



X2X and the B2B End Game

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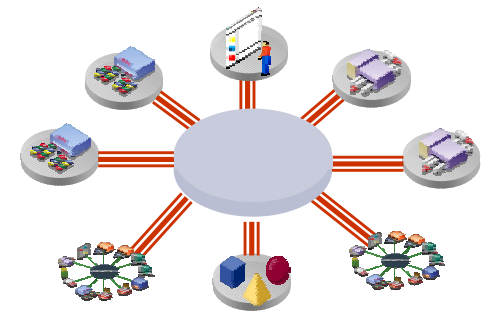


Agenda

- Current State of B2B Exchanges
- The Current View: Trends for B2B Exchanges
- Near Term: Opportunities and Consolidations
- Mid Term: Competition, Extinctions, the X2X Future
- End Game: The 21st Century Supply Chain

Current State of B2B Exchanges

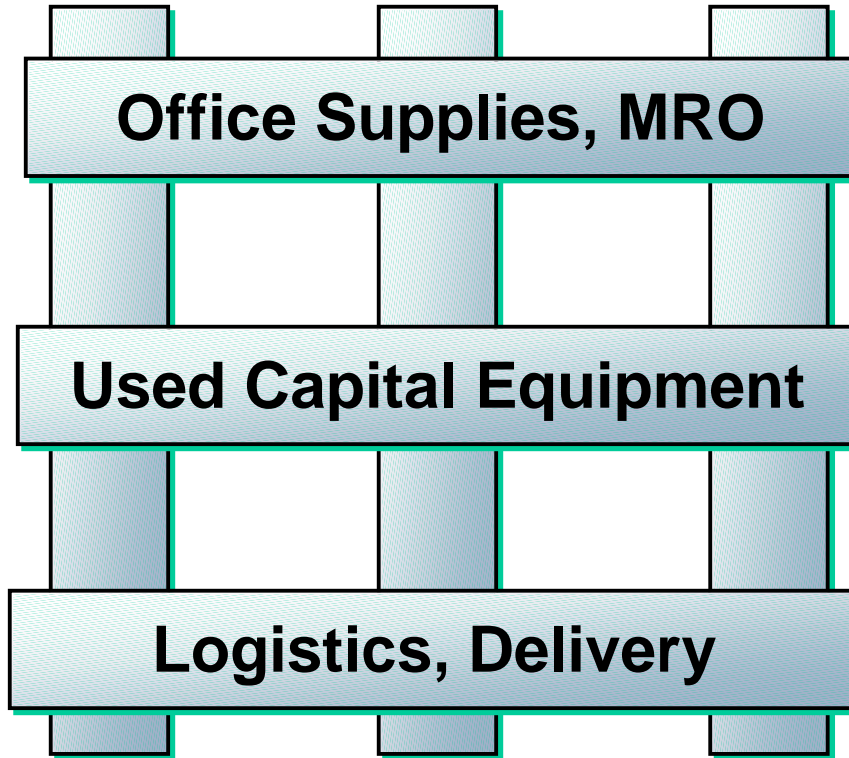
- More than 1000 different industry-specific marketplaces
- Three main types of Exchanges:
 - Public Exchange – independent
 - Captive Exchange – controlled by gorillas – COBAMs
 - Private Exchange – proprietary



