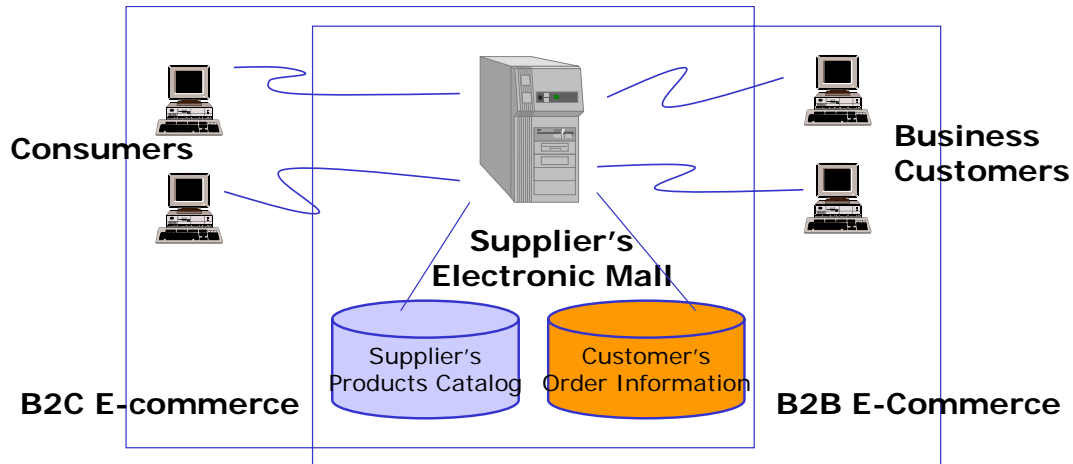


SUPPLIER-ORIENTED MARKETPLACE

The most common model is the supplier-oriented marketplace. Most of the manufacturer-driven electronic stores belong to this category. In this model, both individual consumers and business buyers use the same supplier-provided marketplace as depicted in Figure below. The architecture for this B2B model is basically the same as that for B2C EC, and the purchasing process is similar.



Successful Cases and Challenge

Successful examples of this business model are Dell, Intel, and Cisco and IBM. It is reported that Dell sold 90 percent of their computers to business buyers, and Cisco sold \$1 billion worth of routers, switches, and other network interconnection devices in 1998 mainly to business customers through the Internet.

The sites with this model may be sustained as long as the vendor has a superb reputation in the market and a group of loyal customers. Thousands of other companies are using this model. One of the major issues for smaller companies is how to find buyers. This issue will be discussed during labs about electronic marketing.

Electronic Auctions

Another application of the supplier-oriented marketplace is the proprietary auction sites. These sites are open only to existing customers. They are designed to cement relationships between the company and its regular buyers. Sellers can get rid of surplus goods, and business customers can realize deep discounts. Also, liquidators can get 600 percent more than if they use offline auctions.

Supplier-Oriented Marketplace: Cisco Connection Online Case

The supplier-oriented marketplace for B2B EC can be successful if the supplier has a sufficient number of loyal business customers and the frequency of orders is not formidable from the buyer's point of view. Cisco's marketplace belongs to this category. Let us investigate Cisco Connection Online (CCO), which operates the market (Maddox 1998).

CISCO CONNECTION ONLINE

Cisco sold more than \$1.0 billion online out of a total \$6.4 billion worth of routers, switches, and other network interconnect devices during its 1997 fiscal year. Cisco's Web site has evolved over several years, beginning with technical support for customers and developing into one of the world's largest Internet commerce sites. Today, Cisco offers nearly a dozen Internet-based applications to both end-use customers and reseller partners.

Customer Service

Cisco began providing electronic support in 1991 using the Internet. Software downloads, defect tracking, and technical advice were the first applications. In the spring of 1994, Cisco put its system on the Web and named its site Cisco Connection Online. By 1998, Cisco's customers and reseller partners were logging onto Cisco's Web site about 1 million times a month to receive technical assistance, check orders, or download software. The online service has been so well received that nearly 70 percent of all customer service inquiries are delivered online, as are 90% of software updates.

Online Ordering

Cisco builds virtually all its products to order, so there are very few off-the-shelf products. Before the Cisco Web site, ordering a product could have been lengthy and complicated. Cisco began deploying Web-based commerce tools in July 1995, and as of July 1996, the Internet Product Center allowed users to purchase any Cisco product over the Web. In 1999, the same customer's engineer could sit down at a PC, configure a product online, know immediately if there are any errors, and route the order to its procurement department.

Cisco's large customers can take advantage of the features of immediate and automatic access to Cisco's online ordering, configuration, and technical support tools. However, because of their large purchasing volumes, they do not want to access Cisco's Web site each time they place an order or have a question. A program that was launched in November 1997 interactively links the customer's and Cisco's computer systems over the Internet and private networks, so that the configuration and price can be validated at the customer's own PC even before the order is placed. This approach can be possible if the customer commits to Cisco.

With online pricing and configuration tools, about 98 percent of the orders go through Cisco's system, saving time for both Cisco and their customers. Lead times were reduced from 4 to 10 days to 2 to 3 days, and customers' order submission productivity has increased an average of 20 percent. In the first five months of its operation in 1996, Cisco booked over \$100 million of sales on the Internet alone. For the first 10 months of 1997, the figure grew tenfold, topping \$1 billion. In December 1997, online sales reached over \$260 million. Cisco closed 1998 with \$4 billion in annualized online sales.

Finding Order Status

Each month in 1998 Cisco's Web site received about 150,000 order status inquiries such as: "When will the order be ready? How should it be classified for customs? Is it eligible for NAFTA? What export control issues apply?" Cisco gives customers the tools on its Web site to find the answers by themselves. In addition, Cisco records a shipping date, the method of shipment, and the current location of each product. The company's primary domestic and international freight forwarders regularly update Cisco's database electronically with the status of each shipment, typically by EDI. The new information in the database automatically

updates Cisco's Web site, keeping the customer current on the movement of each order. As soon as an order ships, Cisco sends the customer a notification message by e-mail or fax.

Benefits

- Reduced operating cost: Cisco estimates that putting its applications online in 1998 saved the company \$363 million per year, or approximately 17.5 percent of the total operating costs.
- Enhanced technical support and customer service: With 70 percent of its technical support and customer service calls handled online, Cisco's technical support productivity has increased by 200 percent to 300 percent peryear.
- Reduced technical support staff cost: The online technical support reduced technical support staff costs by roughly \$125 million.
- Reduced software distribution cost: Customers download new software releases directly from Cisco's site, saving the company \$180 million in distribution, packaging, and duplicating costs. Having product and pricing information on the Web and Web-based CD-ROMs saves Cisco an additional \$50 million in printing and distributing catalogs and marketing materials to customers.