

# InfomEDIATION and Competitive Advantage in B2b Digital Marketplaces

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Digital platforms are radically transforming the organisational structure of value chains and the way companies organise their business.

Because they are so complex, b2b networks are mainly involved in this process and new infomediaries are emerging to reorganise company relations. Apart from several articles, there has been little meaningful debate regarding the driving forces behind these changes. This paper focuses on the competitive role of these new actors, and provides a conceptual framework which aims to show how these new virtual infomediaries are affecting strategic company resources and reshaping the dynamics of competition.

We present three European cases of b2b digital marketplaces to illustrate how competitive infomEDIATION works. © 2001 Elsevier Science Ltd. All rights reserved.

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## Linking Digital Platforms to Competitive Advantage in B2b Markets

The spread of the Internet has led to several changes in business organisation and company strategy. By providing a wide range of opportunities linked to digital platforms, companies can now de-construct traditional vertical value chains and convert them into more flexible and synchronic value aggregations.

Electronic commerce is the main driving force behind this transformation since companies can now carry out transactions in goods, services and information

in digital form. In this sense, online business-to-business relations play a central role in changing the structure of vertical value chains. Since b2b transactions are much more complex than those involving the final consumer, b2b e-commerce develops in a more complex scenario.<sup>1</sup>

For instance, infomediaries are needed to reorganise b2b networks because, unlike what occurs in the b2c environment, companies are unable to directly exploit the benefit of e-commerce on their own.<sup>2</sup> New categories of intermediaries (trading hubs, auctioneers, vortals, ...) are now emerging in the b2b environment and creating marketplaces where supply and demand might match by using organised virtual platforms.<sup>3</sup>

Apart from several reports and research studies on this topic, there has been little meaningful debate regarding the driving forces behind these changes. The de-struction of businesses, the spread of infomEDIATION roles and the creation of new b2b marketplaces are only in part a technological phenomenon since they emerge as companies explore and find new and better ways to establish business relations.<sup>4</sup> In our opinion, what drives the transformation of old vertical value chains into new b2b marketplaces is a profound impact on competitiveness (see Figure 1).

First, infomediaries provide digital services with a widespread effect on the strategic resources that heighten the competitive advantage of companies. Identifying this effect and understanding the possible new mechanisms required to build strategic resources are central to managing companies in b2b marketplaces.

Second, as this influence on company resources ultimately determines the competitive selection of



**Figure 1 The Pivotal Role of Competitive Advantage in the B2B Marketplace Dynamics**

infomediaries, the rules of the game in b2b marketplaces are profoundly affected: a kind of co-evolution in competition seems to appear and re-design new value aggregations.

Competitive advantage plays a pivotal role in explaining how digital platforms affect new value aggregations and this is the subject of this article.

We subsequently highlight the driving forces behind business de-construction: the changing attributes of digital information.

Traditional logistics (organising the physical flow of goods and services) and cognitive activities (information flow management) can be reorganised in many different ways. In the b2b environment this requires new operators to act as strategic links to integrate physical and virtual processes. Since companies might not exploit the benefits of b2b electronic commerce on their own, the functions of infomediators services must be carefully considered.

The roles played by infomediaries in b2b aggregation and facilitation may influence firms' competitive advantage.

First, there is an impact on the stock of resources that supports the competitive advantage of user firms. We provide a model that identifies the three resource networks involved namely, logistics, transaction and knowledge.

Second, the competitive dynamics are affected at the macro level: co-evolution is re-defining and re-organising the traditional value chain into new aggregations thus changing the nature of competition.

In the final section, three European cases highlight the link between infomediators and competitive advantage: a provider of logistic solutions (Unitec), a vertical exchange of metal products (Steelscreen) and a horizontal portal for SMEs (Marketplaceitaly).

## Information Resources and Value-Chain De-Construction

The main driver behind this transformation is the availability of technological platforms that modify the main attributes of information.<sup>5</sup>

Over the past few years, significant, new opportunities in emerging technologies have changed the use of information assets: digitalisation separates the information flow from the physical one in the traditional supply chain, a phenomenon that is generally called 'business de-construction'.<sup>6</sup>

Information is *detachable* from its source in that it can be re-used, stocked and distributed. For example, a company operating in a b2b digital marketplace can publish its catalogue on the Internet and make it available online, separating price information and selling conditions from the source that has generated them.

Information changes its *specificity features*, that is the number of individuals who benefit from its delivery. In the above-mentioned example, the electronic catalogue is available to all those sharing the same digital standard, with no physical constraint.

Digitalisation also alters information *plasticity* since its original contents can be changed, modified, and shaped in the virtual environment. For example, the product specifications published in an electronic catalogue can be easily modified and adapted to match customer needs.

One of the most important effects of these changes is removing the trade-off between information *width*, namely the number of individuals who benefit from it, and information *depth*, namely the richness of the message in a communication relationship.<sup>7</sup>

In the past, the main obstacle to sharing knowledge was the band restriction. Only simple and codified information could be transferred and shared by many people. Complex information flows and specific knowledge sharing were limited to closed environments. In a digital marketplace, a machine tool producer can offer his products to a broader range of potential buyers than in an offline market. A buyer searching for a specific component can compare different product offers before making his final choice; the only problem is having companies with the same digital standards.

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