Globe and Mail
June 5, 2000

B2B revolution will take longer than you think



DIGITAL SURVIVOR

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The drumbeat of the business-to-business hype machine is getting louder. Everybody seems to be creating a "vertical B2B industry network" or an "industry portal."

One recent estimate is that there are now about 1,700 industry networks, up from just a few a year ago. Companies from auto makers to steel producers are implementing such a network, in order to streamline their purchasing.

Analysts are absolutely gushing at the potential cost savings to be found with a B2B strategy.

Consider some of the numbers tossed around. In the oil patch, for example, an official with Chevron was quoted in Oil and Gas Investor as saying that the organization will save about $200-million (U.S.) on $10-billion worth of purchasing by implementing e-commerce.

Supporting such a claim is Cambridge, Mass.-based Forrester Research's estimate that the energy sector should see a 90-per-cent reduction in the cost of a typical invoice, as supply-chain management tools based on e-commerce are adopted.

And such projections aren't restricted to the supply-chain world.

Consider customer service: Gartner Group, a U.S. consulting firm, suggests that the typical $5 it costs an organization to field a support call through its call centre could be slashed to 12 cents with a Web-based effort.

The business world seems to crave a steady diet of such numbers. After all, it can take a lot of work to get senior management to support a B2B initiative — a lot of commitment, money and effort.

But if you are one of the people driving such a project, be careful what you promise and cautious in your expectations.

It is going to take longer than you may think to squeeze those cost savings out of the system.

That leads to the perfect scenario for egg on the face. Imagine in a year or two, when your chief executive officer has come looking for the massive projected cost savings that were promised.

Only they don't exist, at least not to the extent predicted — because it's taking longer to change the way people work, it costs more to implement the systems, and you aren't as far along with your efforts. Oops.

Don't get me wrong — I'm a passionate believer that cost savings and efficiencies such as those projected by the B2B industry are where the real potential for e-business exists. I have no quibble with the claims; I have problems with the timing.

Anyone who went through a business re-engineering exercise in the eighties and early nineties will appreciate that. So will those who implemented electronic data interchange (EDI) systems at the same time.

B2B e-business means moving away from paper-based systems that exist in the chain — purchase orders, invoices, shipping confirmations, cheques and statements.

Breaking the dependency on paper systems will probably prove to be the most challenging, difficult technology process we have ever encountered.

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