

B2B EC

Hype & Reality

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Saudi American Bank  البنك السعودي الامريكى

TABLE OF CONTENTS

1. Presentation Theme	3
2. In The Hype Era	7
3. From The Reality	13
4. e-Considerations	18
5. New Business Model	24
6. Success Factors	28
7. Conclusion	33

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3. From The Reality	13
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Presentation Theme

- Overview of SAMBA e-Business Strategy & B2B Basics
- In The Hype Era (Statistics, Analysis & Offerings)
- From The Reality (Status & Characteristics)
- e-Considerations (Drivers, Barriers & Critical Spots)
- New Business Model (Integration & Relationships)
- Success Factors (Practical Wish List)
- Conclusions



SAMBA e-Business Strategy

To be the local leading e-Business enabler, we will connect our customers to our web enabled services, transform our capabilities into new internet offerings and extend our reach through new offerings

e-Business Strategic Model Strategic

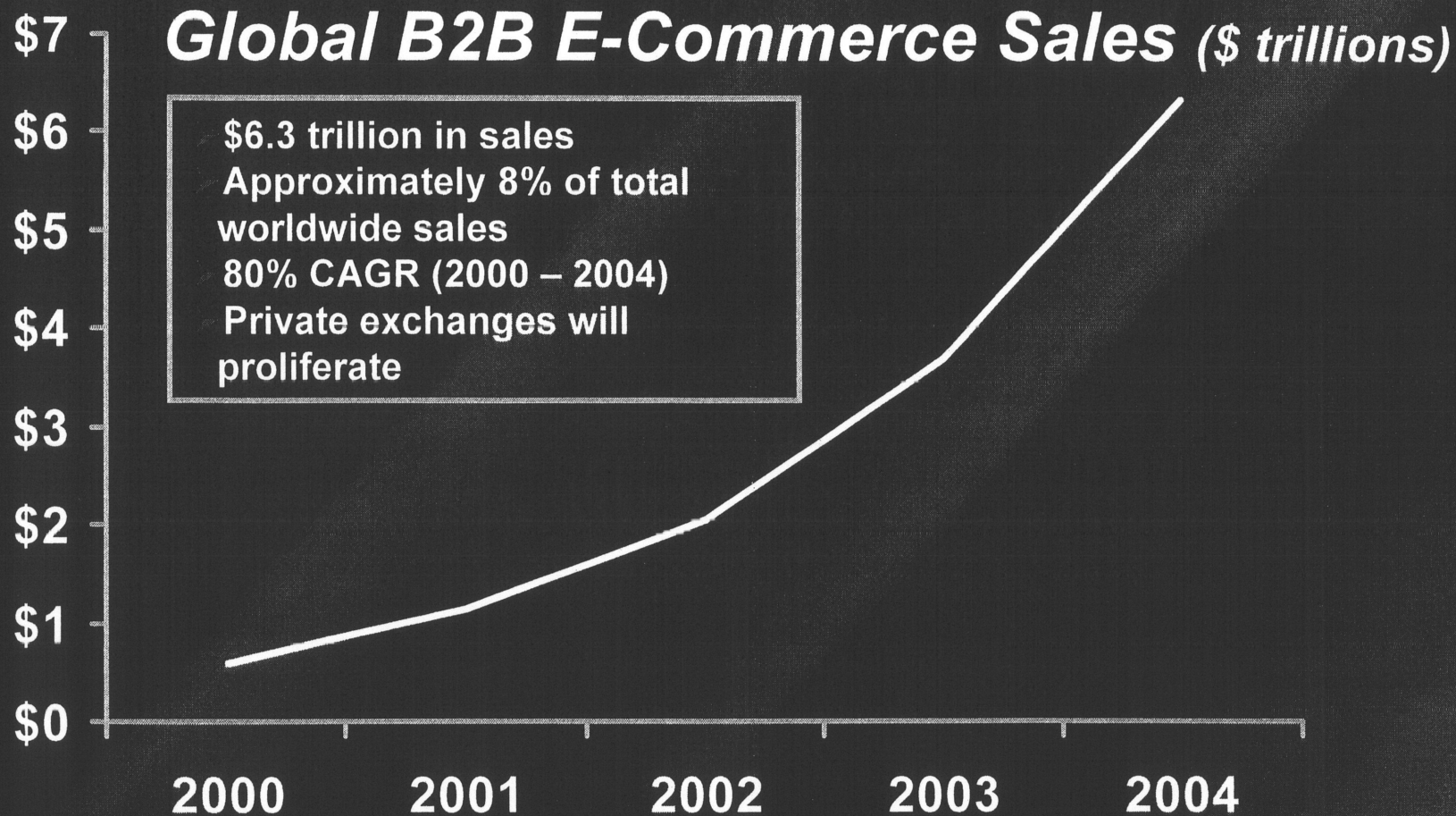


B2B: The Basics

- **Business-to-Business e-Commerce: purchasing, selling, and settlement of goods and services via the Internet**
- **B2B has the potential to transform fundamentally inefficient systems: The Internet reduces the cost and increases the efficiency of communication and transactions. The result will be more transparency; and less complex and labor-intensive work flows.**
- **B2B as operating system for new economy: Once the value chains of industries are digitized, B2B companies will be able to develop new product offerings or other value-added services.**

1. Presentation Theme	3
2. In The Hype Era	7
3. From The Reality	13
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7. Conclusion	33

Online B2B Growth



Source: Forrester Research, April 2000

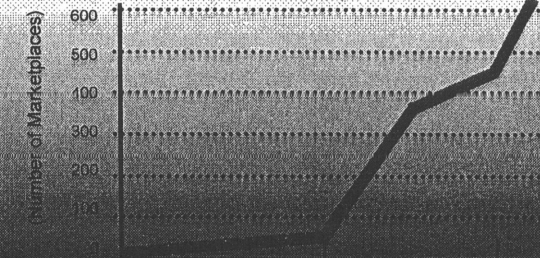
The B2B Opportunity

By 2003, B2B marketplaces will handle \$551 billion in key categories and \$1.1 trillion in total trade.

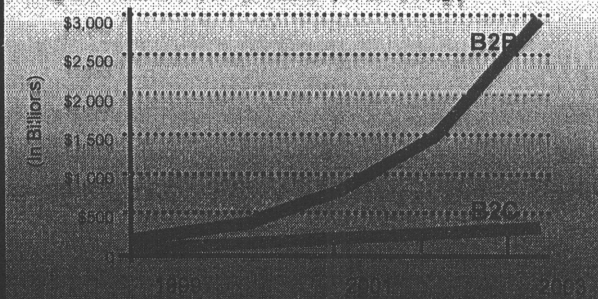
No mystery about what the Net can do for businesses

- *Reduces costs by providing companies better information on their customers and suppliers*
- *Shortens the supply chain cycle, which will reduce cost*
- *Improves inventory management and visibility throughout the supply chain*
- *Automates fax-and-phone procurement processes*
- *Enables greater distribution & reach*
- *Provides inexpensive sales, marketing, and customer support channels*

