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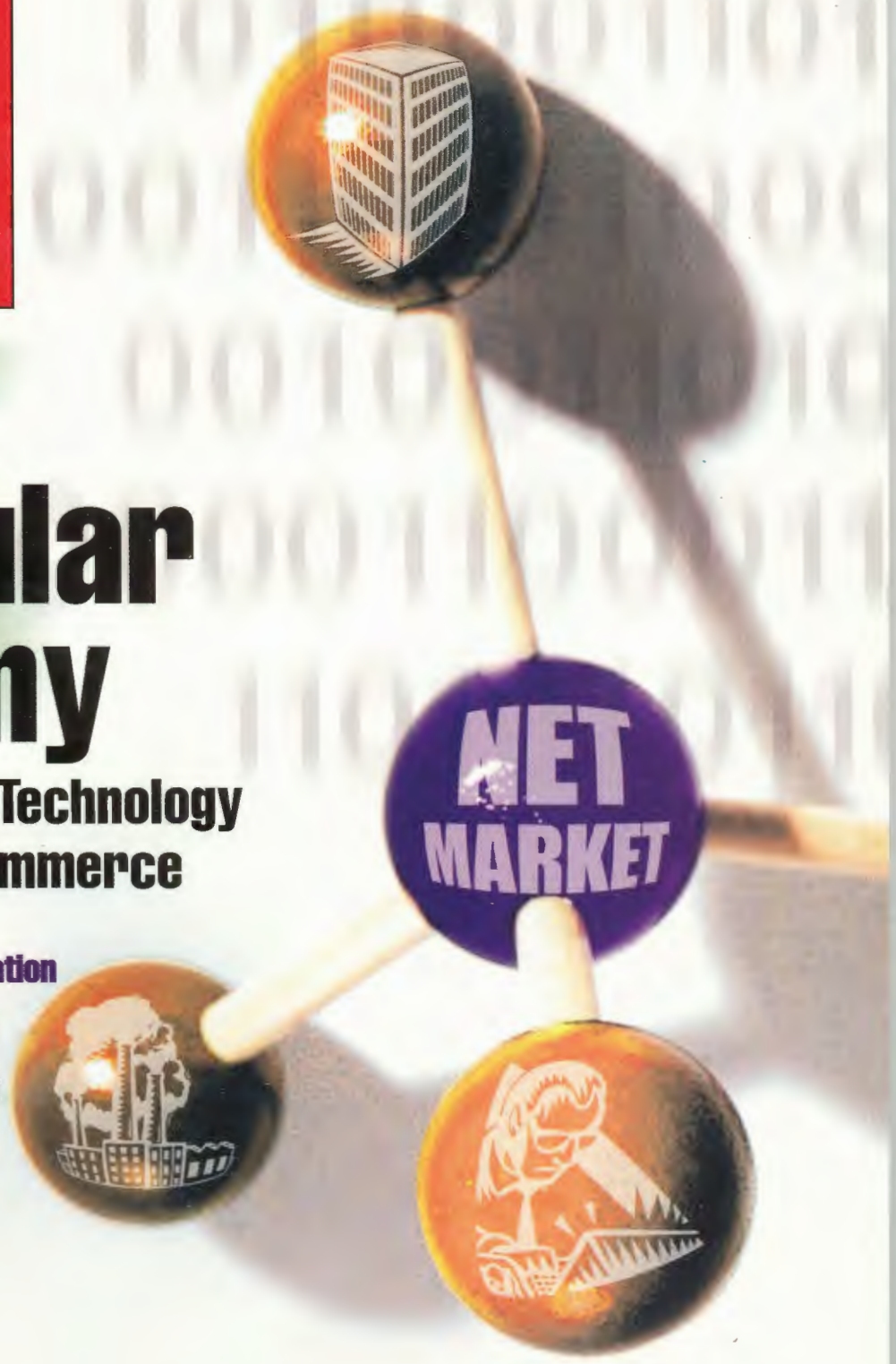
The Molecular Economy

The Business and Technology Model of B2B e-Commerce

- An Overview of B2B Integration
- Integrating the Value Chain
- Secure Portal Management



enterprise integrity

By DAVID McGOVERAN

B2B or B2C?

