

Whitepaper: **B2B Solutions for Small to Midsize Businesses**

Today, few small to midsize businesses are equipped to handle Internet ordering. Those that do seldom offer customer service features such as order tracking or contract pricing. These firms need to stay competitive, but don't have the resources for in-house development or the cost-prohibitive software their competitors use. These companies face another challenge to getting online: they may not even have back-end software in place to automate core business functions.

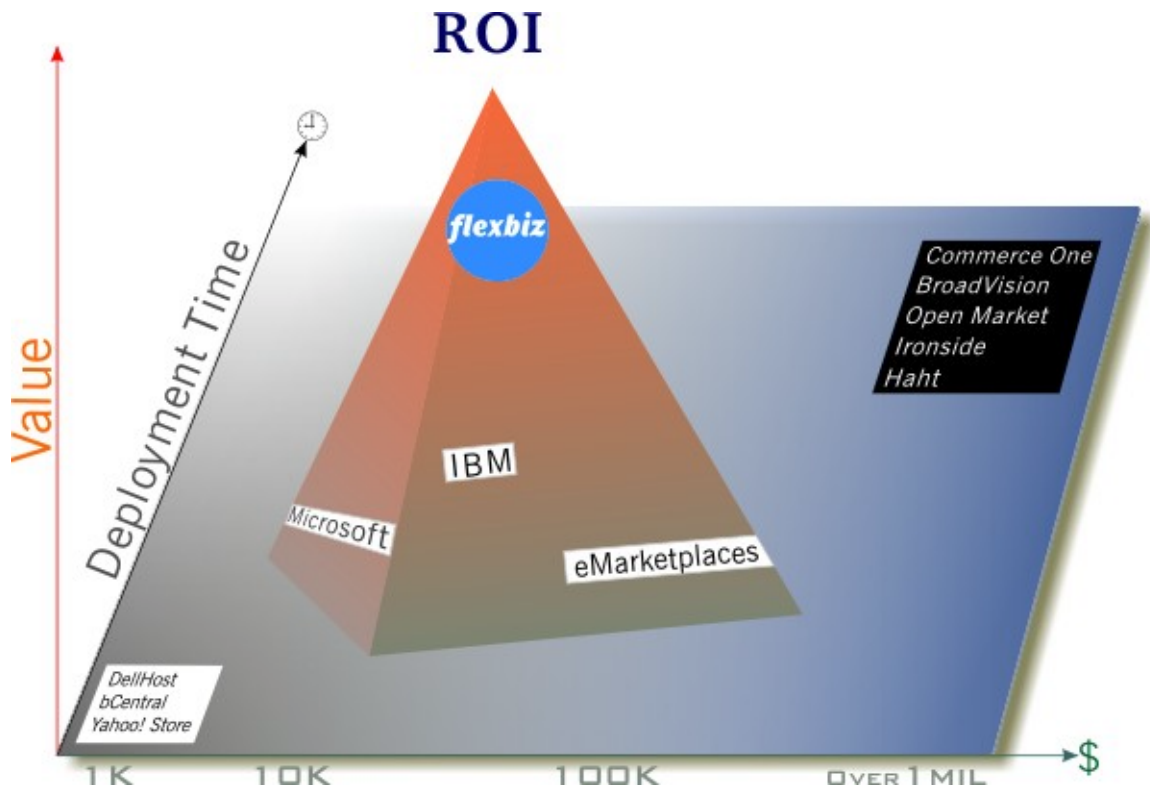
Unfortunately, the majority of B2B ecommerce solutions are aimed at easing procurement for large companies (buy-side software). For example, products from Commerce One or Ariba typically cost several million dollars, putting them out of the reach of the small to midsize market.

What is available to the small to midsize market today are the following:

- **Excessively expensive sell-side software** aimed at Global 2000 companies.
- **Joining emarketplaces that commoditize** suppliers while requiring expensive back-end integration.
- **Costly customization of packaged software** which is aimed at a broad market and lacks the required features for B2B.
- **In-house development** which is time-consuming, costly, and not guaranteed to succeed.

