Electronic B2B Inter-marketplace Alliances, Mergers and Acquisitions

Motives, Obstacles and Trends

MAGNUS SANDBERG
ERIC WESTERBERG

MASTER OF SCIENCE PROGRAMME
Department of Business Administration and Social Science
Division of Industrial Marketing
ACKNOWLEDGEMENTS

This thesis titled bears the imprint of many people that has had an important impact on the structure and the outcome of the report. We would like to thank some of the personnel at Accenture that has helped us in the generation of ideas, and that to varying degrees have acted as enthusiastic assistants. These include Andrew J. Macpherson (Sydney office), Clinton Moloney (Sydney office), Pascal J. A. Gautheron (Sydney office), Jeffrey Russell (Melbourne office), Anders Östlund (Stockholm office), Johan Helander (Stockholm office) and Virginie Gasquet (Paris office). We would also like to thank our supervisor Eva Ronström at Luleå University of Technology, Sweden, for her assistance and patience as well as Lars-Ole Forsberg at Luleå University of Technology, Sweden, for his complimentary supervision. We also would like to thank all of our very helpful and patient interview objects that have revealed intimate information about their organisations during hours and hours of contact over the telephone.

Luleå, Sweden, November 2001,

Magnus Sandberg                      Eric Westerberg
ABSTRACT

Professional analysts forecast an explosion of the number of business-to-business (B2B) e-marketplaces, followed by a consolidation process where alliances, mergers and acquisitions within the B2B e-marketplace space are becoming more important.

This qualitative cross-industry research of 26 cases of electronic B2B inter-marketplace alliances, mergers and acquisitions has resulted in conclusions regarding motives for, and obstacles with these B2B inter-marketplace partnerships. A number of trends affecting the future B2B e-marketplace configuration have also been identified. How to deal with the implications of these findings for B2B e-marketplaces and brick-and-mortar-companies are also discussed.

Liquidity was found as a motive for forming B2B inter-e-marketplace partnerships along with motives related to the market, technology and finance. Identified market-related motives for forming B2B inter-e-marketplace partnerships include getting access to new suppliers and buyers; having common suppliers and buyers; getting access to expertise; enhancing the image of the e-marketplace; sharing or reducing risk; joint marketing activities; and closing windows of opportunities and higher barriers to entry for competitors. Identified technology-related motives for forming B2B inter-e-marketplace partnerships include cross offering and co-development of service applications; exchange of value-added services; and standards enforcement. Identified financial-related motives were found to include getting access to capital and raising capital from investors.

Obstacles with forming B2B inter-e-marketplace partnerships are found to be market-, technology-, financial-, and governance-related. Obstacles include bad timing; time-consuming negotiations due to lack of focus; anti-trust laws; image focus; user face obstacles, application layer obstacles; platform/infrastructure layer obstacles; revenue sharing; take-over price; management; lack of trust; cultural differences; and collaboration and competition around intellectual property.

Identified trends, affecting the future B2B e-marketplace-configuration, include a "waiting game"; reluctant investors; partnering as a survival strategy; technology solutions specialisation; personalised user interfaces and standards for E2E collaboration. A vision of future partnering models is presented and the future form of e-marketplaces is discussed along the dimensions bias and ownership. Competition versus collaboration between e-marketplaces is discussed as well as internationalisation.

Regarding the implications of the research results for e-marketplaces, advise for how to tackle market-, technology-, financial- and governance-related obstacles, along with additional guidelines for e-marketplace survival and success is presented. Regarding the implications of the research results for brick-and-mortar-companies, suggestions are for them to take an active part in the B2B e-marketplace evolution. Three B2B e-commerce strategies with different levels of investment commitment are presented.
# TABLE OF CONTENTS

1 INTRODUCTION ................................................................................................................. 1
   1.1 Background ................................................................................................................. 1
   1.2 Problem discussion ..................................................................................................... 2
   1.3 Research questions .................................................................................................... 5
   1.4 Demarcations ............................................................................................................. 5

2 THEORY .......................................................................................................................... 6
   2.1 The evolution of B2B electronic commerce ................................................................. 6
   2.2 Electronic marketplaces ............................................................................................ 9
   2.3 Partnering .................................................................................................................. 20

3 FRAME OF REFERENCE .................................................................................................... 42
   3.1 Conceptualisation ....................................................................................................... 42
   3.2 The emerged frame of reference ............................................................................... 48

4 METHODOLOGY .............................................................................................................. 50
   4.1 Research model .......................................................................................................... 50
   4.2 Sample selection ......................................................................................................... 51
   4.3 Data collection ............................................................................................................ 52
   4.4 Analytical framework ............................................................................................... 53
   4.5 Methodology problems ............................................................................................ 53

5 EMPIRICAL DATA ........................................................................................................... 55
   5.1 Alliances and attempts to form alliances .................................................................... 55
   5.2 Mergers and attempts to mergers .............................................................................. 90
   5.3 Acquisitions .............................................................................................................. 108

6 ANALYSIS ...................................................................................................................... 113
   6.1 Motives ..................................................................................................................... 113
   6.2 Obstacles .................................................................................................................. 115
   6.3 Trends ....................................................................................................................... 117

7 CONCLUSIONS .............................................................................................................. 119
   7.1 Partnering models with related motives ................................................................. 119
   7.2 Motives for B2B inter-e-marketplace alliances, mergers and acquisitions ............. 120
   7.3 Obstacles with electronic B2B inter-marketplace alliances, mergers and acquisitions 123
   7.4 Trends for the future B2B e-marketplace configuration ........................................... 127
   7.5 E-marketplace partnering versus partnering in general ........................................... 134

8 IMPLICATIONS .............................................................................................................. 135
   8.1 Implications for e-marketplaces .............................................................................. 135
   8.2 Implications for brick-and-mortar companies ......................................................... 140

9 SUGGESTED TOPICS FOR FUTURE RESEARCH ......................................................... 145

REFERENCES .................................................................................................................... 146
   Interview References .................................................................................................... 150

APPENDIX
   Appendix A. Interviewed e-marketplaces
   Appendix B. Questionnaires
1 INTRODUCTION

The introduction chapter gives a background to the research subject, further discusses the research problem and finally presents the research questions that this report aims to answer.

1.1 Background

Business-to-business (B2B) electronic commerce (e-commerce) is not a new concept. The heritage of Internet-based electronic commerce can be traced back to EDI (Electronic Data Interchange), which dates back more than twenty-five years. Either point-to-point or one-on-one linkages were developed, or alternatively third party EDI communication service like VANs (Value Added Networks) were developed and used, and to a certain degree they are still being used. (Lankford and Johnson, 2000) The VANs provide a variety of systems for exchanging information, enabled through a standard set of transactions. There is though a backside to these technologies. The cost of one-to-one EDI systems, or the service VANs provide, is of such magnitude that only the largest companies have been able to find the economic initiative to build and implement EDI systems with their most important suppliers or customers or to use the service provided by the VANs.

The successor of the expensive VANs is the Internet. The principle of EDI – reducing the process costs of inter-company trade - will live on. The relative ease of accessing Internet for business and trade purpose, due to its dramatic lower cost, allows smaller suppliers and buyers to meet and through Internet, B2B e-commerce can reach its full potential. (Blodget and McCabe, 2000)

Today, the larger part of the B2B e-commerce is planned to come to live over Internet-based electronic marketplaces (e-marketplaces). The idea of e-marketplaces, in which corporations with common interests get together to procure and provide goods and services over the Internet, took hold in the United States two years ago, but for many it was not until last year that the idea became reality. Now e-marketplaces are being hailed as the most revolutionary development in the way commerce is transacted since the telephone. (B2B, 2000) Quite often the term “e-market” (electronic market) is used when referring to an e-marketplace, but it has been left out in this report to the favour of the more descriptive term e-marketplace.

Business-to-business e-commerce is set to far out weight business-to-consumer e-commerce. Louis V Gerstner Junior, the chairman of IBM, suggests this analysis of what B2B offers compared to B2C (business-to-consumer): “I think of [consumer websites] as fireflies before the storm: all stirred up, throwing off sparks. But the storm that’s arriving – the real disturbance in The Force – is when the thousands of institutions that exist today seize the power of this global computing and communications infrastructure and use it to transform themselves. That’s the real revolution.” (Lewis, 1999, p.57)
Depending on the source (Brooks and Cantrell, 2000; Bydgeson et al, 2000; Henig, 2000), there was in the end of year 2000 an estimated scope of about 500 to 1200 B2B e-marketplaces operating in and across various industries. This number has probably grown during the time elapsed from the publishing of these sources. In the next several years, there is an estimation of the creation of an additional number of 10,000 e-marketplaces across industries, according to Forrester Research. In the “long term”, which in some industries (depending on industry e-marketplace maturity) might be in simply one, or a few years time, a maximum of only three e-marketplaces per industry are predicted to survive – for a total of only 50-100 vertical B2B e-marketplaces (AMR Research). (Blanchard and Roussière, 2000; Brooks and Cantrell, 2000) Henig (2000) expects that over the next decade, the total number of B2B e-marketplaces will collapse down to 10 to 30.

To look at the situation from a somewhat different angle; the end game is by some claimed to been shown by the financial markets. “History suggests an explosion in new exchanges [e-marketplaces, authors’ note], followed by consolidation. The New York Stock Exchange had two dozen rival exchanges in lower Manhattan in the early 19th Century.” (Meeker and Phillips, 2000)

1.2 Problem discussion

The inter-relational dynamics of B2B e-marketplaces is envisioned in four phases, graphically illustrated in figure 1. The first phase, Proliferation, refers to phase where the number of e-marketplaces rapidly increases.

The second phase, Expansion, refers to the developmental phase where the average scope of e-marketplaces increases. The expansion of market scope includes extending the range of products (goods and services) traded through the e-marketplace (which may overlap with the scope of other e-marketplaces) and increasing the functionality of the e-marketplace by for example adding collaboration tools or enabling integration to back office systems. Further, the expansion of market scope includes incorporating transaction services (e.g., order management, logistics, financing, etc.) or including industry-specific news and expert analysis.

The third phase is Consolidation, the shakeout period predicted by analysts. Once an e-marketplace achieves critical mass, it consolidates market power by siphoning participants from the e-marketplaces that compete directly with it. While this fortunate e-marketplace will likely continue to follow its successful expansion strategy, its competitors will need to shift strategies away from simply expanding their own scope to avoid being acquired or dying from lack of cash. They will either need to partner or consolidate with other competitors to pool their trading volumes and offset the network effect that benefits the dominant e-marketplace, or differentiate themselves from the dominant market in a way that is real and sustainable. Inter-marketplace mergers and acquisitions become important in surviving the consolidation phase. In figure 1 mergers and acquisitions can be traced to be a part of the illustrated defunct e-marketplaces - those
e-marketplaces that will disappear, either because they are not capable of surviving by themselves and therefore die, or because they choose to merge with or get acquired by another e-marketplace. Also in the consolidation phase the importance of alliances between B2B e-marketplaces is beginning to be realised. (Brooks and Cantrell, 2000)

Finally, as e-marketplaces consolidate, the boundaries between successful e-marketplaces are reinforced by the network effect and become increasingly stable, moving the B2B e-marketplace space into the **Collaboration** phase. Smaller e-marketplaces that survived through partnerships will already be collaborating, and dominant e-markets in one industry will find that they cannot unseat their entrenched neighbours. Although there will still be some jockeying between neighbouring e-marketplaces, and the occasional creation of an e-marketplace in a newly recognised niche, most of the activity at this point will focus on how to collaborate between the marketplaces to increase the efficiency and flexibility of participants across market boundaries. (Brooks and Cantrell, 2000) Inter-marketplace alliances are in the collaboration phase of major importance in the further evolution of what the space of B2B e-marketplaces has to offer brick-and-mortar industries. Inter-marketplace integration (or inter-marketplace alliances) is in Figure 1 illustrated by lines connecting the circles illustrating the e-marketplaces.

The speed with which any given industry traverses the phases and the exact configuration of the e-marketplaces within each phase, will vary according to such factors as industry characteristics (e.g. degree of fragmentation) or types of products traded (ibid).
INTRODUCTION

1.2.1 Electronic inter-marketplace partnerships

As the e-marketplace environment within industries experiences maturity and moves into the envisioned later consolidation and collaboration phases, electronically inter-marketplace collaboration, or the establishment of close relationships between e-marketplaces becomes a major issue. Strategic partnerships, alliances, mergers and acquisitions, are attempted to being formed. Strategic partnerships are though important throughout the whole development lifecycle of most e-marketplaces. Early stage e-marketplaces can for example benefit from tight partnerships with top-tier venture capitalists. In many industries, distribution and logistics are taken care of by specialised distribution and logistics players and leading B2B e-marketplaces will need to develop strong partnerships for distribution and logistics. When the e-marketplace environment of
an industry has reached the envisioned developmental phases where collaboration shines through practically all e-marketplace activities, strategic partnerships are taken into another, higher division of complexity. E-marketplace collaboration will many times mean partnering with e-marketplace competitors, which will require deep understanding of what value strategic partnerships can create for e-marketplace makers, and more importantly; what value strategic partnerships can create for e-marketplace users. It is important for an e-marketplace maker to clearly understand and outline the objectives with a possible future strategic partnership with another e-marketplace and what type that partnership would take. While coming to realisation of the opportunities and benefits with a strategic partnership, it is also important for the e-marketplace maker to be aware of possible obstacles that could occur when establishing and maintaining the partnership and how these obstacles can be overcome in order to outline a strategic plan. Adding to the complexity of the decisions that are involved, all these decisions must be based on a correct perception of the dynamics and trends of the future B2B e-marketplace configuration.

1.3 Research questions

The objective with this report is to answer the research questions presented below.

1. Why do B2B e-marketplaces form alliances with, merge with, and acquire other B2B e-marketplaces?

2. What obstacles are B2B e-marketplaces faced with in alliances with, mergers with, and acquisitions of other B2B e-marketplaces?

3. What trends can be identified affecting the future B2B e-marketplace configuration?

1.4 Demarcations

The research is focused on business-to-business (B2B) e-marketplaces and has even left out parallels to business-to-consumer (B2C) e-marketplaces in the largest extent possible. The research has been subject to limitations of resources in the forms of time and money. With the resources available 40 electronic B2B inter-marketplace strategic alliances, mergers and acquisitions were found and approached. A report published internally within Accenture in February 2001 claims to have detected around 150 successful electronic B2B inter-marketplace partnerships (Accenture, 2001b). Finally 26 of the 40 inter-marketplace partnerships were studied over a period from February 14th to March 9th 2001.
2 THEORY

The theory chapter discusses the evolution of B2B electronic commerce, describes and discusses electronic marketplaces, and presenting tools for understanding and analysing the partnering phenomena including alliances, mergers and acquisitions.

2.1 The evolution of B2B electronic commerce

The evolution of the B2B electronic commerce is graphically illustrated in figure 2 and can be divided into 4 different phases (Meeker and Phillips, 2000); EDI networks, basic e-commerce, communities of commerce and collaborative commerce.

2.1.1 Phase 1- EDI Networks

EDI (electronic data interchange) networks represented the first phase of electronic B2B commerce. EDI was designed to process high volumes of highly structured data and has had a major impact in reducing errors and shrinking processing time for certain types of transactions – but with significant costs. Moreover, EDI technology is brittle and difficult to change in a dynamic marketplace. Transactions must be defined according to standards published by the United Nations Standard Messages Directory for EDIFACT (Electronic Data Interchange for Administration, Commerce, and Transport) and transmitted in a pre-defined sequence. Each company had to spend time and money mapping each of its applications involved in commerce to conform to this predetermined standard. The mappings have to be kept up to date as systems and products change. The economics did not work for more fragmented industries without enough transactions to a given buyer to drive the investment throughout the supply chain.

More important, the point-to-point connections of EDI provided no community or market transparency. EDI networks routed transactions between buyer and seller, but the buyer had to know the seller already and the practise product to be ordered and there was no sense of marketplace or community. Therefore VANs (Value Added Networks) were developed, which are third party EDI communication services. The VANs required all market participants to trade through their network using technically rigid, complex standards. VANs are efficient for transactions that fit the model but they are also very expensive.

However, batch-mode EDI transactions are expected to have a long life. The key benefit is that orders can be automatically generated out of an ERP (Enterprise Resource Planning) system based on inventory replenishment rules. Many of these orders are more efficient without human interactions and are governed under long-term contracts. In the future, a blended model is expected to evolve in which EDI transactions check pre-selected sources in an exchange before generating an automatic replenishment order.
Moreover, many of the EDI networks are expected to move their network participants to a marketplace metaphor over time.

2.1.2 Phase 2 – Basic E-commerce

Phase 2 initiated basic e-commerce between buyers and one seller without an intermediary. A few early adopters began publishing their Web sites as a primary sales channel. The early adopters were largely technology companies with technology-savvy customer and little or manageable channel conflict. Phase 2 for most companies was about displaying catalogue content and publishing marketing collateral. Most of the initial and current Web sites still present marketing and catalogue data with only 15% of them able to accept orders and only 6% able to provide order status information.

2.1.3 Phase 3 – Communities of Commerce

Phase 3 represents the rise of third-party Web destinations, i.e. B2B electronic marketplaces that bring together trading partners into a common community. Communities of enterprises create market transparency. Once buyers and sellers start regularly arriving at a common destination, all sorts of possibilities arise. The intersection of buyers and sellers, many-to-many, online with related interests creates an opportunity to serve a larger percentage of those interests.

2.1.4 Phase 4 – Collaborative Commerce

Collaborative commerce builds on phase 3 by adding support for other business processes before, during, and after the order. The broad range of interactions that make the chain of commerce work can also be moved online. Collaborative commerce is a more complete reflection of the complex workflow between demand and supply chains. But it also accounts for the wide range of interactions, beyond the order, spawned from the chain of commerce. Chapter 2.2.2 "Business dimensions of e-marketplaces" presents “Meeker and Phillips’s future market maker model: the E-hub” and how an electronic marketplace can extend its values and services through collaborative commerce. In chapter 2.3.1 "Partnering relationships", "E2E – Inter-e-marketplace alliances" is presented and how collaborative commerce can add values through inter-e-marketplace connections is also presented.
**Collaborative commerce**
- Networks of linked collaborating electronic marketplaces

**Communities of commerce**
- The creation of electronic marketplaces that enable "many-to-many" commerce

**Basic e-commerce**
- One-to-one selling from websites

**EDI networks**
- Non-scalable

---

**TIME**

<table>
<thead>
<tr>
<th>Supplier/Seller:</th>
<th>Buyer:</th>
<th>Electronic marketplace:</th>
</tr>
</thead>
</table>

---

**Figure 2.** A quick overview of the evolution of B2B commerce (from Meeker and Phillips, 2000, p. 25 and Andersen Consulting, 2000b, p. 5)

Table 1 compares the different phases in the evolution of B2B commerce related to flexibility, costs, business process supported and market transparency.

**Table 1.** The four phases of e-commerce (Meeker and Phillips, 2000)

<table>
<thead>
<tr>
<th></th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexibility</td>
<td>Low; rigid format</td>
<td>High; open standard</td>
<td>High; open standard</td>
<td>High; open standard</td>
</tr>
<tr>
<td>Costs</td>
<td>High; proprietary network</td>
<td>Low; leverage Internet</td>
<td>Low; leverage Internet</td>
<td>Low; leverage Internet</td>
</tr>
<tr>
<td>Business process</td>
<td>Batch orders</td>
<td>Catalogue orders</td>
<td>Catalogue plus Action and Bid</td>
<td>Multiple order formats; B2B interactions</td>
</tr>
<tr>
<td>Supported</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market transparency</td>
<td>Low; fixed/** supplier base</td>
<td>Low; no centralised market</td>
<td>High; inter-geography transparency</td>
<td>High; inter-geography transparency</td>
</tr>
</tbody>
</table>
2.2 Electronic marketplaces

Electronic marketplaces have been, and still are, a hot issue in B2B environments. Today the focus has turned to how electronic marketplaces will survive in an increasingly competitive environment and if they really can deliver the values they propose. One problem that the electronic marketplaces still experiences is that potential users of the electronic marketplaces hesitate to take advantage of the new phenomena, sometimes because of uncertainty and lack of knowledge in the area. Some potential companies believe they should move very quickly into using B2B electronic marketplaces in fear of being left behind by the new economy. Others are still confused and paralysed by and they prohibit themselves from making decisions on the subject until they have gained more knowledge of B2B electronic marketplace effectiveness. (McKinsey & Company, 2000)

This chapter is aiming at dissolving some of the confusion around B2B electronic marketplaces and describes the electronic marketplace phenomena, its dimensions and architecture, and its characteristics for success.

2.2.1 The electronic marketplace phenomena

Because the hype around electronic marketplaces, many magazine and newspaper authors want to give their view and perception of the new not clearly outlined phenomena. All these different perceptions and descriptions have led to confusion and many different names have been used for describing the same phenomena, depending of different authors' preferences.

This report favours the conceptions electronic marketplace or the shortening e-marketplace (some authors use the shortening eMP or even eMarket) and the short and simple definition made by Leebaert (1999, p. 4): “The marketplace is the place of exchange between buyer and seller. Once one rode a mule to get there; now one rides the Internet”. Meeker and Phillips definition of an e-marketplace is somewhat broader: “An Internet site that hosts one or more markets”.

Furthermore, this report’s perception of an electronic marketplace is a place where more than one business buyer and more than one business seller meet to conduct business. The owner of the e-marketplace can be one or a number of sellers or buyers, or a more or less neutral third part.

The idea of B2B electronic marketplaces (phase 3 in table 1 above) is to make information and transactions flow more efficient. One can think of the e-marketplace as an electronic intermediary between suppliers and customers, graphically shown in figure 3, that matches buyers and sellers together in a digital forum to; conduct pre-sales activities, transact sales and complete post-sales activities. Traditionally, a customer has to establish connections with many suppliers, who often use different electronically standards, and vice versa. With use of an e-marketplace on the other hand, the supplier only need to establish one connection with the e-marketplace and still be able to reach the
same amount of suppliers, and they all use one pre-set electronically standard. (Andersen Consulting, 2000a).

Figure 3. The e-marketplace as an electronic intermediary between suppliers and customers (from Bygdeson, Gunnarsson and Onyango, 2000, p. 2). The arrows are illustrating the electronically trading interconnections between suppliers and buyers. The box is illustrating an electronic marketplace.

In short, e-marketplaces create value in three major ways (Blanchard and Roussière, 2000): 1) bringing communities of buyers and sellers together, 2) providing relevant content and information, 3) improving liquidity and lower transaction costs.

2.2.2 Business dimensions of e-marketplaces

This chapter discusses the different business dimensions of e-marketplaces including; horizontal and vertical e-marketplaces, e-marketplace bias, public and private e-marketplaces and e-marketplace market maker models.

2.2.2.1 Horizontal and vertical e-marketplaces

Fundamentally, there are two different types of business-to-business e-marketplaces-vertical marketplaces and horizontal marketplaces (Blodget and McCabe, 2000). The vertical marketplaces serve the commerce needs of buyers and suppliers in specific industries, whereas the horizontal marketplaces span across multiple industries. The inefficiencies market makers address in each of these markets differs significant. Horizontal market makers are functional in nature and facilitate the purchase and sale of goods and services used by many industries. Horizontal market makers have emerged that support the purchase and sale of goods and services such as those for maintenance, repair and operations (MRO), benefits administration, media buying, and logistics. To a great extent the goods and services bought and sold via horizontal e-marketplaces are standardised in nature. Similarly, in the short history of Internet-based B2B e-commerce,
hundreds of vertical market makers have already emerged to support industries ranging from metals and livestock to printing and chemicals. (Ibid)

In figure 4 four functions for each e-marketplace type listed in order to highlight the differences between the both (Andersen Consulting, 2000a):

<table>
<thead>
<tr>
<th><strong>Horizontal e-marketplaces:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Aggregate supply and/or demand across enterprise functions</td>
</tr>
<tr>
<td>• Add value by increasing efficiency of functions or processes with cross-industry applications</td>
</tr>
<tr>
<td>• Provide standardised goods and services common across many industries</td>
</tr>
<tr>
<td>• Tend to attract border set of providing content, products, and services to satisfy diverse needs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Vertical e-marketplaces:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Aggregate supply and/or demand within a given industry</td>
</tr>
<tr>
<td>• Add value by providing deep industry knowledge and resolving inefficiencies that lower margins</td>
</tr>
<tr>
<td>• Standardise and benchmark product information in electronic catalogues</td>
</tr>
<tr>
<td>• Tend to attract more narrow, focused set of members – fostering communities and attracting premium-priced advertising revenue</td>
</tr>
</tbody>
</table>

Figure 4. A comparison between horizontal and vertical e-marketplaces (Andersen Consulting, 2000a)

### 2.2.2.2 E-marketplace bias

There is one other dimension that is important in describing an electronic marketplace - its bias. The e-marketplace can be divided into three different categories depending of who owns and runs it - neutral, buyer bias or seller bias. (Bygdeson et al., 2000)

**Neutral e-marketplaces** Neutral e-marketplaces are open for all suppliers and customers and are run by a third part who is not a participant buyer or seller in the e-marketplace and does not favour either buyers or sellers. Neutral e-marketplaces are often branch, region or function oriented. A neutral e-marketplace makes it easier and cheaper for both buyers and sellers to find each other and conduct transactions and because its independence it has the big opportunity to attract many buyers and sellers. (Bygdeson et al., 2000) On the other hand faces the neutral e-marketplace with a “chicken-and-egg” problem, in that they need to get buyers as well as suppliers into their system, without compromising their neutrality. Buyers do not want to participate unless there are a sufficient number of sellers; sellers do not want to participate unless there are a sufficient
numbers of buyers. This is a problem that biased e-marketplaces naturally do not face. They need to be careful in taking equity investments from large buyers as well as from large suppliers, because they can be perceived as biased. The benefit that neutral e-marketplaces have is that they are true “market-maker”, because they bring both buyers and sellers together. (Kaplan and Sawhney, 1999)

The neutral e-marketplace is not open in the sense of direct access. Companies participating must fulfil present standards set by the neutral market maker in order to become a member and receive password to the marketplace. (Ibid)

**Buyer centric e-marketplaces** Buyer centric biased e-marketplaces are often owned and driven by a few large buying companies that aim to attract many suppliers in order to buy products, rationalise procurement and seek to lower the prizes (Bygdeson et al., 2000). In many cases, the products that are traded are specialised or standardised indirect products, not used directly in the production. (Andersen Consulting, 2000a)

**Seller centric e-marketplaces** A seller centric biased e-marketplace offers products from few co-operating suppliers to many buyers. Seller centric e-marketplaces often add values to the suppliers through offering electrical systems for order, payments and logistics. For the customers, it is important to be able to trade products from suppliers with different market niches in one well-known marketplace instead of building many separate trade channels with all the suppliers. The customers receive the products form different suppliers in one delivery and with one invoice. (Bygdeson et al., 2000) Many seller centric e-marketplaces often focus on surplus inventory (Andersen Consulting, 2000a).

**Issues concerning neutral or biased e-marketplaces** By their nature, biased e-marketplaces do not need to worry about the “chicken-and-egg” problem explained above concerning neutral marketplaces. Biased marketplaces can therefore hitch their wagon to one side of the transaction, which helps them to scale quicker than neutral marketplaces. Furthermore, biased marketplaces that represent buyers typically will not have to overcome channel conflict that many neutral e-marketplaces experience. (Kaplan and Sawhney, 1999)

Neutral and biased marketplaces also differ in one other important way. Neutral marketplaces are most likely to succeed and add value in markets that are fragmented on both the buyer and seller sides. In such markets, neutral marketplaces add value both by reducing transaction cost and providing liquidity. If one side of the market is concentrated, these benefits are small or non-existent to the concentrated side of the market. Biased markets, in contrast, can succeed as long as one side of the transaction is fragmented. (Ibid)
2.2.2.3 **Public and private e-marketplaces**

Another dimension of e-marketplaces that is closely related to the above discussion about e-marketplaces’ bias, is the dimension: public or private. A private e-marketplace is created and run by one brick-and-mortar company in the purpose of minimising its own inefficiencies. The participants are normally the suppliers and customers of brick-and-mortar companies. A public e-marketplace on the other hand is created in order to minimise inefficiencies for many companies with equal importance. (Andersen Consulting, 2000a)

2.2.2.4 **E-marketplaces divided into market maker models**

A few different authors have tried to categorise different e-marketplaces into different market making models. Below are some of these models presented, starting with Blodget and McCabe’s extensive market maker models followed by Meeker and Phillips’ perceptions of a future e-marketplace model.

2.2.2.4.1 **Blodget and McCabe’s market maker models**

Blodget and McCabe (2000) believe the different e-marketplaces that do exist are a variation of one of or a hybrid of, four basic models – catalogue, auction, exchange and community market makers. Today, many of these market models are separate entities even within specific vertical industries. However, over time Blodget and McCabe (2000) expect to see some convergence, for instance that the catalogue, auction and exchange pricing mechanisms and all the variations thereof for a certain industry, to take place on one site. Below these models are explained.

**Online Catalogues** Since the principal function of an e-marketplace is to aggregate supply from a mass of suppliers and demand from a mass of buyers, online catalogues are optimally suited for markets where the supply and demand sides of a market are highly fragmented. Essentially, these market makers take the paper-based catalogues of multiple vendors, digitise the product information and provide buyers with one-stop shopping over the Internet. However, the fact that, in most cases, these market makers embed themselves in the business process and IT systems of the buyers and suppliers, lower process and inventory costs, extend supplier reach, and improve customer access to suppliers makes their value much greater than just digitising catalogues. Online market makers allow buyers to search for products more efficiently. Instead of flipping through a mountain of separate, often out-dated, supplier catalogues, buyers can utilise the powerful search capabilities of the Internet to compare products on many dimensions including price, availability, delivery dates, warranty, service information, etc.

The prices of products on these sites are typically fixed. However, these market makers need to be capable of customising the buyer’s view of the site so that it is consistent with specific buyer-supplier contracted pricing arrangements where necessary. Inability to support different pricing arrangements will make the participation of many large buyers and suppliers highly unlikely. Online catalogues usually derive revenue from the combination of a percentage of gross transaction values as well as product listing and advertising fees from suppliers.
**Auctions**  Auctions provide a venue for the purchase and sale of unique items such as surplus inventory, used capital equipment, discontinued goods, perishable items, or refurbished products. Unlike with online catalogues, where prices are typically fixed, auction pricing is dynamic. Auctions usually last for a pre-determined period of time. In a traditional auction, sellers post an offer to sell and buyers bid. The competitive bidding results in upward price movements and, for this reason, Blodget and McCabe (2000) believe that the benefits of traditional auctions accrue to sellers. However, the reverse auction, a format of which sellers compete for a buyer’s offer to purchase, results in downward price movements. In these auctions the authors naturally consider buyers the major beneficiaries. Revenue for online auctioneers is usually derived from the combination of transaction fees as well as product listing and supplier advertising fees.

**Exchanges**  Exchanges provide a spot market for commodities – often with high prices volatility. These markets are bid/ask and provide real-time pricing. Exchanges allow buyers and sellers to trade anonymously, which is key because not only might identifying buyers and sellers demand their competitive position, but also likely skew pricing. While market share is important in every market maker category, Blodget and McCabe (2000) believe it is of paramount important for exchanges. This is because market share means liquidity. Exchanges without significant liquidity are likely to fail due to the relatively small transaction fees they extract. However, those exchanges that do attain leading market share have extremely defensible competitive positions because offering the most liquidity will make trading on a competitive exchange less than compelling. In addition to providing a venue for immediate buying and selling of commodities, exchanges provide a pricing reference for industry players. The primary inefficiency addressed by exchanges is the use of brokers. Almost by definition, commodities are clearly defined and well understood by all market participants. Brokers add little value beyond matching buyers and sellers- a service for which they extract a transaction fee. Online exchanges at least minimise and, arguably, eliminate the need for brokers in many industries. Exchanges revenue typically comes from the combination of transaction fees as well as membership fees.

**Community market makers**  Community market makers bring together potential buyers and sellers, in the form of professionals with common interests, through web sites that feature industry-specific content and community aspects. The content and community aspects these sites typically provide include industry-specific news, editorials, market information, job listings, chat, message boards, etc. As a result, these community market makers attract a target audience of potential buyers for suppliers. For the most part, community market makers generate revenue for advertising, sponsorship and membership fees as well as from fees paid by suppliers for lead generation. Although in most cases minimal transaction revenue is actually generated on these sites today, Blodget and McCabe (2000) believe this will change over time as these community market makers either track transaction-oriented market mechanisms onto their sites or generate revenue by driving traffic to the commerce site of others.

Although the Internet has enabled individuals from multiple businesses to easily connect like never before, Cantrell (2000) expects that online communities will thrive only under
certain conditions, and that they will for the most part supplement, not replace existing community structures. Moreover, Cantrell (2000) expects trade associations, by virtue of their neutrality, content and industry expertise, and scope of individuals served, to be the most suitable hosts for the B2B communities.

2.2.2.4.2 Meeker and Phillips’s future market maker model: the e-hub

Meeker and Phillips (2000) believes that order matching is inherently a low-margin endeavour that takes enormous volume to make a viable business and that many industries simply lack enough trading activity to generate significant commissions.

Neither buyers nor suppliers will pay much to transmit orders to companies they already doing business with therefore believe Meeker and Phillips (2000) that e-marketplaces have to add more services to go beyond the commodity discovery functions. They believe automating all the interactions between businesses will be a major source of revenue for e-marketplaces. Taking the position as a central meeting place for businesses, e-marketplaces can provide much more context to B2B relationships by traversing all dimensions of the relationship and interactions between two businesses in the chain of commerce. Buyers and sellers are more than buyers and sellers. They are enterprises with a full range of complex interactions that lead to or stem from commerce. They are a part of larger demand and supply chains that are dependent on many of these processes. The buyer is thinking of a full process of researching, financing, ordering, tracking, receiving, inspecting, installing, testing, maintaining, and retiring a piece of equipment. Forcing the buyer to separate the commerce element from all the other related processes is inefficient. (Meeker and Phillips, 2000)

Meeker and Phillips (2000) use the term “e-hub” to describe e-marketplaces that add important collaborations that represent the full range of business processes and interactions between trading partners. These collaborations give the exchange more relevant context, community attributes, and value. Their definition of e-hub is “Electric platform for co-ordinating the chain of commerce and facilitating synchronisation between trading partners”.

The e-hub and spoke architecture eliminates the point-to-point connections and suddenly all suppliers, customers, and trading partners only need one connection – to the cloud in the sky, the exchange. The migration of the interactions to a third party e-hub, with collaborating services, is the basis of what collaborative commerce e-marketplaces can provide. (Meeker and Phillips, 2000)

Andersen Consulting also uses the term “e-hub” with the definition “Neutral Internet-based intermediary providing extensive services and integration into participants’ ERP systems” (Andersen Consulting, 2000a, p. 20). According to Andersen Consulting, the e-hub is most needed in a volatile market where high levels of supply chain collaborating are critical. The e-hub supplies a wide variety of products as needed by its community of users, with use of the trade mechanisms; auction, catalogue or exchange. (Andersen Consulting, 2000a)
The real values with e-hubs, according to Andersen consulting (2000), for the buyers are; one stop shop for entire industries, better access to suppliers and enhanced collaboration, and for the suppliers; access to wider markets, reduced volatility, better supply chain synchronisation and faster inventory turns.

2.2.3 The architecture of an e-marketplace

Meeker and Phillips (2000) have tried to illustrate all the services that an e-marketplace or e-hub could provide in a service matrix. The service matrix contain three major layers of services that creates the basic architecture of an e-marketplace or e-hub and these are (ibid):

- **User layer** – The member’s (buyer or seller) view of the exchange, which is customised for their profile, workplace role, security rights, and interests. Examples of services in the user layer are: Customised views, Security services, Context management/member profile, Directory of services/rights.

- **Application layer** – Functions available to the marketplace but viewed in the context of the user’s profile. Example of some of these functions are; Commerce-oriented Services (e.g.; order matching, order execution, order management, fulfilment etc.), Collaboration-oriented Services (e.g.; collaborative product development, collaborative supply chain mgt., collaborative logistics etc.), Additional Value Added Services (e.g.; community activities, information tools etc.).

- **Platform/infrastructure layer** – Infrastructure services available to all applications to facilitate communication with external entity and journal all activities to create a digital audit trail. Examples of services in the platform layer are; Billing and credit engine, Transport/queuing services, Integration with third parties.

2.2.4 E-marketplace characteristics for success

The definition of survival and success of an e-marketplace does not have to mean that its exclusive autonomy is preserved. E-marketplace success can as well mean that ideas and built-up customer relations are living on in another business setting, identity and management, after an alliance, a merger or an acquisition with another e-marketplace.

The creation of value for all parts involved in the e-marketplace is the core of survival and success. Different sets of key success factors for B2B e-marketplaces have been outlined by a number of authors including Blanchard and Roussière (2000), Blodget and McCabe (2000), and Ramsdell et al (2000) among others. Presented below are a number of issues that directly or indirectly affect the survival and success of an e-marketplace:

**Liquidity** Liquidity is the essential exchange and flow of goods, services, information and ideas over the e-marketplace. The activity, the action that is not future promises - but business efficiency enhancing events taking place here and now. Liquidity is one way of
viewing the e-marketplace value creation. Liquidity is most often measured by the amount of dollars, or whatever relevant currency, accounted by the transactions over the e-marketplace. Blodget and McCabe (2000)

**Critical mass of e-marketplace users** A critical mass of users is enabling the achievement of liquidity. With too few users and too small aggregated trading volume, or mass of business capital to interact with, it can be hard reaching a momentum effect, where the number of, and dignity of the users (with all their suppliers, customers and other relationships) will attract even more users. With a large-scale e-marketplace, many favourable effects follow. In a large-scale e-marketplace, the inefficiencies of traditional commerce can be reduced the most. (Blodget and McCabe, 2000)

**Early mover advantage** Market makers that move first into a new business segment, like a vertical market, have the advantage of being likely to build the critical mass of buyers and suppliers that will make them the default online location for conducting trade in their particular industry. But if the e-marketplace is not managed and continuously developed properly over time, and if Customer Relationship/Retention Management (CRM) is not mastered, a new player might attract users. By delivering the solutions sought by users - the early mover advantage might be run over by the competitive advantages of the newer player. (Blodget and McCabe, 2000)

**Openness** Openness is high-level inclusiveness. Inclusiveness is the degree of users that are let to take part in the e-marketplace activity. E-marketplaces can be more or less open or closed. Open e-marketplaces are also known as public marketplaces, whereas closed e-marketplaces are known also as private e-marketplaces. Ramsdell (2000) argues openness to be a success factor for e-marketplaces. “To make a market (e-marketplace [author’s note]) as efficient as possible, it must attract as much buying and selling as possible, which means that it must operate under open standards. When such standards will emerge is though still unclear, but in the meantime translation software such as WebMethods is working as start-ups.”

Blodget and McCabe (2000) contend that, “assuming that a market maker is confidant that it can execute against what the key metrics investors are looking for”, going public is a major competitive advantage. Hellaby (2000) argues that in a private e-marketplace, since business is concentrated around one single enterprise, an infrastructure is created so communication with customers and suppliers is done more efficiently. But not everyone is big enough to develop private marketplaces (ibid).

