



## E-commerce at Newark InOne

DePaul University

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### Newark InOne Profile

- Largest small order electronic component distributor in North America
- Focus: B2B
- Founded – 1932
- Headquarters – Chicago, IL
- Employees – 1,500 plus
- FY2003 Sales - \$430 Million
  - 8,000 orders/day
  - 48 branches
  - 125 field sales people
  - 2 call centers
  - Website and e-procurement channels
- Division of Premier Farnell, Inc.
  - Sales - \$1.3 Billion 6,000 employees, distribution in 24 countries worldwide



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## Who are our customers and what do they buy

- Customers
  - Design engineers: Purchasing based on product attributes
  - Purchasing: Purchasing based on part #'s and price
  - MRO :Purchasing based on part #'s, replaces and availability
- Product
  - One stop shopping with giant assortment
    - 150,000 stocked sku's from 400 manufacturers
    - Capacitors, connectors, enclosures, power supplies, etc.
- Service
  - 95% ship same day (overnight)
  - Kitting
  - Reserved inventory (scheduled orders)
  - Sourcing of non catalog items from 1 million sku database



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## Electronics b2b Landscape

- OEMs (Intel, AMP, AVX, etc)
  - Only sell direct to major manufacturers like DELL
  - Production orders scheduled 3 months ahead
  - Websites focused on technical content for engineers
  - Primarily EDI and XML integration
- Distributors (Newark Electronics, etc.)
  - Handle smaller non product orders for OEMS
  - Carry inventory for same day shipment
  - High service and price
  - Robust sell side websites
- Electronic component portals (PartMiner, USbid etc.)
  - Launched in dot.com bubble
  - Spent millions on promotion and content
  - Do not carry inventory – functioned more as broker
  - Struggling for viable business model (abandoned transaction fees. moving to value added services and subscription fees)



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## E-commerce is important to Newark and our customers

- Consultants forecast that 30% of electronics sales will be done over the Internet



- Internet one of favorite channels for high tech electronic corporations and engineers.



- Electronics is very good fit for internet sales.
  - Product is commodity
    - No difference between Pentium chip from Newark or a competitor
  - Product is high value and low weight so easy to ship



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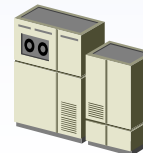


## Order processes are changing

- Old
  - Locate product in 2000 page catalog



- Call up sales rep at local branch to order
  - Sales rep is source for more information from main frame

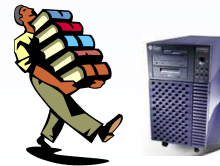


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## New Order Processes

- New
  - Self service: Customers locate correct product on website or e-catalog
  - Order electronically (website, XML, e-mail, ARIBA network, EDI)
  - No human interaction with Newark
  - All information must be available electronically and easy to use



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## E-Commerce channel supports the Newark strategy of surrounding the account and delighting the individual

- Surround the account and delight corporate
  - Support customer e-procurement systems like ARIBA and Commerce One which reduce their purchasing costs.
- Delight the individual
  - New services on website Newark.com like parametric search and datasheets that make their life easier.

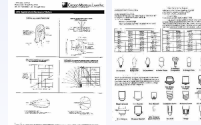


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## Newark.com website delights the individual with new capabilities not found in other channels

- Extremely effective website search tools allow quick searches of 150,000 catalog sku's in seconds
  - Parametric search
  - Free text search
  - Part # search
  - Easy product comparison
- Higher level of technical product data
  - Images, product attributes, data sheets
- Powerful customer service capabilities:
  - Order history
  - Order status
  - Order confirmation e-mails
  - Order ship notice with tracking # e-mails
- 7/24 availability



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## Newark surrounds the account and delights corporate by supporting E-procurement

- Newark Fortune 1000 customers are making multi-million dollar investments in procurement systems like ARIBA and Commerce One expecting to save tens of millions by:
  - Lower their purchasing costs through automation
  - Improve their reporting
  - Eliminate off contract purchasing
- Newark supports all major e-procurement systems
- We are industry technology leader and support custom E-catalogs, accept XML orders, and punchout.
- Many of our competitors are too small to support E-procurement systems.



