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Reviving the B2B exchange model

Alastair Hunter and Gunther De Neve of IT4profit describe how, with a fresh approach and a refined business model, B2B exchanges can begin to deliver the efficiencies they once promised.

Three years ago there was a lot of hype around B2B exchanges,' says Alastair Hunter of IT4profit. 'Most took a top-down approach, and the costs were enormous. Distributors could not afford the prices on exchanges driven by manufacturers.' Today, the unsustainable nature of the current distribution model has driven the resurrection of the B2B exchange concept for the IT market.

'The distribution channel is fluid and anarchic,' says Hunter. 'Manufacturers want to get their products to customers as quickly as possible, as the life cycle of their products is growing shorter. [Meanwhile] average gross margins are falling from around 15 per cent or more to only 6 per cent – with a net margin of perhaps 2 per cent. A lack of visibility also means that manufacturers only see the tip of the distribution iceberg and don't see who really buys from whom and at what prices.'

The B2B exchange model is a powerful way to introduce the necessary visibility into the distribution channel. Nevertheless, it must also be an affordable mechanism that provides its users with the information they really need. This means delivering more than just product information to potential customers and suppliers.

Handling content

IT4profit provides e-business solutions to the IT distribution industry, including detailed online product information for customers and suppliers, e-catalogues and order management systems. It also operates a B2B exchange that allows comprehensive searching, product comparison and deal-making online.

'Product information is an important part of what we provide,' says Gunther De Neve, also of IT4profit, 'but pricing information is just as important, as is data on availability. Visibility means knowing what is in stock. All these elements go to make up what we call content. Companies outsource the creation and management of this content to us [because] we can do it more cost-effectively.'

The importance of handling these different aspects of content correctly grows when you realise that customers do not return to an online distribution channel solely on the grounds of price. They also want to know more about what they are buying. Usually, they will return to an online portal if it offers them the highest level of information in a form that allows them to compare products easily.

'When you go to most sites for product information, you find links directly to the manufacturer's website,' observes Hunter. 'The problem with this is that once you are in a site, it is easy to get lost. A frequent complaint from customers is that they can't get out of a site once they are in it, when all they want is some information on a specific product.'

'Also, the information is often only available in English,' adds De Neve, 'and there is no capability to make comparisons with competitors' products.'

Coming to an industry near you

IT4profit's approach is to present product information in a consistent, formatted way through its B2B exchange, while still allowing manufacturers to display their own branding – their own look and feel. Customers are thus able to compare three or four products, as well as find the right accessories, which may not necessarily be made by the same manufacturer.

Furthermore, the firm's model for producing content allows it to be linked to a company's own internal systems, such as ERP tools. Warehouse managers, for instance, can get information on the size or weight of a product by accessing the same pool of information that a potential customer would see through the online catalogue or order management system.

This kind of added flexibility, along with the fact that the B2B exchange software is owned and operated by the content management outsourcing provider, creates a new model for B2B exchanges. So far, it is proving successful in the IT distribution sector, so expect this model to begin appearing in other industry sectors soon.

Further information

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