



The Benefits and Basic Concepts of B2B

Background

Many companies are in the position of being aware of Business-to-Business e-Commerce, or B2B, but have questions about some of the basic concepts, and more importantly, the benefits of becoming involved in B2B processes with their trading partners, those being most commonly customers and suppliers. Why get involved? How difficult is it? How expensive is it? What's in it for me? These are all legitimate questions that should be asked, and often there is too much technical jargon that obscures the real answers. This short article will attempt to introduce the basic concepts of B2B and discuss the benefits that can be expected by getting involved.

The status quo

Many, if not most, Small and Medium Business (SME) do business with their trading partners by exchanging common business documents i.e. Purchase Orders, Invoices, Delivery Dockets, etc. by post or fax or perhaps as email attachments. One feature common to all these methods of getting business transactions from one party to another is that they need to be manually entered (keyed in) into whatever computer system the company uses whether it is MYOB or some other business system. This costs money, and errors are made which may be even more costly to remedy.

The B2B alternative

B2B should do, at the very least, two things. It should reduce the costs of doing business compared to the status quo, and it should enhance the trading relationship between the trading partners by being more accurate, more reliable and deliver more information in a more timely manner. That is primarily why companies are adopting B2B. In fact the benefits can be so significant that some companies are requiring their trading partners to do business electronically via B2B processes, and this trend is increasing as more and more companies get good results from B2B initiatives. The problem is that B2B can be expensive and complex to set up and run, and for SMEs this usually is a show stopper.

There are three main methods that are available to "do B2B". They are:

1. Develop a website and try to get your trading partners to use it. This reduces the website owners costs but places the work back on the trading partner, and if many companies use this approach, then the trading partner has to manually interact with many different websites, and there is double data entry required. This is becoming a less popular strategy for obvious reasons. Websites are excellent for presenting information, and not so excellent for B2B.
2. Use an outsourced bureau, message exchange service etc. These companies take your data files and get them to your trading partner as long as your trading partner joins the same service, and there are transaction fees for each message, usually in both directions. The issues with this approach are that all your trading partners should be on the same service (unlikely) and you pay more if you use it more so the return on investment is mediocre. Also if the service "goes down", you can't trade at all, which is seen as a significant business risk. These bureaux were popular when it was too expensive and complex to put the B2B infrastructure into place in your own company, but this has changed fundamentally with new advances in technology that allow even SME companies to "Do It Yourself B2B" and connect directly with their trading partners.
3. Direct connect, point-to-point B2B to your trading partners. This is the emerging trend as technology advances have dramatically lowered the cost and complexity of B2B for all companies regardless of size. This approach "levels the playing field" so that smaller companies can derive exactly the same benefits as a large corporate. This new approach does all the complex technical tasks "under the covers" so that the end user has a very easy

and intuitive interface to the B2B system, and they can trade electronically with all their trading partners. What is new is that the complex, technical B2B tasks that need to be done for B2B to work properly are all done with the new technology, yet it is affordable and easy to use. The following are the five essential steps in B2B that need to be done for a real business solution and which are provided by this direct connect, point-to-point B2B technology:

(1) Data transport & guaranteed secure messaging.

This gets the document or message from one trading partner to the other and back with 100% reliability and security. When you send something you know it got there and you know it has been actioned. It cannot be tampered with and the right message cannot get to the wrong destination. This is far superior to emailing documents since with email you don't know if it got there and has been actioned, and emails carry viruses which are getting worse. Also if you don't put in place adequate security measures which can be complex to implement and administer, anyone can read the email contents.

(2) Data transformation.

This means converting the data, such as purchase order or invoice data, into the format that is required by the recipients computer system. There are many different data formats that are used such as text delimited, CSV, XML or EDI formats. The B2B product takes care of all that and manages it without expensive programming.

(3) Data integration.

Integration is getting data automatically into and out of computer systems so it can be sent and received electronically. Integration is what eliminates manual data entry costs and keying errors that may be costly to rectify i.e. wrong product, wrong quantity etc. An important point about integration is that you should not need to modify your existing computer system or processes.

(4) Data resolution.

This is important, and is lacking in many B2B "solutions". What happens if your customer does not use your product code or unit of measure that your system requires? Someone manually has to "correct" the sales order before it can be entered into the system? A good B2B solution takes care of this issue so there is less reliance on someone to correct the order and the data can be relied on to go straight into your system.

(5) Choreography Management.

The management of the choreography is the back and forth "what needs to happen next?" when documents and messages are exchanged electronically between trading partners. There may be a requirement to issue a response to a document, or respond within a certain period of time etc. that the B2B solution must carry out and manage. This is especially true if the computer business system cannot provide the correct responses, timings, acknowledgements, sequencing etc. which is very often the case except in sophisticated ERP products used by large companies.

Summary

It is now possible to eliminate the paper, fax and email as the way companies do business together. At the same time, costs are reduced and the reliability of the trading relationship is improved. There are many secondary benefits of B2B that will vary depending on the unique aspects of each business, but even small business can now adopt sophisticated B2B that is cost effective, easy to use and highly flexible. It is possible now to enable a very high proportion of your trading partners for B2B as long as they have a PC and dial-up Internet connection. Just as email impacted the way business communicated with each other by having an email client on the desktop, this new desktop B2B client smart technology can improve the way you do business together in a win-win approach.

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