MIS 3537: Internet and Supply Chains

WEEK 3:

Zappos.com Case
2007: Established all distribution facilities as foreign trade zone’
  ◦ Reduces Duties
  ◦ Delays paying Duties / customs

Late 2008: Reduced staff via layoffs
  ◦ Generous severance packages
  ◦ Handled well considering strong culture and transparency (less negativity)
  ◦ Address low performers?
Current Vision
- One day, 30% of retail transactions in US online
- People will buy from company with best service and best selection
  - Zappos.com will be that online store
- ‘We warehouse everything that we sell … item not available for sales unless it’s physically present in our warehouse.’
- July 2009: joined Amazon family
- May 2010: Zappos restructured into 10 separate companies under Zappos Family umbrella
TODAY

- September 2012: Kentucky warehouse transferred to ‘care’ of Amazon
- 2013: moved HQ from Henderson, Nevada to former Las Vegas City Hall building.
NEXT WEEK...

WWT/ClearOrbit® Case

Beer game Prep Needed
WEEK 3: ELECTRONIC MARKETPLACES
LEARNING OBJECTIVES

Understand the idea of an eMarketplace

Identify the critical success factors for an electronic marketplace

Key challenges in synchronizing supply chains using eMarketplaces
MARKETPLACES

Why do we need a marketplace at all?

A marketplace is a common ground for buyers and sellers

Neither side has considerably more power than the other
COMPARISON

One-to-Many
Buyer or Supplier Centric

Many-to-Many
Network of all, eMarketplace
Electronic marketplaces serve as platforms that connect organizations and transact in areas with little distinctive power in relationships.

Why a platform?
- A marketplace should allow for new entrants
- The more entities joining the marketplace, the more valuable it becomes (critical mass)
Concepts, Characteristics, and Models of B2B EC

EXHIBIT 5.1 Generations of B2B E-Commerce

1st Generation 1995
- Publish and Promote
- Online Ordering B2C, B2B Auctions
- Business Value

2nd Generation 1997
- e-Government
- Personalize and Customize
- e-Marketplaces Exchanges

3rd Generation 2000
- Supply Chain Improvements
- Collaborative Commerce
- Mobile Commerce
- e-CRM
- e-Learning
- Multichannel

4th Generation 2001
- Internal/External Business Process Management
- RFID and Others
- Web Services
- Intelligent Systems
- Expert Sales Systems

5th (current) Generation 2002 and Beyond
- Non-IT Application Management
- Collaboration with Suppliers and Buyer
- Integration
Stage 1
- Dotcom companies
- In the chemicals industry, a lot of new players – eChemicals, Chemdex, CheMatch and – were born

Stage 2
- The established players strike back
- Companies like Dow Chemical, Du Pont and BASF – big, existing players – setup their own eMarketplace
Stage 3

- The best of both worlds meet
- **ChemConnect**
  - The leading industry players partnered with
  - Existing players took between 5 and 10% of the equity share
  - Has become the established industry standard

- Other players – eChemicals, CheMatch – have been marginalized
OTHER INDUSTRIES

A similar trend can be seen in other industries

E.g. In the retail industry, growth and success has spurred existing retailers to setup efficient supply chain, powered by electronic marketplaces such as WorldWide Retail Exchange (WWRE) and GlobalNetXchange (GNX)
OTHER INDUSTRIES

Automobile
- Covisint – Ford, GM and DaimlerChrysler

Food & consumer-packaged goods
- Transora – Unilever, P&G, Nestle, General Mills

Plastics
- Omnexus – Dow, Du Pont, Bayer, Ticona

Mining, minerals and metals
- Quadrem – Alcoa, De Beers, Rio Tinto etc.
Concepts, Characteristics, and Models of B2B EC

EXHIBIT 5.2 Types of B2B E-Commerce

(a) Sell-Side B2B

(b) Buy-Side B2B

(c) Electronic Exchange

(d) Supply Chain Improvements and Collaborative Commerce
THREE TYPES OF EMARKETPLACES

**Vertical eMarketplaces**
- The eMarketplace is focused on one industry, trade, profession (group of similar customers)
- e.g. vertical – retail, chemicals, plastics