**Right ownership** Right ownership is another important factor for e-marketplace success. The level of industry knowledge, the domain expertise, network of relationships and the right influence, affect the suitability for a party of being an owner of an e-marketplace. An e-marketplace with a neutral third party ownership is dependent on the revenue generated by its solutions. A biased marketplace managed by the users is happy with what is generated purely from inefficiencies, not that the e-marketplace venture shall generate money itself. In industry consortia, sustaining balance of power between participants becomes an issue. (Blodget and McCabe, 2000)
Good governance Good governance is the way to avoid conflict between different buyers. For a pure player, it is likely to require the appointment of a team of managers, loyal to the marketplace, who are independent of the buyers but empowered by them to negotiate contracts with suppliers on their behalf. If suppliers notice that buyers in an e-marketplace can’t agree about issues such as common specifications or how to limit the number of suppliers, they will soon exploit such divisions to drive through their own deals outside the marketplace, offering rewards to defectors. (Ramsdell, 2000)

Neutrality For an e-marketplace to survive, it has to create value for both buyers and suppliers, as well as for the e-marketplace makers themselves. Neutrality is desired, but not at the expense of liquidity. E-marketplaces need to balance neutrality with their number one goal: achieving liquidity. Few companies opt to do business with their competitors – or with subsidiaries of competitors. Neutral third party “pure players” maintains neutral e-marketplaces. (Blodget and McCabe, 2000)

Biased e-marketplaces are often initiated by a number of actors that already do business with each other, or at least with similar kinds of suppliers and customers, and thus, in a way, liquidity is reached. A consortium is an example of a biased e-marketplace. The buyer side in the consortium might consist of a smaller number of big and affluent organisations, and the e-commerce activity might be closed for other buyers than the consortium members (buyers). On the seller side, there might though be a high degree of openness. The buyers, under their conditions, manage the buyer-biased e-marketplace. (Ibid)

Expanded functionality The ability to provide a full range of services will determine success of B2B e-marketplaces in the long term. In the long term, marketplaces will involve the whole supply chain. The e-marketplace user focus will shift from prices on goods and services on the marketplace towards for example value added services/functions such as fulfilment logistics, the Customer Relationship/Retention Management (CRM), and tracking the performance of suppliers. (Ramsdell, 2000)

Strategic partnering Partnerships are important throughout the development lifecycle of most B2B e-marketplaces. Early stage e-marketplaces can benefit from tight partnership with top-tier venture capitalists. Partnerships are also important in terms of gaining critical mass and credibility. For instance the e-marketplace ChemConnect has forged partnerships with BASF, BP Amoco and Dow Chemical. In many industries, distribution and logistics are taken care of by specialised distribution and logistics players, and in many industries leading B2B market makers will need to develop strong partnerships for distribution and logistics. (Blanchard and Roussière, 2000)

Continuous improvement Continuous improvement is a general success factor. There will always be areas within the business, in the case the e-marketplace, where improvements can be done. Improvements can have either minor or major impact on the business. A constant work for the improvement of one’s business, and listening to and measuring the pulses of the parties whom the e-marketplace serve (the sellers and the
buyers), and being flexible to act upon environmental changes and areas of opportunity, are the crucial basics that single out winners from losers. (St. Clair, 1997)

For biased industry consortia, there are a number of additional issues in need to be addressed in order to become a successful e-marketplace. These issues include the ability to drive deep integration into partner activities, the ability to deliver integrated and collaborative product design, the ability to deliver collaborative planning and manufacturing functionality. Further issues included are the possession of deep technical content, the effective execution of high volumes, and the ability to sustain the balance of power between participants. (Andersen Consulting, 2000b).
2.3 Partnering

This chapter presents and discusses different partnering relationships, why partnerships are formed and obstacles that can be encountered in partnerships. Most of the theory in this chapter is taken from the traditional brick-and-mortar environment and it’s partnering. The only theories in this chapter that are directly related to B2B e-marketplaces are the theory that discusses E2E- inter-e-marketplace alliances, in chapter 2.3.1 and chapter 2.3.2 and “The antitrust implications of B2B electronic marketplaces” in chapter 2.3.3. The reason why not more of the partnering theories are directly related to e-marketplaces, which is the focus of this report, is that there is no theory written in this subject, known to the authors of this report. The authors strongly believe though that the partnering theories written about traditional brick-and-mortar companies are in many cases applicable to B2B e-commerce and e-marketplaces.

Partnering, also referred to as alignment or strategic alignment, is when two or more parties agree to change how they do business, integrate and jointly control some part of their mutual business system, and share mutually in the benefit. (Dull et al, 1995) The relationship continuum (figure 4) gives an overview of the wide range of different partnering of different degrees, from “transactional” relationships, where fundamental characteristics of deeper relationships are lacking - to “unification”, where mergers and acquisitions can be found.

![Figure 4. The relationship continuum (adapted from Dull et al, 1995, p. 65)](image)

Without the explosion in information technologies, partnering would never have emerged in its present form. Fifteen to twenty years ago, partnering was conceived almost exclusively as a means for major manufacturers to reduce their specific supplier costs. With advantages becoming apparent, these suppliers spread the principle of partnering by initiating partnerships with other customers. Today, supplier partnering is everywhere,
and has become more than a supplier-customer issue. The principles learned from teaming up with suppliers and customers have come also to being applied to achieve impact with intermediaries or channels, as well as with peer companies or allies. Anyone working in high-tech industries such as software, telecommunications or electronic market (e-market) making - (where electronic marketplace (e-marketplace) services are provided) - will consider partnering with peers as standard practice. (Ibid)

2.3.1 Partnering relationships

This report will focus on mutual accommodation and unification relationships, which include strategic alliances, mergers and acquisitions, in the relationship continuum presented above (figure 4). Below is a more detailed explanation of the two partnering relationships.

2.3.1.1 Mutual accommodation - strategic alliances

In the mutual accommodation relationship form in the relationship continuum, can strategic alliances be found. There are various types and structures of strategic alliances. The various types of strategic alliances include: supply or purchase agreements; marketing or distribution agreements; agreements to provide technical services; management contracts; licensing of know-how, technology, design or patent; franchising, and joint ventures. The different types of strategic alliances differ in the scope of joint decision-making, capital commitment, the way the risks and rewards are shared, and the organisational structure. (Sudarsanam, 1995)

There are a variety of alliance structures including equity joint ventures, non-equity joint ventures (contractual alliances), and minority equity stakes (the latter accompanied by one or more non-equity joint ventures) (Ernst and Halevy, 2000).

An equity joint venture involves two or more legally distinct firms, referred to as the “parents”, investing in the venture and participating in the venture’s management. The venture itself is constituted as a separate entity distinct from the parents. A venture may come into being as a new activity, or may be created by transferring and pooling some, or all of the existing interests of parents. An equity joint venture in itself is very similar to a merger (see further down). The purpose of equity investment is twofold: first, to finance the operations of the joint venture: second, to enhance the commitment of the parents to the venture. (Sudarsanam, 1995)

Non-equity joint ventures, being simple, flexible, and with loser bonds, have been found in large scale being better received by the market than more complicated equity joint ventures. A non-equity venture may as well as equity joint ventures involve the pooling of resources, but no separate entity is created. (Ernst and Halevy, 2000).

In the quest to meet various needs, the multiple, multi-partner alliances or networks are equally important as dyadic alliances (between two parties). Many successful business builders use alliances to position themselves at the centre of a network in which they can
leverage intangible capital without owning too many expensive assets. The theories in this theory chapter are though mainly covering the principles of dyadic alliances. (Ernst and Halevy, 2000)

### 2.3.1.1.1 Archetypes of strategic alliances

Lorange and Roos (1992) present 4 different archetypes of strategic alliances (figure 5).

If the alliance parents merely put in a minimum set of resources, often on a temporary basis by complementing each other, an *ad hoc pool* type of strategic alliance makes most sense. Values created are going straight back to the parent companies. The *consortium* makes most sense if the parties are willing to put in more resources than in the previous case, and where the value created, as in the ad hoc pool case, is still disbursed back to the partners. An example is a two firm R&D consortium, where each partner puts in its best technologies, scientists, etc, and where the benefits from the scientific discoveries (that hopefully become the result) go back to each of the parents. In the *project-based joint venture*, a minimum of strategic resources is put in. The values generated do not get distributed to the parties except as financial results (dividends, royalties, etc.). Project-based ventures can be used as a way to enter a foreign country. In the *full-blown joint venture*, both parties put in resources in abundance, allowing the resources that are generated in the strategic alliance, to be retained in the alliance itself (except for dividends, royalties, etc.). An example of this is the development of an entirely new business. This type of strategic alliance can be characterised as the creation of a more or less free-standing organisational entity, with its own strategic life. (Lorange and Roos, 1992)

<table>
<thead>
<tr>
<th>Parents’ input of resources</th>
<th>Parent’s retrieval of output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sufficient for short-term operations</td>
<td>To parents</td>
</tr>
<tr>
<td>Sufficient for long-term operations</td>
<td>Retain</td>
</tr>
</tbody>
</table>

**Figure 5.** Archetypes of strategic alliances. (Lorange and Roos, 1992, p. 11)
2.3.1.1.2 E2E – Inter-e-marketplace alliances

One alliance structure that is applied by B2B e-marketplaces is E2E- inter-e-marketplace alliances. The abbreviation E2E originally stands for “Exchange-to-Exchange”. In this report E2E is used to describe the very similar, but somewhat expanded E-marketplace-to-E-marketplace phenomena. Clear, widely spread, accepted definitions of the frequently used concepts within e-commerce like “e-marketplace” and “exchange” are still to a large degree absent, and reading articles from different authors about neighbouring topics is often a mind-twister for the reader. “Exchange” and “e-marketplace” are two concepts at many times used for describing the same phenomena, depending of different authors’ perception, knowledge and preference. In this report, an exchange is viewed upon as a type of e-marketplace, referring to Blodget and McCabe’s (2000) market maker models described in chapter 2.2.2 “Business dimensions of e-marketplaces” under the section “Blodget and McCabe’s market maker models”

Already at an early stage, the buzz about online e-marketplaces took for granted an evolution towards applications that would enable E2E commerce, or in other words commerce between e-marketplaces. E2E activity is right now just starting to take form, but within the next few years, E2E is predicted to be the next wave of e-commerce (Henig, 2000). The evolution of B2B electronic commerce, ending up with collaborative commerce, has been described in chapter 2.1. (“The evolution of B2B electronic commerce”), where collaborative commerce is defined as a linked network of collaborating e-marketplaces.

E2E is the linkage of e-marketplaces through alliances, where buyers and sellers can conduct transactions not only within an e-marketplace, but also between them in a one-stop, online access to an infinite network of supply chains (Henig, 2000). Figure 6 illustrates the inter-e-marketplace connectivity, where sellers and buyers can connect to several e-marketplaces through its preferred e-marketplaces. In order to describe the E2E phenomena, parallels can be drawn to Automatic Teller Machines (ATMs). At first, each bank had its own ATMs, only serving own registered customers, but eventually the banks were forced to integrate the ATMs into an ATM network for the convenience of the customers (Meeker and Phillips, 2000).
Today, there is no standardisation of the technical platforms that the e-marketplaces are built upon. Therefore, e-marketplaces participating in E2E must agree upon technical standards and business practices. More and more technical service providing companies, marketing products that function as technical intermediaries between e-marketplaces, enable e-marketplaces with different technical standards to talk with one other. (Meeker and Phillips, 2000)

2.3.1.2 Unification - mergers and acquisitions

In a broad definition, a merger is when the businesses of each company are brought together as one. More narrowly defined, a merger is the coming together of two companies of roughly equal size, pooling their resources into a single business. Stockholders or owners continue having a share in the merged business, and the top management of both companies continues to hold senior management positions after the merger. In a merger neither company is portrayed as the acquirer or the acquired. All or most of the consideration involves a share swap rather than a cash payment. In a merger, very little cash, if any, changes hands. (Coyle, 2000)

An acquisition is the take-over of the ownership and management control of one company by another. Acquisitions are also known as take-overs. Control is the key test of distinction between a merger and an acquisition. An acquisition is when one company acquires either a controlling interest in another company’s stocks, or a business operation and its assets. The purchase consideration could take the form of stocks in the acquiring company but is often however paid largely or entirely in cash. Acquisitions can be either full or partial. In a full acquisition, the acquirer buys all the stock capital of the purchased

Figure 6. Interconnected e-marketplace alliances (fr. Andersen Consulting, 2000b, p. 4)
company, whereas in a partial acquisition, the acquirer obtains a controlling interest, over 50% of the equity stocks, but less than 100%. (Coyle, 2000)

2.3.1.2.1 Mergers, acquisitions and the Internet

In May 2000, Internet-related transactions accounted for a fifth (22.6%) of global merger and acquisition activity (Marock et al, 2000). A year earlier the same figure was 8.4% and even a year earlier than that, in 1998, the percentage of total Internet-related merger and acquisition value was as low as 1.4%. There are several reasons to expect Internet-related mergers and acquisitions to even further grow in importance (ibid):

1) **Rapidly closing windows of opportunity.** Purely organic (in-house) development is often too slow to keep pace with rapid change in many parts of the Internet, and mergers and acquisitions are a way to avoid growth retardation.

2) **Higher barriers to entry.** Attracting customers is becoming prohibitively expensive in some of the more mature businesses and geographical areas. Thus, mergers and acquisitions may be the only way to establish a foothold, even if the price is high.

3) **More need for control of assets.** Fast-moving businesses require simple, straightforward governance models founded on full ownership of assets as opposed to joint ventures or strategic alliances.

4) **More targets available.** As the Internet expands, some companies with strategic assets (such as privileged technology and networks) have assets tangible enough to be taken over by another company. Moreover, these companies and their shareholders are at a crossroads where it may very well make sense to sell out rather than continue to build organically. Lower overall valuations and less attractive prospects for initial public offerings make these targets more affordable as well. In such circumstances, the stock of listed companies with relatively high valuations is a powerful acquisition currency.

2.3.2 Why do companies engage in partnering activities?

Major trends contributing the spread of partnering (in this context referring to strategic alliances, mergers and acquisitions) include the explosion in information technologies, the pressure for financial performance, and greater customer diversity and sophistication. (Dull et al, 1995)

2.3.2.1 Motives for strategic alliances

Dull et al (1995) presents a listed summary of common reasons for partnering in strategic alliances, which include a strife for cost reduction, revenue growth, and to reduce or share risk. Alliances can also act as a potent competitive weapon – for example as a means to lock in customers, channels, or suppliers. Some companies are also using partnering to shape industry structure, to encourage more healthy and profitable industry conduct. Alliances can also be motivated by product development, market access, or access to capital (Sudarsanam, 1995).
Lorange and Roos (1992) present a model for generic motives for strategic alliances with two dimensions – the market position of the business and the strategic importance of the alliance in a parent’s portfolio. Four major motives for strategic alliance can be found in figure 7, namely to defend, to catch up, to remain, or to restructure the business in relation to competitors.

![Diagram](image)

*Figure 7. Generic motives for strategic alliances (strategic positioning) (Lorange and Roos, 1992, p. 7)*
Vyas et al (1995) present how alliances are forged along a variety of dimensions (figure 8). Analysing alliances along these dimensions is helpful in understanding the motivation behind alliances and the critical factors for their success.

According to Vyas et al (1995), factors that together are motivating and determining the nature and form of the alliance include:

- Potentiality for **synergy effects** (inherent in pooling resources and sharing expertise with results of increased efficiency, reduced costs and a more competitive edge)

- **Diversification** (in order to reducing/sharing risk, and gaining access to new market segments)

- The asset of **distribution channels** (entry barriers might be unlocked)

- The area of **raw materials sourcing**

Alliance motives can also be related to technology- and market-related factors, the state of technology factor, and the technology fusion factor (ibid).
2.3.2.1.1 Alliance motives related to technology- and market-related factors

Technology- and market-related factors, or a combination of the two, influence why alliances are formed. Mature industries lean toward market-related factors to form alliances, where prospects for new product development and technical breakthroughs are limited in scope. Alliances formed by mature industries, to a large degree emphasise rationalising production and sales operations to keep partners viable in a tough competitive environment. Strategic alliance formation motives for high-tech industries, like for example the electronics industry, are even more compelling. Development projects are often too big for any company to finance, and the range of technology required is more than a single firm can hope to develop by itself. (Vyas et al, 1995)

2.3.2.1.2 Alliance motives related to state of technology

The state of the technology, either recently matured (and available for application), or in an embryonic stage (in need of additional Research and Development), is another underlying influencing factor to why certain alliance partners are chosen in front of others. Firms seeking immediate competitive advantages will seek alliances in new but readily available technologies, while those who want to remain at the cutting edge of technology and plan for long-term growth team up in technologies, which are in their embryonic stage. (Ibid)

2.3.2.1.3 Alliance motives related to technology fusion

One of the parties may contribute the specific knowledge of a process (assembly, coating, etc.), which is critical to gain competitive advantage, or even to help create the final product. For example, 1970s Nippon Sheet Glass (NSG) lacked the ability to produce fibre optic cable with mechanical strength and signal transmission over long distance with desired quality. Cable manufacturer Sumitomo Electric Industries (SEI) developed a coating technology that strengthened the cable, solving the mechanical fragility problem. Then NSG and SEI together solved the transmission problem through a joint research effort using longer wavelengths. (Ibid)

By plotting the value chain of two prospective partners’ businesses, (figure 9), it shows how combinations of activities from the two value chains could create various types of synergies and thus strengths. (Lorange and Roos, 1992)
As indicated by I in figure 9, the two partners could combine their efforts along the upstream end of the value chain, for example through joint R&D and/or co-ordinated manufacturing. The major aim is to gain scale advantage – to reach a more critical size jointly. Alternatively, the prospective partners may consider how to combine efforts with regard to the downstream side of their value chains, which as indicated by II in figure 9, for example can be done co-ordinating distribution systems or in other ways developing scope advantages in the marketplace. It might also be advantageous for one company to combine its upstream strengths with another company’s downstream strengths or vice versa, as indicated by III in figure 9.

2.3.2.1.4 Framework for motives to selecting strategic alliances

As discussed above, a variety of options are available to a firm seeking a strategic alliance. For a firm operating in a mature industry, market-related factors usually play an important role in the selection of the partners. For a firm in the growth or high technology sector, technology-related issues predominate in the formation of an alliance. Figure 10 displays elements and motives for forming market related and technology related strategic alliances.
Emerging international trends are causing firms to turn increasingly to alliances, as a way to build needed strengths. The 1991 US Supreme Court ruling that allows third party legal attacks on take-overs, mounting global competition, the growing cost of technology, and reduced opportunities for mergers and acquisitions (as a result of the virtual disappearance of “junk” bond markets) is one example. (Vyas et al, 1995)

2.3.2.1.5 Motives for E2E alliances

As mentioned above, not many E2E networks are developed today. In theory, E2E enables a supplier or customer to conduct much of its commerce at the click of a button, without worrying about which e-marketplace to use or how the transaction would feed into the company’s back end, enterprise resource planning (ERP), system. A single e-marketplace can display options for spot buying, systematic buying, direct supplies, indirect supplies, and give access to horizontal as well as vertical e-marketplaces. Every piece of the supply chain can be automated with an optimal, seamless process for conducting business. (E2E: Fantasy or Substance, 2000)

E2E can be seen as a great "liquidity enhancer". If two e-marketplaces are linked together, the liquidity is doubled. More liquidity means more gravitational pull for market
participation. E2E enable sellers to get higher prices and better close rates by placing their goods and services on multiple sites, and buyers can bid on a huge selection of goods and services without going to multiple e-marketplaces. If the buyer has selected a strategic e-marketplace in which to concentrate its purchases and collaborations, it would prefer not to duplicate the integration links with other sub-markets it may occasionally need access to. (Henig, 2000)

One obvious example of liquidity enhancing E2E alliance is when a large horizontal and a vertical niche e-marketplace form E2E connection. The large horizontal e-marketplace fortifies its content by integration with the specialised market, whereas the vertical niche e-marketplace can leverage the broad corporate relationships that the horizontal e-marketplace already has in place. (Meeker and Phillips, 2000) IDC’s Vice President of E-commerce Strategies, Richard Villars, believes that E2E is all about the logic of complementary relationships:

“The long-term success of industry-sponsored e-marketplaces and exchanges depends upon the early delivery of robust e-commerce and complementary supporting services, and the best way to deliver such solutions is to work with leading independent exchanges that already have their infrastructure in place” - Richard Villars (E2E Catches On, 2000).

2.3.2.2 Motives for mergers and acquisitions

Motives for mergers and acquisitions are not vastly dissimilar from those for strategic alliances and joint ventures. Motives underlying mergers and acquisitions are both of a stated and unstated nature (Coyle, 2000).

2.3.2.2.1 Stated, and unstated psychological motives

One way of categorising mergers and acquisitions is by dividing them into two groups: 1) strategic mergers and acquisitions, where the buyer is driven primarily by commercial consideration, and 2) financial mergers and acquisitions, where the buyer is driven primarily by financing consideration (Coyle, 2000).

The immediate stated objectives of an acquisition are growth and expansion of the acquirer’s assets, sales and market share. However, a more fundamental stated objective may be the enhancement of shareholders’ wealth through acquisitions aimed at accessing or creating sustainable competitive advantage for the acquirer. In modern finance theory, shareholder wealth maximisation is posited as a rational criterion for investment and financing decisions made by managers. Shareholder wealth maximisation may, however, be supplanted by the self-interest pursuit of managers making those decisions (unstated motives) and a merge or acquire is initiated solely to satisfy the needs of an individual or small groups of individuals, rather than true organisational interest (Sudarsanam, 1995), (Cartwright and Cooper, 1996). Senior executives can be motivated to instigate a take-over or merger out of fear of obsolescence (Levinson, 1970). Acquisitions may be driven by managerial ego or desire for power, empire building or gains dependent on the size of the firm (Sudarsanam, 1995).
2.3.2.2.2 Merger and acquisition synergy effects

Often the term synergy is used to mean cost savings. Synergy is the additional benefit that can be derived from combining the resources of the parties (the bidding and target companies) in mergers and acquisitions. When synergy exists, the total return from the combined organisation exceeds the total returns of the two companies before the merger or acquisition. Synergy can be described as the $2 + 2 = 5$ effect. Synergy does not always occur in a merger or acquisition, and all too often, hoped-for synergies fail to materialise. The outcome of a strategic merge of two companies, each holding a 20% market share is never guaranteed to be 40% in total after the merge. If the merged company can achieve synergies, and reduce its costs and prices, or improve the quality of its product or service, its market share could exceed 40%. On the other hand, if other competitors could benefit from the merging of the two companies in some way, to increase their own market share, the merged company could have less than 40% of the market. Synergy effects can be classified as either commercial or financial. (Coyle, 2000)

Commercial synergy effects Ansoff and McDonnell (1987) classify commercial synergy in four different types of synergy: sales synergy, operating synergy, investment synergy, and management synergy. Sales synergy effects appear where a merged organisation can benefit from common distribution channels, sales administration, advertising, sales promoting, warehousing etc. In the world of brick-and-mortars, operating synergy can arise from better utilisation of facilities and personnel, and bulk-order purchasing to reduce materials costs. Investment synergy can arise from the joint use of plant and equipment, joint research and development efforts, and having common raw materials inventories. Management synergy can arise when the top management of one of the companies uses their relevant expertise, after the merger or acquisition, to resolve the problems of the other company. In other words, a management team can bring its skills and experience to bear on the other company, and so help to improve its performance.

Financial synergy effects In many cases, acquisitions can also have financial benefits for the purchaser. Financial benefits include enhanced asset backing for the bidder’s shares where the bidder has a lower ratio of net assets to share value than the target company. Further, benefits include higher earnings per share depending (however) on the profits of the acquired company and the purchase price, improved earnings quality (consistency of annual profits), and greater and cheaper access to better cash flows and liquidity, or to financial sources. (Coyle, 2000)

2.3.2.2.3 Merger and acquisition strategies for growth

Mergers and acquisitions can be the outcome of either an aggressive or a defensive strategy. By using an aggressive strategy, a company will seek to improve its market position. Often defensive mergers and acquisitions are made in order to survive in a changing industry. Essentiality though, both aggressive and defensive merger and acquisition strategies are based on a growth objective. A merger/acquisition strategy for growth can seek to develop products and markets either by market penetration, by horizontal diversification, by vertical integration, or by conglomerate diversification (Coyle, 2000):
**Market penetration** means developing new and larger markets for a company’s existing products, and often it means international cross-border mergers and acquisitions.

**Horizontal diversification** is expansion into markets with new products, though of similarity to the existing product range. The expectation is to make use of existing distribution channels, and marketing and management skills.

**Vertical integration** is the combination of a company’s business with the business of either a supplier or a customer. Vertical integration is usually motivated by a wish to secure a source of supply for key materials or services, to secure a distribution outlet or a major customer for the company’s products, or to improve profitability by expanding into the high-margin activities of suppliers or customers.

**Conglomerate diversification**, i.e. diversify business across widely diverse industries, was at one time believed to lower risk, but the view is no longer widely accepted. The trend in strategic planning has been a movement away from conglomerate diversification towards product/market specialisation.

### 2.3.3 Partnering obstacles

The theory section covering partnering obstacles begins with an overview of strategic alliance obstacles, followed by merger and acquisition obstacles.

#### 2.3.3.1 Strategic alliance obstacles

Two companies about to form a strategic alliance should both assess at the outset how the partnership will evolve – whether it’s an engagement of equals that will endure, or something else (Adarkar et al, 1997). Because of the differences in size, culture, skills, and objectives achieving an equal balance is challenging. Two factors influence the sustainability and likely direction of an alliance: 1) each partner’s aspirations – that is the will to control the venture – and 2) relative contributions. If one side in the long run desires full control, the alliance is likely to wind up in acquisition or dissolution. If, for example, there are intentions to form a strategic alliance between a larger global player and a local partner there’s a need to ask a question whether the local partner’s sole interest is at the home market, or if it harbour global ambitions. If it does, and wants to compete on its own against the multinational, conflict will be inevitable. (Ibid)

#### 2.3.3.1.1 Strategic intent

In strategic partnerships, both parties must have strategic intents that match each other, and this match needs to be quite explicitly stated and established early on. In the formation of a strategic alliance, almost by definition, two or more parties will come to the table with different strategic intents, and they will seek different benefits from the strategic partnership. Normally two, but sometimes a larger number of different strategic intents must, however, sufficiently compatible to leave room for co-operation, which is not necessary easy. For example, to establish a sense of stability over time, the parties will both need to have relatively long time horizons. Each company should carefully
address whether each party shows its true strategic intent – to understand the strategic position from which each party comes.

The foundation of a successful strategic alliance is laid during the initial formation process. Analytical and political dimensions have to be dealt with in such a way that clear and realistic intents are established, and that the foundation for trust and behavioural consonance is laid. Figure 11 presents a conceptual model of critical considerations during the internal formation process. (Lorange and Roos, 1992)

![Figure 11](image)

*Figure 11. The alliance formation process (from Lorange and Roos, 1992, p. 29)*

**Strategic fit** A strategic alliance (see “Strategic fit” in figure 11) should be assessed in terms of its role in the parents’ overall business portfolio. What is the actual degree of fit/misfit between two companies. The business that each party brings into the strategic alliance should also be assessed in terms of its strength, relative to its competition. Is it already an established leader, or is it more of a follower, behind its competition and in need of catching up? What are the broad benefits from this strategic alliance for each partner? How can the two parties complement each other? How important is the strategic alliance within each partner’s corporate portfolio? Are there any problems with the alliance due to its relative closeness to the core business of each partner? Are the two partners leaders or followers within the particular business segment? Do they combine to create strength in an offensive manner, or is it “the sick joining the sick”? Are the partners sufficiently similar culturally? Taken together, questions such as these should provide the answer to whether or not there is a strategic win-win fit between the two partners. (Lorange and Roos, 1992)

**Stakeholder blessing** Apart from analytical considerations of strategic fit in the initial phase of the alliance formation process, political considerations are ensuring that the most important external and internal stakeholders will see the general benefits from, and thus sponsor, the idea of a strategic alliance (see “Stakeholder blessing” in figure 11). A strategic alliance can be viewed upon as a threat among key internal stakeholders. (Ibid)
Strategic plan First after the completion of the initial phase in the alliance formation process (see figure 11) should the more thorough, in-depth phase of analytical and political considerations be entered. In the intensive phase, a business plan should be developed in a systematic manner. This second analytical phase culminates in the development of an overall strategic plan for the strategic alliance, as it is intended to emerge as a combined and continued effort by the two parties (see “Strategic plan” in figure 11). The efforts in creating the strategic plan may involve detailed information gathering, and the two prospective partners should work closely together to find out how viable the strategic alliance idea is when translated into a business plan. Considerations worth taking up include questions like: "How do the prospective partners view the market potential?" "Whom do they view as the key competitors, and how will the alliance want to compete with them?" "What is the worst case scenario, particularly for achieving planned revenue levels?" and "What are the competitive advantages of the strategic alliance?"

Internal support Given the analytical considerations in the initial and intensive phases, it may still not be clear who is expected to do what, and by when. There is a need to ensure that a broader range of people within the organisation is enthusiastic about the venture and become committed to it. Another round of political considerations is needed, this time internal support or, depending on how one wants to put it, “internal selling” (see “Internal support” in figure 11). The internal support issue concerns, above all, managers in various operational functions, who might be particularly actively involved in participating in the strategic alliance. Key questions to ask are "Has the venture idea been sufficiently explained and clearly motivated throughout the organisation?" "Has it been presented with sufficient detail to ensure that everyone sees the tasks ahead and can focus on them as an opportunity?" "Has it been plausibly documented how combinations of activities are to be executed so that job security issues are addressed, and so that the strategic alliance will not be seen as a threat?" "Are relevant specialists motivated to carry out their specific tasks in a co-operative mode?" and "Do the operational staffs have sufficient complementary styles to simplify their working contacts between the partner organisations?"

In order for the entire organisation to be prepared for quick task actions during the venture’s implementation, everyone must be sold on the concept relatively early on. This diminishes the likelihood of rejection later. Confidentiality considerations regarding early information about business deals may, of course, create problems with respect to a too-broad early organisational involvement. In certain cases, it simply may not be possible to disseminate the venture plans to a broad range of people until they have become accomplished facts. (Ibid)

2.3.3.1.2 Power imbalance

Power imbalance in terms of size, resources, image, or market access may exist in the alliance or among the alliance members. Over time, one party may find that it no longer needs the skills or the knowledge the other party brought into the union, mostly due to the learning experience from the alliance, and the initial agreement may over time change to no longer comply with each party’s strategic intentions. If one party have developed, for
example its marketing skills, so that it is no longer dependent on the marketing alliance it has with another party or parties. Also, for example, technological changes may occur so that one party no longer needs the expertise of another party or parties. In both cases the alliance is likely to be terminated. (Vyas, 1995)

2.3.3.1.3 Barriers to successful alliances

The three major barriers to successful strategic alliances are, according to Vyas et al (1995):

1) *Failure to understand and from a traditional management style adapt to a new style of management* for successful alliances. The adaptation of a new style of management requires a change in corporate culture, which must be initiated and nurtured from the top.

2) *Failure to learn and understand cultural differences.* Not only do the cultural differences exist among international firms seeking alliances, but also are corporate cultures different among firms from the same country. Flexibility and learning are the greatest tools in overcoming this barrier

3) *Lack of ironclad commitment to succeed.* The set of individuals who negotiated or implemented the initial alliance agreement may change due to promotions, transfers, retirement, or terminations. Continuity of total commitment for the alliance is needed at all levels in the organisation without which the alliance will fail to reach its full potential.

Lorange and Roos (1992) discuss seven major challenges to the successful implementation of strategic alliances that, in their experience play a key role in the difference between success and failure. These include how to:

- Overcome reluctance to give up autonomy over one’s own strategic resources.
- Achieve operating momentum (how to get going operationally).
- Deal with the need to maintain focus on the external environment, i.e., the competition and customers, rather than on internal friction points.
- Avoid unnecessary politicking.
- Maintain organisational energy to continue co-operation over time.
- Increase one’s willingness to learn.
- Keep particular individuals from becoming bottlenecks in strategic alliances.

Identified critical success factors reveal underlying obstacles, since every success factor carries an element of challenge. A list of success factors presented by Sudarsanam (1995) include that:

- Partners should bring complementary skills, capabilities and market positions to the alliance.
• Market overlaps between partners should be minimal to avoid conflict of interest.
• Partnership should be based on a balance of business strength and ownership interest among partners.
• The alliance must have a degree of autonomy with strong leadership and continual commitment and support from the parents.
• The alliance must build up trust and confidence between the partners and not depend only on the contractual rights and obligations.
• Divergence of management styles and corporate cultures must be handled with sensitivity, and a new common style and culture distinct from the parents’ must be evolved.

2.3.3.2 Merger and acquisition obstacles

In any acquisition/take-over negotiation, as well as in the post-merger integration, problem areas will arise. Between two-thirds and three-fourths of all corporate mergers and acquisitions fail. Many reasons can be given to why many merger and acquisition programs fail, including poor management and plain bad luck. One pervasive reason is that in an acquisition, many acquirers simply pay too high a price. In the 1980s, the typical take-over premium was close to 40 percent above the pre-acquisition market value of the target company, and the trend continued into 1990s (Mirvis and Marks, 1992). The four primary reasons to why acquirers overpay are overoptimistic appraisal of market potential, overestimation of synergies, overbidding, and poor post acquisition integration. (Copeland, 1995).

Sudarsanam (1995) outlines a variety of pitfalls that can undermine the acquisition integration process: A flawed corporate or business strategy, meaning that the company being acquired may have only a superficial strategic fit is one of them. Value potential in acquisition can be either realised or destroyed at the implementation stage. The integration process can be fraught with uncertainty, fear and anxiety among target company staff, which may lead to withdrawal of commitment and lack of morale. The acquirer’s implementation team must handle these concerns with tact, sympathy and understanding in order to instil confidence and trust among the two companies’ personnel. (Ibid)

In the short term, operating costs can be higher than anticipated, or the benefits much lower. Overseas acquisitions are high-risk ventures. Another common reason for failure, or at least problem area, is the difference in accounting policies between the bidding company and the target company. Common problem areas include: accounting policies and taxation, warranties and indemnities etc., the continuing role of the target company’s management, reorganisation costs, and potential liabilities that a bidding company might have to take over post-acquisition. Potential liabilities vary widely. Some could be very costly, including for example environmental costs (cleaning up or improving target company’s operations to meet environmental regulations). Litigation is another liability as well as for payment of taxes for previous years, medical insurance costs for retired employees, employment contacts for staff in the target company, liabilities under pension
scheme arrangements, and potential inability of computer systems to integrate or to cope with new demands. (Coyle, 2000) Finally, even when the price is good, motives are sound, and the partnership has promise, bad timing can kill everything (Mirvis and Marks, 1992).

Accenture (2001a) reveals nine common reasons for merger and acquisition failure. They are: 1) Champions move on, 2) Clash of corporate cultures, 3) Disagreement over the distribution of returns, 4) Inadequate due diligence, 5) Leadership clashes, 6) Operational integration failures, 7) Overpayment, 8) Shift in strategic direction, and 9) Staff retention/morale.

According to Copeland et al (1995), a typical losing pattern for mergers may look something like:

1) Candidates are screened on basis of industry and company growth and returns, which is a more output- and shorter-term oriented way of measuring performance - through marketing and financial variables such as market share, customer satisfaction, profit rate, cash flow etc. The screening could instead be done through measuring more input- and longer-term oriented variables.

2) One or two candidates are rejected on basis of objective Discounted Cash Flow (DCF) analysis. In the DCF approach recommended by Copeland et al (1995), as opposed to a more traditional accounting approach, the value of a business is the future expected cash flow discounted at a rate that reflects the risks taken with the cash flow. All that matters in the traditional accounting approach are the accounting earnings of the business.

3) Frustration sets in, pressures build to do a deal and DCF analysis is tainted by unrealistic expectations of synergies.

4) The deal is completed at large take-over premium.

5) Post-acquisitions experience reveals that expected synergies are illusory.

6) The company’s returns are reduced and the stock price falls.

2.3.3.2.1 Antitrust regulation

Antitrust regulation is a factor to consider in mergers and acquisitions. The purpose of antitrust laws is to preserve and in some instances promote competition in the marketplace, in order to reduce price and expand quality. Competition is often jeopardised when competitors collaborate, especially when the collaboration allows competitors to raise prices by creating bottlenecks in the market. The early antitrust cases involved collusion among oil companies to reduce the supply of oil and hence raise its price. (Ghosh, 2001)

There are different antitrust regulations in different countries. Within the European Union (EU) for example, the Union itself has its competition rules and laws, and additionally, each country within the European Union has their specific approach. In Sweden for example, a member of the European Union, with antitrust rules modelled after the EU
laws, the Competition Authority in Sweden investigates mergers and acquisitions above a certain threshold of world-wide turnover of merging companies. Pre-notification is required, and the clearance procedure is time bound. The Competition Authority must within 30 days of notification start proceedings in Stockholm’s City Court, which decides whether the merger or acquisition can go ahead. Its decision can be appealed to the Market Court. The City Court can prohibit a merger or an acquisition, or require the acquirer to divest the whole or part of the acquired business. In Holland, another member of the European Union, the antitrust is of a much more relaxed nature. There are no clear guidelines existing, except in the case of banking and insurance company mergers.

Germany is well known for its vigorous antitrust policing. Also in France the approach is administrative, as well as in the U.K. Among a few other countries, the United States has the longest tradition of antitrust regulation, starting with the Sherman Act of 1890. Regulation around mergers has expanded over the years, including the passing of the Clayton Act in 1914, and later also the Hart-Scott-Rodino Act. (Sudarsanam, 1995)

The antitrust implications of B2B electronic marketplaces B2B web sites allow competitors to collaborate and therefore they can run into trouble with antitrust laws. A recent report (Entering the 21st, 2000) from the Federal Trade Commission (FTC) in the U.S.A. discusses the antitrust implications of B2B e-marketplaces (Ghosh, 2001). After having been in focus of a review for several months, the creation of the e-marketplace Covisint (a venture among the major automobile manufacturers in the United States) was in September 2000 decided upon not creating any antitrust problems by the Federal Trade Commission (FTC). This conclusion was seen as a major victory for B2B electronic marketplace ventures. The FTC though reserved judgement on any future violations of the antitrust laws. In October 2000, the FTC presented a report on the competition policy in the world of B2B electronic marketplaces, signalling greater liberalisation of the antitrust laws with respect to regulation of the Internet.

In a box, what are the antitrust regulations about? In the United States, agreements among competitors to control or fix prices are illegal, and so are agreements to divide up markets into exclusive territories. All other agreements are subject to a “reasonableness test”, under which the agreement is upheld if its competitive benefits outweigh any anti-competitive effects. In the case of B2B e-marketplaces, the FTC has clearly stated a “reasonableness approach”, and its report highlights clear pro-competitive benefits and potential anti-competitive effects.

