

Evolution of the Exchange



The 5th Annual Pro Dealer Conference

*Building on Common Ground:
The Converging Roles of Builders, Dealers and Vendors*

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The Seeds of The Exchange

It started with the
Individual Merchant; not
the Internet



Merchants brought their wares
to the marketplace where
they negotiated price,
delivered the product and
collected payment at one
location.

The Seeds of The Exchange

Individual Merchant



Industrial Revolution



The vertically integrated industrial-age corporation came into existence with centralized supply, management and production under one ownership. Business exchange was internalized.



The Seeds of The Exchange

Individual Merchant

Industrial Revolution

Dawn of the Business Process



Communications and computer technology rendered the centralized corporation obsolete; decentralization and business process improvements began. Business exchange began an external movement.



The Seeds of The Exchange

Individual Merchant

Industrial Revolution

Dawn of the Business Process

Rush to IPO

Believing the Internet was a change agent, "techies" and consultants who had no understanding of the business process thought the value of business exchange was just about bringing buyers and sellers together.

The Seeds of The Exchange

Individual Merchant

Industrial Revolution

Dawn of the Business Process

Rush to IPO

Integrating the Business
Process

The Internet is a powerful delivery mechanism; not a change agent. The successful Exchange will provide solutions to integrate the business process between existing trading partners.



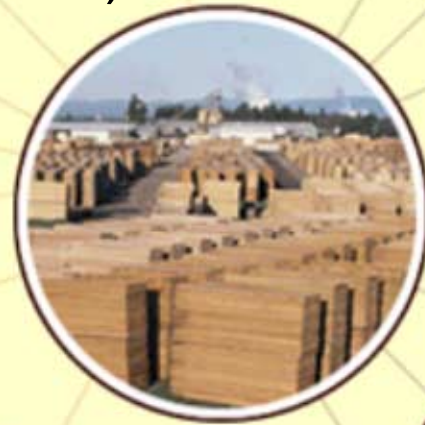
Understanding The Exchange

Other Names Used:

- Net Market
- e-Marketplace
- Electronic Trading Network (ETN)

eCommerce Sites that are not Exchanges:

- Content Aggregator
- Match-maker
- Auction
- Collaboration Hub >>



Understanding The Exchange

Types of Exchanges

- Disintermediary
- Reintermediary
- Consortia
- Private Trading Network (PTN)

An Exchange is Just
Another Business Tool



Reducing Marketplace Friction



Transaction Costs Cause Marketplace Friction*

* Nobel laureate Ronald Coase

- Search Costs
 - Contracting Costs
 - Coordination Costs

The Exchange Can Reduce Marketplace Friction



- Transactional data capture and communication
- Connecting, communicating and collaborating with existing trading partners electronically (E2E)
- Channel selection
 - Another point of market entry for buyers
 - Another sales channel for suppliers
- Improving transactional processing efficiency and data integrity



The Exchange Can Reduce Marketplace Friction



- Supply chain optimization: shifting traditional inventory, sales, and supply chain strategies:
 - buy-hold-sell
 - sell-source-service
 - supplier managed inventory
- Shipping and order tracking
- Credit checking
- Reliable and real time product price reporting
- Industry news, information and statistics



