The Line56 e-Business Ecosystem

Private / Public e-Markets

Private e-Market Public e-Market

e-Market, exchange, marketplace, and e-hub are all terms used to describe electronic platforms over which multiple trading partners aim to achieve process efficiencies, reduce purchasing costs, and increase revenue opportunities. These e-markets are typically divided between "private" and "public," according to the ownership structure and the rules governing participant access. A Private e-Market ❶ is owned and operated by one company that in turn invites others to conduct business with it across the platform. A Public e-Market ❷ is usually owned by a consortium of industry participants and/or independent investors and is more open in nature than a private e-market.

Beyond being a trading mechanism, the private e-market has emerged as a major connection point to the enterprise, dealing with other private e-markets, public e-markets, and even legacy Electronic Data Interchange (EDI) links. Furthermore, it is also being utilized to aggregate disparate buyer- and supplier-facing applications within a company in order to show a common face to trading partners.

According to Line56 Research, currently only 34% of the general industry utilizes public exchanges and only 31.5% private exchanges. However, within two years, these figures are expected to grow to 59.2% and 60.5%, respectively.

ERP

Enterprise Resource Planning (ERP) software exploded in the early 1990s as a means for companies to integrate the management of administrative and supplier-related functions. In theory, finance, human resources, sales, operations, and manufacturing and distribution applications would all be linked via the same data model ❸. But in reality, Global 2,000 companies may have 50 or more ERP systems running between multiple locations and lines of business, each of which operates independently ❹. Nonetheless, with ERP systems already positioned as the "heavy lifters" for internal business processes, they have emerged as a crucial platform piece for intercompany e-business initiatives.

EAI

Enterprise Application Integration (EAI) is all about getting your own house in order. A successful EAI project links the diverse applications installed within the enterprise ❺. It involves not only the major applications that run the business but also a complex mix of databases, legacy systems, and global locations ❻.

In addition, Global 2,000 companies are relying on EAI products for data translation and transformation, rules- and content-based routing, and as connectors to packaged applications from vendors.

Although the products also allow for intercompany application integration, internal integration is currently the primary use for EAI.
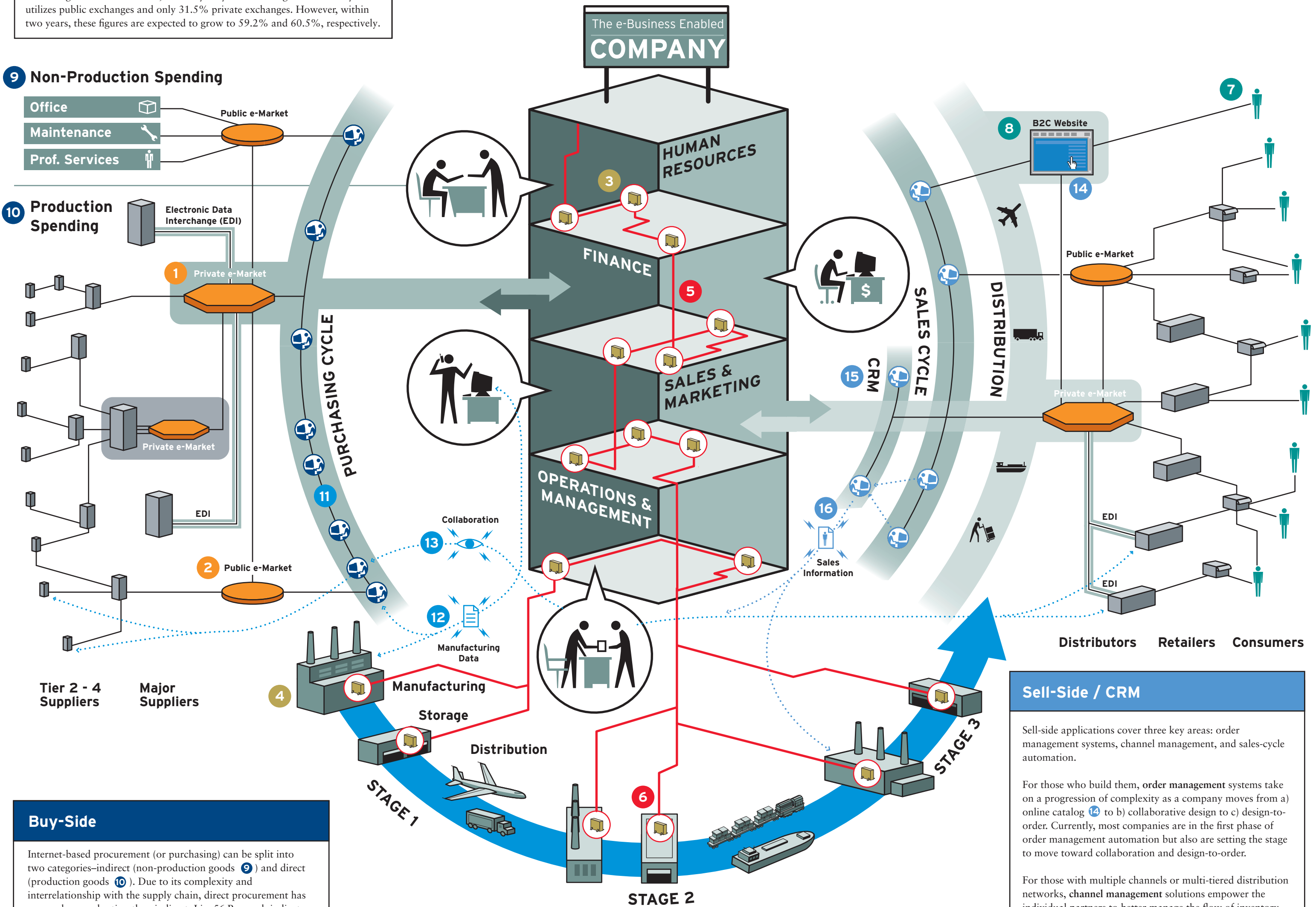
The Demand Chain