Among several pro-competitive benefits listed in the report, reducing administrative costs and search costs are included. The FTC report states that B2B e-marketplaces “can reduce the time and energy a business expends to process an order and correct any mistakes in its processing”. Other benefits, according to the report, include lowered monitoring costs, and the cost of processing business information, enhanced efficiencies from increased collaboration such as joint product design, and the opportunity for supply chain management.
The larger the market share, the greater the restraints, and the lower the interoperability, the more likely it is that a B2B would be found to be anti-competitive. The FTC report isolates three potential anti-competitive effects of B2B e-marketplaces:

- Information sharing that allows for price-fixing or territorial divisions
- Exclusionary behaviour among B2B e-marketplaces
- Reducing competition in creation of B2B e-marketplaces

Rising prices in an e-marketplace, after a formation of a B2B e-marketplace alignment, will be a strong indication of price-fixing agreements, but even evidence showing that price has been discussed or that information about price was shared, could trigger trouble for the creator of B2B e-marketplace alignments.

Exclusionary behaviour can cause problems in two ways. The first is through the creation of a buyer's cartel. Traditional antitrust law deals with the problem of monopoly where there is one seller in the electronic marketplace who has the potential to raise price and reduce quantity. A buyer's cartel raises the problem of "monopsony", or the existence of one buyer in the market that may reduce price and divert quantity from other markets. Monopsony is a controversial issue in antitrust law. If the goal of antitrust law is to foster competition in order to ensure low market prices, then it is difficult to gauge the problem of monopsony, which ensures lower prices. However, if the goal of antitrust law is to foster competition because competition ensures that goods and services will be efficiently allocated, then monopsony power can be as dangerous as monopoly power. Monopsonies can artificially lower prices in a marketplace causing suppliers in the market to leave and switch to other endeavours. The problem is that there is not much empirical support for this latter view of monopsonies, but it is a theoretical possibility. The FTC report leaves these issues open, stating that it is important to ask the question whether the buying group accounts for a sufficient share of the buying market, such that reducing its purchases would likely depress the price of the inputs bought. In analysing the role of monopsony power, the report though cautions that driving prices down through monopsony power, should not be confused with buyer groups that get better prices through increased efficiencies, such as by savings realised by suppliers realised in sales to the group.

The second type of exclusionary behaviour entails B2B groups that exclude competitors from joining. This type of behaviour is controversial under the antitrust laws. There is no requirement that agreements among competitors be open to anyone interested in joining. But the agreement must not exclude potential members in a way that would harm competition.

Finally, the FTC report expresses concern with the development of B2B websites themselves. A B2B e-marketplace might undermine the development of competition in the market for B2B e-marketplaces (and any effective substitutes) by “over inclusion” of industry members or by improperly encouraging or requiring buyers or sellers to deal with it to the exclusion of other B2B e-marketplaces. Discovering this anti-competitive effect is highly fact-intensive, but the FTC provides the following guideposts for detecting anti-competitive effects, namely looking at 1) the market share of the B2B e-
marketplace owners, 2) the restraints on the participation outside the B2B e-marketplace and 3) the interoperability with other B2B e-marketplaces. (Ghosh, 2001)

2.3.4 Alliance, acquisition or merger?

Strategic alliances are different from acquisitions in a variety of ways. Strategic alliances are partnerships in a more pure way, and no take-over premium is involved. Mergers and acquisitions tend to deal with the entire business system of a company, and are more permanent in nature. Strategic alliances in the form of for example joint ventures can be targeted to focus on pieces of the business system, and can be dissolved after a period of time. (Copeland, 1995)

Despite the attractions of strategic alliances, their track record is not very good. Some estimates suggest that more than two-thirds of all strategic alliances fail (Sudarsanam, 1995). Not far from the failure rate of strategic alliances, but still worse, are the estimated failure rates for mergers and acquisitions. As mentioned earlier, generally, across all industries, the failure rate for initiated corporate mergers and acquisitions is something between two-thirds and three-fourths (Mirvis and Marks, 1992).

According research conducted by Ernst and Halevy (2000), in fast-moving, highly uncertain industries, like for example electronics, mass media and software, the market tends to prefer alliances to mergers and acquisitions. Research findings conclude that, in the electronics and software industry, two thirds of alliances are likely to succeed – compared with just one third for acquisitions and mergers in the same industry. Also, since strategic alliances are created to achieve specific and fairly narrowly defined strategic objectives, there is a greater clarity of purpose than in “fuzzy” acquisitions. Further, with these ventures and alliances, the problem of post-acquisition integration does not arise.
3 FRAME OF REFERENCE

This chapter conceptualises the literature overview presented in the previous chapter. This chapter also explains how the literature relates to each of the three research questions presented in chapter one and how the research questions can be broken down into operational variables. All this leads to the emergence of a frame of reference giving the structure for the empirical data collection.

3.1 Conceptualisation

As figure 2, from Meeker and Phillips (2000) and Andersen Consulting (2000b), graphically illustrates, e-marketplaces are a fairly new phenomena, still considered by many as the new “hot issue” in the B2B environment. According to Meeker and Phillips, B2B e-marketplaces started to be developed in 1998 and are still in the starting-up phase. There are however many reports attempting to foresee the future of B2B e-marketplaces, presented by for example Brooks and Cantrell (2000) in figure 1, Blanchard and Roussière (2000), Henig (2000) and AMR Research. The common belief is that there will be extensive consolidation among B2B e-marketplaces. Consolidation between e-marketplaces has already begun in a small scale. If the e-marketplace phenomena itself is fairly new and in the developing phase, the consolidation between them generally could be said to be in an embryo phase (depending on industry and country). All this results in that there are not yet any theory written (known to the authors of this report) regarding alliances, mergers and acquisitions directly related to e-marketplaces. Therefore, theory regarding alliances, mergers and acquisitions are gathered from the traditional brick-and-mortar environment which has served as a provider of a basic understanding of the subject. In order to answer the research questions these theories will in this chapter, and in the rest of the report, be applied to the new way of doing business, i.e. e-commerce and the use of e-marketplaces. In order to present the conceptualisation in a clear way, it is structured after the research questions.

3.1.1 Research Question 1: Why do B2B e-marketplaces form alliances with, merge with, and acquire other B2B e-marketplaces?

Based on presented theories, motives for forming electronic B2B inter-marketplace partnerships are divided into three subgroups; dimension related motives; market related motives and enhancement of e-marketplace architecture.

3.1.1.1 Dimension related motives

In order to understand and find different motives for partnering between e-marketplaces, it is important to classify the parties in the partnering process and compare their dimensions. There are many dimensions one can classify e-marketplaces after and a possible motive for a partnership could be to complement one dimension with another.
Blodget and McCabe (2000) and Andersen Consulting (2000a) argue that an e-marketplace can be either vertical or horizontal, where vertical means that the e-marketplaces only serves one industry and horizontal means that the e-marketplaces have a cross-industry focus. Bygdeson et al. (2000), Kaplan and Sawhney (1999) and Andersen Consulting (2000a) explain how e-marketplaces differ depending on who owns and run the e-marketplace. E-marketplaces are divided into neutral (owned by a third party), buyer centric (owned by one or a few large buying companies) and seller centric (owned by one or a few supplying companies). Also, Andersen Consulting (2000a) recognize that the e-marketplace can be private (where one brick-and-mortar company build its own e-marketplace and includes its buyer and suppliers) or public (where the e-marketplace is not ruled by one brick-and-mortar company). One important dimension that has to be explained is what market maker model the e-marketplace can be classified as. Blodget and McCabe (2000) have identified four different market maker roles; online catalogues, auctions, exchanges and community market makers. These four categories are complemented with a more extensive and developed e-marketplace, identified by Meeker and Phillips (2000) and Andersen Consulting (2000a) and is called e-hub. The e-hub is described as a future e-marketplace that represents the full range of business processes and interactions between trading partners, including important collaboration services.

To clarify possible value creations by combining two dimension, one example is when a large horizontal and a vertical niche e-marketplace partner. The large horizontal e-marketplace fortifies its content by integration with the specialised market, whereas the vertical niche e-marketplace can leverage the broad corporate relationships that the horizontal e-marketplace already has in place (Meeker and Phillips, 2000).

### 3.1.1.2 Market related motives

Dull et al (1995), Sudarsanam (1995), Vyas et al (1995) present a number of motives for companies to form alliances within the brick-and-mortar world. Most of these motives can probably be relevant to inter-marketplace alliances, and also to inter-marketplace mergers and acquisitions.

Lorange and Roos (1992) present a model (figure 7) containing generic motives for strategic alliances with two dimensions: the market position of the business and the strategic importance of the alliance in a parent’s portfolio. Depending upon the relation between the two dimensions, four major motives for strategic alliances are presented: defend, catch up, remain and restructure the business in relation to competitors. These possible motives could be relevant to e-marketplace alliances as well, and also to inter-marketplace mergers and acquisitions.

Vyas et al present how alliances are forged along a variety of dimensions (figure 8). Analysing alliances along these dimensions is helpful in understanding the motivation behind alliances, but also partnering in general. Some of these dimensions of motives can be applied to e-marketplaces and their partnering.

One possible partnering motive that Vyas et al (1995) identify is to become represented on an international arena by partnering with an e-marketplace operating on a different, foreign market. Also, e-marketplaces within the same country can complement each other.
with covering new domestic areas, which could be geographical or industry specific. Motives can be similar for e-marketplaces, other than that possible new domestic areas are more industry specific since Internet is not limited geographically. Vyas et al (1995) also identify diversification as a motive for partnering and Coyle (2000) explains that a partnering strategy for growth can be developed in four different ways; market penetration, horizontal diversification, vertical integration and conglomerate diversification. Two ways of measuring growth for e-marketplaces can be the number of new suppliers and buyers or the extent of the product catalogue. Lorange and Roos (1992) graphically illustrate (figure 9) two respective partner’s value chains and how combinations of activities from the two partners’ value chains could create various types of synergies and thus strengths. The same idea can be applied to inter-e-marketplace partnering, but from a broader perspective, by using two industry specific value chains instead of two partner’s company value chains, and by picturing e-marketplaces solving different inefficiencies in-between the steps of the industry specific value chain (see figure 12 below).

![Diagram of two different value chains of two industries (A and B) with e-marketplaces and examples of their partnering alternatives](image)

Figure 12. Two different value chains of two industries (A and B) with e-marketplaces and examples of their partnering alternatives (modified after Lorange and Roos, 1992, p. 35)

It could also be interesting to relate the motives for partnering between e-marketplaces to e-marketplace characteristics for success. When e-marketplaces partner, which success characteristics are reinforced? Different sets of key success factors for B2B e-marketplaces have been outlined by a number of authors including Blanchard and Roussière (2000), Blodget and McCabe (2000), St. Clair (1997), Andersen Consulting (2000b), Hellaby (2000) and Ramsdell et al (2000). These authors identify ten success factors; liquidity, critical mass of e-marketplaces users, early mover advantage, openness, right ownership, good governance, neutrality, expanded functionality, strategic partnering and continuous improvements.
Market related motives specific for mergers and acquisitions  Marock et al (2000) identify reasons why Internet-related companies are expected to merge with or acquire other e-marketplaces. The motives are; rapidly closing windows of opportunities, higher barriers to entry, more need for control of assets and more targets available. Coyle (2000) categorise mergers and acquisitions into two fundamental motive groups, i.e. mergers and acquisitions primarily driven by commercial considerations and mergers and acquisitions primarily driven by financial considerations. These two motive groups can also be related to mergers and acquisitions between e-marketplaces. Ansoff and McDonnell (1987), Cartwright and Cooper (1996), Levinson (1970) and Sudarsanam (1995) all give many additional merger- and acquisition specific motives which can be possible motives for inter-e-marketplace mergers and acquisitions.

3.1.1.3 Enhancement of the e-marketplace architecture
One possible motive for partnering between e-marketplaces could be to enhance the technology of the e-marketplaces. In order to get a deeper understanding of where in the architecture of the e-marketplace improvements are needed the architecture is in need to be divided into categories. Meeker and Phillips (2000) divide the architecture of an e-marketplace into three major categories: the user layer, the application layer and the platform/infrastructure layer. Motives for partnering can appear in either of these layers.

3.1.2 Breaking down Research Question 1 into operational variables
Explained below is how the motives for forming electronic B2B inter-marketplace partnerships in the forms of dimension related motives, market related motives and enhancement of e-marketplace architecture are measured.

Dimension related motives  In order to find possible dimension related motives, i.e. motives for partnering based on complementing one dimension of the marketplace with another, questions will be asked relating to the dimensions presented above.

Market related motives  Market related motives for partnering between brick-and-mortar companies are explained by a number of authors (see above) and questions are chosen to be asked around these motives in order to get as much information as possible. One example is Lorange and Roos’s (1992) model (figure 7) containing four generic motives for strategic alliances in relation to two dimensions (see above). Questions will be asked regarding the two dimensions of is Lorange and Roos’s (1992) model in order to find out possible motives. Figure 12 above (modified after Lorange and Roos (1992)) presents different partnering alternatives. Questions based on this theoretical model will be asked why specific partnering alternatives are chosen. It could also be interesting to relate the motives for partnering between e-marketplaces, to e-marketplace characteristics for success (see above) explained by Blanchard and Roussière (2000), Blodget and McCabe (2000), St. Clair (1997), Andersen Consulting (2000b) and Ramsdell et al (2000), and ask questions about that.
Enhancement of the e-marketplace’s architecture

In order to find possible technological related motives for partnering and where in the e-marketplace architecture the partnering creates value, questions will be asked on the architecture dimensions explained above, i.e. user layer, application layer and platform/infrastructure layer, technological dimensions based on theories by Meeker and Phillips (2000).

3.1.3 Research Question 2: What obstacles are B2B e-marketplaces faced with in alliances with, mergers with, and acquisitions of other B2B e-marketplaces?

Based on presented theories, formation obstacles with electronic B2B inter-marketplace partnerships divided into three subgroups: dimension related obstacles, market related obstacles and technology related obstacles.

3.1.2.1 Dimension related obstacles

In order to understand and find different obstacles for partnering between e-marketplaces, it is important to classify the partnering parties and compare their dimensions. There are many dimensions one can classify e-marketplaces after. One possible obstacle for partnering could be a misfit between two dimensions. Different e-marketplace dimensions are explained under research question one (chapter 3.1.1).

An example of an obstacle related to the dimensions of the e-marketplaces could be when a neutral e-marketplace partners with a previous seller centric competitor. The neutral e-marketplace has initially chosen the neutral dimension for a reason and its participants have chosen to join the neutral e-marketplace for a reason. Similar, the seller centric e-marketplace has chosen the seller centric dimension for a reason and its participants have chosen to join the seller centric e-marketplace for a reason. When these two e-marketplaces partner, the bias issue might be a problem, e.g., the buyers participating in the neutral e-marketplace might not want to be participants in a seller centric e-marketplace where the sellers have the power.

3.1.2.2 Market related obstacles


Market related obstacles specific for mergers and obstacles Accenture (2001a), Copeland et al (1995), Coyle (2000), Mirvis and Marks (1992) and Sudarsanam (1995) identify possible obstacles that are specific for mergers and obstacles, which also could be applied to inter-e-marketplace mergers and acquisitions.

Antitrust regulation is a factor to consider in mergers and acquisitions according to Ghosh (2001) and Sudarsanam (1995). The Federal Trade Commission identifies three potential anti-competitive effects of B2B e-marketplaces; information sharing that allows for price-
fixing or territorial divisions, exclusionary behaviour among B2B e-marketplaces and reducing competition in creation of B2B e-marketplaces (Ghosh, 2001). Discovering anti-competitive effects is highly fact-intensive, but the Federal Trade Commission provides the following guideposts for detecting anti-competitive effects, namely looking at the market share of the B2B e-marketplace owners, the restraints on the participation outside the B2B e-marketplace and the interoperability with other B2B e-marketplaces (Ghosh, 2001).

3.1.2.3 Technology related obstacles
One possible motive for partnering between e-marketplaces could be to enhance the technology of the e-marketplaces, but it is possible that the technologies of the two e-marketplaces do not match and that the integration of the components is harder than perceived. In order to get a deeper understanding of where in the e-marketplace architecture obstacles can occur, the architecture needs to be divided into categories. See the chosen categories under research question one. One example is when the two e-marketplaces are built upon two entire different platforms.

3.1.4 Breaking down Research Question 2 into operational variables
How formation obstacles with electronic B2B inter-marketplace partnerships in the forms of dimension related obstacles, market related obstacles and technology related obstacles are measured is explained below.

Dimension related obstacles In order to detect misfits and obstacles related to differences in e-marketplace dimensions, questions are asked regarding the dimensions that have been explained under research question one (chapter 3.1.1).

Market related obstacles Market related obstacles for partnering between brick-and-mortar companies are explained by a number of authors (see above) and these obstacles act as dimensions, upon questions can be asked in order to get as much information as possible.

Technology related obstacles In order to find possible technological related obstacles for partnering and more specific where in the architecture of the e-marketplace the partnering encountered problems, questions will be asked on the architecture dimensions explained under research question one, i.e.; application layer, user layer and platform/infrastructure layer.

3.1.5 Research Question 3: What trends can be identified affecting the future B2B e-marketplace configuration?
There are a few trends presented in the theory chapter regarding the future B2B e-marketplace configuration. Brooks and Cantrell (2000) identify the trend that e-marketplaces more and more start to consolidate and collaborate. Meeker and Phillips (2000) and Andersen Consulting (2000b) graphically illustrate (in figure 2) the trend that
B2B e-commerce is developing more and more towards Collaborative Commerce-Networks of linked collaborating electronic marketplaces through E2E connections. McKinsey & Company (2000) recognises that potential users of the electronic marketplaces (brick-and-mortar companies in the role of e-marketplace suppliers and buyers) hesitate to take advantage of the new phenomena, sometimes because of uncertainty and lack of knowledge in the area. Sudarsanam (1995) and Mirvis and Marks (1992) identify a trend that alliances have a lower failure rate than mergers and acquisitions in the brick-and-mortar environment. This might very well be the case in the B2B e-marketplace space. Ernst and Halevy (2000) identify the trend that in fast-moving, highly uncertain industries, like for example the electronics (including e-marketplaces) and the mass media and software industries, the market tends to prefer alliances to mergers and acquisitions.

3.1.6 Breaking down Research Question 3 into operational variables

To find additional trends, the authors of this report believe that it is important to not only research what experts in the area believe are the future trends for B2B e-marketplace partnering. It is also interesting to interview the e-marketplaces themselves since they are the actors that will be affected by the trends. From one angle it might also be easier for the actors to identify and get a more correct picture of the trends that they are exposed to. Trends that affect the future B2B e-marketplace configuration can be related to most of the theory presented in chapter 2. For example, the empirical study might indicate that e-marketplaces that form E2E alliances rather prefer one type of strategic alliance in front of another.

Different alliance types are presented in the theory chapter by Lorange and Ross (1992), and Ernst and Halevy (2000). In short: Lorange and Roos (1992) present different archetypes of strategic alliances in figure 5. The types depends on two dimensions; parent’s input of resources and parent’s retrieval of output, and the outcome is four possible types; ad hoc pool, consortium, project-based joint venture and full-blown joint venture. These are all possible alliance types between e-marketplaces.

Ernst and Halevy (2000) identify possible alliance types for e-marketplaces, joint venture, where the two parties invest in or give resources to a venture and participating in the venture’s management. There are three different types of joint ventures; equity joint ventures, non-equity joint ventures and minority equity stakes joint ventures. In order to identify trends regarding preferred alliance types, questions will be asked on the two dimensions described by Lorange and Roos’s (1992) (see above) and questions regarding equity stakes will be asked in order to analyse an eventual joint venture, explained by Ernst and Halevy (2000) (see above).

3.2 The emerged frame of reference

The previous section, presented a conceptualisation of the preferred theories from chapter 2, and how chosen theories relate to the research questions presented in chapter 1. The
emerged frame of reference (figure 13) graphically illustrates how the research questions relate to each other. Theories about e-marketplaces and partnering works as a theoretical foundation for the motives for and obstacles with electronic B2B inter-marketplace partnering as well as for future B2B e-marketplace configuration trends. Motives for and obstacles with electronic B2B inter-marketplace partnering do not relate to each other but both can be possible sources for future B2B e-marketplace configuration trends.

Figure 13. The emerged frame of reference
4 METHODOLOGY

The methodology chapter includes discussion around the research model, sample selection, data collection, the analytical framework and finally the methodology problems.

4.1 Research model

The first two research questions "Why do B2B e-marketplaces form alliances with, merge with, and acquire other B2B e-marketplaces?" and "What obstacles are B2B e-marketplaces faced with in alliances with, mergers with, and acquisitions of other B2B e-marketplaces?" are of a deductive nature. These two deductive research questions are largely based on the study of theories in a closely related area to the area that is researched. Empirical data from the new, researched area have then been collected and matched against existing theory and conclusions have been drawn about motives for forming and objectives faced in forming of electronic B2B inter-marketplace alliances, mergers and acquisitions.

The third research question, "What trends can be identified affecting the future B2B e-marketplace configuration?" is of a more inductive nature. To answer this inductively oriented research question, open-ended questions have been posed to interviewees about the trends for the future B2B e-marketplace configuration without any specific theoretical framework backing them up. Together with the conclusions coming from the two first research questions, it has been possible to read a number of trends for the B2B e-marketplace configuration from our point of view.

Zikmund (1999) presents three different types of research: Casual, Descriptive and Explorative research. Casual research is conducted to identify cause-and-effect relationships among variables where the research problem has already been narrowly defined. Descriptive research is designed to describe characteristics of a population or a phenomenon. Explorative research is initial research conducted to clarify and define the nature of the problem. Explorative research is used when one is seeking insights into the general nature of the problem, the possible decision alternatives and relevant variables that need to be considered. (Ibid) The research that have been conducted, and that is presented in this report, is both explorative and descriptive in its nature. Not only is general understanding of the new B2B inter-marketplace partnering phenomenon sought - the characteristics of the B2B inter-marketplace partnering phenomenon in forms of motives, obstacles and trends related to B2B inter-marketplace partnering are also sought to be described.
4.2 Sample selection

The sample selection was chosen to include a relatively large number of electronic B2B inter-marketplace alliances, mergers and acquisitions samples since the area of B2B inter-marketplace alliances, mergers and acquisitions is new and not researched. B2B inter-marketplace partnerships were identified from August 2000 to February 2001 through B2B e-marketplace news services on online portals like for example Line56.com. Partnerships were also identified through a daily e-mail information service on e-commerce provided by Accenture and through hiring information-seeking competence within Accenture to look up B2B inter-marketplace partnerships relevant for the study. A total number of 40 identified partnerships were found. Attempts were made with all these 40 partnerships to establish contact with one party in the partnership in order to conduct a case study of the partnership. Of various reasons it was not possible to conduct case studies with all these 40 identified partnerships, and finally the number of case studies stranded at 26.

Holme and Solvang (1991) present two different research methodologies, qualitative or quantitative, when approaching case companies. The purpose of qualitative research is to obtain a deeper knowledge and understanding of a specific area. The quantitative method is used for determining the quantity or extent of a phenomenon, usually in the form of numbers. A quantitative research approach uses fewer cases to research compared to a quantitative research approach. The reason for this is that a qualitative research seeks understanding and a deeper knowledge and the information needed for obtaining that can be gathered from one to a few respondents. The quantitative approach on the other hand is often more structured and formal than the qualitative. The purpose of a quantitative method is to compare and test if received results are valid on all researched entities. (Holme and Solvang, 1991)

Despite the quite large number of case companies researched in this report, the used research approach is though more of a qualitative than quantitative nature. The developed interview guide is of a qualitative nature, with objectives to more understand the phenomena of B2B inter-marketplace alliances, mergers and acquisitions than to thoroughly measure them.

In each alliance, merger or case of acquisition with two e-marketplaces involved only one side was interviewed. The party who was appearing to be the initiative taker for the partnering formation was interviewed. The initiative taker was assumed to have the most interesting and developed ideas on the motives for the partnership and having a clearer understanding of the obstacles with the partnering formation. Also the initiative taker for the partnering formation perhaps also would have more interesting thoughts on the future of B2B partnering than a less active, and perhaps less visionary gifted e-marketplace.
4.3 Data collection

The data collection method includes the development of a standard questionnaire aimed for personnel involved in the B2B inter-marketplace partnering. Different standard questionnaires were developed for alliances, mergers, and acquisitions respectively. The Frame of Reference presented in chapter 3 served as the structure in the development of the standard questionnaires. In order to obtain a deeper knowledge and understanding of the problem area, the questionnaires mostly contained open-ended questions. The questionnaires were rounded off with a number of open-ended, and to some extent unspecified questions letting the respondent “brain storm”, regarding the future for B2B e-marketplaces and their partnering with other B2B e-marketplaces.

The nature of the questions did suit more conversational interviews rather than non-verbal interviews, in order for the interviewer to be able ask the respondents to further explain answers in case the interviewer did not understand. Also, a conversational interview might be more appealing to the respondent, considering the nature of the questions, compared to having to write the answers.

Attempts were made to establish telephone contact with e-marketplace personnel who were or had been involved in the alliance formation, merger or acquisition process to book a time for an interview. Almost all interviews were in the form of telephone interviews. One interview was a personal interview and one respondent did not have the opportunity to take part in a telephone interview but chose to fill in a questionnaire single-handed and submit it back electronically. The reason why most of the interviews were conducted over the telephone instead of in person, was due to the geographical distant.

Through closer studies of the particular alliance, merger or acquisition about to be interviewed, the standard questionnaires for electronic B2B inter-marketplace alliances, mergers and acquisitions was previous to each interview customised into detailed interview guides. After a time for an interview had been booked in, unique information about each electronic B2B inter-marketplace alliance, merger or acquisition, or attempt to any of these form of partnerships, was gathered through press releases published on the Internet, on independent web-sites and the web-sites of the e-marketplaces involved. The information that was possible to gather around each situation quite often answered some of the questions in the standard questionnaire, and justified the standard questionnaire to be customised for the particular interview. A copy of the questionnaire sent over via e-mail to the interviewee a few days in advance so he or she would have the chance to look through the questions before the actual interview and be prepared.

Over a period from February 14th 2001 to March 9th 2001, a total number of 26 different cases of attempts to form, and actual formations of 40 electronic B2B inter-marketplace alliances, mergers and acquisitions were researched. 16 different B2B e-marketplaces were interviewed, many of them having made attempts to form, or formed alliances, mergers or acquisitions with more than one other e-marketplace. In more than one case,
interviews with one B2B e-marketplace involved interviews with more than one representative for the e-marketplace.

4.4 Analytical framework

Collected empirical data are presented in chapter 5. Empirical data, and are the respondents precise answers to the questions in the standard questionnaires. In the chapter following the empirical data (i.e. chapter 6. Analysis,) the different interviews are added to each other and compared. Through adding the empirical data together it was possible to extract indications of motives for and obstacles with B2B inter-marketplace partnering. Some specific motives for and obstacles with inter-marketplace partnering were expressed by many of the case companies, giving an indication of their importance.

Out of observed motives for and obstacles with partnerships together with additional help from open-ended questions about the future for B2B e-marketplaces and their partnering with other B2B e-marketplaces, trends for B2B e-marketplaces and inter-marketplace partnering were deciphered.

Finally, out of observed motives and observed obstacles for forming B2B inter-marketplace partnerships together with deciphered, trends for B2B e-marketplaces and inter-marketplace partnering, a checklist of implications for e-marketplace executive officers were developed as well as an overview of B2B e-marketplace investment strategies for brick-and-mortar companies.

4.5 Methodology problems

Methodology problems include the validity and the reliability of the research model, data collection and analytical framework.

4.5.1 Validity

According to Eriksson and Wiederheim-Paul (1997), validity addresses the issue of whether what is attempted to measure actually is measured. If other researchers would use the same research method and would come to the same conclusions, the method is by definition a research model of high validity. To increase the validity of the research, interviews were prepared with available information from e-marketplace company websites and electronic newsagents.

4.5.2 Reliability

Evaluating the reliability of any measuring instrument consists of determining how much of the variation in scores is due to inconsistencies in measurement (Churchill, 1996).
Churchill (1996) mentions four possible sources to errors when measuring data that have been taken into consideration:

1) **Respondent error** - is referring to the error caused by a respondent that is not clearly certain of his point of view and therefore gives different answers at different times. The respondent error also arises if the respondent is guessing or deliberately gives an inappropriate answer to get the "appropriate" effect. By conducting telephone interviews instead of letting respondents fill in questionnaires single-handed, it was attempted to avoid guessing and that inappropriate answers deliberately were given.

2) **Instrumental error** - can be caused by the way in which questions are presented. Questions can be sensitive, misleading, vague or even offensive. Instrumental errors can also be caused by the sequence in which question are asked. Consistency and reliability in the research was helped by the standard questionnaire. Respondents received an electronically submitted questionnaire at least 24 hours before the actual interview.

3) **Interviewer error** - is caused by the interviewer. Age, sex, choice of clothes and appearance the interviewer can affect the respondent. Interviewer error also incorporates interpretation errors, i.e. the interviewer interprets the respondent's answers incorrectly. English have been the language used in the interviews but neither one of the two interviewers in this research have English as their first language. Interviews were recorded digitally in MiniDisc format so that information collected in the interview would not be lost.

4) **Observation error** - During data collection by observation, an error might occur because the same observation can never be made twice. The choice of telephone interviews in favour of observations.
5 EMPIRICAL DATA

The chapter of empirical data regarding B2B inter-marketplace alliances, mergers and acquisitions is divided into three parts; 5.1 Alliances and attempts to form alliances; 5.2 Mergers and attempts to mergers; and 5.3 Acquisitions. The empirical data presented in this chapter is drawn from personal interviews with representatives from the dominant, the by us identified most active e-marketplace in each partnership. In several cases consultants that has been involved in these partnership formations and attempts to partnership formations has instead been interviewed. The names of the interviewed persons are presented together with the role they play the organisations they represent. At the end of each case, a number of relevant links is presented, to make is easier for the reader to find more information about each case.

5.1 Alliances and attempts to form alliances

Alliances and attempts to form alliances include Bfinance alliances, CheMatch alliances, the e’open - PartMiner alliance, Mediahub's alliances with OneMediaPlace and iMediapoint, the MetalSpectrum - MetalSite partnering evaluation, the B2B e-marketplaces of OracleExchange, the OZePrint - PaperExchange alliance. Also presented are PaperExchange's alliances with Impresse and Noosh, Transora alliances, the XSAG.com Nterline platform alliance with Farmpartner and a failed attempt to form an international alliance in the CPG industry.

5.1.1 Bfinance alliances

Bfinance, a financial-services marketplace for CFOs (Chief Financial Officers), has at the time built a few strategic alliances with other e-marketplaces. Moreover the company has been in many alliance evaluation negotiations from where there are some insights to draw.

5.1.1.1 About Bfinance

Bfinance is a transaction platform that allows CFOs and corporate treasurers to launch bid tenders for non-listed banking products (including money market placements, asset management, working capital finance, leasing finance, lines of credit, factoring, cash management, trade finance) using their own quantitative and qualitative criteria. As a broad range of targeted financial institutions compete for each bid tender, the treasurer benefits from a depth of banking providers. This results in a stronger product offering and aggressive pricing. The site has the capabilities for auction processes Bfinance also offers very differentiating and additional adding value services to CFOs such as financial news, market rates (including forecasts from bankers), calculators, a newsletter and expert articles covering corporate finance and treasury issues. Bfinance now counts 1000 registered corporate customers, and now has 217 financial institutions lined up to bid for
relevant businesses. Since the launch of Bfinance in France (February 24, 2000), the result after 1 year of operations is 1,5 billion Euros in volume across the sectors. Bfinance has operations in France, Germany and UK, and is considered the market leader in Internet-based financial services in these countries. Bfinance can be found at http://www.bfinance.co.uk

An example of how Bfinance can be used: a customer needed to arrange lease financing for FFr10m (E1.5m) of computer equipment earlier this year. He was able to secure five offers without lifting the phone. Nor did he hold a single face-to-face meeting. Instead he simply used his web browser and bfinance.com. He states "if it wasn't for Bfinance, the process would have taken at least two weeks longer."

5.1.1.2 Evaluation of Bfinance’s alliances

Bfinance has alliances at the time with 4 e-marketplaces: Double Trade, Nego Partner, Net Trans and Mondus. The following observations are based on negotiations with a large amount of approached e-marketplaces among which some are expected to sign partnerships.

Motives Bfinance can be useful to another e-marketplace when a business buyer on an e-marketplace wants to buy a very pricey product, e.g. industrial equipment or second hand industrial goods, in which acquisition he might have to get help from a financial institution in order to finance the purchase. If the e-marketplace is allied with Bfinance, the buyer can make a request to Bfinance for a loan, still using the interface of the e-marketplace where the purchase is made. This saves the buyer the effort to get offline and call several financial institutions for comparison, in order to get the best interest of the loan. An e-marketplace that forms an alliance with Bfinance can directly on its site offer Bfinance’s value added business services and by doing so differentiate itself from competitors.

The alliance partner can choose different integration options of different degrees of integration and complexity. The most integrated and most complex alternative makes it possible for the customer to handle all the processes using only the user interface of the e-marketplace upon which he does his purchase. Bfinance’s services are fully integrated into the alliance partner’s interface.

Bfinance wanted to as fast as possible talk to as many potential e-marketplace alliance partners, in order to both get customers and liquidity, but also to lock merging competitors out from doing the same, i.e. form alliances with e-marketplaces around online financial services. Bfinance wanted to be the preferred financial service provider on as many e-marketplace as possible, and by that establish entry barriers for competitors.

Joint marketing activities is one motive for forming alliances, as well as enhancing the image of Bfinance. The alliance partner will have Bfinance as a preferred business service provider and because of that, Bfinance will be represented on the alliance partner’s Internet site.
5.1.1.3 Lessons learned

Lessons learned include critical issues during negotiations and speed of execution.

5.1.1.3.1 Critical issues during negotiations

Value proposition for partners

All e-marketplaces approached thought Bfinance's concept was very interesting. However, some of them were not ready at the moment to engage themselves in an alliance around a financial value added service because too busy trying to establish partnerships with their direct suppliers and buyers, and improve their technicality solutions. Those e-marketplaces responded that approximately one year ahead (counted from August, 2000, and onwards) they would be mature enough to add a financial value added service application model like Bfinance.

Another negotiation subject was how Bfinance’s auction process could complement and add value to the e-marketplaces' own auction processes. Some of these e-marketplaces would prefer building partnership directly with one financial institution that would commit itself to finance any transaction, which would go through the e-marketplace. Such a relation with a financial institution would though prevent them from benefiting of:

- The competitive and transparent pricing process inherent to Bfinance auction process (one preferred financial institution might give a higher credit price than many competing financial institutions, which is the case when using Bfinance)
- The ability of Bfinance financial partners to provide specific products (financial institutions partnering with Bfinance built a network of specialised institutions)

Exclusivity

Bfinance wanted to build partnerships with exclusivity, which means that the alliance partner would commit himself to only have Bfinance as a preferred financial service provider. Bfinance though experienced that alliance partners could be reluctant to accept those conditions, because they were not interested in locking themselves to one financial service provider for a longer period of time.

Financial terms

Negotiations also occurred on financial terms. The revenue sharing idea that Bfinance offered, was that each time one of the alliance partner’s customer placed a request through its own interface regarding one of Bfinance services, the alliance partner would get 10% of the profit Bfinance made on that specific request.

5.1.1.3.2 Speed of execution

Bfinance experienced, that negotiations with immature, still developing e-marketplace is a time-consuming process, due to the e-marketplaces situation where they are caught up in a myriad of decisions and alternatives to developing their e-marketplaces. Vast opportunities accompanied by a vast number of crucial strategic decisions, for many e-marketplaces results in slight confusion and lack a focus of what to prioritise.
5.1.1.4 Future B2B e-marketplace consolidation with brick-and-mortars

Virginie Gasquet, Accenture, believes that there will be an extensive consolidation of e-marketplaces, and that many e-marketplaces will not be profitable enough in order to continue operating. Virginie Gasquet believes these e-marketplaces will either die or become acquired by traditional brick-and-mortar companies, who want to use the technology in order to develop their own private exchanges.

5.1.1.5 Relevant links

- [http://www.bfinance.co.uk](http://www.bfinance.co.uk) [February 27th 2001]
5.1.2 CheMatch alliances

November 3rd 2000, CheMatch announced having formed an alliance with Todoplasticos and February 20th 2001 CheMatch announced having formed an alliance with ChemCross.

5.1.2.1 About CheMatch

The chemical industry is a highly fragmented industry, both on the buyer and the supplier side, as well as the chemical bulk commodity segment that CheMatch focuses on. CheMatch is a global neutral Internet exchange and information resource for buying and selling bulk commodity chemicals, polymers and fuel products. If there is a leading star for what products that are transacted at CheMatch - it is commodities. Of transacted volume, commodities constitute approximately 45% of the total chemistry industry. CheMatch consider itself being the leading e-marketplace in the commodity segment. CheMatch acts as an independent neutral third party, delivering instantaneous access to our expanding list of commodity chemicals, polymers and fuel products traded on our exchange. In addition to a leading exchange capability within the chemical bulk commodity industry, CheMatch offers online auctions, reverse auctions and tenders to give customers a choice of market formats to meet their strategic sales and sourcing requirements. Buyers and sellers appear anonymous to each other.

CheMatch's sister site, PetroChem.net, is the petroleum and petrochemical industry's leading Internet-based information resource. PetroChem.net delivers electronic information, data access and communication service from over 30 different industry verticals to the desktop of industry professionals. Together, CheMatch.com and PetroChem.net create a fully integrated information and commerce community. Receivables Financing and Trade Credit Insurance are two value-added services that currently are available offline. "Data and Analytics" is a value added service available online. In a sense CheMatch is open for anyone to join, but there are minimum financial requirements to become a member, and the product range that has been chosen for transaction over the e-marketplace to a limited number of 65-70 different types of products. CheMatch can be visited at [www.CheMatch.com](http://www.CheMatch.com) Address: 2900 North Loop West, Suite 1120, Houston, TX 77092, Tel: 713-681-6600.

5.1.2.2 About Todoplasticos

Todoplasticos is an e-marketplace that offers quick, secure, and reliable connections to the plastics industry in Latin America. The Todoplasticos e-marketplace allows participants to transact raw materials, excess inventories, machinery, and finished goods and services related to the plastics industry. Todoplasticos can be visited at [www.todoplasticos.com](http://www.todoplasticos.com).

5.1.2.3 About ChemCross

Founded in February 2000, ChemCross is an industry-owned global e-marketplace supported by over 60 major chemical companies in Asia in the areas of commodity
chemicals, plastics and fuel products. Participants benefit from being connected to global buyers and sellers and having access to a portfolio of strategic business-related services that specifically address chemical industry needs. The company is headquartered in Houston, Texas U.S.A. (world-wide) and Seoul, Korea (Asia) with regional representative offices in Shanghai, Tokyo, Taipei and Singapore making its presence in key locations in the global petrochemicals trade. The service offerings include the Multi Dynamic Firm (MDF) exchange, the Invitation exchange, and value added services like shipping, insurance and inspection. Instead of borrowing a business module from B2B solution providers, ChemCross developed MDF exchange, or MDF Negotiation (Multi Dynamic Firm Negotiation). Exchange and Auction types were selected and two key attributes were extracted from each. A business module was developed combining attributes of negotiation from exchange, and attributes of competition from auction. The e-marketplace also includes a community. ChemCross can be visited at www.ChemCross.com.

