

# **e-Business Adviser Handbook**

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A handbook for business advisers assisting small and medium sized enterprise entering or improving e-Business.

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**Section – 2.4 – Regional Portals**

## 2.4. REGIONAL PORTALS

### [Aggregating SMEs to bring them on line: how Regional Development Agencies can create portals / marketplaces of SMEs]

#### 2.4.1. Introduction

In this section of the handbook a particular e-business support model is described: the creation of portals and marketplaces at the local level. This type of initiative was widespread in the Emilia-Romagna region of Italy in the year 2000/2001.

The region is characterised by a high percentage of SMEs and therefore what has happened here can be considered an interesting test-bed for the e-business support model. In the region there are many organisations supporting SMEs. Due to their competitive advantage (knowledge of local SMEs) and of the world trend towards virtual marketplaces, these organisations have repeatedly adopted the portal/marketplace model to encourage SMEs to go on line, and offer them concrete services. They create virtual places where local SMEs show their products, exchange information, use added value services and trade goods.

First, the regional context of SMEs support network and the global context of portals and marketplaces are presented. Then, a general overview on 'who's done what' in the region is presented, and classify each project according to the type of service the portal provides. A few concrete examples are examined and they illustrate how the portals/marketplaces have been set up in Emilia-Romagna, and also in one case from the Rotterdam region. Relevant information is summed up and conclusions are drawn from the experience of the many SME support organisations in Emilia-Romagna. Thus USHER provides a mechanism to disseminate the lessons learnt by local RDAs on if and how the portal/marketplace can be a valuable model for supporting SMEs with e-business.

#### 2.4.2. Global trends: marketplaces and portals

Marketplace is a website where transactions and business interactions between firms take place. Portal is a website where several resources and services for firms exist, and where communication and collaboration between firms is encouraged. There is no clear separation between the two. Marketplaces can offer collaboration services, portals can include devices for facilitating transactions.

The key point in common is that they provide visibility and services to large groups of companies, as opposed to traditional websites of individual companies. The collective effort provided by the two models is particularly useful for SMEs which are not large enough to make huge investments in web-oriented technology.

#### Directories

On the Web there are several websites providing access to information on groups of companies. There are different types of site which vary in the degree of interactivity available and how information about the companies can be researched.

A first example is the **directory**, which can be simply a list of essential information (name and address) about companies. Local business associations typically provide this low-interactivity service: no information is available on the activity of the company (sector, dimension). Often however the directories are structured in explicit or implicit categories. Sometimes links to the companies' websites are available.

A very important provider of information is the general portal, offering directories of company websites via the same structure of information for economic activities (such as Yahoo). Territorial portals, aggregating various local resources, provide other classification systems.

A rigorous system of selection and coverage is provided in Italy by the specialised information providers such as SEAT (Yellow Pages) and Kompass, Dun and Bradstreet, and also by the Chamber of Commerce (<http://www.infocamere.it>). A rather detailed description of the products or even a catalogue is available in vertical portals (vortals), aimed at the community of users belonging to a specific business area. These sites offer a pointing service, more or less accurate, which is based on parameters that are stable in the short term. From the SME point of view the added value lies in the enhanced visibility provided, helping to create on line and off line contacts. This service varies greatly in quality and depends mainly on how accurately the firms are categorised, and on the attractiveness of the website itself.

### **Community**

Community in the context of the Internet refers to an informal exchange of information and knowledge between people. In the business context, community is an instrument by which people can exchange informal information and knowledge in business-related fields. This experience has been valuable when it has involved the information exchange between people doing the same job in different organisations, or firms working in the same sector at different stages of the supply chain; or people working on the same product at different production stages. The basic idea is that other people have a different perspective, and so there is an important learning opportunity in facilitating collaboration and exchanges of information between distant people. It is similar to the theory of industrial districts, where informal discussion and collaboration between SMEs enhances learning, innovation and productivity.

### **Marketplace**

Beside the traditional offer of visibility there is the marketplace model, where companies can find potential partners, customers or suppliers, based on time-limited information, such as the temporary offer of overstocks and promotional initiatives. Another key service is the facilitation of inter-firm matching, trade and cooperation (such as Request for Proposal, negotiation, complete transaction).

