



Unlocking the Potential of B2B

Companies across a variety of industries continue to invest in and struggle with eBusiness initiatives aimed at building meaningful, automated, and efficient connections with their trading partners. While much progress has been made, significant challenges remain before fully realizing the true potential of integration with customers and suppliers. This Hubspan® MarketInsight is based on a recently completed survey of 75 companies conducted over a period of several months in late 2007 and early 2008.

About this Document

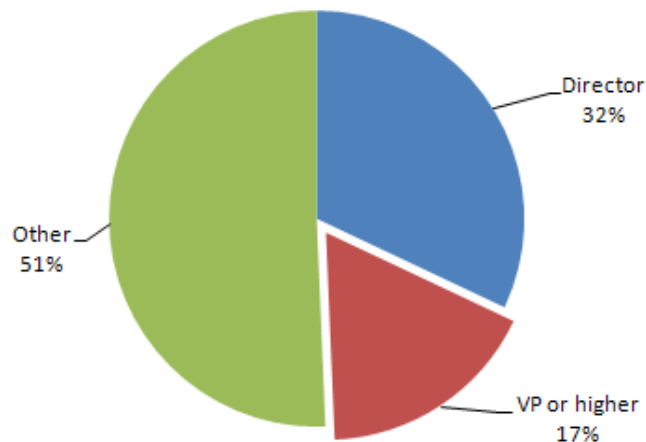
This document summarizes a survey on the current state of eBusiness and what leading companies are doing to connect and share information with their trading partners. Investments in and projects around integrating with trading partners are nothing new but the actual benefits derived and additional problems created have kept most companies from reaching the true potential of these connected relationships.

During late 2007 and early 2008, Hubspan conducted this survey to find out more about the true state of eBusiness and whether B2B had actually reached its potential. Specifically, our focus was on:

1. Identifying who “owns” eBusiness in the organization
2. Identifying what, if any, challenges exist when exchanging information with trading partners
3. Whether manual workarounds occurred due to errors, exceptions, or broken process
4. The steps being taken to address these challenges

Survey Profile

The project included only companies headquartered in North America representing a broad range of industries primarily in manufacturing, commercial trade, and distribution. The 75 companies surveyed had annual revenues between \$200 million and \$1 billion. The surveys were completed via telephone and, in some cases, more than one person was surveyed per company.



Respondents held a variety of positions with most (89%) residing in the IT organization. Titles ranged from CIO to analyst with those holding VP or higher titles providing 17% of the responses.

Key Findings

The details below highlight responses to our survey questions. The results reveal a contradiction of sorts whereby IT is the designated owner of eBusiness in most cases but their scope of responsibility generally does not extend outside the company's four walls. As you would imagine, those things that can be controlled by IT, like company-specific systems, generally are. Whereas, those things outside of their control, like their trading partner's systems are, in many cases, viewed as an external issue and not their focus.

This, we believe, led to fewer responses than expected citing specific challenges in exchanging information with customers and suppliers. What has been revealed is a question around who owns the end-to-end flow of information between trading partners. Set-up is just the first step, not the last and successfully sending something does not mean it was successfully received on the other end. This was further reinforced when examining the issue of manual workarounds. In some cases, there was no knowledge of them existing not because they didn't but because there was no visibility into them.

Who owns eBusiness?

Overwhelmingly IT was identified as the owner of eBusiness inside these organizations. Of those that responded, almost 90% indicated that IT owned eBusiness. The balance of answers included Marketing, joint ownership across functions, and Operations.

Surprisingly, 5% stated that they had no eBusiness strategy and therefore no one was responsible for it.

What challenges exist?

