



# **Introducing B2B 3.0 and Simplicity for All**

*A White-Paper by Sourcing Innovation*

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#1 in a 5-part B2B 3.0 Series

## **Introduction**

By now, you're probably tired of hearing about "Web 2.0", which has been generating a lot of buzz for the last few years. That's good, because this paper isn't about "Web 2.0", or all the hullabaloo that accompanies it. It's about B2B 3.0 (Business-to-Business 3.0), which is the next generation of technology for the enterprise, and the first generation of technology that actually puts business users on the same footing as consumers, who have had "3.0" technologies at their fingertips for years.

This paper is the first in a series of white papers that are going to describe the B2B 3.0 revolution and the benefits that it brings to today's enterprise. This paper describes the B2B evolution from 1.0 through 3.0, as well as the corresponding B2C (Business-to-Consumer) evolution from 1.0 through 3.0 to help the reader understand how the technology marketplace has progressed. Subsequent white-papers will explore particular features and benefits that are unique to B2B 3.0 in-depth. Considering that B2B 3.0 is the first technology to enable true commerce in the global marketplace, it is the author's sincere hope that these papers will open your mind as to what B2B 3.0 is all about and how you can use it to save time, save money, and increase productivity and innovation in your enterprise.

## **B2B 1.0: The "Free Network" era**

In the early nineties, thanks, in part, to the development of HTML by Tim Berners-Lee and the development of the Netscape Web Browser by Marc Andreessen, the Internet burst onto the scene. Almost immediately, enterprising entrepreneurs saw the potential of the Internet to grow existing and new businesses, and B2C 1.0 was born. It was quite primitive, and usually consisted of on-line order forms where you typed in your order and someone on the other end printed it out, and, if they were "secure", phoned you for your credit card number. Sites were mostly static, content was minimal, and you had to know where to look to find what you wanted.

Then big business saw the potential of the web and of e-Commerce and B2B 1.0 arrived. This was largely due to the "free" connectivity provided by the Internet as opposed to costly EDI (Electronic Data Interchange) solutions over private networks, that businesses had to build and maintain themselves. However, since bandwidth was still quite expensive (thousands of dollars a month for a dedicated T1 line to your business, as compared to the fifty dollars a month you now pay for a cable modem with about the same bandwidth capacity), and since network infrastructure technology was also quite expensive (ten thousand or more for an enterprise router), B2B 1.0 was still limited to large organizations -- who nonetheless saw significant savings potential with its introduction.

B2B 1.0 was dominated by "big" buyers, suppliers with the capacity to serve those buyers, and the big enterprise software vendors like SAP, Oracle, JD Edwards (acquired by PeopleSoft in 2003), and PeopleSoft (acquired by Oracle in 2004). However, only the enterprise software vendors thrived. This is because it was only after the buyers spent millions of dollars on the enterprise e-Procurement software required to take advantage of the free connectivity offered by the Internet that the buyers realized that all of their content had to be re-created and optimized for e-Commerce, as the retail storefronts they purchased were incompatible with the different buy-side solutions. The content had to be modified to fit into the buy-side solution in each case. This was usually too much for the overtaxed IT departments at the "big" buyers, who had to farm the work out to a "cottage" industry of catalog and content services providers who hosted and maintained the necessary catalogs on behalf of the buyers. As a result, most of savings the buyers expected to achieve with the enterprise e-Procurement software vaporized into thin air. Furthermore, the solutions didn't significantly extend either the buyer's customer or supplier bases, proving that connectivity alone is not a substitute for community.

However, the biggest losers were the suppliers, who had to provide and maintain a different version of their catalog for every buyer, as every buyer used a different e-Procurement system or a different content service provider. Their costs of doing business actually increased with e-Commerce, which, of course, negated a buyer's savings potential even further as the expected transaction cost-savings the buyer expected from the first generation e-Procurement systems never materialized.

Suppliers lost. Lucky buyers broke even. And the enterprise e-Procurement vendors laughed all the way to the bank. Lesson learned? Functionality, and even connectivity, is useless without content and community where e-Commerce is concerned.

