

Success in the New Network Economy
Powered by the Ariba B2B Commerce Platform

Table of Contents

The Business-to-Business Opportunity	1
The Global B2B Economy	1
The Old World: Legacy Commerce Models.....	2
Inefficiencies of the Buying Process.....	2
Inefficiencies of the Supply Chain.....	2
Inefficiencies of Commerce Services	3
The New World Order	4
The New Buying Process	5
The New Supply Chain.....	5
The New Commerce Services.....	5
New Requirements for B2B Success.....	6
The Ariba B2B Commerce Platform: The Solution for the New Economy.....	8
Ariba B2B Commerce Applications.....	8
Ariba B2B Commerce Services.....	15

The Business-to-Business Opportunity

The Global B2B Economy

We stand at a time of tremendous economic opportunity. The American economy is enjoying its strongest period of sustained growth in over 50 years. As the economy continues to defy conventional wisdom, many observers ask: How long can the prosperity continue?

Longer than you might expect. We are in the early phase of a prolonged growth cycle, a period of economic development fueled largely by technology-driven efficiency and innovation. The present positive economic environment finds much of its source in new efficiencies gained from corporate technology investments made throughout the '90s. As businesses move forward, the emergence of the Internet and B2B commerce provide even greater opportunities for growth and efficiencies. Today's companies are increasingly folding B2B commerce technologies and structures into their businesses, achieving drastic improvements in how they buy, sell and serve their customers.

The new B2B digital economy carries potential almost beyond measure. Forrester Research estimates that Internet-based electronic business relationships will account for \$1.3 trillion in sales by 2003. A GartnerGroup report places this figure much higher – at \$7.2 trillion. In the years ahead, the explosive convergence of Internet technology and new business models will fundamentally change the commerce processes of almost every industry. This shift will result in a rich pay-off for companies that Internet-enable their operations, and make obsolete those that fail to keep up.

To achieve these benefits, companies will need to clearly understand new B2B commerce models and develop solid plans for how they will evolve their buying, supplying and market-making processes. They will need to put a comprehensive commerce management “backbone” in place to react agilely to evolving technologies and business models. To meet these important requirements, and to help accelerate the overall adoption of internet-based commerce, Ariba is delivering the Ariba B2B Commerce Platform, the first fully integrated platform for managing procurement, supply and exchange-based commerce processes.



The Old World: Legacy Commerce Models

Companies are realizing how limiting traditional business processes are in today's accelerated, Internet-based competitive environment. To remain competitive, they are examining their buying and supply chain processes and seeking opportunities to lower costs, grow channels and increase revenues. Businesses today must clearly understand how new B2B technologies and business models impact their position in the supply chain. The following is an outline of three key areas that companies must examine.

Inefficiencies of the Buying Process

Procurement plays an enormous role in the life of every company. On average, companies spend 33% of their total expenses on operating resources, with direct resources representing another 28% (Killen & Associates). In the traditional value chain, these goods and materials are often difficult and expensive to acquire, tying up employees and money in non-productive functions such as transaction processing and limiting the effectiveness and flexibility of organizations.

To compete in the new economy, companies must reshape their buying processes with Internet-based procurement solutions that help them to aggregate their spend and automate their processes.

Inefficiencies of the Supply Chain

In the traditional supply chain, technology limitations and other restrictions burden markets with a heavy measure of friction. Whether relying on paper-based processes or on legacy models such as EDI, supply chain partners have accepted various degrees of market inefficiency as inevitable. In the absence of frictionless market environments, key market processes such as collaboration, sourcing and negotiation often prove expensive and unwieldy.

To seize their opportunities in the new economy and remain competitive, companies must adapt their supply chains for today's Internet-based processes, which allow for nearly frictionless trading and exchange of information.