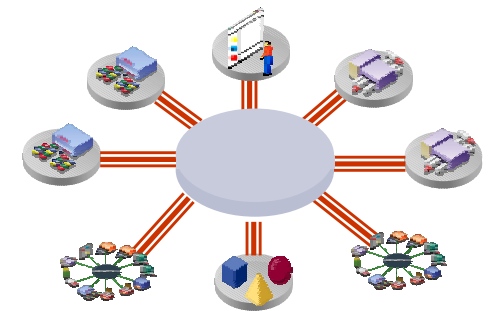
Types of B2B Exchanges

Chemicals **Electronics** **Medical Supplies**

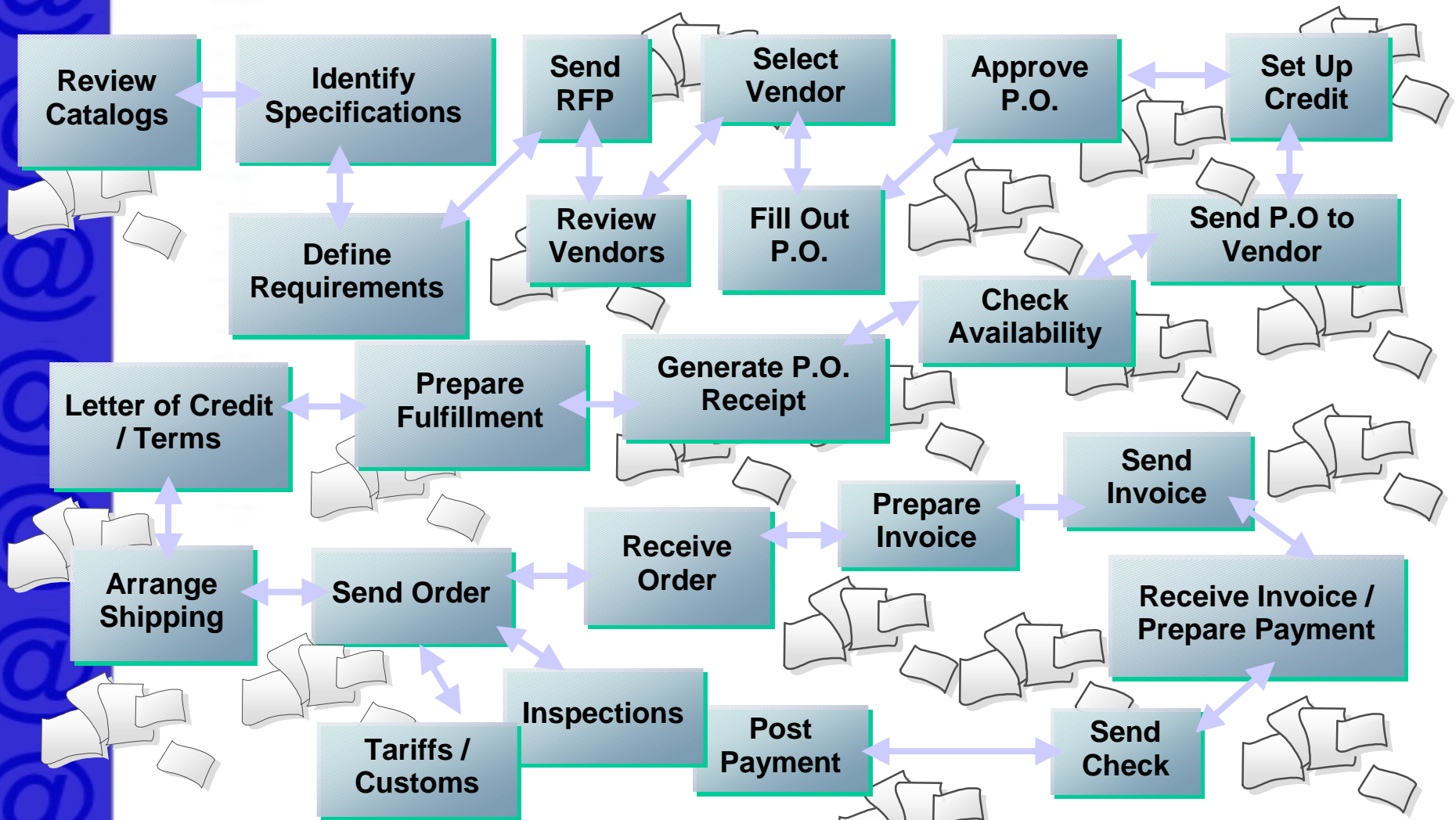
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HORIZONTALS



We're Just Beginning



XBasics: Exchanges Must Create Value

- Businesses will use Exchanges if they:
 - Provide efficient many-to-many communications
 - Open new supplier and customer channels
 - Protect private customer/supplier partnerships
 - Provide competitive hosted applications
 - Establish connectivity and standards between networks
 - Must provide better business value to **all** parties than alternatives
- Example: GM estimates that Covisint could lower transaction costs to an average of \$10 from \$100

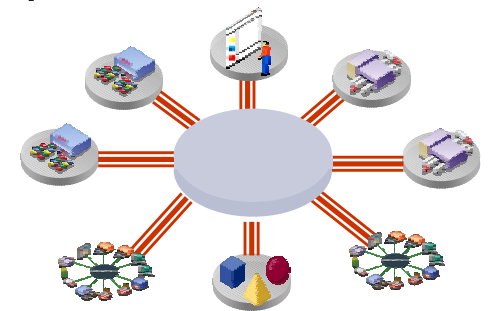
XBasics: Eliminate Friction

"In identifying customer needs we are constantly looking for friction in the supply chain from three primary groups of customers — the suppliers who produce the goods, the enterprises that purchase them and the end users who order and consume them. While each customer group receives different benefits from e-commerce, the common thread is saving time and money."