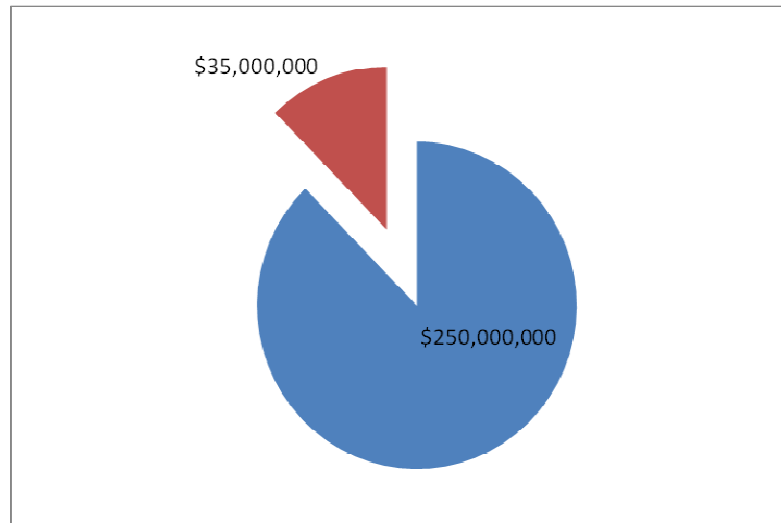
The majority of IT responses did not indicate significant challenges. However, upon closer inspection, it became clear that in many cases B2B challenges were viewed as outside the scope of IT since their responsibility was to make the initial connection and "external" factors were not their concern. These external factors included issues such as trading partner's systems not being kept "up to date", general lack of automation, and system changes. Additionally in one case, the lack of challenges was attributed to the fact that no integration existed so, of course, there were no problems.

Of those identifying challenges, incompatible systems ranked highest with other responses broadening to include incompatible data as well as processes. Additional responses pointed to the need for manual intervention which is examined in our next question.

What percentage of shared information fails and requires manual intervention?

Responses to this question ranged from “none” to as high as 60% of information exchanged with customers or suppliers requires some type of manual workaround. The average came in at around 14% of all information exchanged requires some type of manual intervention due to errors, exceptions, or broken processes. In other words, more than one out of every 10 orders, invoices, notices, etc. fails and must be manually processed. That leaves a considerable amount of revenue, payments, or information in limbo as manual steps are taken to process them reducing margins along the way.

What is interesting to note is that responses included things like this being on the “supplier’s end” and the manual processing is due to their error. In other words, an order was successfully sent so how it is received, processed, and fulfilled is not the problem of the buyer because it was successfully “sent.” Another perspective offered was that there was no knowledge of manual workarounds because IT’s involvement ended when set-up was complete. Yet another was unable to answer because there was not monitoring of that sort of thing.



A 14% manual exception rate means a \$250 million company will potentially experience \$35 million in delayed revenue

How Are The Challenges Being Addressed?

Building on the previously provided information, we wanted to understand what was being done to either address the problems or improve the nature of B2B practices at these companies. The answers were pretty broad with over 65% explaining that manual workarounds had been implemented to compensate for the current incompatible systems or processes in their B2B efforts. Others had no knowledge of what, if anything, was being done and only a small fraction had actually chartered projects to address the broader issues related to integration with customers and suppliers. The themes that emerged in the answers to this question are consistent with those covered previously in that the responsibility to ensure that these integrated relationships run smoothly in an on-going manner does not appear to reside in one function or with one person.

Conclusion

The results of this survey are a snapshot of the attitudes and issues around eBusiness within the mid-market of Corporate America. During the course of this project, companies told us their top IT initiatives included things like automating the ordering process, enabling web services, and even upgrading and rolling out ERP systems. Initiatives like these not only improve internal efficiencies but when properly extended to customers and suppliers will allow these companies to realize the true potential of B2B.

A concluding question in our survey asked if the company's customers would say they are easy to do business with. Without exception, all answered in the affirmative with many adding that at least they "hoped" that was the case or that they were "getting easier" to do business with. As we all know, hope is not a strategy but building tighter integrated relationships with customers and suppliers is the path to increased revenue, profits, and competitive advantage.

For More Information

Hubspan connects businesses by providing a complete business-to-business integration solution for companies of all sizes. More than 9,000 trading partners across 34 countries benefit from Hubspan's scalable, flexible technology. Hubspan's market-leading solution, delivered as a service, yields increased revenue, improved customer satisfaction and retention, and increased operational efficiency faster and more cost-effectively than in-house development. Hubspan serves some of the largest, global enterprises as well as organizations with just a few hundred employees – managing even the most complex business processes. For more information, please contact us at www.hubspan.com or +1 (866) 482-7726.