Inefficiencies of Commerce Services

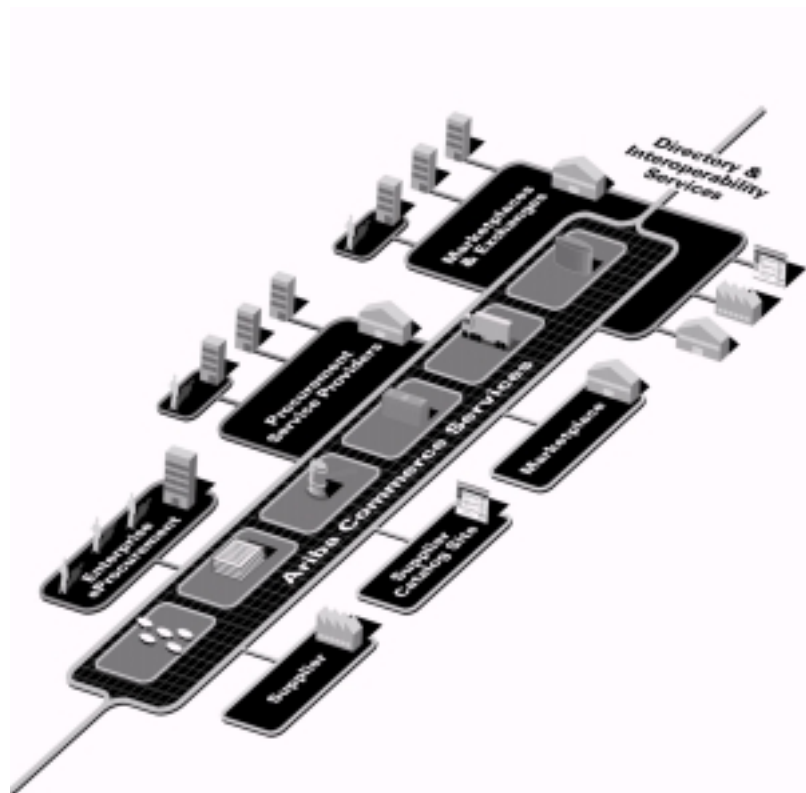
The old-world value chain makes it difficult for trading partners to take efficient advantage of shared commerce services. Commerce services, which enable functions ranging from logistics to payment, act as the critical support mechanisms of modern trade and make transactions more efficient and effective. In the traditional value chain, commerce service providers are limited to narrow roles and service offerings. They are restricted to services that would not significantly delay or add excessive cost to the transaction.

Commerce service providers must move their existing services online and develop new service offerings geared towards the special requirements of online business.

The New World Order

B2B commerce is nothing less than a fundamental reorganization of the value chain. When surveyed, 92% of Fortune 1000 companies said they have established an eCommerce presence or intend to establish one in the near future. Seventy-nine percent expect the Internet to have a significant to dramatic impact on their business. Fifty-three percent have developed, or plan to develop, a B2B marketplace (PriceWaterhouseCoopers; Forrester Research; Goldman, Sachs).

The new B2B economy is impacting every business. It has prompted the creation of a new global ecosystem of buyers, sellers, market makers and commerce service providers. Companies are reacting to these dramatic shifts by changing the way they procure goods, sell to their customer markets, or act as an intermediary in the supply chain. Every company is either adapting to the new environment or falling behind. How does your company fit into the new ecosystem?



The new B2B ecosystem offers companies opportunities to reshape their buying, supply chain and commerce service processes. The following offers an examination of those opportunities.

The New Buying Process

Companies are using Internet business processes to streamline their buying and reduce their purchasing cost. Businesses benefit from new methods of aggregating buying power, whether within one company or across an identified buying group. According to The McKinsey Group and AMR Research, companies using Internet-based procurement solution can realize 28% savings on their operating resources and direct resources spend.

Enterprise procurement solutions are allowing Global 10,000 companies to integrate their desktop requisitioning and automated procurement processes throughout their worldwide operations. Network-based procurement services, deployed by both traditional and new commerce service providers, are enabling small to medium-size companies. In many cases, these procurement portals are targeted to members of an established buying group, such as franchise operations, trade associations or buying consortiums. In other cases, they are developed by traditional commerce service providers, such as banks, utilities and ASPs, who want to provide additional value-added services to old and new customers.

The New Supply Chain

How will the supply chain be transformed? Many supply chain providers recognize the importance of B2B marketplaces as a sales channel and automation point. As suppliers and other traditional intermediaries build marketplaces into their key processes, online markets are emerging to serve every point of almost every industry's supply chain.

