Network GmbH
Stahlgruberring 22
81829 Munich / Germany

fon +49 (0)89 - 278 257 0
fax +49 (0)89 - 278 257 49
bs@allocation.net
www.allocation.net

Abstract

Since the beginning of the Internet revolution, portals or Internet marketplaces have been used to promote business in all possible industries.

After having created a big portion of the Internet hype themselves, many promising concepts have failed to generate and keep the critical mass of participants needed to conduct reliable and lasting business transactions over a portal.

Unsuccessful initiators of these attempts, both corporate or private ventures, very often blamed the lack of "e-readiness" on their targeted customers.

The experience of the last 5 years however shows that the responsibility for the failure of a portal did not rest in the unwillingness of the targeted users to participate but very often had its roots in the lack of a sound business concept.

About Allocation Network GmbH

Allocation Network GmbH, founded in 1998, specialises in consulting, software development, and services for industrial manufacturing companies.

The functional focus lies on the company's procurement and sourcing professionals.

Most of Allocation Network's Customers are members of the automotive industry supply chain, BMW, Takata Petri AG, Dürr AG, to name but a few.

Apart from its consulting activities, Allocation Network runs a portal where currently 4,000 suppliers and 300 buyers exchange Requests for Quotations.

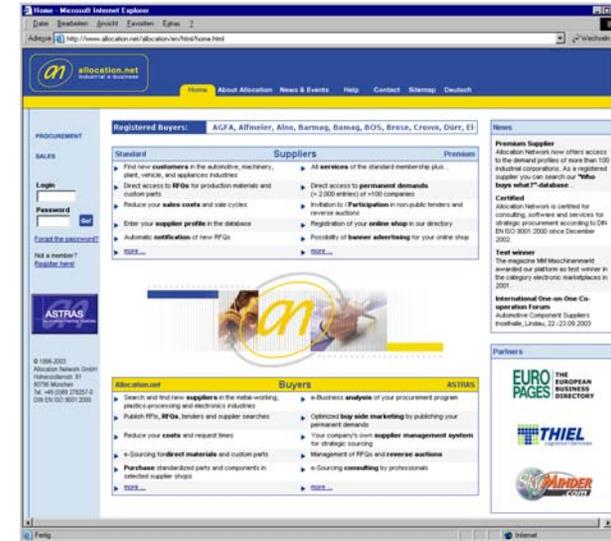


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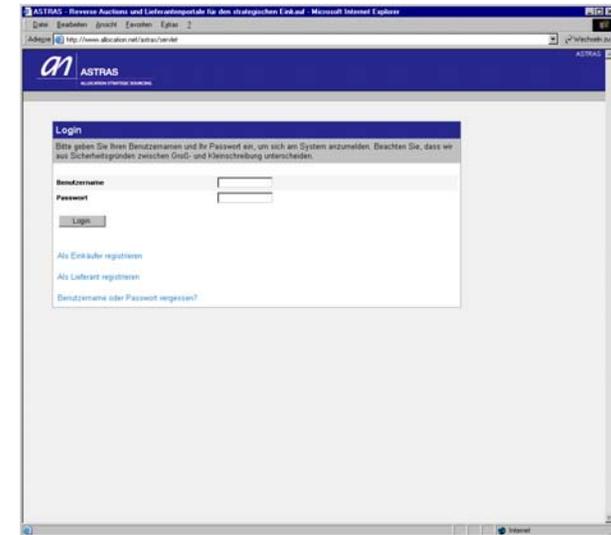
Services by Allocation Network GmbH

Public portal (many to many) - with allocation.net www.allocation.net, Allocation Network offers a RFQ (Request For Quotation) platform for industrial companies. Currently more than 4,000 companies, buyers, and suppliers use the portal.

Private portal (one to many) – with ASTRAS (www.astras.net), Allocation Network offers a fully customizable platform for electronic sourcing professionals. The software is adaptable to an individual company's needs and serves as a procurement portal for one individual buying company towards this company's supply side. Both solutions are pure sevre side Java applications and use the latest Java Enterprise Edition (J2EE).



www.allocation.net



www.astras.net

What is a portal?

