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Forest products giants float idea for 'e-commerce' - Brief Article

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Making it happen is the next step for Georgia-Pacific, Weyerhaeuser and International Paper

NATIONAL REPORT--Three more players joined the business-to-business stampede last month when Georgia-Pacific, Weyerhaeuser and International Paper announced their decision to develop an "electronic marketplace" for the buying and selling of paper and forest products.

But the three manufacturers have yet to settle on a business plan, name a board of directors or choose the technology for the new operation, which will function as an independent entity. Like many other business-to-business champions, G-P, Weyerhaeuser and International Paper decided to release the balloons first and then gather a crowd of interested onlookers.

"Just the mere announcement of [the venture] builds a dialogue," said Ken Haldin, a G-P spokesman. By "dialogue," Haldin means calls from other wood product suppliers, service providers and customers that may be interested in joining an online platform to process transactions and manage inventories. Although he couldn't provide specifics, Haldin harbored no doubts about the feasibility of forest industry competitors sharing the same electronic backbone.

The promise of a streamlined supply chain and savings in internal costs have made B-to-B models the latest Internet craze. Everyone from auto makers (Ford, General Motors and Daimler-Chrysler) to bakeries (BuyBread.com) are working to develop industry standards for e-purchase orders and payments. Net Market Makers, a B-to-B research firm based in Berkeley, Calif., estimates the number of "developing" Internet marketplaces at between 500 and 600; in 1998, the number was just under 50.

"There's definitely an imperative to get something out there," said Tim Clark, an analyst at Net Market Makers. If the proposed alliances seem a tad underbaked, Clark said, it's because they are. "I know of one (venture] that admitted they put the idea together in two weeks," he added. The real work, according to Clark, will come when the companies have to decide where their technology is going to come from, whether they'll use an auction- or catalog-based format and who they're going to let into the pipeline.

Then there's the issue of funding. Start-up costs, which run into the millions of dollars, can be raised through venture capitalists. Another alternative would be to get the money from equity partners who will actually use the system. BuildNet, a potential rival to the marketplace proposed by the forest products giants, is fording both streams of revenues.

BuildNet's list of investor-partners includes Building Material Holding Corp., Lanoga, Cameron Ashley and Owens Corning. The North Carolina-based software provider has raised more than \$140 million (at least half of it from venture capitalists) and has signed big production builders such as Pulte Homes, D.R. Horton and Lennar Corp. as minority investors. BuildNet is testing its information-exchange system with BMHC, Cameron Ashley and Carolina Holdings. Plans call for a rollout to builders in at least six cities by the end of this year.

In another blockbuster alliance, Sears has aligned with French retailer Carrefour and technology provider Oracle to develop an online marketplace called Global-NetXchange. At the end of March, two European retail conglomerates --Metro in Germany and J. Sainsbury in England -- signed on with GlobalNetXchange.

Payless Cashways, the Kansas City, Mo.-based pro dealer, is examining the possibility of using its infrastructure to handle order fulfillment for other e-commerce companies. But as more suppliers and retailers forge alliances, the primary objective of business-to-business models -- eliminating redundancies in the supply chain -- may fall by the wayside.

"Customers will have to decide which exchange they want to play on," Clark observed. While most of the new electronic marketplaces will allow access through Web-based browsers, end users will have to find a way to integrate their back-office computers into each system.

Moving up to the next level of efficiency -- real-time data exchange that manages delivery schedules and production cycles -- may be trickier.

The alliance connecting G-P, Weyerhaeuser and International Paper -- that combined supply 25 percent of the wood products consumed in the United States -- could have competitive advantages because of already-existing synergies. "Many of the customers who buy from Georgia-Pacific and Weyerhaeuser also buy from us," said International Paper's Jack Cox. "Why should these customers have to develop three different sets of standards for electronic transactions?" Although the forest products companies' proposed marketplace will be "neutral and inclusive," Cox said there's no guarantee that the B-to-B ideal -- an industrywide conduit open to everyone -- will become a reality. "Only time will tell whether we join other business-to-business ventures or compete with them head-on," he said.

BuildNet's John Wagner was less sanguine. "It would be great if everyone says, 'Let's initiate a single system for building material suppliers,'" Wagner said, "But frankly, it's not going to happen."

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