Whether it's a spot market to clear excess raw materials in the metals industry or a new "virtual" distributor in the life science chemicals industry, these electronic markets bring buyers and suppliers together through new methods of dynamic trade and collaboration. They remove costly inefficiencies and deliver bottom-line savings to all participants.

In addition to participating in marketplaces and exchanges, suppliers are pursuing other initiatives to enable their selling processes for B2B. Many are creating supplier-specific sites, designed to be accessed by

individuals and eProcurement systems. Others are creating commerce-ready content and real-time ordering gateways to allow direct system-to-system interaction between eProcurement and order management systems.

The New Commerce Services

As B2B accelerates, so will the demand for a new set of network-based commerce services. Traditional “offline” services will be replaced by Internet-based services designed specifically to enable procurement, marketplace and online supplier processes. These services range from baseline interoperability and directory services to specialty services such as online payment, logistics and dynamic trade.

These commerce services either replace or supplement the old trade model. For example, every package carrier must now offer online package tracking. These services – and new ones, such as design collaboration, procurement sourcing and inventory liquidation – are taking on new importance in the B2B ecosystem, and driving yet another level of productivity and efficiency across the global economy.

New Requirements for B2B Success

What do companies need to do to maximize competitive impact from the new B2B ecosystem? Above all else, they need an understanding of how they will fit into the new commerce models of the B2B ecosystem. To find and seize their B2B opportunity – whether it is automating their procurement process, extending procurement services to other organizations, creating a new exchange, or just enabling their current systems – companies need a B2B commerce platform that will allow them to leverage and extend their assets into the new economy.

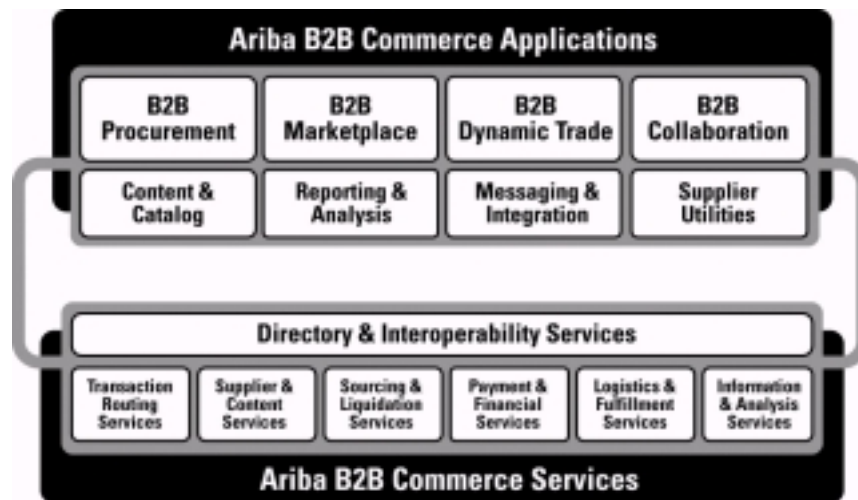
Companies that try to piece together a solution from disparate systems and applications will find themselves lost in technical complexity and wasting precious time. The overriding objective of every eCommerce and value chain initiative should be to focus the organization on making competitive-impact business decisions, not on managing technical issues. The most viable enablement solutions in the new economy are those that power the entire range of the organization’s B2B opportunity – including buying processes, supply chain fulfillment and access to commerce services – in one integrated solution platform.

Every organization equipping for Internet-enabled business should seek a solution that enables rapid time-to-market. Lost time is not only lost opportunity, it can often mean falling behind in a race you can no longer win. Playing catch-up in the new B2B ecosystem means giving up enormous advantage and drastically reducing your chances of success. Also critical to B2B success is platform openness, the flexibility and configurability to allow companies to access all possible trading partners, customers, suppliers and markets in the new economy.

Today's companies require an effective, easily managed open commerce platform that incorporates full access to global commerce services and system interoperability.

