**B2B Exchanges**

**Definition**

Business-to-Business (B2B) exchanges are electronic marketplaces in the Internet where suppliers and buyers interact to conduct transactions. B2B marketplaces can be defined as a World Wide Web site where goods and services can be bought from a wide range of suppliers.¹

Online exchanges vary according to the size and number of companies using them and the type of commodity traded. There are successful exchanges in markets as diverse as energy, textiles and logistics. Online exchanges allow participants to trade straightforwardly with a wide variety of buyers and sellers. Two of the biggest factors driving the growth of exchanges are that large businesses can use them to reduce stock holdings while small businesses can bid collectively to earn volume discounts or to jointly deliver a large contract.

**Types of Marketplaces / Exchanges**

There are three types of e-marketplaces marketplaces based around a specific industry sectors; marketplaces based around products and services; marketplaces focused on the functions.²

1. Marketplaces based around a specific industry sectors are called vertical marketplaces. Petroleum industry is an example. Those help buyers source goods and services that are largely specific to industries.
2. The type of marketplace which is formed around a wider supply market that cuts across several industries is called horizontal marketplace. Examples include the marketplaces for maintenance, repair and operating (MRO) goods such as safety and office supplies. The value of the horizontal marketplaces is that they efficiently match the needs of the one with the offerings of the other.
3. The marketplaces focusing on functions gain value from concentrating functional capabilities and quality services. For example they help HR departments manage employee benefits; help companies dispose of excess inventory and so on.

**Benefits and effects of Exchanges**

- expand everyone’s market reach
- generate lower prices for buyers
- cut the costs of buyers’ operations
- higher potential profits for manufacturers with lower procurement costs
- Increase extent and liquidity in the market
- Lower inventory requirements
- Greater transparency and more orderly markets
- Elimination of geographical and time zone barriers
- Removal of distribution channel blockages such as agents and brokers
Barriers in Usage

Trust is an important issue for B2B e-marketplaces. The most important trust issues for participation in B2B e-marketplaces are the following:\1:\2:

- security,
- confidentiality,
- transparency, in particular of the terms and conditions of the contract and the transaction procedure.

Trading modells for B2B exchanges

1. Catalogue aggregators – must be neutral, independent sites that are operated by a third party if they are to bring many competing sellers together to earn buyers trust in the information on the site.
2. Post an browse (one-on-one negotiation) – just like a private members room, apost and browse function creates a virtual community, a group of people interested in buying or selling a particular product that make a connection through a web based bulletin board.
3. Auction markets – the ability of multiple buyers and sellers to collectively set price for a wide range of people and services represents a radical departure from the older, fixed price model in industrial age. Buyers and sellers driven auctions will became popular because of the scale, reach, interactive and real time attributes afforded by the internet.
4. Continuous auto execution systems – work only for the same standardize products with high liquidity.\1:\2:

Examples of B2B Sites

- [http://Steeltrading.com](http://Steeltrading.com) Based in Switzerland, Steeltrading.com is the market leader of European B2B exchanges in the steel industry; it allows both steel buyers and sellers to initiate, negotiate, and conclude transactions online. Its platform also provides other services, which directly affect firms’ complementary processes.
- [http://1city.biz](http://1city.biz) A digital platform that primarily manages auctions for large customers, 1city.biz recently launched a new initiative, called the “Procurement Executive Circle,” that may have a greater effect on the networking capabilities of participants.
- [http://Bravobuild.com](http://Bravobuild.com) - construction business
- B2B EXCHANGE APPAREL ACTIVITY - customers like Liz Claiborne, Federated, Saks, Department of Defense
- [http://www.wwre.org](http://www.wwre.org) Worldwide Retail Exchange (WWRE) - enables retailers and suppliers in the food, general merchandise, textile/home, and drugstore sectors to substantially reduce costs across product development, e-Procurement, and supply chain processes. Customers like Target, Gap, JCPenney
http://www.scquest.com mediates transactions between participants in the hub – model is aggregation.
http://www.e-steel.com is a vertical industry portal for buying and selling that provides access to industry news, information and resources.
http://www.onemediaplace.com is a functional hub allowing companies in different industries to do media buying.
http://www.paperexchange.com attempts to match of supply and demand for paper.
http://www.acdelco.com is a GM initiative to support parts acquisition.

http://de.slideshare.net/NargesShahsavarani/b2b-exchanges-reviewed-by-narges-shahsavarani