There are several types of digital marketplaces. These can be classified according to their 'owners':

- a) The vendors, aimed at increasing the development of the sale of small groups of companies towards a large number of potential customers
- b) The buyers, aimed at optimising the purchasing process and costs of a small group of buyers, towards a potentially large number of sellers
- c) Neutral (third party), where many suppliers and customers (each company can be both) meet to make contracting and transactions

A second criterion for classification is the sectoral specification of the marketplace. There are vertical solutions, facilitating transactions within a particular business sector, and horizontal ones, addressing different groups of buyers/suppliers within separate sectors. The first one, called exchanges, supports transaction of commodities related to the production process within a particular sector (e.g. <http://www.esteel.com>), or facilitates suppliers for specific parts, via a collection of catalogues (e.g. <http://www.sciquest.com>). In the horizontal type there are marketplaces supporting transactions of any product, focussing on savings and economic advantages of the on line transaction. Within this category there are several marketplaces managing trade of indirect products such as MROs - Maintenance, Repair, Operations (e.g. <http://www.mondus.com>).

A particular feature of some marketplaces is the **workflow marketplace**, offering services such as project management, documentation management (see: <http://www.citadon.com> for the building industry).

The most important services provided by the marketplaces are:

- o **Catalogue-based purchase** – often used in marketplaces aggregating catalogues from different suppliers.
- o **Auction** – useful when there is only one vendor of a product and a wide group of potential buyers
- o **Reverse auction** – typical model where a single buyer of a group of buyers call for proposals from several suppliers in competition.
- o **Limited auction** –where the number and phases of the auction are pre-defined.
- o **Tendering** – typical solution of proposals received in “sealed envelopes”
- o **Dynamic negotiations** – facilitate the negotiation with several partners on various aspects of the purchase transaction. See e.g. <http://www.freemarkets.com>
- o **Spontaneous offer** – the vendor announces the availability of a certain amount of product at a fixed price.

### 2.4.3. Why portals are relevant model for SMEs

SMEs, which do not have the size and organisational capabilities to produce their own marketplace, often connect to existing marketplaces. The advantages for SMEs are: enhanced efficiency, cost savings, better management control following automatic and short purchasing process, better transparency, better visibility on the Web. Besides the available e-commerce solutions, a growing number of added value services and tools for communication and collaboration between the participants are available via the portal.

In other words, the portal/marketplace model can be effective in giving the SMEs the chance to:

- Offer its products online, without having to set up a complicated website but simply adding its catalogue to existing marketplaces
- Increase attractiveness of its products, by exploiting the marketplace brand and marketing power
- Save money in purchasing, by facilitating e-procurement and joint purchase
- Monitor purchases and sales more efficiently, using standard technology provided by the marketplace.

In all of these cases, the SME does not have to buy specific software solutions but to rent it, much more cheaply, often for free, from the owner of the marketplace. Finally, the SME can enhance its visibility by taking part in a marketplace, which is much more attractive for customers and suppliers than a large variety of separate websites with different standards.

#### Further services

Portals and marketplaces provide further services, often via partnership with specialised providers. Those services can be a significant opportunity to bring on line existing resources in RDAs and service centres, even at the local level. There are three main types of services.

- o **Directories** - allow the visitor to find potential partners through product or location-based searches (see <http://www.ceramicandmore.com>)
- o **Qualification** - provide additional financial or technical information on the listed companies to enhance the degree of trust in potential partners (see <http://www.steeltrading.com>)
- o **Content** - in vertical portals and marketplaces the provision of sector-specific content, such as newsletters, commercial information, export-related information on specific countries, technological update. (see <http://www.opifici.com>)

#### 2.4.4. The regional context: Emilia-Romagna the SMEs region

With a population of fewer than 3.9 million people, (6.4% of the population of Italy) and with 8.4% of the country's working population, the GDP of Emilia-Romagna exceeded 8.5% of the total national product. The productive system in Emilia-Romagna is made up of 300,000 companies, 67,000 of which operate in the manufacturing sector (98% of them being SMEs). In 1999, 102 new firms were calculated per 1,000 inhabitants. SMEs are often territorially concentrated in areas with a very high specialisation in a single product. This is the principle of industrial districts where SMEs networking allows scale economies. Industrial districts represent a reproduction of the large company model and, at the same time, maximise the productive flexibility that is typical of smaller firms. The important economic, social and cultural cohesion is a strength which characterises the district, but cannot be exported.

