

Sprinting to a Dominant Position

The Internet is Ripe for Business-To-Business Commerce

At the onset, the fast-paced world of the Internet concentrated on servicing the needs of consumers, neglecting the business community. Realizing the potential in developing Internet business, VerticalNet, Inc. has created a unique model that addresses the specific needs of businesses looking for an online outlet. According to Mark L. Walsh, president and CEO, developing an Internet business is “a sprint not a marathon” with successful Internet companies getting to the line first.

The premise of VerticalNet’s model is bringing together buyers and sellers in targeted industries to engage in market activities over the Internet. At present, VerticalNet operates 46 industry-specific communities grouped into ten sectors including advanced technologies, environmental, communications, healthcare, manufacturing and metals, among others. Through this community structure, industry professionals are provided with a comprehensive source of dialogue, information, auction, and e-commerce ability. Within each of the ten sectors exist individual communities that cater to professionals with similar interests.

“Communities strive for a multitude of ways to attract professionals to the sites through services, features, and content – and bank on repeat visits,” says Walsh. “Our communities offer quality, quantity, and focus,” he adds.

Senior editors from top print trade publications have migrated to head VerticalNet’s communities, bringing high-quality and diverse content to each site. Communities support themselves through individual branding, P&L, marketing, and administration. By showing users that the online community structure is more efficient than traditional trade services, VerticalNet continues to expand its user database and enhance user experiences.

Compared with traditional, offline advertising in print publications and trade shows, VerticalNet communities offer companies a cost-effective means for advertising and sales. Walsh explains, “Industry suppliers buy *storefronts* on a VerticalNet site to provide visitors with information such as corporate profiles, career centers, online purchasing power, and information about the advertiser.” VerticalNet’s primary revenue stream is derived from the sale of these storefronts, which run for approximately \$6,000 each. Other sources of revenue include banner ads, marketing relationships with book and software sellers, and educational services providers.

VerticalNet recently entered into the online auction area, creating a new revenue stream for the company and providing vendors with a new way to generate sales. To date, vendors can auction surplus inventory and other merchandise on 20 of VerticalNet’s communities. Sellers list merchandise for free and only pay VerticalNet a commission when a sale is consummated.

Since its presentation in 1995 of its first community – water online for water and waste engineers -- through its public offering in February 1999 to the present, VerticalNet has emerged as a dominant player in business-to-business commerce.

Walsh's vast experience in online business-to-business, has helped the company emerge as the dominant player in the field. "The Internet phenomenon is an extraordinary event," notes Walsh. "It's changing and transforming society around the world. It brings the efficiencies of a global market, direct distribution, and buying choice to anyone with access to a PC. It is redefining our work and traditional workplace."

VerticalNet has taken the reins of the Internet transformation and carved out a space for itself and the business community to exponentially expand. Primarily, Walsh attributes Internet success to "the value of smart, financially motivated people" working in Internet companies with "no defensible business, having no hard assets, and the inability to predict market share." Walsh also believes that "simplicity" leads to return visits to Internet sites. "Nobody uses the hard parts," states Walsh.

Mark L. Walsh is president and CEO of VerticalNet, Inc. located in Horsham, PA.

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