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Manugistics, I2 Commerce 1, Ariba

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eCommerce Status?
doing fine....

Billion USD

1999 2,000 2001

Manufacturing
Wholesale
Service
Retailing

eCommerce - Where?

- Manufacturing (18% of all sales)
  - Transportation equipment
  - Beverage and tobacco
  - Electrical equipment & components

- Wholesalers (8% of all sales)
  - Drugs and druggists
  - Motor vehicles, parts and supplies
  - Professional and commercial equipment
eCommerce - Where? (cont.)

- Services (1% of total sales)
  - Travel arrangement and reservations
  - Securities & commodities intermediation
  - Publishing and software
- Retail Sales (1% of total retail sales)
  - Books and magazines

**B2B Portals – 2 main types**

**Horizontal**
- 1 product sector – many industries
- Large exchanges
- Provide liquidity, transparency, aggregate supply & demand
- Require high volume of transactions, small commission base
- Additional revenue through value adds like financing, asset management, warranties

**Vertical**
- One industry – many products
- Limited membership
- Eliminate inefficiencies in specific industry supply chains
- Fewer transactions – revenue based on realized savings
What Happened?

- Estimates that over 1,000 B2B portal will soon consolidate to < 200.
- Less than 15% of all exchanges operating
- 2 Stories:
  - Vertical
  - Horizontal

Intermediaries

- Up to 25% of the economy
- Financial Intermediaries
- Dealers & Wholesalers
Why Use Intermediaries?

- Aggregate demand and supply
- Quality assurance, guarantees, warranties
- Payment processing
- Extending credit to both sides of the transaction
- Delivering goods from production to consumption sites
- Re-bundling and re-pricing
- Holding inventories
- Market making functions
- Absorbing shocks in economy

Is Bigger Better?

- Centralization yields: economies of scale and scope, risk pooling, liquidity, transparency.
- Between 1921 and 1983, 180 different futures markets existed, average lifetime of less than 12 years.
- Similar patterns with equity markets...

  yes – **size does matter!**

  Network externalities - natural monopoly
  1 or 2 markets per sector/service
Vertical

- Suppliers/Distributors/Manufacturers
  - Equipment (galley, culinary, etc.) hand-offs between flights
  - Audio and video supplies'
  - Equipment to plane
  - Prepared meals and other supplies to plane
- Service Providers
  - Flight schedule information from airlines
  - Quality performance feedback from airlines
  - Flight schedule information from airlines
  - Quality performance feedback from airlines
  - Food products, supplies, materials to caterers or directly to plane
- Caterers
  - Prepared meals and other supplies to plane
  - Flight schedule information from airlines
  - Quality performance feedback from airlines
  - Flight schedule information from airlines
- Airlines
  - Flight schedule information from airlines
  - Quality performance feedback from airlines
  - Equipment (galley, culinary, etc.) hand-offs between flights

What Happened? Conclusions

**Horizontal**
- Many portals built on information aggregation assumption
- Barriers to entry low
- Too many portals, can’t generate volume
- Suppliers weary of transparency (stick with EDI and Fax)
- Most sectors can support 1-3 exchanges (max).
- Forget commodities and content - Focus on payment, logistics, & value adds….

**Vertical**
- Often very sound business model
- Implementation hard work
- Barriers to adoption: legal, organizational, procedural
- Slow in the making, but scale well
- Most profitable in fragmented markets with customizable products
Outlook

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<th>Present</th>
<th>Common</th>
<th>Sense</th>
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<tr>
<td>Manufacturing</td>
<td>18%</td>
<td>70%</td>
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<tr>
<td>Wholesalers</td>
<td>8%</td>
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<td>Services</td>
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<tr>
<td>Retail Sales</td>
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- 60-50% of all eCommerce conducted through EDI
- x12 & EDIFACT (primarily VANS)

www.census.gov/estats

Future Trends

- **Web Services**…
- Application logic accessible over web
- remote procedure call or program to program communication
- Not a new technology
- Standards for identification and communication (SOAP, UDDI, WSDL)
Thank You

Questions?
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