

Electronic Marketplace (EMp)



B2B: Advantage of e-Marketplace

Reduce transaction cost

Remove inefficiencies

Expand customers reach

Make it easy to find suppliers

B2C & C2C: Advantage of e-Marketplace

Promote entrepreneurship

Expand customers reach

Increase income for the people

Engine of growth for the country

Private Exchange

- Set up by the Buyers & Sellers themselves.
- Buyers/Sellers have stake in exchange.
- Sometimes called “Consortium-based Vertical Marketplace”
- CBVM
- Purpose:
 - To improve overall supply chain (tracking & monitoring)
 - Reduce redundancy and inefficiencies in logistic
 - Transactional based
 - Big volume

Problems with Private Exchange

- Monopolistic either by the Buyers or Sellers (as bi-lateral trade)
- Participants opt-out when they found better exchange thus the whole system collapsed.
- Price cannibalistic; erode profits.
- High cost to set up and run the exchange because of high volume thus high need for security.
- Cutthroat competition.
- Buyers/Sellers join force to control exchange.

Advantages with Private Exchange

- Pre-determined participants on need-based.
- Pre-determined volume involved.
- Very useful for direct and specialty goods.
- Mutual profit making and reduce costs.
- Long term benefits with continuous transactions.

Public Exchange

- Set up by an organizer/facilitator (most of the time Sellers or Intermediaries)
- Purpose:
 - New distribution channel.
 - Lowering inventory.
 - Greater market access.
 - Higher volume compare to offline.

Problems with Public Exchange

- Overloaded information about Buyers/Sellers.
- Offerings are not well qualified by third party.
- Some participants are deal-brokers so there is cost-plus plus.
- Low security especially online payment.
- Minimum information available about participants.
- Mostly indirect goods
- Logistic problems; mostly under developed.
- Exchange governance is hard to enforce (high defectors)

Advantages with Public Exchange

- Multi source of Sellers/Buyers.
- Cheap to participate.
- Provide alternative RFQ with greater market access.
- Hard to get direct/specialty goods.

Revenue Model

- Charged to mostly Sellers, some Buyers too as “cost-plus” i.e. included in displayed price.
- Transactional fees based on volume.
 - The higher the lower the fees.
- Non-transactional fees (posting, tracking, inventory update, catalogs, online inventory)
- Annual subscription fees (few packages)
 - Based on number of employees, sales force, annual T/O, brand, user of the system
- Advertisement
 - Display ads, sponsorship by pages/articles/video, banners

Mapping the on-line B2B marketplace

How do on-line B2B marketplaces create value?

Who benefits from value creation?

	Buyers	Sellers	Visitors/ surfers	Advertisers	E-commerce partners
Provide access to information, best practices	1				
Expand market reach		Subscription fees 2		Advertising, sponsorship, and promotional fees 3	Up-front and click-through fees, royalties 3
Improve speed, accuracy	Transaction, subscription, licensing, or professional-services fees 4				
Lower cost of buyers' operations	5	6 7			
Generate lower prices for buyers	Transaction and usage fees 8				

- 1 TradeOut charges buyers an up-front access fee
- 2 IronMax.com charges construction equipment suppliers per lead
- 3 Neoforma.com sells sponsorship "real estate" to medical-equipment manufacturers
- 4 ApparelBuy.com charges buyers a subscription fee
- 5 Retail.com charges buyers both access and usage fees
- 6 Chemdex negotiates transaction fees with suppliers
- 7 Healthmarkets¹ charges suppliers a nominal transaction fee plus usage fees based on percent of sales
- 8 JobReq.com charges buyers of IT services transaction fees

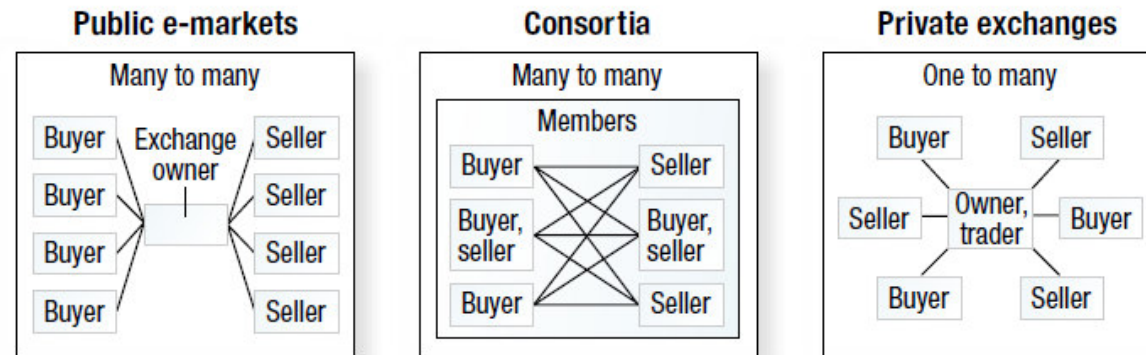
¹Disclosed example

²B2B Business (2004) "A Data-Driven..."

B2C and C2C Business Model

- Similar to B2B but possess lower problems:
 - Few/One-off transaction
 - Smaller risk thus average security is fine
 - Easy to find extra information from other sources
 - Mostly indirect goods/services
 - Plenty suppliers

Know your marketplace



Public

Private

	Public	Consortia	Private
Ownership	<ul style="list-style-type: none"> • By third party 	<ul style="list-style-type: none"> • Jointly, by 2+ industry incumbents 	<ul style="list-style-type: none"> • By one company
Access	<ul style="list-style-type: none"> • Public 	<ul style="list-style-type: none"> • Equity holders and selected trading partners 	<ul style="list-style-type: none"> • Invitation only
Examples of functionality	<ul style="list-style-type: none"> • Procurement through on-line catalogs, auctions 	<ul style="list-style-type: none"> • Procurement through on-line catalogs, auctions • Recent expansion into inventory management 	<ul style="list-style-type: none"> • Collaborative value chain processes • Interaction in real time
Primary source of value	<ul style="list-style-type: none"> • Price savings from aggregation, discovery 	<ul style="list-style-type: none"> • Price savings from standardization, discovery 	<ul style="list-style-type: none"> • Savings in value chain process, total cost of ownership
Business processes	<ul style="list-style-type: none"> • Standardized, nonproprietary 	<ul style="list-style-type: none"> • Typically standardized, nonproprietary 	<ul style="list-style-type: none"> • Customized, proprietary
Relationships with trading partners	<ul style="list-style-type: none"> • One-off, sporadic 	<ul style="list-style-type: none"> • Typically one-off, sporadic 	<ul style="list-style-type: none"> • Long-term, committed
Examples	<ul style="list-style-type: none"> • FastParts.com, Medibuy 	<ul style="list-style-type: none"> • Covisint, Transora 	<ul style="list-style-type: none"> • Dell Computer, Wal-Mart

source McKinsey



Thank You !

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