Growth of Web Marketplaces

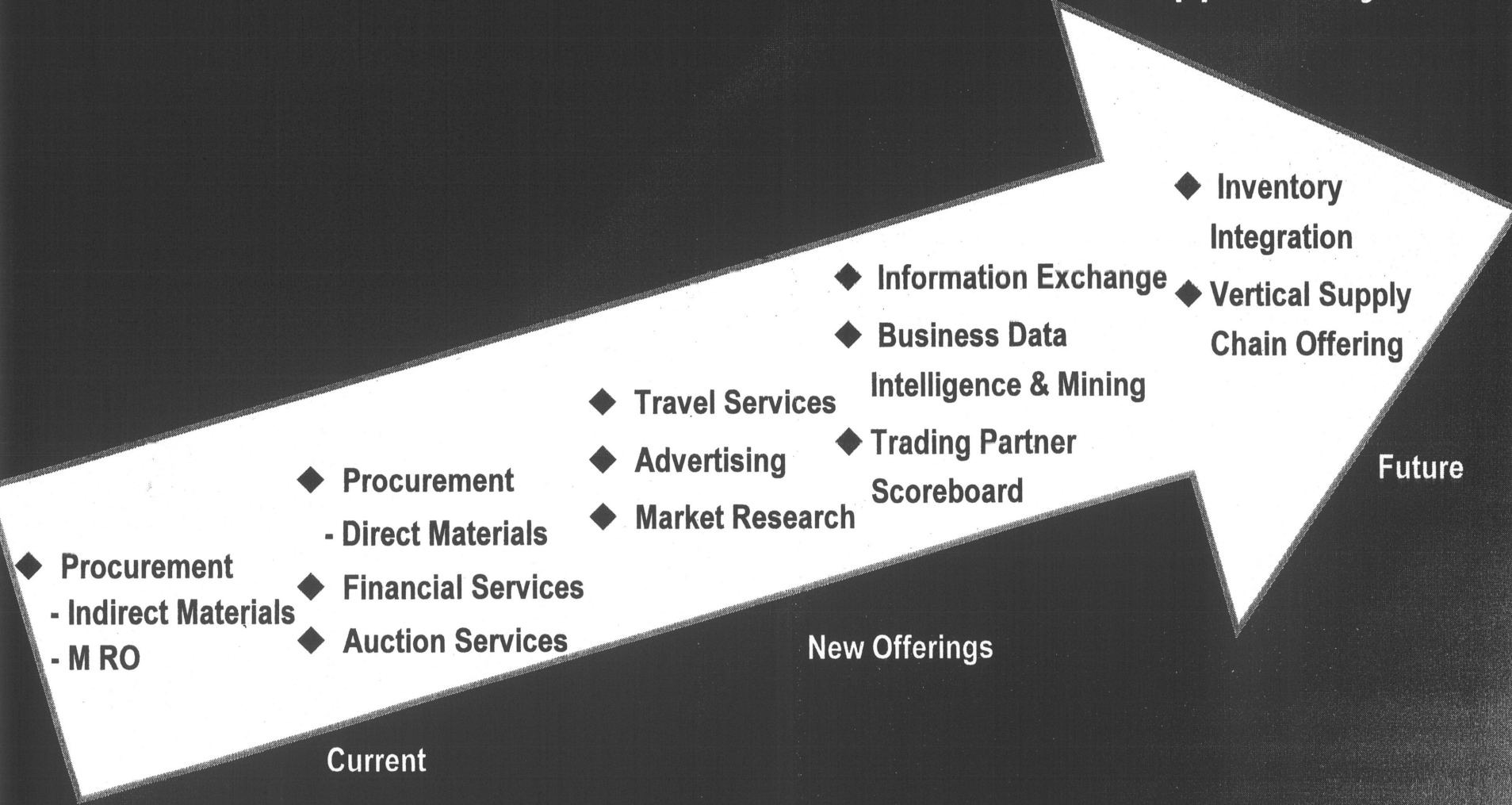


Projected Web Sales (US only)



