

## I-EXCHANGE

### The main reasons for using an online marketplace

We asked both buyers and suppliers to share with us their main reasons for using a marketplace. Here are the top 5 reasons from both groups.

Fig. 5: Top 5 reasons why buyers and suppliers use marketplaces

Top 5 reasons why buyers use a marketplace	Top 5 reasons why suppliers use a marketplace
1. To reduce total goods / service acquisition time	1. Customer driven
2. To give the organisation a competitive edge	2. Improves our ability to trade electronically
3. To support our suppliers adoption strategy	3. Improves the buyer supplier relationship
4. To support or stimulate an increasing usage of the e-procurement system	4. A natural progression from a paper catalogue
5. We are an innovation driven organisation	5. Provides competitive advantage

### Analysis

#### Buyers

The results here show that the value of online marketplaces for buyers remains the same as when they first launched: reducing operating cost and improving internal efficiencies.

response to customer requests. Much has been written already on the “carrot and stick” approach to supply chain management; most recently, the carrot approach seems to have reported beneficial results.

#### Suppliers

Unsurprisingly, the main reason for suppliers joining a marketplace is in

Moving forward from this research, it’s important to note that suppliers are now seeing tangible benefits, such as a better ability to trade and greater

relationship with their customer base. What’s more, they are also reducing the numbers of order discrepancies and improving certainty of order placement – key factors in maintaining a stable and solid supplier /buyer relationship. Finally, it remains clear that both suppliers and buyers feel joining a marketplace can give their organisation a competitive advantage.

## Savings and improvements achieved from using a marketplace

We asked buyers currently using a marketplace where particularly they had seen real savings or improvements through the marketplace and what value could they put on these. Here are the top 6 areas with average savings or improvements achieved by percentage.

Fig. 6: Savings and improvements achieved from using a marketplace

Average reduction in time spent on order discrepancy	69%
Average reduction in time spent on catalogue creation	65%
Quality of service to internal customer	28%
Improvement in overall supplier relationship	22%
Reduction in approvals within purchasing process	20%
Increase in speed of placement	17%

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### Conclusions

It became clear in our initial literature review that the experience of online marketplaces over the past 5 years has been largely a challenging one. The perception has been heavily tarnished by the whole dot.com era, with some highly publicised failures.

When we started this research, therefore, our expectations of real positive feedback were quite low. However, the overall conclusion we have drawn from the I-EXCHANGE research is that marketplaces are now finding a defined role within the overall e-enablement of procurement. We base this conclusion on the following:

- user buyers were prepared, maybe for the first time, to acknowledge that they were experiencing real savings through the marketplace.

These were primarily in terms of efficiency: savings of 65% in catalogue creation time and 69% reduction in order discrepancies cannot be ignored

- user suppliers are now prepared, sometimes reluctantly, to use a marketplace as part of their overall customer relationship approach and are finding an enhanced relationship as a result.

However, there is a note of caution to be sounded over supplier participation. It is clear from our research that the primary reason that suppliers use marketplaces of all kinds is due to encouragement or pressure from important customer(s). Suppliers themselves have yet to conclude that marketplaces are an important channel

to market. For marketplace operators, therefore, the challenge is to convince suppliers of the value of participation directly.

There also appears to be a key benefit in terms of delivering value back to internal stakeholders. Respondents, on average, have seen quality of service to their internal customer rise by 28% as a result of using a marketplace.

In conclusion, online marketplaces seem to have come a long way in the last 5 years, though not all of that direction has been forward. Today though, the research indicates, they are increasingly creating a business model and service that the buying community recognises can add tangible value to their eprocurement business model.

### Some typical comments made during the research

#### By buyers using marketplaces

“It allows you to invite suppliers in from anywhere.”

“It provides a mechanism for cost reduction.”

“Although the speed of use improves once staff have used it a bit, you need some training at the start to build up the confidence.”

#### By buyers not using marketplaces

“It should give buyers the ability to track where you are on the purchase right through the process.”

“If only connected suppliers are allowed on to the marketplace, it may help retain spend and reduce the potential for maverick spend.”

#### By suppliers using marketplaces

“There needs to be cross party agreement; all parties have a vision on what they require, however everybody should be looking in the same direction.”

“The technology and stability of the systems is key.”

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## Qualitative research into the use & perception of Online Marketplaces