## **B2B 2.0: The "Marketplace" era**

In the early naughts, thanks in part to efforts by large B2C and C2C (Consumer-to-Consumer) players like Amazon and e-Bay who made great strides in bringing security, trust, and quality to on-line platforms, e-Commerce became a major part of the consumer world. Almost immediately, online sales started skyrocketing as B2C e-Commerce became a trillion dollar industry and the tech-savvy middle class turned to on-line sources for the bulk of their non-perishable non-customized disposable-income consumer-goods purchases. Once it became easier, and often cheaper (due primarily to Amazon's efforts to keep shipping costs down), to find and buy that new CD or Book you wanted on-line than to go to the local mall, on-line sales took off like a rocket. The growth was so explosive that, almost overnight, small stores and chains started suffering and going out of business.

This allowed businesses to see the potential of the web to host large, on-line marketplaces and address the content and community requirements, and a large number of B2B marketplaces and private networks sprang into existence. Dozens of general purpose marketplaces, which included the likes of Ariba, Enporion, Quadrem, and TPN Register, sprang onto the scene alongside dozens of vertical-specific marketplaces like Aeroxchange, ChemConnect, eSourceApparel, and GNX. The technology was more advanced than 1.0, but, especially in the beginning, still only offered basic e-Procurement features that included catalog management, request-for-bid, simple reverse auction, and supplier directory. Dynamic content was limited, and search was primitive.

It was a big step up over B2B 1.0. Multiple buyers could connect with multiple suppliers through the same platform,. Suppliers could identify new buyers to market their wares to, as long as they could afford the "fees" associated with the marketplaces. And the marketplace providers could make a small fortune by offering e-Procurement solutions that, at least initially, cost much less than the e-Procurement solutions that were offered by the big enterprise software vendors, especially since the access costs could be treated as operating expenses rather than capital investments (which was very attractive to companies that didn't want to be locked into a single system for ten years).

B2B 2.0 expanded the marketplace for e-Procurement. With the introduction of the marketplaces, and the subsequent private networks launched by a flurry of new market entrants (such as Emptoris, Katera, and Sci-Quest), mid-size companies could now afford to get into the game. In addition, the mid-tier suppliers could afford to list their catalogs with a handful of vendors and expand their global marketplace. e-Sourcing vendors like B2e Markets, Iasta, Frictionless Commerce, and Procuri were able to burst onto the scene, riding the e-Procurement coat-tails, which further expanded the market as e-Sourcing offerings such as Spend Analysis and Decision Optimization relied on good transaction data.

But in the end, everyone lost. Even though the marketplaces and private software networks thrived initially, the high access fees they required from buyers and suppliers eventually became prohibitive as suppliers realized they had to be on multiple networks if they wanted to reach the majority of potential buyers and buyers too realized they had to be on multiple networks if they wanted to find new suppliers, which is an essential element for increasing competition and decreasing market price. Suppliers lost because the marketplaces and private networks still required them to maintain multiple, redundant versions of their catalogs in multiple formats, as well as a large, redundant, IT staff to do this work. Buyers lost because the community was limited to participating suppliers, which weren't always the right suppliers for the buyers' needs, and the content was often stale, since suppliers, short on resources, were unable to refresh their catalogs on a regular basis due to all of the different catalog versions they had to maintain. And the enterprise software vendors lost, as they were unable to maintain the sales volume they achieved in the late nineties.

Lesson learned? Private Networks are redundant with the BIG Network ... the ONE Network ... the Internet. Redundancy is bad (except in data centers), especially when most suppliers already have a web-site and a web-accessible version of their catalog through a web-enabled database, and very costly. Someone has to pay for the redundancy, and it's ultimately the buyer, who in the marketplace model was paying twice -- once to access the marketplace and again in the form of increased product costs from the supplier who had to cover their marketplace access fees.