A portal is an internet service, that aims at a certain community of users (customers). Portals are meant to be an entrance or directory to the world wide web, providing the user with information about the services available in the targeted field of interest.

A portal in the sense of this event, is a „b2b“ (business-to-business) service. Hence we are not talking about portals like www.ebay.com or www.yahoo.com both being pure „b2c“ (business-to-consumer) services.

In Europe the term „business platform“ or simply „platform“ has been used for quite some years now, for what others call a „portal“. Often these terms together with „marketplace“ and „exchange“ are used synonymously.

What is far more important than the correct term however, is the business focus of the service itself.



www.ebay.com



www.yahoo.com

General success factors for portals

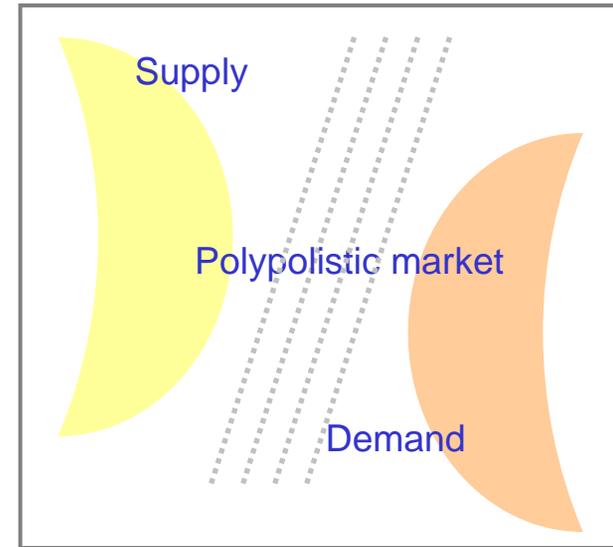
- ✓ Know the business processes and decision rules of the participants - knowing the industry is key!
- ✓ Create services that the users will want to use - this sounds odd, but even free services stay unused!
- ✓ Find out early on whether the business can be profitable - maybe it works as a non-profit-scheme only!
- ✓ Create services that the users will find worthy paying for - make realistic assumptions for the price model - how much would you pay for the service?
- ✓ Produce a business plan with clear milestones - business models that do not work off-line hardly work on-line!
- ✓ Do never let technology dictate your business - nearly everything is possible, only a few solutions make sense!
- ✓ Create and keep liquidity on the portal - create a „critical mass“ of users - this is less difficult when the portals is initiated by the stronger market-side!
- ✓ Step into the user's shoes - how can the portal help him solve his everyday business concerns?

Technology driven portal initiatives

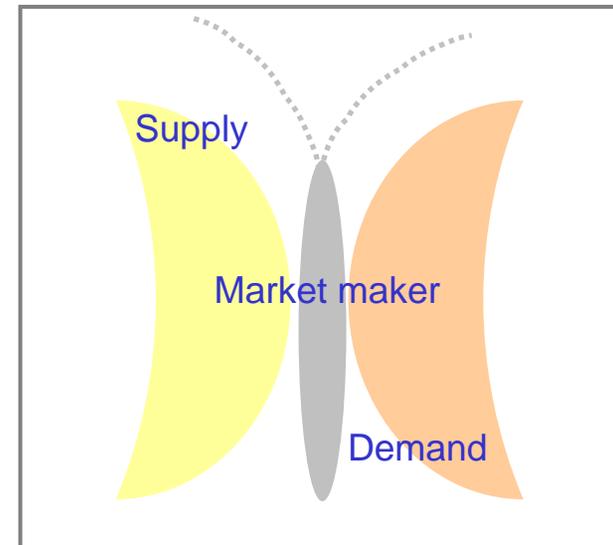
Compared to other technologies (such as EDI), the internet offers rather unexpensive means to create business platforms where companies can communicate and even work together in several ways.