5.1.2.4 The CheMatch – Todoplasticos alliance

The CheMatch – Todoplasticos alliance was announced in November 3, 2000. Both CheMatch and Todoplasticos can be said to be market leaders in their product niches and geographical markets. CheMatch is slightly bigger than Todoplasticos. CheMatch is a neutral e-marketplace whereas Todoplasticos is owned by a diverse group of professionals, all with over 40 years experience in the plastics industry in Latin America. No equity is put into the alliance. CheMatch or Todoplasticos is an engagement without time restriction, and it could develop into a very long-term collaboration. For CheMatch, the Todoplasticos alliance is of more peripheral than core importance to the CheMatch e-business model, and can be said at this stage to be a rather “superficial alliance”.

Alliance motives For CheMatch, the largest motives for the alliance are, firstly, to get a foot into the Latin American market of which CheMatch lack internal expertise, and to co-market and raise awareness about B2B e-commerce in Latin America. To demonstrate the commitment to the region and enhance the image of CheMatch in Latin America is one objective with the formation of the alliance. Secondly Todoplasticos will aggregate demand in Latin America and come to the CheMatch site as any other customer and pay CheMatch’s standard commission. Then Todoplasticos will take each purchased volume over to the Todoplasticos site and distribute it there and collect their commission. Inherent in the B2B e-commerce awareness-raising mission in Latin America, attracting new e-marketplace participants is definitely a motive for the alliance.

Present CheMatch participants are not expected to have much interest in wanting to buy from Todoplasticos site. For CheMatch largely North American clientele of participants, it most probably makes more sense, wanting for example to buy speciality nylon, GE Polymerland (GEPolymerland.com) is probably a likelier choice than going to Todoplasticos. CheMatch is in an “inter-marketplace-transactional sense” viewing Todoplasticos as an e-marketplace participant, a “buy-site”.

For CheMatch, neither raising capital from investors, sharing risk, getting access to expertise knowledge or enhancing R&D of new service applications motivated the
alliance formation. And even though those issues haven’t been discussed at all, it might very well have been underlying motives driving Todoplasticos to form the alliance with CheMatch. To date, the user layers of neither CheMatch nor Todoplasticos have been added any significant value by the formation of the alliance, and has not been an objective with the alliance. To date, mutual sharing of value added services, for example that Todoplasticos via its own site can get access to CheMatch’s service providers like freight forwarders etc, has not happened, even though CheMatch views that as an interesting scenario. The motive with the alliance was to a large degree to achieve critical mass, which could be done helped through such e-marketplace inter-connectivity.

**Alliance obstacles** External obstacles that the CheMatch-Todoplasticos alliance likely will face in the future are lack of adoption of e-commerce on the sell-side (the main producers of polymers), and lack of adoption of e-commerce in general in Latin America.

5.1.2.4 *The CheMatch – ChemCross alliance*

Previous to the alliance, both CheMatch and ChemCross saw each other as competitors. For both CheMatch and ChemCross the single most important objective with forming the alliance is to generate liquidity. CheMatch’s more than 700 corporate participants will be able to get in touch with ChemCross’s more than 2000 e-marketplace participants and vice versa. ChemCross possesses the regional knowledge, expertise and contacts in Asia, and ChemCross possesses market knowledge, expertise and contacts in North and South America and Europe. Asia represents almost 30% of all petrochemicals produced in the world and CheMatch views it as an important region to the global marketplace and the success of CheMatch.

**Alliance motives** Initially, the alliance is formed mainly around the exchange functionality, excluding the auction-related options to engage in Internet-based transactions. In many industries, the adoption of e-commerce takes its time. CheMatch and ChemCross has jointly taken initiatives to release this reluctance of taking advantage of what e-commerce has to offer by having human brokers working with the two exchanges on each site. From these human brokers e-marketplace participants can get help from regarding for example a bid on a certain amount of a type of commodity polymer, which they of various reasons are not feeling comfortable doing themselves as a registered participant on the e-marketplace and exchange. In a way, with mission to increase the e-commerce adoption in the commodity chemistry industry, the alliance can be said to be a “brokering alliance”, even though that is not its only dimension.

Raising capital from investors, sharing risk, getting access to expertise knowledge, enhancing R&D of new service applications, to jointly do marketing activities are all motivating the alliance – with the goal to achieve greater liquidity on both sites.

The two e-marketplaces complement each other through giving each other’s participants (located in different regions of the world) access to another e-marketplace in another part of the world. There is a large spectrum of products transacted that are of mutual interest for both e-marketplaces - liquidity enhancing synergies, which potential could have been realised even at an earlier stage.
**Alliance obstacles** Looking back, the alliance could probably have been formed earlier than it was. Real alliance obstacles have yet to be encountered. Problems related to cultural differences by are an issue to keep an open eye for.

**5.1.2.5 CheMatch future partnering**

ChemCross was one of CheMatch’s competitors, which now are in an alliance with CheMatch. The alliance focuses around where the competition between them was biggest, around the exchange functionality. There are a number of competitors to CheMatch, in the bulk commodity chemical industry over the exchange functionality that can be mentioned including ChemConnect (ChemConnect.com) and EnronOnline (EnronOnline.com), the latter is seen as a future potential competitor. There are also rumours of additional new competitors coming up in the exchange functionality area. Over the auctioning functionalities, CheMatch again view ChemConnect as a competitor, as well as FreeMarkets (FreeMarkets.com).

If a synergy between CheMatch and another e-marketplace will occur that makes sense, and there is a good business reason for doing that, CheMatch quite naturally will consider some sort of an arrangement with this other e-marketplace.

**Future e-business models of potential interest in the long run** Far from being direct competitors to CheMatch, Elemica (Elemica.com) is an e-marketplace concentrating on supply-chain integration (direct ERP-to-ERP integration of Enterprise Resource Planning systems) in an industry where e-marketplaces with an application-range of exchanges and different types of auctions combined with value added services is typical.

The initiative for writing the standards for B2B e-commerce in the chemical industry is by large taken by Envera (Envera.com), the major industry consortia. To date, companies that have expressed interest in Envera by signing Memorandums of Understanding, include Albemarle Corporation, Aristech Corporation, Castrol International, ChemCentral, Eastman Chemical, Ethyl Corporation, BFGoodrich Performance Materials, Hercules Inc., Occidental Chemical Corporation, PPG Industries, Rohm and Haas Company, Solutia Inc., Sunoco Chemicals, and Ultramar Diamond Shamrock. A number of other key industry players, including major global companies, are said to be in active discussions with Envera. As an independent e-marketplace one is probably wise conforming to what standards a large industry consortia will decide upon, and the chemistry industry is no stranger to standardisation. Envera expects to incorporate the systems technologies already utilised and proven by companies like IBM, Oracle, XML Solutions among others.

**5.1.2.6 Relevant links**

- [http://www.elemica.com](http://www.elemica.com) ([March 1st 2001])
- [http://www.envera.com](http://www.envera.com) ([March 1st 2001])
5.1.3 The e²open - PartMiner alliance

e²open and PartMiner: First partnership between major industry-sponsored e-marketplace and an independent B2B trading exchange. The alliance was announced October 9th 2000.

5.1.3.1 About e²open

e²open is the leading collaborative e-marketplace for the electronics industry with a focus on enabling the effective collaboration for design, supply chain, manufacturing, procurement and end-of-life management for high technology products. e²open is based in USA and builds collaboration hubs in Asia and Europe, focusing on Japan, Korea, Taiwan and Singapore. These operations will use the same global technical platform but localise the user interface. e²open was formed by industry leaders such as Acer, Hitachi, IBM, LG Electronics, Lucent Technologies, Matsushita Electric (Panasonic), Nortel Networks, Seagate Technology, Solectron and Toshiba that together account for more than $200 billion of the transactions of goods and services bought and sold, as well as the prominent venture capital firms Crosspoint Venture Partners and Morgan Stanley Dean Witter, to develop an exchange for the electronics industry based upon industry standards. e²open's basic services are open for use by any person or business; access to certain services may require the execution of a membership agreement. e²open is running weekly auctions and the supply chain functionality is conducting pilots with two of the founders and several of their suppliers. The design collaboration function completed a successful pilot with one of our founders and is currently rolling out a wider pilot. e²open has ensured the neutrality of the e-marketplace by bringing in outside investors to participate from an equity standpoint and by choosing an independent management team. The current number of participants is 10 large buyers and more than hundred suppliers. To find out more about e²open, visit www.e2open.com.

5.1.3.2 About PartMiner

PartMiner, Inc. provides marketplace technology and procurement services to the global electronic components industry. The company's online marketplace, the Electronic Commerce Free Trade ZoneTM, located at www.freetradezone.com, allows buyers and sellers to communicate and interact more effectively. Currently, thousands of users have registered to research and source electronic components online with PartMiner's existing procurement software. The company's investors include Agile Software, Boston Ventures, Cahners Business Information, Generation Capital Partners, Goldman Sachs, Information Handling Services Group, Impact Ventures Partners, Integral Capital Partners, Onex Ventures, Seacoast Capital and Vulcan Securities Limited. PartMiner is headquartered in New York City with offices in Asia, Europe, North America and the Middle East. Additional information about PartMiner is available at www.partminer.com.

5.1.3.3 The e²open - PartMiner alliance evaluation

The electronics industry is both buyer and supplier fragmented but more fragmented on the supplier side.
Alliance motives e\textsuperscript{2}open plans to combine PartMiner's technology, content, and services with offerings from its other technology partners, Ariba, i2 and IBM, to provide customers with a complete supply chain solution. PartMiner’s technology gives e\textsuperscript{2}open new beast of bread applications that will be plugged-into e\textsuperscript{2}open’s platform. e\textsuperscript{2}open is quickly realising its vision of linking collaborative design tools with supply chain and open market services, having delivered a functional and comprehensive B2B site in just four months. Under the terms of the definitive agreement, PartMiner will contribute its components catalogue and technology, become the exclusive partner for sourcing hard-to-find electronic parts on e\textsuperscript{2}open, and act as the default market maker when supply and demand are unbalanced in the e-marketplace. Specifically, e\textsuperscript{2}open will use PartMiner's technology and the world's largest catalogue of electronic component information to enable engineers and purchasing managers to research, source and buy products online. e\textsuperscript{2}open can integrate PartMiner's component catalogue into other e\textsuperscript{2}open offerings provided by third-party companies.

"Partnering with PartMiner allows us to integrate our complementary capabilities, helping us ensure that we have the most robust content and comprehensive service capabilities in this industry." - Mark Holman, president and CEO of e\textsuperscript{2}open.

e\textsuperscript{2}open perceive its e-marketplace to be the leading e-marketplace in its area and with no competitors offering the same solutions as e\textsuperscript{2}open. e\textsuperscript{2}open believes that by bringing the applications together from the two companies, the image of e\textsuperscript{2}open will be enhanced. e\textsuperscript{2}open raised enough capital when it started in order to operate a few years so that was not a motive for the alliance. By partner with PartMiner, e\textsuperscript{2}open gets access to expertise knowledge in the electrical components market. Suppliers in the electronically components market change their specification and add new components on a daily bases and PartMiner brings knowledge in this area to the relationship. Also, the partners plan to work close together and maybe develop solutions together.

Type of alliance There is no revenue sharing involved in the alliance. e\textsuperscript{2}open will plug-in PartMiner’s applications that will help to enable e\textsuperscript{2}open’s revenue models. e\textsuperscript{2}open in return will on its e-marketplace offer PartMiner’s products and the revenue from that will go to PartMiner. The strategic importance of the alliance is for e\textsuperscript{2}open in the short-term of peripheral but in the long-term of core importance.

Alliance obstacles A lot of work was put in the integration of PartMiner’s applications into e\textsuperscript{2}open’s platform but that was not seen as an obstacle and after the integration, there has not been much interaction between the two companies that could have caused any obstacles.

5.1.3.4 Peeking into the future

"The long term success of industry sponsored e-marketplaces and exchanges depends upon the early delivery of robust e-commerce and complementary supporting services. The best way to deliver such solutions is to work with leading independent exchanges that already have their infrastructure in place," notes Richard Villars, vice president of Internet and eCommerce Strategies at IDC. "The willingness of industry sponsored e-
marketplaces like e²open and independent exchanges like PartMiner to weave together content, technology and services will be a critical element in making B2B and e-business a reality..

5.1.3.5 Relevant links

- [http://www.e2open.com](http://www.e2open.com) [February 7th 2001]
- [http://www.partminer.com](http://www.partminer.com) [February 7th 2001]
5.1.4 Mediahub’s alliances with OneMediaPlace and iMediapoint

At this point (February 2001), Mediahub has had discussions with OneMediaPlace and iMediapoint to form alliances but there has not yet been a formal announcement of the alliances.

5.1.4.1 About Mediahub

Mediahub is the first fully independent online media-trading marketplace in Australia. The company was founded in early 2000 and has been hailed as a radical new dimension in the media-buying market. Mediahub provides the facility for sellers of advertising to showcase advertising space inventory. The website allows buyers of advertising to view all media space available within the confines of a single e-marketplace. There are around 1500 buyers, representing approximately 80% of the total market share, and 150 sellers, representing 75% of the total market share, registered on the site.

5.1.4.2 About OneMediaPlace

OneMediaPlace is the leading global solution for planning, buying, and selling advertising media on the Internet. OneMediaPlace brings media planners, buyers, and sellers together in a single, non-partisan marketplace. Electronic RFPs (Request For Proposals) are the cornerstone of the OneMediaPlace media exchange. Request inventory for campaigns from as few or as many sellers desired. After a seller responds to the request, the buyer may decline, accept, or negotiate the offer, all through the web-based interface. More than 14,000 media buyers and over 3,500 sellers are registered to purchase inventory through OneMediaPlace. Founded in September 1997, OneMediaPlace has offices in San Francisco and New York.

5.1.4.3 About iMediapoint

iMediapoint is the United Kingdom’s first and largest proprietary internet based e-marketplace for media inventory. As the complexity and proliferation of media offerings increase, iMediapoint’s proprietary Internet-based system, with patents pending, will enable media buyers to communicate with sellers more efficiently.

5.1.4.4 Mediahub’s alliances with OneMediaPlace and iMediapoint

The industry is fragmented, with three suppliers representing about 20% of the total number of suppliers and ten seller groups representing about 80% of the total advertising expenditures. OneMediaPlace and iMediapoint have more or less the same business model as the Australian based Mediahub, but Mediahub does not see them as competitors because OneMediaPlace is based in USA and iMediapoint is based in the UK. Mediahub is not worried that either of them would expand their business into the Australian market without using Mediahub, because a new entrant must have support by the local operators and the majority of the local operators in Australia are already holed up with Mediahub.
**Type of alliances** Money has not been invested any one of the alliances, and the strategic importance with the alliances is only seen as to be of very peripheral importance. If the alliances go through, Mediahub want to focus the alliances on short-term operations, because the business changes very fast, but with the possibility of long-term operations. Also, the revenue from the alliances will go back to the alliance partners.

**Motives** The basic motive for Mediahub to form alliances with OneMediaPlace and iMediapoint is to exchange/share information regarding leanings OneMediaPlace and iMediapoint have in building and operating their e-marketplaces. One can see this as reducing the risk for Mediahub to do the same mistakes that OneMediaPlace and iMediapoint, because now is lesson-learned shared and exchanged between the companies in order to get a greater understanding. There will not only be shared information but also possibly shared applications, i.e., value adding service application tools like information tools and planning tools can be exchanged by the alliance parties. This can be considered best-of-bread thinking. Also, information about research and development can be shared in order to jointly develop new or improve current services.

**Obstacles** One possible obstacle in the future could be that one of the e-marketplaces no longer wants to share information. That attitude has though not been seen so far. They do not see each other as competitors because they are operating form different countries. One other possible obstacle is the rise of an e-marketplace that can handle global customers and their global advertising. But the percentage money spent on global advertising compared to the total money spent on advertising is very low.

5.1.4.6 *Peeking into the future*

If the alliances will go through, the alliance partners might even start to jointly handle global customers. Mediahub thinks that there has to be consolidation between e-marketplaces within countries in the media industry, because one media e-marketplace per country is enough. Mediahub lack strong competitors at the moment but are willing to consider merging with or acquiring e-marketplaces in Australia. Also, Mediahub believes that media e-marketplaces that want to go after the global advertising customers will be using Mediahub as a stepping stand, because of its connections with local operators. If partnering will be in the form of an alliance, merger or acquisition is hard to say at this point. A taste of the future might though be global firms that today advertise globally through e-marketplaces in different industries that have formed E2E connections.

5.1.4.7 *Relevant links*

- [http://www.onemediaplace.com](http://www.onemediaplace.com) [February 21st 2001]
- [http://www.imediapoint.com](http://www.imediapoint.com) [February 21st 2001]
The MetalSpectrum – MetalSite partnering evaluation

A letter of intent of a formation of an exploratory alliance was officially presented in early September 2000. After an intensive evaluation of the synergy effects for a pre-determined period of 90 days, the alliance formation was called off in December 2000. The scepticism towards the alliance was on the very most part on the behalf of MetalSpectrum.

5.1.5.1 About MetalSpectrum

MetalSpectrum is a vertical e-marketplace serving the metal industry, and is a leading online marketplace for aluminium, stainless steel and other speciality metals, among a number 25 to 40 competitors in the space. MetalSpectrum having 21 partners, being equity shareholders in MetalSpectrum started taking form as an e-marketplace in mid-2000. The initial partners are Alcoa, Allegheny Technologies, Thyssen Inc. NA, North American Stainless, Kaiser Aluminium, Olin Corporation, Reynolds Aluminium Supply Company, a division of Reynolds Metals Company, and Vincent Metal Goods/Atlas Ideal Metals. MetalSpectrum is independent of its partner companies, and operates as a neutral e-marketplace, open to all potential customers. Ariba and i2 are the preferred platform providers. MetalSpectrum is today a procurement oriented e-marketplace offering procurement related services like a catalogue, seller auctions, and buyer auctions, and value added services like a negotiation-function, and a resource-function. At this time MetalSpectrum’s primary focus is on reducing costs and improving profitability for its customers, but in the longer term, MetalSpectrum has intentions of improve the efficiencies in the entire metal supply chain. MetalSpectrum can be visited at www.MetalSpectrum.com, address: MetalSpectrum, 400 Northpark Town Center, Suite 165, Atlanta, GA 30328, United States of America, telephone: 800-529-1030.

5.1.5.2 About MetalSite

MetalSite is a leading e-marketplace for the metals industry in prime and non-prime steel, as well as in carbon slabs. Through its e-commerce site, customers are provided with the ability to source, buy and sell metal products. MetalSite also take an “infomediary” role in their market by providing the top industry news of the day and connecting professionals with other professionals around the world. MetalSite is the pioneer in e-commerce in metals, with a history dating back to 1998. MetalSite enables buying and selling metals through its catalogue. MetalSite’s vision is to transform the traditional metals supply chain into a fully networked value chain by adding such capabilities as online logistics, credit services and more - tools that support transactions at each step of the way, from inquiry through settlement and delivery. MetalSite can be visited at www.MetalSite.com, address: MetalSite, Penn Center West Building Two, Suite 200, Pittsburgh, PA 15276, United States of America, telephone: 877-246-4900.
5.1.5.3 The MetalSpectrum – MetalSite partnering evaluation process

A letter of intent of a formation of an exploratory alliance was officially presented in early September 2000. After an intensive evaluation of the synergy effects for a pre-determined period of 90 days, the alliance formation was called off in December 2000. The scepticism towards the alliance was on the very most part on the behalf of MetalSpectrum. The alliance was sought for the long term, if it only would have gone through. Discussions ended before discussing how potential alliance generated revenue would have been shared.

Alliance motives MetalSpectrum and MetalSite are not in true sense competitors, since they serve different divisions of the metal industry. The intention with the alliance was to aggregate supply chains to give customers a one-stop solution for metals sourcing needs and bring greater efficiencies to metal procurement. Customers are asking for an e-marketplace over which they can do all their e-commerce activities, the user layer would have been added value by the alliance. Either a MetalSpectrum or a MetalSite customer, the same interface would have been used to access the functionality of the e-marketplaces. As a customer of both e-marketplaces, there would only have been one entry point to the two e-marketplaces through one portal, but still it would have been apparent for the customer from whom he was doing business with, MetalSpectrum or MetalSite.

Both MetalSpectrum and MetalSite see the risk of in the long term loosing their customers, if they do not continually improve their e-marketplaces, and to reduce this risk was a motive for the alliance. Both to improve conditions for present customers and attract new suppliers and buyers through providing a more complete offer was two important motives for forming an alliance. On the other hand, raising venture capital from investors was for MetalSpectrum not much of a motive for the alliance, since MetalSpectrum already has its shareholders, the large metal-industry companies, putting in enough equity into MetalSpectrum for the time being. MetalSite do not have the same investors, and their finance is to a larger degree venture capital based. Looking at the alliance through the eyes of MetalSite, financing was likely an issue. Since MetalSite has been in the electronic market longer, for MetalSpectrum to get access to MetalSite’s market knowledge was another thing, which to a degree motivated the alliance from MetalSpectrum’s perspective.

The impact of the image of the alliance was discussed as the evaluation of the alliance even turned into a discussion about a merger. For the initial alliance itself, the images of the two e-marketplaces were not a big issue. One specific motive for the MetalSpectrum – MetalSite alliance was to jointly work for a particular type of customers – those being participants both in MetalSpectrum and MetalSite - to further develop collaborative planning, industry specifications, currency converter function, and other features. There would have been joint benefits, and easier to develop these features together, since both e-marketplaces would have to develop these features sooner or later, and it would make more sense doing it together. Also joint marketing activities was one motive for the alliance.
Apart from further developing collaborative planning, industry specifications, currency converter function, and other features, synergies in the application layer were not a direct motivating factor for the alliance, since both e-marketplaces are providing the same types of commerce-oriented functions to their customers. If the alliance would have gone through, value-added services of the two e-marketplaces would have been kept apart from each other for some time, since they are very different in nature from each other. MetalSpectrum would have kept their in-house developed value-added services on their own.

**Alliance obstacles** MetalSpectrum, initially positive to the thought of creating an alliance with MetalSite to enhance its product catalogue, along the evaluation process of the synergy effects of the potential alliance, ended up in scepticism. The amount of synergy effects were not considered as great as hoped for, at least not in this point of time. In late 2000, a lot of resources were put in to the coming release of version two of MetalSpectrum’s service package in April 30, 2001. Version two, developed through work together with a number of partners, entails integrated purchase orders and purchase requisition order status functions, a first initiative towards building the integrated supply chain functionality of the e-marketplace. It is hard doing it all at once, and at this time, resources were chosen to be put into functionality enhancement, rather than forming an alliance that would widen the product range.

MetalSite has a “home-grown” user layer interface, whereas MetalSpectrum has developed its user layer through a number of technology partners, and integrating the user layers of the two e-marketplaces, was realised during the synergy effect evaluation stage, at this point in time, to would have required too much effort. Integration the platform layers was seen as a by-product of the alliance formation, and was another energy demanding task that didn’t rime well with MetalSpectrum’s initiatives with its update of its functionality offerings.

Towards the end of the evaluation, when the scope of MetalSpectrum’s letter of intent grew a little bigger than what it was originally intended to be, and when there was a potential merger, corporate cultural differences, as well as problems with lack of trust and lack of focus came in. MetalSpectrum’s management style, being very openly oriented, would have been somewhat in conflict with that, going into a merger. In the discussions about a merger, the roles of the two presidents of the two e-marketplaces were naturally discussed, and found to be a problematic issue. Two people who felt very passionate about what they had built, and still one person's mind and will is needed at the top of a merged organisation, not two. Even though there are rare successful examples of two-headed leadership, this was not taken into consideration in this case. The problems with lack of focus in the alliance evaluation process were dealt with through the number of persons in the core team closely involved in the partnering evaluation process working late hours and weekends, to come to terms with what MetalSpectrum wanted the outcome of the alliance-initiative to become. Communication with employees was held through employee meetings - being upfront and open with what was happening. Important questions for employees like job security, or if people would have to move to another city
to keep his or her job etc were addressed so that employees would not feel threatened in any way.

5.1.5.4 **Peeking into the future**

When those opportunities with synergy effects will occur, MetalSpectrum is open to the idea of partnering with other verticals, not necessarily serving the metal industry. MetalSpectrum’s intentions to reduce inefficiencies throughout the entire supply chain is most likely to come to life through partnering with perhaps another vertical that has developed a supply-chain integration functionality. Taken in consideration the speed in which B2B e-marketplace developments are moving MetalSpectrum is open to discuss any alliance that might provide their customers with functionalities that are wanted. MetalSpectrum is presently actively discussing with a number of e-marketplaces, to unleash synergy effects between the organisations through the formation of some form of alliance. MetalSpectrum is also open to partnering with for example horizontal electronic MRO-marketplaces (Maintenance, Repair and Operating supplies).

5.1.5.5 **Relevant links**

- [http://www.meticspectrum.com](http://www.meticspectrum.com) [February 15th 2001]
- [http://www.metalite.com](http://www.metalite.com) [February 15th 2001]
5.1.5 The B2B e-marketplaces alliances of OracleExchange

OracleExchange does not have the drive to merge with or acquire other e-marketplaces but the company sees the value of forming alliances with other e-marketplaces.

5.1.6.1 About OracleExchange

The Oracle Corporation supplies software products for information management, and is the world's second largest software company. The Company's software products can be categorised into three primary product families, Server Technologies, Application Development and Business Intelligence Tools (Oracle Financial Analyser, Sales Analyser, etc.). Oracle Corporation wants to be the "one-stop shop" for companies needing to jump into e-business. Oracle has helped to build over 50 e-marketplaces that are running on Oracle’s software. In addition to software products, the company has developed OracleExchange, an open business-to-business online e-marketplace. OracleExchange provides an e-business procurement community where any company can buy business goods and services using any purchasing technique. Trade of indirect MRO goods is so far the focus. OracleExchange is available to any company and does not require Oracle software. OracleExchange is horizontal, thereby eliminating vertical, industry, and geographical barriers. OracleExchange offers both a broad horizontal e-marketplace as well as vertically aligned industry e-marketplaces built together with Oracle partners. OracleExchange conducted over 950 unique auction events resulting in 1.3 billion dollars worth of transactions in 2000. More than 3000 companies form 30 different countries have signed up to transact business on OracleExchange. To find out more about OracleExchange, visit http://www.oracleexchange.com

5.1.6.2 Evaluation of the B2B e-marketplace alliances of OracleExchange


Motives Oracle is constantly enhancing its OracleExchange by building new software applications or by developing value-adding services with complementary service providers. OracleExchange does not have the drive to merge with or acquire other e-marketplaces but the company sees the value of forming alliances with other e-marketplaces in order to enhance the content capabilities and being able to provide additional services provided by other e-marketplaces. It is not to enhance the technology or software, more to include new business services. Preferable, these e-marketplaces should be e-marketplaces out of the 50 that are running on Oracle’s software.

OracleExchange do not see any strong direct competitor because the e-marketplace is positioning itself somewhat different from other horizontal indirect MRO e-marketplaces. OracleExchange positioning itself as an open exchange that anyone can walk on and do not restrict itself to specific indirect MRO items or to specific countries. One purpose with the e-marketplaces is that software buyers can go online and check how the software works in OracleExchange. OracleExchange, recognise the value in having E2E
connectivity with other vertical e-marketplaces and by that getting attraction while the vertical e-marketplaces can more focus on the vertical specific needs.

5.1.6.3 Peeking into the future

OracleExchange has developed personalised interfaces for some of its participants, so that the participant will have its own designed entry web site of OracleExchange and also some of the links. OracleExchange thinks this is an important feature. OracleExchange thinks that in the future e-marketplaces will always be build upon different platforms, even though it would be simpler for them to connect if they were all built upon the same platform. The competitors to Oracle platform solutions are too developed and strong for not being able to take market share in the future. The same competitive environment will be the case for, e.g. the transportation companies that serve the e-marketplaces.

OracleExchange does not have the drive to merge with or acquire other e-marketplaces. Mike Boese, vice president of the OracleExchange business development team, believe those drives are more for e-marketplaces at industry-level. Reports and experts are prediction that there will only be one to three e-marketplaces pro industry and given that a lot of privat exchanges are merging, puts a lot of pressure on the vertical e-marketplaces. One possible future E2E solution is that participants enter their particular e-marketplace and when the e-marketplace lacks a requested functionality, the e-marketplace might go to a another e-marketplace (perhaps a catalogue provider, but also a professional services e-marketplaces) that has that service to outsource. The professional-services e-marketplace can be an e-marketplace that trade contemporary services bought and sold by other e-marketplaces. Mike Boese believes that in the future, there will be a few "mega-horizontal" and a few "mega-industry" e-marketplaces. These e-marketplaces will utilise online business services companies, like financial services, in order to position a broader offering. But also, Mike Boese thinks there will be some specialised e-marketplaces that will serve unique communities, either on their own or with E2E connectivity.

Mike Boese recognises a huge demand for private exchanges that focus on supply chain services and design collaboration, not especially the procurement transactions. A private exchange is an individual company, having their own collaboration hub to facilitate interaction with its buyers and suppliers. The private e-marketplaces are mainly focusing on direct products that involve much more complexity. For example, a transmission or a water pump, are not items good for auctioning on a public e-marketplace. The supplier and buyer have to design the product together and put together a complex RFQ (request for quotas), so one can argue that for direct products one want to have the e-marketplace capabilities very close to the company. But the indirect products might be best off by being traded on a public e-marketplace. Mike Boese believes that there will be a combination of public, private, horizontal and vertical e-marketplaces. For example, a buyer might procure the indirect goods form an indirect horizontal public e-marketplace. The buyer might have its own collaboration hub for its supply chain, design and running RFQ. The buyer might go to an industry e-marketplace for some specific content or access to supplier library.
Also, Mike Boese recognize that exchanges within one industry that serve different places in the value chain, will have value chain and design collaborative commerce. So for example, the food service e-marketplace, the food distributor e-marketplace and the CPG (Consumer Packaged Goods) e-marketplace all collaborate to efficient the food supply chain. Different e-marketplaces will evolve across the supply chain, depending on industry, as they add value to the industry.

The question is then, if both the private e-marketplaces and the industry specific supply chain collaborating e-marketplaces, have the capabilities of collaboration supply chain, design and RFQ’s, which of these two alternatives will the companies use for collaborative commerce? Mike Boese thinks there are two big issues that one should consider when trying to predict this. The first big issue is time to benefit, will the industry specific supply chain collaborating e-marketplaces provide the collaborative commerce services in a timely fashion, and in the way the companies need it? Or is it going to take too much time for the industry specific supply chain collaborating e-marketplaces to get their act together and provide these services, so that the participant companies need to do it on their own? The second is; are the industry specific supply chain collaborating e-marketplaces able to provide the right capabilities in a right way, and do the capabilities allow the participants to maintain an intimate relationship the way the participants want? Mike Boese believes that the industry specific supply chain collaborating e-marketplaces will struggle with providing all the collaborative capabilities participants want in a timely fashion. Mike Boese believes that a more possible outcome is that suppliers and buyers will buy their own collaborating software and extracting the collaborative benefits. HighTech, one of the earliest adopters of private e-marketplaces, is a company that successfully has developed collaborative commerce with its suppliers and buyers.

Mike Boese believes that there in the future will be several horizontal indirect MRO e-marketplaces that will compete. Also in some industries, there might be a couple e-marketplaces that complement each other in the supply chain and a few e-marketplaces with market overlap competing for participants and profit. In many industries there will not be a need for more than one e-marketplace.

5.1.6.4 Relevant links

- [http://www.oracleexchange.com](http://www.oracleexchange.com) [March 1st 2001]
5.1.6 The OZePrint – PaperExchange alliance

OZePrint and PaperExchange announced their strategic alliance August 16th, 2000. The strategic alliance provides the Australasian printing industry with a complete online resource for paper and print purchases. The alliance is currently under the formation process.

5.1.7.1 About OZePrint

OZePrint is a web-based community and business-to-business trading e-marketplace for the Australian printing industry. The business provides a secure online marketplace and industry resource-centre for print buyers, printers, graphic designers and print suppliers. Described as the industry's "Internet buddy", OZePrint is working closely with key industry participants who are keen to explore the opportunities that e-commerce and e-business provide. Since going online in August 1999 as one of the first launched e-marketplaces in Australia, OZePrint has more than 400 printers and around 400 registered buyers. The approximately transaction volume in November, 2000 was $1,5 M. Through a recent initiative, OZePrint is now developing a comprehensive, free industry database that will enable the online listing and searching of nearly 24,500 Australian, print related businesses. Visit OZePrint at http://www.ozeprint.com.au

5.1.7.2 About PaperExchange

PaperExchange.com, Inc., is a leading global e-business marketplace for the pulp and paper industry. A global e-business-trading tool designed by the paper industry for the paper industry, PaperExchange offers members a vertically focused neutral and secure marketplace. The site is designed to extend market reach; increase sourcing options; reduce transaction and intermediary costs; streamline the supply chain; create new and more efficient distribution channels; and provide members with a fully integrated hub for their on-line interactions and transactions. PaperExchange.com has members in more than 80 countries. PaperExchange was launched in 1998 and generates today complete transactions in all major grades of paper. PaperExchange is headquartered in Boston, Massachusetts, U.S.A. with offices in Europe and Asia. For more information, visit http://www.paperexchange.com.

5.1.7.3 The strategic alliance between OZePrint and PaperExchange

The printing industry in Australia is both supplier and buyer fragmented. The suppliers are mainly small and medium enterprises (SMEs) and the buyers can be any company in any industry.

Type of alliance No money is invested in the alliance. The alliance is planed to be long term. There is no revenue sharing model set up yet, but one option the parties have talked about is form an joint venture and the join venture is to implement PaperExchange in Australia. The revenue sharing would probably be based on percentage of revenue in some way. The strategic importance the alliance with PaperExchange has for OZePrint is something in between peripheral and core.
Motives  OZePrint wants to include another step in the value chain in its e-marketplace in order to enhance its overall value proposition. Now are printers and their buyers included, but OZePrint wants to make the procurement processes more efficient for its printers by including the printer-suppliers into its e-marketplace. Rather than developing applications for procurement of paper, OZePrint can form an alliance with PaperExchange that already has an proven e-marketplace, serving the paper industry. By doing this OZePrint will have access to PaperExchange’s paper suppliers and market share in a new market. Under the terms of the agreement, print industry professionals who buy printing services through OZePrint.com will be able to seamlessly access the PaperExchange web site to procure paper, offering OZePrint customers a complete solution for all their print and paper needs. The alliance with PaperExchange can be seen as a value adding service for the participants on OZePrint, 80% of the printing jobs are made on paper. OZePrint.com and PaperExchange will enable automatic connection, search and e-commerce functions between both web sites. For example, when OZePrint.com users specify paper as part of their print project, they will now have the option to query PaperExchange for product availability and purchase it directly from the online PaperExchange marketplace. Additionally, OZePrint.com users will be able to post requests for all grades of printing paper on PaperExchange.com.

OZePrint will by the alliance take advantage of some of PaperExchange’s applications for information and so on. The two e-marketplaces will still use their own platforms. PaperExchange, which is based in the U.S.A., is the most aggressive paper e-marketplace to go global. PaperExchange wants to implement its business model and software in Australian and in order to does that, PaperExchange wants to form alliance with OZePrint.

Providing direct access to both local and global paper suppliers via PaperExchange will substantially reduce the currently complex and lengthy supply chain processes faced by Australia's fast-growing national print industry. OZePrint sees a value in having access to PaperExchange’s expertise knowledge in the paper industry. OZePrint do not see any strong competitors today in Australia. One motive for OZePrint to form an alliance with PaperExchange is to be able to raise new capital form investors. Another motive is to reduce risk by partner with PaperExchange that already has the paper applications built compared to building them by themselves. Also, OZePrint and PaperExchange plan to have jointly marketing activities.

Obstacles  The alliance plans has slowed down and been put a little in the future because PaperExchange has other things they priority right now. The reason is that some competitors to PaperExchange in U.S.A. have emerged and PaperExchange focus is now consolidation in the home market rather than expansion to foreign markets. OZePrint wished that the alliance formation process would have been finished now but OZePrint is dependent on PaperExchange’s time frame. Because the alliance formation has taken longer time, there have occurred a number of obstacles due to the time delay and that the e-marketplace industry changes fast. One is that when the parties first started to negotiate, revenue for the parties was secondary (there was only opportunities and optimism), but now is revenue/profitability everything and the e-marketplaces are pressured by investors
to get break-even. This has caused the negotiation to more focus on revenue sharing, which was not an issue when the negotiations first started. The time delay has also caused lack of focus on the alliance from both parties. During the time period, OZePrint has experienced that it is hard to get in contact with the key people because they might have shifted. Often are alliances depending on few people and if these people are shifted around or leave the company, then there can be communication problems. In other words, it was bad timing.

The geographic distance between the two e-marketplaces’ headquarters: U.S.A. and Australia, has been an obstacle and made the alliance formation process slower. For example, PaperExchange was supposed to send down an operation team, but that was delayed caused by the distance and the costs involved and also the time difference makes it harder to communicate. Two potential future problems are how revenue will be shared and who owns the customers. Also due to the time delay, one of the alliance parties might change its business model or technology in a way that is not beneficial for the alliance and what will when happen?

5.1.7.4 Peeking into the future

OZePrint believes that e-marketplaces are in a time where the number one focus is to survive and wait until suppliers and buyers really dear to move a greater deal of its business online and use the e-marketplaces to conduct their businesses. When that happens, one wants to be a part of the game of making profits from this. OZePrint has recognised that Australian companies are even slower with the e-commerce adoption than many other countries, like where U.S.A. is the fastest. A company called e-marketconcepts in U.S.A. conducted a survey on what kind of research that was done prior to launching a e-marketplace, and the research revealed that only half of the e-marketplaces bothered talking to the customers about what their actual needs were in a e-marketplace. The research revealed that there often were a gap in the perceptions of the e-marketplace founders and its customers of what inefficiencies the e-marketplace should solve. OZePrint believes that there has been an over reliance on industry experts or consultants. OZePrint also stress the importance for e-marketplaces to learn more about their participants and how they can make them use e-marketplaces. A research done by AMR in the USA reveals that most of the brick-and-mortar companies are positive to e-marketplaces and have plans to participates, but very few were actively participating in an e-marketplace.

OZePrint believes that the reason why e-marketplaces have not been as successful as many experts predicted is that it takes longer time than predicted to convince buyers and sellers to join. There is a cultural change required in the way enterprises conduct businesses. It takes time to change to online procurement for enterprises that might just have started to use e-mail. This is a governmental issue as well, because state governments have to start thinking of creative ways they can engage in the private sector e-commerce companies to make sure that Australian businesses have an e-business infrastructure that is world class. The efficiency that e-commerce companies provide could be a source of competitive advantage in relation to other countries. Australian businesses are falling further and further behind in terms of e-business infrastructure,
compared to e.g. Singapore. The Australian government need to weak up to this and realise the role they can play. If not, Australian businesses are not going to be competitive in a global information economy. Also OZePrint stress the importance of being neutral. OZePrint believes that more neutral than biased e-marketplaces will survive, because brick-and-mortar companies would not want to join an e-marketplaces owned by a competitor. People have ignored the neutrality in the rush to set up businesses and as fast as possible get liquidity, which the founders can provide. But OZePrint sees the value for neutral e-marketplaces to partner with a horizontal biased procurement e-marketplace, and OZePrint has plans to do form an alliance with an biased horizontal e-marketplace. By doing that OZePrint can get liquidity form the horizontal e-marketplace’s owners when they trade on OZePrint and the horizontal e-marketplace can add the opportunity for its participants to easy use OZePrint as a value adding service. Mark White from OZePrint believes that an e-marketplace must be designed in a way to reduce the fear of the suppliers that the e-marketplace will commodities its products and lower the prizes. To position the e-marketplace as a link between the suppliers and buyers and a "disintermediator" of the traditional supply-chain structure, will not be successful. Instead, Mark White believes that e-marketplaces acting as neutral infrastructure platform will be successful. Mark White believes that e-marketplaces in the future could be compared with the fax machine or the telephone- People do not care as much of who is the phone operator - they are more than anything else interested in just using the service.

