

E-MARKET PLACE AS A NEW BUSINESS PLATFORM FOR MODERN ORGANIZATION: MODELS AND CAPABILITIES

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ABSTRACT

E-market can be defined as an internet based on solution that link business interested in buying and selling goods and services. Also known as online market where's seller and buyer make a transition of product or service. There are seven models in e-marketplace: hosting model, membership model, aggression model, transaction model, pricing model, payment model and facilitation model. The significant of e-marketplace are market research, storefront, create a community, e-commerce centre and reduce the cost. What are capabilities in e-marketplace? There are web technology are include online catalogue, auction and exchange. Other capabilities are creating an online marketplace, facilities the execution of the transaction, information link, seller-driven transactions and community service.

Key Word: E-Market Place, Business Platform, Model

1.0 INTRODUCTION

E-marketplaces can be defined as an Internet -- based solution that links business interested in buying and selling related goods or services from one another. E- Marketplaces also as online versions of the town markets that still exist in many countries, at which buyers and sellers gather to exchange goods and services, whose criteria of participant are relatively liberal and in which no participant has the ability to dominate the structure of market.

Although there are many (different types of online marketplace, they all share one overriding characteristic; they facilitated the business to business buying and selling process. In particular, e- marketplaces provide business with the opportunity to easy find and compare products and price which provide sellers with the ability to aggregate supply and demand. Specifically, e- marketplaces can help companies to:-

- (a) Generate awareness - E-marketplaces enable companies to attract new audiences relevant to their companies.
- (b) Provide information - The solution offered by e-marketplaces makes it easier for Business to Business operator to inform prospects with suppliers catalogues and up to the minute industry news.
- (c) Enable secure transactions - E-Marketplaces provide a secure environment for buyers and sellers to make transactions.

- (d) Network - Essentially, e-marketplaces are online business communities that facilitate interaction between business and partners. Most e –marketplaces and exchange include discussion area.
- (e) Customize products and services - The fact that online marketplaces enable companies to find more information on buyers mean that to find more information on buyers mean that products can be customized to greater extend.

2.0 MODEL OF E-MARKETPLACES

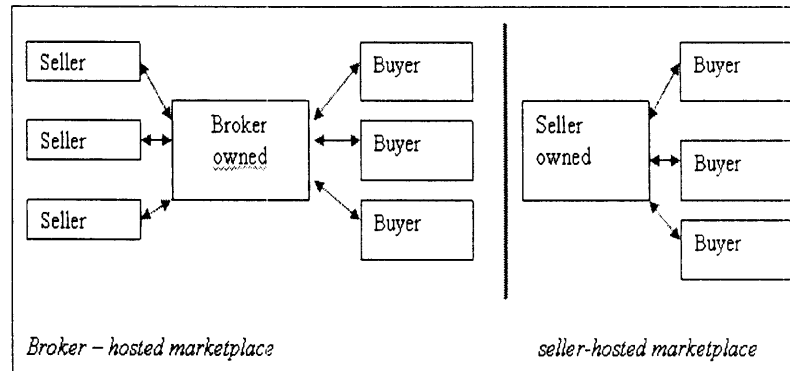
According to Haig (2001), there are seven models in e-marketplace: hosting model, membership model, aggression model, transaction model, pricing model, payment model and facilitation model.

2.1 Hosting Model

A marketplace’s hosting model defines who owns sponsors, controls and manages the trading environment (see figure 1). Four basic hosting models are:-

- (a) Broker hosted marketplaces - These are environments managed by an entity that is neither a buyer or seller of the traded good or service instead the market maker simply brokers deals between others who bear the associated financials risk and rewards.
- (b) Seller hosted marketplaces - These are environments managed by one of the sellers in the marketplace, often a dominant seller, or by a consortium of sellers.
- (c) Buyer-hosted marketplaces - These are environments managed by one of the buyers in the marketplace, often a dominant buyer or by consortium of buyers.
- (d) Industry-hosted marketplaces - These are environments managed by an organization owned and or controlled by a broad range of buyers and seller in an industry.

FIGURE 1: E–Marketplace Hosting Models A.



