



CLIENT LOGIN

TREASURY RESOURCES

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“If Truth Be Told! Myths and Facts You Need to Know About E-Commerce”

2001 B2B E-Commerce Conference

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B2B E-Commerce: 4 Views

From the White House ...



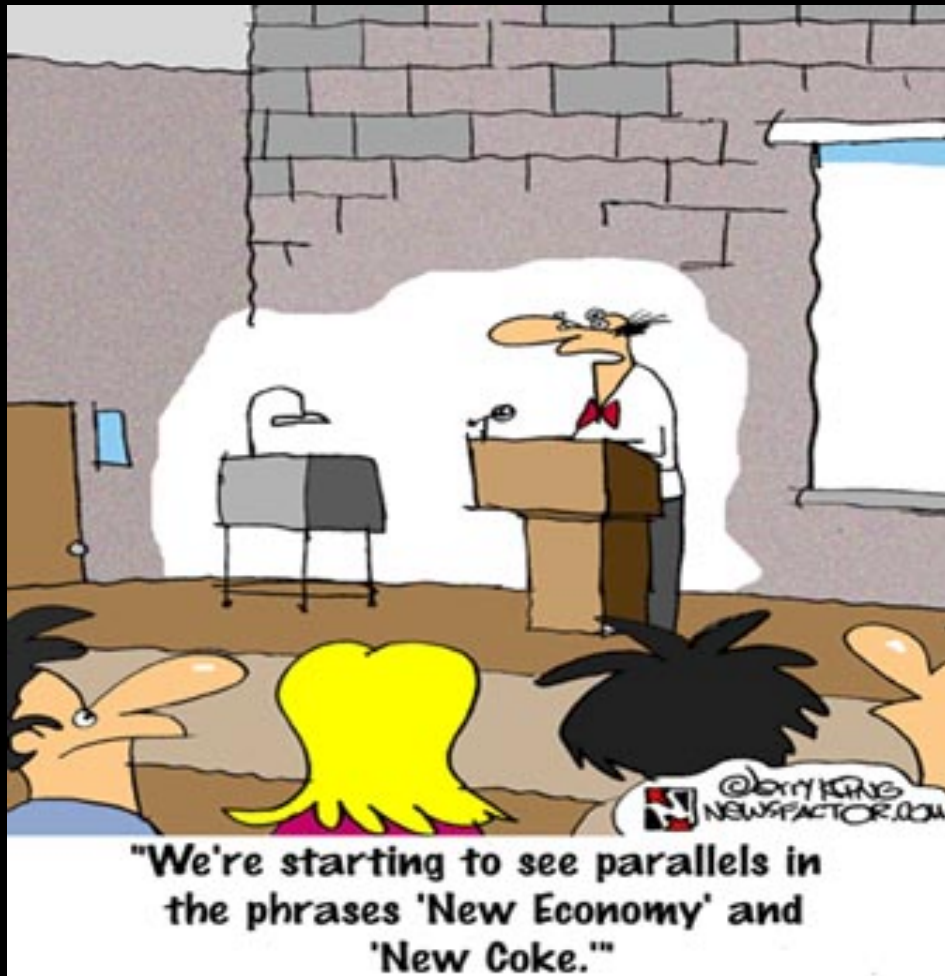
**\$15 Billion in
Consumer Savings
Lost Each Year**

"Old-economy businesses are using old-time political influence to block more efficient and cheaper ways of getting products to consumers"

Source: Robert Atkinson
Progressive Policy Institute -
February 2001

B2B E-Commerce: 4 Views

From the Federal Reserve ...



An \$8.5 Trillion Economy Is Emerging

2000	- \$433 billion
2001	- \$919 billion
2002	- \$1.929 trillion
2003	- \$3.632 trillion
2004	- \$5.950 trillion
2005	- \$8.530 trillion