- Examples:
TYPES OF EMARKETPLACES

**Horizontal eMarketplaces**

- Provides related services e.g. procurement
- are also driven by:
  - Geographical circumstances
  - Inter-industry activity
- On the horizon
TYPES OF EMARKETPLACES

**Branded** private marketplaces

- Really big organization can setup an exclusive eMarketplace
  - GE built its own: Global eXchange Services (GXS) – one of the world’s largest B2B eCommerce networks
    - Spun off in 2002, acquired by OpenText in 2014
    - Accenture & Verizon use to provide managed services to their customers
LEARNING OBJECTIVES

Understand the idea of an eMarketplace

Critical success factors for eMarketplaces

Key challenges in synchronizing supply chains using eMarketplaces
CRITICAL SUCCESS FACTORS

Sustainable business models & realistic expectations

- During the dotcom boom, a lot of eMarketplace providers had high valuations because of future expectations
- As the industry consolidated, few providers remained in business and were profitable
- Long-term viability is critical
- Ability to form and sustain relationships
CRITICAL SUCCESS FACTORS

Rapidly build key capabilities

- A successful eMarketplace should become a one-stop shop
- Must provide a range of transactional and value-added services
- Breadth of services is a key success factor
- Services include security, workflow, reporting, fulfillment, billing and settlement, supplier management etc.
CRITICAL SUCCESS FACTORS

Integration of activities with major stakeholders

- The platform should be flexible enough to accommodate diverse needs of stakeholders

- Degree of integration determines long-term success

- **Onboarding**: Getting companies to build the interfaces to participate in the eMarketplace

- **i2**, **ARIBA®**, and **IBM** created eMarketplace solutions that can interface with each other
CRITICAL SUCCESS FACTORS

Management of regulatory relationships

- In 2000, MyAircraft, an eMarketplace consortium of Honeywell, United & i2 accused of price fixing.
- The European Union ruled in favor of MyAircraft, declaring that it was just another business entity.
- eMarketplaces across country and continental boundaries must comply with requisite regulations.
LEARNING OBJECTIVES

Understand the idea of an eMarketplace

Critical success factors for eMarketplaces

Supply chain synchronization – Challenges
CHALLENGES

Inter-marketplace competition

- Different industries have setup their own marketplaces
- Communication across these marketplaces is a challenge
  - Different business models, financial structures, technical standards
  - Different business processes / practices with different expectations
CHALLENGES

Managing high levels of complexity

- Each participant in an electronic marketplace brings his / her own:
  - Set of problems, values
  - Business processes / practices

- Integrating each participant properly into the marketplace is critical

- Juggling multiple business models, financial structures, technical standards and business practices
CHALLENGES

Sunk costs, lower margins

- The eMarketplace provider has to make significant investments upfront

- While buyers and suppliers might profit, the provider might have to operate with low margins

Building and sustaining relationships are key challenges facing the provider
EMERGING TRENDS

“eMarketplace in a box”

Single turnkey solution that offers a skeleton eMarketplace structure

Consists of a pre-selected suite of best-of-breed solutions

used this way by accenture & verizon
NEXT WEEK...

WWT/ClearOrbit® Case

Beer game
EXTRA SLIDES
OTHER INDUSTRIES

Automobile
- Covisint – Ford, GM and DiamlerChrysler

Food & consumer-packaged goods
- Transora – Unilever, P&G, Nestle, General Mills

Plastics
- Omnexus – Dow, Du Pont, Bayer, Ticona

Mining, minerals and metals
- Quadrem – Alcoa, De Beers, Rio Tinto etc.

Energy industry - Dead ~ 2000
- Trade-Ranger – Royal Dutch Shell, BP, Conoco, Phillips, Statoil, Unocal, Tosco etc
A SYNCHRONIZED WORLD

Current eMarketplace solutions aim to synchronize supply chains

In the future, eMarketplaces might communicate among each other!
FURNITURE

- Architects & Interior Designers
- Wholesalers
- Big & Small Retailers
- International Trade Show

furniture-b2b.com