Therefore in the beginning of the „internet revolution“, many markets suffering from the „butterfly syndrome“ saw a chance to solve the problem of intransparency of prices, quality standards and market participants.

A „butterfly market“ is known to have many suppliers and many buyers. The market itself is polypolistic, and highly intransparent.



Butterfly market - with low transparency



Butterfly market with market maker

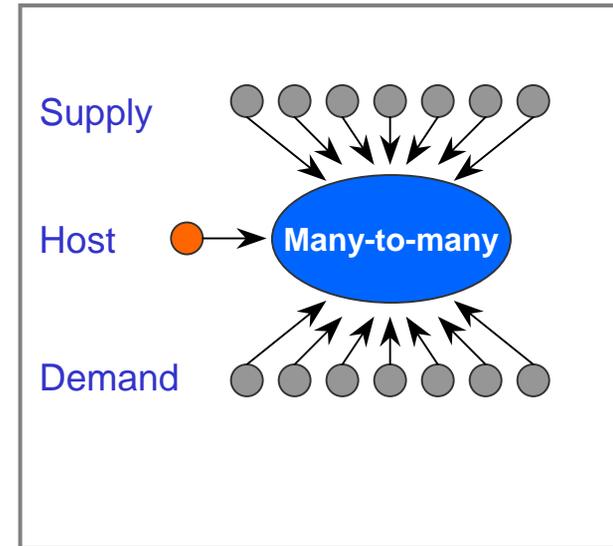
„One-to-many“ and „many-to-many“

The market makers in those portals that were established in polypolistic (“butterfly”) markets had to create a many-to-many portal.

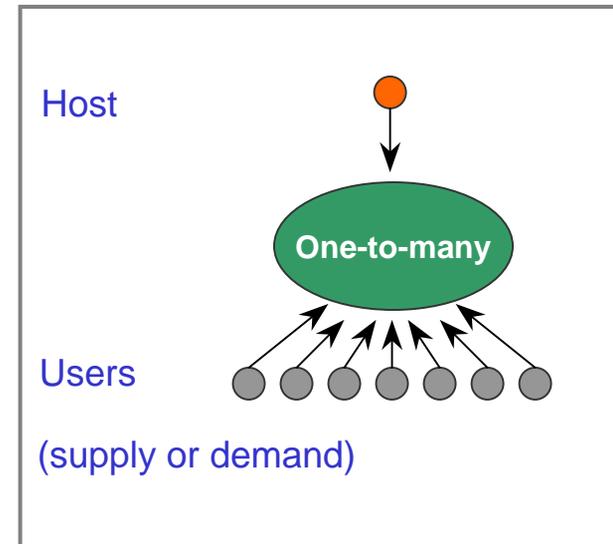
The host himself, being an individual agent, a private company, or a non-profit organisation has to know both sides of the market very well. Both sides of the market have to agree on a set of market rules.

The host acts as a „trusted third party“. This is important, the moment a portal not only promotes the exchange of information between the participants, but wants to carry out money transactions for goods and services.

One-to-many portals are either buy-side or supply-side driven. Initiators are private companies and their purchasing or sales departments, the actors are therefore professional buyers and sales people.



„Many-to-many“ (open marketplace)



„One-to-many“ (private marketplace)

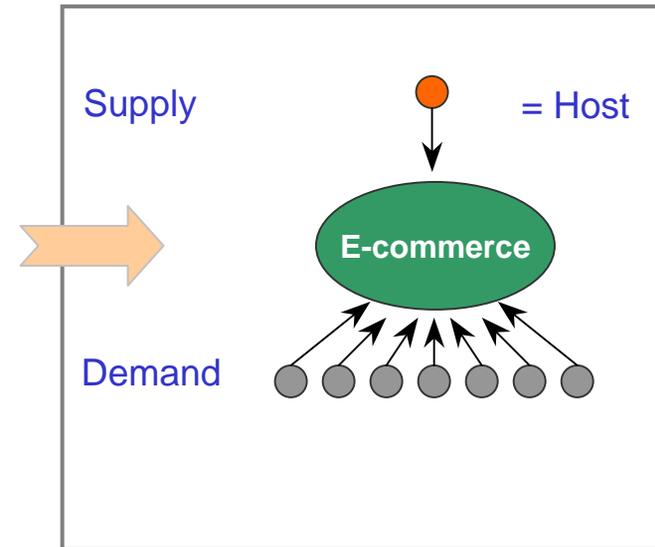
One-to-many (e-commerce)

The first significant b2b initiative was „e-commerce“. Companies saw the potential of the world wide web to promote their business, i.e. to increase their sales with worldwide business hours of 24 hours on 7 days a week.

