

S2 Analysis: Construction Industry Trading Exchange (CITE)

The Construction Industry Trading Exchange is a B2B e-commerce initiative in the building and construction sector that has had a very long gestation (almost 2 years). CITE is now in the final phase of negotiations with solution providers and is expected to have pilot trials running before the end of the year. This document was compiled following an interview with the chairman of the CITE member committee and analyses what can be learned from the CITE project so far.

Further background

Key tasks will be document management (architectural drawings, business correspondence, specifications and contracts), electronic tenders and purchasing.

Targeted trading partners fall into the following groups:

- o Clients (enterprises commissioning building works)
- o Construction companies
- o Subcontractors
- o Materials Suppliers
- o Consultants (architects and engineers)

CITE members include Leighton Holdings, Transfield, Baulderstone Hornibrook, Thiess, Walter Construction Group, Multiplex, Leighton Contractors, John Holland, Henry Walker Eltin, Clough Engineering and Barclay Mowlem.

CITE is concentrating on non-residential construction initially CITE claims its 11 members represent 15% of Australia's \$60 Billion construction market and

33% of the non-residential construction segment.

Analysis

S2 considers CITE particularly interesting because of the substantial strength and support represented by its initial membership. Furthermore, the building and construction industry appears to offer enormous opportunities for process improvement through e-business initiatives.

Electronic project management is deliberately excluded from CITE objectives. At first glance this is surprising because project management appears to be an important e-business target in this sector. CITE's reasoning, however, is project management is viewed as a critical competitive differentiator by construction companies. This is in line with other projects observed by S2 where any attempt to have participants share key differentiators is doomed to fail (automotive B2B

ventures such as Covisint, for example, will never see competing car manufacturers share proprietary supply chain processes and just-in-time production methods).

A strength of CITE is its stated aim of acting independently of the initial members and existing to make the industry more efficient, not to generate substantial profits in its own right. S2 has written previously about the need to understand where the economic benefits of a project will be realised and charging fees accordingly. If CITE follows through on these intentions it will be a critical asset in securing broader industry support.

A further strength is the creation of an advisory board with members representing many of the key interest groups (Government clients, engineering & architecture consultants, suppliers, subcontractors and industry groups) which was used as a mechanism for securing stakeholder support early in the process. Successful B2B projects in Australia have almost all taken similar steps.

There are a number of competing initiatives targeting the Australian construction industry. Similar e-business intermediary models include Aconex (www.aconex.com), ConstructOne (www.constructone.com.au) and Bangitup (www.bangitup.com). Suppliers of project management and collaboration tools, such as Meridian Project Systems (www.mps.com) which has a strong presence in Australian construction companies, and Primavera (www.primavera.com) may also be considered to compete with CITE.

Despite the strength of its initial membership, this level of competition is still enough to confuse the market and may be a serious impediment to rapid

trading partner commitment. S2 has not interviewed representatives of initiatives competing with CITE and draws no conclusions here about eventual winners, but S2 does predict the landscape will eventually rationalise to a single, dominant e-business intermediary in Australian construction.

As with almost every major B2B initiative in Australia, engaging SMEs, enabling them for ecommerce and adjusting their business processes and procedures will be THE dominant challenge. The construction industry has 210,000 participating enterprises, of which the vast majority are under 100 employees. Furthermore, industry surveys confirm SMEs in building & construction exhibit low e-commerce preparedness relative to other industries.

With respect to the procurement functions of CITE, electronic catalogs need to be created and maintained for participants involved in trading construction supplies. This also represents a substantial challenge as only a few of the very large suppliers in the construction industry have developed electronic catalogs thus far.

Government represents more than half of the value of contracted building and civil engineering works in Australia, thus a further challenge has been identified as connecting with government ecommerce solutions and accommodating multiple State government approaches.

Regarding its software evaluation process, CITE made the observation that the vast majority of proposed solutions it investigated failed on two counts: inability to properly handle revisions and corrections to electronic documents already circulated among trading partners, and inability to accommodate both electronic and manual document exchange (eg faxes and/or hardcopy correspondence) when required.

Enterprises in building and construction should monitor CITE and its competitors closely, and make a detailed assessment of the business benefits available to their own organisations when implementation begins. Strength and simplicity of the business case (to all trading partners) and breadth of industry support should be considered more important than technology platform and initial software functionality.

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