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## **Global Consumer Markets**

### **Global B2B Web-based Exchanges**

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17 May 2000

KPMG

*This report contains 16 pages*

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## 1. The Emergence of B2B Web-based Exchanges

### 1.1 Introduction

The B2B concept is not a new one. Companies were talking about 'electronic data interchange' or EDI in the '80s, however, although some companies did develop cumbersome dial-up systems and specialised software to trade orders, the Internet as a cheap, global communications device did not exist and the idea never gained critical mass. Now the concept is back with a vengeance and in theory, the predicted success of B2B with lower prices, better service, and more choices should ultimately benefit the consumer. Despite recent market setbacks, analysts believe the B2B industry will explode as it demonstrates the power of the Internet; according to Merrill Lynch this could have as profound an economic impact as the Industrial Revolution. [Knight-Ridder, 20/4/00]

The emergence of the new web-based, business-to-business marketplaces follows the Ford, General Motors, DaimlerChrysler model. Similar supply chain networks have also recently been established in the **aerospace industry** by BAE Systems, Boeing, Lockheed Martin and Raytheon, whose joint purchasing bill amounts to approximately £44 billion a year. The new B2B exchanges are likely to squeeze suppliers' profits to the bone because of increased bulk buying and the retailers' ability to instantly see on screen the prices being charged for a product by suppliers anywhere, thereby making pricing transparent globally. [The Scotsman, 10/4/00]

The **automotive sector's** mega-exchange Automotive Network eXchange, being set up by DaimlerChrysler, GM and Ford is now soon to be joined by Renault (France) and Nissan (Japan). The exchange is being created by CommerceOne and Oracle. However, Volkswagen (Germany) has linked up with IBM, i2 and Ariba to create its online marketplace. Volkswagen aims to cut its supply chain cost by 50%. [Engineer, 28/4/00]

Recently, a group of 14 large **energy and petrochemical** companies including the likes of BP Amoco, Shell, Conoco, and Totalfina Elf agreed to set up an electronic procurement exchange based on a CommerceOne Marketsite platform. The companies' annual procurement bill currently exceeds \$125 billion and the exchange is expected to handle a large portion of this. [Engineer, 28/4/00]

These energy moguls have joined forces with four of the world's biggest banks to launch InternationalExchange as an online commodities market for over-the-counter oil and metals transactions. [The Daily Telegraph London, 25/3/00]

The energy exchange will allow suppliers and companies to buy and sell oil rigs, refinery plant and office supplies, and is expected to save companies between 5 and 30% of their annual procurement spend. [The Scotsman, 18/4/00]

The energy and petrochemicals exchange members are hoping to have formed their B2B company by June 1, with online operations launched by the end of the year. The initiative will pose a challenge for independent B2B exchanges such as those operated by mySAPcom, or those set up by individual companies such as Chevron's Petrocosm.com with Ariba. [Newsbytes News Network, 1/4/00]

Like the energy industry's exchange, the new aerospace industry exchange is also based on CommerceOne's platform and will compete with an independent exchange called myaircraft.com launched in February by UTC, Honeywell and i2. [Engineer, 28/4/00]

In the **insurance sector**, players are organising Internet Wholesale Insurance Exchange, or iwix.net. They plan to launch next month as a virtual marketplace that will let small and medium-sized agents place speciality property/casualty coverages with surplus line insurers. The new site is intended to act as a substitute offering agents access to speciality lines expertise and speedy quotes from surplus lines insurers. The site will also give insurers a more efficient channel for dealing with existing agency forces. iwix.net will register retail and wholesale agents, and insurance company and general managing agency participants. [Business Insurance, 17/4/00]

In the **healthcare sector**, Johnson & Johnson, GE Medical Systems, Baxter International, Abbott Laboratories and Medtronic have also formed their own exchange. [iMarketing News, 10/4/00]