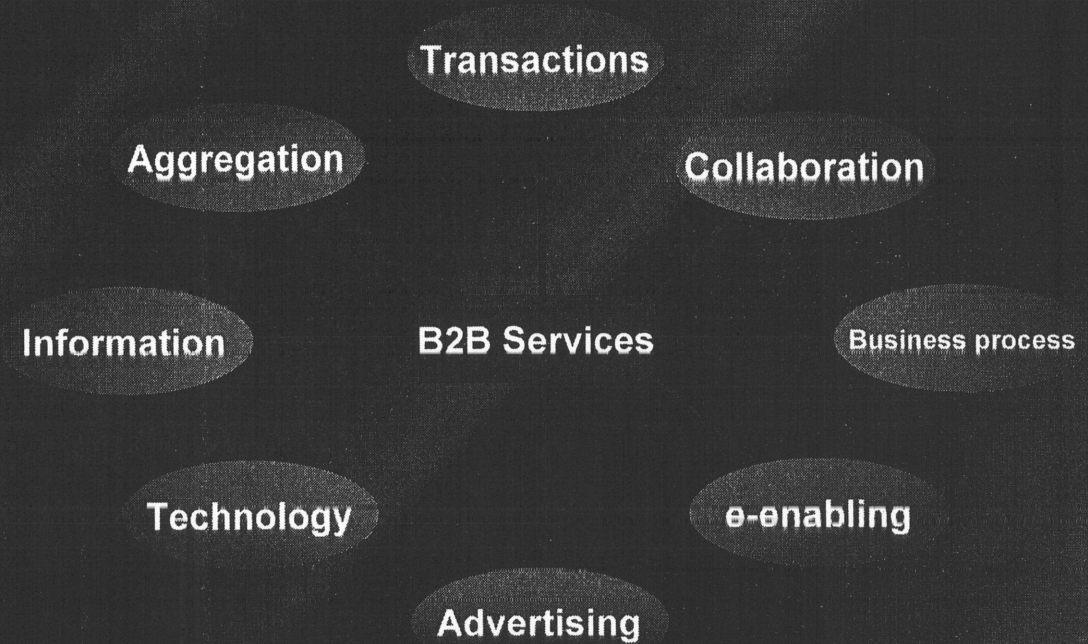
B2B Offerings Overview

The Opportunity



What will B2B marketplaces get paid for

- Information Services
- Aggregation Services
- Transaction Services
- Collaboration Services
- Business Process Services
- e-Enabling Services
- Advertising