The Ariba B2B Commerce Platform: The Solution for the New Economy

The future of online business is now emerging in the new Ariba B2B Commerce Platform. Made up of a comprehensive set of integrated *Commerce Applications* and open, network-based *Commerce Services*, the Ariba B2B Commerce Platform offers a single system for managing all buying, selling and marketplace commerce processes. Whether automating enterprise-wide procurement processes, building state-of-the-art B2B exchanges or bringing new commerce services online, the Ariba B2B Commerce Platform delivers the fastest time to market, the most comprehensive solution, and the greatest long-term flexibility and scalability.



The Ariba B2B Commerce Platform offers companies their best path to eCommerce success, cutting through the complexity of opportunities presented by the new economy with a single, highly customizable solution. By leveraging the platform's open, standards-based design, companies can plug into the new electronic economy and establish a single point from which to realize all of their B2B opportunities.

Ariba B2B Commerce Applications

The Ariba B2B Commerce Applications provide a rich set of out-of-the-box functionality built on a robust network application architecture. This combination gives customers a readily deployable solution while providing maximum flexibility and long-term scalability. The applications are easily configured and administered with graphic interfaces, extended through an

open API-based design, and customized using standard Internet development tools.

The Ariba B2B Commerce Applications include a core set of master components: B2B Procurement, B2B Marketplace, B2B Dynamic Trade and B2B Collaborative Commerce. The Ariba applications platform also includes a set of interchangeable components that provide configurable options to users: Catalog & Content, Reporting & Analysis, Supplier Enablement and Messaging & Integration. Used in combination, the Ariba B2B Commerce Applications provide a comprehensive solution appropriate to the needs of enterprises and marketplaces.



Ariba B2B Procurement Application

Ariba B2B Procurement is the industry's leading B2B procurement application, saving companies time and money by replacing inefficient manual processes with end-to-end, Internet-based commerce solutions. Ariba B2B Procurement enables strategic management of global enterprise expenditures, allowing companies to automate buying processes and aggregate spend across indirect resources, services, travel, MRO, IT procurement and other key areas. By utilizing Ariba's B2B Dynamic Trade and B2B Collaborative Commerce applications, enterprises can now effectively extend the B2B Procurement application to manage the sourcing and procurement of direct goods.

The B2B Procurement application consists of an integrated set of functional modules that are easily configured and administered through a common set of foundation elements. This extensible meta-data driven design ensures maximum performance and flexibility.

B2B Procurement Foundations

The B2B Procurement Foundations provide a common framework for designing, configuring and managing unique enterprise business processes, organizational structures, user permissions, business processes and workflow.

B2B Procurement Foundations cover the following key areas:

- User Management
- Permissions & Rules Management
- Graphical Workflow & Approval
- Site Administration
- User Interface Management
- Security Administration

B2B Procurement Modules

The B2B Procurement modules cover broad areas of functionality that allow companies to effectively control the various aspects of their total procurement spend.

B2B Procurement Modules include:

- Operational Resource Management (ORM) Module
- Travel & Expense Module
- eForms Development Module
- Additional Add-on Modules

Ariba continues to invest resources to expand both the foundation elements and functional modules of the solution in order to provide growing functionality to our customers.

Ariba B2B Marketplace Application

Ariba B2B Marketplace provides the industry's most comprehensive and versatile marketplace and exchange solution. The solution enables the design and deployment of all types of marketplaces, ranging from horizontal procurement portals to the most complex vertical and spot markets. By combining B2B Marketplace with other Ariba B2B Commerce Platform applications, market makers are able to structure and control a broad range of marketplace business models and mechanics.

The Ariba B2B Marketplace application contains a set of marketplace components based upon a set of powerful marketplace foundation elements. This component-based architecture gives market makers maximum flexibility in structuring a broad range of markets and customizing marketplace elements for their target users.

B2B Marketplace Foundations

The B2B Marketplace foundations act as a common framework for managing the infrastructure of the marketplace, tailoring the user interface, handling permissions, setting pricing and developing workflow and approval processes.