5.1.7.5 Additional comments
OZePrint believes that the company might have suffered because they have not developed an application that integrate the transactions with the back office and because of that companies have been more reluctant to join the e-marketplace.

5.1.7.6 Relevant links
- [http://www.paperexchange.com](http://www.paperexchange.com) [February 24th 2001]
5.1.7 PaperExchange’s alliances with Impresse and Noosh

PaperExchange announced its alliance plans with Impresse and Noosh in February 2000. Today the alliances have still not been formed because of obstacles having showed up and halted the negotiations.

5.1.8.1 About PaperExchange

PaperExchange.com, Inc., is a leading global e-business marketplace for the pulp and paper industry and a global e-business trading-tool designed by the paper industry for the paper industry, PaperExchange offers members a vertically focused neutral and secure marketplace. The site is designed to extend market reach; increase sourcing options; reduce transaction and intermediary costs; streamline the supply chain; create new and more efficient distribution channels; and provide members with a fully integrated hub for their on-line interactions and transactions. PaperExchange has members in more than 80 countries. PaperExchange was launched in 1998 and generates today complete transactions in all major grades of paper. PaperExchange is headquartered in Boston, Massachusetts, U.S.A. with offices in Europe and Asia. For more information, visit http://www.paperexchange.com.

5.1.8.2 About Impresse

Impresse.com is an online service for the print production cycle. Impresse aims at leveraging the Internet to provide a printing service, which streamlines complex, labour-intensive tasks, associated with commercial print procurement. Founded in 1997, Impresse Corporation develops and delivers business-to-business solutions that harness the power of enterprise collaboration. Using its collaborative procurement capabilities as a starting point, the company now offers a Marketing Resource Management (MRM) solution that provides comprehensive visibility and control over all marketing resources, including creative execution, spending and results. Corporations using the Impresse solution can react faster to market changes, spend their marketing dollars more effectively, maintain brand consistency across various marketing mediums, and ultimately accelerate return on their marketing investment. Headquartered in Sunnyvale, California, Impresse has regional offices across the United States, and in Canada, the United Kingdom, France, and Germany. For more information, visit http://www.impresse.com

5.1.8.3 About Noosh

Noosh offers an Internet-based, business-to-business collaboration service that focuses on the needs of the enterprise communications supply chain. The company helps its customers and their suppliers to manage and procure print, packaging, electronic media, creative services and direct mail. Founded in 1998, Noosh began processing collaborative communication transactions in mid 1999. Noosh is currently processing well over $1 million in transactions per week. Noosh worked closely with a select group of companies and their suppliers to build, test, and refine the Noosh.com service. Customers include Aetna, Bank of America, General Electric, and Wells Fargo. Customers use Noosh.com
EMPIRICAL DATA

to gain competitive advantages. They are marketing-driven organisations that must design, specify, purchase and manage large amounts of print, packaging and related media. Other key customers include print suppliers, creative agencies, and direct mail organisations. For more information, visit http://www.noosh.com/

5.1.8.4 PaperExchange’s alliances with Impresse and Noosh

At the time the alliances were planned, both Impresse and Noosh could be classified as auction e-marketplaces in the printing industry, and have since then developed their offerings (see company descriptions above). The printing industry is both buyer and seller fragmented, but buyers are more fragmented.

Type of alliance  The alliance parties did not have any plans to invest money in the alliance, it was more to integrate the existing systems. The alliances were intended to be long-term and the revenue would go back to the alliance partners. PaperExchange perceived the strategic importance with the alliances with Impresse and Noosh to be of peripheral importance to their business model.

Motives  The idea was that participants on Impresse and Noosh, buying and selling printing jobs, would make use of PaperExchange as a value added service. Printing jobs are to a large extent paper based. PaperExchange wanted to link its paper e-marketplace into the offerings of Impresse and Noosh, so that the sourcing of paper would come from PaperExchange, which would enhance the value for the participants and thereby generate revenue for all parties, i.e. both e-marketplaces in both alliance cases.

PaperExchange wanted to expand its market reach and gain new customers, and at the time of the initial initiatives for the alliances PaperExchange thought that Impresse and Noosh were going to be very successful, and therefore they looked like good alliance partners. Also, PaperExchange thought that Impresse and Noosh would have/get a lot of volume, and they did not want a competitor to partner with them, so PaperExchange wanted to lock out competitors. Also, this would create barriers for emerging e-marketplaces in the paper industry.

PaperExchange thought that the image of its e-marketplace would be enhanced by the alliances, but that was not a main driver for the alliance. The alliance parties would have had joint marketing activities, which was a quite strong driver for both the alliances. The marketing activities would not have been around like those marketing activities that first come to mind thinking about marketing activities (for example advertising), but more regarding joint sales efforts.

Obstacles  One reason why the formation of the alliances with Impresse and Noosh did not succeed was that the business models of all the three e-marketplaces evolved and changed during the process of negotiations, and the alliances turned out not make sense to any of the companies. Also, during structuring of the alliances and the negotiations, PaperExchange discovered that neither Impresse nor Noosh had as high revenue as PaperExchange first had got an impression of. The revenue in both cases was close to zero. This really cooled PaperExchange’s interests in forming alliances with them. When
Impresse announced layoffs, PaperExchange finally closed the door for an alliance with them. PaperExchange wanted Impresse’s and Noosh’s participants to trade on PaperExchange, but if Impresse and Noosh did not generate any trade by themselves, PaperExchange’s interest was not there either. PaperExchange believes that Impresse and Noosh made them think that they had more revenue than they had by spending a lot of money on advertising and marketing. For example Noosh was spending large sums on having huge booths at tradeshows with a large number of people representing the company, fancy conferences, ads everywhere etc.

The security issue was very hard to solve. The parties had different security systems, and it would have been hard to integrate them so the participant did not have to login on both the sites. Also, the technology in general was hard to integrate because the parties had different technical platforms that did not match. In general, PaperExchange believes it is hard to form alliances between e-marketplaces, because the technology has to be an exact fit. If they do not fit, huge efforts need to be put into integration the technologies. In addition to that, PaperExchange expresses its view that most e-marketplaces are built for large industries and that large industries in general have very low margins. This means that it is hard for e-marketplaces to build a revenue share business model for the alliance partners since there is not much revenue there to begin with, and no one is interested in splitting the revenue its e-marketplace generates. This issue has become increasingly important, because e-marketplaces are more and more pressured by its owners to provide revenue.

5.1.8.4 Additional comments

During the time period August 1999 to April 2001, PaperExchange saw many press releases regarding partnering between e-marketplaces that did not materialise. PaperExchange even thinks that many of these press releases went out in order to get attention, and get venture capitalists interested in the e-marketplaces. In some cases, the parties did not have any intention of actually forming the alliance, at least not at the time. In other words, many e-marketplaces partnered for marketing reasons and attention, not as much for the real value that could come out from a partnership. PaperExchange is at the moment getting around five calls a day form other e-marketplaces that want to partner with them.

5.1.8.5 Relevant links

- [http://www.paperexchange.com](http://www.paperexchange.com) [February 13th 2001]
- [http://www.impress.com](http://www.impress.com) [February 13th 2001]
- [http://www.noosh.com](http://www.noosh.com) [February 13th 2001]
5.1.8 Transora alliances

Transora has over a period of six months formed alliances with Novopoint, FoodTrader, GlobalNetXchange (GNX), ICG Commerce and Transplace.

5.1.9.1 About Transora

Transora, a vertical B2B e-marketplace for the food, beverage and consumer products industry is a highly non-operational e-marketplace today. Transora can to a large degree presently be described to approach the exploitation of B2B e-commerce opportunities by building a theoretical B2B e-commerce structure and selling that vision to investors. Transora announces that they will provide services in Procurement, Supply Chain Integration/Management, “Retailing” (where manufacturers and retailers or distributors can improve their trading relationships), Content and Community, and value added “Foodservices”, service applications that are slowly taking form.

Transora almost considers any e-marketplace in the consumer products space as a potential competitor. At the same time Transora believes itself to have come to the realisation that the only realistic way to create a global company that spans the value chain the way Transora wants to, is through an ally-strategy rather than a more competitively oriented build-in-house-strategy. The ally-strategy is compared with the build-in-house-strategy capable of both within a manageable timeframe as well as with reasonable economics deliver results.

5.1.9.2 Transora alliances and acquisition motives and obstacles

Transora alliances and acquisition motives and obstacles include observations on E2E alliances, the "Megahub" alliance and motives for the ICG Commerce alliance.

5.1.9.2.1 E2E Alliances

In October 26, 2000, Transora entered agreements with Novopoint and FoodTrader to integrate their services into Transora’s e-marketplace. (An exchange-to-exchange (E2E), or e-marketplace-to-e-marketplace alliance). Novopoint is a vertical B2B e-marketplace that connects buyers and sellers of food and beverage ingredients. FoodTrader is a B2B e-marketplace for the food and agriculture industry. The motive for the E2E alliances are basically to enable all services and capabilities offered by Novopoint and FoodTrader to Transora customers and vice versa.

5.1.9.2.2 The “Megahub” alliance

In January 8, 2001, Transora forms an exchange-to-exchange (E2E), or market-to-market alliance with GlobalNetXchange, a B2B e-marketplace for the global retail industry. The motive is to create “the Megahub”. The "Megahub" would enable GNX and Transora members to send purchase orders and business data to each other. Transora sees the E2E functionality as critical to brick-and-mortar incumbents who want to use a single exchange interface to fulfil their procurement needs while being able to transact from many different exchanges. To date, E2E Collaborative Planning, Forecasting and
Replenishment (CPFR) capabilities have been piloted in the U.K. between Transora and GNX and retailers and manufacturers. The objective with the “Megahub” is to further incorporate other verticals into it step by step. Transora and GNX are actively inviting other B2B e-marketplaces across various verticals to become equity members in the trading hub. The Megahub is primarily not being built directly for the participants of different e-marketplaces. The Megahub is primarily built for the e-marketplace interoperability itself. If Transora needs to work with for example Novopoint or FoodTrader, the best way to do so is through a Megahub. Between different verticals there are also connections, for example between the building industry and the retailer industry. Retailer stores needs to be built. The chemical industry is related to the agricultural industry, which is related to the food and beverage industry, which is related to the consumer goods or retailing industry etc.

**Megahub obstacles** There are absolutely obstacles faced in integrating different E2E coordinating the technicalities to form the Megahub including data exchange XML, EDI translation between exchanges etc. Until that gets fully in place, how much real flow of data between GNX and FoodTrader and Novopoint will be very limited.

“The Megahub is probably the most important and innovative concept in e-markets, E2E interchange, that any market, anywhere has ever seen. Assuming that it will come together and work, it will definitely change the whole landscape of B2B e-markets.”

- Jeffrey Beech, partner, Accenture, London, UK

February 22nd 2001, Transora forms an alliance with Transplace.com to offer participants web-enabled transportation management in North America. March 5th 2001, Transora announces its alliance with ICG Commerce, a horizontal e-marketplace which combines advanced Internet technology with procurement professionals - actual people - who provide participants with strategic-sourcing expertise, supply chain and transaction management skills, and dedicated customer care. Transora has agreed to use ICG Commerce’s procurement aggregation services and infrastructure specialists and making them available to marketplace and enterprise clients.

5.1.9.2.3 Motives for the ICG Commerce alliance

ICG Commerce’s affiliation with Internet Capital Group means that it has access to a broad network of partner companies like MetalSite, Iparts, Collabria, eChemicals, and PaperExchange.com. ICG Commerce’s procurement proposition is based on aggregating resources from these verticals. Transora Chief Business Officer Rick Herbst cited ICG Commerce’s unique relationship with the Internet Capital Group portfolio as one of the reasons for Transora’s interest.
"A critical measure of success for Transora is our ability to offer our participants transactions based on collaboratively sourced deals... By combining our participants' e-procurement strategies and our own technology platform with ICG Commerce's e-procurement capabilities, particularly in aggregation services, we create an outstanding set of options for all Transora participants."

- Rick Herbst, Transora Chief Business Officer

Rick Berry, ICG Commerce C.E.O. and president was pleased by the validation, saying that the Transora deal proved his company’s viability in serving mega-marketplaces.

5.1.9.3 Relevant links

- *Transora, ICG Commerce in Deal*. March 5th 2001, Available online: [www.Line56.com][March 5th 2001]
- [http://www.transora.com][February 25th 2001]
- [http://www.novopoint.com][February 25th 2001]
- [http://www.foodtrader.com][February 25th 2001]
- [http://www.planetu.com][February 25th 2001]
- [http://www.gnx.com][February 25th 2001]
- [http://www.transplace.com][March 5th 2001]
- [http://www.ICGCommerce.com][March 5th 2001]
5.1.9 The XSAg.com Nterline platform alliance with Farmpartner

January 8th 2001, Nterline, a division of XS, Inc., and Germany-based Farmpartner.com formed a strategic alliance around the Nterline e-commerce platform and its support services (such as financial settlement and escrow services, real-time freight transportation quotes and customer service support) previously exclusively used by XS, Inc’s daughter company XSAg.com. Both companies consider themselves being e-marketplace leaders in the agricultural industry in their respective markets, North America and Europe, and both are offering exchanges through Internet sites that are free to buyers and charge a small transaction fee to sellers. The major products traded are chemical seeds, animal health products and fertilisers.

5.1.10.1 About XS, Inc.

XS, Inc., based in Raleigh, North Carolina, U.S.A., is the parent company of XS Ag.com, a neutral agricultural e-marketplace, open for anyone to join. Nterline, a division of XS, Inc., is a platform designed for agribusiness, which has supported XS Ag.com in North America since January 1999 with a full service e-commerce infrastructure. XS, Inc. can be visited at www.xsinc.com, and XS Ag.com can be visited at www.XSAg.com.

5.1.10.2 About Farmpartner

Similar to XS Ag.com, Farmpartner.com is a neutral and open trading exchange serving farmers and agribusiness companies throughout continental Europe since February 2000. Farmpartner.com became the German agricultural industry’s first neutral trading exchange, today with more than 8,000 registered users, and expanded into France in October 2000. It maintains a partnership with Agrokompass.de, a news-website hosted by Germany’s leading agricultural journalism group, Deutscher Fachverlag. It also has engaged in a joint venture with COS Software, operating an exchange for pre-owned equipment and parts. Farmpartner.com is regarded as the most visited agricultural e-marketplace in both Germany and France. Farmpartner can be visited at www.farmpartner.com.

5.1.10.3 The Nterline platform alliance

The alliance is meant for the long-term. At this point there is no equity involved in the alliance, but there is a contemplation of future equity involvement. The alliance is not of a joint venture nature, and revenue that will be generated will go back to each alliance partner, not in any way being retained in the Nterline platform entity.

Alliance motives  Forming the Nterline alliance with Farmpartner was motivated by the fact that several corporate participants of XS Ag.com expressed a desire for a more global presence, which would have been much more expensive to do for XS Ag.com by itself. The Nterline exchange platform has worked without problems for two years, and has already processed transactions by thousands of manufacturers, distributors, dealers and farmers and will need only slight customisation to function in European countries. The main motive for the alliance is to co-market the Nterline platform and services in Europe,
which comes with the backend: the people managing the logistics, the customer service etc that goes along with e-commerce. Farmpartner helps to marker the Nterline platform.

With the formation of the alliance, agricultural manufacturers, suppliers, farmers and ranchers on two continents will have access to a common platform and process for buying and selling agricultural chemicals, seed, equipment parts and animal health products. It is believed by XSAg.com, that the alliance which will extend the use of a single platform that has worked flawlessly for two years, will help global agriculture more easily adapt to Internet-based buying and selling. Although Nterline originally was built to support XSAg.com, organisations throughout global agriculture can benefit from a standard underlying platform that can be customised to their specific needs, and organisations can be spared from needlessly investing millions on redundant systems.

Attracting new participants and sharing risk and cost has motivated the Nterline alliance. Motives for Farmpartner also include getting access to the expertise and knowledge, of the Nterline technology in their case. Farmpartner brings e-commerce experience, support on the ground in Europe and the local market knowledge to make that work. Also, XSAg has been up and running a year longer than Farmpartner, and has developed some relationships that Farmpartner do not have. The Nterline platform, covering both the application and platform layers of the functionality of the e-marketplaces definitely creates value for Farmpartner in commerce-oriented services like order matching, order execution, order management, fulfilment, as well as regulatory compliance and standardisation. No obstacles have been encountered so far. Farmpartner’s business model is quite similar to the one of XSAg.com since Farmpartner was benchmarking a wide range of e-commerce business models including the business model of XSAg, and copied quite a lot of the XSAg.com business model.

5.1.10.4 Future opportunities and potential obstacles

An opportunity that still is of peripheral importance to XSAg.com and the Nterline platform is expanding the Nterline platform into, to the agricultural industry, related industries, such as for example the turf, landscaping, or the pest control industries. A potential risk with the Nterline alliance with Farmpartner is that since Farmpartner and XSAg.com has such similar business models, there is a good chance that competition and conflict will occur. There are also potential XSAg and Farmpartner e-marketplace participants that have portals/ e-marketplaces that possibly will become competitors to XSAg and Farmpartner. There are a number of four to six third-party e-marketplaces that are competitively oriented towards XSAg. The biggest competitors are though seen as big brick-and-mortars companies that want to go along and develop their own B2B e-commerce solutions. Nterline can support a lot of different business models for e-commerce, the neutral e-marketplace being just one of them. XSAg and the management behind Nterline recognise that the neutral e-marketplace appeals to a certain segment of buyers and sellers – it doesn’t appeal to everyone. Nterline is open to further form business relationships, the first step towards an alliance, with other e-marketplaces and platforms. At this stage, XSAg is not particularly interested in becoming a part of a "mega-hub", like the one Transora and GNX are intending to form.
“After having been entrenched in this industry in two and a half years, I am very sceptical that grander and grander visions with more and more participants will ‘get things done… I am not going to spend my time right now worrying about whether or not we should be integrating with somebody who is vaguely related to agriculture. I am going to spend my time making sure that we are serving our chosen industry well…Our vision is to serve our industry as well as we can and become the standard of performance – not a technical standard, more a ‘quality of service’ kind of standard’.”

- Bill Barton, Co-founder of XSAg.com and Business Manager of Nterline

5.1.10.5 Relevant links

- [http://www.xsinc.com](http://www.xsinc.com) [February 26th 2001]
- [http://www.XSAg.com](http://www.XSAg.com) [February 26th 2001]
- [http://www.nterline.com](http://www.nterline.com) [February 26th 2001]
- [http://www.farmpartner.com](http://www.farmpartner.com) [February 26th 2001]
5.1.10 Attempt to form an international alliance in the CPG industry

An Australian initiative to form a supply-chain-integration oriented e-marketplace among the major food and beverage and packaging companies in Australia (“e-marketplace A”), failed to convince a larger e-marketplace based in North America (“e-marketplace B”) to form an alliance with them. E-marketplace A is an industry consortium covering the majority of the Consumer Packaged Goods (CPG) market in Australia, and e-marketplace B is a major industry consortium in the North American. E-marketplace B is because of the number of large multinational CPG companies also having a fair share of loyalty on the global market. From September 2000 and practically throughout the rest of the year, e-marketplace A worked towards forming some sort of an alliance with e-marketplace B.

5.1.11.1 Motives

The alliance was form e-marketplace A’s perspective perceived to have potential to:

- Leverage e-marketplace B’s brand/image/reputation/market position.
- Resolve e-marketplace A’s “multiple exchange investor/membership” issue and provide the ability for e-marketplace A to leverage e-marketplace B’s existing relationships. Since both e-marketplaces have common global companies as participants, an alliance would create a single point of entry to global e-marketplaces for them.
- Provide global reach with regional flexibility.
- Leverage e-marketplace B’s service application offerings, enable endeavours in creating global industry standards and negotiations with business application vendors.
- Defrays the cost for e-marketplace B to roll out Australia and New Zealand
- e-Marketplace A can serve as an entry point into Asia
- Allows e-marketplace B to focus on the rollout of “first stage offerings” (indirect commerce-oriented offerings) for a start.
- Initial spend / reduce e-marketplace A’s member set-up cost.
- Building Supply Chain Management (SCM), NPD and Logistics Optimisation capability
Provides a test bed market for new product offerings (e.g. direct materials), within a controlled e-marketplace, resulting in getting new capability (direct SCM and logistics) working earlier.

5.1.11.2 Obstacles
Perhaps it, to large degree, was a desire of e-marketplace B to not form the alliance with e-marketplace A, because of having common investors? It is a sensitive issue, and it has been hard to collect information about the situation. Two large investors backed out of e-marketplace A during the negotiations, which at least for the moment have halted the whole e-marketplace A project. Perhaps e-marketplace B, the larger multinational industry consortium was not ready for Supply Chain Management service application at this point in time?
5.2 Mergers and attempts to mergers

Mergers and attempts to mergers include the merger of Bidcom and Cephren into Citadon, the formation of Covisint, the formation of eChips, FoodUSA's merger attempt with Commerce Ventures and Mediapassage's mergers with OneMediaPlace and broadcastspots.com.

5.2.1 The merger of Bidcom and Cephren into Citadon

The merger of Bidcom and Cephren into Citadon was announced October 24, 2000. Prior to the merger, both Bidcom and Cephren were in the serving segments of the building and engineering industry, which in truth is an aggregation of many sub-industries. Cephren was previous to the merger slightly more directed towards pre-design and engineering phases and Bidcom was slightly more directed towards the construction phases.

The building and engineering industries go hand in hand, but like most other industries, a collection of many sub-industries within them can be found, like for example commercial building projects, process plants projects, oil and gas projects, telecommunications projects, energy and utility projects etc. Even though working in several of these sub-industries, or segments, both Bidcom and Cephren were particularly successful in the energy and utility segment. Even though building to a large extent is the same, there are different unique processes in each of these cases that turn them into different business segments. General Electric (GE) Power Systems as a big supplier (and installer) of power turbines and big investor in Citadon, but Citadon is yet slightly buyer centric. Overall, the building and engineering industry can be described being an extremely fragmented industry, both on the buyer and on the supplier side, but different segments are differently fragmented. There is for example in the energy and utility segment, a concentration on the supplier side with just a few suppliers being able to deliver power turbines of GE Power System’s standards.

Both Bidcom and Cephren can be said to have been market leaders in the small area they were operating in, and were very much viewing each other as competitors. The merger was a “merger of equals”, and no take-over premium was involved. Both Bidcom’s and Cephren’s platforms had been developed in-house, and Citadon’s platform was developed in-house as well. Citadon is an open e-marketplace for anyone to join, but is not a typical exchange model. The Citadon e-marketplace focuses on providing services for enterprises. Participants need to deploy Citadon’s services within their organisations. Both Cephren and Bidcom started out with more of “open marketplace” (exchange-focused) business models, but went through a strategic change over time into more of technology solutions providers for enterprises.

Citadon’s services are a “best-of-breed” mix of the services developed by Cephren and Bidcom. There were some overlaps, but to the most part Cephren and Bidcom were complimentary to each other. Both e-marketplaces has developed own versions of “Project Collaboration Tools”, where Bidcom had developed special expertise in managing business processes (controlling information flow in construction projects), and Cephren had developed expertise around complimentary document management, project management and collaborative commerce applications. Citadon’s focus is on
collaboration around managing projects and sharing information amongst team members, and then collaborating for commerce (procurement) capabilities, which do not include product catalogues or spot-markets like auctions or exchanges. Citadon is focused on when companies are doing more complicated purchases, i.e. purchases of engineering equipment or customised products where the customer needs a lot of documentation around the purchase.

Citadon is outsourcing its IT-expenditures to Application Service Providers (ASPs) to enable its e-marketplace users to access application services via the Internet. Presently service applications are hosted by the two old e-marketplaces through Citadon, but an integration of them into Citadon is in process. The integration will provide a deeper integration and inter-functionality between the different application services. *Citadon ProjectNet* is a best-of-breed combination of Bidcom and Cephren’s old application services oriented towards collaboration, business process and document management. *Citadon ProjectNet LT* is oriented towards collaboration for short-term, high intensity, multidiscipline projects. *Citadon MarketNet* is a comprehensive solution for expanding and managing the biding process and *Citadon PrintNet* is a solution for expediting and managing reprographic services. *Citadon ProjectFirst* is not in truth an ASP offering as the other application services. ProjectFirst is a collaboration tool basically sold to other e-marketplaces wanting to manipulate the code to fit their own needs. Citadon headquarters are located in San Francisco, California, USA. Citadon can be visited at [www.citadon.com](http://www.citadon.com).

**Merger motives** The main reason for the merger between Bidcom and Cephren into Citadon was their respective customers and investors. Some of their customers and investors were common for both e-marketplaces, for example GE Power Systems. GE Power Systems had been expressing that they were tired of the two leaders in the industry competing with each other, and that they wanted to begin to influencing the creation of a standard for the industry to collaborate over the Internet. Cephren had Bechtel as a major investor and Bidcom had Flour Daniel as a major investor. Traditionally Bechtel and Flour Daniel has been the top two firms and major competitors in the construction industry, but they saw an opportunity to use their influence together to create a B2B e-marketplace collaboration standard for the industry.

From a financial marketing perspective another motive for the merger was to reduce redundancies through slimming down the two organisations having two marketing organisations, administration organisations, two separate engineering groups etc. At the same time the merger makes it easier to raise money from investors, which has become a harder task in the B2B space. The B2B space, perhaps being far from a saturated business space, is at least a business space in a sense starting to get affected by consolidation forces. Perhaps it is slowly starting to mature on one plane, together with further business space expansion on others planes. Synergies are in short drawn from not spending double costs on developing similar services, sharing expertise knowledge, speed up R&D of new service applications through combined engineering groups (the only part of in each of the two e-marketplaces that has not has been slimmed down in size). Sharing risk and combining marketing activities has also motivated the merger.
Combining Bidcom and Cephren’s customer bases was another motive for the merger, as well as attracting more participant to the functionality enhanced e-marketplace and expand the market share of participants in the B2B market space of the building and engineering industry.

Most probably the image of Citadon is speaking stronger than the images of Bidcom and Cephren. There are possibilities of offering services outside the building and engineering industry, which the merger might have opened up some gates towards. Citadon is presently not actively working on applying its services to other industries, but now being in a stronger position to perhaps go through and do so, has in a way been a contributing motivation to the merger. Citadon participants are now experiencing a greater range of choice of service applications that are offered, but will over time more and more experience the true value of the merger, but it will not happen overnight. It takes some time to combine and more fully integrate and further develop the service applications offered.

**Merger obstacles** The Bidcom and Cephren service applications are in time of writing in the process of being brought together, and challenges and potential obstacles are too a large degree yet to be faced. Politicking is always a part of merger processes, and in the Bidcom – Cephren merger politicking has been more of a constructive nature than a destructive one.

### 5.2.1.1 Citadon future challenges and ambitions

Even though 90% of the activity that flood through Citadon is tied to the North American market, Citadon also has offices in the UK, Germany, France and Hong Kong. Most markets are quite a deal behind the North American market in terms of adoption of e-commerce within the construction business, and it will be a challenge for Citadon to know how to deploy the services of Citadon in those markets. On the North American market more or less six e-marketplaces can be viewed as competitors to Citadon consisting of pure Internet companies and client server software companies. In Europe the players are relatively small and Citadon do not see them as real competitors. The biggest future obstacle is probably the adoption of e-commerce by the building and engineering industry.

Citadon is looking to integrate with, or work with other e-marketplaces offering product catalogues or spot-markets like auctions or exchanges, but the primary focus is more on the collaborative aspects of e-commerce. Citadon is aiming to become a standard industry platform, but is certainly not there yet. Right now focus is strongly on the building and engineering industry, but in the longer term they are open to the idea of allying with other vertical e-marketplaces in other industries of connection to the building and engineering industry, as well as horizontal e-marketplaces. Citadon has though not acted in that direction yet.

### 5.2.1.2 Relevant links

- [http://www.citadon.com](http://www.citadon.com) [February 20th 2001]
5.2.2 The formation of Covisint

A full intent to form Covisint was announced February 25th 2000 by DaimlerChrysler, Ford Motor Company, General Motors and Renault/Nissan together with Oracle and CommerceOne. Covisint aims to meet the needs of the automotive industry. Covisint will provide original equipment manufacturers (OEMs) and suppliers the ability to drive costs from their respective supply chains and bring efficiencies to their business operations. Covisint's temporary headquarters are located in Southfield, Michigan, USA. Covisint can be visited at www.covisint.com.

Prior to the Covisint joint venture, General Motors and CommerceOne jointly developed GM TradeXchange. Ford’s e-marketplace, Auto-Xchange was developed together with Oracle. TradeXchange and Auto-Xchange were serving the supply-chains of automotive their respective OEMs (original equipment manufacturers), i.e. GM and Ford. TradeXchange and Auto-Xchange was largely viewing each other as competitors before the decision to form Covisint was taken. Covisint was though more a formation of a new e-marketplace than a merge between TradeXchange and Auto-Xchange.

Covisint is intended to serve not only the four automotive OEMs, but also the interests of each link in the entire supply chain behind the OEMs, with a greater focus on the interests of “tear one” suppliers than the interests of their respective suppliers. GM, Ford, DaimlerChrysler, Renault/Nissan and CommerceOne own Covisint. CommerceOne though only have a 2% share. The shares among the automotive OEMs have not publicly been disclosed. A C.E.O. has not been selected for Covisint even though one man or woman on top is sought. A Board of Directors governs Covisint with representatives, apart from the four automotive manufacturers, also from large supplier companies such as Delphi Automotive Systems, Consumer Connect (a Ford enterprise), Johnson Controls, Inc., Siemens, AG, Lear Corporation and Magna International. Five more board members are still to be named, including representatives of other, non-automotive industry disciplines.

Automotive OEMs are heavily consolidated. Even at the preceding link to the actual automotive manufacturers in the automotive industry value chain, at the “tear one” supplier level, the industry is heavily consolidated, but gets more fragmented further down the supply chain for the automotive industry. Covisint calculates to incorporate 60% of the OEMs measured in market shares, into the e-marketplace. Covisint is an open e-marketplace and for example big player like BMW and Toyota are more than welcome to join, even though they have stated publicly that they will not participate. BMW has expressed concern around the proprietary nature of their business and the lack of ability of Covisint to respect that.

Covisint offers service applications in the range of tools for procurement, supply chain management and product development, which has their origin in TradeXchange and Auto-Xchange.

How revenue will be shared among the initial founders and equity is in detail not disclosed to the public. Techniques for revenue collection vary. CommerceOne is for
example taking their revenue through transaction revenue, others are taking their revenue through equity participation and others are taking their revenues through upfront licensing fees.

5.2.2.1 Motives

The main driver for the formation of Covisint was the common suppliers for these two e-marketplaces seeing the formation of both GM TradeXchange and Auto-Xchange and recognising the complexity of communicating with perhaps four or five different e-marketplaces in the longer run. The formation of Covisint was motivated by the increased probability of success due to the increased simplicity for suppliers to now only have to connect to one e-marketplace, which hopefully will drive further e-commerce adoption and e-marketplace liquidity.

From a financial perspective, in February 2000 it was estimated that investments in Covisint in twelve months time would pay back in returns of a factor 10. It is still though not clear if this objective have been achieved, but the financial payoff was definitely a large motivator for the formation of Covisint. The vision with Covisint is that it will drive out US$1500 out of the cost to manufacture a car, largely through improved visibility collaboration along the supply chain. There is right now a tremendous amount of waste in the industry related to inventory held to absorb changes in demand and supply as well as capacity in facilities not fully utilised.

The economics were far greater in building just one e-marketplace, than keeping on building two separate e-marketplaces. Sharing risk was a large issue and motive for the formation of Covisint, as well as jointly enhancing R&D of new service applications and combining marketing activities, reducing the number of people that are needed to operate the exchange etc.

5.2.2.2 Formation obstacles

Inter-corporate cultural differences were definitely resulting in an obstacle in the formation process of Covisint, especially at the executive level. Competitive cultures between the traditionally rival auto-manufacturers, Ford and GM, were a source for some difficulties in the formation process of Covisint. Governance is a major issue for Covisint, which is hindering the e-marketplace to move on in the e-market space.

There is at the moment somewhat of a diseconomy going on in Covisint where a single platform being developed, where the aim is to take so many wills and technicalities into consideration that perhaps are too many at one time. The Covisint technical solution is developing into a very technologically complex structure incorporating support for various EDI standards, two or three different XML-standards, as well as trying to support integration to SAP and Oracle etc and support of various portals for participants to plug into.

There was some experience with mutual lack of trust in the area of intellectual property. There was and still is a great desire to maintain intellectual property as it pertains to
either technology development, product development, supply chain management or respective parties supplier bases.

The timing of the formation of Covisint could have been better. If the formation of Covisint would have been acted upon at an earlier stage, Covisint could have found itself in a better market capitalisation environment, i.e. what the market would be willing to pay for a share in the e-marketplace.

**Anti-trust regulatory examination** Covisint received full clearance from the Federal Trade Commission (FTC) in the USA in September 11, 2000, as well as a full clearance from German Bundeskartellamt in September 26, 2000. At the announcement of a full intent to form Covisint in February 25, 2000, becoming operational was first imagined at June 1 the same year. In December 8, 2000, Covisint began operating, even though some pilot auctioning had been taken place as early as in September. Still it was later than planned, which to some degree can be blamed on FTC and the Bundeskartellamt. The work with Covisint was though, to a very large extent carried out without larger concerns for the ongoing examination held by the regulatory bodies. Covisint saw it as approval could possibly not be granted, and more viewed the matter as to what business activities would be allowed. Similar e-marketplace formations will though benefit from the thorough examination of Covisint.

**Future obstacles** A possible future issue that may turn into an obstacle for the development of Covisint in the longer run is sharing of knowledge capital. The issue has not been resolved at this point in time. Parties are at this point in time most probably not ready to share intellectual property. From a technology standpoint, Oracle may be trying to steal technology from CommerceOne and vice versa. From a procurement, design or supply chain management standpoint, Ford may for example try to steal expertise from General Motors.

Capital markets can be said to have reached some form a maturity phase in their relationship towards investing in e-marketplaces and technical providers. There is also at the moment a macro-trend in the entire automotive industry. The fact that the industry is going through a downturn, resulting in a lower appetite to continue a high level funding of e-commerce activities from OEMs combined with the lower market capitalisation of e-commerce in general puts an obstacle on the e-marketplace as an investment.

Many of the things that Covisint are trying to create a collaborative market for are the same things that the OEM owners of Covisint use to create competitive advantage. For example, DaimlerChrysler’s ability to quickly design products and bring them to the market, Ford’s ability to manage their supply chain, or another company’s ability to procure materials to a lower price than the competition, in each case creates a competitive advantage for respective party. To what degree the OEMs want to share competitive advantages with their competitors is still an open question.
5.2.2.3 Competition and the future

In the e-market space of the automotive industry, Covisint’s biggest competitors are BMW and Toyota, which so far has not launched any e-marketplaces. On the supplier side, there are also a group of six tear-one suppliers that have talked about forming an e-marketplace (TRW and Dana among others), which for the moment are participating in Covisint to a limited degree. Covisint expects to further on establish offices in Europe and Asia. There is also some sort of competition from independent third marketplaces like eSteel, PlasticsNet etc or horizontal e-marketplaces. There is an active discussion going on around forming alliances with, merge with, or acquire both e-marketplaces recognised as being directly competitive, as well as with other e-marketplaces that might have complimentary qualities to Covisint and where synergies can be extracted.

5.2.2.4 Relevant links

- [http://www.covisint.com](http://www.covisint.com) [February 13th 2001]
5.2.3 The formation of eChips

eChips, Inc. was launched October 9th 2000 as the result of a merger agreement between two vertical e-marketplaces: ChipCenter LLC (ChipCenter.com), QuestLink Technology, Inc. (QuestLink.com), together with the Arrow Electronics, Inc. Advantage telesales business unit.

5.2.3.1 About ChipCenter

ChipCenter is primarily focused on unstructured data, with commerce-oriented service applications being of peripheral importance to the business model. With an editorial staff of roughly 80 editors, ChipCenter is the first comprehensive online service for electronic-component information and sourcing. The strength of ChipCenter’s business model lies in its community service application. ChipCenter is a joint venture of Arrow Electronics, Inc., i2 Technologies, Inc., Avnet, Inc., CMP Media Inc., and Pioneer-Standard Electronics, Inc.

ChipCenter has been directed towards functioning as a marketing channel that integrates demand creation, interest fulfilment and e-commerce transactions in one seamless service, allowing engineers and purchasing agents to learn, find, and buy at one convenient location. ChipCenter can be visited at www.ChipCenter.com

5.2.3.2 About QuestLink

QuestLink is primarily focused on structured data: specification sheets and application notes. As for ChipCenter, more commerce-oriented service applications are more of peripheral importance to the business model. Founded in 1995, QuestLink has pioneered info-commerce for the electronics industry. QuestLink.com provides free access to technical information for the electronics professional along with the ability to purchase components online. At QuestLink.com, industry professionals research, compare and buy products used in the design and production of next generation electronic systems. QuestLink.com facilitates the integration of multiple steps in the design process using a medium that carries customers through the research, decision-making and purchasing process in a singular movement. With QuestLink.com, engineers and buyers can turn to a single web site to bring all parts of the purchasing process together in a well-organised, streamlined format. With access to nearly $2 billion in inventory, QuestLink.com is the largest source for electronic components online. By incorporating electronic commerce capabilities into its web site, QuestLink.com offers electronics professionals a way to shorten the design cycle and expedite the product acquisition process. QuestLink.com offers several features to assist in all phases of the design process. Additional online services include the TrainingCenter, NetSeminars, EENewsFind, the Career Center, Company Listings and the Design Solutions Center. QuestLink can be visited at www.QuestLink.com
5.2.3.3 About eChips

eChips will primarily be focusing on commerce-oriented service applications. The headquarters of eChips, Inc. are based in San Jose, California, USA. eChips comprehensive eCatalog of franchised inventory, targets an audience of small to medium enterprises within the electronic original equipment manufacturers and contact equipment manufacturer industries, and their vendors. The industries are very both supplier and buyer fragmented. In the electronics components industry, eChips is presently primarily serving the segment of semiconductors, but a new eChips platform, that is planned to be released around August 2001, will be expanded to all electronic components, which will be inclusive of semiconductors, electromechanical and inter-connect components. Currently eChips, to a large degree, is making use of the Arrow Electronics, Inc. Advantage telesales business unit. Both ChipCenter’s and QuestLink’s websites have been operative after the launch of eChips. QuestLink’s site was closed down for transaction in February 2001, referring all participants to the eChips e-marketplace. Major investors and strategic partners include Arrow Electronics, Inc., Avnet, Inc., i2 Technologies, Inc., CMP Media, Inc. (a subsidiary of United Business Media plc).

eChips’s business model is not an exchange, an auction model nor a supply chain integration business model. eChips is a “franchised channel” or an advanced e-catalogue of e-catalogues consisting of about 1000 product lines, first starting with USA and Canada, with objective to spread to serve all continents with benefits such as price protection, stock returns, warranties and other things that benefits participants. eChips suppliers are franchise distributors and eChips itself does not get in touch with inventory. eChips is on the supplier side not open for anyone to join, and therefore it is seller centric in the sense that eChips chooses its suppliers. Initially the suppliers are Arrow Electronics, Inc. and Avnet, Inc, and in the future there will be selective additions to that supplier base, approximately of five additional suppliers.