Source: SSSB

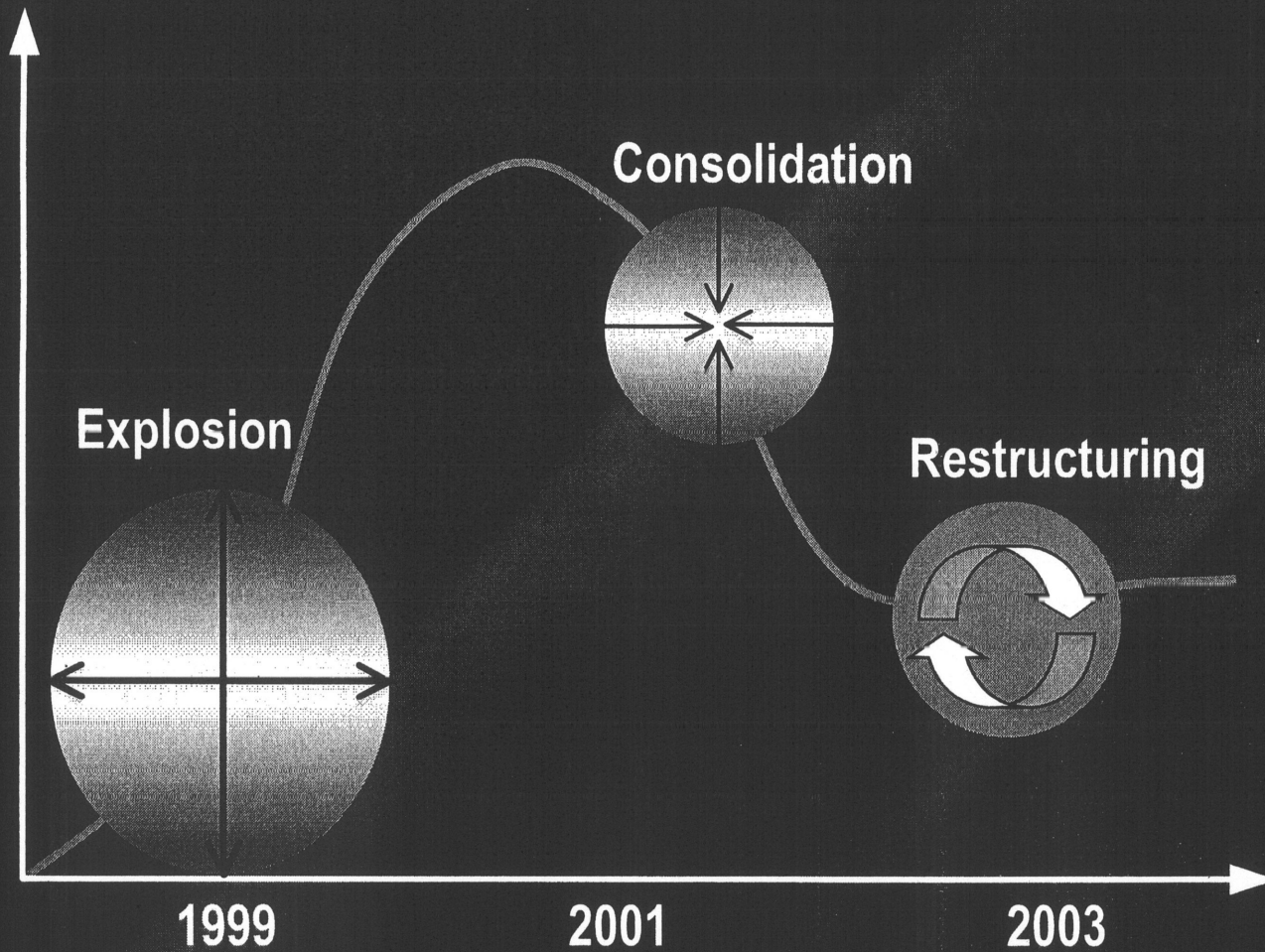
Results of B2B Hype ERA

- **Inflated Statistics & Analysis**
- **Focus in all buyers rather than e-sellers**
- **The integration was not a primary issue**
- **Missing roles of Brick-and-Mortar space vs. e-space**
- **Technology maturity level was misleading**
- **No *GENERIC* proven business models**