## **B2B 3.0: The "Virtual Network" era**

B2B 2.0 moved e-Procurement, and e-Commerce, forward, but it had its drawbacks. Costs were still unnecessarily high, and most businesses didn't have the manpower to keep up with the redundancy requirements imposed by marketplaces and private supplier networks. The connectivity was there, for a fee, but the content, although there in select locations, was often stale and the community, limited in size, never lived up to its promises.

B2C technology, in the form of B2C 3.0, again paved the way for the next generation of B2B technology. In B2C 2.0, the content and community was there, but it was on individual sites. In B2C 3.0, sites like Froogle (now Google Product Search), PriceGrabber, and PriceWatch came along that allowed users to search and browse product listings from multiple sites. Community was there through forums like TechRepublic, Craigslist, and ComputerShopper, but it was limited to specific products and issues. So C2C 3.0 sites like MySpace, FaceBook, and Twitter hit the scene that allowed users to come together in large numbers in any way, and on any product, service, or issue, they wanted to congregate on. And all of these sites rely on the basic connectivity of the Internet that has been there since day one.

In B2B 3.0, we finally return to the fundamentals of e-Commerce: connectivity that is open and free to all; content that is managed, once, in a non-redundant fashion by the content owner; and an open community where buyers and sellers can come together for short periods of time through virtual networks that allow them to conduct the business they need to conduct, when, and how, they want to conduct it. B2B 3.0 takes away the redundancy of B2B 2.0, and also the cost.

B2B 3.0 will be defined by enabling technologies like web services, intelligent agents, meta-search, weblogs (i.e. blogs), Ajax, “mashups” and RSS...technologies already widely used in the B2C and C2C world. There are examples today of companies using 3.0 technologies to deliver B2B solutions; Vinimaya Inc., based in Shelton, CT, has an intelligent agent-based meta-search product that lets enterprise users search across product "catalogues" from all relevant suppliers -- from the supplier's own web-sites -- in a seamless fashion. Another example is Co-exprise, based in Pittsburgh, PA, that uses “mashup” technology to normalize data from over 1500 technical file formats and automatically transform it into a common (XML-based) format that can be fed into any standards compliant application.

And in B2B 3.0, everybody, except the marketplaces and private networks that made their living off of closed proprietary technologies, wins. Suppliers win because they only need to manage one version of their catalog, on their own web-site; any buyer who utilizes B2B 3.0 technologies can find them; and there are no network fees. Buyers win because they can find, and do business with, any supplier; they can compare supplier offerings side-by-side and make the best cost vs. value decision; and their costs are minimal, as they don't have to pay marketplace/network access fees and inflated prices from suppliers who, in B2B 2.0, had to cover their marketplace/network access fees. And the enterprise software vendors selling B2B 3.0 technologies win because they can build affordable solutions that will be bought by the masses. B2B 3.0 solutions enable true commerce -- simple, fast, low-cost transactions at true market prices.

## Let There Be Commerce!

B2B 3.0 is a revolution that will enable true commerce between buyers and sellers in the global marketplace. With a core focus on technologies that enable content and consumerize B2B, it will enable fast low-cost transactions, true-cost commerce, and a rapid adoption of sourcing and procurement technologies that will go well beyond the rapid adoption of the late 1990's when e-auctions first took the marketplace by storm.

The implications of the "virtual network", despite being simple in nature, are so far reaching and so powerful that it would be impossible to describe them all in a single white-paper without writing a lengthy treatise. As a result, this is just the first paper in a five-part series. The next four installments, on the following topics, will be released on a monthly cycle through the end of the year.

Simplifying B2B for Suppliers Enables Buyers	September 2008
Content Enablement Technologies Enable e-Procurement 3.0	October 2008
Consumerizing B2B Enables User Adoption	November 2008
B2B 3.0 Enables Category Commoditization Savings	December 2008

## About Sourcing Innovation

Sourcing Innovation, which started in June of 2006, is a resource for sourcing, procurement, and supply chain professionals who are interested in improving themselves and the overall performance of their organizations. Sourcing Innovation is education about, and in-depth analysis of, technologies and approaches that can have a profound impact on the way you do business. More information about Sourcing Innovation can be found on the blog itself, at

<http://blog.sourcinginnovation.com>.