In the **US homebuilding industry**, Centex Corp., DR Horton, Inc., Encore Venture Partners, LP, Kaufman and Broad Home Corp., Lennar Corp., Oracle Corp., and Pulte Corp. intend to create a joint venture exchange called HomebuildersXchange. The exchange will be an independent company offering the first world-wide homebuilding exchange for online commerce, collaboration, and supply chain services. Their goal is to make the exchange a primary source of direct and indirect materials and labour procurement for the founding partners, other homebuilders, trade contractors, distributors, wholesalers and manufacturers. The exchange will be powered by Oracle's B2B exchange platform and technology, providing contract and spot buying, online auctioning and reverse auctioning facilities. The exchange will be designed to facilitate accurate capacity and demand planning for participants. Planned future products include handheld wireless functionality, hosted job cost management, hosted sales force automation and other value added services for the industry. The exchange is expected to revolutionise the supply chain in the highly fragmented \$200 billion plus US homebuilding industry. [PR Newswire, 4/5/00]

In the **paper industry**, International Paper, Georgia-Pacific and Weyerhaeuser have also teamed up to form their own exchange. [iMarketing News, 10/4/00]

In the **chemicals sector**, Bayer, Infraserv Hoechst and Deutsche Telekom are creating an online exchange to trade laboratory supplies, plant components and services based on a CommerceOne platform. Their aim is to cut process costs by up to 80%. Bayer has also taken a stake in the CheMatch and ChemConnect raw materials exchanges. In an independent initiative, Ventro, which runs the Chemdex exchange, has created PaperX.com which is targeting 10% of the European paper-buying market by 2004. Ventro estimates that it has spent \$45 million in 19 months to set up and launch its exchange and get 95 customers. [Engineer, 28/4/00]

### ***1.2 Independent Non-Industry Based Initiatives***

The e-trading market is maturing so fast that multiple-industry trading hubs are already emerging, even an exchange for exchanges. In April, Computer Associates, the world's third

largest software company, and Nissho Iwai Corporation, one of Japan's biggest trading companies, announced a cross-industry exchange called Cynomix, open to buyers and sellers in any industry. They expect the venture to generate \$5 billion in revenues within three years and \$18 billion within five years. Also in April, US-based Ironside Technologies introduced a service that allows sellers to use a single interface to gain access to any number of vertical trading hubs or exchanges. [The Scotsman, 18/4/00]

PeopleSoft, a leader in eBusiness applications and consulting for large and medium-size firms looking for flexible, rapidly deployed, lower-cost solutions, recently announced the launch of PeopleSoft MarketPlace, a B2B trading exchange where customers, suppliers, and employees can collaborate to do business efficiently over the Internet. The new exchange is powered by the PeopleSoft Internet Architecture, an XML-based open integration platform. The MarketPlace is currently live with eProcurement for office supplies and is accessible through the PeopleSoft eProcurement application. Future collaborative services are currently scheduled to include direct procurement, resource management, benefits, travel and expense, and recruiting. The solutions will enable strategic decisions making by integrating PeopleSoft Enterprise Performance Management, their eBusiness intelligence suite. The MarketPlace currently includes select trading partners such as Authoria, CFN, Impresse, Sabre, and Skills Village. It also integrates suppliers from the CommerceOne Global Targeting Web, including Boise Cascade, ImageX.com, MicroWarehouse, NECX Direct, Noosh, Office Depot, WESCO Distribution, VWR Scientific, and Wareforce. [Business Wire, 9/5/00]

Yahoo has created an e-business portal for small businesses, providing links to marketplaces connecting buyers and sellers for commercial supplies and industrial goods. In partnership with B2B specialist PurchasePro.com, AOL is also working to help small businesses build new marketplaces or join existing ones. eBay, the auctioneer, will target the business market with a service called eBay Business Exchange. Priceline.com is also soon to offer business services. [Purchasing, 20/4/00]

### ***1.3 E-Exchange Growth***

Business-to-Business Internet exchanges generated \$145 billion worth of transactions in 1999, with figures expected to rise to over \$7 trillion by 2004. [Business Wire, 4/4/00]

Gartner Group estimates that B2B transactions will reach \$4.5 trillion by 2003, but growth will depend on co-operation throughout the supply chain. [Engineer, 28/4/00]

More conservative estimates include Forrester Research, who expect the B2B segment to be worth \$2.7 trillion in revenues by 2004. [Knight-Ridder, 20/4/00]

Others forecast that business-to-business e-commerce transactions could total £1,250 billion globally by 2004, but from an industry perspective, the retail purchase networks will be dwarfed in scale by the exchanges in the automotive and aerospace industries where trades are expected to be worth £173 billion and £44 billion respectively. [The Scotsman, 3/4/00]