Source: Haig (2001)

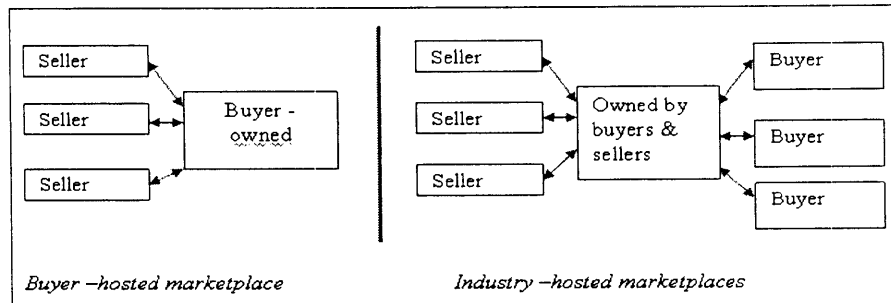
2.2 Membership Model

Membership has its privileges and in Business to Business trading communities it can mean the difference between prosperity and bankruptcy. A marketplaces membership model defines who can participate in the marketplace and under what general terms and conditions (see figure 2). So that, e–marketplaces can be categories into:-

- (a) Private marketplaces - This is the membership model behind what we have traditionally referred to as EDI trading communities or extranets. In addition, seller and buyer hosted e-marketplaces usually adopt this model.

- (b) Vertical marketplaces - This is the membership model behind many broker-hosted emarketplaces. We expect, industry-hosted marketplaces as well. Under vertical model, you need not have a preexisting business relationship with the market maker, but you must meet the criteria, specific to a particular segment of industry, business or e-commerce.
- (c) Horizontal marketplaces - This is the membership model underlying most portals and online malls, which are principally Business to Business to commerce trading environment. Under the horizontal marketplace model, membership is essentially open to anyone who registers online, fills out a quick form and provides a credit card number.

FIGURE 2: E-Marketplaces Hosting Model B.



Source: Haig (2001)

2.3 Aggression Model

The ideal market is a place where you can find whatever you're looking for or sell whatever you have on hand, at the right price. Marketplaces Aggression Model is approach to organizing buy and sells offers. So that, content aggression has been a central feature of both e - commerce software tools and online marketplaces.

2.4 Transaction Model

Transactions in e-marketplaces are virtual, instantaneous, and configured in almost any way the human mind can conceive and program into existence.

- (a) Commercial Contracts - Contracts come in many varieties because commercial relationship differs greatly. Two basic types of e- marketplace relationship are the contract between an e-market maker and a marketplace member, and the contract between one participant and another, such as between a buyer and seller.
- (b) Bargaining Mechanism - Bargaining is what converges buyers and sellers on mutually agreeable terms of trade.
- (c) Transactional Workflows - Commercial transactions cut a swath within and between two or more organizations, involving a broad range of participants, processing steps, business document, database, and coordination and decision points.

2.5 Pricing Model

Pricing is the golden thread that runs through most commercial transactions. Price is often the primary factor that clinches deals and sustains ongoing business relationships.

- (a) Forward Auctions - A forward auction is what most people think of when you say the word auction. A seller extends an offer to sell, buyers bid on it. It is a seller -driven transaction.

- (b) Reverse Auctions - Reverse auctions are buyer-driven transactions. A buyer extends an offer to buy and sellers bid on it.
- (c) Double Auctions - Double auctions combine concurrent seller and buyer driven transactions. Sellers make offers to sell and buyers make offers to buy.