143% Annual growth rate

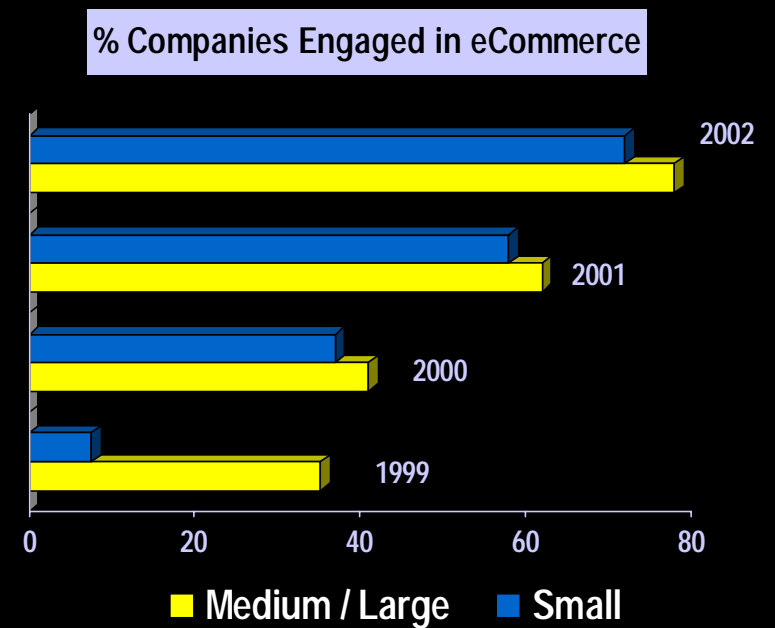
Source: Gartner Group - 2001

B2B E-Commerce: 4 Views

From the California Governor's Office



eCommerce Connectivity
Nearly 60%



Source: eMarketer - 2000

B2B E-Commerce: 4 Views

From Silicon Valley ...



Status of Former eCommerce CEO's

(separation pay-out: \$ millions)

WebVan: George Shaheen
(\$6.7m + .4m/yr/life)

Priceline.com: Daniel Schulman (\$5.8m)

Terra Lycos: Bob Davis (\$5.0m)


eMachines: Steve Dukker (\$1.6m)

Razorfish: Jaff Dachis (\$.75m +Chm)

Yahoo: Tim Koogle (to Vice Chm)

Ariba: Keith Krach (to Chm)

Source: News.com



**Myth # 1:
Dot.Coms will
disintermediate
distributors out of the
value chain**



The Myth ... Dot.Com Disintermediation

“Better customer experience by eliminating the middlemen”

- **Simpler, more convenient way to buy anytime**
- **Broader product offering**
- **Quicker way of comparison shopping**
- **Better pricing for end consumer**
- **Improved margins for the producer**
- **Closer linkage of consumer and producer**
- **Ability to cross-sell and offer bundled products / services**




The Reality ... Dot.Com Disintermediation Has Not Taken Roots ... Except In Select Digital Industries

“ The disintermediation story - not ready for prime time?”

- Overly hyped financials / business models
- Bias toward marketing vs. infrastructure
- Devastating order fulfillment problems
- Producers / manufacturers did not have the systems and processes in place to replace distributors
- Distributors created own competing web sites
- Distributors actively engaged state legislatures in restrictive legislation



Over 250 Dot.coms died in 2000




**Myth # 2:
Brick & mortar
companies can't compete
with click companies**



The Myth ... Brick & Mortar Companies Can't Compete With Click Companies

- **Brick and Mortar Companies were viewed as:**
 - Old stodgy cultures - not "hip" enough
 - Limited web experience - mainly brochureware
 - Infrastructures not equipped to handle contact with thousands of on-line customers
 - High-cost business model
- **Clicks will offer a superior value proposition:**
 - Better pricing and services
 - Better understanding and responsiveness to customer needs
 - Lower-cost business model
 - Better access to talent and investment capital





**Myth # 3:
eMarketplaces will stifle
competition and drive up
costs**



The Myth ... eMarketplaces Will Stifle Competition and Drive up Costs


- Smaller suppliers can not afford the technologies to participate on an even par with larger eMarketplace participants
- Larger suppliers will utilize anti-competitive practices and product bundling to out-maneuver smaller suppliers
- On-line auctions will favor larger suppliers who are able to offer larger volume discounts
- Initial membership fees and heavy transaction costs will discourage broad market participation
- The number of players will decrease creating an oligopolistic market



The Reality ... eMarketplaces Have Gone From Boom to Bust ... But Will Re-emerge As A Stronger Force By 2006

- Only 19% of purchasing organizations have used eMarketplaces; only 16% have used on-line auctions (NAPM: 01/01)
- Now seen by analysts as mostly hype-dramatic reduction from 600 to 181 by 12/2001 (Forrester)
- Didn't add value to business customers (Alexis Gutzman- eCommerce Times)
- Relied too heavily on home-grown software that did not support eProcurement; EDI use still prevalent
- New trend for private eMarketplaces
- Won't be anti-competitive for next 3-5 years ... but will become oligopolistic by 2006 (Forrester and Federal Trade Com.)





