B2B concepts

Business-to-Business e-commerce

- Computer-mediated transactions between businesses conducted using the Internet, extranets, or private networks.

Key concerns:

- Security
  - Transactional, but also information and strategy
Supply Chain Management

Necessary logistical concern that can benefit from B2B application.

Supply Chain Management—process that involves

- Acquisition of materials from suppliers
- Movement of goods in our possession
- Packaging and moving end products to distributors and retailers

Companies exist to put products or services in the end user’s hands, not to move them around. Seek maximum efficiency.

B2B Focus

Types of products purchased:

- **Direct Materials**—items used in production (paper for a book)
- Indirect Materials—items not used in production (paper used by secretary to type memos)
- MROs (maintenance, repairs, and operations)—Indirect materials specifically used in activities supporting production (grease for printing press)
**Procurement Strategies**

**Spot buying**—purchasing goods and services as needed (generally at market prices).

**Maverick buying**—Unplanned purchases of items needed quickly, often at non-pre-negotiated higher prices.

**Strategic sourcing**—pre-planned purchasing involving long-term contracts, usually based on negotiation.

In both of above, B2B e-Commerce can help both buyer and seller achieve success.

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**How B2B technology can help purchasing**

Technology can help companies...

- find or sell customized products
- lower search costs through automated tools
- lower costs of placing order and reduce paperwork
- schedule more timely purchase receipt
- reduce errors (less manual input, more automation)
- sell custom or varying products to customers at distinct prices
- get more productivity from purchasers (allow them to focus on what is important, rather than mundane paperwork)
Indirect Benefits of B2B Purchasing

Technology can help companies...
- build ongoing collaborative supplier relations
- use purchasing agents with less product expertise
- reduce supplier list to optimal number
- on-board new suppliers faster
- effectively monitor and regulate buying behavior. (Fraud and/or waste detection)

B2B Transaction Types

Sell-side (seller has advantage)
- One (or few) sellers to many buyers
- Generally sold through online catalogs (similar to storefront model) or auctions

Buy-side (buyer has advantage)
- One buyer from many sellers
- Variety of techniques possible: reverse auctions, negotiations, group purchasing, or other methods
B2B Automation

B2B technology allow us to introduce computer assistance into every facet of ordering.

Purchase need “triggered” by automated inventory alert.

System places order from established supplier or begins to search among various suppliers for best price/need match.

Delivery logistics arranged as well as special requirements (packaging, etc.).

Receiving scheduled.

Importance of SCM

Many operations would be unable to fulfill company goals without significant SCM automation.

Effective SCM saves costs, making the company more competitive, and lowering prices for consumers.