David Perry
President and CEO
Ventro Corp.

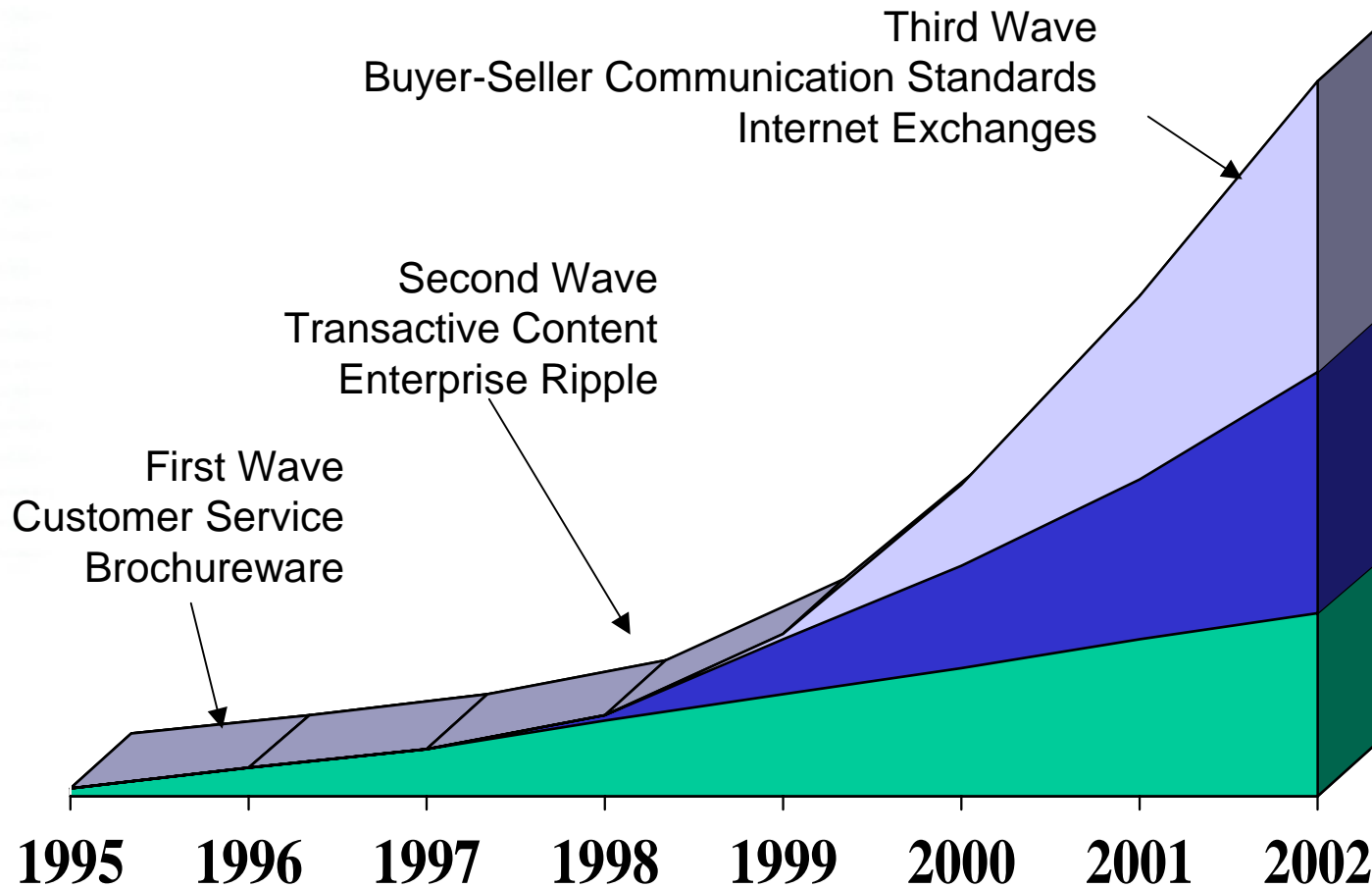
The Current View: Reality Check

- Hurwitz Group survey of Fortune 500 executives:
 - 66% of companies order less than half of indirect goods online
 - Maintaining current price and cost information for indirect goods and services is too difficult
 - Lack of executive buy-in hampers adoption of e-Procurement
 - Most systems lack support for complex procurement processes





