**E-MARKETPLACES**

**Exchanges**

Pre-Internet: buyers/sellers came to one location

Electronic exchanges provide same structure,
**Premise of a "market"**

Market or Marketplace: group of buyers and sellers coming together to

Markets create value for all parties.

Technology increases market efficiency while lowering costs and automating many operational necessities. Technology increases competitive environment.

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**e-Marketplace and Marketspace**

**E-Marketplace or Exchange:**

Term typically applied to B2B transactions.

Three types:

**Marketspace:** marketplace where sellers and buyers exchange goods and services for money (or for other goods and services) but do so electronically.
Ownership Types of e-Marketplaces or Exchanges

- Private
- Public
- Consortium
Exchange Product Structures

**Vertical**—
Example: Livestock exchange, Garment exchange, Farm Equipment

**Horizontal**—
Example: Office supplies, Advertising, Gasoline

Conventional Exchange Process

**Step 1**
Buyer → Request for proposal → Supplier k → Bidding

Bidding Sequence Repeated for k=1 to n

**Step 2**
Buyer → Evaluate, negotiate, and accept → Notify supplier

Proposal Evaluation and Acceptance

**Step 3**
Buyer → Goods shipped → Payment → Selected supplier

Transaction Completion
Electronic Exchange Process

Step 1
Buyer 1: RFP
Buyer 2: RFP
Buyer 3: RFP

Exchange

Supplier A Bid
Supplier B Bid
Supplier C Bid
Supplier D Bid

RFPs Submitted and Bids Made

Step 2
Buyer 1: Best Bid
Buyer 1: Payment

Exchange

Selected Supplier
Payment Less Commission
Logistics Services

Best Bid Accepted

Participation in an electronic exchange

Buyers—Advantages

Buyers—Disadvantages
# Participation in an electronic exchange

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<th>Sellers—Advantages</th>
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<td>Sellers—Disadvantages</td>
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## B2C Marketplaces

- Same market premise—larger customer base, efficiency of operations, elasticity in sales.
- Various modes of doing business. Similar to types of retailers—convenience store, department store, etc.
Intermediaries assist by providing services on company's behalf.
Assistance can be online (like Akamai) or physical (like UPS).
**Electronic Catalogs**

Presentation of product information in electronic form.

Dynamic content in most applications.
May be

Typically paired with electronic shopping cart.

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**Modes of doing business online**

Similar to types of retailers—convenience store, department store, etc.

Most common online B2C mode:

Attributes:
### Amazon.com

The #1 online retailer
Opened July 1995, $15.7 million in sales 1995
Sales of $600 million in 1996 (monthly growth rate of 34%)
By 1998, expanded into toys, electronics, CDs, software, video games, and more.
Spring 2000: Over 10 book million titles available (inventory of only a few thousand)

### Amazon.com

<p>| Inventory turnover in 1996: 42 (vs. 2.1 for typical Barnes and Noble brick-and-mortar) |
| 2004 sales: $6,921,124,000 |
| 2005 Average Monthly visits: 98,053,000,000 |
| 2005 Average Monthly unique visitors: 37,257,000 |
| Average transaction: $184 |</p>
<table>
<thead>
<tr>
<th>Manufacturers opening storefronts</th>
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<tr>
<td>Disintermediation:</td>
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<td></td>
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<tr>
<td>May result in backlash from our retailers.</td>
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<td>Significant industry effect:</td>
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<th>Online mall</th>
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<td>Cost to join Yahoo shopping mall (for smaller store): $49.95 per month, $.10 per product listed per month, plus 0.5% of revenue from each transaction.</td>
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Portals

May be selling or information focused—or both.
Types:
  - **Horizontal**—
  - **Vertical**—
  - **Mobile**—

Business model often advertising dependent.

Auctions

eBay has an 88% market share in online auctions.
  - 2003 revenue: $2.17 billion—a 78% increase over 2002.
  - 62 million users, 18,000 product categories
Dynamic Pricing

Types:

- Auction where buyers compete for products.
- Name-Your-Own-Price:

How does Priceline work?

Forges relationships with suppliers (car rental agencies, hotels, airlines, etc.) to provide market for unreserved inventory.

Priceline customers bid, and if their bid is greater than or equal to the available price point, the bid is accepted.

Knowledgeable consumers can get great deals in some instances.

Business model is patented.
Key questions for businesses to ask