

The Next Generation of B2B E-Commerce: An Interview with Bob Evans

Aspect is a leading global provider of collaborative solutions for business-to-business e-commerce and inbound supply management. The company has seen its business take off in recent months as companies are looking for B2B e-commerce solutions. We talked with Bob Evans, Aspect's President and COO, about the impact of e-commerce on upstream supply chain collaboration.

We've seen explosive growth in B2B e-commerce. What's going on?

No question, this whole market of enabling businesses to effectively buy and sell with one another over the Web has just taken off, surprising a lot of folks. It has quickly moved beyond the experimental phase, where companies were installing transaction automation systems to automate the purchase of office supplies – what's referred to as “first generation” systems. Companies are now racing to include their high-value direct spend on things like the parts, components, and materials that go into their products and mission-critical MRO (maintenance, repair and operations) items.

Even more exciting is the fact that practically every industry is moving forward with an Internet exchange initiative. These exchanges have the potential to significantly change the way companies do business with one another at a very fundamental level.

Companies rarely jump at the chance to fundamentally change things. Why the sudden interest in all this?

It's about benefits. There are big benefits for the companies that do it right.

Let's start inside the enterprise. Consider the benefits that a large company can achieve if it can really leverage its full buying power and get all its divisions to work together to share design and operations information. By linking together a company's product development, sourcing and procurement, and operations organizations with collaborative processes and information, product engineers and operations

personnel can choose which items to use from the same databases that the purchasing people use to determine which suppliers to buy them from. By making these choices in a collaborative way, the customer's whole organization benefits greatly – reducing spend, increasing re-use, and getting better products to market faster.

Now, B2B e-commerce opens up another layer of benefits in that it is now possible to extend these collaborative processes and information “outside” the enterprise, across multiple companies in a B2B exchange. Engineers in one company can collaborate on a new product design with the engineers at their suppliers. Similarly, purchasing organizations in multiple companies will soon have the ability to compare their spend patterns, aggregate their demand, and negotiate better pricing with suppliers; this benefits all participants in the exchange. That's the business that Aspect is in. Our solutions for B2B e-commerce enable collaboration inside our customers' businesses and with their trading partners. GartnerGroup has started calling it “Collaborative Commerce.”

Give us an example of the kind of benefits a company can expect.

Working “inside” an enterprise, these new Collaborative Commerce solutions can help customers increase Earnings Per Share (EPS) by 15 to 20%. Our 180 customers have already documented almost \$3 billion in benefits realized by these enterprise inbound supply management programs. But we think that another 10 to 15% EPS improvement is possible by extending these collaborative processes and information “out-

Since joining Aspect in April 1999, Bob Evans has helped lead the company's aggressive move into the eMarkets space, dramatically increase its market presence, and preside over the company's largest sales growth in its history. Prior to joining Aspect, Mr. Evans held a position as managing partner, Industry Programs, for Andersen Consulting's global Supply Chain Practice.

side” the enterprise and across the B2B exchange.

How can companies like Aspect already be developing solutions for the “next generation of B2B e-commerce”?

What happened to the “first generation”?

Here’s what’s happened. The first generation of B2B e-commerce was focused on transaction automation. That makes sense, since until companies can exchange purchase requisitions, price quotes, orders, invoices, and even payments electronically, you really can’t get much else done. But you have to ask a simple question: Why will buyers and sellers agree to participate in a B2B e-commerce exchange? No participants; no exchange.

The obvious answer: because exchange participants expect to realize substantial value. In our view, creating such value depends on having three things at the B2B exchange. First, you have to have the ability to automate transactions. Next, you need content – that is, detailed information about products and suppliers. Furthermore, this content has to be “buyer-friendly,” meaning that it has to be well organized and easily accessible; it has to be standardized so buyers can compare alternatives; and it has to be manageable in the sense that any one buyer can indicate which items and suppliers are “preferred” so that all the people in their company buy the right things from the best supplier.

Finally, you need to be able to link the participants in a B2B exchange in such a way that they can collaborate with each other on product design, sourcing, and demand planning decisions. We call that decision support.

The next generation B2B exchange will have transaction automation, content and content management, and decision support capabilities. That’s why participants will join an exchange.

Tell us more about decision support.

Let’s go back inside the enterprise. The inbound supply chain is where companies design the products they will sell, source the components and materials needed to make those products, and procure and manage the plant, office equipment and supplies needed to conduct business. By way of contrast, the outbound supply chain is where companies make, move, and deliver the products that they sell. Companies like i2 Technologies and Manugistics have focused on decision support for the outbound supply chain. Aspect is focused on the inbound side where we help companies optimize design, procurement, and operations by enabling them to collaborate. The way we do that is to provide the information systems for executives to make decisions about what they should be buying, who they should be buying from, at what price, and how they can share design information with other design teams in the company.

And how about these new exchanges?

The emergence of B2B e-commerce exchanges is rapidly altering the way people think about supply chains. B2B exchanges are vastly different. Think about it. Chains are linear: each link connected to, at most, two other links. Relationships between companies, like a chain, are “hard-wired” and difficult to change. They are about integrating and optimizing operations within a single business enterprise. B2B exchanges, on the other hand, are networked, with everyone connected to everyone else. Relationships between companies

are dynamic, constantly changing. And the focus is on aggregation and collaboration.

Earlier this year I did a presentation at Stanford University titled “The End of Supply Chains.” We’re in a new world of collaborative e-commerce.

Can you give an example of how Aspect is actually helping a customer in this collaborative e-commerce area?

Sure, take Celestica. Celestica is a \$5-billion contract manufacturer of electronic products for companies like IBM, Hewlett-Packard, and Sun Microsystems. They have 19,000 employees at 30 manufacturing plants worldwide.

They are using Aspect’s solutions to let their engineers work directly with their customers’ engineers to select the best components and create the optimum design of products that Celestica will ultimately build for them. And if they select from Celestica’s preferred parts list, Celestica passes on the additional savings they get from buying in massive volume.

The stock market has been going crazy over everything in this new B2B e-commerce space. Just how big will this market be – or is it a passing fad?

Nobody knows for sure, but some industry experts have predicted that over 100,000 B2B exchanges will be created worldwide over the next several years. We’ve also seen estimates that the cost of creating an exchange can range from \$10-80 million. Even if only one-fourth to one-half of that is spent on software, the market is huge, in the billions.

As a reality check, consider that it’s also been predicted that as much as \$1.3 trillion dollars of business will be flowing through these B2B exchanges by 2003. If the exchange operators can collect fees in the range of one to two percent, we’re talking billions in revenue for them.

The numbers work. Of course, it all depends on one thing. Can the B2B exchange create massive value for the participants? Fortunately, this is exactly what Aspect’s solutions do.

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