



Chapter XV

On E-Markets in Emerging Economy: An Indian Experience

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Abstract

MetalJunction.com is a joint venture of TISCO (Tata Iron & Steel Company) and SAIL (Steel Authority of India), the steel makers contributing more than 60% to the India's total steel production. The case illustrates how an organization(s) can use information technology to spin off key processes such as procurement and selling. Since its first year of operations, MetalJunction.com generated substantial savings for TISCO and SAIL. The case also supports the argument that the business context in emerging economies is significantly different from developed economies; hence, setting up a successful B2B marketplace may require the creation of basic services that are taken for granted in developed economies.

These days Indian dot.com companies are having a tough time because of the dot.com burst, the 9/11 terrorist attack, and the sluggish American economy. However, Mr. Viresh Oberoi, MD, of MetalJunction.com has enough reasons to celebrate. His firm not only survived the dot.com bloodbath, but also generated substantial profit from the very first year of operations. Total transaction value in financial year 2003 to 2004 has touched Rs 21.35 billion (\$427 million).

The Background

Before moving to MetalJunction.com, Oberoi spent his entire career with TISCO. He has extensive knowledge of the Indian iron and steel industry, which is nearly a century old. Established in 1907, TISCO is the first integrated steel plant in Asia. Today, India is the 10th largest producer of steel in the world with SAIL and TISCO contributing over 60% to India's total steel production. SAIL is the largest steel conglomerate in the country and the world's ninth largest steel maker. On the other hand, TISCO is the second lowest cost producer in the world after the South Korean steel giant POSCO. SAIL and TISCO differ considerably in ownership pattern, processes, governance structure, and organization culture. SAIL is a government-of-India undertaking whereas TISCO is a private-sector organization. However, during the dot.com boom, these two fierce competitors realized the immense potential of the Internet and information technology, and entered into a joint venture to launch MetalJunction.com Private Limited.

The Inception

It was the year 1999, the year when the dot.com boom was at its peak and e-commerce was the new buzzword doing the rounds. It was the time when Dr J.J. Irani, MD, of TISCO and Mr. Arvind Pande, chairman of SAIL, had a spate of offers to join domestic and international e-commerce platforms for the steel industry. Rather than joining any ill-conceived dot.com, SAIL and TISCO independently set up internal e-commerce task forces to study various e-commerce models that had sprung up during the dot.com boom of the late 1990s. These two task forces came to identical conclusions: that while e-commerce is definitely the way forward, it would make more business sense for two or three of the largest players in a similar industry or region to come together and consolidate their e-commerce plans on a common platform. Thus, MetalJunction.com was born.

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