Disparate Back Office Systems

Manufacturers



Wholesalers



Dealers



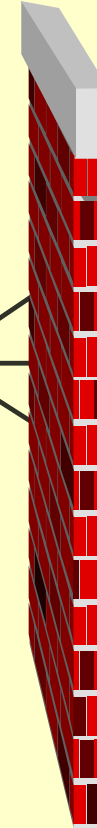
Wholesalers



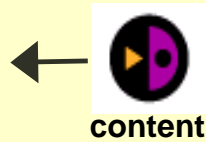
Contractors



Secondary
Manufacturers



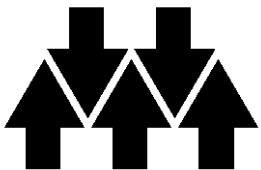
content



content



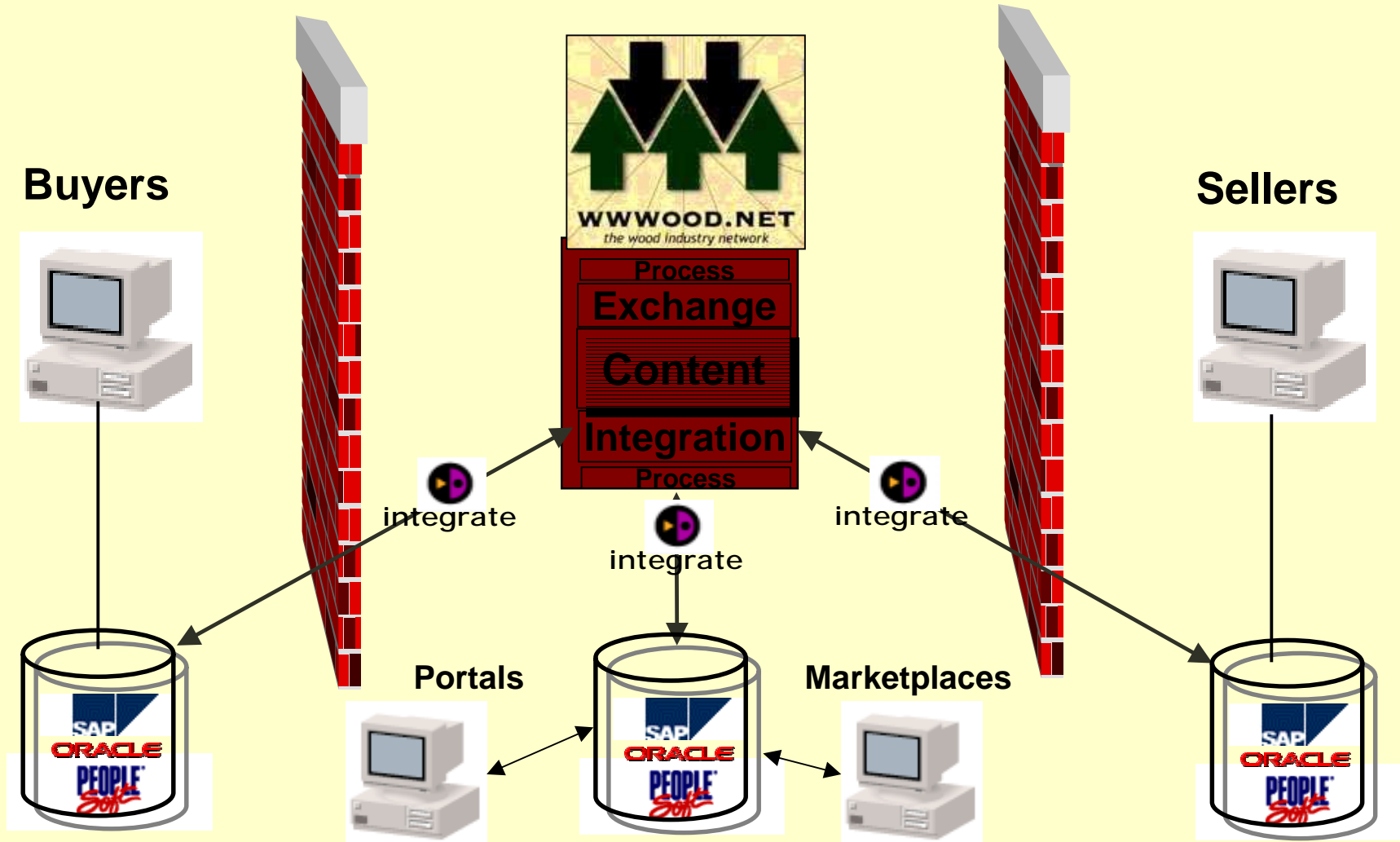
Data Transformation



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Enterprise to Enterprise (E2E) Integration



Do What You Do Best



...And Buy The Rest



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Conclusion



- It's Not about being a Match-Maker
 - It's about the Business Process and Extending the Enterprise
 - Marketplace Friction must be Reduced
 - Supply Chain Integration and Management is Key