Goldman Sachs estimate that B2B commerce in the US alone will grow from \$39 billion in 1998 to \$1,500 billion in 2004. This figure is based on only 10% of transactions between companies being electronic; today just 5% of transactions are electronic. [The Daily Telegraph London, 25/3/00]

In Asia however, the picture is quite different and the disparity of growth in B2B e-commerce between the US and Asia is quite astounding and could have a huge impact on Asian manufacturers and service providers, and ultimately the economy. It is estimated that by 2003, Asia's B2B market will be worth \$27 billion, but the US market is already said to be worth \$295 billion this year and by 2003 it will be worth about \$1.55 trillion, or almost 60 times more than Asia's. [Financial Times, 11/5/00]

Forrester Research estimates that there will soon be 2,000 electronic marketplaces world-wide, creating confusion, as well as opportunities, for traders, suppliers, regulators and investors. [Engineer, 28/4/00]

Others estimate that there are currently 3,000 'electronic trading hubs' around the world with some analysts expecting figures to rise to 10,000 before consolidation begins to set in. Forrester Research predicts that America's top Fortune 500 companies will generate an average \$49 million in revenue over roughly 4.1 different exchanges. Current exchanges cover everything from hospitality, defence, farming, engineering, perishable goods and cars to telecoms. [The Scotsman, 18/4/00]

**Predicted growth of e-commerce by sector:**

<b>Sector</b>	<b>% of total sector revenue</b>
Manufacturing overall	35.5
Electronics	55
Industrial equipment	40
Transportation equipment	40
Aerospace & Defence	35
Other discrete manufacturing	34
Chemical/oil products	26
Oil & gas extraction	12.5
Utilities	28
Wholesale trade	35
Retail trade	15
Business services	22.5

*Source: AMR Research [Engineer, 28/4/00]*

AMR Research expect the launch of more exchanges by the traditional firms as they are unwilling to work with new B2B exchanges created by dot.com start-up firms. [Engineer, 28/4/00]

However, according to Deutsche Bank Alex Brown San-Francisco managing director, Jonathan Ziegler, there are already too many of these exchanges. He believes they will fragment and fracture the buying process to the point where the intended savings will not be generated and this could ultimately lead to mergers of these exchanges. He also believes that bringing all buyers together in one group would make the market more liquid. [Supermarket News, 17/4/00]

However, it is worth noting that the current clamour of activity in electronic exchanges has not gone unnoticed by the Federal Trade Commission who fears a monopoly situation. These exchanges are going to have to work hard to ensure that the atmosphere is one of open trading rather than collusion. [iMarketing, 10/4/00]

#### ***1.4 Cost Savings***

Dennis Kenny, e-procurement expert at E&Y, believes that e-procurement can cut processing costs by up to 90%, while consolidating spending amongst fewer, better suppliers can result in cost savings of up to 30%. He believes ease of use is the main advantage, allowing the professional buyer to take on a more strategic role. However, e-procurement is going to make a number of traditional procurement roles redundant. Kenny believes the large multinational companies will be the winners in the age of web-based buying as we see collaboration amongst competitors and across industries on e-commerce initiatives. For suppliers that can take advantage of the opportunities e-commerce presents, the situation will be a winning one, but as most of these new initiatives aim to cut the supply base by as much as 70%, there will be a lot of losers too. [Engineer, 28/4/00]

Scott Latham, AMR Research, believes electronic exchanges are having most impact on supply chains that involve a high level of commodity products, but only 20% of purchases are made through 'spot' markets, 80% of purchases are made through 'direct' contact and the exchanges do not have the functionality required to handle most direct purchases. Squeezed margins and a rationalisation of the supply base is going to present a significant challenge for the smaller supplier. [Engineer, 28/4/00]

Rene Schuster, consultant at KPMG, believes that the exchanges are going to put companies in a good position to drive costs down further as they argue that the exchanges have cut suppliers costs by automating transactions. He estimates that these exchanges will decrease the supply base by 50%. Schuster predicts that companies will save up to 11% of indirect costs, but that most benefits will come from savings of up to 20% of direct costs. He believes that the Internet will show where prices are artificially high which will mean companies will have to change from being functionally driven, to being more customer and market driven. [Engineer, 28/4/00]