Emilia-Romagna has one of the most innovative SME systems in Italy in terms of product and process innovation: 100% of SMEs maintain they have carried out innovations over the last 5 years, 40% SMEs maintain they are pioneers and for 80% of SMEs innovation is generated from within. In the region, there are 10 local production systems composed of hundreds, sometimes thousands of small firms belonging to the same diversified industrial sector. They are the following:

1. Knitwear and garment production in the Carpi-Modena area;
2. Shoe manufacture in the Fusignano, San Mauro Pascoli area,
3. Ceramic tile production in Sassuolo;
4. Motor-cycle manufacture in the Bologna area;
5. Packaging machinery in the Bologna area
6. Farming machinery in the Reggio Emilia area
7. Biomedical production in Mirandola
8. Food processing in the Parma area
9. Machine tool production (robotics) in Piacenza
10. Upholstered furniture in the Forlì area

In the whole of Emilia-Romagna the mechanic industry is very competitive and provides a fundamental input to the competitiveness of those 10 local productive systems. A peculiarity of Emilia-Romagna and Italy in general, is the large number of organisations supporting and representing SMEs at the local and regional level. The main types of organisations are:

Business associations: Local and regional association, sector-specific or trans-sector, by type of firm (artisan, cooperative, small...) and even political orientation (left or right wing). They provide information and support on tax and financial issues, quality and export. Sometimes they create specific companies to address training and technology issues.

Chambers of commerce exist at the provincial, regional and national level. They are part of the public sector and provide compulsory administrative services, such as issuing certificates and managing the register of companies. They also provide training, information and support on administrative and tax issues, export, supporting company start-up. Besides that, they have created specific service firms (such as INFOCAMERE) providing high added value services, often Internet based.

Local authorities (municipalities, province and region) have departments supporting economic development of the area and sometimes offer support services for enterprises, especially marketing local products as a part of territorial marketing,

Service centres (public or public-private), provide information, credit, quality support, innovation services to SMEs at the local level.

Local Development Agencies: are public or semi-public companies, created to promote local development in disadvantaged areas. They are involved in the local planning initiatives and provide support to SMEs concerning financial opportunities, export and credit facilities.

These organisations often co-exist in the same geographical area and therefore meet local competitors in providing support to local SMEs.

#### **2.4.5. Portals and marketplace in Emilia-Romagna region**

This research focuses on how RDAs, business associations and local authorities provide, via the web, information, contacts and services for large groups of SMEs. One reason for this is that the portal/marketplace model has been considered very significant as an e-business model for SMEs, which cannot make huge investments in technology. It has been shown how the Emilia-Romagna region is characterised by the importance of SMEs in the economic structure.

The combination of these circumstances with the dense institutional environment of the region, i.e. the large number of representation and support services (intermediary organisation) for SMEs, has encouraged the development of a large number of portals/marketplaces in the region, and the accumulation of considerable experience on the subject. It is therefore possible to extract some relevant lessons and share them with other support services to SMEs.

#### **Analysis of portals/marketplace projects in Emilia-Romagna region.**

Organisations and initiatives have been analysed, providing web-related services to groups of SMEs. They have been classified them according to two criteria:

Type of organisation providing the service:

- Business association
- Chamber of commerce
- Local authorities
- Local service centres to SMEs
- Consortia
- Trade fair organisation
- Private (ISPs, banks...).

Type of web service provided:

- Institutional website / local civic website: generally provides simply the list of companies
- Showcase website: generally it presents the firms products and sometimes a catalogue
- Regional portal: provides a presentation of local companies, especially on business sector which are locally relevant (e.g. ceramics in Sassuolo)
- Vertical portal: it involves local companies at different stages of the supply chain, and provides added value content on the specific sector
- Transaction and processes: marketplaces or portals which enable trading transactions or high complexity web based services.

Most of the sites were found to be are directories or showcases and were linked to the institutional objectives of the organisation. Some relevant examples exist of more complex sites, concentrating either on the provision of services or on trading transactions between the participants.