Both ChipCenter.com and QuestLink.com fall in the category of B2B electronic marketplaces even though maybe not very advanced ones being credit card transaction companies. Arrow Electronics Inc. Advantage business unit has not the characteristics of an e-marketplace at all, and therefore it is not included in the study of the merger. eChips can be visited at www.eChips.com

5.2.3.4 The merger of ChipCenter and QuestLink into eChips

eChips will not only be a credit card transaction company, but also an open-account for OEM industrial eChips participants. Service applications from ChipCenter and QuestLink are not overlapping each other and have been added together to form eChips. ChipCenter contributed with online communities for engineers and procurement professionals in the electronics industry, and QuestLink contributed with a catalogue of electronic components and free access to technical information, data sheet, application notes etc. The development of eChips’s platform has partly been an in-house operation, partly an integration of ChipCenter and QuestLink’s platforms and partly the development has been outsourced. Previous to the merger both ChipCenter and QuestLink were targeting the engineering community with an active registered user base of approximately 300 000
engineers. eChips will be targeting the purchasing community and the engineering development community.

**Motives** Neither ChipCenter nor QuestLink had seriously started developing commerce-oriented service applications, and an important motive for the merger was to jointly get together and start doing that. It was more economical developing commerce-oriented service applications jointly than if the two e-marketplaces would have developed service applications in-house on their own. Also important synergy effects in increased speed of development could be extracted. To raise capital from investors, to reduce or share risk inherent in service application development and in capital liquidity, and combing expertise knowledge were also motivating factors for the merger. The value creation for participants in the user layer was yet another motive for the merger, since some participants were using both e-marketplaces before, and now just will have to access one united interface to get access to the same service application and more. Also motivating was the fact that value would be created in the platform-infrastructure level by the merger.

**Obstacles** The formation of the merger has so far proceeded without the encountering of any obstacles. The general adoption of e-commerce and within the electronics industry is perceived as the big future obstacle. The incorporation of Arrow Advantage telesales business unit is an attempt to bridge traditional purchasing practice over to the e-commerce arena.

**5.2.3.5 The future**

eChips does not presently see many competitors in its space, since they are not competing with exchange and auctioning models for example. eChips is not at all interested in partnering with other e-marketplaces of these kind of business models.

“*eChips is one hundred per cent committed and dedicated to franchise distribution only. No broker, no auction, no reverse auction and no product liquidation.*”

- Ron Mabry, eChips

**5.2.3.6 Relevant links**

- *Four-Way Merger Creates Next Generation eCommerce Channel for Electronics Professionals - eChips to launch as combination of QuestLink, ChipCenter, and business units of Arrow and Avnet.* (Press Release) Available online: [http://www.eChips.com](http://www.eChips.com) [March 8th 2001]
5.2.4 FoodUSA’s merger attempt with Commerce Ventures

FoodUSA.com, hung up its apron in January 2001, after a deal to sell the business to an industry-led rival fell through, according to founder and Chairman Rod Heller. Also, FoodUSA did have merge negotiations with three other e-marketplaces. All this happened during the time period September to December 2000.

5.2.4.1 About FoodUSA

FoodUSA opened for trading in April 2000 and went out of business January 3rd 2001. FoodUSA was an independent online exchange handling trades of meat and poultry. FoodUSA’s original business model was to trade spot meat products on the e-marketplace. During April until January, FoodUSA had $ 35 Million in transactions and 14000 registered participants. The registered buyers had around 30% of the market share and the sellers also had around 30% market share. The buyers include retailers, wholesalers, distributors, traders and brokers. FoodUSA considered itself as the market leader and FoodUSA had the highest liquidity on the market.

5.2.4.2 About Commerce Ventures

Commerce Ventures, USA based, was formed in April but is still on the drawing board and has not even established a web site. The meat and poultry industry’s largest sellers; IBP (IBP), Tyson Foods (TSN), Gold Kist and the red meat subsidiaries of Cargill and Farmland Industries back Commerce Ventures.

5.2.4.3 About attempts to merge three other e-marketplaces

FoodUSA do not want to reveal the names of these e-marketplaces due to agreements. The three e-marketplaces were vertical USA based e-marketplaces in the perishable food industry. They were all in the growing face, similar to FoodUSA.

5.2.4.4 FoodUSA’s attempt to merge with Commerce Ventures

The evaluation presents motives for and obstacles with FoodUSA’s attempt to merge with Commerce Ventures.

Motives FoodUSA proposed Commerce Ventures to merge with FoodUSA because FoodUSA already had a proven e-marketplace to the industry and this would allow Commerce Ventures to accelerate their solution to their customer base, i.e. the industry’s largest sellers. FoodUSA offered their technology, knowledge of the business model and the experienced team FoodUSA had in place.

The motive for FoodUSA to merge with Commerce Ventures was because FoodUSA saw Commerce Ventures as a source for liquidity since Commerce Ventures had the five largest meat sellers, representing 50-60% of the total supply base. FoodUSA is a neutral e-marketplace and by merge with Commerce Venture, FoodUSA would not be neutral anymore, but the need of liquidity was stronger than keeping its neutrality. Also during the time, media and research reports expressed that neutrality might not be as important
of an issue as it had been a few months before. FoodUSA thought that it would not disregard its participants because if FoodUSA by merger with Commerce Ventures would have a greater supply of meat to offer on its exchange, FoodUSA would get greater participation and more liquidity. What FoodUSA felt the supply of fresh meat was lacking on the its e-marketplace. FoodUSA thought initially that FoodUSA’s current buyers would be reluctant to join a seller centric e-marketplace but the buyers wanted to meat provided by Commerce Ventures e-marketplace. FoodUSA expected Commerce Ventures to be a very strong competitor and that was a motive why FoodUSA wanted to merge with Commerce Ventures. FoodUSA thought that the image and perception of its e-marketplace would be enhanced if the company merged with Commerce Ventures. Commerce Ventures was the stronger part in the negotiations with FoodUSA, because Commerce Ventures had more funding than FoodUSA had. FoodUSA saw the merger with Commerce Ventures as a source of getting new capital and FoodUSA needed new capital to improve its e-marketplace technology. FoodUSA also wanted to merge in order to reduce and share risk of a possible failure.

The motives for the mergers attempt with the three perishable e-marketplaces was that they had a longer runway of funding to support FoodUSA and its efforts, plus the fact they had application layer technology (both commerce and collaboration) solutions that would complement FoodUSA’s technology. The buyers of FoodUSA would not only be able to trade meat on the e-marketplace but also other perishable products. FoodUSA did not see them as competitors because they served another place in the industry value chain. FoodUSA also thought that the merger would enhance the image of FoodUSA. The three perishable e-marketplaces were looking for an expert in the meat industry and recognised FoodUSA as a possible partner.

**Obstacles** Steve Haugen does not know why the merger with Commerce Ventures did not fall through and he doubt that anyone really knows why. His personal opinion is that Commerce Ventures wanted to seek their own solution for some reason and Steve Haugen do believe that antitrust would not have been an obstacle, rather a motive for the merger. There was reports that antitrust was going to be pursued if Commerce Ventures put together an e-marketplace when they first reformed. There was investigation and reports done around the antitrust issue. But as Commerce Ventures continued to operate and forming their organisation, the antitrust issue cooled down and there was less media attention as time passed. FoodUSA believed that the e-marketplaces could have maintained some of its neutrality and by that making Commerce Ventures less seller centric. The reason why Commerce Ventures could have been an antitrust issue is that the biggest suppliers in the industry, representing around 50% of the total market share owned the e-marketplaces.

Why the mergers with the perishable e-marketplaces fell through was because a number of reasons. Bad timing was an important reason why the mergers did not happen. The perishable e-marketplaces were not ready to merge. Also, one of the mergers fell through because the parties could not come to a price that both parties were happy with. In general, FoodUSA felt that merger with FoodUSA was a second choice.
5.2.4.5 Peeking into the future

Steve Haugen, FoodUSA, believes that the industry’s willingness and adoption to e-marketplaces will take a little longer time than e-commerce companies would like and hoped for. The acceptance and learning curve will be longer by buyers and sellers of these e-commerce solutions. Many dot-com wanted to reach profitability and maximum liquidity in six months to a year, but Steve Haugen believes that it will take longer than that. The reason why buyers and sellers’ adoption will take longer time is that e-commerce and e-marketplaces are a major change in the business process of buying and selling meat. Generally industry changes comes slow because the members in this channel have been doing business in the traditional way for 40-60 years. The fax machine was probably the biggest change before e-commerce and e-marketplaces are more of a dramatic change than the fax machine. Steve Haugen estimates that approximately 50% of the buyers and sellers in the meat industry in USA have not access to e-mail and Internet and he thinks that is due to different levels of acceptance by people to change and in specific new technology.

Steve Haugen believes that there will be continuing partnering between e-marketplaces, because many e-marketplaces will have continuing funding problems and because of that look to partnering as a way to get some value and to survive. Steve Haugen believes that there in the future will be two to three e-marketplaces pro industry but these e-marketplaces do not necessarily be competitors, rather have complementing services in the same industry. He also believes that these e-marketplaces will have the same technology and processes because that makes sense. Even though these e-marketplaces will have more or less all the buyers and seller as participants, the e-marketplaces will not be under antitrust regulations as long as it is neutral; the e-marketplace is basically providing a service. Steve thinks that buyer centric and sellers centric will be very reluctant though to merge together into a neutral e-marketplace. FoodUSA did not consider forming E2E alliances with other e-marketplaces because FoodUSA needed the funding.

5.2.4.6 Additional comments

Steve Haugen believes the e-marketplaces and dot-coms are getting a black eye right now. The black eye has though been deserved since dot-coms came on the scene very quickly and offered many solutions and promises that they did not live up to. Rod Heller, founder and Chairman of FoodUSA give this reason why FoodUSA went out of business: "Commerce Ventures froze the market, meat and poultry traders acted like a deer caught in headlights. They won't do anything until they see what happens [with Commerce Ventures]."

FoodUSA and Commerce Ventures did hold talks about a possible merger or acquisition last spring, but a deal was never struck, in part because Heller and his backers had doubts about Commerce Ventures’ prospects. In hindsight, FoodUSA admits the decision to back away from a deal was a mistake, but at the time, independent Net markets like FoodUSA were b-to-b favourites, while industry-led marketplaces were being buried under heaps of doubt.
5.2.4.7 Relevant links

5.2.5 Mediapassage’s mergers with broadcastspots.com and OneMediaPlace

In a move that is expected to create the undisputed leader in the space of Internet enabled advertising media exchanges, Mediapassage merged with broadcastspots.com August 7th 2000, and OneMediaPlace January 16th 2001. It is anticipated that the transaction with OneMediaPlace will close at the end of February. At that time the Company will be renamed OneMediapassage, signifying the combining of business models.

5.2.5.1 About Mediapassage

Mediapassage is a leading business-to-business, e-commerce provider of media operations services to advertising agencies, media buying firms, advertisers and publishers. These services include application outsource solutions for print media buying, ad material trafficking, and related back-office transaction functions. The Company’s online integrated system uses advanced search, pricing, scheduling and submission engines to enhance buyers’ execution capabilities and streamline labour-intensive work processes. From scheduling and art trafficking to media monitoring and payment, Mediapassage eliminates costly error-prone back-shop labour associated with print advertising. The company has processed $850+ million in over 300,000 newspaper and magazine transactions for some of USA’s largest advertising agencies and clients, such as McCann Erickson, Publics, Young & Rubicam, Zenith Media, and others. The Company is headquartered in Seattle, Washington, with offices in New York, Chicago and Los Angeles. Founded in 1996, the company has processed hundreds of millions of dollars of print advertising into thousands of publications for many of the largest U.S. agencies and advertisers. Mediapassage can be visited at www.mediapassage.com.

5.2.5.2 About broadcastspots.com

broadcastspots.com, which launched on January 1st 2000, was the first Internet service in which media buyers can access and purchase available broadcast inventory online, 24 hours a day, 7 days a week. With an affiliate base of over 3,200 radio stations, syndicates, and networks, broadcastspots.com had before the merger excess to $51 million in radio inventory available for real-time purchasing in over 150 markets coast to coast, including New York, Chicago, LA, Detroit, San Francisco, and Boston. The company also facilitated the instant distribution of avail requests to every radio and TV station in the country.

5.2.5.3 About OneMediaPlace

OneMediaPlace is the leading global solution for planning, buying, and selling advertising media on the Internet. OneMediaPlace brings media planners, buyers, and sellers together in a single, non-partisan marketplace. Electronic RFPs (Request For Proposal) are the cornerstone of the OneMediaPlace media exchange. Request inventory for campaigns from as few or as many sellers desired. After a seller responds to the request, the buyer may decline, accept, or negotiate the offer, all through the web-based interface. More than 14,000 media buyers and over 3,500 sellers are registered to
purchase inventory through OneMediaPlace. Founded in September 1997, OneMediaPlace has offices in San Francisco and New York.

5.2.5.4 Mediapassage’s mergers with broadcastspots.com and OneMediaPlace

The media industry is fragmented, more extensively on the seller side than on the buyer side. Consolidation on the buyer side is though slowing down. This is because that the advertising firms are the major buyers in the industry and the consolidation between them is more or less already done.

Merger motives The merger with broadcastspots.com enabled Mediapassage to extend the application of its e-commerce platform to broadcast media. It also added an affiliate base of over 3,700 radio stations, syndicates, and networks; in excess of $35 million in radio inventory available for real-time purchasing; and the ability to instantly distribute avail requests to every radio and TV station in the country. Mediapassage only included print media at the time and wanted to expand into radio media where broadcastspots.com already had expertise channel knowledge. The two e-marketplaces did not see each other as competitors because the fact that Mediapassage dealt with print and broadcastspots.com with radio. Neither did Mediapassage see OneMediaPlace as a competitor because OneMediaPlace was more focused on outdoor media. OneMediaPlace brought buyers and sellers to Mediapassage but to enhance the number of participants was not a real motive for Mediapassage, because OneMediaPlace did not have a substantive number of participants and the participants that did exist were often the same companies as Mediapassage’s participants. But the merger with OneMediaPlace might have strengthened the relationship with Mediapassage’s existing suppliers. The motive with the merge with OneMediaPlace was to consolidate the marketplace. The media buyers were too confused by different players, especially when there is no clear leader and to provide more clarity for participants and to become the market leader was the major motives for Mediapassage to merge with OneMediaPlace.

Mediapassage believes that many possible participants are waiting to join an e-marketplace until some consolidation is made and because of Mediapassage’s mergers, Mediapassage believes that the perception and image of its e-marketplace is enhanced a little bit.

One very important motive for the mergers was to become a stronger e-marketplace financially, by putting the e-marketplaces’ financial resources together. The participants want a financially strong e-marketplace that can invest in better tools for both the buyers and sellers and more participants in the e-marketplace, optimise the sellers to find buyers and buyers ability to get a better price.

Mediapassage do though not believe that there will be easier to raise new capital from investors because of the mergers. Mediapassage believes that, in general, capital investors are not willing, whatsoever, to provide survival capital and because e-marketplaces are pre profit, e-marketplaces will go bankrupt if they cannot raise survival capital. But if an e-marketplace has survival capital, investors might provide growth capital.
To enhance Mediapassage’s technology was not a primary motive but where has been some technical improvements caused by the mergers. Combining the OneMediaPlace front-end solution with the Mediapassage back-end systems has enhanced the user layer; the new company provides customers with a complete product. The merger with OneMediaPlace adds new applications as well as expand planning and purchasing capabilities to all types of media including, print, radio, television, cable, and Internet media, and the merger with broadcastspots.com brought in the spot radio trade application.

**Obstacles** The biggest issue is that the e-marketplaces all had different venture backing. All together, the three e-marketplaces had 12 different venture funds that had to get together and get involved, and keeping all their interest similar is hard because they all were in the business for different strategies. The different venture capitalists of one e-marketplace, all have rights amongst each other and then the e-marketplace merge with another e-marketplace backed with other venture capitalists, there has to be negotiations between the venture capitalists about new rights.

Also the cultural differences caused some problem, which often is the case in mergers and acquisitions, because people are forced to together. Mediapassage was primarily consisting of printing people, broadcastspots.com was primarily consisting of radio people and OneMediaPlace was primarily TV/cable people. These different professional cultures have been working in different environments and have over the years been dealing with different buyers and sellers, which have shaped the people in different directions, a fact that can cause problems when they are forced together.

5.2.5.5 **Peeking into the future**

Mediapassage believes that further mergers or acquisitions will be harder because the company has fare more shareholders now, which means increasing chances for dissimilar interests. This is unless the e-marketplace in the future goes public, where everyone has stocks and there are no preferred venture capitalists. Mediapassage believes that in a complex economic issue, it is best to have a few strong than many equal e-marketplaces, because these are supply chain issues and supply chain issues become more efficient with more volume. An example is the New York stock market that consolidated from 30 to one. Also there is an issue that the e-marketplaces got to reach break even in order to be interesting for venture capitalist, so the game is to get big fast and the only way to get big fast is through mergers and acquisitions activities. But if Mediapassage has had a confident amount of money, Mediapassage believes that the company had not done one of the mergers.

Mediapassage sees many opportunities in the future and in order to take advantage of them, Mediapassage will continue to merge or acquire other e-marketplaces. E-marketplaces have maybe 2% in total market share right now so why compete about the 2% when one can go after the other 98%. Mediapassage believes that of the 30 e-marketplace players in the media industry today there will be ten in the future, with more than half of them gone bankrupt.
5.2.5.6 Additional comments

Mediapassage opened an office in London which the company now has shut down because the buying community in the UK are not willing to change their way of doing business and using e-marketplaces as fast as Mediapassage’s venture capitalists demand.

5.2.5.7 Relevant links

- [http://www.mediapassage.com](http://www.mediapassage.com) [February 21st 2001]
- [http://www.onemediaplace.com](http://www.onemediaplace.com) [February 21st 2001]
5.3 Acquisitions

Acquisitions include the eSkye.com acquisition of PubCentre.com and PaperExchange's acquisition of BoxDirect.

5.3.1 The eSkye.com acquisition of PubCentre.com

During the four day period December 18th-22nd 2000, eSkye.com acquired PubCentre.com.

5.3.1.1 About eSkye

eSkye is a buyer centric neutral solutions e-marketplace addressing the global beverage industry. The eSkye site is designed to manage alcoholic beverage ordering for stores, restaurants, and bars in the U.S. eSkye Solutions remains the industry leader in both its focus on technology investment and in its capital position which consists of the majority of $55 million raised to date. eSkye Solutions' investors include distribution partners, strategic partners, and financial partners such as JP Morgan Partners, Blue Chip Capital, Draper Richards LP, Gazelle Tech Ventures, Chase Capital Partners, Draper Richards, Grotech Capital Group, Gryphon Holdings, and Monarch Ventures. eSkye cover the markets in the USA, UK, Spain and Norway.

5.3.1.2 About PubCentre.com

PubCentre is far from being an e-marketplace in its fully developed sense. It is an added value content portal for the UK pub industry. It has been referred to as a “portal”, and could perhaps be referred to as “a strongly community-oriented e-marketplace”. PubCentre is designed to help public houses in the UK find qualified staff, buy the best products at competitive prices, keep current on the latest trends and technology affecting the pub-industry, and chat with fellow pub owners, operators, managers and employees. Similar services are offered by eSkye.com in the USA. The global beverage industry and the UK pub industry are generally buyer fragmented. The degree of fragmentation at retail level varies by market and is driven by the development of multiple retail groups.

5.3.1.3 The acquisition of PubCentre

eSkye and PubCentre together offer e-procurement-, communication- and information services. The two e-marketplaces cannot be said to have perceived each other as competitors before the acquisition, having served different places in the value/supply chain.

Motives The acquisition is primarily driven by commercial considerations. The main objectives for the acquisition was to get access to PubCentre assets including databases and content and bring industry expertise through employing PubCentre founder. The underlying primary objective is to attract new suppliers and buyers, and enhance the product catalogue, “since any marketplace model relies on licensing fees and/or transactions” - Andrew Allan, General Manager, eSkye.com.
Objectives  The key challenge in an acquisition, according to eSkye, is to find a way of acquiring assets whilst not exposing oneself to known or unknown liabilities. Politicking over the size of the take-over premium was present, but was not perceived as a small, but not a significant obstacle to the acquisition. Legal complexity has slowed the acquisition process.

5.3.1.4 Future partnering and E2E
eSkye’s E2E strategy seamlessly links hospitality e-marketplaces (e.g. PurchasePro) to the eSkye drinks procurement technology. A PurchasePro user can today order drinks using the eSkye technology in a way that is totally consistent with the PurchasePro experience. eSkye is continually looking for/considering partnering with other e-marketplaces, but for an e-marketplace to be of interest, it is sought for the e-marketplace to be complimentary to both eSkye and PubCentre.

5.3.1.5 Relevant links
- [http://www.eskye.com](http://www.eskye.com) [February 28th 2001]
- [http://www.pubcentre.com](http://www.pubcentre.com) [February 28th 2001]
5.3.2 **PaperExchange’s acquisition of BoxDirect**

PaperExchange’s acquisition of BoxDirect was announced October 24th 2000.

5.3.2.1 *About PaperExchange*

PaperExchange.com, Inc., is a leading global e-business marketplace for the pulp and paper industry and a global e-business trading-tool designed by the paper industry for the paper industry. PaperExchange offers members a vertically focused neutral and secure marketplace. The site is designed to extend market reach; increase sourcing options; reduce transaction and intermediary costs; streamline the supply chain; create new and more efficient distribution channels; and provide members with a fully integrated hub for their on-line interactions and transactions. PaperExchange has 5500 members in more than 80 countries. PaperExchange was launched in 1998 and generates today complete transactions in all major grades of paper. PaperExchange is headquartered in Boston, Massachusetts, U.S.A. with offices in Europe and Asia. For more information, visit [http://www.paperexchange.com](http://www.paperexchange.com).

5.3.2.2 *About BoxDirect*

BoxDirect's role is to help both corrugated packaging buyers and sellers meet and conduct business together. The company serves as a neutral third party and do not have any ownership interests or allegiances with any of its suppliers other than the service arrangement that is made when the suppliers sign up for the system. The suppliers do not pay a fee to be included in the system. Therefore, one can be assured that the information one gets from the suppliers when one requests a quote on packaging material is unbiased, and fully representative of the supplier's capabilities.

5.3.2.3 *Evaluation of PaperExchange’s acquisition of BoxDirect*

The evaluation includes motives for and obstacles with PaperExchange’s acquisition of BoxDirect.

**Motives** The main reason why PaperExchange acquired BoxDirect was that PaperExchange wanted access to BoxDirect's human knowledge capital in the corrugated container and paperboard packaging industry. PaperExchange did not have a presence in this industry and the packaging is a natural extension of PaperExchange’s e-marketplace offering. “This acquisition is a significant step in our company’s growth, bringing new users to PaperExchange and allowing us to meet the needs of corrugated packaging buyers and sellers efficiently,” according to Duane DeSisto, chief operating officer at PaperExchange. “The addition of BoxDirect enhances the PaperExchange marketplace, benefiting our customers by providing new levels of convenience, direct access to corrugated products, flexibility and choice.” It primarily creates value for PaperExchange’s corrugated container and paperboard packaging paper buyer, because now not only paper can be bought from the marketplace, but also paper packages can be sold on the e-marketplace. This of course also counts for BoxDirect's suppliers and in addition, buyers and sellers of corrugated packaging will benefit from PaperExchange’s
information management and workflow tools. Brett Holland, founder of BoxDirect, will join the PaperExchange team. According to Mr. Holland, the acquisition creates the opportunity to create additional business solutions in the near future. “As part of PaperExchange, we plan to develop and deploy exciting new technology solutions to enhance the effectiveness of procurement professionals and the customer service capabilities of converters within the corrugated and paper industry,” he said.

PaperExchange’s intention was to take advantage of BoxDirect’s platform that allows users to receive price quotes on packaging solutions by inputting information about their custom corrugated box jobs. These request-for-quotes (RFQs) are matched with optimal suppliers from the BoxDirect database, each of which has been pre-screened for quality. PaperExchange planned to evolve this platform to provide an array of technology solutions, including inventory management, supply chain management and other on-line tools to increase the efficiency and cost effectiveness of buying and selling packaging products. Six months later, BoxDirect still has its commerce site up and running. BoxDirect's sellers and buyers can either trade on BoxDirect's e-marketplace or through PaperExchange’s e-marketplace. BoxDirect's platform was partly rebuild and adopted onto PaperExchange’s platform so that same accounting systems could be used etc.

With the acquisition, PaperExchange gains access to more than 150 BoxDirect supplier facilities and 400 registered BoxDirect customers, enabling the company to provide new choices and lower transaction costs for its customers. This was not a primer motive for the acquisition though, because BoxDirect did not have much activity going on with its suppliers and customers, the site had low liquidity. PaperExchange did not want a competitor to merge or acquire BoxDirect, so it was a motive for PaperExchange to acquire BoxDirect, in order to remain its market shares. PaperExchange also wanted to attract new sellers and buyers and make it less worthwhile for existing sellers and buyers to swap e-marketplace. The new buyers and sellers that PaperExchange hoped to attract with the service enhanced e-marketplace, was expected to come from both the paper and pulp industry, and the corrugated container and paperboard packaging industry.

PaperExchange hoped to enhance its image and brand by the acquisition, and after six months PaperExchange believes that its brand and image really has been improved. In fact, PaperExchange believes that PaperExchange.com is the strongest e-marketplace brand in the industry.

The acquisition was driven by commercial considerations. PaperExchange wanted to enhance the operating functions by getting access to BoxDirect's expertise knowledge. There were nearly no financial motives, because BoxDirect had low revenue and lacked strong capital investors compared to PaperExchange. Combined marketing activities were not a strong motive for the acquisition, but PaperExchange and BoxDirect jointly market themselves in tradeshows etc. because PaperExchange still uses BoxDirect's name and running e-marketplace.

Lekshme Venu also adds that the timing for acquiring smaller e-marketplaces is good because they have a hard time to attract venture capitalists and therefore needs resources
from other channels. One option is to be acquired by another e-marketplace and use its resources to develop the e-marketplace. This lowers the acquisition price because of two reasons. First, the potential e-marketplace to acquire is in need to be acquired. Second, the potential e-marketplace to acquire does not have much capital and the e-marketplace idea and its suppliers and buyers can be bought cheap. Because of these reasons, PaperExchange could buy BoxDirect for a low price. PaperExchange constantly receives attention from other e-marketplaces wanting to partner with PaperExchange.

**Obstacles** Because the two e-marketplaces had two different internally build platforms, the integration between the platforms consumed time and resources, but it was not perceived as a big obstacle.

**5.3.2.4 Relevant links**

- [http://www.paperexchange.com](http://www.paperexchange.com) [February 13th 2001]
- [http://www.boxdirect.com](http://www.boxdirect.com) [February 13th 2001]
6 ANALYSIS

The analysis chapter first presents motives for and obstacles with B2B inter-marketplace alliances, mergers and acquisitions in table 2 and table 3 respectively. Neither dimension related motives nor obstacles were found at all. Identified market related motives and technology related motives are presented together in table 2 with motives that could be classified as financial motives. Identified market related obstacles and technology related obstacles are presented together in table 3 with other identified obstacles that could be classified as financial obstacles and obstacles related to governance. In the end of this chapter table 4 is presented, containing the among interviewed B2B inter-marketplace alliances, mergers and acquisitions shared visions of the future trends of B2B e-business and B2B inter-marketplace partnering.

6.1 Motives

Dimension related motives for B2B inter-marketplace alliances, mergers and acquisitions were not found. A general market related motive for all interviewed alliances, mergers and acquisitions were to achieve liquidity. Other, more specific market related motives for B2B inter-marketplace alliances, mergers and acquisitions were found to be:

- Getting access to new suppliers and buyers
- Having common suppliers and buyers
- Getting access to expertise
- Enhancing the image of the e-marketplace
- Sharing or reducing risk
- Joint marketing activities
- Closing windows of opportunities and higher barriers to entry for competitors

Technology related motives for B2B inter-marketplace alliances, mergers and acquisitions were found to be:

- Cross offering of service applications
- Co-development of service applications
- Exchange of value added services
- Standards enforcement

Financial related motives for B2B inter-marketplace alliances, mergers and acquisitions were found to be:

- Raising new capital from investors
- Getting access to capital
Table 2. Identified motives for B2B inter-marketplace alliances, mergers and acquisitions.

<table>
<thead>
<tr>
<th>Motives</th>
<th>ACCESS</th>
<th>COMMUNICATION</th>
<th>PARTICIPANTS</th>
<th>ACCESS</th>
<th>COMMUNICATION</th>
<th>PARTICIPANTS</th>
<th>ENHANCEMENT</th>
<th>RISK</th>
<th>HIGHER SERVICES</th>
<th>MARKETING</th>
<th>APPL.</th>
<th>SERVICES</th>
<th>ENFORCEMENT</th>
<th>INVEST</th>
<th>CAPITAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bfinance.co.uk alliances</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CheMatch.com – ChemCross.com alliance/merger</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CheMatch.com – Todoplasticos.com alliance</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e2open.com – Partminer.com alliance</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MediaHub.com.au – iMediaPoint.com alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MediaHub.com.au – OneMediaPlace.com alliance</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MetalSpectrum.com - MetalSite.com alliance</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OracleExchange.com alliances</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PaperExchange.com – Impresse.com alliance</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PaperExchange.com – Noosh.com alliance</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transora.com – GlobalNetXchange.com alliance</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transora.com – Foodtrader.com alliance</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transora.com – Novopoint.com alliance</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transora.com – ICGCommerce.com alliance</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>XSAg.com – Farmpartner.com alliance</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citadon.com merger</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Covisint.com merger</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EChips.com merger</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FoodUSA – CommerceVentures.com merger</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FoodUSA – merg. w. 3 perishable e-marketplaces</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mediapassage.com (merg. w. BroadcastSpots.com)</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-- &quot; -- (merg. w. OneMediaPlace.com)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eskye.com (acquisition of PubCentre.com)</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PaperExchange.com (acq. of Boxdirect.com)</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6.2 Obstacles

Dimension related obstacles for B2B inter-marketplace alliances, mergers and acquisitions were not found. Market related obstacles with B2B inter-marketplace alliances, mergers and acquisitions were found to be:

- Bad timing
- Time-consuming negotiations due to lack of focus
- Anti-trust laws
- The potential partner creating an image of having more revenue than it has

Technology related obstacles with B2B inter-marketplace alliances, mergers and acquisitions were found to be:

- User interface obstacles
- Application layer obstacles
- Platform/infrastructure layer obstacles

Financial obstacles with B2B inter-marketplace alliances, mergers and acquisitions were found to be:

- Revenue sharing
- Take-over price

Governance related obstacles with B2B inter-marketplace alliances, mergers and acquisitions were found to be:

- Lack of trust
- Management
- Cultural differences
- Collaboration and competition around intellectual property
Table 3. Identified obstacles with B2B inter-marketplace alliances, mergers and acquisitions.

<table>
<thead>
<tr>
<th>B2B inter-marketplace alliances, mergers and acquisitions</th>
<th>BAD TIMING</th>
<th>LACK OF FOCUS</th>
<th>ANTI-TRUST</th>
<th>LAWS</th>
<th>MISLEADING</th>
<th>INTERFACE</th>
<th>LAYER</th>
<th>PLACEMENT</th>
<th>LAYER</th>
<th>REVENUE SHARING</th>
<th>TAKEOVER PRICE</th>
<th>MANAGEMENT</th>
<th>LACK OF TRUST</th>
<th>CULTURAL CLASHES</th>
<th>COLLAB. vS COMPET.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bfinance.co.uk alliances</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CheMatch.com – ChemCross.com alliance/merger</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CheMatch.com – Todoplasticos.com alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e2open.com – Partminer.com alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MediaHub.com.au – iMediapoint.com alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MediaHub.com.au – OneMediaPlace.com alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MetalSpectrum.com - MetalSite.com alliance</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OracleExchange.com alliances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PaperExchange.com – Impresse.com alliance</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PaperExchange.com – Noosh.com alliance</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transora.com – GlobalNetXchange.com alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transora.com – Foodtrader.com alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transora.com – Novopoint.com alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transora.com – ICGCommerce.com alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>XSAg.com – Farmpartner.com alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citadon.com merger</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Covisint.com merger</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EChips.com merger</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FoodUSA – CommerceVentures.com merger</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FoodUSA – merg. w. 3 perishable e-marketplaces</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mediapassage.com (mg. w. Broadcastspots.com)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ESkye.com (acquisition of PubCentre.com)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PaperExchange.com (acq. of Boxdirect.com)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6.3 Trends

Identified trends are based on results from research question 1 and 2, specific empirical data collected from the interviewed cases of alliances, mergers and acquisitions between B2B e-marketplaces around the future of B2B e-business and B2B inter-marketplace partnering, and on theories presented in chapter 2.

The identified trends are:

- Waiting game
- Partnering - a survival strategy
- Structure of alliances
- Neutral or biased e-marketplaces?
- Public or private e-marketplaces?
- Competition versus collaboration
- Personalised user interfaces
- E-marketplaces specialising on providing technology solutions
- Standards for E2E collaboration
- Internationalisation and global customers
- Alliances, mergers or acquisitions?

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bfinance.co.uk alliances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CheMatch.com – ChemCross.com alliance/merger</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CheMatch.com – Todoplasticos.com alliance</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e2open.com – Partminer.com alliance</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MediaHub.com.au – iMediapoint.com alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MediaHub.com.au – OneMediaPlace.com alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MetalSpectrum.com - MetalSite.com alliance</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OracleExchange.com alliances</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PaperExchange.com alliance/merger</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PaperExchange.com – Impresse.com alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PaperExchange.com – Noosh.com alliance</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transora.com – GlobalNetExchange.com alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transora.com – Foodtrader.com alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transora.com – Novopoint.com alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transora.com – ICGCommerce.com alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>XSAg.com – Farmpartner.com alliance</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citadon.com merger</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Covisint.com merger</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>eChips.com merger</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FoodUSA – CommerceVentures.com merger</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FoodUSA – merger with 3 perishable e-marketplaces</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mediapassage.com (merger w. Broadcastspots.com)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mediapassage.com (merger w. OneMediaPlace.com)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>eSkye.com (acquisition of PubCentre.com)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PaperExchange.com (acquisition of Boxdirect.com)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
7 CONCLUSIONS

Four structural partnering models with related motives are presented followed by singled-out motives for electronic B2B inter-e-marketplace alliances, mergers and acquisitions. Obstacles with electronic B2B inter-marketplace alliances, mergers and acquisitions are then presented. Finally identified trends affecting the future B2B e-marketplace configuration are presented.

7.1 Partnering models with related motives

The research of 26 cases of B2B inter-marketplace alliances, mergers and acquisitions reveals four structural models of partnering:

1. Vertical integration

Vertical integration is partnering between two vertical e-marketplaces within the same industry serving different positions in the supply chain, in order to e.g. getting access to more participants, or to offering current participants integrated supply chain and collaboration design services. Example: an e-marketplace for food ingredients forms a partnership with an e-marketplace for processed food.

2. Diversification

a) Diversification of vertical e-marketplaces

Vertical e-marketplace diversification is a formation of a partnership between two vertical e-marketplaces from two different industries, driven by for example expanding the business scope as well as getting access to more participants. Examples: 1) An e-marketplace for seafood forms a partnership with an e-marketplace for wine. 2) An e-marketplace for food forms a partnership with an e-marketplace for the building industry, where for example a large food client (like perhaps McDonald’s or Burger King) can access building equipment through its preferred food e-marketplace, for its construction of restaurant complexes (with help from E2E technology).

b) Diversification of horizontal e-marketplaces

Horizontal e-marketplace diversification is similar to vertical e-marketplace diversification except that horizontal e-marketplaces not only serve one, but many industries. Also here expanding the business scope is the main driver for the partnership, as well as to get access to more participants. Example: a horizontal e-marketplace for aeroplane tickets forms a partnership with a horizontal e-marketplace for office material.
3. **Partnering between a vertical and a horizontal e-marketplace**

When a vertical e-marketplace forms a partnership with a horizontal e-marketplace, both diversification values and vertical integration values are created, depending on from which e-marketplace’s perspective one is gazing. The horizontal e-marketplace gains industry specific knowledge and access to an industry specific network by integrating with the more specialised vertical e-marketplace. The vertical e-marketplace can broaden the scope of its corporate relationships piggybacking on the horizontal e-marketplace, and offer its participants indirect products like MRO items, business travel services etc on its site. There is in partnering between a vertical and a horizontal e-marketplace a potential for both parties to get access to more participants.

4. **Partnering between competitors**

Partnering between competitors reduces competition, opens up access to more participants, enhances the product catalogue, and releases other possible synergy effects like joint service applications etc., in order for the e-marketplaces to become a stronger competitive unit or units, by strengthening the B2B service offer to participants.

### 7.2 Motives for B2B inter-e-marketplace alliances, mergers and acquisitions

The cross-industry study identified a number of motives that e-marketplaces have for inter-marketplace partnerships, which are explained below. Identified motives are all in a varying degree drivers for one or several of the four partnering models. The overall important motivator liquidity is presented by other significant motives categorised as market related motives, technology related motives and financial motives.

#### 7.2.1 Liquidity

The exchange of goods, services and information that bring value to the participants (i.e. suppliers and buyers), is in the short history of B2B e-commerce traditionally referred to as liquidity, measured in number of dollars transacted over a time period. The research shows that an underlying motive for most inter-marketplaces alliances, mergers and acquisitions is to leverage the level of liquidity, which in practice means to get current participants to increase their usage of the e-marketplace, and to attract new participants. B2B e-marketplaces are still in an early stage of development, struggling with slow adoption, and competition from many e-marketplace players to attract suppliers and buyers, and the chase for liquidity is for many e-marketplaces a question of life and death.

How important the focus on measuring exchange of goods, services and information in the form of liquidity, varies among e-marketplaces, depending on a particular e-marketplace’s business and revenue models. Liquidity, as a measure, probably makes
more sense for a transaction-oriented revenue model, the model most B2B e-marketplaces are using today.

More specifically, the research has detected a number of motives for B2B inter-marketplace partnering, which has been classified as being market related, technology related or financial related motives.