## **2. GlobalNetXchange**

GNX was founded in late February of this year by Sears, Roebuck and Co. and Carrefour, with Oracle Corp. providing the software, implementation and support as a minority partner. Metro AG and Sainsbury's joined the partnership in March. Kroger was the first US food retailer to join the exchange at the end of March. [Supermarket News, 3/4/00]

Sainsbury's reportedly paid \$15 million for its stake in GlobalNetXchange. It plans to put 75% of its procurement through the exchange within about 18 months. [The Daily Telegraph London, 25/3/00]

Members of the exchange will be able to buy, sell, trade, or auction goods and services over the Internet using standard web browsers. Members and suppliers will be able to capture savings through a more strategic sourcing of goods and services. The exchange has said other retailers will be invited to join and it will be open to all segments of the retail industry, including grocery, general merchandise, apparel and home-improvement retailers. The exchange will allow one-to-one seller interaction, as well as many-to-many communication. GNX expects to generate revenue through transaction fees based on usage, or through memberships. Carrefour and Sears have already both conducted their first auctions on the system with much apparent success. [Supermarket News, 3/4/00]

Carrefour has signed a three year, \$9 million plus services and application license agreement deal with SourcingLink.net, a leader in business-to-business Internet merchandise sourcing solutions. As part of the deal, Carrefour will use SourcingLink's expertise to integrate Carrefour's suppliers into the GNX. SourcingLink will also deliver GNX compliant software to enable it to offer its applications and services in compliance with the GNX standards. SourcingLink will be training Carrefour's buyers and suppliers world-wide for the use and application of the GNX technology and will provide on and offline training to support the suppliers in creating catalogues to GNX standards. [PR Newswire, 29/3/00]

Coles Myer, the Australian retailer has very recently joined GNX as the latest equity member of the exchange in May. The addition of Coles Myer to the team will provide Australian suppliers with easy low-cost access to many top retailers world-wide. Coles Myer see the exchange as an extension of their work on EDI, their electronic gateway, and their Internet supplier connection initiatives. The GNX will provide them with continuing innovation in the tools and services required to reduce costs and increase the effectiveness of their supplier partnerships. [Asia Pulse, 4/5/00]

In the case of this particular exchange, there are two tiers of equity, one for the founding members Sears, Carrefour and Oracle, and the other for Sainsbury's and Kroger. A third tier will be available for further members. [The Independent, 3/4/00]

Some retailers have refused to join this exchange due to the inequality of the partnership. [The Herald, 3/4/00]

Kroger expects that the exchange will reduce its purchasing expenses and improve efficiency of its supply chain. It also believes that the cost savings will allow its purchasing and procurement staff to shift their focus to product quality, supplier competitiveness and performance. [Supermarket News, 3/4/00]

The GNX members include four of the top seven retailers in the world and now account for about \$200 billion in purchases from over 70,000 suppliers, partners and distributors globally. The GNX already has a management team in place, is operational and according to them, fast-becoming the ultimate one-stop source for retailers and their suppliers to collaborate, communicate and manage supply chains. Terms of trade between supplier and retailer are not shared across the exchange. [Asia Pulse, 4/5/00]

There are plans to take GNX public within the next 18 months, however, the estimated valuation is as yet undisclosed. Carrefour currently holds a 30% share in the exchange, but this is expected to fall to a minimum of 15% as other members join. [Women's Wear Daily, 31/3/00]

### **2.1 Founding Members**

- Carrefour, France - world's number two retailer, largest retailer in Europe and Latin America and the first international retailer in Asia
- Sears, Roebuck & Co., US - second largest US retailer
- J Sainsbury, UK - UK's second biggest food retailer
- Metro AG, Germany - world's third largest retailer with sales of DM86 billion in 1999 in 21 countries
- Kroger Co., US - largest retail grocery chain in the US, operating over 2,300 supermarkets and multi-department stores in 31 states, as well as 796 convenience stores, 389 fine jewellery stores, and 42 food processing plants
- Coles Myer, Australia - leading retailer in Australia with annual sales of over A\$22.4 billion, over 15 million customers a week, and 2,000 retail stores in operation

## **3. WorldWide Retail Exchange**

The exchange is designed to simplify trading between retailers and over 100,000 suppliers and distributors. No date has yet been set to begin online operations [Knight-Rider / Tribune Business, 19/4/00]