1. Presentation Theme	3
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B2B Shake-out Happening As We Speak



Over 1000 eMPs are announced

Over 50% will fail (Giga Information Group)

B2C
because of increased competition and missing management

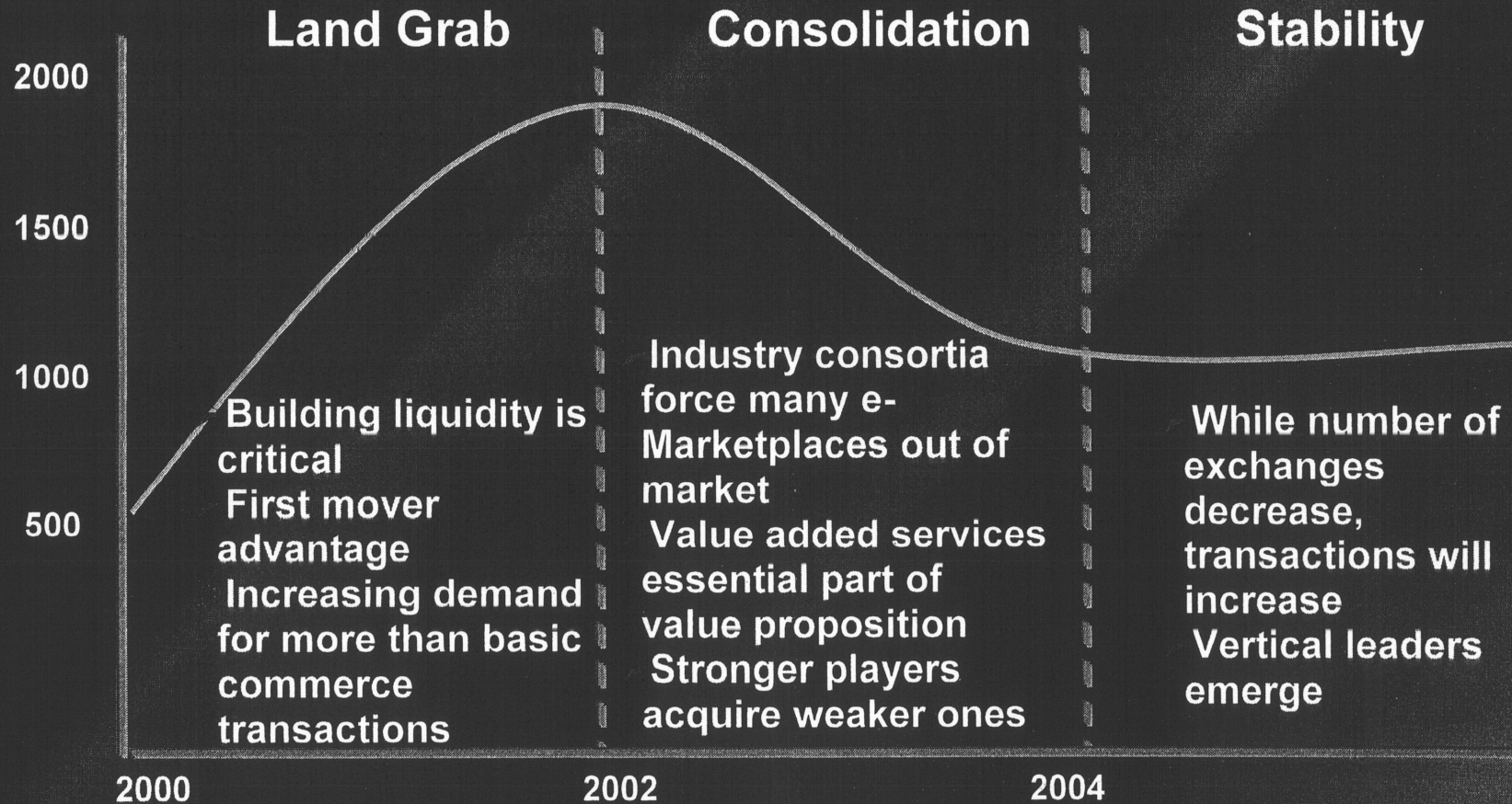
B2B
20% don't start
20% won't reach the critical mass
10% have a very low liquidity