What's distinctly lacking from these options is an affordable sell-side solution that offers sophisticated features required for B2B. This is the Flexbiz solution.

The chart below summarizes how the Flexbiz solution compares to other ecommerce solutions. It shows that the Flexbiz solution is the only solution that falls in the cross-section of powerful, yet affordable by the midrange market.



The Flexbiz solution is powerful and affordable, while other solutions are either excessively expensive or ill-suited to the rigors of B2B ecommerce.

Below is an in-depth analysis of the B2B ecommerce options available to small and midsize businesses:

Option: Buy sell-side software

There are only a few sell-side software solutions available with the features required for B2B ecommerce. All of these packages, however, are priced out of range of the small to midsize market. Some examples of sell-side software are the following:

Haht Commerce, Inc.'s suite of products includes modules for electronic catalogs, online ordering, wireless access, and connectivity to SAP/R3 and J.D. Edwards World and One World. The licensing cost depends on the number of modules chosen. A typical Haht Commerce 6.0 installation runs \$500,000.

Ironside Technologies, Inc.'s Ironworks product provides a Web front-end to an order management system such as J.D. Edwards World or SAP R/3. Ironworks is middleware, not a catalog ordering system like Flexbiz. The licensing fees for an Ironside solution run well over half a million dollars.

The Flexbiz solution competes favorably with these more expensive options by offering functionality that is clearly superior for small to midsize manufacturers and distributors selling online. And, the Flexbiz solution doesn't require the supplier to

have already implemented a sophisticated back-end order management system and catalog. Flexbiz can either be the back-end or integrate with an existing back-end system.

Option: Join emarketplaces

Emarketplaces, or digital exchanges, act as a hub connecting buyers and sellers and charging per transaction fees to suppliers. The market makers that own the emarketplace typically place a supplier's catalog online, but don't allow the supplier to sell directly to its customers. Suppliers join these marketplaces in hopes of acquiring new customers and getting online. However, suppliers dislike moving their existing business to these markets because market makers typically charge between 5% and 10% per transaction.

The market economics thus far have shutdown many emarketplaces including Chemdex, SciQuest (life science supplies), Promedix (medical products), and MetalSite (steel). Recently, large corporations (such as DaimlerChrysler, Ford, and GM in the automotive industry and DuPont, Dow, BASF, and Rohm&Haas in the chemical industry) have begun their own marketplaces, raising questions about the viability of independent marketplaces and antitrust.

Flexbiz's solution, on the other hand, offers suppliers the opportunity to preserve their margins, reach new customers, and strengthen existing relationships. The Flexbiz solution can also serve as an interface to an emarketplace if suppliers can benefit from it.

Option: Customize and build in-house

Suppliers also have the choice of programming their own ecommerce system using a store creation platform. The least expensive of these (and least appropriate for suppliers) try to target B2C as well as B2B, for example, Microsoft's Commerce Server (starting at \$8,499) and IBM's WebSphere Commerce Suite (Start Edition from \$9,000, Pro Edition from \$45,000). More appropriate, but out of reach platforms are those focused on B2B, such as BroadVision's One-to-One Business Commerce (\$70,000 to \$2,500,000) and Open Market's Transact (\$125,000 to \$500,000). All of these products require extensive programming and customization by consultants before they could offer a catalog/ordering system on par with some of the features of the Flexbiz system. This raises their price tag and risk factor considerably.

There are a myriad of low-end platforms for store creation that range in price from free to \$5,000. For example, bCentral, DellHost, Freemerchant.com, Miva Merchant, and Yahoo! Store. These platforms don't provide the type of functionality the Flexbiz system does and are only competitors in as much as they distract businesses from pursuing a robust solution.

Better yet, *the Flexbiz solution* already contains powerful B2B features and can be up and running in two weeks – much more rapidly than the typical 12 to 18 month development time for in-house projects. And unlike in-house development, which isn't guaranteed to succeed, the Flexbiz solution is a proven solution.