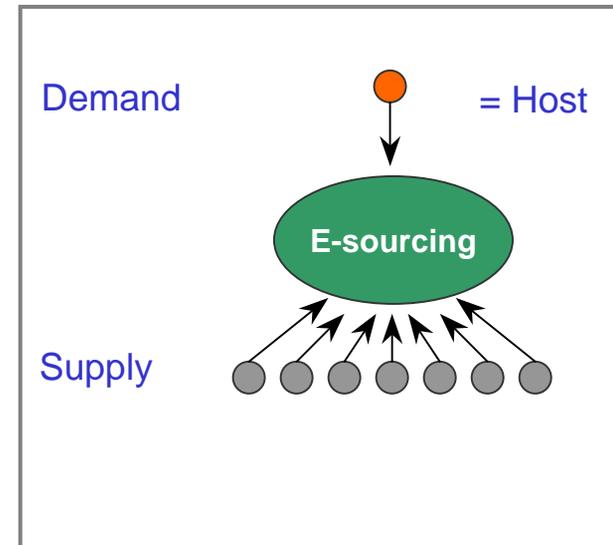
Back then (around the year 1997) nearly every company just had to have its own internet shop, where they could offer their goods and services to the world.

Success however was granted only to a few players. Most of the e-commerce sites drowned in the web, because the customers could not find them.

The ones that were found did not produce more turnover for their initiators, but „cannibalized“ other sales channels of the same company instead.



„One to many“ - supply-side driven



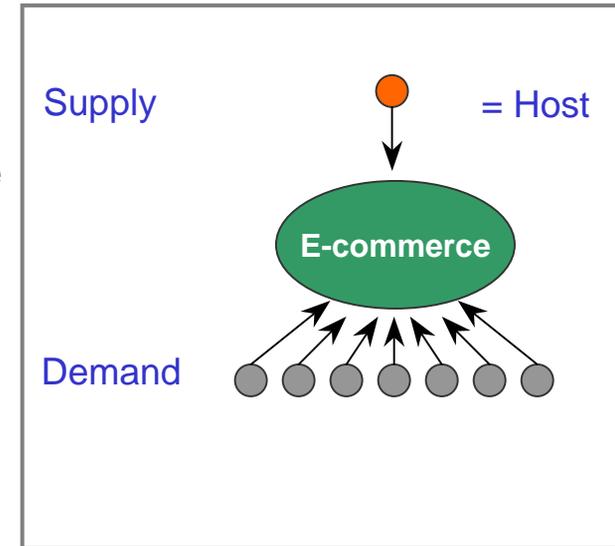
„One to many“ - buy-side driven

One-to-many (e-sourcing)

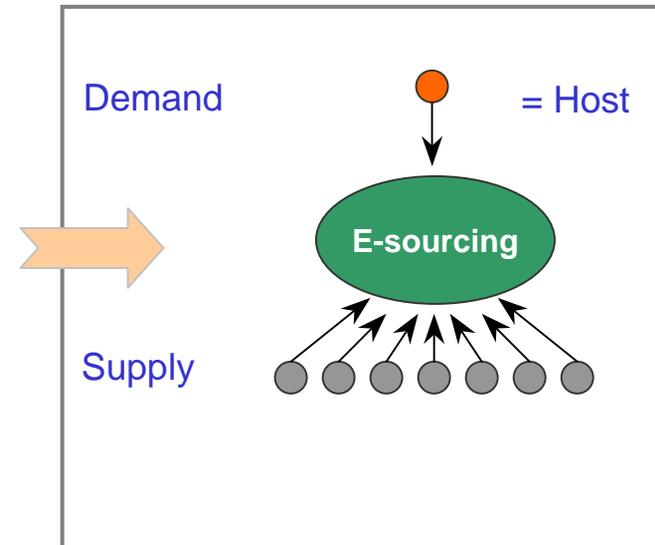
A supply-side driven concept (e-commerce) must have huge marketing resources and a clear and unique selling position to attract customers. At least it should be able to offer it's users other benefits such as increased efficiency or lower process time and process cost.