The exchange members together operate 42,000 stores with 1999 combined sales approaching \$400 billion. The exchange is intended to help cut costs while enabling members to conduct food, non-food, textile and drugstore e-commerce transactions with individual vendors independently of one another. The exchange will also be used by members to build infrastructure, and procure merchandise, office supplies and equipment, and other goods and services from participating suppliers. Founding members participate in the initial 60% of the founding capital of the exchange. [Reuters, 26/4/00]

Members believe the exchange will become the standard for e-commerce transactions and will dramatically decrease costs for all parties involved by offering the ability to make business decisions closer to the time of consumer demand, thereby reducing costs. The exchange will

provide equal opportunity for all parties to benefit from the business process functionality and standardisation of information offered. Other retailers are expected to join soon. [PR Newswire, 26/4/00]

Costs will be reduced and time will be saved by giving retailers access to a large number of suppliers in one location, eliminating many of the administrative costs of the traditional goods-exchange process. It is hoped that the exchange will be launched by the middle of this year. The founding members are looking for an IT provider to develop the exchange and they plan to have an independent company managing it. CEOs from the member companies form the Executive Committee currently heading the exchange. Other retailers are invited to join and the remaining equity will be negotiated as they come on board. [Knight-Ridder / Tribune Business, 6/4/00]

Members will be able to use the exchange from mid-2000. [Reuters, 18/4/00]

The vendor community has responded enthusiastically to negotiating transactions with individual member of the exchange. [Business Wire, 18/4/00]

Members believe that an open and neutral exchange will be of benefit to the entire industry because it has the potential to provide them with greater operational efficiencies by providing a highway of publicly available data, private price and promotion information between multiple buyers and sellers, and also the means for auctioning products. [PR Newswire, 4/4/00]

It is estimated that the exchange will cost about \$100 million to establish in the first few years, but savings are expected to rapidly exceed these costs. [The Scotsman, 3/4/00]

The costs of the investment will be split equally among the founding members of the exchange. The key difference between this exchange and the GlobalNetXchange set up by Sears and Carrefour, is that all members are equal and other retailers can join later without penalty. No one retailer will have any advantage over another. [Newsbytes News Network, 1/4/00]

### **3.1 Founding Members**

#### **US:**

- Albertson's Inc. - one of the largest retail food and drug chains in the US, operating almost 2,500 stores in 37 states
- Best Buy Co. - leading US consumer electronics speciality retailer with over 350 stores in 39 states and 1999 sales of \$12.5 billion
- CVS Corp. - number one drug store chain in the US with approximately 4,100 stores
- Walgreen Co. - the largest drug store chain in the US with fiscal 1999 sales of \$17.8 billion, operating 3,007 stores in 41 states and Puerto Rico.
- Kmart Corp. - operates 2,171 Big Kmart, Super Kmart and Kmart stores across 50 US states and has operations extending to Puerto Rico, Guam, and the US Virgin Islands

- JC Penny - largest catalogue operation in the US with over 4,000 department stores and Eckerd drugstores with sales of \$32.5 billion
- Safeway Inc. - Fortune 50 company and one of the largest food and drug retailers in North America, operating 1,659 stores in the US and Canada
- Target Stores Corp. - operates large store general merchandise formats, including discount stores, moderately priced promotional, and traditional department stores. It currently operates 1,252 stores in 45 states.

#### **Europe:**

- Marks & Spencer, UK - international retailer with 718 locations across 34 countries
- Tesco Plc, UK - UK's biggest food retailer with 639 stores in the UK and 182 stores in Europe
- Casino, France - primarily engaged in the operation of a network of hypermarkets and supermarkets in France; also operates a chain of supermarkets in western US and Mexico
- Auchan, France - privately owned company operating hypermarkets, speciality retailing and restaurants
- Delhaize Group, Belgium - largest shareholder of Delhaize America-Food Lion's parent company, has interests in the US and 10 other countries, over 2,000 stores and 1999 sales of € 14.3 billion
- Kingfisher, UK - international retailer operating 2,823 stores in the UK and Europe
- Royal Ahold, Netherlands - international retail organisation mainly distributing food and beverage products through regional supermarket chains and speciality stores in the Netherlands, other European countries and the US

#### **Other countries:**

- Jusco Co. Ltd./Aeon Group, Japan - 5,900 superstores, supermarkets, convenience stores and speciality chains in Japan, the US and other overseas markets and 1999 sales of \$22.8 billion