<b>Table 2.4.1a. Portals of SMEs in Emilia-Romagna: classification of existing experiences</b>			
<b>Organisation</b>	<b>Web service provided</b>		
	<b>Institutional website</b>	<b>Showcase</b>	<b>Regional portal</b>
<b>Business association</b>	<b>List of members</b> <a href="http://www.assindustria.pr.it/">www.assindustria.pr.it/</a> <a href="http://www.nettuno.it/fiera/lega/set_home.htm">www.nettuno.it/fiera/lega/set_home.htm</a> <a href="http://www.industria-api.bo.it/soci/index.html">www.industria-api.bo.it/soci/index.html</a> <a href="http://www.unioneindustriali.mo.it/annuario/imprese.htm">www.unioneindustriali.mo.it/annuario/imprese.htm</a>	<b>Websites' creation</b> <a href="http://www.bo.cna.it">www.bo.cna.it</a> <b>Export promotion</b> <a href="http://www.expomodena.it">www.expomodena.it</a> <a href="http://www.apiexport.it">www.apiexport.it</a> <b>Members' list</b> <a href="http://www.ceramictiles.it">www.ceramictiles.it</a>	<a href="http://www.piacenzabusiness.it">www.piacenzabusiness.it</a> <a href="http://www.riminimpresa.it">www.riminimpresa.it</a> <a href="http://www.promoparma.it">www.promoparma.it</a> <a href="http://www.europarma.com">www.europarma.com</a>
<b>Chamber of commerce</b>	<b>Directory local firms</b> <a href="http://www.infoimprese.it">www.infoimprese.it</a>	<b>Export promotion</b> <a href="http://www.exporter.it/italia.html">www.exporter.it/italia.html</a>	<b>Portale imprese riminesi</b> (announced) <a href="http://www.expomo.it">www.expomo.it</a>
<b>Local Authorities</b>	<b>Directory local firms</b> <a href="http://www.comune.carpi.mo.it">www.comune.carpi.mo.it</a> <a href="http://www.valtaro.com">www.valtaro.com</a>		
<b>Service centres</b>	<b>Members' list</b> <a href="http://www.citer.it">www.citer.it</a> <a href="http://www.quasco.it/sc/servizio_soci.htm">www.quasco.it/sc/servizio_soci.htm</a>	<b>Members' website</b>	
<b>Consortia</b>	<b>Members' list</b> <a href="http://www.bo.interporto.it">www.bo.interporto.it</a> <a href="http://www.consobiomed.it">www.consobiomed.it</a> <a href="http://www.rscarpi.com">www.rscarpi.com</a> <b>Services to members</b> <a href="http://www.coimex.it/it/default.htm">www.coimex.it/it/default.htm</a>	<b>Showcase for members</b>	
<b>Trade Fair organisation</b>	Database of attending companies <a href="http://www.bolognafiere.it">www.bolognafiere.it</a> <a href="http://www.fiere.parma.it">www.fiere.parma.it</a> <a href="http://www.fierarimini.it">www.fierarimini.it</a> <a href="http://www.agricesena.it">www.agricesena.it</a> <a href="http://www.ferrarafiere.it">www.ferrarafiere.it</a> <a href="http://www.fieraforli.it">www.fieraforli.it</a> <a href="http://www.piacenzafiere.it">www.piacenzafiere.it</a> <a href="http://www.modenafiere.it">www.modenafiere.it</a>		<b>Export promotion</b> <a href="http://www.romagnaexpo.com">www.romagnaexpo.com</a>