Initiatives, where the internet serves as a tool for the professional buyer started later in internet history and are still being launched.

E-sourcing portals have less trouble creating the critical mass of users, since the buyer is the one that is markeded to naturally. This is at least valid for industries where the buy-side is the one with more leverage.



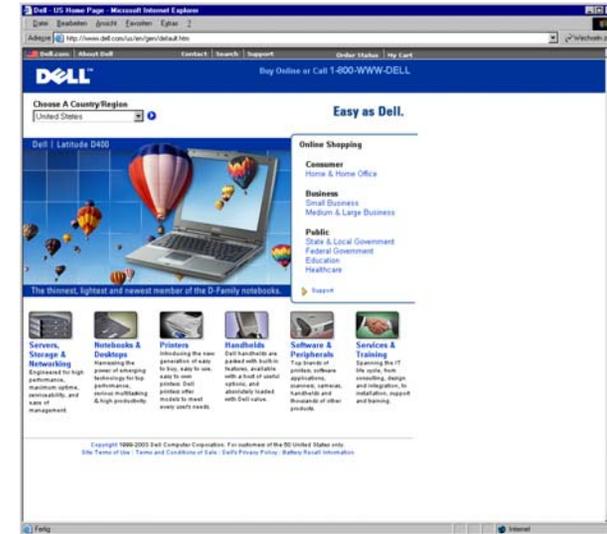
„One to many“ - supply-side driven



„One to many“ - buy-side driven

E-commerce - example „Dell.com“

An example for successful approaches in supply-side driven b2b e-commerce is www.dell.com. Dell uses the internet as the main sales channel. Dell.com also serves the private market, offering a b2c-portal, where „people like you and me“ can purchase their Personal Computers.



www.dell.com

E-commerce - example „Cisco.com“

A purely b2b directed portal is www.cisco.com. Being also in IT business Cisco as well as Dell use a portal as the main sales channel.

The reasons for the relative success of these portals is, that the supply and manufacturing chain of Dell and Cisco are linked through their portals. When a company orders say 20 PC workstations at www.dell.com or a router network for their new office facility at www.cisco.com, the portal initiates the production of the PCs (at a Dell plant) and the manufacturing of the routers (at Cisco's).



www.cisco.com

E-procurement - example „Covisint.com“

Covisint.com is a portals focused on the automotive industry.

Covisint.com has been founded as a conglomerate of several automotive OEMs, like Ford, General Motors, DaimlerChrysler, Nissan, Peugeot, and Renault.

Covisint’s marketing department claims:

„...Covisint can help you:

- Improve information transfer with your supply chain
- Improve product integrity
- Reduce procurement processing costs
- Standardize indirect material use
- Source custom components faster...“

Representing most of the global top-automotive manufacturers, one should think, that covisint is highly successful portal – yet it wasn’t!



