



Understanding the Economic Value and Business Impact of B2B Portals

A FactPoint Group White Paper

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Executive Overview

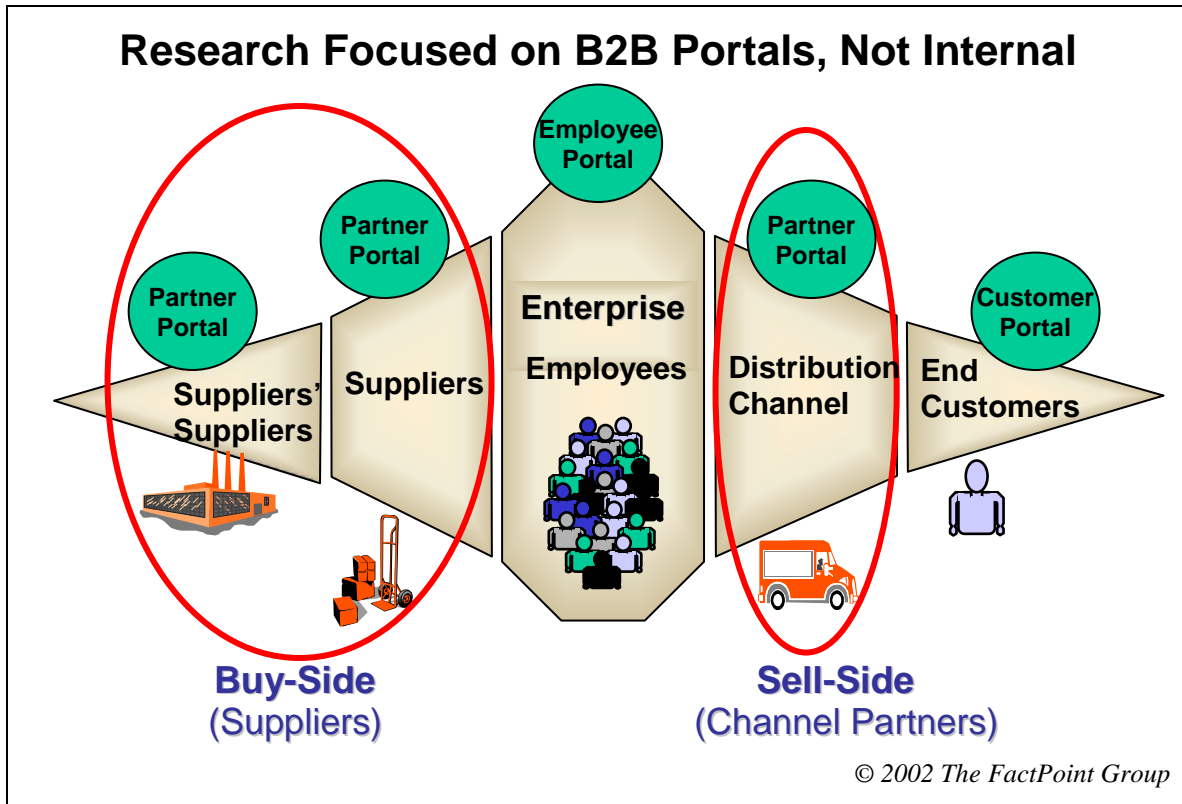
Business-to-business (B2B) Portals are rapidly becoming a requirement for doing business. Once a "nice to have" activity, Portals have become a "must have" for Global 2000 firms. Indeed, pioneering Portal builders in these enterprises can today articulate the benefits of Portals and are increasing their efforts and investments.

Leading corporate Portal adopters are beginning to deliver interactive, real-time business processes to a wide range of trading partners and customers. This white paper offers a research-based framework for assessing the business benefits of B2B Portals and offers specific advice to Portal adopters.

Portals Defined

The term Portal is overused and easily misunderstood. The FactPoint Group defines a B2B Portal as offering users a complete view of one or more business processes via a personalized Web interface. A user's "view of the Portal" is based on his or her role in their organization. This single gateway to role-based information allows users to transact and to make informed, actionable business decisions more quickly. Portals provide a place for their sponsors and constituents to collaborate and transact in a standardized fashion. Putting a web-based interface on top of a single enterprise application does not make a Portal. Instead the B2B portal is the platform required to define the relationship and to deliver multiple business processes between trading partners.

FactPoint studied B2B portals for suppliers (buy-side Portals) and for distribution partners or customers (sell-side Portals). The research did not address internal Portals for specific groups or functions within enterprises, such as human resources Portals for employees. FactPoint uses the term B2B Portals for buy and sell-side Portals; we use the term enterprise Portals to designate both B2B Portals and internal Portals.