Source: KPMG



B2B Current & Future

Number of e-Marketplaces



Source: Lehman Brothers Industry Report, June 2000

Characteristics of e-Venture Co.

- Unproven revenue models,
- Focus on growth rather than profitability,
- Varying barriers to entry,
- Highly competitive environment,
- Lack of reliable statistics and
- Lack of physical assets.

Source: business times (Malaysia)

The e-Reality is....

■ Strategy

- Key competitors share the same strategic intent . Our differences lies in scope & approach.

■ Technology

- Technology providers do not see banks as unique - although they value banks as marketers of their technology and drivers of volume through their exchanges and portals
- Technology companies and Exchanges value banks as sources of credibility, security and trust

■ Speed

- e-Speed is not evident at banks, consensus building approach
- Most banks are prioritizing connecting their current financial services capabilities

■ Process and Scale

- Web will drive transaction and value volumes tremendously
- Need very high straight through processing rates

■ Relevance of financial services

- Market makers are starting to place increased attention towards financial integration for transaction flow

Source: AMK



1. Presentation Theme	3
2. In The Hype Era	7
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B2B Drivers

■ Market frenzy

- First industry verticals going public, expanding, affiliating with other markets, and preparing to buy or be bought
- Consolidation looms, even in markets less than a few months old

■ First mover advantage

- Early adopters enjoy new efficiencies and scale economies
- Switching costs are high (online and offline)

■ Globalization driving product standardization

- Global technology infrastructure, standards remove traditional barriers to trade

■ Relentless push for productivity

- Reduce cost
- Improve service & save time

■ Need to respond when competition moves

- Capturing suppliers
- Partnering with lesser competitors as well as direct competitors.

Adoption Barriers of e-Business

■ Lack of security/trust	27%
■ Privacy	20%
■ Availability of content	12%
■ Lack of standards/infrastructures	11%
■ Social acceptance	07%
■ Don't understand potential	06%
■ Organizational barriers	06%
■ Regional constraints	11%

Source: Giga Information Group / AD Little



Ten Critical Trouble Spots for Consortium-Based Exchanges

- Premature promises of functionality
- Long delays in the delivery of collaborative commerce applications
- Lack of consensus about where functionality should reside
- Cost to integrate back-end systems
- Need to budget for the total cost of the exchange
- Supplier recruitment, participation, and integration
- Competition among the best-of-breed vendors
- Immaturity of standards
- Marketplace-to-marketplace (M2M) integration
- Political infighting

Potential participants are most concerned about security and trust aspects of Trading Exchanges which may be an area of opportunity for banks.