Table 2.4.1a. Portals of SMEs in Emilia-Romagna: classification of existing experiences			
Organisation	Web service provided		
	Institutional website	Showcase	Regional portal
Private (ISPs, SW house)	<p>Customers' list</p> <p><a href="http://www.reggionet.it">www.reggionet.it</a></p> <p><a href="http://www.nextra.it/Italiano/soluzioni/vetrina/index.html">www.nextra.it/Italiano/soluzioni/vetrina/index.html</a></p> <p><a href="http://www.datas.it/home.html">www.datas.it/home.html</a></p> <p><a href="http://www.affari.com/affari2000">www.affari.com/affari2000</a></p> <p><a href="http://www.2ainfo.it">www.2ainfo.it</a></p> <p><a href="http://www.acronet.it">www.acronet.it</a></p>	<p>Customer showcase (ISPs, web marketing/design companies)</p> <p><a href="http://www.business.queen.it">www.business.queen.it</a></p>	<p>Local resources, esp. hotels and restaurant</p> <p><a href="http://www.bolognadavivere.com">www.bolognadavivere.com</a></p> <p><a href="http://www.ferraracity.com">www.ferraracity.com</a></p> <p><a href="http://www.noana.it/atlanti">www.noana.it/atlanti</a></p> <p><a href="http://www.borgoestense.it">www.borgoestense.it</a></p> <p><a href="http://www.pragmanet.it">www.pragmanet.it</a></p> <p><a href="http://www.guidadimodena.com">www.guidadimodena.com</a></p> <p><a href="http://www.emiliaitaly.com">www.emiliaitaly.com</a></p> <p>Local versions of national websites</p> <p><a href="http://www.katalogo.kataweb.it/katalogo/root100/italia_in_rete_160/emilia_romagna714/emilia_romagna714.html">www.katalogo.kataweb.it/katalogo/root100/italia_in_rete_160/emilia_romagna714/emilia_romagna714.html</a></p> <p><a href="http://www.aziende-emiliaromagna.it">www.aziende-emiliaromagna.it</a></p>

Source: Aster Organisation ([www.aster.it](http://www.aster.it)), Stefano Duri

Table 2.4.1b. Portals of SMEs in Emilia-Romagna: classification of existing experiences		
Organisation	Web service provided	
	Vertical portal	Transaction and processes
Business association	<ul style="list-style-type: none"> <li>☞ <a href="http://www.Tessilmoda.com">TessilModa (www.Tessilmoda.com)</a></li> </ul>	<b>Partnership with technology partners</b> <ul style="list-style-type: none"> <li>☞ <a href="http://www.BiztoB.com">BiztoB (www.BiztoB.com)</a> - Ass. ind.li Piacenza e Rimini</li> <li>☞ <a href="http://www.Tittostampi.com">TuttoStampi (www.Tittostampi.com)</a></li> </ul>
Chamber of commerce	<ul style="list-style-type: none"> <li>☞ <a href="http://www.subfor.camcom.it">Banca dati subfornitura (www.subfor.camcom.it)</a></li> </ul>	<ul style="list-style-type: none"> <li>☞ <a href="http://www.ciseonweb.it/e-commerce/visual/aziende.jsp">Progetto pilota E-Commerce Cesena-Forlì (www.ciseonweb.it/e-commerce/visual/aziende.jsp)</a></li> </ul>
Local Authorities		<b>Integration of e-commerce and community networks</b> <ul style="list-style-type: none"> <li>☞ <a href="http://www.comune.bologna.it/distretto_virtuale.htm">Progetto Distretto Ec.-Prod. Virtuale di Iperbole (www.comune.bologna.it/distretto_virtuale.htm)</a></li> </ul>
Service centres	<ul style="list-style-type: none"> <li>☞ <a href="http://www.agrimach.com/it/">Agrimach (www.agrimach.com/it/)</a></li> <li>☞ <a href="http://www.gias.net">Gias - Sistema informativo globale per l'agricoltura (www.gias.net)</a></li> <li>☞ <a href="http://www.fieravirtuale.it">Fiera virtuale per il tessile-abbigliamento (CITER) (www.fieravirtuale.it)</a></li> </ul>	
Consortia		
Trade Fair organisation	<ul style="list-style-type: none"> <li>☞ <a href="http://www.edilio.it">Edilio (www.edilio.it)</a></li> </ul>	
Private (ISPs, SW house)	<ul style="list-style-type: none"> <li>☞ <a href="http://www.hydraulic.it">OleoValley (www.hydraulic.it)</a></li> <li>☞ <a href="http://www.opifici.com">Joinet (www.opifici.com)</a></li> </ul>	<b>Shopping, hotel reservations</b> <ul style="list-style-type: none"> <li>☞ <a href="http://www.parmaitaly.com">Parmaltaly (www.parmaitaly.com)</a></li> <li>☞ <a href="http://www.parmavirtuale.com">Parma Virtuale (www.parmavirtuale.com)</a></li> <li>☞ <a href="http://www.modenastore.com">Modena Store (www.modenastore.com)</a></li> </ul> <b>ASP</b> <ul style="list-style-type: none"> <li>☞ <a href="http://www.opifici.com">Joinet (www.opifici.com)</a></li> </ul> <b>e-Procurement</b> <ul style="list-style-type: none"> <li>☞ <a href="http://www.agriok.it">Agriok - Granarolo (in fase di test) (www.agriok.it)</a></li> </ul>