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## Newark Electronics Industry Leader in E-procurement

- 130 live E-procurement partnerships
- Support all major platforms: Ariba, Commerce One, SAP, Requisite, Oracle, TPN, PeopleSoft, and I2
- ARIBA
  - Certified “Ariba Ready” program
  - Support CIF and “PunchOut” catalogs
  - CXML transactions
- Commerce One
  - Certified Commerce One affiliate and enabled supplier on Commerce One.net market site
  - “Roundtrip” Certified
  - XCBL transactions
- E-marketplace partnerships
  - Exostar, Pantellos, Covisint, and Market Mile

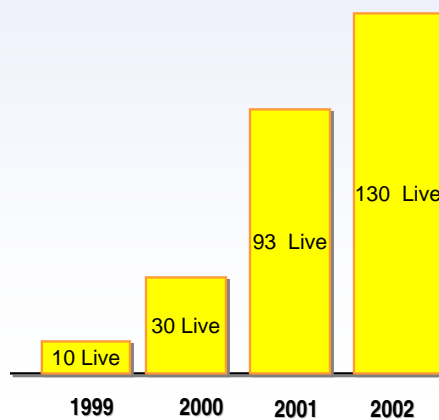


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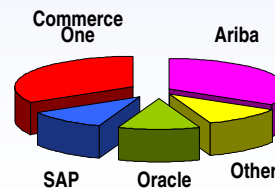


## E-procurement continues to grow at rapid rate

Newark live E-procurement partnerships are growing fast



Commerce One and ARIBA are most popular



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## Customers need significant Newark support for E-procurement

- **Expertise**
  - Veteran e-procurement project managers for e-catalog creation, pricing, testing, documentation, rollout and ramp up. Guide customers.
- **E-Catalogs (product data)**
  - More than 20 different major formats plus hundreds of customer specific formats
  - Good product descriptions, commodity code classifications, and contract pricing
  - Static and dynamic catalogs (punchout/roundtrip)
- **Transaction capability (transaction data)**
  - XML, EDI, e-mail, web retrieval
  - Customer specific order processes must be automated: procurement cards, special handling, multiple ship to addresses, tax status, etc.
- **Fast turn-around**
  - E-catalog creation and updates, transaction testing, customers specific processes



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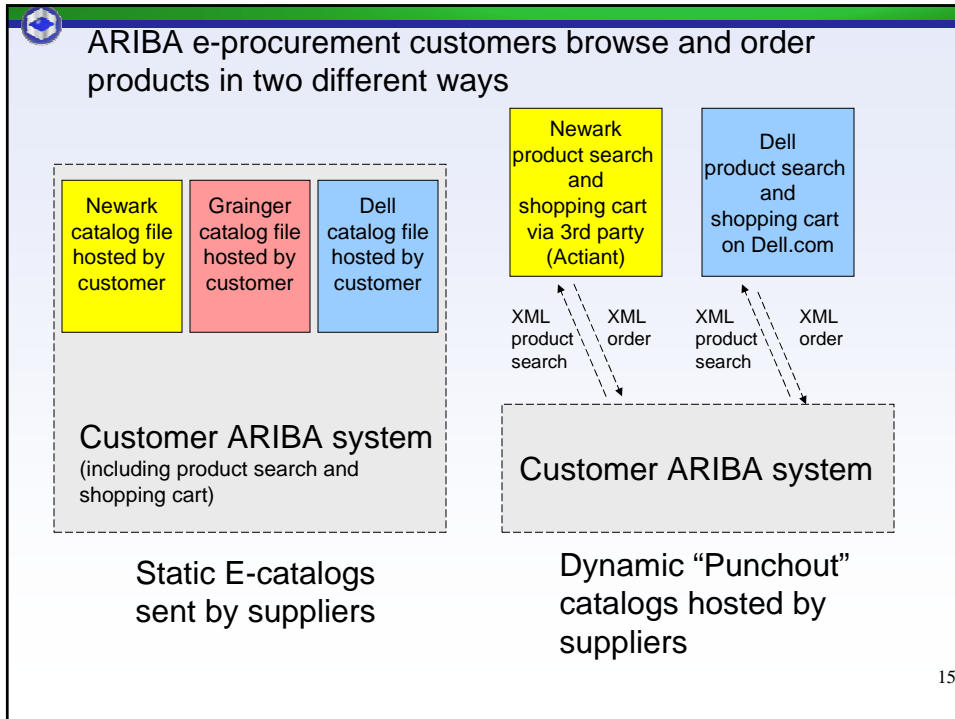



## Two ways to get E-procurement catalog information to customers

- E-catalogs hosted on customer internal procurement systems updated quarterly
  - Newark part #
  - Manufacturer part #
  - Short product description
  - Contract price
- Punch-out catalogs updated nightly or hourly
  - User comes to “private” Newark website to search product and bring order back to their procurement system
    - Allows more powerful searches like search by attribute
    - Show richer product data
    - Show inventory or lead times



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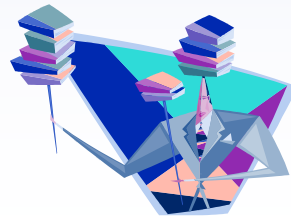