In every value chain there is a consumer (either individual, business, or government) ❼. Ultimately, shifts in end-stage demand should drive business decisions, including inventory and production levels. This is the notion of "demand-chain management" (as opposed to "supply-chain management") and is considered by many to be the holy grail of e-business. In practice, it involves business-to-consumer Web sites ❽, as well as traditional business-to-business channels (e.g., distributors, resellers, brokers, and retailers), all containing vital inventory, production, and end-stage demand information with various accuracy and time discrepancies. The real challenge in managing the demand chain is not just to create demand by offering multiple online and offline channels for the end-user, but to identify and respond to changes in this demand.

The e-Business Enabled
COMPANY

❼

❽ B2C Website

❾ **Non-Production Spending**

Office

Maintenance

Prof. Services

Public e-Market

HUMAN RESOURCES ❸

FINANCE ❺

SALES & MARKETING

OPERATIONS & MANAGEMENT

SALES CYCLE

DISTRIBUTION

❿ **Production Spending**

Electronic Data Interchange (EDI)

❶ Private e-Market

Private e-Market

EDI

❷ Public e-Market

PURCHASING CYCLE

⓫

⓭ Collaboration

⓬ Manufacturing Data

④ Manufacturing

Storage

Distribution

STAGE 1

STAGE 2

STAGE 3

❻

⑮ CRM

⑯ Sales Information

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Public e-Market

Private e-Market

EDI

EDI

Distributors   Retailers   Consumers

Tier 2 - 4 Suppliers   Major Suppliers

Buy-Side

Internet-based procurement (or purchasing) can be split into two categories–indirect (non-production goods ❾) and direct (production goods ❿). Due to its complexity and interrelationship with the supply chain, direct procurement has seen a slower adoption than indirect. Line56 Research indicates that 91% of companies purchase indirect goods over the Internet, compared to just 42% purchasing direct goods. But, with supply-chain and production efficiencies serving as key drivers of e-business adoption, the growth in procurement of direct goods over the Internet will far outweigh the growth of indirect-goods procurement in the coming years.

The **balance of power**: The early development of e-markets and e-business was focused on lowering procurement costs through both price and process efficiencies. The value proposition to the buyer was strong, and suppliers were reluctant to participate. Although suppliers are now on the move, carefully weighing their e-business options, buy-side applications are just beginning to find their equivalents on the sell side.

Supply-Chain Management

Supply-chain applications are a "catch-all" for the vast array of software aimed at enabling the virtual enterprise and extending information and cooperation throughout the value chain. Ranging from supply-chain planning and optimization software to exception management and decision support, these applications fall into three broad categories:

Commerce related ⓫ – Direct links between companies' systems for the ordering and purchasing of products create process efficiencies and reduce inventory.

Information sharing ⓬ – Sharing supply and demand forecasts, production schedules, and other operational data throughout the value chain reduces inventory levels and enhances planning and optimization efforts.

Collaborative activities ⓭ – Tools such as collaborative design, project management, and automated replenishment reduce time to market, improve customer satisfaction, and reduce errors.

Sell-Side / CRM

Sell-side applications cover three key areas: order management systems, channel management, and sales-cycle automation.

For those who build them, **order management** systems take on a progression of complexity as a company moves from a) online catalog ⑭ to b) collaborative design to c) design-to-order. Currently, most companies are in the first phase of order management automation but also are setting the stage to move toward collaboration and design-to-order.

For those with multiple channels or multi-tiered distribution networks, **channel management** solutions empower the individual partners to better manage the flow of inventory, orders, and information through their distribution channels.

As the economic downturn forces companies to streamline salesforces and try to maintain top-line revenues, **sales-cycle automation** tools have moved to the forefront of many e-business budgets. **Customer Relationship Management (CRM)** ⑮ is the most widely known of these applications, focusing on automating and streamlining the marketing, sales, and service processes. It covers a range of applications from areas such as marketing and lead management, marketing automation, and customer service. CRM and sell-side applications are often considered the "front end" of the supply-chain management loop, as the information ⑯ is fed back into various supply-chain planning mechanisms.

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