B2B Marketplace foundations include:

- Member Management
- Pricing & Revenue
- Marketplace Management
- Workflow & Approval
- User Interface Management
- Site Administration
- XML-messaging backbone

B2B Marketplace Modules

Ariba's B2B Marketplace modules extend the functionality of users' marketplace solution:

- Market Builder
- Portal Builder
- Community Plug-Ins (*ips**)
- Publishing Plug-Ins (*ips**)

Ariba B2B Dynamic Trade Application

Ariba B2B Dynamic Trade Applications provide a highly configurable, fully integrated auction and exchange solution. It delivers the full range of dynamic pricing mechanisms, including auction, bid/ask exchange and reverse auction, and provides powerful configuration tools that allow users to design, initiate, manage and participate in Internet-based auctions and exchanges.

The Ariba B2B Dynamic Trade application draws on a set of key foundation elements that help market makers and procurement professionals rapidly design custom auctions that match their business models and maximize market effectiveness.

B2B Dynamic Trade Foundations

The B2B Dynamic Trade foundations address the key market design, analysis, operation, management and permissions requirements of users:

- Market Designer
- Market Analyzer
- Market Operator
- Market Trader
- Users & Permissions

B2B Dynamic Trade Modules

Ariba's Dynamic Trade applications contain modules allowing customers to extend the solution across key areas:

- Exchange Module
- Auction Module
- Reverse Auction Module
- Advanced Pricing Mechanisms

Ariba B2B Collaboration Application

The Ariba B2B Collaboration applications offer an advanced suite of tools for enabling inter-enterprise collaboration. Through tight partnership with leading collaborative technology providers, the Ariba platform delivers an integrated set of tools to streamline key collaborative processes ranging from development and design to logistics and fulfillment.

The Ariba B2B Collaboration application is structured with common foundation elements that enable and extend critical areas of buyer-supplier communication and collaboration.

B2B Collaboration Foundations

The B2B Collaboration foundations help control user permissions, handle planning, configure the solution interface and manage users:

- User Management
- Permission Management
- Planning Manager
- Event Manager
- User Interface Manager

B2B Collaboration Modules

Ariba's B2B Collaboration application offers a range of modules designed to address the entire supply-chain process from design through fulfillment:

- Design & Development
- Forecast & Planning
- Logistics & Fulfillment
- Supplier Quantification

Note: Some key modules listed in this section will not be available in general release until Q2'00

Ariba B2B Shared Application Components

Covering the broad areas of Catalog & Content, Analysis & Reporting, Supplier Enablement and Messaging & Integration, these components provide a broad set of technologies to satisfy each customer's specific implementation requirements.

Because no two solutions are ever exactly the same, Ariba offers these best-of-breed application components to help companies easily configure their solutions to meet unique commerce models and processes. For example, enterprise eProcurement implementations often require tight integration to multiple ERP systems, primarily across the corporate Intranet. Conversely, marketplaces typically rely on looser, message-based integration techniques that support many remote buyer and supplier systems across a secure Internet connection. The Ariba B2B Messaging and Integration components provide adapters and messaging technologies necessary to support either environment.

Following is a brief description of the Ariba B2B Commerce Platform shared application components:

Catalog & Content Components	Helps buyers, suppliers, and marketplaces aggregate, manage and search disparate product information. Key components include centralized catalog engine, network-based catalogs, attribute-based search engine, and advanced content aggregation tools.
Reporting & Analysis	Provides comprehensive web-based reporting tools and applications. Key features include web-based fixed reporting, Web-based ad hoc querying and integrated DSS support. Future releases will include advanced marketplace analytic applications and services.
Messaging & Integration	Offers a comprehensive set of utilities for direct and indirect integration across disparate systems. Designed to support both intra- and inter-enterprise integration, the Ariba B2B platform provides a completely open extensible solution. Key components include packaged adapters for all major ERP systems, advanced messaging technologies to support cross partner integration, a cXML punchout engine to support Internet-based messaging, and standard import/export management utilities..
Supplier Utilities	Includes tools for managing the on-boarding and interoperability between enterprise and marketplace solutions and their suppliers. Key components include custom supplier adapters, web-based supplier forms, cXML punch-out connectors and advanced supplier registration utilities.