## **4. CPGmarket.com**

Henkel KGAA joined the new electronic marketplace for the consumer packaged goods industry being set-up by Nestle and Danone, with their IT partner SAP. The four partners are creating a new company which will implement a B2B marketplace open to all. Other companies will be invited to join at a later stage. This initiative is seen as unique in Europe and is aimed at cutting supply costs through the automated processing of orders and sales, as well as a number of other benefits. [Market News Publishing, 4/4/00]

The partners see this new site as an electronic warehouse to handle big retailers' supply chains and enable them to improve management of suppliers and reduce costs for supplying companies. [South China Morning Post, 22/3/00]

Services may be extended later to allow links between all parties involved in the production and marketing of a product at every stage from market surveys to logistics, planning and forward management. The service is to be based on SAP's Internet infrastructure, mySAP.com and may later link up with other CPG marketplaces outside Europe. [AP WorldStream, 21/3/00]

The site will allow companies to place orders on catalogue offers, call for bids and participate in auctions, but it will also give them access to industry information and to sourcing services for raw materials and packaging, as well as capital goods and services. CPGmarket.com will also provide targeted information through a specialised forum covering news, updates, events, discussion, search tools and more. It will also create a virtual community offering its services to other companies. [PR Newswire, 21/3/00]

#### **4.1 Founding Members**

- Nestle SA - world's largest food manufacturer and market leader in coffee and mineral water; produces huge range of products
- Danone Group - world leader in dairy products, world's second largest in biscuits and mineral water, leading producer of sauces in Europe and second largest brewer in Europe; produces pasta and manufactures bottles in Europe
- Henkel KGAA - world-wide producer of adhesives, surface technologies and industrial and institutional hygiene, an operating specialist in brand-name products and in systems businesses with affiliates in over 70 countries generating sales of € 11.4 billion in 1999

## **5. GMA's Exchange**

In March, over 50 major consumer products companies joined the Grocery Manufacturers of America to create an online exchange for suppliers only. [Supermarket News, 3/4/00]

The marketplace would be the largest collaborative effort among food, beverage, and consumer product manufacturers to try and create efficiencies on a global level over the Internet. The exchange will initially support catalogue purchasing, bidding and price quotes, online sourcing and auctions for raw materials, packaging supplies, and other goods and services critical to buyers' and sellers' operations. However, in the future it could include other supply chain processes such as collaborative planning and demand management, flow management, order fulfilment, customer service, new products commercialisation, and relationship management; these would further enhance the value of the supply chain. The goal is to create a standards-based marketplace open to all supply chain players and able to connect to other standard exchanges in the future. Participants hope to have reached a definitive agreement on terms, including the name, ownership structure and provisions to protect the confidentiality of a company's information, by the second quarter 2000. GMA has been

working with consumer packaged goods leaders to identify areas within the industry where traditional business models and processes can be transformed using the Internet. The GMA has appointed an executive steering committee to manage the exploratory phase of the development of the exchange. PwC is providing e-business consulting support for the exchange, including strategy, design, and infrastructure consulting services. [Business Wire, 16/3/00]

The GMA consumer products exchange evolved from concept to commitment in under two weeks. This need for speed is causing businesses across all industries to seek help from the professional services firms. PwC estimates its e-business related services revenue will grow 57% during its fiscal year to \$3.5 billion. In order to keep up with the incredible pace, PwC expects to have 14,000 consultants trained in e-business by the end of the year - an increase of 9,000 on last year. PwC helped to bring the consumer products companies together to form and agree on this exchange and their consultants apparently drafted a plan for it within 24 hours of the GMA having decided to create it. [Information Week, 20/3/00]

The exchange is expected to handle its first transactions by the end of the year. The estimated costs of establishing the exchange range from \$30 million to \$180 million, however, with annual sales of \$460 billion and over \$200 billion spent on goods and services to support operations for the consumer packaged goods industry, it is felt the benefits of the exchange will far outweigh the costs of establishing it. No decision has yet been made on the ownership of the stand-alone company. [NAMNews, 17/3/00]

### **5.1 Founding Members**

- GMA - the world's largest association of food, beverage and consumer products companies. GMA members have sales of over \$460 billion, employing over 2.5 million workers in all 50 states. The organisation applies legal, scientific and political expertise for its member companies to vital food, nutrition and public policy issues affecting the industry. The GMA speaks for its members at the state, federal and international levels on legislative and regulatory issues and also leads efforts to increase productivity, efficiency and growth in the industry.
- Agrilink Foods
- B&G Foods
- Bestfoods
- The Borden Family of Cos.
- Bush Brothers & Co.
- Campbell Soup Co.
- Chicken of the Sea International
- The Clorox Co.
- The Coca-Cola Co.
- Colgate-Palmolive Co.
- ConAgra, Inc.

