If Content is King, Who Has the Key?

With business slowing and the well-known "dot-coms" failing, many people ask, "Will e-commerce succeed in our business?" While no one seems to know when, most people agree that customers will order over the web with increasing regularity in coming years. It appears that this growth will occur initially with larger MRO customers (and larger companies in general) and then expand – possibly to the smaller customer who is looking for convenience.

The challenge in moving business to the web is not the building of a website but the "building" of the *content* to power the site. No one wants to take on the time-consuming, and expensive (typically $3-5/sku), task of manually building a descriptive product database of hundred of thousands of items, let alone maintaining the data. And currently there are very few resources to help.

Why Content?

According to a Goldman Sachs Global Equity Research Report, "Content, the area of tagging, structuring, and ordering data so as to enhance the reliability of transactions, is critical to accelerating B2B transactions." "Content provides the potential buyer with the necessary information to identify and select items for purchase" according to Mark Warnken, VP Strategic Alliances for Ox International, a content development company (www.oxinternational.com). To be useful to your customer, the information must be standardized, categorized and attributed. This enables the user to search your site for products pertinent to their needs. Think of the number, and types, of lamps that are available – or better yet, how can you "capture" the knowledge resident in your salespeople. They know what you stock, and what the customer needs, or they know the questions to ask. Your site must have the capability to search for the right item to satisfy your customer.

In developing your content, it is also important to determine why you need the content – is it for your customers to order from your site, for you to provide to a customer to be integrated into their system or are you providing content to an industry (customer) exchange so that your customer can order from you? Each of these usages may require different formats. Goldman Sachs sees that "the biggest inhibitor to effective and rapid e-marketplace infrastructure development is the lack of standardization among suppliers, buyers and marketplaces." This has also given rise to services provided by content suppliers.

What does this mean to you?

Most manufacturers have only recently undertaken efforts to develop electronic categorized and attributed content. Many had multiple product databases within their

organizations and only recently are pulling them into one system that is accessible to many people in the company. Much of this effort is due to the requirements to populate the IDW and some is recognition of the need (and to address requests from the dot-coms). As more manufacturers create systems with attributed information, this information will become available to distributors – although the format standardization issue referred to by Goldman Sachs will become a more significant issue.

Manufacturers, in many instances, are outsourcing these efforts to companies or acquiring software to facilitate the effort internally. Companies such as Requisite Technology, Excara, Saqqara, Commerce One, Ox International and others offer such services.

Supplier's Initial Data	
Mfr No.	F48T12/CW
ShortDesc	GEF48T12/CW 40W 425MA Flour Lamp
UOM	EA
ListPrice	$21.92

Manufacturer content before attribution

Attribution and Images

Noun	Lamp
Category	Flourescent
Manufacurer	GE Lamps
UPC	4316810748
Wattage	40
Length	48
Length UOM	Inches
Shape Letter	T (Tube)
Diameter (1/8 In)	12
Base Style	Single Pin
Color Code	Cool White
Starting Method	Instant Start
Trade Name	Slimline
Color Temp Kelv	4150
Life in Hours	9000
Lumens	2875
Image Location	F48T12.jpg
LongDescription	40 watt Slimline cool white Flourescent Lamp with single pin base; 48 inches; T (Tube) Shape; Instant Start; 12 Diameter (1/8 Inches);

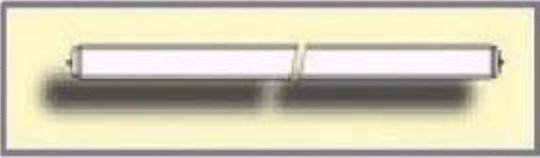A Categorized and Attributed Fluorescent Lamp

Product Information on a website

Distributors, on the other hand, are more limited in their resources. Unless you are a large distributor willing to undertake a herculean effort and have significant financial and human resources to create a unique system, your best bet is to identify your needs based upon customer demand and then weigh a few alternatives.

Distributor Alternatives

Distributors building a website need to consider two types of content:

1. Content defined as value-added information for their customers.

2. Content defined as searchable, categorized and attributed product information to facilitate ordering.

The *value-added information* that enhances a customer's site experience becomes specific to the markets that the distributor serves, the lines that they represent and the desire that the distributor has to offer relevant web materials to its customers. This aspect of a distributor's site can range from branch locations, a line card and links to manufacturers to technical data, product configurators, development of "communities", and access to a wide array of online resources (much of which you can link to). The key here is resource allocation and a desire to differentiate yourself from the competition.

Product content is more structured. Your choices are:

1. Create your own using an outside provider or acquiring the software to create the content in-house.
2. Utilize information resident in your legacy system (or manually enhance the information).
3. Attempt a "piecemeal" approach through your manufacturers (which will still leave you with holes).
4. Develop your site through one of the industry technology companies (i.e. Prophet 21's B2BSeller (which will announce a content provider relationship shortly), Tradepower, Eclipse or NxTrend) and see what they are using for content, or
5. Companies such as Trade Service's eDataflex product, Thomas Register, MROlink.com and WizNet.

You may be wondering, "why not information from the IDW?" While there is much data currently in the IDW (and the organization's financial status has been solidified), the information is not attributed. This information, which is being directly populated by at least 40 manufacturers, is useful for a distributor's legacy system. According to Mike Rioux, President of IDEA, the National Electrical Manufacturers Association (NEMA) is moving to develop an attribution and categorization process to set standards for manufacturers. NEMA hopes to have these standards in place late fall. Since fields already exist for attributes within the IDW structure, IDEA hopes to offer a product appropriate for populating distributor websites in 2002. Additionally, this spring, the IDW will begin offering links to manufacturer graphics files (presuming the manufacturer populates the field). A major benefit of the IDEA offering, according to Rioux, is that the data will be "manufacturer information, not created or edited by a third party."

