



## Collaborative Commerce: Taking eBusiness to the Next Level

*An IDC Executive Brief  
February 2002*

*Adapted from Collaborative Commerce: The Next Step in eBusiness?  
by Mikael Arnbjerg, IDC #BM37H*

eBusiness can be a competitive weapon that can help companies reduce costs and time to market and deepen relationships with customers and suppliers. Although most prominent success stories to date involve large companies, ebusiness offers small and medium-sized companies the same potential rewards and can help them level the playing field with larger organizations.

Where should a company start its journey on the road to ebusiness? A company needs to have an enterprise system in place to provide a backbone for the ebusiness system. This enterprise system should go beyond the boundaries of traditional enterprise resource planning (ERP) to incorporate systems such as customer relationship management (CRM). A company also needs to start using the Internet at some level.

The many distinct stages of ebusiness implementation include:

- Posting information on a Web site
- Providing better access and communications tools to employees
- Integrating enterprise systems with Web-based systems
- Exchanging information between companies
- Handling transactions between companies (ecommerce)
- Integrating business processes between companies (collaborative commerce)

Whatever the level, companies should take an evolutionary approach to collaborative commerce.

When companies integrate enterprise systems with Web-based systems, they create an ebusiness system. This integration, which can extend to all aspects of a business, including front and back offices, ecommerce, and collaboration with partners, can lead to real advantages.

Collaborative commerce extends ebusiness to include the close collaborative development and management of product lines across the supply chain and makes use of Internet-based technology. Thus, the interaction goes deeper than mere transactions off a catalog: It involves the sharing of mission-critical information, which allows business partners to act almost as one company. The collaborative work occurring between the company and its partners or customers needs to be integrated with the core systems of each company.

### **End-to-End Integration**

Integration of data and systems is important in both an enterprise's internal operations and those involving other parties, such as customers and partners.

#### *Intra-Enterprise*

Before venturing into the ebusiness and collaborative commerce waters, a company needs to have its own ship in shape. This involves ensuring all aspects of the company are integrated through the enterprise system, from the CRM system to the core traditional business applications in ERP.

For example, the receipt of an order for goods or services should be included in the CRM view of the customer as well as in sales records and should also be processed by the manufacturing and shipping operations. The order should trigger inventory and accounting changes. Finally, the order information should flow seamlessly from one solution to the next.

#### *Extra-Enterprise*

In ebusiness, the enterprise system needs to be integrated with the ecommerce systems that submit and receive orders with other companies' systems and with customers. Data integration needs to accommodate data collected by an electronic storefront as well as data coming directly between companies via an eprocurement solution, a private exchange, or electronic data interchange (EDI). Data may also come indirectly via emarketplaces.

Small and medium-sized companies may find that using an marketplace enables them to deal cost effectively with multiple buyer systems and also obtain a competitive selection of products from multiple sources. The companies can focus on integrating one, instead of many, eprocurement systems into their infrastructures.

An marketplace is a third party that establishes itself as a builder of communities, in which buyers, suppliers, and other third parties, such as distributors, can exchange information and conduct business via a shared catalog, an open auction site, or a dynamic price exchange.

### **eBusiness Capabilities**

eBusiness systems should include all aspects of a company's operations, rather than just ecommerce, and should incorporate capabilities such as:

- Data integration between various departments and with partners
- Transactions between employees and with partners
- Collaboration among employees and with partners

### ***Data Integration***

Data integration is a key element of ebusiness and requires having an infrastructure in place to interact with various applications.

A company wants to be able to integrate not just the front end, such as customer-facing applications, but also the core aspects of the business found in ERP systems, such as receiving and delivering orders and managing inventory. If necessary, the system should help make available the appropriate personnel to a customer.

### ***Transactions***

Transactions are most often perceived in the context of orders and commitments of funds; therefore, they are the fundamental layer of ecommerce.

However, ebusiness users are starting to realize the potential value that comes from enriching the system to provide collaborative interaction in addition to transactions.

### ***Collaboration***

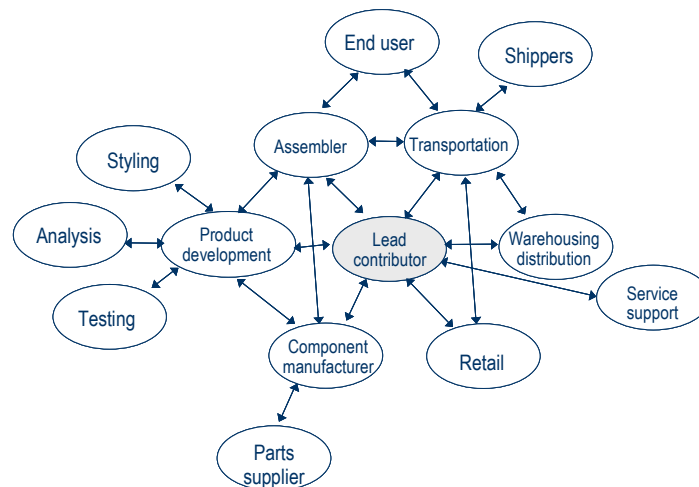
Collaborative capabilities are useful both within a company and between companies. Within a single company, the collaborative aspect can be seen in personalized enterprise portals that allow employees to access the appropriate applications and information,

in community bulletin boards, in instant messaging, and other mechanisms that can leverage aspects of the infrastructure. These portals facilitate communication between employees that can result in more efficient processes and new ideas.

