Neutral b2b marketsites

Business, Marketing

Neutral Marketsites seek to reduce waste and inefficiency by offering increased visibility, and a neutral knowledge base for both buyers and sellers. Buyers or sellers do not establish these marketsites, but are instead set up by an independent company. The neutral marketsite below illustrates that the company brings together two separate groups--buyers and sellers. The seller benefit comes from getting access to more sellers, whereas buyers get potentially lower prices for a greater choice and superior quality of products.

Value Added Services Value added services (VAS) are defined as services, which supplement the actual transaction, cataloguing and search capability. The four main services include financial services, logistics services, ERP integration and settlement of disputes. Woods 2002 sees order fulfilment and financial settlement as the two key areas, where marketsites can differentiate themselves. In addition to these service offerings, there is also a belief among researchers and market leaders that marketsites must connect to each other.

The vision is that buyers are then given a one-stop experience, where they can buy all the relevant products through one marketsite. Revenue sources Even though there seems to be a large influx of new marketsite companies, none of them are yet economically viable businesses and most of them operate with huge loses. Forrester research predicts that only one in twenty marketplace initiatives will survive the early competition, which will result in many bankruptcies, acquisitions and mergers.

Seller transaction fee seems to be the most predominant source of revenue at present, whereas the buyer transaction fee is less popular. Advertising and selling market information is also seen as a major source of income in the future. In addition to the mentioned revenue sources, other marketsites have been able to generate significant income through value-added services. The marketsite Ventro, is able to charge customers for special services such as invoicing and payment guarantee (Leon 2000). Marketsite inhibitors

For the different marketsites, certain aspects stand out as the main inhibitors to progress. The first real obstacle is capital, where several marketsites are quickly forced into rethinking their strategy and either let buyers or sellers take equity share or let the marketsite merge with a competing company (Feuerstein, 2000). Some companies also experience supplier reluctance, which stems from the suppliers' unease about the trend towards " commoditisation", and the squeeze on supplier's profit margin.

The integration between the marketsites and the buyers' network is often difficult, time-consuming and expensive, and could be a real inhibitor for the marketsites. (Barry, 2000) believes that the greatest inhibitor for European marketsites is to overcome the differences within the European market and cater to the different needs within the separate markets. (Woods, 2000) feels that certain European nations have different protectionist laws, such as the French law prohibiting the auctioning of new goods and the Italian legislation against online auctions.