www.covisint.com

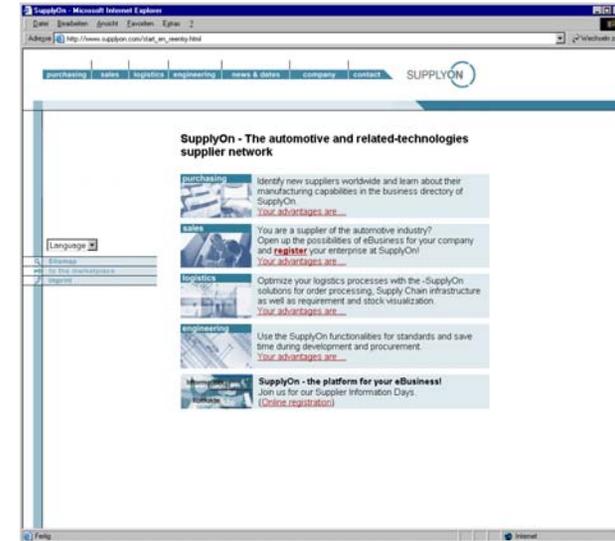
E-procurement - example „Supplyon.com“

Supplyon.com is the pendant on the supply-side, having been initiated by global tier 1 automotive suppliers like Bosch, Conti, ZF, INA, and SAP as the technology provider. Supplyon is a portal from suppliers for suppliers and the aim is to streamline the automotive supply chain in order to reduce cost overall.

The company's marketing department people claim:

„...As an independent company SupplyOn cares equally for the interests of buyers and sellers. Our balanced approach is the basis for products of highest functionality. SupplyOn develops and operates the electronic marketplace and guarantees high quality services for buyers and sellers.“

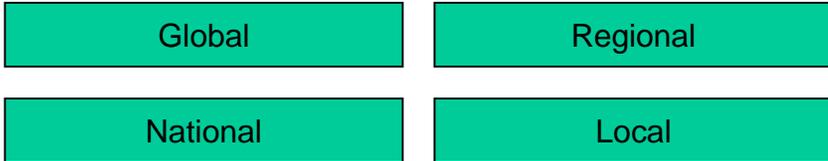
This claim underlines the need for the „trusted third party“ when it comes to transactions that bear value. With the backing of Bosch and the other founders, should Supplyon have a problem being successful?



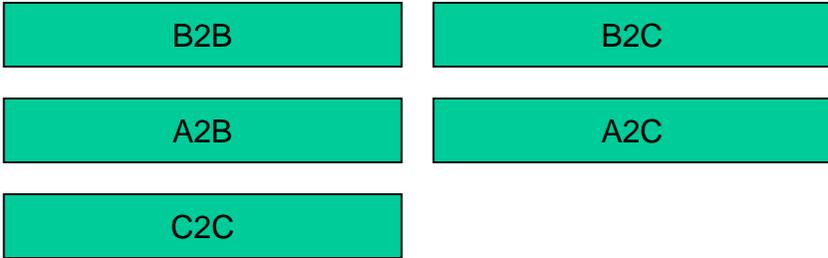
www.supplyon.com

Virtual marketplaces

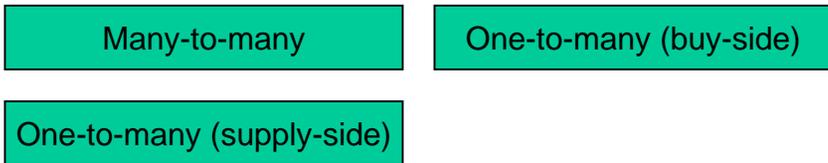
Effect



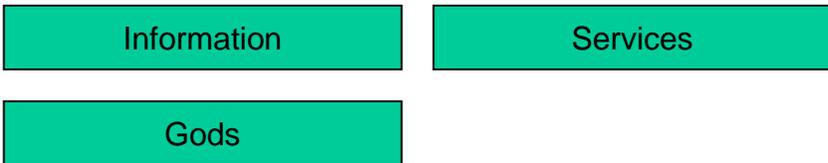
Participants



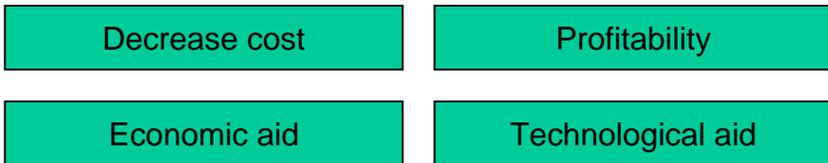
Effect



Offers



Motivation



Reach