**Myth # 4:
eBusiness enablement is
quick and easy to do**



The Myth ... e-Business Enablement Is Quick and Easy to Do

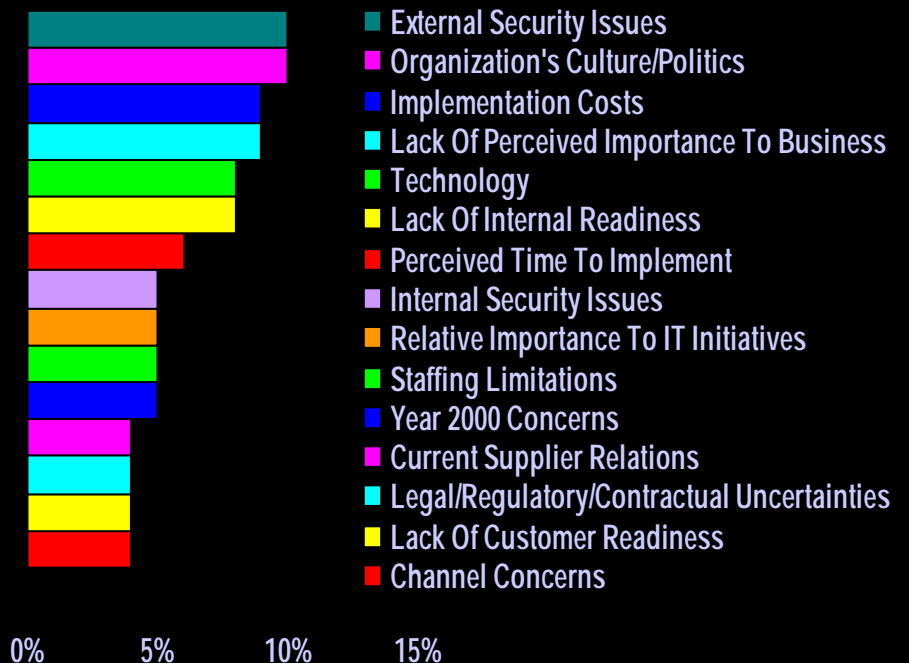
- 30-90 day implementation
- Few resources required
- Software does all the work
- Suppliers will jump on board to retain your business
- eMarketplaces will ensure quick supplier adoption
- It's so simple, everyone will love it
- Very intuitive ... little training and changes required



The Reality ... e-Business Enablement Requires Hard Work ... No Different Than Any Other Technology Project

- "No single magic channel" (Giga)
- Long implementation cycles
- Many instances of only a few partners implemented - even a year after installation
- Only 7% of purchasing organizations report more than 40% completion (NAPM : 01/01)
- "Lot's of process and cultural changes are needed" (GE Capital)
- Supplier enablement and disinterest are now key inhibitors

eBusiness Implementation Barriers



Source: Hackett Benchmarking & Research



**Myth # 5:
eBusiness produces big
benefits**



The Myth ... eBusiness produces big benefits

- Huge cost savings and revenue enhancements were to be the norm
- Most projects could pay for themselves in 6 months
- Because eBusiness is readily deployable and scaleable, benefits could be achieved across-the-board
- B2B benefits could be much easier to identify and implement than B2C
- Direct ownership in B2B exchanges could produce significant windfalls



The Reality ... eBusiness Produces Big Benefits Only When Accompanied By Process / Supplier Enablement

- Most companies can't quantify actual savings or understand how to measure the results (Forrester 5/01)
- Only 27% of companies have reported cost savings from eBusiness (NAPM: 01/01)
- Ariba now tells its sales force that eProcurement can deliver only 5% reduction in cost of selected goods / services (Forrester 05/01)
- Firms that web-enable at least 20% of purchasing transaction can reduce costs 33% (Hackett 2001) (GE 2000)



Final Thoughts ...

- "The Internet makes old, young. Makes big, small. Makes slow, fast. It is truly the elixir that big companies need. It just doesn't get much better than this."
Jack Welch June, 1999
- "The Internet is allowing us to make quantum changes, real breakthroughs. You can't think incrementally, you have to think transformationally. We're still seeing just the tip of the iceberg."
Jack Welch December 2000
- eBusiness is not a sliver bullet -- it too will fade away as adoption reaches maturity (predicted to be 2006-2008 by *Gartner 01/01*)