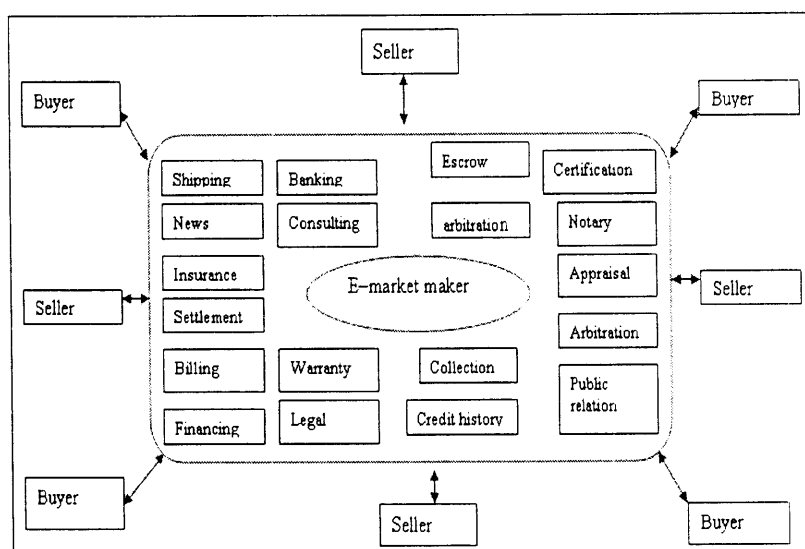
2.6 Payment Model

Payments keep commercial relationships in good working order, especially when the buyer renders payment promptly, fully and with minimum fuss.

2.7 Facilitation Model

Facilitators are the icons that rim an e-marketplaces homepage, or that clamor for your attention when you get to the point of buying something or that led you to that marketplace in the first place. More of the point, a facilitator provides services to buyers, sellers and consummating transactions. Figure 3 shows how these and other facilitators form part of the core service model of many an e- marketplace.

FIGURE 3: E-Marketplaces Facilitation Models.



Source: Haig (2001)

3.0 SIGNIFICANT OF E-MARKETPLACES

1. Market research

E-marketplaces often provide a mine of industry specific information on companies, products, upcoming industry-related trade show and events, industry and technical news. Vertical Net also incorporate Marketplace Discussion Forums centered on business sectors. These clearly provide valuable research and networking opportunities.

2. Storefronts

E-marketplaces offer business the opportunity of setting up an online storefront within the marketplace. This can help not only build brand awareness, but also help enable companies to create and maintain an online catalogue featuring up to 10 products. They also offer a direct link to the company web site as well as real time tracking and analysis of sales leads and orders.

3. Create a community

By creating an online community of users, a site can encourage repeat and regular traffic. This is where auction sites and other interactive B2B e-marketplaces have a natural advantage. Bulletin boards, live chat facilities and other online forums can all add to the community feel

4. E-commerce centre

Vertical Net's e-commerce centre provide another means of targeting new and existing customers in industry-specific marketplaces. As well as helping to build and publish a company's online catalogue, e-commerce simplifies the customer's experience by providing multiple catalogue search methods and shopping-cart technology (Kobielus, 2001). E-commerce centre also enable companies to tailor pricing for individual customers and provide a partner locator enabling manufacturers, distributors, partners or suppliers who sell products under specific channel partner agreements to locate channel partners representing specific products within a certain geographical area.

5. Reduce the cost

E-marketplaces are likely to reduce the cost that buyers incur to acquire price and product information. Economist theory has demonstrated that this search cost enables sellers to extract monopolistic rents in otherwise competitive markets. E-marketplaces may thus promote price competition and reduce sellers' market powers (Bakos, 1991). Buyers are likely to benefit from these systems in two ways:

- (a) They may enjoy lower prices because of the increased competition among sellers.
- (b) They will be better informed about the available products and thus may choose sellers that better suit their needs.

4.0 CAPABILITIES OF E-MARKETPLACES

4.1 Web technologies

As well as Web sites selling their own products direct to other business there are online marketplaces that bring many business and buyers together (Choudhury *et al.*, 1998). Although their exact nature can vary considerably, there are essentially three types of Web based on e-marketplaces:-

- (a) Online catalogue - Online catalogue simply collect the catalogue data of every supplier in a particular industry and place it on one central Web resource. Catalogues are important to companies for marketing purpose because they are one of the main ways to distribute product and service information to public marketplaces.
- (b) Auctions - Auctions follow the catalogue format to an extent, but they enable more interactivity. Specifically, they provide a mechanism to negotiate prices and bid for products and services. Web auctions typically involve suppliers competing with each other by bidding down their products or service. Online auctions require companies to follow a registration process in order to take part. During this process, users have to provide their credit card information, shipping preference, as well as agree to sites of conduct. Some sites also manage secure auctions that restrict potential bidders to specific firms or individuals.
- (c) Exchange - The exchange enables suppliers, buyers and intermediaries to come together and offer products or service to each other according to set criteria. The sellers can get higher prices for their products or service by putting them on various sites simultaneously. The best ones are places where market participants can make spot purchases, auction off goods, obtain letters of credit, contract for logistics and distribution, monitor daily prices and order flow, and even engage in the design and specification process peculiar to specific industry manufacturers.

