Learning Objectives

Upon completion of this unit, students should be able to:

2. Explain the scope and history of B2B commerce.
3. Explain the procurement process, the supply chain, and collaborative commerce.
5. Explain the four types of Net marketplaces.
6. Identify the major trends in the development of Net marketplaces.
7. Identify the role of private industrial networks in transforming the supply chain.
8. Explain the role of private industrial networks in supporting collaborative commerce.

Unit Summary

B2B trade among business firms is huge, approaching a $12 trillion dollar value in the United States. Consider the size of B2B in 2008 was approximately $3.8 trillion whereas the size of B2C was only about $255 billion in 2008. The promise of Internet-enabled B2B commerce is to reduce the transaction costs involved in this trade. Today, a purchase order costs major firms anywhere from $100-200 to process and fulfill. The promise of digital B2B commerce is to reduce that cost and other similar paper-processing costs to less than $10. The estimated benefit to the US economy of such a change is in the trillions, money that could be put to more productive uses.

B2B commerce is defined as all types of computer-enabled inter-firm trade; it has evolved over a 35-year period. The procurement process and the supply chain are introduced in this unit. By the end of the unit, you should have a good understanding of the different types of procurement: direct vs. indirect goods and spot vs. contract purchasing.

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.

Net marketplaces are introduced in this unit. There are four “pure” types of net marketplaces. It is important to 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 *E-commerce in Action* case focuses on Ariba. Ariba was an early leader in the development of software to operate Net marketplaces and later became a leading operator of Net marketplaces for other businesses. Ariba fits the definition of an e-procurement type of Net marketplace. The case illustrates the complexity of the market for Net marketplace software and the difficulties of generating revenues from the operation of turnkey Net marketplaces.

The competitive dynamics in the Net marketplace arena are explained. In general, independent exchanges have not been profitable, and these firms are moving into e-procurement and industry consortia, or private industrial networks (exiting the Net market arena altogether). E-distributors are expanding into more lucrative arenas while maintaining their base as successful E-distributors.