- Dean Foods Co.
- Del Monte Foods
- The Dial Corp.
- Dole Food Co., Inc.
- The Earthgrains Co.
- Energizer
- Flowers Industries, Inc.
- General Mills, Inc.
- The Gillette Co.
- HJ Heinz Co.
- Hershey Foods Corp.
- Hormel Foods Corp.
- Johnson & Johnson
- Kellogg Co.
- Kraft Foods, Inc.
- Lance, Inc.
- McCormick & Co., Inc.
- Morton Salt, a Rohm and Haas Co.
- Nabisco, Inc.
- Nestle USA, Inc.
- Novartis
- PepsiCo., Inc.
- The Pepsi Bottling Group, Inc.
- The Pillsbury Co.
- Playtex Products, Inc.
- PowerBar, Inc.
- The Procter & Gamble Co.
- Ralston Purina Co.
- Reckitt Benckiser, Inc.
- Rich Products Corp.
- Sara Lee Corp.
- SC Johnson & Son, Inc.
- SMS Brands, LLC

- Signature Brands, LLC
- The JM Smucker Co.
- Tone Brothers, Inc.
- Tony's Pizza Service
- Unilever North America
- Wm. Wrigley, Jr. Co

## **6. FDI and FMI's Exchange**

Food Distributors International, an international trade association of food distributors that supply and service independent grocers and foodservice operations throughout the US, Canada and 19 other countries, and the Food Marketing Institute, a non-profit association conducting programs in research, education, industry relations, and public affairs for its 1,500 members around the world, have agreed to form a B2B online exchange for non-consumer goods and services. The exchange is designed for FDI's and FMI's foodservice and wholesaler members, and the retailers they serve, including independent operators. The two associations, together with their members, represent the \$800 billion North American food industry. As part of their strategic business plan, broader applications for the exchange within the industry will be developed following discussions with the global retail exchanges currently being formed. IBM has been selected as their IT solutions partner/co-ordinator and will manage the activities of the alliance partners, including i2 Technologies, Inc. and Ariba, Inc., as well as the participation of the viaLink Company and Ernst & Young Consulting. This group collectively operates over 150 Internet exchanges across multiple industries. [Business Wire, 13/4/00]

This Web-based alliance between the two trade groups offers their members the opportunity to create new cost structures, open new distribution channels, transform competitiveness, and change the industry through the delivery of education and communication services at Internet speed. The FMI believe that the e-procurement function of the exchange is just the beginning, the real advantage will come from the integration of the whole supply chain. The FMI also believe the exchange will enable them to deliver state-of-the-art Internet buying fully integrated with logistics services, co-ordinated backhaul and co-operative planning, and forecasting and replenishment. The associations believe that those developing such Internet services for the grocery industry should endeavour to develop common standards for the underlying technology wherever possible and to this end are working with the Uniform Code Council (UCC) to co-ordinate their efforts. The associations are also talking to the retailer-based exchanges to co-ordinate services and say that they have no intention of competing with them. They are inviting other associations developing network services for their members to explore the possibility of a co-ordinated exchange. The FDI/FMI site is planned for launch later this summer. [Supermarket News, 17/4/00]

## **7. Other Web-based Consumer Markets Exchange Initiatives**

### **7.1 UCCnet**

The Universal Code Council has been working to develop standards for another online exchange called UCCnet which will be launched in May. [Supermarket News, 17/4/00]

Kroger is one of six participants in the pilot phase of UCCnet. By July it is envisaged that UCCnet will be open to the whole industry. [Supermarket News, 3/4/00]

### **7.2 RetailersMarketXchange**

Chevron, McLane and Oracle are establishing a new electronic marketplace for the \$200 billion convenience store industry in the US. [PR Newswire, 4/5/00]