### 7.2.2 Market related motives

Market related motives include getting access to new suppliers and buyers, getting access to expertise, enhancing the image of the e-marketplace, sharing or reducing risk, closing windows of opportunities and higher barriers to entry for competitors and joint marketing activities (only for alliances).

**Getting access to new suppliers and buyers**  One way to leverage the level of liquidity for the e-marketplace is to attract or get access to new suppliers and buyers. The fastest way to get access to new suppliers and buyers is to form alliances with, merge with or acquire other e-marketplaces, in order to access their participant bases. Get access to new suppliers and buyers was in the study found to be a very strong motive for most e-marketplaces involved in inter-marketplace partnering, especially for e-marketplaces partnering with competing e-marketplaces, and for e-marketplaces focusing on different, but directly connected links in an industry specific supply chain (vertical integration). All four partnering models; vertical integration; diversification; partnering between a vertical and a horizontal e-marketplace and partnering between competitors explained above are, in different ways, giving access to new suppliers and buyers.

**Having common suppliers and buyers**  Having common participants was motivating several partnership formations. For example the mergers resulting in the formations of Citadon, Covisint and eChips were motivated by the fact that participants (suppliers and buyers) of the e-marketplaces that were involved in the mergers, before the mergers had the same participants as the e-marketplace that it finally merged with. Simplifying operations for these participants was motivating the mergers. Also the acquisition of PubCentre.com by eSkye.com was motivated by the fact that the two e-marketplaces had common participants.

**Getting access to expertise**  Some e-marketplaces partner in order to get access to expertise from another e-marketplace in areas like a different market, industry or country, or lesson-learned and experience from a more mature e-marketplace. One example is Mediapassage that at the time only served the print media and wanted to expand into radio media, a media where broadcastspots.com already had channel expertise. The result was a merger between the two.

**Enhancing the image of the e-marketplace**  Almost all e-marketplaces included in this study see partnering as a way to enhance the image of the marketplace. The importance of this motive differs between e-marketplaces but no e-marketplace studied sees this motive as a primary one.
Sharing or reducing risk  Some e-marketplaces see partnering as a way to share and reduce the risk of failure in e.g. developing new applications or expanding the business to new countries. Sharing risk was though in case not observed to be a primary motive for the partnering.

Joint marketing activities  Some of the studied e-marketplaces mention joint marketing activities as a minor motive for forming alliances and mergers with other e-marketplaces. The joint marketing activities will be realised in e.g. sales efforts and through advertising on each other sites. Joint marketing activities can particularly be effective in cross border partnerships.

Closing windows of opportunities, higher barriers to entry for competitors  A few e-marketplaces stress the importance of acting fast in partnering activities. They want early mover advantage by acquiring other e-marketplaces, or to become the preferred alliance partners before competitors makes to moves before them. Bfinance (a financial service e-marketplace) wants to as fast as possible become the preferred financial service provider on as many e-marketplaces as possible, in order to get liquidity, but also to prevent emerging competitors of entering the same B2B e-commerce segment.

7.2.3 Technology related motives

Technology related motives include cross offering and co-development of service applications, standards enforcement and exchange of value added services (only for alliances).

Cross offering and co-development of service applications  Most technology improvements through partnering have in the study been observed in the application layer of the e-marketplace architecture. Many e-marketplaces see partnering with other e-marketplaces as a quick efficient way to enhance their functional offerings through combining functionalities and technologies of other e-marketplaces with the in-house developed service applications, as well as through co-development of new service applications. The study shows that co-development of service applications is driven by the economies in the development process, as well as by developments of service application standards for the industry. Developments of service application standards for the industry simplify future interconnectivity between e-marketplaces (like for example in the cases of the MetalSpectrum-MetalSite alliance evaluation and the formation of eChips).

Exchange of value added services (only for alliances)  Alliances between e-marketplaces enable e-marketplaces to share and exchange value-added services, in order to increase their service offerings to their participants. For example the alliances between Mediahub, iMediapoint and OneMediaPlace, all in the media industry but from different countries, will enable the parties to share value added service applications like information tools and planning tools on a best-of-breed basis.
**Standards enforcement** Cross offering and co-development of service applications drives standardisation of service applications. At the platform level of the technological infrastructure of e-marketplaces, standards are though an even greater issue. The formation of the eChips e-marketplace from QuestLink and ChipCenter was largely motivated by joint development of a uniform platform. To simplify future interconnectivity between e-marketplaces, some e-marketplace alliances are motivated by the creation of communication standards for different platform technologies. In the consumer-packaged goods industry, the e-marketplace Transora has formed an alliance with GlobalNetXchange (GNX) around exactly this issue, in their words to create a ’Megahub’, which will include creating standards for E2E data exchange.

### 7.2.4 Financial related motives

Financial related motives include raising new capital from investors and getting access to capital (only mergers and acquisitions).

**Raising new capital from investors** A few e-marketplaces see partnering as a way to increase their attractiveness in the eyes of investors and in that way raise new capital. The research revealed some alliances, mergers and acquisitions motivated by increasing the e-marketplaces attractiveness to investors (for example the formation of eChips, the eSkye acquisition of Farmpartner, and the CheMatch-ChemCross alliance). During the time period August 1999 to April 2000, many press releases regarding B2B partnering between e-marketplaces could be observed, many of which did not materialise. PaperExchange, having benchmarked B2B partnerships over that time, believes that in some of the cases, the parties did not even have the intention of actually forming partnerships, at least not at the time. Instead, the parties wanted to be included in press releases, to get general attention, in order to attract new capital investors.

**Getting access to capital (only mergers and acquisitions)** One important motive for partnering, expressed by some of the e-marketplaces studied, was to become a financially stronger e-marketplace, by integrating two e-marketplaces' financial resources. Increased capital liquidity was for example sought in the formation of eChips.

### 7.3 Obstacles with electronic B2B inter-marketplace alliances, mergers and acquisitions

Below, market related obstacles, technology related obstacles, financial obstacles and governance related obstacles are presented.

#### 7.3.1 Market related obstacles

Market related obstacles include bad timing, time-consuming negotiations due to lack of focus, anti-trust laws and that the potential partner creating an image of having more revenue than it has.
Bad timing Some e-marketplaces experienced that its potential partner was not ready or mature enough for engaging in partnering activities. For example bad timing was perceived as an obstacle for Bfinance, when approaching e-marketplaces with its financial online services that if becoming implemented would create added value for e-marketplace participants. At the time of Bfinance’s approach most e-marketplaces were about to develop and improve their own service applications. Their present focus on their service applications was perceived to be of greater importance to them than adding value added services like the one Bfinance had to offer, even though most e-marketplaces were positive to the adopting the service to their e-marketplaces in the future. Another example is the alliance plans between OZePrint (based in Australia) and PaperExchange (based in the USA) that were put on hold because competitors to PaperExchange emerged in USA during the negotiations with OZePrint. By competitors emerging on the home market, PaperExchange’s focus changed to consolidate or form alliances on the home market rather then to expand its business into new geographical markets.

Time-consuming negotiations due to lack of focus For many e-marketplaces, the negotiation process turned out to be far a more time consuming process than it was initially expected to be. One example is MetalSpectrum, who experienced a time-consuming negotiation with MetalSite, which initially was an attempt to set up an alliance, but which grew in scope to an attempt to merger, but finally resulted in neither. The long evaluation process without outcome was strongly related to a lack of focus from MetalSpectrum’s side. MetalSpectrum was at the time in fact actually strongly focusing on developing its new service application package, and finally, in the partnering evaluation process which had turned laborious due to lack of focus, realised that synergy effects were not as great as initially hoped for. Forming an alliance or merge with MetalSite was, after spending a lot of time and resources, found to no longer be of a high priority.

Time-consuming negotiations due to lack of focus can also create other obstacles for partnership formations. A few alliances have actually failed because the party’s business models changed during time-consuming negotiations, in a way that the partnership no longer was perceived as beneficial to the parties that it would be motivated to continue the alliance negotiations. Another obstacle found by the study was that lengthy negotiations resulted in key persons for the partnering process over time had changed their position or even changed company, which slowed down the process even more.

Anti-trust laws Anti-trust issues are only of concern for biased e-marketplaces i.e. e-marketplaces that are owned by participants. Anti-trust issues are based on the combined market share of the owners. Covisint received full clearance from the Federal Trade Commission (FTC) in the USA in September 11, 2000, as well as a full clearance from the German Bundeskartellamt in September 26, 2000. The thorough investigation of Covisint was a learning case for regulatory authorities, which has resulted in a ‘green light’ to similar B2B partnering intentions. Legal complexity can still slow down the partnering processes though, which for example was the case in the eSkye acquisition of Farmpartner in December 2000.
A potential partner creating an image of having more revenue than it has Some e-marketplaces have in the partnering evaluation process experienced potential partners not having as much liquidity and revenue as it tried to give an image of, like for example in the case of the attempt to an alliance between PaperExchange and Noosh. PaperExchange discovered that Noosh spent a large amount of dollars on making it look like it was affluent, but when the fancy disguise in the partnering evaluation process was dress-off, the negotiations turned out negative, leaving the two parties with time and money spent on nothing.

7.3.2 Technology related obstacles

Technology related obstacles include user interface obstacles, application layer obstacles and platform/infrastructure layer obstacles.

User interface obstacles The security issue is experienced to be a hard issue to solve. Parties have different security technologies and in E2E alliance formations it has been experienced to be hard to integrate security systems, so that participants do not have to login on two sites, like for example in the attempts to form the PaperExchange – Impresse and the PaperExchange – Noosh alliances.

Application layer obstacles No application layer technology related obstacles were found, except in the case of Bfinance, who faced that some e-marketplaces were reluctant to add another auction process (Bfinance’s auction process) to their own auction process. Some e-marketplaces thought that another auction process would make the whole process heavier and more complicated for their participants.

Platform/infrastructure layer obstacles There are definitely rather large technical obstacles in establishing inter-marketplace communication, E2E. Standards in data exchange via XML, EDI translation etc must be defined. A variety of different platforms based on different technologies make E2E integration a hard challenge, experienced by for example Transora and GNX, FoodTrader and Novopoint.

Also in mergers and acquisitions, integrating two platforms has been perceived as an obstacle that most often takes some time to overcome. In the case of the formation of the industry consortium Covisint, taking too many wills and technicalities into consideration at the same time is being perceived as a problem in the present work with developing a single platform.

7.3.3 Financial obstacles

Financial obstacles include revenue sharing (for alliances) and take-over price (for mergers and acquisitions).

Revenue sharing (for alliances) An issue that has caused some problems in E2E alliance formations is the question of who owns the customers, and how revenue directly related
CONCLUSIONS

to the alliance will be shared. Because e-marketplaces are more and more pressured by its owners to reach economical break-even, revenue sharing is becoming increasingly important in alliance formations. Bfinance for example, had to change its revenue sharing model the company proposed to its potential partners in order to get the partners interested. PaperExchange has rejected other e-marketplaces wanting to form alliances with PaperExchange, because their revenue sharing models have not been stated clearly enough.

**Take-over price (for mergers and acquisitions)** A few e-marketplaces perceived negotiations around the take-over price to be an obstacle. One merger attempt from FoodUSA was blown off because the parties could not agree upon a take-over price that both parties were happy with.

### 7.3.4 Governance related obstacles

Governance related obstacles include management (for mergers and acquisitions), cultural differences, collaboration and competition around intellectual property

**Management (for mergers and acquisitions)** In mergers, it can be hard to agree upon the management team. In the MetalSpectrum – MetalSite merger evaluation process, the two presidents of the companies were not really willing to let go of their positions. In the formation of Covisint (announced February 25th 2000), out of Auto-Xchange and TradeXchange, a management team of the e-marketplace has still not been selected.

**Lack of trust** Lack of trust was found to be an obstacle in for example the MetalSpectrum-MetalSite alliance formation/merger evaluation. In the formation of Covisint lack of trust in the area of intellectual property was found to be an obstacle in the formation process.

**Cultural differences** In cross-national alliances, mergers and acquisitions, international cultural differences has been perceived to be a problem, like in the case of the alliance between CheMatch (North America and Europe) and ChemCross (Asia). Also corporate cultural differences have been causing problems, often experienced in mergers and acquisitions, because people in many cases to some degree feel that they are being forced together. One example is Mediapassage’s merge with broadcastspots.com and OneMediaPlace. Mediapassage consisted primarily of printing people whereas broadcastspots.com primarily consisted of radio people, and OneMediaPlace primarily of TV/cable people – all with slightly different industry cultural backgrounds. Also the formation of Covisint, and the partnering evaluation process of MetalSpectrum and MetalSite were both experiencing some difficulties related to differences in corporate cultures. In the MetalSpectrum – MetalSite evaluation of a potential merger between the two companies, different management styles and corporate cultures became a somewhat problematic issue.

**Collaboration and competition around intellectual property** A paradoxical situation occurs when brick-and-mortar companies join an e-marketplace in order to collaborate
around sensitive issues related to knowledge capital, like for example collaborative design. The knowledge capital of a company creates competitive advantages and companies might be reluctant to share their knowledge with direct competitors. One example is the industry consortium Covisint. Covisint is owned partly by the old time OEMs (original equipment manufacturers) competitors Ford and GM. Covisint are facing the issue that Ford or GM might steal expertise form each other, as well as Covisint’s platform providers, Oracle and CommerceOne, might steal technology from each other.

7.4 Trends for the future B2B e-marketplace configuration

Identified trends affecting the future B2B e-marketplace configuration include "the waiting game", reluctant investors, partnering as a survival strategy, future B2B e-marketplace partnering models, structure of alliances between B2B e-marketplaces. The question of the future for neutral versus biased e-marketplaces and the question of the future for public versus private e-marketplaces are also discussed. Further, competition vs. collaboration, personalised user interfaces, e-marketplaces specialising on providing technology solutions, emerging standards for E2E collaboration, internationalisation and global customers are presented as trends for the future B2B e-marketplace configuration. The future for alliances, mergers and acquisitions in relation to each other as partnering alternatives for electronic marketplaces is finally discussed.

7.4.1 Waiting game

One explanation to why B2B e-marketplaces have not been as successful as initially predicted, is that the use of e-marketplaces requires a cultural change in the way enterprises conduct businesses and the predictions underestimated the time the cultural change would take. It takes time to change to e.g. online procurement for enterprises that might just have started to use e-mail. The fax machine, which was invented in the 1930s but was not widely accepted until in the 1980s, was probably the biggest change for most brick-and-mortar companies before the dawn of B2B e-commerce. E-marketplaces as a revolutionary tool in business communication will cause at least as a dramatic change to current business practice as the fax machine has created. However, while there are early adopters of Internet-based B2B e-commerce business technology, we are at the same time observing a resistance to adopt the new technology, similar to what the fax machine was subject to 50 years or so earlier.

The slow adoption of B2B e-commerce is not only a product of resistance towards cultural change. There is also another dimension adding to the slow adoption: an unmotivated waiting game where brick-and-mortars to a large degree refrain from taking any B2B e-commerce initiatives, with a strategic intent to watch other brick-and-mortars invest in, and develop B2B e-marketplaces. Not until B2B e-marketplaces have been developed, and when future success e-marketplaces and e-marketplace models can be determined more easily, these passive companies are planning to turn to B2B e-commerce. Also, since there tends to be a confusion of different types of e-marketplaces on the market right now, and all experts are talking about consolidation and knock outs,
some brick-and-mortars are waiting until the fog of confusion has cleared up, and the major consolidation peak is lived through. Rod Heller, founder and Chairman of FoodUSA, gives this reason why FoodUSA went out of business: "Commerce Ventures froze the market, meat and poultry traders acted like a deer caught in headlights. They won’t do anything until they see what happens [with Commerce Ventures]".

Slow adoption of e-commerce is a governmental issue as well. State governments have to make sure that the country has the electronic communication infrastructure needed. State governments need to realise the competitive advantage e-commerce can create in relation to other countries in a global information economy. Australia, for example, seems to fall further and further behind in terms of e-business infrastructure, compared to e.g. Singapore.

**Reluctant investors** E-commerce was in its very early days welcomed with open arms of investors, who were driven by great opportunism but little insights, and were pumping money into every little more or less vaguely defined business idea with the extension dot-com. The NASDAQ crash in April 2000 put fear into both smaller and larger investors, being one reason for that the investment hype around B2B e-marketplaces has now calmed down. Most e-marketplaces have not reached an economical break-even point yet, partly due to the fact that the general adoption of B2B e-commerce has been slower than first expected. Some e-marketplaces believe that e-marketplaces and dot-coms in general, deservedly so, at the moment are getting a black eye because they came onto the scene quickly and offered many solutions and promises, which they up to this point in time have not yet lived up to. In some industries, like for example the automotive industry, investment in e-commerce has also been negatively affected by a general downturn in the particular industry.

### 7.4.2 Partnering – a survival strategy

B2B e-commerce is now at a stage where, for most e-marketplaces, the number one focus is upon surviving. Many experts and e-marketplaces believe that partnering is the way for e-marketplaces to survive through the stage of slow adoption of e-commerce, for a number of reasons. E-marketplaces today have a hard time raising capital from investors and by combining the resources of two e-marketplaces makes up a stronger financial unit in the competitive environment. Also, combining two e-marketplaces and their business solutions will create value for participants, and might reduce brick-and-mortar companies’ hesitation to become e-marketplace participants. In order to get big quickly, partnering is a way to get liquidity and reach an economical break-even point, which most probably is needed in order to get investors interested in putting more capital into e-marketplaces.

It is presently a good time for acquiring smaller e-marketplaces, since they have a hard time attracting venture capital and therefore is in need to get capital resources from other channels. Being acquired by another e-marketplace, and use combined resources to develop a stronger e-marketplace is one option. Since the e-marketplace in question of
being acquired does not have much capital, the e-marketplace’s business model and its participant base can be bought cheaply.

7.4.3 Future B2B e-marketplace partnering models trends

Most partnerships today are formed between vertical e-marketplaces within the same industry, either between competitors, niche players or vertical e-marketplaces complementing each other along the supply chain. This will be the future also in the short-term perspective. In the longer term, after an extensive consolidation of e-marketplaces within specific industries, resulting in perhaps one to a few e-marketplaces (or one to a few E2E networks) per industry, there will most probably be stronger incentives for focusing on partnering between vertical and horizontal e-marketplaces. To date, there has not been much partnering activity between vertical and horizontal e-marketplaces. But many of the studied e-marketplaces see the value of partnering between vertical and horizontal e-marketplaces, and believe that when the respective industry supply chains have been made efficient by partnering between vertical e-marketplaces, partnering between vertical and horizontal e-marketplaces will come into focus. As supply chains are undergoing electronic integration, horizontal e-marketplaces are expected to consolidate and form alliances. The study has not been able to identify any cases of partnering between vertical e-marketplaces from different industries (diversification), but the chances of them to be occurring in the future are not to be ignored.

7.4.4 Trends of the structure of alliances between B2B e-marketplace

The studied alliances between B2B e-marketplaces shows that the alliances formed at this stage in the evolution of B2B e-commerce, basically all resemble one another in certain respects. The most common type of alliance are alliances sought for the long-term where alliance-generated output is retrieved back to alliance partners and where no equity is put into the alliance. Further, the most common type of alliance are alliances perceived as being of peripheral importance rather than perceived as being of core importance to the business model of the e-marketplaces. There are though in some alliances a contemplation future equity involvement, which is an indicator, though not a significant one, on that the type of electronic B2B inter-marketplace alliances found today perhaps will change over time to involve more equity in the future.

7.4.5 The future e-marketplace: Neutral or biased?

Which e-marketplace model, the neutral or biased e-marketplace, has the most promising future? Most probably, there will both be neutral and biased e-marketplaces also in the future. Some argue that neutral e-marketplaces are the optimal model to attract as many participants as possible, since participants might not be interested in joining an e-marketplace owned by a competitor. Because of slow adoption of e-commerce wherein many brick-and-mortar companies plays the waiting game, some argue that biased e-marketplaces (e-marketplaces owned by a few participants) are a concept for the future.
Biased e-marketplaces are said to speed up the adoption process of e-commerce, and more importantly a favourable e-marketplace model to get liquidity and reach an economic break-even point. A trend that recently has emerged is partnering between neutral and biased e-marketplaces. "The long term success of industry sponsored e-marketplaces and exchanges depends upon the early delivery of robust e-commerce and complementary supporting services. The best way to deliver such solutions is to work with leading independent exchanges that already have their infrastructure in place," notes Richard Villars, vice president of Internet and eCommerce Strategies at IDC. "The willingness of industry sponsored e-marketplaces like e2open and independent exchanges like PartMiner to weave together content, technology and services will be a critical element in making B2B and e-business a reality." Another example is the neutral e-marketplace FoodUSA’s attempt to partner with Commerce Ventures, an e-marketplace sponsored by the largest meat sellers in the industry. In this case, FoodUSA thought that the only way to get more liquidity was to merge with Commerce Ventures and by that give up its neutrality.

7.4.6 The future e-marketplace: Public or private?

A private e-marketplace is one individual company, having its own collaborating hub to facilitate interaction with its suppliers and buyers. The private e-marketplaces are mainly focusing on direct products that involve a high level of complexity. For example, an industrial transistor or an industrial water pump, are not typical items suitable for auctioning on a public e-marketplace. The supplier and buyer have to jointly design the product and put together a complex request-for-quotes (RFQ). Direct products like these are arguments for having e-marketplace capabilities very close to the company, even though indirect products still might be better off by being traded on a public e-marketplace. Oracle, which both operates OracleExchange and provides technical solutions, has experienced a huge demand for private e-marketplaces technology from brick-and-mortar companies. The technology demanded the most is technology enabling supply chain and collaborative design efficiencies, and not as much the procurement process technology.

OracleExchange also sees a clear trend towards e-marketplaces within an industry, that now are serving different more or less isolated segments in the supply chain, in the future will integrate supply chains and develop co-design functionality for direct products. For example, a food service e-marketplace, a food distributor e-marketplace and the CPG (consumer packaged goods) e-marketplace will all collaborate E2E to increase the efficiency of the food supply chain. The question is, if both private and public e-marketplaces have the capability to offer supply chain integration and co-design, which of these two alternatives will brick-and-mortar companies make use of for collaborative commerce?

There are two big issues one should consider when trying to analyse this. The first big issue is "time-to-benefit". Will supply chain E2E collaborating public e-marketplaces provide collaborative commerce services in a timely fashion, and in the way companies need it? Or is it going to take too much time for the supply chain collaborating public e-
marketplaces to develop these services, so that the participant companies will need to develop them on their own? The second big issue is; will supply chain collaborating public e-marketplaces be able to provide the right capabilities in a right way, and will the capabilities allow e-marketplace participants to maintain an intimate relationship the way the participants want? OracleExchange believes that supply chain collaborating public e-marketplaces will struggle with providing all the collaborative capabilities participants want in a timely fashion. What OracleExchange believe being a more possible outcome, is that suppliers and buyers will buy their own collaborating software and extracting the collaborative benefits. HighTech, one of the earliest developers of a private e-marketplace, is a company that successfully has developed collaborative commerce with its suppliers and buyers.

There is also a risk that many public e-marketplaces will not be profitable enough, in order to continuing operating, and that the outcome will be bankruptcy or becoming acquired by traditional brick-and-mortar companies who want to make use of technology and expertise, in order to develop their own private e-marketplace.

7.4.7 The issue of managing competition versus collaboration

Different researches predict that extensive consolidation in the long run will lead to one to a few e-marketplaces in each industry. If more than one e-marketplace in each industry will survive, will the few remaining e-marketplaces compete, and offer the same solutions, or will they collaborate and together offer capabilities for collaborative supply chain and design, procurement etc.? The study indicates that there in the long term will be both competition and collaboration between e-marketplaces, but that there will be a stronger focus on collaboration. It is more likely that remaining e-marketplaces will strive to complement each other and focus on different services, since e-marketplaces essentially are service providers improving the efficiency of business processes. There is really less value for participants running competing e-marketplaces to for instance lower prices between the e-marketplaces. The more e-marketplaces collaborate, the greater the potential for lower prices will become.

7.4.8 Personalised user interfaces

Every potential e-marketplace participant’s interest lies in having one point-of-entry into the B2B e-commerce world – and through his preferred e-marketplace have an all inclusive solution enabled through collaboration and E2E connections between e-marketplaces in a for everyone mutually beneficial way. B2B e-commerce is continuously taking form and changing over time. “Changing business rules will push the today’s young e-marketplaces from isolated niche offerings to highly connected one-stop shops”, Forrester Research predicts in January 2000. Through further consolidation (mergers and acquisitions) and the blooming of the E2E principle, a smörgåsbord of e-marketplaces will be connected seamlessly, where participants will be able to access the B2B network from their personalised user interfaces through which it conducts all its e-commerce activities.
OracleExchange is developing personalised interfaces for some of its participants so participants, if desired, can enter OracleExchange and its links through a personally designed user interface. There is though a long way to go until the principle of personalised interfaces will be fully developed in an E2E context. First of all, e-marketplaces will have to agree on standards, to enable the development of E2E technology.

7.4.9 E-marketplaces specialising on providing technology solutions

Developing and providing speciality capabilities is presented as one of five survival strategies for independent e-marketplaces (Starr et al, 2001). There is also a movement to host other e-marketplaces rather than operate the e-marketplace themselves. For example Commerx, once a marketplace builder, is now an application service provider (ASP) that sells private trading. As a derivative of this strategy other e-marketplaces will further ally themselves with traditional technology vendors to provide technology solutions. For example in October 2000, Hewlett-Packard and VerticalNet (an e-marketplace) announced an alliance around developing next-generation business solutions based on technologies from both companies.

7.4.10 Emerging standards for E2E collaboration

Industry hubs, “Megahubs”, and standard enforcing organisations like UCCnet drive the development of standards for E2E communication. The mission of UCCnet is “to provide value by enabling the formation of collaborative relationships through an electronic trading capability, allowing trading partners served by the UCCnet to have synchronised EAN/UCC item information, as well as access to compliant business applications and services”. The EAN/UCC item information are identification numbers comprising of eight, 13 and 14 digits, used to identify trade items, special applications (e.g. coupons) and individual assets.

*The CPG/retailer industry – a driver of cross-industry E2E standards?* The concept of the “Megahub”, created by consumer packaged goods (CPG) industry e-marketplace Transora and retailer industry e-marketplace GNX, springs from the consumer packaged goods/retailer industry being in a position of perhaps develop cross-industry standards. The industry is in a position where it is likely to become a fusion point of many varieties of communication standards, developed in other industries. At least parts of the end of the supply chain in most industries are in a way stretching out to the outskirts of the B2B world – to become consumer packaged goods going to physical retailers. The ideas with the “Megahub” is that e-Marketplaces in different industries, in their strife for visibility and integration along the supply chain from raw material to end customers, will encounter the communication standards of the “Megahub” at the consumer packaged goods/retailer level, if not before.
CONCLUSIONS

No vertical industry is in truth isolated from other vertical industries. They are serving each other. For example the chemical industry is in need of factory plants, and the building and engineering industry needs construction metal, which in its turn in its processing has been treated with chemicals. If supply chain integration is stretched out to its extreme by every industry, different industry specific E2E communication standards will meet, and when they meet, they will have to figure out a way to understand each other. It is an assumption that the stretch of supply chain integration in various industries, with somewhat unique E2E communication standards, will collide with the standards of the “Megahub”, perhaps at an earlier stage than they will encounter each other directly face to face. No matter what, if the “Megahub” does not evolve into the standard driver for E2E communication it is envisioned to become, it is still in the position of at least being the industry-hub for the consumer packaged goods/retailer industry. Until XML standards etc get fully in place though, flow of data between Transora, GNX and other present E2E “Megahub” partners like FoodTrader and Novopoint will be very limited.

**Industry specific E2E standards** B2B e-commerce is still pretty much in its infancy, and the concept of cross-industry standards for E2E communication, is for most e-marketplaces a very premature concept in relation to their present business development focus. At this point in time the focus among e-marketplaces in generally on exploiting the area, getting participants to one’s own particular solution in order to achieve a critical mass, which to a large degree is approached by different forms of partnering: mergers, acquisitions and alliances. An increased number of inter-marketplace alliances will force industry standards to evolve. For some e-marketplaces, working towards industry standards is of a higher priority than working towards developing cross-industry standards for E2E communication. For example, in the chemical industry, two industry consortia, Envera and Elemica, attempts to stimulate the definition of the standards for supply chain integration and E2E communication within the industry.

Exactly how standards of E2E communication will develop remains to be seen. Industry specific standards will develop on one side, and at the same time cross-industry standards will slowly take form where interest for these are strong, and everything will evolve under influence of UCCnet and other standards enforcing organisations.

**7.4.11 Internationalisation and global customers**

The common belief among most of the studied e-marketplaces is that, for most vertical e-marketplaces to expand their business abroad, they have to partner with another e-marketplace in that country or geographical area that has local channel contacts and knowledge. One other important issue to consider, is that the e-marketplace in the other country or geographical area perhaps already has most of the participants registered on its site, which is another reason to partner with that e-marketplace. Partnering across geographical areas is also a valid strategy for horizontal e-marketplaces, even though getting access to expertise of different industries or countries is not as an important motivating factor for partnering. An interesting future trend, observed in the media industry, is that e-marketplaces in different countries might form alliances with each
other in order to handle global customers. Mediahub believes that media e-marketplaces that are seeking global advertising customers will form E2E alliances in order to serve global firms. Mediahub adds though that this partnering strategy is not in focus now since global customers are only representing a few percent of the advertising buying market and therefore they are at the moment not a prioritised customer segment.

7.4.12 The future of partnering: Alliances, mergers or acquisitions?

Out of the 26 observed cases of partnerships between B2B e-marketplaces, formed and attempted to be formed over the time period from September 2000 to March 2001, 16 were found to be classified as alliances (61%). Eight were classified as mergers (31%), and only 2 acquisitions (8%) were found, giving us a small indication of that alliances are a preferred form of partnering between e-marketplaces (see appendix for the full list of partnerships between B2B e-marketplaces included in the study). Future will tell how extensive the consolidation of the e-marketplaces will be (constituted of electronic inter-marketplace mergers and acquisitions). Future will also tell whether alliances also in the longer run will be a more common partnering form than mergers and acquisitions, when the e-marketplace space will grow into a more mature business space. The speed of development of E2E standards will most probably affect what kind of partnership we will be able to observe in the e-marketplace space in the future. A faster development of E2E standards will probably help many e-marketplaces to survive as separate entities, not having to merge with or acquire (or getting acquired by) other e-marketplaces in the same extent as in the case of a slower development of E2E standards. A slower development of E2E standards would most probably be a pushing factor for the consolidation of the B2B e-marketplaces; i.e. mergers and acquisitions between e-marketplaces.

7.5 E-marketplace partnering versus partnering in general

Electronic B2B inter-marketplace partnering is to a large degree similar to more traditional partnering where brick-and-mortars are the players. There are though differences. E-marketplaces are less capable of standing by themselves than brick-and-mortar companies. The space of e-marketplaces is more volatile than brick-and-mortar industries in general, which makes motives for partnering between B2B e-marketplaces oriented largely towards surviving, and characteristically surviving in the short term. In brick-and-mortar industries motives for partnering also of course is driven by a will to survive. The difference though is that brick-and-mortar partnering is less driven by the panic-like motives for surviving. When it comes to partnering obstacles between e-marketplaces and brick-and-mortar companies governance obstacles, financial obstacles and market related obstacles tend to be comparably alike, but some differences can also be observed. Technology related obstacles are of different nature for inter-marketplace partnering than for brick-and-mortar partnering. The technology related obstacles characterise inter-marketplace partnerships in comparison with brick-and-mortar partnerships. Because of the nature of e-marketplaces to stimulate competition rather than hinder it, inter-marketplace partnerships are not subject to market related obstacles in the form of anti-trust issues as brick-and-mortar companies are.
8 **IMPLICATIONS**

What implications presented obstacles and trends will have for e-marketplaces is discussed. Different B2B e-marketplace investment strategies for brick-and-mortar companies about to start e-marketplace activities are also discussed.

### 8.1 Implications for e-marketplaces

In the B2B e-commerce environment of today, both consolidation and collaboration are increasing trends. Partnering in various forms (alliances, mergers and acquisitions) will determine the configuration of future B2B space. Not many e-marketplaces, if any, will be able to stand by themselves and survive the mighty forces inherent in the B2B evolution. Being able to accurately tackle obstacles in electronic B2B inter-marketplace partnering will speed up the development of your e-marketplace, and increase its potential to survive and succeed.

#### 8.1.1 Tackling market related partnering obstacles

Market related partnering obstacles are tackled by staying focused on core development issues and by doing so avoiding time-consuming negotiations and seeking a strategic fit. How geographic distances and anti-trust laws can interfere with the partnering processes is further presented and discussed.

**Focus on core development issues - avoid time-consuming negotiations**  
A lack of focus is very likely going to result in spending resources on issues of less strategic importance, which will not benefit the development of the e-marketplace the most. To avoid lengthy negotiations with value added service providers – narrowly define your focus, and if all your resources are likely to be needed to achieve goals of higher strategic importance than integrating additional value added services into your e-marketplace - do not go into negotiations at all. It might though in certain cases be wise to enter a negotiation to learn about future solutions, if you are in the position where it makes sense putting aside resources for doing such a negotiation. If you presently are very busy in the process of developing your service applications and customer relations, it might not be a good time to try to form alliances with value added service providers. For example, financial service provider Bfinance, is perhaps not of core importance to the development of your business model at this point in time.

**Seek a strategic fit**  
Know exactly what kind of synergy effects that you want out of the partnership, and thoroughly research them. See through your potential partner. You might want to partner around a specific service application developed by your potential partner. In that case, evaluate the synergies this service application will create to your e-marketplace and build up your partnering strategy around these synergy effects. The same principle is valid if you for example are partnering for aggregation of participant bases.
Do not mistake outspoken grand visions for fact. An alliance partner might for example lack financial resources, and in desperate need to form an alliance around capital liquidity, the alliance partner might create an image of having more revenue than it really has. Do your research at an early stage to avoid evaluating partnerships within which for you there in truth are no substantial synergies.

**Tackling geographic distance** If you are about to form a partnership over great geographical distances - which might be an excellent way to electrify your e-marketplace – be prepared that the formation process can take longer time than expected. The number of business hours when it is possible, or at least convenient, to communicate is reduced due the fact that parties are active in different time zones.

**Tackling anti-trust laws** If you are planning to form an electronic B2B inter-marketplace partnership - do not worry about anti-trust laws. The nature of e-marketplaces is rather to increase competition between participants, and the collaboration enabled by them is of a participant/customer beneficiary nature. If you still are unsure, take a look at the formation of the industry consortia Covisint, which was recently thoroughly examined by regulatory bodies, and received full clearance. Compare your desired partnering with that case. Your case will not have go through as an extensive examination as Covisint. Your partnering case, if it is an acquisition or merger, might still though be held back by regulatory examination, for regulatory bodies to further learn about the principles of the new economy, but there is nothing indicating that your partnering will not be let through at the end.

8.1.2 Tackling technology related partnering obstacles

An issue that has to be considered in mergers and acquisitions is that integrating two platforms can be a very time-consuming process. In E2E alliances, be aware that the security issue in the user layer may be a technologically complicated issue to solve. Also, be aware that standards for E2E communication in the platform/infrastructure layer, to date are far from defined. The definition of E2E communication standards is an iterative process, and will not happen overnight. E2E standards are likely to come to being from a combination of forces from industry specific hubs working for E2E communication within each industry, cross-industry “Megahubs”, like the one initiated by consumer packaged goods industry e-marketplace Transora and retailer industry e-marketplace GNX, and standard enforcement organisations like UCCnet.

8.1.3 Tackling financial partnering obstacles

Suggestions for how to deal with issues like revenue sharing, a changing investment climate over time and a take-over price are presented below.

**Tackling the issue of revenue sharing** Be aware that revenue sharing can become an issue in E2E alliances. Who owns the participants? In adding value-added services to your e-marketplace, how will you benefit? Do you consider the service is of enough value
itself, or should you demand for example a 10% share of the profits made on business that your site has generated?

**Timing - a changing investment climate** The e-commerce investment climate has changed. An alliance a year ago would have attracted investors in a larger degree than it will today. E-commerce can still though be likened with a little baby, not yet standing stable on its two legs. Investors are presently to a large degree observing what big-mouthed dot-coms actually are able to put into practice. Along with dot-coms transforming into operational ‘future-factories’, and start showing results, investors will in a larger extent open up their wallets again for next stage in the development process of B2B e-commerce. There is no doubt that the B2B baby will grow big. It will just have to go through certain stages to get there. And each stage will take its time.

**Tackling the issue of take-over price** In mergers and acquisitions, politicking over a take-over price will always be a part of the game. There is no reason for take-over price politicking not being a part of electronic B2B inter-marketplace acquisitions and mergers, but at the same time there is no reason to believe that politicking in the B2B world would be of a larger degree than in other mergers and acquisitions.

8.1.4 **Tackling governance related partnering obstacles**

Tackling governance related partnering obstacles presents suggestions for how to deal with issues such as management, cultural differences and collaboration and competition around intellectual property.

**Handling the management issue** In a merger, be aware of that it might be hard to come to terms with who should be the one president or CEO of the new corporate entity if it is a merger of two equals. In a merger of two equals, the two CEOs both have not unlike built their e-marketplaces from scratch and in a way feel personal affection to what they have built. In consortia there is definitively a problem with co-operation among old time competitors that now together runs one e-marketplace. Covisint has for example not come to terms to form a management team for the e-marketplace yet. In the interest of everyone, every e-marketplace in the long run needs one strategic head at the top. To find the right person for that, has in the case of Covisint proven to take some time, which perhaps is wiser than getting someone in charge for the marketplace quicker, but that might be a less qualified person for the job. The issue is to form a neutral management team.

**Handling cultural differences** Be aware that international cultural differences can be a potential problem in alliances, merges and acquisitions between e-marketplaces in different countries of different cultures and business customs. Also be aware that differences between corporate cultures can complicate electronic B2B inter-marketplace partnering and make the processes more time-consuming.

**Handling collaboration and competition around intellectual property** Electronic B2B marketplaces have yet to experience how far it is possible to collaborate in sensitive areas
such as around intellectual property. If you have intentions to form a partnership with another e-marketplace, in order to enable for example collaboration in product development, be aware that it is an unexplored area. In product development, for instance, e-marketplace participants can be helped to collaborate around very sensitive issues, around which some participants normally might try to create themselves a competitive advantage. For some participants, perhaps those that are not in a direct competitive relationship with each other, collaboration around sensitive issues is likely to mutually be of important value to both the collaborating e-marketplace participants.

8.1.5 Additional partnering guidelines for e-marketplace survival and success

Additional partnering guidelines for e-marketplace survival and success involve issues like focusing on prioritised factors for success, researching what participants are in need of and being open to redefine your business model.

Focus on prioritised factors for success The research shows that an underlying motive for most inter-marketplaces alliances, mergers and acquisitions is to leverage the level liquidity. How important the focus on liquidity is for an e-marketplace varies. Liquidity, as a measure, probably makes more sense for transaction-oriented revenue models. There are perhaps other issues than liquidity that for private e-marketplaces or industry consortia should be of higher priority? For an industry consortium with enough liquidity already guaranteed by a number of large participants, governance is perhaps at this moment a more important issue, in order to get the ‘B2B baby’ up take to a the first stumbling steps on its own inexperienced legs.