Source: Aster Organisation ([www.aster.it](http://www.aster.it)), Stefano Duri

#### 2.4.6. Some examples in detail

Several cases of regional portals have been examined in detail. Although the names of the first three organisations cannot be reported, there are four typical cases.

##### **CASE 1: A sector-specific web community.**

This is a website which addresses very small firms in a specific sector. It has been created by a small business association (at the province level) in partnership with a local software house. It addresses a local cluster of firms working in the same sector and in the same geographic area. The objective is increasing SMEs' visibility at the global level, facilitating their cooperation at the local level and optimising information exchange, particularly with regard to local subcontractors. Also, it is a tool for the business association to provide its services in a more efficient way.

For the SMEs members of the association it provides:

- A presence on the web with description of the services offered (directory),
- Publishing of information on stock availability
- A second hand material exchange
- A job search service
- Sector specific information provided by the business association.

It expects to provide financial services through partnership with a local bank.

All interested SMEs can enter data about their production, about their stock availability, about second hand material they want to exchange, directly via the web. On the other hand, they can provide this information on paper to any local branch of the business association, which will enter it on the website for them.

At the moment the cost of the service is covered by the business association (70%) and the local software house (30%), which co-invests because of the strategic importance of the tool. In the future members will be asked for a small subscription charge for additional services, such as credit recovery, which they will be able to monitor on line.

The business association is in charge of producing the contents of the website, but finds this increasingly difficult and time-consuming. It is calculated that to maintain an effective web site, informative enough for attracting an Internet audience, you need to have at least one full-time person devoted to it. A big job carried out by the local business association was to fully describe all local specialised jobs, in Italian, French and English.

At the moment 208 local SMEs have joined the web community. However, the take-up of the services seems to be slow, as well as the real added value of those services to the local enterprises.

On the other hand, local SMEs and the business association have greatly benefited from the experiment from the "learning" side, because they had the possibility to experiment concrete on line services and assess real problems and advantages.

##### **CASE 2: Marketplace and services for local SMEs**

A local development agency wants to provide e-business services to local SMEs in the sector of its local industrial district. A contact with a technology provider (a software house) is established. Both parties are interested in developing a new software solution, and invest in the project by offering free investigation work, without establishing written conditions for the exploitation of the service itself. Joint work is carried out for meeting relevant SMEs and assessing needs and critical points. The technology partner is able to understand the

structure of the local productive system and makes a specific offer of services, which includes:

- An informative service on the sector (a vertical community) with an advanced search engine,
- A joint purchase solution to enable local SMEs to save on purchase of indirect goods,
- An information system on the availability of machinery for jobbing and subcontracting between local firms, and so that they have the possibility to open their market outside the local industrial district.

The Service Centre and the technology provider have assessed the economic viability of the solution and establish a separate company, by involving other important organisations (especially a local bank) and with venture capital investment. Expert and expensive personnel is selected for managing the services: a qualified local procurement agent for the joint purchase service, software experts for the information system. The initial investment comes from the development agency, the bank, and the technology partner and from the venture capitalist. In the future, the new company should earn its revenue mainly from mark-up from joint purchases, and an annual fee for using the services.

### **CASE 3: Web-based communities and application service provider**

A local software house has developed web based solutions for local SMEs – these include Supply Chain Management and a machinery maintenance service, in the mechanic sector. They are basically collaboration areas on the Internet where standard exchanges of information between suppliers and producers are carried out, with emphasis on order processing.

The software house creates a website with several vertical communities, providing free information for SMEs belonging to different sectors (such as “ceramics machinery”). The objective is to promote the exchange of information (community building) between enterprises. The idea is that by creating an online community you encourage SMEs to cooperate with each other, hopefully using the software solution available on the website. Free information is a marketing tool to attract SMEs to the website and show them the solutions provided by the software house.