4.2 Creating an online marketplaces

For those companies wishing to set up an online marketplaces – be it catalogue, exchange or auction – there are a lot of serious issues that need to be considered. First and foremost, it is important to recognize that e-marketplaces are still in their infancy, and the volumes going through them remain relatively small. Even those marketplaces that are attracting vast number, Vertical Net for instance, have yet to make a profit (at the time of writing). Contenders therefore need enough initial funding to carry them through into the long term.

4.3 Facilitate the execution of the transaction

E-marketplaces facilitate the execution of the transaction by supporting the exchange of the necessary information between buyer and seller. On the other hand, a buyer must visit an individual seller's web site to place an order. It is important to support all of these functions to quality as an electronic market. It also an inter organizational information system through which multiple buyers and sellers interact to accomplish one or more the following market-making activities:

- (a) Identifying potential trading partners.
- (b) Selecting a specific partner.
- (c) Executing the transaction.

4.4 Information links

Inter organizational information systems are usually encountered between two stages in a linear value-added chain and thus can be thought as having two primary types of participants, which we call suppliers (sellers) and customers (buyers). Systems are operated by intermediaries a customer or a supplier in the market may operate a system and thus function as an intermediary as well. One or more system may compete in the same market, and other potential intermediaries may exist, with the ability to introduce new systems in the future. Two types of vertical market IOS can be distinguished in this setting, which we call information links. The information links in e-marketplaces can improve the efficiency and communicating information across the participating organizations—an impact that can be modeled as an increase in the performance of inter organizational channel in e-marketplaces.

4.5 Seller -driven transactions

Seller driven transactions are what we normally associate with “hard sell” tactics, public relations, telemarketing, direct mail, and spam. However, they are a legitimate and important type of transaction in a healthy marketplace. For example, we would have nowhere near as vibrant a high-tech sector if vendors were shy about proposing new concepts to a puzzled, reluctant marketplace. Seller-driven transactions start with someone posting an offer to sell, which can take such forms as advertisements, promotions, proposals and quotes. Indeed, aggregating merchandise descriptions into catalog and publishing the catalog are often the most powerful offer to sell. After posting the offer, the seller often follows up to make sure the target customer has seen it. During follow-up, sellers often elaborate on their sales pitches, field inquiries, overcome objections, qualify prospects further, and if all goes well, perhaps even take the order.

4.6 Community service

Community service allow marketplace members to locate one another message, exchange e-mails, engage in online chats, post to topic-oriented message boards and newsgroups, maintain customized Web pages, and publish events calendar. Essentially, these are Web-based collaboration tools that supplement the buy and sell activity that is the core function of e-marketplaces. Many vertical e-marketplaces provide access to community services and through links from their homepages. For example, a vertical market may offer all its members free Web mail services and Web homepages.

5.0 CASE STUDY

5.1 Case 1: Tex Yard

The B2B online marketplaces, TexYard, were launce to tackle inefficiencies in the \$35 billion European fashion industry supply chain. TexYard addresses pricing and supply, the inefficiencies in the textile sector that arise from the high degree of industry fragmentation, difficult cross-border market access, and the lack of supplier integration that characterizes the industry today. According to ICG Europe, the European \$35 billion fashion is comparable in size with the US market but, with a few exception, it lags behind the US in the uptake of e – procurement (Hees & Kemerer, 1994). However, it cautions that the industry-wide benefits of e-procurement can only be enjoyed with the emergence of open, Internet-based standards, capable of supporting the ready exchange of data between retailers and manufactures. The first retailers to use B2B e-commerce effectively will be able to leverage this opportunity to expand faster and more profitably than the rest of the market.

This is certainly the hope of TexYard, which uses the Internet to utilize multiple pricing mechanisms, including both forward and reverse auctions. In addition, financial services, logistics, inspection and sampling are also be supported online. According to cofounder of TexYard, Brent Dennison: “There is an excellent opportunity to tackle key issues within the fragmented European textiles sector”. He claims that ‘TexYard’s solution addresses concerns such as leftovers and increasing seasonal swings in capacity, which is exacerbated by such trends as shorter products lifecycles in the fashion industry’.

