

May 16, 2000

Mr. Donald S. Clark  
Office of the Secretary  
Federal Trade Commission  
600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20580

**Re: Comments regarding B2B Electronic Marketplaces**

To Whom It May Concern:

I am the owner-operator of a small B2B marketplace, the *Internet Public Policy Network (IPPN)*. I feel that my experience with *IPPN* makes me uniquely qualified to participate in the FTC's public workshop on competition policy in the world of B2B Electronic marketplaces.

The *Internet Public Policy Network* lets organizations find the leading experts on various Internet policy issues. *IPPN* is an infomediary that creates a marketplace for transactions between experts and the organizations that need their help. It aggregates individual professionals so that trade associations, companies, and other groups can easily find and hire them for speaking, writing, and consulting services.

As a representative of *IPPN*, I can help the FTC answer many of the questions posed in the notice announcing the workshop on B2B marketplaces. Below are several questions and how I would attempt to answer them.

- **How do electronic market places compete with each other?** Other electronic marketplaces such as *Exp.com*, *Guru.com*, and *E-Lance.com* are both potential competitors and partners to *IPPN*. *IPPN* recognizes that it competes with other marketplaces on brand recognition, the number of buyers and sellers in its marketplace, and the differentiation of the marketplace on the basis of depth and breadth of services offered.
- **Does it make a difference who owns the marketplace?** *IPPN* believes that ownership of the marketplace matters. Companies that sell a product may also want to operate a marketplace because they get to create rules that favor themselves in the system.

- **What business reasons prompt sellers to sell in a B2B electronic marketplace?** Experts use *IPPN* because the costs related to marketing their services are usually too high to maintain an individual marketing program.
- **What are the differences between markets for homogenous and differentiated products?** The highly customized services of *IPPN* experts are definitely differentiated products. At the workshop I would expand on the following comments of NYU professor J. Yannis Bakos's regarding differentiated marketplaces found in a 1991 article entitled "A Strategic Analysis of Electronic Marketplaces."

Under certain circumstances the market may become more monopolistic as the number of sellers increases! This can happen, for example, if a buyer can acquire information about a product only after purchasing it. In this case, buyers often buy from the first buyer they visit. As a result, individuals do not have an incentive to lower their prices...This type of behavior is likely in certain markets with little or no advertising and no cheap way to assess quality ex ante (or even ex post), e.g. professional markets for legal and medical services. In a setting of this type, electronic markets could disseminate product information (e.g. through a rating service that promotes the sharing of buyer experiences with the product)...the monopolistic nature of these markets could be undermined.

Thank you for the opportunity to provide comments on this important issue and the FTC workshop. The *Internet Public Policy Network* would be happy to participate in greater detail.

Sincerely,

Lawrence Hecht  
Internet Public Policy Network, President  
919 18th Street, NW, 10th Floor  
Washington, DC 20006  
hechtl@internetpublicpolicy.com  
www.internetpublicpolicy.com  
202.263.2932