



Boom or Gloom? The Future of B2B Exchanges

Mike Ellsworth

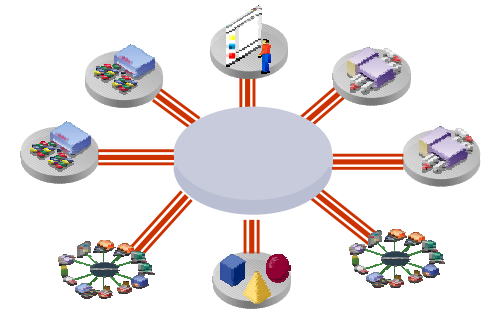
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Agenda

- 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

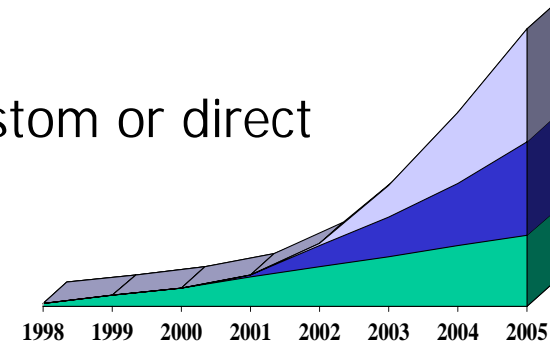
Current State of B2B Exchanges

- More than 1500 different industry-specific marketplaces
- Three main types of Exchanges:
 - Public Exchange – independent
 - Captive Exchange – controlled by gorillas
 - COBAMs
 - Private Exchange – proprietary



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



Myth vs. Reality

- The Myth that the Exchange is the Thing
 - Focused on purchasing MRO or commodities
 - Emphasis on transactions and prices
- Reality:
 - Technology developed for B2B e-commerce will have unanticipated effects
 - There's much more to B2B than procurement
 - Content, Collaboration, Process Automation
 - There's more to procurement than indirect materials

Supply Chain = Value Chain

"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

Myth vs. Reality

- The Myth of Disintermediation
 - “Online beats offline, clicks beat bricks, surf beats turf, e-tailing beats retailing”
 - Bricks and Mortar (BAM) companies are at a disadvantage
- Reality:
 - You cannot replace an intermediary without (at least) replacing or (at best) improving on its functions
 - Amazon is building warehouses

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



The Future of Exchanges

No One Dares Look Beyond 2006

- **Forrester:**

- Companies will spend \$5.4 million to \$22.9 million each getting connected to exchanges through 2006
- Internet hosting to \$16.8 billion in 2002
- B2B services to \$228 billion market by 2003
- Banner advertising to \$720 million in 2003
- trade via real-time models will reach \$746 billion in 2004



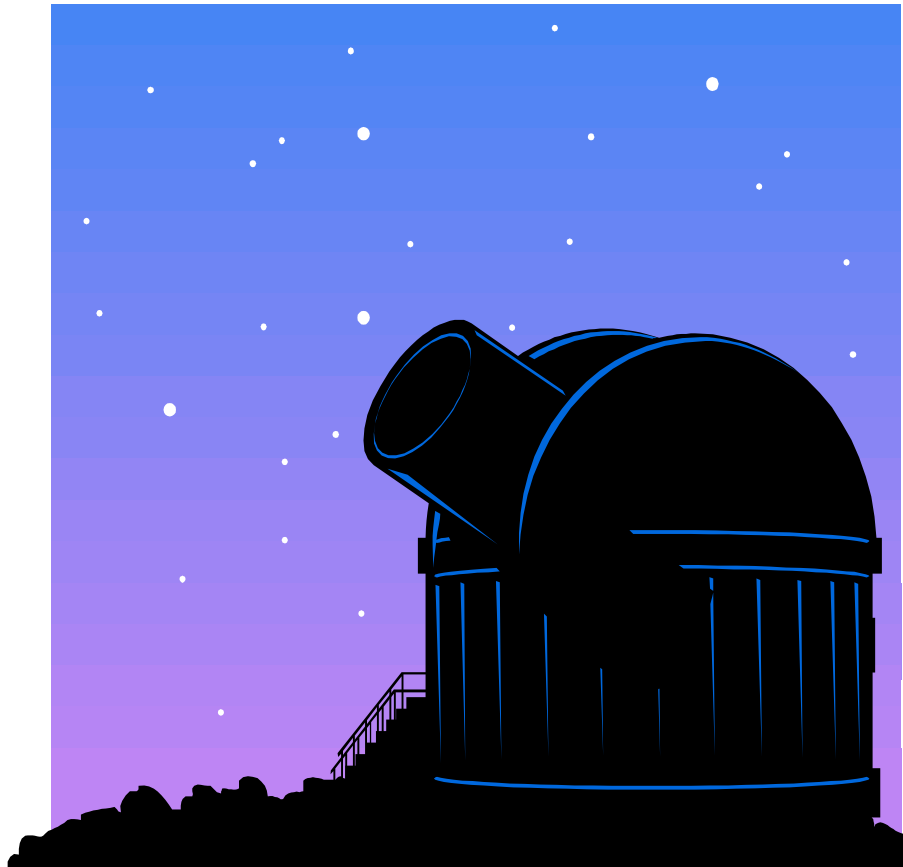
In Fact, It's Insane . . .

- With the rapid pace of change, it's insane to look beyond 6 to 12 months . . . That's long range planning!





Let's Take a Look at the Next 10 Years



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- To receive more of this presentation, or to engage Mike Ellsworth to present at your event, please contact us at:

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Thank you

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Thank You!

Mike Ellsworth

Stratvantage Consulting, LLC
Emerging technology strategy and digital marketing

mellsworth@Stratvantage.com

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