Catch The Wave

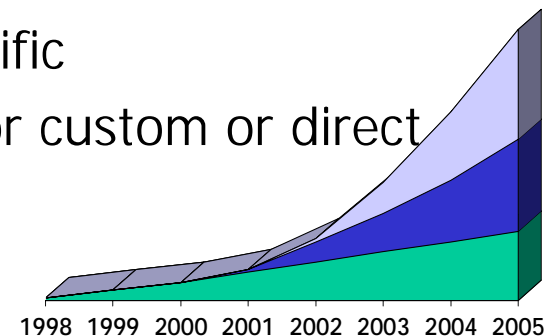


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The Current View: Three Waves

- McKinsey identifies three waves of B2B:
 - Independent dotcom exchanges (PaperExchange, eSteel)
 - COBAM buyer-led or seller-led exchanges (Covisint, WWRE, Novopoint)
 - Back to basics: source procurement based on type of goods
 - Public Exchange for commodities
 - COBAM for industry-specific
 - Extended supply chain for custom or direct goods



XBasics: Value Chain

A Two Sided Coin

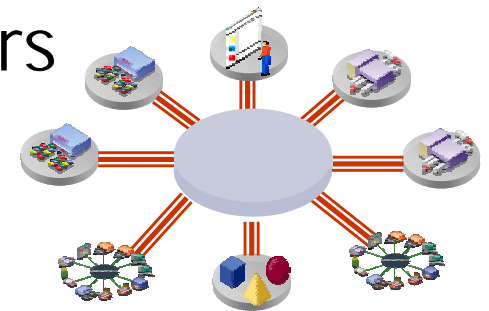
- Exchanges not willing to partner with, replace or improve the functions of intermediaries will not survive
- Intermediaries who are not providing value will be replaced
 - Example: XSAg vs. agricultural distributors

XBasics: The Value Chain

- “The value proposition is improving the interaction, not the transaction”
-- **Michael Crosno, CEO Epicentric**
- “It's about connecting the existing buyers and sellers. So it's not a disintermediation play at all. In fact, you're taking people who are doing business today and allowing them to do it more efficiently. You need the existing players. You partner with them rather than compete with them.”
-- **David Perry, CEO Ventro**

The Current View: Trends for B2B Exchanges

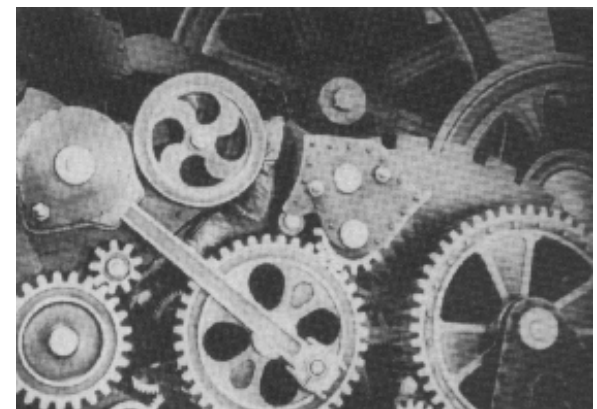
- GartnerGroup estimates \$7.3 trillion in global corporate spending in 2004, up from \$145 billion
- Nearly two-thirds between manufacturers and suppliers
- Leaves \$2.7 trillion for B2B services
- By 2005, "the entire supply chain between suppliers and buyers will be automated"



Future Supply Chain

The entire supply chain between suppliers and buyers will be automated!!

How?





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 - eBusiness
 - Security and Privacy
- If you are struggling with fast moving technologies, don't make a costly, uninformed decision. Stratvantage Consulting can help you gain a sustainable competitive advantage using new technologies.

Thank You!

Mike Ellsworth

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