### **7.3 Uvine.com**

The latest B2B exchange to be launched in the Consumer Markets industry is Uvine.com, an exchange targeting the £1 billion a year market in the world's top 600 wines. The exchange is chaired by Christopher Burr, former international head of fine wine at Christie's and will trade in wine worth as much as £25,000 a case; it is backed by US-based Moore Capital. The wine trade operates on very traditional lines in London, where it can take months to make a transaction; Burr hopes Uvine.com will revolutionise the market. With an electronic trading system modelled on the stock exchange, producers, merchants and consumers alike will be able to trade wine as easily as stocks and shares. Both parties in a trade will be charged a 3.5% transaction fee which is well below that charged by auction houses and other trading mechanisms. Registration to the site began 12th May. [Financial Times, 8/5/00]

### **7.4 Tradeweave**

Tradeweave provides the online marketplace tradeweave.com, supporting the full life cycle of merchandise procurement and management for the retail industry. Retailers, manufacturers, vendors, suppliers, and wholesalers can currently visit Tradeweave's retail B2B marketplace through the Internet to initiate and manage trading relationships, conduct commerce, collaborate, and access the latest industry news and trends, industry directories, events calendars and day-to-day information resources. Buyers and sellers are authenticated and authorised to trade by Tradeweave. Tradeweave is now launching into grocery, announcing the launch of a new site targeting the \$450 billion grocery industry. The launch is the first step in delivering complete marketplace services in the grocery industry, a precursor to Tradeweave's grocery commerce capabilities due later in the summer which will include a grocery news magazine including continual updates, features, research and contributions from retail experts. Tradeweave has also partnered with Produce Reporter Co. to offer credit and marketing information to businesses involved in the wholesale fresh fruit and vegetables industries. Tradeweave is also planning to offer collaborative planning, promotion presentation and opportunistic trading services, and a number of other services and tools tailored to the grocery industry. [PR Newswire, 8/5/00]

## **8. Wal-Mart**

Wal-Mart's \$165 billion a year sales give it significant purchasing clout, however, this is now to be rivalled by the new online exchanges being set up by its competitors in the industry. Wal-Mart has refused to join any of the new exchanges, but will apparently continue to rely on its own Web link with its suppliers. [Wall Street Journal, 3/4/00]

In fact, Wal-Mart has expanded its Retail Link, in which its suppliers access and share data over the Internet. It also plans to launch a web site this summer called SamsClub.com which may offer online auctions for business and Advantage members. [Chicago Sun-Times, 27/3/00]

## 9. Summary of the Main Global Consumer Markets Web-Based B2B Exchanges

Exchange Name	GlobalNetXchange	WorldWide Retail Exchange	CPGmarket.com	No name yet	No name yet
Founding Members	Sears and Carrefour	Albertson's, Best Buy, CVS, Walgreen, Kmart, JC Penny, Safeway Inc., Target Stores, M&S, Tesco Plc, Casino, Auchan, Delhaize, Kingfisher, Royal Ahold, Jusco	Nestle, Danone and Henkel	Grocery Manufacturers of America (GMA) and 50 CPGs companies	Food Marketing Institute (FMI) and Food Distributors International (FDI)
Other Industry Members	Metro, Sainsbury's, Kroger, and Coles Myer	Founding members have increased from the original 11, who had a 5% equity stake, to the current 16, who participate equally in the initial 60% of the founding capital. Other retailers can join later without penalty.	Others have been invited to join	The 50 companies include the world's largest food, beverage and cons. products manufacturers; participation is voluntary	The two associations' foodservice and wholesaler members, and retailers they serve, including independent operators.
Advisors/IT Partners	Oracle (owns a minority stake)	Still looking for an IT partner	SAP (owns an equity stake) and PwC	PwC, but they are also looking for IT partners	IBM, i2 Technologies, Ariba viaLink Company, and E&Y
Industry Segment	Retail	Retail	Consumer Goods / Food & Drink	Consumer Products / Food & Drink	Food & Drink
Region/Country	Global	Global	European	US based	US based
Online Launch Date	March 2000	Mid-2000	July 2000	End 2000	Summer 2000
Access	By invitation	Open to all	Open to European consumer goods cos.	Open to all supply chain players	See above
Plans to Take Public	Yes, next year	Yes, but it is not a priority	Not known	Not known	Not known