Source: AAR

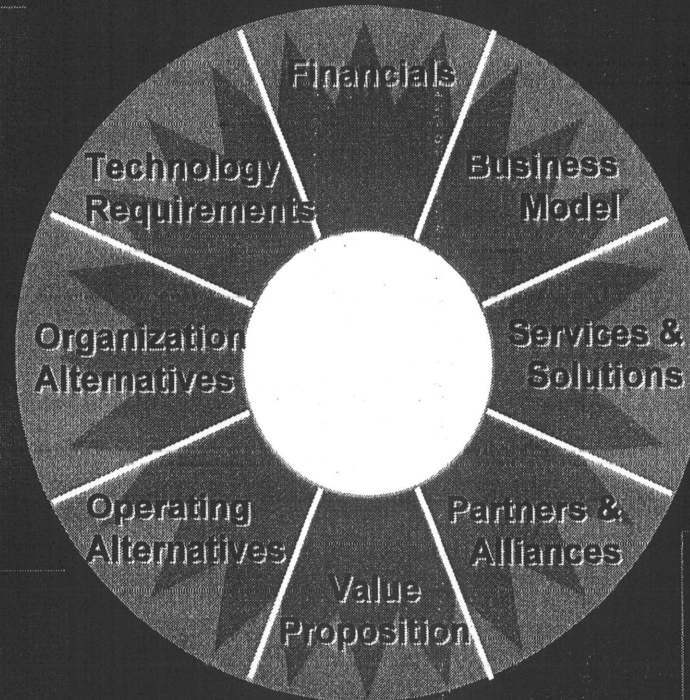


B2B Essentials

Prices
 Potential for Return
 Setup and Operation Costs
 Financial Options

Business Case
 Vision & Strategy
 Targeted Markets &
 Customers
 Positioning
 Business Partner

Software
 Hardware
 Integration



Content Services
 Community Services
 Commerce Services
 Collaboration Services

Private
 Joint Venture
 Equity Spin-off
 Partnership

Service Partner
 Technology Partner
 Venture Partner
 System Integrators

Closed
 Supplier Open
 Buyer Open
 Open

Value Proposition:
 Participants, Sponsors,
 Partners

Source: KPMG

Lessons Learned

- Consider financial services in parallel with technology decision
- Value of financial services infrastructure begins at registration
- Financial service needs change based on e-marketplace model
- Establishing governance guidelines can increase members' sense of security and therefore build transaction volumes
- Global expansion accelerates need for credit information to help validate standing of new commerce partners
- Selecting a preferred financial provider can help provide focus but a proprietary solution will limit acceptance
- Members desire straight through processing (STP)

1. Presentation Theme	3
2. In The Hype Era	7
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B2B Mutual Relationships

e-Marketplace Objectives

- Increase transactions
- Increase the site's stickiness
- Generate new revenue opportunities
- Attract new customers

Logistics Services

- Aggregate and assemble information
- Visibility into supply chain
- More efficient planning / demand forecasting

Financial Services

- Automate payment & collection
- Service funding needs of buyers & sellers
- Eliminate concern with unknown counter parties



Why Banks?

- **Trusted third party -- credit/risk/validation/registration**
- **Relationships of all customer segments**
- **Non-repudiation**
- **Seamless, straight through processing**
- **Global payments / collections**
- **Development of risk management for marketplaces**