Research what your participants are in need of An important way of enhancing the liquidity is to learn more about current and potential participants. A company called eMarket Concepts in USA conducted a survey on what kind of research that was done prior to launching an e-marketplace, which revealed that there often was a gap in the perceptions of the e-marketplace founders and its participants, of what inefficiencies the e-marketplace actually should concentrate on.

Be open to redefine your business model In order to survive as an e-marketplace in the B2B space, you might have to be open to redefine your business model - a matter concerning all types of e-marketplaces, but perhaps most of all neutral (independent) e-marketplaces.

Private e-marketplaces (owned by a single powerful company) may seem more likely to succeed, since they have the dollars to invest to create robust solutions. Private e-marketplaces will though not be the only B2B business model that will survive in the long term. Some private e-marketplaces will not make it, like Dell’s e-marketplace, which shut down in January 2001 – only having managed to connect three suppliers to it. There will be a mixture of different B2B business models. Some private e-marketplaces, industry consortia and neutral e-marketplaces however, will make it, others will not.
Be aware of success strategies for independent e-marketplaces For the long-term survival of independent e-marketplaces five strategies have been identified by Accenture (2001b) including:

a) Allying with consortia players in need of capability (in order to get liquidity)
   E.g. Novopoint and FoodTrader in E2E alliance with Transora.

b) Merging with or acquiring traditional businesses
   E.g. ChemConnect acquiring Universal Chemical Brokerage, or eChips merging with Advantage’s Telesales unit, and bridge clients from traditional businesses over to become participants on the e-marketplace.

c) Providing speciality service applications
   Identify and develop a value-added speciality and partner around this unique capability (merger, acquisition or E2E alliances). This survival strategy taken a step further is to redefine the business model from an e-marketplace into becoming an application service provider. A derivative of the strategy to provide speciality capabilities is to form an alliance with traditional technology vendors to provide new technology solutions.

d) Serving niche markets
   Identify a narrow niche market, which although it does not offer massive volume, is under considerably less competitive pressure. A niche market is probably not large enough to support an industry consortium, and might only be larger enough to support one e-marketplace. An e-marketplace being the first independent e-marketplace on the market developing service applications might find that there will not be enough room for competitors.

e) Merging with other independent e-marketplaces
   Merging with other independent e-marketplaces reduces competition, combines customer bases, minimises costs through rationalised operations, and provides wider range of service applications than a singular e-marketplace.

Additional to these five strategies for survival of independent e-marketplaces is a sixth strategy: to become acquired by traditional brick-and-mortar companies, who want to use the technology that has been developed in order to develop their own private e-marketplaces.
8.2 Implications for brick-and-mortar companies

Chapter 2.2 "Implications for brick-and-mortar companies" discusses the question of whether taking part or not in e-marketplaces and suggest brick-and-mortar companies to do so. Further three active B2B e-commerce strategies with different levels of investment risks are presented.

8.2.1 B2B e-marketplaces - to dive or not?

“E-marketplaces will become an enduring reality in the business landscape. While the growth of these venues will spur continuous change, firms shouldn’t wait another minute before jumping in.” – Varda Lief, senior analyst, eBusiness Trade Research, Forrester Research, January 24, 2000.

There are so many opportunities with B2B e-commerce that it is stupid to stay out of taking part of the development. Yet, there is a slow adoption of B2B e-commerce, wherein many brick-and-mortar companies play the “waiting game”, refraining from taking an active role and afraid of taking risks. By applying a passive strategy towards B2B e-commerce and playing the ‘waiting game’, brick-and-mortars are freezing out e-marketplaces, mostly independent e-marketplaces, which could have bloomed into something valuable to participant if they had only dared to join. Apart from e-marketplaces being frozen out, the consolidation process is triggered.

It is understandable why many brick-and-mortars are passive to B2B e-commerce, if they perceive B2B e-commerce as a high-risk venture. Brick-and-mortars fear that diving into a perhaps too shallow B2B pool might end up in a heavy headache. It is advisable not view B2B e-commerce as something one needs to dive into. It is advisable getting wet now, at least dip a toe, or perhaps a foot, in the pools of B2B e-marketplace service offerings, and take part of B2B e-commerce, as far as there are resources available doing so at the time being. Not stay out of the water will make a brick-and-mortar company learning faster how to swim in the sea of B2B opportunities, that presently is in the process of filling up. The quicker a brick-and-mortar company will learn the B2B swimming techniques, the more savings are likely to be made by reducing inefficiencies in the supply chain, and perhaps being those reduced inefficiencies will lead to developing competitive advantages by for example price, product development or time-to-market. The advice to brick-and-mortar companies is clear – Don’t be dry - take an active part of the B2B development.

Brick-and-mortar companies perceive a risk in taking a part in the development of a B2B e-marketplace. If a brick-and-mortar company have an idea of what it wants out of B2B e-commerce and B2B e-marketplaces, the risk of choosing a business model that will die is lower. After all, the value created for brick-and-mortar companies is the value that justifies a certain B2B e-marketplace business model. If a brick-and-mortar company do not have an idea of what B2B e-commerce has to offer them, it might still be an idea to pursue at least a low investment approach to B2B e-commerce. A low investment approach to B2B e-commerce could for example be to join a horizontal independent e-
marketplace, to learn about e-commerce and sow ideas on what type of B2B e-commerce solutions that is sought for the company.

**Big future possibilities** Even in the US, today only a small percentage of brick-and-mortar companies are using e-marketplaces. If brick-and-mortar companies will stop playing the waiting game and start really taking advantage of opportunities that e-marketplaces provide, and if the percentage of brick-and-mortar companies that are using e-marketplaces will increase to say 50%, there will be big dollars to earn for e-marketplaces.

### 8.2.2 Active B2B e-commerce strategies for brick-and-mortar companies

What B2B e-commerce strategy that makes most sense for a brick-and-mortar company depends on a number of factors; the size of the brick-and-mortar company, the brick-and-mortar company’s ability and willingness to make B2B e-commerce investments, the competitive nature of the industry, etc. It is therefore hard to give general guidelines to brick-and-mortars companies, regarding what B2B e-commerce strategies to pursue, except that brick-and-mortar companies are advised not to be passive.

What B2B e-commerce approach a brick-and-mortar company today decides upon to take, is not really a decision that possibly can result in drastic negative consequences. The risks are exaggerated. B2B e-commerce is continuously taking form, and the structure of B2B e-commerce will change over time. For example, user interfaces of today will change, and in the long run they will be highly personalised. Along with the consolidation process, where e-marketplaces merge with and acquire each other, the level of collaboration, E2E inter-connections and integration will also increase. An e-marketplace participant will in the future, from his personalised user interface, have access to a wide variety of service applications, and huge interconnected bases of suppliers and buyers, all seamlessly connected via E2E. Virtually every present B2B e-commerce solutions will be subjects of redefinition and undergo a change over time. B2B e-commerce solutions of today can be likened with babies that will learn, grow up, get an education, and then finally for real being able to make contributions to the society.

Presented below are examples on different B2B e-commerce strategies with different levels of investment involvement, in order; the low investment B2B e-commerce strategy, the medium investment B2B e-commerce strategy, and finally the high investment B2B e-commerce strategy.

#### 8.2.2.1 Low investment B2B e-commerce strategy

A low investment B2B e-commerce strategy for a brick-and-mortar company is to choose a neutral/independent/public/third-party e-marketplace, and join as an e-marketplace participant. How does one know which independent e-marketplace to join? How does one know which e-marketplaces that will survive? It is hard to say for sure. Of the pool of possible e-marketplaces to join, evaluate what back up there is for big talk about future
IMPLICATIONS

service offerings etc. How many participants do the e-marketplaces have now? How much trade between participants is flowing through the e-marketplaces (liquidity)? What kind of trade is it? How would you fit in? Finally, place a bet on the e-marketplace that seems to fit best.

There are two different kinds of independent e-marketplaces: horizontal and vertical independent e-marketplaces. Horizontal e-marketplaces are directed towards serving indirect products like MRO items, travelling tickets etc, across various industries. Vertical e-marketplaces are specialised serving a certain industry, or segment of an industry. What kind of B2B e-commerce is sought?

a) Become a participant in a horizontal e-marketplace

A soft approach to B2B e-commerce would be to become a participant in a horizontal e-marketplace, and get a feel for what B2B e-marketplaces might have to offer. The usage of B2B horizontal e-marketplaces is a good strategy for efficient the procurement process of indirect products and might bring about a realisation of benefits inherent in B2B e-commerce, inspire yet another step to be taken into the world of B2B e-commerce.

b) Become a participant in a vertical independent e-marketplace

Evaluate which vertical independent e-marketplaces in the relevant industry or niche market that suits the brick-and-mortar company best. Has the e-marketplace already has been involved in partnering with other e-markets? Around what issues have they partnered? Where are the brick-and-mortar company’s greatest inefficiencies? What kind of service applications would suit the brick-and-mortar company’s strongest needs best? Commerce-oriented e-marketplaces (e.g. exchange-oriented e-marketplaces and auction-oriented e-marketplaces), community-oriented e-marketplaces, or collaboration-oriented e-marketplaces (supply-chain-integration e-marketplaces) or e-marketplaces with all these types of service applications? If there are no e-marketplace that now can deliver the type of B2B e-commerce services that are sought, which e-marketplace(s) are most likely to be able to deliver them in the future, and as soon as possible?

c) Become a non-equity member in an industry consortium

If there are opportunities to do so, becoming a non-equity member (participant) in an already existing industry consortium might be a valid strategy.

8.2.2.2 Medium investment B2B e-commerce strategy

a) Become an equity member in an industry consortium

Become an equity member in an industry consortium, already formed, or that you will become a founding member of. Evaluate whether there are real synergy effects to draw from getting together and jointly developing an industry consortium e-marketplace. Are there any brick-and-mortar companies with whom strategic synergies could be created? To jointly develop an e-marketplace, reduces the number of dollars spent per brick-and-mortar company on developing B2B e-commerce technologies. A brick-and-mortar company also has to evaluate to what degree a supposedly somewhat competitive climate
between consortium members will allow collaboration around more sensitive issues like product design for example.

b) **Become an equity member in an independent vertical e-marketplace**

For a large brick-and-mortar company, that might not feel a need to develop a private e-marketplace, becoming an investor in an existing independent e-marketplace, might be an alternative. The independent e-marketplace might lose their independence, their neutrality, by getting a large brick-and-mortar company becoming both a participant and an investor. The independent e-marketplace might though be willing to give up their present business model in exchange for a large participant that might bring liquidity to the e-marketplace, and keep the e-marketplace alive. Further developments of the new e-marketplace, now of “semi-private” nature, might in the future, to a large degree, be directed more towards the needs of the large brick-and-mortar investor.

### 8.2.2.3 High investment B2B e-commerce strategy

Developing a private e-marketplace is a high investment B2B e-commerce strategy. Private e-marketplaces are especially suitable for larger brick-and-mortar companies, with an extensive number of suppliers, and perhaps also buyers. The private B2B e-marketplace model is for many brick-and-mortars an excellent approach to supply chain integration.

To reduce the level of investment there are possibilities of making use of already developed supply chain integration service applications, more commerce-oriented service applications, platform technology etc. There are possibilities of buying already developed solutions, that are working in other e-marketplaces, and adjust the technology for a particular industry within which the private e-marketplace is about to be developed. B2B technology solutions can also be bought from e-commerce technology provider companies like Oracle for example, who are able to tailor solutions to suit different models of e-marketplaces of different industries.

For large brick and mortar companies, it also may make sense to not only buy developed technology solutions from an independent e-marketplace. It may even make more sense acquiring an entire e-marketplace, to use as a base for the development of an own private e-marketplace, which is an extension of the medium investment B2B e-commerce strategy – to become an equity member in an independent vertical e-marketplace – presented above. Many e-marketplaces will not be profitable enough in order to continue operating and will die, unless they will not become acquired by traditional brick-and-mortar companies wanting to make use the developed technology in order to develop their own private e-marketplaces.

There are a number of pros with developing private e-marketplaces, compared to the other investment related extreme of becoming a participant in an independent e-marketplace. By designing one’s own user interface from the very beginning, means that from day one, the brick-and-mortar company will have a personalised user interface. This study believes that in the long term, personalised user interfaces will be a reality for every

Private e-marketplaces are growing faster compared to independent e-marketplaces, which talk for private e-marketplaces becoming the more important colonisers of the B2B e-marketplace space of them two. The fastest developing e-marketplaces will set the standards of B2B e-commerce.
SUGGESTED TOPICS FOR FUTURE RESEARCH

9 SUGGESTED TOPICS FOR FUTURE RESEARCH

Two topics for future research have appeared in the work with this research regarding electronic B2B inter-marketplace partnering:

1) To what extension is strategic partnering between B2B e-marketplaces stretched along industry-specific value chains and across different industries?

2) Will there be less golf rounds played? How will relationships between customers and suppliers, that are doing business with each other via future e-hubs, be affected?
REFERENCES


Another independent b-to-b marketplace is going out of business, done in by an industry-led rival. (January 3rd 2001) UpsideToday [Online], Available online: http://www.upside.com/Ebiz/3a536f51a.html [February 10th 2001]


146
REFERENCES


Four-Way Merger Creates Next Generation eCommerce Channel for Electronics Professionals - eChips to launch as combination of QuestLink, ChipCenter, and business units of Arrow and Avnet. (Press Release), Available online: http://www.eChips.com [March 8th 2001]


Henig, P. D. (2000, August). Revenge of the Bricks. Red Herring, 81, p. 120.


REFERENCES


REFERENCES


Interview References


The e²open - PartMiner alliance: Telephone interview with David Simpson, Director of Business Development, e²open, February 8th 2001, 30 minutes.

Mediahub’s alliances with OneMediaPlace and iMediapoint: Telephone interview with David Hoyle, CEO, Mediahub, February 22nd 2001, 30 minutes.

The MetalSpectrum – MetalSite partnering evaluation: Telephone interview with Sharon Morgan, Director of Communications, MetalSpectrum, February 16th 2001, 45 minutes.


The XSAG.com Nterline platform alliance with Farmpartner: Telephone interview with Bill Barton, Co-founder of XSAG.com and Business Manager of Nterline, February 28th 2001, 35 minutes.

Attempt to form an international alliance in the CPG industry: Personal interview with Jeffrey Russell, partner, Accenture, Melbourne, Australia, in Sydney March 9th 2001, 15 minutes. Also internal reports on “e-marketplace A’s” attempts to form an alliance with “e-marketplace B”, Accenture, Sydney, Australia were used.

The merger of Bidcom and Cephren into Citadon: Telephone interview with Tim Perini, Vice President of Sales, Citadon, Feb 23rd 2001, 55 minutes.

The formation of Covisint: Telephone interview with Senior Manager Bradford F. Tobin, Accenture, Cleveland, USA, Feb 21st 2001, 60 minutes. Also have e-mail contact been kept with Thomas Hill, Covisint, Feb 14-15th 2001.

The formation of eChips: Telephone interview with Ron Mabry, eChips, Inc., Feb 22nd 2001, 42 minutes.

FoodUSA’s merger attempt with Commerce Ventures: Telephone interview with Steve Haugen, Vice President Business Development, FoodUSA, February 16th 2001, 50 minutes.

Mediapassage’s mergers with broadcastspots.com and OneMediaPlace: Telephone interview with Carl Bryant, Executive Vice President of Business Development, Mediapassage, February 23rd 2001, 40 minutes.


### Appendix A. Interviewed e-marketplaces

**Electronic B2B inter-marketplace alliances, mergers and acquisitions studied***

#### Alliances (and attempts to alliances)
- Bfinance.co.uk – many potential e-marketplaces, (no announcement yet)
- CheMatch.com – ChemCross.com, February 20th 2001
- CheMatch.com – Todoplasticos.com, November 3rd 2000
- e2open.com – Partminer.com, October 9th 2000
- MediaHub.com.au – iMediapoint.com, no formal announcement yet (under evaluation)
- MediaHub.com.au – OneMediaPlace.com, no formal announcement yet (under evaluation)
- MetalSpectrum.com - MetalSite.com, September-December 2000 (the attempt failed)
- OracleExchange.com – many potential e-marketplaces, (no announcement yet)
- PaperExchange.com – Noosh.com, February 2000 (the attempt failed)
- Transora.com – GNX.com, January 8th 2001
- Transora.com – Foodtrader.com, October 26th 2000
- Transora.com – Novopoint.com, October 26th 2000
- Transora.com – ICGCommerce.com, March 5th 2001
- XSAg.com (Nterline) – Farmpartner.com, January 8th 2001

#### Mergers (and attempts to mergers)
- Citadon.com (merger between Bidcom.com and Cephren.com), October 24th 2000
- Covisint.com (joint venture/merger between TradeXchange.com and Auto-Xchange.com), February 25th 2000
- eChips.com (merger between ChipCenter.com and QuestLink.com), October 9th 2000
- FoodUSA – CommerceVentures.com, August-October 2000 (the attempt failed)
- FoodUSA – three perishable e-marketplaces (names confidential), November-January 2000 (the attempts failed)
- Mediapassage.com (merger between Mediapassage.com and broadcastspots.com), August 7th 2000
- Mediapassage.com (merger between Mediapassage.com and OneMediaPlace.com), January 16th 2001
- MetalSpectrum.com - MetalSite.com, September-December 2000 (first an alliance intention)

#### Acquisitions
- eSkye.com (acquisition of PubCentre.com), December 18-22nd 2000
- PaperExchange.com (acquisition of Boxdirect.com), October 24th 2000

* The e-marketplace listed first in each of the alliances, mergers and acquisitions is the e-marketplace that has been interviewed.
Appendix B. Questionnaires

Questionnaire regarding B2B inter-e-marketplace Alliances

Master’s thesis researchers from Luleå University of Technology, Sweden
Magnus Sandberg, magnus.sandberg@accenture.com &
Eric Westerberg, eric.westerberg@accenture.com.
Sponsored by Accenture, Sydney.
Accenture is the new name for Andersen Consulting as of January 1, 2001.

General information for classification of the e-marketplaces

1. Is the e-marketplace: Vertical / Horizontal?
   a. If vertical, is the industry buyer fragmented, supplier fragmented or both?

2. What industry/industries is/are the e-marketplace serving?

3. Do the two alliance parties serve two different places in the value chain?
   (For example: raw materials suppliers, parts suppliers, manufacturers, etc.)
   a. If, no were the e-marketplaces previous competitors?

4. How many suppliers are included in the e-marketplace and what is their total approximate industry-specific market share?

5. How many buyers are included in the e-marketplace and what is their total approximate industry-specific market share?

6. What is the market position of the e-marketplace: Leader / Follower / Neither?

7. Is the e-marketplace: Neutral / Buyer centric / Seller centric?
   a. If buyer or seller centric, which buyers/sellers have ownership in the e-marketplace?

8. What is the e-marketplace’s core business/ primary focus?

9. What is/are the most important value adding service(s) that the e-marketplace provides?

10. Is the platform of the e-marketplace built internally?
   a. If not, who are the preferred platform providers?
11. What market maker model can the e-marketplace be classified as (Place in figure):
   - Online catalogue
   - Auctions
   - Exchange
   - Community Market Maker
   - E-hub

12. When was the announcement of the partnering?

**Description of the partnering relationship**

13. Have the alliance partners invested money in the alliance project?

14. Is the companies’ input of resources into the alliance sufficient for:
   a. Short-term operations?
   b. Long-term operations?

15. Is the alliance meant to be:
   a. Short-term?
   b. Long-term?

16. Where will the retrieval of the output (the revenue) go:
   a. Back to the alliance partners?
   b. Retain in the alliance for further alliance development?

17. How will the revenue from the alliance be shared?

18. What strategic importance does the alliance have to your e-marketplace:
   a. Core?
   b. Peripheral?
   c. In between?

**Motives for electronic B2B inter-marketplace alliances**

**MARKET RELATED MOTIVES**

19. Are attracting/gaining new suppliers and buyers, and/or expanding the product catalogue, motives for the alliance?
   a. If yes,
      1. **Why** is that a motive?
      2. **Where** are these new suppliers and buyers found?

20. Is defending or remain market shares one of the motives for the alliance? (If market leader)
   a. If yes, how is that accomplished with the alliance?
21. Is becoming market leader one of the motives for the alliance? (If market follower)
   a. If yes, how is that accomplished with the alliance?

22. If the alliance partner was a previous competitor, is this a motive for the alliance?
   a. If yes, in what way is that a motive?

23. Is it possible that the image or perception of the e-marketplace is enhanced because of the alliance?
   a. If yes, in what way, and is that a motive for the alliance?

24. Is one of the motives for the alliance to raise capital from investors?
   a. If yes, how does the alliance contribute to raising capital?

25. Is one of the motives for the alliance to reduce or share risk?
   a. If yes, how does the alliance reduce or share risk?

26. Is one of the motives for the alliance to get access to expertise knowledge?
   a. If yes, knowledge in what areas?

27. Is one of the motives for the alliance to enhance R&D of new service applications?

28. Is joint marketing activities one motive for the alliance?

TECHNOLOGY RELATED MOTIVES

29. Does the alliance create value in the user layer of the e-marketplace’s architecture? User layer: E.g. Customised views, Security services, Context management/member profile, Directory of services/rights
   a. If yes, how?

30. Does the alliance create value in the application layer of the e-marketplace’s architecture (commerce, collaboration and additional value adding services)? Application layer:
   Commerce-oriented Services, E.g. order matching, order execution, order management, fulfilment etc. in various forms, e.g. problems caused by different forms of procurement models (e.g. auctions)
   Collaboration-oriented Services, E.g. collaborative Product Development, collaborative Supply Chain Mgt, collaborative Logistics)
   Additional Value Added Services, E.g. Community activities, Information tools etc.)
   a. If yes, how?
31. Does the alliance create value in the platform/infrastructure layer of the e-marketplace’s architecture?  
*Platform layer: E.g. Billing and credit engine, transport/queuing services, Integration with third parties etc.*

   a. If yes, how?

**FINAL QUESTIONS RELATED TO MOTIVES FOR THE ALLIANCE**

32. Did the e-marketplace face problems before the alliance, which have been solved by the alliance?

33. How do suppliers and buyers benefit from the alliance other than that already has been discussed?

34. Are there any additional motives for the alliance that have not been covered?

35. Which of all these motives are the strongest motives for the formation of the alliance?

**Obstacles with electronic B2B inter-marketplace alliances**

**Formation process obstacles:**

Did the e-marketplace experience any **problems** related to…

1. …Differences in e-Marketplace structure?

   • …Caused by differences in the **user layer** interface?  
   *User layer: E.g. Customised views, Security services, Context management/member profile, Directory of services/rights*

   • …Caused by differences in the **application layer**?  
   *Application layer: Commerce-oriented Services. E.g. Order matching, order execution, order management, fulfilment etc. in various forms, e.g. problems caused by different forms of procurement models (e.g. auctions)  
   Collaboration-oriented Services. E.g. Collaborative Product Development, collaborative Supply Chain Mgt, collaborative Logistics)  
   Additional Value Added Services. E.g. Community activities, Information tools etc.)*

   • …Caused by differences in the **platform layer**?  
   *Platform layer: E.g. Billing and credit engine, transport/queuing services, integration with third party etc.*
2. …Strategic fit?
   a. Did the e-marketplace experience any problems related to the parties having dissimilar motives for the alliance?
   b. Did the e-marketplace experience any problems related to differences in perceptions of:
      - Short- and the long-term compatibility between the e-marketplaces?
      - Which inputs from the parties that would go into the alliance?
      - How revenue from the alliance is shared?

3. …Differences between the biases of the two e-marketplaces?

4. …International or inter-corporate cultural differences?

5. …Lack of trust and confidence between the partners?

6. …Unnecessary politicking due to lack of focus?

7. …Bad timing?

8. …A conflict of interest due to market overlaps?

9. …Particular individuals being bottlenecks?

10. …Or other issues?

11. How were encountered alliance formation obstacles dealt with?

Post-formation obstacles:

12. What additional obstacles were encountered after the establishment, within the first 100-day period of the further development of the alliance:
   - What alliance formation problems did persist after the formation?
   - Did any new problems occur during this period, in relation to…
     …Power imbalance?
     …Achieving operating momentum?
     …Lack of commitment or lack of willingness to learn?
     …Previously listed potential problems, or other new obstacles?

13. How have post-alliance-formation obstacles been dealt with?
Management:

14. Has the formation of the alliance enforced an adjustment of the pre-alliance management style, and in that case, what obstacles have been faced in the adjustment of management style?

15. How has the autonomy of the alliance been governed, and how is it going to be governed and supported in the future?

Peeking into the future:

16. What obstacles would you think there is a possibility that the alliance will face in the future?
   
   - If any, how are identified possibilities of post-alliance-formation obstacles being prepared for?

Future B2B e-marketplace configuration trends:

17. What trends can be identified affecting the future B2B e-marketplace configuration?

End Questions

18. Who are the most important competitors (e-markets that trade similar or overlapping products/services) to your e-marketplace?

19. Is the e-marketplace considering forming an alliance with its competitors?
   1. Why?
Questionnaire regarding B2B inter-e-marketplace Mergers

Master’s thesis researchers from Luleå University of Technology, Sweden
Magnus Sandberg, magnus.sandberg@accenture.com &
Eric Westerberg, eric.westerberg@accenture.com.
Sponsored by Accenture, Sydney.
Accenture is the new name for Andersen Consulting as of January 1, 2001.

General information for classification of the e-marketplaces

1. Before the merger, were the two old e-marketplaces:
   Horizontal / Vertical?

   If vertical, is (are) the industries buyer fragmented, supplier fragmented or both?

2. What industry/industries were the old e-marketplaces serving, and which industry/industries is the new e-marketplace serving?

3. How many suppliers were included in the two old e-marketplaces respectively, and what was their total approximate respective industry-specific market share?

4. How many buyers were included in the two old e-marketplaces respectively, and what was their total approximate respective industry-specific market share?

5. Would it be possible to describe the market positions of any of the two old e-marketplaces in terms of it having being a, Leader / Follower / Neither?

6. Respectively, were the two former e-marketplaces:
   a. Neutral / Buyer centric / Seller centric?

7. If buyer or seller centric, which buyers/sellers had ownership in the e-marketplace, and do they still have ownership in the merged e-marketplace?

8. What were the core business/primary focuses of the e-marketplaces, and what is the core business/primary focus of the new formatted e-marketplace?

9. Respectively, what were the most important value adding service(s) that the e-marketplace contributed to the new e-marketplace?

10. Were the platforms of the two e-marketplaces built internally?

   If not, respectively, who are/were the preferred platform providers?
APPENDIX

11. What market maker model can the e-marketplace be classified as?
   - Online catalogue
   - Auctions
   - Exchange
   - Community Market Maker
   - E-hub

12. When was the announcement of the merger?

13. Did the two parties serve two different places in the value chain? (E.g., raw materials suppliers, parts suppliers, manufacturers, etc.)
   
   If not, were the two e-marketplaces previous competitors?

Motives for electronic B2B inter-marketplace mergers

MARKET RELATED MOTIVES

14. Are attracting/gaining new suppliers and buyers, and/or expanding the product catalogue, motives for the merger?
   
   If yes,
   
   Why is that a motive?
   
   Where are these new suppliers and buyers found?

15. Is defending or remain market shares one of the motives for the merger? (If market leader)
   
   If yes, how is that accomplished with the merger?

16. Is becoming market leader one of the motives for the merger? (If market follower)
   
   If yes, how is that accomplished with the merger?

17. If the parties previously were competitors, is this a motive for the merger?
   
   If yes, in what way is that a motive?

18. Is it possible that the image or perception of the e-marketplace is enhanced because of the merger?
   
   If yes, in what way, and is that a motive for the merger?

19. Is the merger primarily driven by:
   
   - Commercial considerations? (Synergy effects regarding sales, operating, investment and/or management)
   - Financial considerations?

20. Is one of the motives for the merger to raise capital from investors?
If yes, how does the merger contribute to raising capital?

21. Is one of the motives for the merger to reduce or share risk?
   If yes, how does the merger reduce or share risk?

22. Is one of the motives for the merger to get access to expertise knowledge?
   If yes, knowledge in what areas?

23. Is one of the motives for the merger to enhance R&D of new service applications?

24. Were combining marketing activities one motives for the merger?

TECHNOLOGY RELATED MOTIVES

25. Does the merger create value in the user layer of the e-marketplace’s architecture?
   *User layer: E.g. Customised views, Security services, Context management/member profile, Directory of services/rights*
   
   If yes, how?

26. Does the merger create value in the application layer of the e-marketplace’s architecture (commerce, collaboration and additional value adding services)?
   *Application layer: Commerce-oriented Services, E.g. order matching, order execution, order management, fulfilment etc. in various forms, e.g. problems caused by different forms of procurement models (e.g. auctions)*
   *Collaboration-oriented Services, E.g. collaborative Product Development, collaborative Supply Chain Mgt, collaborative Logistics)*
   *Additional Value Added Services, E.g. Community activities, Information tools etc.)*

   If yes, how?

27. Does the merger create value in the platform/infrastructure layer of the e-marketplace’s architecture?
   *Platform layer: E.g. Billing and credit engine, transport/queuing services, Integration with third parties etc.*

   If yes, how?

FINAL QUESTIONS RELATED TO MOTIVES FOR THE MERGER

28. Did the e-marketplace face problems before the merger, which have been solved by the merger?
29. How do suppliers and buyers benefit from the merger other than that already has been discussed?

30. Are there any additional motives for the merger that have not been covered?

31. Which of all these motives are the strongest motives for the formation of the merger?

Obstacles with electronic B2B inter-marketplace mergers

**Obstacles encountered in the merger formation process:**

32. Did the e-marketplace experience any problems related to…

…Differences in e-Marketplace structure?

…Caused by differences between the two e-marketplaces in the user layer interface?

*User layer:* E.g. Customised views, Security services, Context management/member profile, Directory of services/rights

…Caused by differences between the two e-marketplaces in the application layer?

*Application layer:*

- **Commerce-oriented Services:** E.g. Order matching, order execution, order management, fulfilment etc. in various forms, e.g. problems caused by different forms of procurement models (e.g. auctions)
- **Collaboration-oriented Services:** E.g. Collaborative Product Development, collaborative Supply Chain Mgt, collaborative Logistics)
- **Additional Value Added Services:** E.g. Community activities, Information tools etc.

…Caused by differences between the two e-marketplaces in the platform layer?

*Platform layer:* E.g. Billing and credit engine, transport/queuing services, integration with third party etc.

…Strategic fit, e.g. dissimilar motives?

…Differences between the biases of the two pre-merged e-marketplaces?

…International or inter-corporate cultural differences?

…Lack of trust and confidence between the partners?

…Unnecessary politicking due to lack of focus?
…Bad timing?

…Particular individuals being bottlenecks?

…Different accounting systems?

33. If a take over premium was involved, were there any differences in the perception of the take over price?

34. Did antitrust regulations affect the merger?

…Or other issues?

35. If any encountered merger formation obstacles was detected, how were they dealt with?

Post-formation obstacles:

36. What additional obstacles were encountered after the establishment, within the first 100-day period of the further development of the merger:

37. What merger formation problems did persist after the formation?

38. Did any new problems occur during this period, in relation to…

    …Power imbalance?
    …Achieving operating momentum?
    …Lack of commitment or lack of willingness to learn?
    …Too high take over premium?
    …Previously listed potential problems, or other new obstacles?

39. How have post-merger-formation obstacles been dealt with?
**Peeking into the future:**

40. Are there any problems related to the merger background, that you think there is a possibility that the new formatted e-marketplace alliance will face in the future? 

   If any, how are identified possibilities of post-alliance-formation obstacles being prepared for?

41. For example, if the merger split up, how will a price paid by one party be recouped?

**Future B2B e-marketplace configuration trends**

42. What trends can be identified affecting the future B2B e-marketplace configuration?

**End Questions**

43. Who are the most important competitors (e-markets that trade similar or overlapping products/services) to your e-marketplace?

44. Is the possibility to form alliances with, acquire or merge with competitors a question actively discussed? Why?
Questionnaire regarding B2B inter-e-marketplace Acquisitions

-----------------------------------------------------------------------------------------------
Master’s thesis researchers from Luleå University of Technology, Sweden
Magnus Sandberg, magnus.sandberg@accenture.com &
Eric Westerberg, eric.westerberg@accenture.com .
for Accenture, Sydney.
Accenture is the new name for Andersen Consulting as of January 1, 2001.
-----------------------------------------------------------------------------------------------

General information for classification of the e-marketplaces

1. Before the acquisition, were the two old e-marketplaces:
   Horizontal / Vertical?

   If vertical, is (are) the industries buyer fragmented, supplier fragmented or both?

2. What industry/industries were the old e-marketplaces serving, and which industry/industries is the new e-marketplace serving?

3. How many suppliers were included in the two old e-marketplaces respectively, and what was their total approximate respective industry-specific market share?

4. How many buyers were included in the two old e-marketplaces respectively, and what was their total approximate respective industry-specific market share?

5. Would it be possible to describe the market positions of any of the two old e-marketplaces in terms of it having being a, Leader / Follower / Neither?

6. Respectively, were the two former e-marketplaces:
   Neutral / Buyer centric / Seller centric?

   If buyer or seller centric, which buyers/sellers had ownership in the e-marketplace, and do they still have ownership in the merged e-marketplace?

7. What were the core business/ primary focuses of the e-marketplaces, and what is the core business/ primary focus of the new formatted e-marketplace?

8. Respectively, what were the most important value adding service(s) that the e-marketplace contributed to the new e-marketplace?

9. Were the platforms of the two e-marketplaces built internally?

   If not, respectively, who are/were the preferred platform providers?
10. What market maker model can the e-marketplace be classified as:
   - Online catalogue
   - Auctions Publishing, Auctions
   - Exchange
   - Community Market Maker
   - E-hub

11. When was the announcement of the acquisition?

12. Did the two parties serve two different places in the value chain? (E.g., raw materials suppliers, parts suppliers, manufacturers, etc.)
   If not, were the two e-marketplaces previous competitors?

**Motives for electronic B2B inter-marketplace acquisition**

**MARKET RELATED MOTIVES**

13. Are attracting/gaining new suppliers and buyers, and/or expanding the product catalogue, motives for the acquisition?
   If yes,
   *Why* is that a motive?
   *Where* are these new suppliers and buyers found?

14. Is defending or remain market shares one of the motives for the acquisition? (If market leader)
   If yes, how is that accomplished with the acquisition?

15. Is becoming market leader one of the motives for the acquisition? (If market follower)
   If yes, how is that accomplished with the acquisition?

16. If the parties previously were competitors, is this a motive for the acquisition?
   If yes, in what way is that a motive?

17. Is it possible that the image or perception of the e-marketplace is enhanced because of the acquisition?
   If yes, in what way, and is that a motive for the acquisition?

18. Is the acquisition primarily driven by:
   *Commercial considerations?* (Synergy effects regarding sales, operating, investment and/or management)
   *Financial considerations?*

19. Is one of the motives for the acquisition to raise capital from investors?
   If yes, how does the acquisition contribute to raising capital?
20. Is one of the motives for the acquisition to reduce or share risk?
   If yes, how does the acquisition reduce or share risk?

21. Is one of the motives for the acquisition to get access to expertise knowledge?
   If yes, knowledge in what areas?

22. Is one of the motives for the acquisition to enhance R&D of new service applications?

23. Were combining marketing activities one motives for the acquisition?

TECHNOLOGY RELATED MOTIVES

24. Does the acquisition create value in the user layer of the e-marketplace’s architecture?
   User layer: E.g. Customised views, Security services, Context management/member profile, Directory of services/rights
   If yes, how?

25. Does the acquisition create value in the application layer of the e-marketplace’s architecture (commerce, collaboration and additional value adding services)?
   Application layer:
   Commerce-oriented Services, E.g. order matching, order execution, order management, fulfilment etc. in various forms, e.g. problems caused by different forms of procurement models (e.g. auctions)
   Collaboration-oriented Services, E.g. collaborative Product Development, collaborative Supply Chain Mgt, collaborative Logistics
   Additional Value Added Services, E.g. Community activities, Information tools etc.)
   If yes, how?

26. Does the acquisition create value in the platform/infrastructure layer of the e-marketplace’s architecture?
   Platform layer: E.g. Billing and credit engine, transport/queueing services, Integration with third parties etc.
   If yes, how?

FINAL QUESTIONS RELATED TO MOTIVES FOR THE ACQUISITION

27. Did the e-marketplace face problems before the acquisition, which have been solved by the acquisition?

28. How do suppliers and buyers benefit from the acquisition other than that already has been discussed?
29. Are there any additional motives for the acquisition that have not been covered?

30. Which of all these motives are the strongest motives for the formation of the acquisition?

Obstacles with electronic B2B inter-marketplace acquisitions

**Obstacles encountered in the acquisition formation process:**

31. Did the e-marketplace experience any *problems* related to…

…Differences in e-Marketplace structure?

…Caused by differences between the two e-marketplaces in the *user layer* interface?

*User layer: E.g. Customised views, Security services, Context management/member profile, Directory of services/rights*

…Caused by differences between the two e-marketplaces in the *application layer*?

*Application layer:*

- *Commerce-oriented Services*: E.g. Order matching, order execution, order management, fulfilment etc. in various forms, e.g. problems caused by different forms of procurement models (e.g. auctions)
- *Collaboration-oriented Services*: E.g. Collaborative Product Development, collaborative Supply Chain Mgt, collaborative Logistics)
- *Additional Value Added Services*: E.g. Community activities, Information tools etc.)

…Caused by differences between the two e-marketplaces in the *platform layer*?

*Platform layer: E.g. Billing and credit engine, transport/queuing services, integration with third party etc.*

…**Strategic fit**, e.g. Dissimilar motives?

…Differences between the *biases* of the two pre-merged e-marketplaces?

…International or inter-corporate *cultural differences*?

…**Lack of trust** and confidence between the partners?

…Unnecessary politicking due to *lack of focus*?
…Bad timing?

…Particular individuals being bottlenecks?

…Different accounting systems?

32. If a take over premium was involved, were there any differences in the perception of the take over price?

33. Did antitrust regulations affect the acquisition?

…Or other issues?

34. If any encountered acquisition formation obstacles was detected, how were they dealt with?

**Post-formation obstacles:**

35. What additional obstacles were encountered after the establishment, within the first 100-day period of the further development of the acquisition:

What acquisition formation problems did persist after the formation?

Did any new problems occur during this period, in relation to…

…Power imbalance?
…Achieving operating momentum?
…Lack of commitment or lack of willingness to learn?
…Too high take over premium?
…Previously listed potential problems, or other new obstacles?

36. How have post-acquisition-formation obstacles been dealt with?
**Peeking into the future:**

37. Are there any problems related to the acquisition background, that you think there is a possibility that the new formatted e-marketplace alliance will face in the future?

   If any, how are identified possibilities of post-alliance-formation obstacles being prepared for?

38. For example, if the acquisition split up, how will a price paid by one party be recouped?

*Future B2B e-marketplace configuration trends:*

39. What trends can be identified affecting the future B2B e-marketplace configuration?

**End Questions**

40. Who are the most important competitors (e-markets that trade similar or overlapping products/services) to your e-marketplace?

41. Is the possibility to form alliances with, acquire or merge with competitors a question actively discussed?
   
   Why?