Key Finding

A key finding of the research is that companies should move toward a single Portal infrastructure to underlie all its Portal activity. The research also found that significant, quantifiable benefits of B2B Portals come quickly—return on investment can be realized in months.

Portals Evolve

Leading tech-savvy enterprises have been implementing e-business applications since the mid-1990s. Many of these early adopters built “siloed” extranet applications to open corporate data to specific communities outside the enterprise. These extranets, predecessors to B2B Portals, were often driven by departmental needs and focused on a single business process. They generally emphasized content, often addressing knowledge management. Corporate Portal efforts often begin with a siloed Portal for a specific audience or department. Siloed Portals make sense as a starting point, but corporate planners should drive quickly to a unified end-to-end Portal strategy built on a common technology infrastructure. The selection of the right platform vendor becomes a critical decision, particularly for scalability as Portals are added for new constituencies. Robust B2B Portals require sophisticated integration, transaction and Portal tools as well as a highly available IT infrastructure.

How Portals Are Justified

When leading practitioners originally deployed Portals, they often justified the initial effort with soft or indirect benefits. Until recently, implementers have not been compelled to measure the value of their Portal efforts. However, in today's difficult economic climate, Portals must be justified based on their ability to deliver quantifiable benefits to both the enterprise and its partners. To date, the barrier for authorizing new IT spending has been low. In 2002, a year of careful investment, strong business cases and solid economic justifications are required to justify investments in Portal infrastructure.

B2B Portals are used for a variety of purposes: To share information (both transactional and non-transactional), to capture institutional or project knowledge, and to open applications to trading partners and customers. Leading practitioners implemented Portal capabilities in phases, but chose a platform infrastructure to unify their Portal efforts. For corporations building their first Portals, the strongest business case can be based on a combination of reduced IT operating costs and savings from more efficient business processes. For example, an automaker's B2B Portal allowed the company to remove 4,000 servers from dealer locations and resulted in a 35% IT cost savings in the first year.

Portals Need Magnet Apps

Following a best practice among early adopters, populate the Portal with a magnet application that is available only to Portal users. In case after case, a magnet application boosts Portal usage. For example, a major manufacturer now accepts more than 3 million invoices a year via its Portal, allowing the manufacturer to take discounts by paying invoices early and getting cash faster to its suppliers. Portal implementers must identify such win-win situations where the Portal benefits trading partners as well as the Portal sponsor.

However, Portal builders should not over-emphasize specific applications. More important is developing an understanding regarding how business processes can be made more efficient through the Portal (for example, allowing a supplier to manage inventory at a customer's site), which normally consists of more than one application. Portals to date have focused on automating a few core business activities between partners. The next step in Portal deployment is to incorporate more business processes.

Portals as a BPI Tool

A Portal can serve as a valuable tool to drive business process improvement. As the major automaker mentioned above, for example, the dealer Portal reduced the number of applications for dealers from 260 to 100, improving productivity. Another manufacturer created Web tools and applications that let suppliers do more sophisticated analysis. "Many times when you put an application on the Portal, you're changing the way the supplier does something that they've always done," that manufacturer stated. "In bringing applications to the Portal, it lets the supplier get better information quicker and easier."

The Future of B2B Portals

The FactPoint Group believes that emerging XML-based Web services technology will play a key role in the next-generation Portal by providing new real-time transaction and collaboration capabilities. The coupling of applications to a Portal can be achieved more easily with Web services tools and platforms than with traditional methods of integration. Web services will provide the flexibility that is needed to combine data, application logic and workflows to create more efficient business processes between firms.

Key Takeaway

The FactPoint Group expects that over the next two years, the convergence of Portals, Web services and enterprise applications will emerge as a dominant business-computing platform. Over time, the Portal will become a leading vehicle for delivering Web services.

Methodology

In this research, The FactPoint Group conducted in-depth interviews with 25 C-level executives, line of business and e-commerce executives of Global 2000 companies, 20 of which are Fortune 500 companies. Five technology vendors also were interviewed.

About The FactPoint Group

The FactPoint Group is a Silicon Valley-based research, publishing and consulting firm that helps enterprises adopt and vendors market new technology. Its proven methodologies, extensive interviews of leading practitioners, Portal research and modeling can help enterprises plot effective Portal strategies to implement business process improvement.

Leading companies have used FactPoint Group for economic analysis to justify investments in Portals and other e-business activities. In today's environment, FactPoint's methodologies can help IT departments and line of business managers justify new or increased investment in e-business efforts to their chief financial officers. The FactPoint Group (formerly Internet Research Group) is a new name for a team which has been producing world-class research, analysis, and consulting since 1993. In addition to its Portals research, The FactPoint Group is focused on Web services, wireless and storage.

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