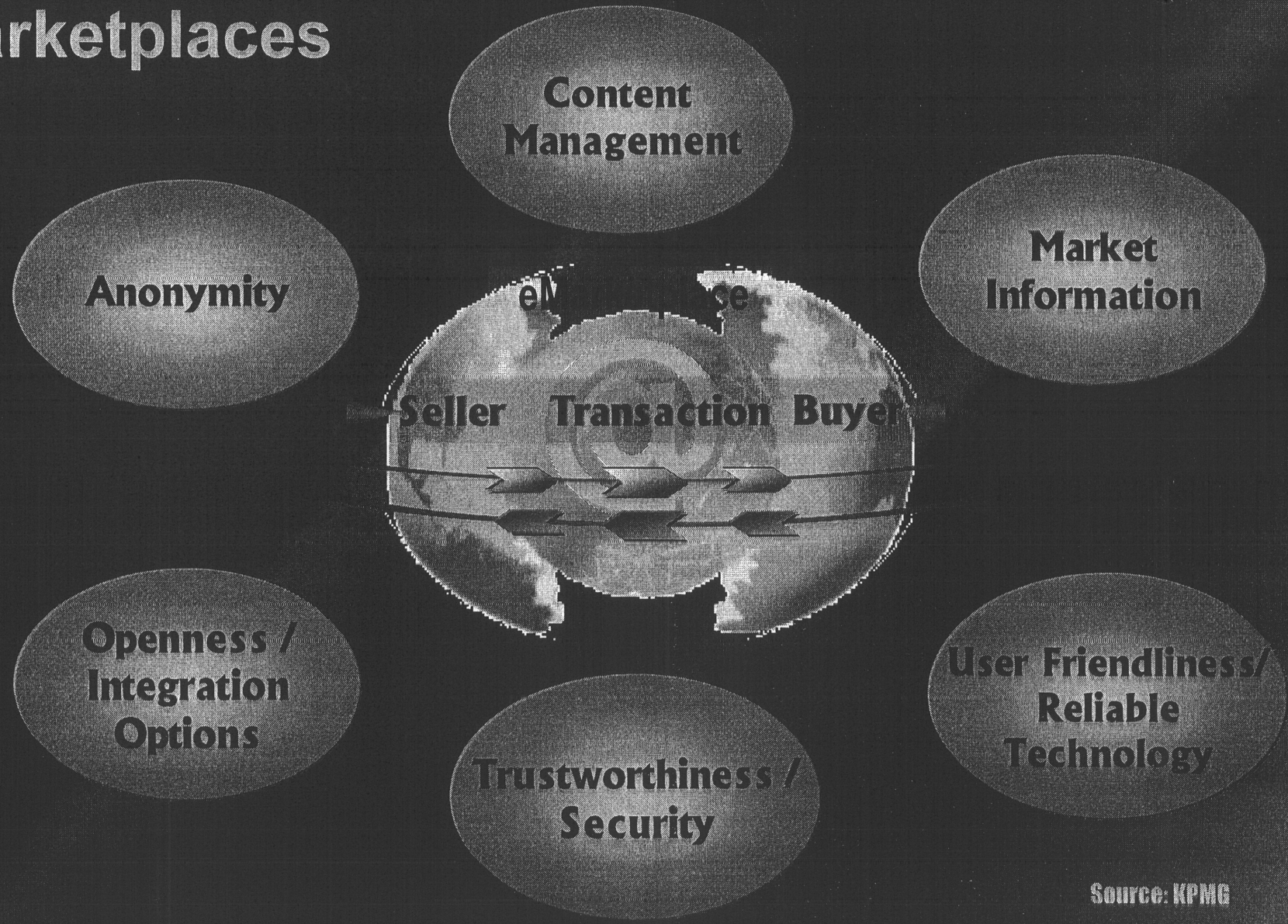


Banks' Current Approaches

- Alliance with technology companies to create financial infrastructure
- Cooperation with other banks leads to collective investment to build new e-initiatives
- More efficient ways towards a common multi bank front-end
- Process re-engineering: Working with corporate clients to streamline their business models
- Out-sourcing + in-sourcing
- Helping their customers serve *themselves*

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Important success factors for marketplaces



Source: KPMG

Rule of Thumb: Liquidity (*The Golden Success*)

- **Stickiness: diverse products & services for all users**
- **Empowering community players (logistics & commercials) by partnership with them**
- **Enabling Buyer(s) with a minimum cost**
- **Integrating Seller(s) with an acceptable implementation plan**

e-Marketplace Success Criteria are Changing

2000

Market Entry Requirements

- Market size
- Domain expertise
- First mover advantage
- Revenue model
- Stickiness & community
- Technology & scalability
- Platform credibility

Land Grabbing

2001+

Leadership Requirements

- Liquidity
- Neutrality and collaborative capabilities
- Full service and system integration capabilities
- Strategic partners with specialized areas of expertise
- Value added services
- Clear path to cash flow and profitability

**Consolidation
within Verticals**

**e-Marketplace
Collaboration**

SCALE INSURES LIQUIDITY BUT FULL SERVICE CAPABILITIES WILL BE VITAL TO A VERTICAL LEADER



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- e-Commerce is inevitable but success in it is not
- Need flexible strategy to incorporate into core business model
- Technological integration is not secondary
- Business environment will only get more competitive and complex
- Business models must evolve as technology progresses
- Need dynamic leadership and vision at the top to drive the organization
- A workable governance policy is key to increase members' security sense and commitment
- Logistic suppliers & commercial service providers are major community players to partner with
- *Trusted Financial Services Are A Must For Success*