

What is "Business to Business" (B2B) E-Commerce and why should you consider it?

Simply stated, B2B E-Commerce (B2B EC) generally refers to Internet-based buying and selling between businesses. B2B e-commerce is directed toward alleviating transaction inefficiencies in the supply chain.

The usage of B2B e-commerce is growing exponentially, and it is expected to continue to grow during the coming years. Estimates for 2008 suggest that the B2B E-Commerce systems market will be worth between \$3 and \$7 trillion. David Harris, President of EC Internet, a company dedicated to e-commerce implementations reports that, "Of the 200 plus e-commerce systems we have developed over the past ten years, business-to-business (B2B) web sites are the most popular."

The primary reason for the enormous growth of the B2B EC market is the very real opportunity to enjoy a significant reduction in costs. Additionally, most businesses experience a vast improvement in data accuracy and efficiency over traditional methods in order management.

A key advantage of B2B EC is that it allows buyers to become intimately involved in the procurement process. B2B offers the possibility of constant interactive exchange of information between seller and buyer, covering design requirements, specifications relating to raw materials or components, tracking of costs and order fulfillment, and requests for service and advice.

For the seller company, B2B EC means reduced transaction costs, improved inventory management and increased volume-related scale economies.

For the buyer, B2B can cut costs dramatically, in at least three ways. Procurement costs are greatly reduced, making it easier to find the supplier with the best price and to cut the cost of processing transactions. There are several examples of businesses that have used B2B to reduce the average purchase order processing time from 30 days to 1 or 2 days, and the average rate of unauthorized, or mistaken, buying from 30% to 2-3%. B2B EC allows better supply chain management and tighter inventory control leading to reductions and improved cost control.

B2B sites are relatively easy to launch. You can launch a site without the high marketing costs of starting a new retail web store. It has been demonstrated many times that if you offer solid product information on line, and convenient 24/7 ordering, your existing customers will use the web store. Most companies realize a very quick pay-back.

You can also provide special on-line access to your customer service staff and sales representatives. They can place customer purchase orders and manage accounts using the same friendly web interface. What's more, these sites are password protected so you can roll them out to some or all of your customers as you see fit. These secure sites can show availability and lead times to selected customer users. Providing that information on-line will greatly reduce the time your sales and customer service spend on the phone answering questions.

*Leading analyst firm finds
61 percent of consumer
products companies
increased revenues by
improving B2B capabilities.
~ M2 PRESSWIRE*



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Companies use B2B web stores to strengthen customer relationships. You will get more business from existing customers if you make it easier for them to do business with you. Keep in mind that your customers are constantly being recruited by new on-line suppliers; you need to stay competitive to build market share rather than lose it.

There are distinct advantages for your business trading partners when you offer on-line ordering. Advanced web systems, like the Web Pro Pack from EC Internet, offer additional business management tools such as a quote builder. Your customer can keep track of a series of planned orders and release them to you when the time is right. Your partners can also look at past purchases to find just the right item. And they will be able to manage their own account and ship-to address information, relieving your staff of the time necessary to perform such maintenance tasks. There are cost cutting benefits. The web offers the magic of customers doing your data entry for you. That improves order accuracy and cuts your data management and order taking costs.

90 % of respondents cite the strength of their B2B programmes (sic) as competitive differentiators
~ M2 PRESSWIRE

A simple B2B procurement solution from a buyer's perspective could include any of the following components:

- as buyers, management may choose from several suppliers' online catalogs those products which it considers appropriate for purchasing within the organization
- Customer employees are given access to those products or catalogs through the Internet, with appropriate automated controls (i.e. requests for authorizations automatically sent to the appropriate supervisor, based on the employee's position or the dollar value of the purchase)

(These first two components will have the benefit of eliminating or at least reducing rogue buying)

- authorized purchases result in a purchase order being electronically sent to the appropriate supplier, with an electronic update of the buyer's records
- credit checks and confirmation of receipt of the purchase order by the supplier may be automated
- buyers will have the ability to check on order status and determine estimated delivery times, as well as having the opportunity to make changes to the order
- sellers will realize improved cash flow using the automated billing and delivery of the product.

According to Bruno Floriani of Lapointe Rosenstein, "Unfortunately, many CEOs in established companies still view e-commerce as a defensive strategy rather than an offensive one, and that the e-commerce part of their business will never be profitable. Most of them feel that e-commerce success is dictated by a catchy website or the creation of a new channel. Most analysts instead feel that established companies are best placed to reap the most benefit from B2B e-commerce strategies, but in order to do so must recognize e-commerce not as an end in itself but as the cornerstone of an integrated business system."

The ways in which B2B e-commerce is transforming the existing business models are countless, and we've truly only begun to explore its potential. In order to face the challenges presented by these transformations, it is crucial to maintain a willingness to reevaluate existing business processes and to invest in what surely constitutes the most exciting business development in years: B2B e-commerce.

In close partnership with PSSI, EC Internet has been implementing state-of-the-art e-commerce systems for many years. Through our staff and strategic partners we specialize in helping businesses select and deploy profit enhancing initiatives. To learn how we can help, contact us today.