In addition, companies are starting to offer personalized portals to their customers and partners so they can rapidly access the information that is relevant to them.

In business-to-business (B2B) situations involving one or more partners, collaborative commerce can be used in product life-cycle management systems to reduce design time as well as to create tighter bonds between the supplier and buyer. Figure 1 illustrates the numerous elements that can be involved in a supply chain.

**Figure 1**  
**Collaborative Commerce Potential Users**



Source: IDC, 2002

### Who Benefits from eBusiness?

eBusiness can benefit many constituents, including employees, customers, and partners.

- **Employees.** Providing employees with the ability to improve their job performance and leverage their skills involves integrating collaborative capabilities with the ebusiness system. For example, if employees can easily contact a document's author or rapidly find the right answers, they can be more effective.

- **Customers.** Knowing the customer and providing stellar service are requirements in today's competitive environment. eBusiness systems that provide a single, comprehensive view of the customer to all relevant systems and employees within a company can help companies retain and grow their customer accounts. This valuable knowledge leverages the customer activity on the Web site as well as in other contact points such as call centers.
- **Partners.** Being able to extend a company's reach is a key benefit, whether for buying, selling, product development, logistics, or staff procurement. For example, some companies are using their ebusiness systems to recruit and screen staff, tying in these capabilities with existing human resources software. Online design collaboration for products can increase understanding and shave time off development, and it can be used for phases such as design, forecasting, replenishment, order fulfillment, and promotion.

## Advantages

Leveraging the Internet within your operations can have many rewards. As a company progresses through each stage of ebusiness, from a marketing Web site through a solution supporting collaborative commerce, it can gain additional benefits. eBusiness solutions can enable a company to do more with less, especially when those ebusiness systems are fully integrated with a company's existing enterprise solutions.

Benefits of collaborative commerce can occur in the following forms:

- Increased productivity
- Decreased miscommunications that might result from lack of access to the same information or breaks in the chain of communication
- Improved competitive position by forming deeper relationships with key partners

## Challenges

For companies, the challenges of having an ebusiness system that meets current and future needs include:

- Integration
- Scalability
- Leveraging the system's capabilities

One of the major issues involves integrating ebusiness applications with legacy applications. The challenges include achieving integration without significantly changing the existing applications; handling transaction-based data; and using standards-based technologies to aggregate information and data from legacy sources into a coherent, customized view of an application. In addition, collaborative commerce systems need to be able to process various forms of data from other companies.

Another challenge is ensuring the ebusiness system is scalable, because Web traffic is unpredictable. Slow sites lose customers.

In addition, the system needs to be useful to and used by employees and authorized partners. For example, productivity is lost if employees and customers cannot quickly access the applications and information they need. For collaborative commerce implementations, there's a competitive advantage to offering systems that are easy for partners to use.

## **Conclusion**

Companies will continue to evolve through the various stages of ebusiness, moving beyond simple Web-based self-service applications to ecommerce initiatives and to participation in true collaborative commerce. Collaborative commerce, which represents the next evolution of electronic interaction, will become more common and enable deeper interaction and relationships with customers and suppliers.

The advantages of ebusiness are becoming obvious to midmarket enterprises, and more of these businesses will become players in the B2B arena through the use of marketplaces and/or their own abilities to facilitate interaction between themselves and their partners.

eBusiness is no longer the province of the large corporation; medium-sized and small companies can use it to expand their realm of business partners as well as to improve productivity.

This document was adapted from research published as part of an information service also available by subscription from IDC, providing written research, analyst-on-call, e-flashes, telebriefings, and conferences. Visit [www.IDC.com](http://www.IDC.com) to learn more about IDC's subscription and consulting services. Please contact Cheryl Toffel at [ctoffel@idc.com](mailto:ctoffel@idc.com) or 508-935-4389 for additional copies or Web rights for this document or for related documents.

**Quoting IDC Information and Data:** Internal Documents and Presentations — Quoting individual sentences and paragraphs for use in your company's internal communications does not require permission from IDC. The use of large portions or the reproduction of any IDC document in its entirety does require prior written approval and may involve some financial consideration. External Publication — Any IDC information that is to be used in advertising, press releases, or promotional materials requires prior written approval from the appropriate IDC Vice President or Country Manager. A draft of the proposed document should accompany any such request. IDC reserves the right to deny approval of external usage for any reason.

**Copyright 2002 IDC.** Reproduction is forbidden unless authorized.

[www.idc.com](http://www.idc.com).