Let's look at the alternatives:

▪ Creating your own can be very expensive and time-consuming – let alone how will it be maintained and do you have all of the knowledge needed to create the

content (plus you will probably need to make IT investments in hardware and software.)

- Using information in your legacy system can be done, but do you want to subject your customers to reading what your salespeople read? Your salespeople have the benefit of using this information daily, your customer wants ease of use.
- "Piecemealing" information has the benefit of using manufacturer information, but standardization is one problem and having relationships with all of the manufacturers is another – even if they all had information and if all of them would provide it to you, on a regular basis.

- Developing your site with one of the established software companies in the industry is a good alternative as it minimizes integration issues and, hopefully, they have developed sites for other distributors – so they have learned on someone else's time. A downside is that your developer choices become more limited, as will "developer creativity" and your opportunity to create a unique site. But it should work, be cost-effective, and most importantly, integrate with your legacy system.

- Trade Services' eDataflex product appears to be complete, (although with 1.2 million skus they still don't have everything but it will probably represent most of your sales) it is built off of the PFMS information and will be cost-effective. Many distributors and manufacturers have seen prototypes of the information. The product "went into production" the end of March. Through Trade Service's ec-Content division, this database is also sold to various marketplaces and exchanges. For more information on eDataflex visit www.tradeservice.net/cis/eData_profile.htm

"Build vs. Buy?"

After considering these alternatives, and presuming you are still going forward with a commerce enabled website, the key question is "build or buy"? In a book being written by Trey Simonton, Executive Vice President for Business Development for ec-Content, "Buying or outsourcing content from a third-party content service provider is the preferred solution in horizontal or vertical industries that require … interface with large numbers of suppliers representing millions of products and services." (A chapter of Trey's book, entitled "Evolving e-Markets" can be found at http://www.ec-content.com/pdf/chapter.pdf.) Or, in other words, "what is your core competency and where can you obtain the greatest return on your capital?"

Content Costs

Another way to look at the buy vs. build decision is from a cost viewpoint. Building content can cost from $3-5 per sku depending upon the data inputs, quality of information and the number of attribute fields. Developing your site with an industry

software company can be cost-effective as you leverage your infrastructure costs with other distributors who purchase the same product from the supplier, and they already have a content licensing arrangement. Purchasing content from Trade Service, while an additional outlay, should cost $10-15,000 for a medium-sized distributor.

The future of the virtual distributor

Much has been written and said about the rise and fall of the "dot-coms", especially those perceived to desire to do business directly (inclusive of exchanges). The reality is these companies need distribution in order to have access to product; manufacturers need distribution because most do not have the infrastructure for customer-direct relationships; and customers need distributors for their knowledgebase and for aggregation of product. So who will be the virtual distributor of the future – today's distributors who offer e-commerce capabilities (or integration with an exchange) as an alternative ordering system for their customers.

To be the "virtual distributor of the future", distributors must become more aware of content issues (value-added and product), find the key(s) that are valued by their customers and develop plans to deliver.
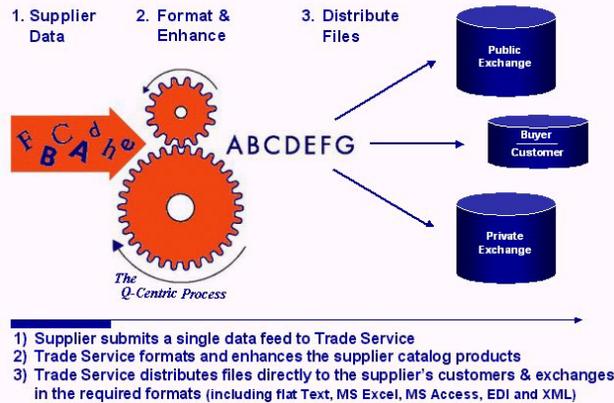
Side Bar

Content for Exchanges

With the advent of industry exchanges, see http://line56.com/directory/category.asp?CategoryID=6
 for an overview of a number of industry exchanges, inevitably one of your customers is going to ask you to provide them an electronic file of categorized, attributable content that they can integrate into their system. And for the privilege of providing this information, you may get to keep the business. Where do you go and what do you do?

You have one of three choices. Either you can sell them on the benefits of integrating with your legacy system for orders to flow seamlessly to you (possibly through EDI or through your website), you can identify which items the customer purchases and create your own catalog to provide to them, or you can utilize a Trade Service offering called Q-Syndication (visit www.ec-content.com/html/q_syndication.html for more information).

Supplier Syndication Program (SSP)

1. Supplier Data
2. Format & Enhance
3. Distribute Files

The Q-Centric Process

1) Supplier submits a single data feed to Trade Service
2) Trade Service formats and enhances the supplier catalog products
3) Trade Service distributes files directly to the supplier's customers & exchanges in the required formats (including flat Text, MS Excel, MS Access, EDI and XML)

As the graphic depicts, distributors can contract with Trade Service to extract information pertinent to the customer, format the information as desired and then sends the information to the exchange. This service has a one-time set-up fee plus a per marketplace fee.

Why is this important? With more and more exchanges being created, and leading companies joining them, and sometimes funding them, distributors should know what industries their customers are in, what exchanges operate in this industry, and if the customer has joined an exchange yet. If so, they will eventually seek ways to reduce their MRO costs and you may be able to offer them a solution.