Recently I read a "prediction" that B2B will be facilitated by "hands-off" transactions, and preset conditions, such as inventory levels, will automatically trigger B2B transactions. Pre-defined and triggered transactions of this type are hardly a new idea, having been implemented in many enterprise, mission-critical systems. Automated inventory replenishment is but one example among many that has been implemented over the years. Despite the superficial appeal, this conception of B2B transactions is not necessarily attractive. Indeed, I have numerous misgivings about such prevailing visions of B2B.

The degree to which transactions can be "hands-off" depends on how much they are pre-defined, use standard formats, have well-defined data content, and fixed functional content. Certainly it makes sense to have standard formats for the exchange of information and, to this end, efforts such as RosettaNet and BizTalk are clearly important for B2B. For all parties in a B2B exchange to anticipate and agree upon the data content necessary to represent business objects (e.g., an invoice or a purchase order) is clearly essential to successful B2B transaction design.

Most B2B transactions have fixed functional content or, at the worst, contain parameterized functional content (e.g., a simple funds transfer might parameterize the amount and account information). Slightly smaller is the set of business transactions in which there is some variability in the amount of functional content, though not its type. For example, even if the number and titles of books in an Amazon.com book order transaction changes, the type of functionality does not. It's still a book order transaction no matter how many line items are in the order, and so it is more or less pre-defined.

Such transactions typically bring a predictable amount of revenue and profit to a business. Looking from the other side of a B2B transaction, the cost and asset acquisition due to the transaction is also fairly predictable. In fact, any business transaction that is predictable tends to commodity behavior. Although there are exceptions, most are easy for competitors to replicate, and competition forces the profit margin down (marginalization). The cause is uniformity — uniformity that persists irrespective of the B2B trading partners or the circumstances in which the transaction runs by virtue of its being pre-defined.

Uniformity is the very antithesis of the Web-enabled business. The Web has enabled unprecedented rates of change and levels of personalization, creating an opportunity to maximize profits through highly customized business transactions. The ability to identify and define a specific, often unique opportunity and to negotiate a business transaction around that opportunity is the very heart of one-to-one marketing and B2C transactions. It permits every major Web business to offer personalized goods and services, while the delivery vehicle of the Web keeps the overall cost within acceptable bounds to the consumer. So what has led us to believe that successful B2B transactions should be predefined and so very different from ideal Web-based B2C?

Traditional B2B interactions involve a period of negotiation and contractual commitment, followed by a period of exchange. If the trading partnership is long-term (e.g., suppliers of a manufacturing line), the exchange may last for years, be well-defined, and highly repetitive. Even when the exchange is of shorter duration (e.g., when the supplier is a building contractor), the supplier often supplies similar goods and services to the members of a community (a.k.a. market). The obvious result is that the exchange can again last for years, be well-defined, and be highly repetitive. Thus we have been led to believe, albeit erroneously, that B2B over the Web will simply aid in automating more such exchanges.

Web-based B2B must mean more than re-deploying old EDI to the new media (even if we use XML), and deploying more B2B transactions in that mold. A lesson of B2C is that the most successful and profitable B2C transactions are highly personalized and few assumptions can be made about the permanence of the relationship with the customer. The same will ultimately be true for B2B. In fact, we need to stop making arbitrary distinctions between customers and trading partners, and rethink the assumed distinction between B2B and B2C. The Web not only permits us to treat all business relationships in a "personalized," one-on-one manner, but rapid change and fleeting opportunities will probably force us to do so.

The effect of evolving B2B and B2C similarities is more than the need to support and exploit similar business requirements. We need to understand every customer as a trading partner, every trading partner as a customer. As trading partner exchanges become more customized, competitive, and transient, the corporate buyer looks more and more like a consumer. Customer retention, targeted marketing, and related programs apply equally well in wholesale and retail. Individual consumers and vendors on the one hand, and trading partners on the other, need equally to optimize profit margin and assets.

In short, the future of B2B transactions is the same as that of B2C transactions. The overriding concern should not be about building "hands-off" transactions. That way lies the past. In our Web-based future, the ability to customize transactions with great agility will determine the success and integrity of B2B and B2C enterprises. eAI

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