As with similar industry-specific, vertical marketplaces, the TexYard.com site helps bring buyers and sellers together, by creating a simple and efficient process for purchasing online. The site helps buyers to find new suppliers, and to source, negotiate and track orders online, while helping suppliers to gain access to new business and simplify their selling process.

5.2 Case 2: E-cement.com

E-cement.com, the first global B2B e-commerce marketplace for the cement industry, is an independent-based procurement and cement trading exchange. Providing an open, transparent market for the procurement and sales of plant, parts, bulk materials and related products, e-cement.com manages to deliver:

- (a) reduced procurement process and transaction costs for customers and suppliers.
- (b) increased buying power for independent purchasers by grouping orders
- (c) release of working capital through inventory reductions of all procured material
- (d) high value services, such as shipping and logistical support

Furthermore, e-cement.com operates a global news and information forum for the cement industry, offering a daily updated news service, alongside a suite of commercial and technical support services to the industry. Revenues are generated by service fees that vary according to the transaction method, as well as advertising.

The business is well placed to attract a significant share of the multi-billion pound global market plant, spare parts and bulk commodities used in the cement industry and were contacted by several hundred cement manufacturers and suppliers worldwide who could benefit from this exchange.

6.0 FUTURE IMPLICATION OF E –MARKETPLACES

Having survived the economic downturn relatively unscathed, the fact that e-marketplaces have a future no longer seems in any doubt. One of the main factors that will influence the future of e-marketplaces is the development of technology that harnesses the combined power of computers within a network. In the new economy, stagnation is the ultimate threat to market, while reinvention has emerged as the primary aim. Change is now sudden, non – linear and constant. As a result, marketplaces need to focus on organizational read lines and their ability to adapt. Some futures of e-marketplaces are:-

6.1 The rise of mobile internet

While most internet observers now accept the mobile internet will become increasingly popular as technology progresses, some remain skeptical over the long-term impact it will have for market. Now company must watch the progress by mobile in the future can be impact to e-market. Although there have undoubtedly been teething problems (particularly in relation to WAP technologies) most companies clearly believe that they cannot afford to miss out on the opportunity offered believed can improve their strategies in marketplaces (Lee & Clark, 1997). Owing to the way mobile devices tend to be used, it is hardly surprising that services that can be accessed quickly, explained briefly and ordered with a few key strokes, are the most successful. Cell phone users are more impatient than Internet users.

6.2 ASP industry

The fact that e-marketplaces has completely changed the marketing game plan in illustrated by its ability to create new markets. One of these blossoming new sectors is that relating to Application Service Providers, or ASP an industry that simply could not exist without the internet. The main underlying principle behind ASP is simple the cost of data processing can be cut if many customers share software and software support. What many ASPs have already started to discover, however, is that the convenience for the customer can be extended further if they only have to deal with one ASP that can provide their entire application requirement?

7.0 CONCLUSION

Although still in their infancy, the e-marketplaces have a potential to drive the business-to-business revolution. They offer both to buyer and sellers strong possibilities to reduce transaction costs, enhance sales and distribution processes, deliver and consume value added services and streamline customer management. Most of the e-marketplaces today follow the centralized approach. Without such focal points, buyers could have great difficulty finding suppliers with the right qualities and prices, and suppliers could have difficulty finding motivated buyers. Such e-marketplaces also significantly cut the operational costs. And, most of them now provide and support for procurement processes that traditionally consume much staff time and effort, and a bunch of different value added services. But still, although their business propositions are definitively sound the vast majority of them is facing fundamental liquidity problems. Very few of them managed so far to attract a sufficient number of buyers and sellers to function smoothly. One of the widely discussed reasons for their low liquidity is that suppliers have typically spent large amount money on building reputation and brand.

E-marketplaces work by cutting costs and inefficiencies in the supply chain and by creating new ways to buy and sell products and services. Although they are still in the early stages of their development, most analysts agree that e–marketplaces represent the future of the online B2B world. Whatever industry in telecoms, automotive, energy, agriculture, finance or any other there is, or soon will be, online marketplaces devoted to it.

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