# Chapter 1.16
# B2B E-Business

**Robert J. Mockler**
*St. John's University, USA*

**Dorothy G. Dologite**
*Baruch College, USA*

**Marc E. Gartenfeld**
*St. John's University, USA*

## INTRODUCTION

Every organization can be viewed from two perspectives. There are external processes such as procurement and sales, and internal processes such as management and operations, finance, marketing, and human resources.

This article primarily focuses on external, commercial e-business processes. B2B (business-to-business) e-business is the sale of products or services, or information exchange, among two or more businesses through electronic technology, usually involving the Internet, through a public or private exchange. The following background section gives a very brief general overview of B2B e-business history. In the main thrust of this article, we discuss making the B2B decision by examining key B2B business requirements and benefits, as well as describing basic approaches to B2B e-business implementation. In the subsequent section, the article provides a future outlook for e-business.

## BACKGROUND

During the technological explosion of the late 1990s, virtually every company in the world was talking about B2B. The concept was sound and the possibilities were endless, so many companies rushed into implementing something, anything that would make them part of this new business revolution. As often happens when concepts are implemented, many unforeseen problems arise during the early stages of their application. Although the development of B2B e-business has provided opportunities for organizations to improve their purchasing systems and so enhance performance and profitability, it is not the magic solution once believed, but rather just another

useful business tool when implemented under the right circumstances.

Despite the burst of the dot.com bubble and the global recession, online B2B trading exchanges continue to expand. Online B2B e-marketplaces have remained resilient by providing valuable advantages over off-line transactions, including lower costs for buyers, greater access to customers for suppliers, and increased transparency throughout the supply chain for all participants (Krell, 2002). For example, members of the WorldWide Retail Exchange, an online B2B exchange, have saved over $1 billion since 2000 when the exchange was founded ("Survey," 2004).

Internet-based B2B e-business tools help companies master a multitude of objectives, ranging from reducing raw material, process, and transaction costs as well as cycle times, error rates, and inventory, and it improves transparency (Hartman, Salehi, & Vallerien, 2003).

In 2001, B2B e-business represented about one third of all e-business volume on the Internet, but it was expected to grow at an accelerated rate and eventually become the largest segment of e-business.

## MAIN THRUST OF THE ARTICLE

Before the appropriate B2B e-business implementation approach can be determined, a company needs to identify key business requirements and benefits. Once this has been established, the company can then choose from various implementation approaches the one that fits the determined requirements and benefits. The B2B implementation approaches discussed in this article have been derived from researching thoroughly company experiences as well as theoretical studies. Based on these experiences and studies, the ways companies have targeted their B2B implementation endeavors can be grouped into four basic approaches, which will be discussed later in this section.

## Identifying Key Business Requirements and Benefits

Planning is the first step to the successful application of any e-business strategy. A company needs to identify key or core business processes in its specific company situation, and the benefits to be derived from e-business B2B applications within these key processes. A well-designed B2B e-business system can be extremely valuable in achieving basic strategic management objectives in many different areas of profit-generating enterprises including increasing efficiency and reducing costs, improving management control, and expanding revenues.

### Improve Purchasing Efficiency and Reduce Procurement Costs

This was initially and continues to be a major application area for B2B. Procurement in its conventional form is a costly, labor-intensive, paper-based process. Purchasing personnel often complain that a high percentage of their time is spent on non-value-added activities such as data entry, correcting paperwork errors, expediting delivery, or solving quality problems. Managing supply chains through public or private online B2B exchanges enables companies to (a) directly improve their order-to-fulfillment cycle by streamlining work-flow and business processes so as to achieve better order processing and tracking, (b) better leverage company spending and increase return on investment, and (c) ultimately optimize overall procurement efficiency. This can literally save a company millions of dollars.

For example, Unilever, a major consumer-products company, was able to cut $902 million in procurement costs over a 2-year period, and by the end of 2002, was expected to have achieved more than $1.58 billion in total savings from procurement efficiencies with its new B2B system. These improvements were achieved through Unilever's

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