



The Mortality of an E-Commerce Formula for Success— A Perspective Analysis of the Growth and Demise of an E-Commerce Star

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EXECUTIVE SUMMARY

Commerce One (or C1) developed software systems enabling companies to transform their purchasing interactions into real-time trading networks. Commerce One acquired the e-business budgets of many Fortune 1000 companies. On December 28, 1999, as a highflier in the dot-com era, Commerce One sharply increased to \$1,655 (a split-adjusted) per share. In the constellation of corporations, Commerce One was a bright star. Soon after, diminished enthusiasm for the company and its nascent business-to-business (B2B) software industry deflated its stock value. On October 15, 2004, CMRCQ, a new symbol for Commerce One after being removed from the NASDAQ in July 2004, plummeted to \$0.03 per share. In the period of devaluation of the stock market that followed the dot-com era, Commerce One became extinct. This article will examine the rise and fall of Commerce One by exploring the industry backdrop, the key events in the company's history, and the challenges that ultimately overcame it.

Keywords: B2B e-commerce; content management services; e-marketplaces; e-procurement; marketplace portal; marketplace software; open architecture; strategic partnerships; third-party systems; trading network

ORGANIZATION BACKGROUND

Commerce One, originally based in Pleasanton, California, was a leading provider of well-developed software that assisted in the collaboration of businesses with their partners, customers, and suppliers. Founded in 1994 as DistriVision Development Corporation, the company became Commerce One in 1997. In 1999, the com-

pany went public (NASDAQ, CMRC). Supporting processes and transactions, Commerce One created superior online buyer/supplier relationships through the Internet. As a part of a global e-commerce trading network, Commerce One had been on top of delivering advanced technologies. It brought worldwide diverse firms together to conduct e-commerce on a competent business platform. It also developed libraries and languages to help shape many of the concepts behind XML (Extensible Markup Language) and SOAP (Simple Object Access Protocol). Over the years, this organization helped companies adapt their Information Technology (IT) assets to business opportunities with new functionality and flexibility in their practices. Commerce One's business services ranged from IT to logistics and management. For instance, the Commerce One Conductor, the company's intelligent platform for composite applications, assisted businesses by integrating partner applications, developing adaptable processes, and managing infrastructure changes for business networks. Another product was the Commerce One Supplier Relationship Management, which automated the source-to-pay process by lowering costs and increasing control. Commerce One's major competitors, to name a few, were Oracle, Ariba, i2, Vitria Technology, webMethods, and BEA Systems.

The global workforce of Commerce One at its height included more than 3,800 employees. These individuals were skilled in consulting, integration, and customer operations. Mark B. Hoffman, the former chairman, president, and CEO, led the executive team and brought the organization to the Internet. Hoffman, prior to joining Commerce One, co-founded and ran the database software company Sybase for 18 years.

Commerce One's fiscal year was based on the calendar year. The financial statements for Commerce One's last quarter filing for June 30, 2004, showed that the company's revenues decreased to \$4.7 million compared to \$21.4 million for June 30, 2003. However, Commerce One reported about \$4.2 million and also had to raise additional capital to continue with business operations. Since spending on software had declined globally, economic conditions would have a major impact on Commerce One's business operations.

Commerce One's products and services were available for companies, large and small, and could be configured to meet each corporate need. Commerce One made it possible for more than 600 companies to work together with their customers, suppliers, and partners, including Citicorp, Boeing, Shell, Eastman Chemical, Telecom, Becton Dickson, Reliant Energy, MTP, British Telecom, Creative Planet, Bell South, Lockheed, Wells Fargo, Nippon Telegraph and Telephone Corp., Royal Dutch/Shell Group, and Singapore Telecom Group. Commerce One set up offices in Hong Kong, Korea, and Japan. Commerce One's strategic partnerships integrated GM, Chrysler, Mitsubishi, Pentellus, and Columbia/HCA Healthcare Corp. The world was a natural market place for Commerce One.

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