The same company has then created an alliance with the local business association for providing content to the communities and attracting SMEs to the service. For the software house, the revenue for the service will come from the fee for using the software solutions.

The business association on the other hand has an efficient vehicle for informing SMEs and provide them a value added-service, but the learning process is not very productive because the business association does not get involved in the process but simply acts as an intermediary with local SMEs. It is easy to think that in the medium term, if the on line services are successful, the business association will not take advantage of it and could simply become irrelevant in the project.

### **CASE 4: The use of internet to tighten RDA-SME relations**

The e-wijzer project is an initiative of the Rotterdam Development Corporation. In 2001, the year in which the initiative took place, the level of e-business consciousness and knowledge among SMEs located in Rotterdam was considerably low. Before a SME would even consider going to a SME advisor for advice in the field of e-business, it first has to know 1) what e-business is, and 2) what it could do for the company. Creating the foundation and awareness precedes a visit to a SME advisor. In the USHER perspective the objective is to increase the number of SMEs visits to SME advisors, which will lead to a higher demand for and usage of the USHER support toolkit.

As it was told earlier on, e-wijzer is a web-site ([www.e-wijzer.rotterdam.nl](http://www.e-wijzer.rotterdam.nl)). The web-site is the source of information for SMEs that are eager to know more about e-business. The web-site offers a wide range of relevant information. The emphasis is on relevance. Since SME entrepreneurs spent most of their time in the core business, they have little time left for other business related issues. Time becomes a rare and precious commodity. Therefore only information that truly applies to SMEs is put on the site. The information is categorized to make it easy for the SME to find what it is looking for.

Beside a virtual presence among the Rotterdam SMEs, e-wijzer is also physically present through its e-sessions. This has been found important and in particular for SMEs which have a physical presence at these e-sessions. The physical presence transforms e-wijzer from an entity that was distant and intangible to a tangible entity that is close to the SME business. The e-session is unique in its approach. For every e-session, the kinds of SMEs located in a specific area are identified. The content of the program is determined after a needs analysis on a group of SMEs in that area is done. The program roughly consists of three parts:

- Presentation
- Practical exercises
- Demand meets supply

#### Presentation:

The presentation is prepared by an advisor of the Dutch Organization Syntens. The presentation is of a theoretical nature. SMEs do not like that, it is not practical enough and too far from their reality. Therefore, a SME entrepreneur is included in the presentation, who has experience in e-business. This person relates theory to practice by means of examples from his/her own experience. During and at the end of the presentation the participants are free to ask questions.

#### Practical exercises:

After a short break, it is time for the participants to apply into practice what they have learned. Each participant is seated behind a computer and does a couple of short exercises, producing and witnessing the outcomes of the exercises. By this way the outcomes look much more credible. A group of supervisors (from commercial ICT SMEs) are present to help and answer questions of the participants.

#### Demand meets supply:

At the end of the evening both the participants and ICT service providers / product suppliers are given the opportunity to get to know one another. The aim is to generate new businesses.

Another important feature of the e-sessions is the ways the participant are found. In addition to mailing the invitations, a number of the invitees are approached personally, assuring by this way a certain number of participants. This is done by local associations, which already have good relationships with SMEs.

### **2.4.7 A summary of the cases: how to create a local portal for SMEs**

Summarizing the cases presented above, these phases can be commonly found for building a portal:

1. The private technology provider looks for customers for its e-business solutions and SMEs is a new market. RDAs already offer services to local SMEs and have contacts with them. The private firm is keen to find a partner who has good contacts with the market and can help its access. It therefore offers collaboration and investment to provide the technology solution appropriate for SMEs.