Ariba B2B Commerce Services

Ariba is developing and delivering the industry's leading commerce services, both directly and through tight partnership with the foremost service providers. Ariba B2B Commerce Services include a broad set of network-based solutions that enable customers to accelerate their deployment while increasing the breadth and scope of their solution. These services are designed to support market makers, buyers, suppliers and other key participants in the new supply chain by providing value-added services and open interoperability to marketplaces and suppliers.

While the Ariba B2B Commerce Services are designed to integrate tightly with Ariba B2B Commerce Applications, Ariba's services are based on an open model and may be accessed by both Ariba and non-Ariba applications. Ariba B2B Commerce Services are designed to be competitively superior in both price and functionality.

As part of the overall Ariba B2B Commerce Platform, Ariba B2B Commerce Services incorporate Ariba's strong understanding of the technical and functional requirements of integration. The dominance of the global Ariba B2B Platform, which powers hundreds of the largest buyers, supplier and market makers, allows Ariba to pass on tremendous access to buyer liquidity and to help customers achieve economies of scale.

Ariba B2B Commerce Services

The following is a list of the Ariba B2B Commerce Services.

Ariba Directory & Interoperability Services

Ariba Directory & Interoperability Services deliver open registration and directory management services, helping buyers and sellers gain instant access to buyer liquidity and supplier content. Based on an open publish and subscribe model, the directory and interoperability services allow buyers and market makers to “subscribe” to any service, supplier or marketplace node on the network. In addition, it allows suppliers, market makers and commerce service providers to “publish” themselves, their content and their service definitions to the open network.

Ariba Transaction Routing Services

Ariba automates the complete requisition-to-pay process through robust Transaction Routing Services. Any supplier or market maker can access these services, regardless of their eCommerce sophistication or infrastructure. Currently, Ariba Transaction Routing Services support EDI, fax and cXML based messaging.

Ariba Online Payment Services

Ariba Online Payment Services offer integrated payment, financing and automatic network reconciliation services*. This allows companies to support corporate purchasing cards, integrate payments with Ariba's B2B commerce applications and streamline processes performed within disparate systems across the commerce chain.

(Some features not available until end of Q2'00)*

Ariba Logistics & Fulfillment Services

Ariba Logistics and Fulfillment Services provide advanced tools for order management and shipping, including order tracing, rate services, logistics planning, warehouse services and vendor-managed inventory services. These services help organizations consolidate their online logistics management and streamline rate comparison efforts.

(Some features not available until end of Q2'00)*

Ariba B2B Commerce Services

Following is a list of the Ariba B2B Commerce Services (continued):

Ariba Supplier & Content Services

Ariba Supplier and Content Services deliver software tools, services, and content libraries to provide advanced content solutions to suppliers, buyers, and marketplaces. Suppliers can access Ariba partners and network tools to create, upload, and manage content; buyers and marketplaces can use network tools to access, manage, and deliver content.

Applicable to buyers, suppliers and market makers, these powerful services can help to accelerate the speed of deployment, and ensure continual usage and transaction growth.

Ariba Sourcing & Liquidation Services

Ariba Dynamic Trade Services offer highly configurable sourcing, asset recovery, and inventory liquidation auction services. These services allow companies to create and access auctions and reverse auctions, extending their eProcurement capabilities and providing a compelling means of liquidating excess inventory.

Applicable to buyers suppliers and market makers, this powerful set of services can help companies lower sourcing and inventory costs dramatically, and allow them to increase revenues and inventory turns.

Ariba Information Analysis Services

Ariba Information Services offer sophisticated information publication, management and analysis services. These services extend the reach and appeal of marketplaces and portals with community-enhancement features and targeted information such as industry-relevant data and analysis.

(* Available late Q2'00)

Copyright © 2000 Ariba, Inc. All Rights Reserved. "Ariba" is a registered trademark of Ariba, Inc.
Part 02.02.05.

March 2000

Ariba, Inc.
1565 Charleston Road, Mailstop A:2
Mountain View, CA 94043 USA
Tel: +1.650.930.6200
FAX: +1.650.930.6300
www.ariba.com