2. RDAs have contacts with SMEs for traditional business but want to provide services for helping the SMEs to take advantage of e-business
3. The contact is established often in an informal way: one of the tasks of RDAs is to establish links and partnerships with other organisations. The exact conditions of the agreement vary from one situation to another: the essential thing is that both partners are willing to co-invest in the project. Nowadays (end 2001) private technology partners are less keen to invest because the number of users is no longer the key asset of a "dotcom".
4. Both partners work in assessing the needs of the firms: the RDAs know the language and the problems of SMEs, the technology provider knows the possibilities of e-business. Typically, they meet several local companies to establish some patterns around:
  - I. *General characters of the firms*: product, position in the value chain, belonging to a group, dimension, markets, recent evolution.
  - II. *Reconstruction of the value chain*: understanding phases of production and inputs, in order to define for each component:
    - ☛ Whether it's internal or external
    - ☛ The type of purchase and the weight on total product value;
    - ☛ Number and location of suppliers;
    - ☛ The degree of fragmentation of purchase;
    - ☛ Relations with suppliers and buyers
    - ☛ Ways of communicating and exchanging information, and with whom
    - ☛ The degree of use of ICT.
  - III. *Reconstruction of information exchanges with the market*: for each main product this phase aims to define:
    - ☛ Distribution channels;
    - ☛ Distribution chain of the firm;
    - ☛ Type of customer;
    - ☛ Current use of ICT.
5. Technology private partners provide the software and portal platform to meet the needs of the target firms and to implement services which best fit them;
6. RDAs find specialist personnel locally for producing content, take care of the semantic structure of the website, and managing the real added value services. These people have to be trusted by local SMEs. Often they come from SMEs or the RDAs.
7. RDAs advertise the service to SMEs and uses the portal to provide its services and information and contents, which are relevant for the SMEs. It also can facilitate and encourage cooperation and exchange of information among SMEs.
8. Service is initially free for SMEs for basic services. More added value services are subscription based or pay-per-use, and when there is a trading platform (a marketplace or a joint purchase system) revenue can come from part of the savings for the e-purchase (mark-up on purchases, or single fees per transaction).
9. Other local service providers are involved so that the portal becomes a one-stop shop for the SME. Often a local bank is involved to provide those services and co-invest in the portal.
10. In the most successful cases a new firm is created to manage the portal and its services.

#### 2.4.8 Conclusion and lessons learnt

- Software house, dotcoms, and technology providers were keen in 2000 to co-invest in creating portals and marketplaces, together with SMEs support organisations. Nowadays (2002) the landscape has changed radically and those solutions are not

- financially viable. The investment of technology provider is now much smaller, and often they become providers rather than partners of the RDAs.
- Year 2000 was in fact a unique opportunity for learning but raised too many expectations resulting in disappointments for SMEs participating in marketplaces and portals.
  - Competition exists in the offline world between different support services. The same competition exists between portals/marketplaces. As you can see from the tables above, there are too many and the revenue base of such portals and marketplace is shrinking and there is consolidation going on, so getting revenue from a portal or marketplace is a difficult job. The main revenue streams are:
    - o Percentage or fixed fee on each transaction (but discourages transaction)
    - o Mark-up on joint purchase
    - o Fixed subscription
    - o Fee per service used
    - o Advertising
    - o Public funding (especially for SMEs: in Italy e.g. there is a specific funding for the creation of websites involving many SMEs)
  - Competition exists at the global level, too. Global marketplaces are consolidating because at the moment there are not enough transactions going on to support marketplaces. Portals too have difficulty in raising revenue but local portals can still have advantages if they meet concrete needs of the firms and manage to enable inter-firm cooperation at the local level.
  - Content must be good enough to attract SMEs to the site; it must be useful - providing content is expensive. As in all support services to SMEs, it is not good enough to provide free services: small businesses have little time to invest so the service must be really useful and fast. A fast, effective way of monitoring needs is therefore required.
  - Often, RDAs are less close to SMEs than they think and do not have a clear understanding of the needs. A good cooperation with a technology provider can prove helpful in reviewing the status and the needs of the firms.
  - In conclusion, the portal and marketplace model has proved much more difficult to implement than it was previously considered. Few portals provide real services and have a serious chance of surviving. Most of them are experimental and will not last much longer. Yet, at the moment it appears that successful models can still exist, and are characterised by a strong link with the SMEs, the provision of real services targeted at a small groups of firms, which already are cooperating (e.g. in the same value chain). The simple provision of visibility, a website or even an electronic shop is not good enough to attract SMEs or the customers for these SMEs. A very significant coordination of content, technology and organisational effort has to be put in place to make a portal/marketplace successful and thriving.

Additional sources of information on 'how to manage a marketplace/portal' can be found at:

- <http://www.emarketservices.com>
- <http://www.b2business.net>.

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