- ### Data Requirements for E-procurement catalogs
- Search
    - Newark or manufacturer part numbers
      - Part # search
    - Short descriptions
      - Free text search
    - Product classification codes (taxonomies) to search by drill down by product category
      - UNSPSC, RUS, customer specific
        - Started by hand coding, now tools
  - File Formats vary platform and customer preference
    - ARIBA, Commerce One, Oracle, ...
    - CIF, tab delimited, comma delimited, flat file
  - Contract pricing
  - Custom catalogs - Only list some items or commodity classes
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## E-procurement systems: Punchout

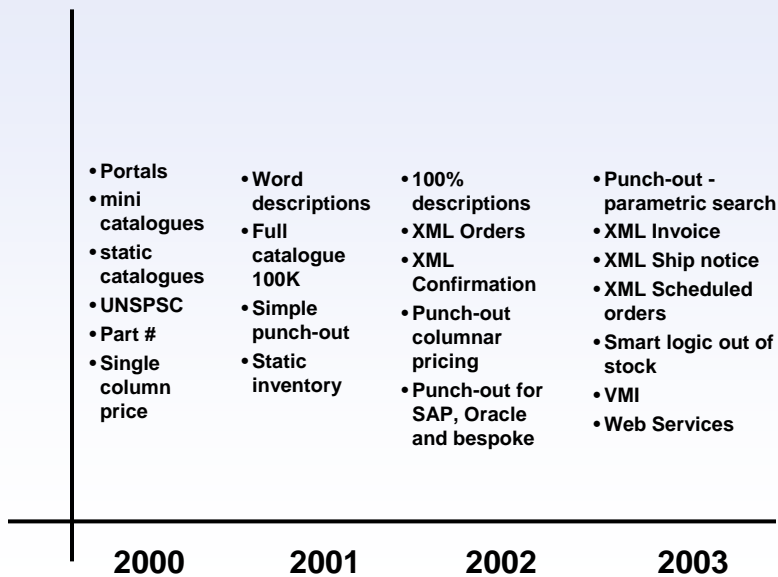
- Offers data not available in E-catalogs
  - Images
  - Technical attributes
  - Inventory / lead times
  - Datasheets
  - Columnar contract pricing
  - Substitutes
  - Complementary products
  - Links to manufacturer websites
- Moves burden of managing catalog content to suppliers
  - Millions of sku's
  - Quarterly updates



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## Customer's ever increasing needs in eProcurement



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## E-procurement competition

	Newark	Farnell	RS	Digikey	Allied	Regionals
Dedicated team	Yes	Yes	Yes	No	No	No
Ariba e-catalog	Yes	Yes	Yes	Yes	Yes	Yes
C1 e-catalog	Yes	Yes	Yes	No	No	2/8
Ariba Ready	Yes	No	Yes	No	No	No
Punchout	Yes	Yes	Yes	Yes	Yes	2/8
Punchout: columnar price	4Q FY03	FY04	Yes	Yes	Yes	No
Punchout par-search	FY04	FY04	No	Yes	No	No
XML integration – order and confirm	Yes	Yes	No	No	No	No
XML integration 8 new messages	FY04	FY04	N/A	No	No	No
Oracle EP support	Yes	Yes	No	No	No	2/8
Support industry portals (Exostar etc)	Yes	Yes	N/A	No	No	No
C1, Oracle advisory boards	Yes	No	No	No	No	No

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## Rapid deployment of new technical capability critical to maintain our lead in E-procurement in FY04

- |   |   |  |   |
|---|---|--|---|
| <ul style="list-style-type: none"> <li>• Exostar integration XCBL 3.0 (B)</li> <li>• Customer load utility for in house punchout (N)</li> <li>• Expand capacity and improve robustness of e-procurement backbone (B)</li> <li>• Daily product loads, price updates and hourly inventory load for in-house punchout (N)</li> </ul> | <ul style="list-style-type: none"> <li>• New ARIBA XML messages plus upgrade to CXML 1.2 (B)</li> </ul> | <ul style="list-style-type: none"> <li>• In house ARIBA punchout (F)</li> <li>• In house punchout for SAP and Commerce One customers (B)</li> <li>• Integrate with XML 27 more customers (B)</li> <li>• 4 new XCBL messages (B)</li> </ul> | <ul style="list-style-type: none"> <li>• In house punchout for Oracle customers (B)</li> <li>• Parametric search for in-house punchout customers (B)</li> <li>• Web services integration for customers (B)</li> </ul> |
|---|---|--|---|

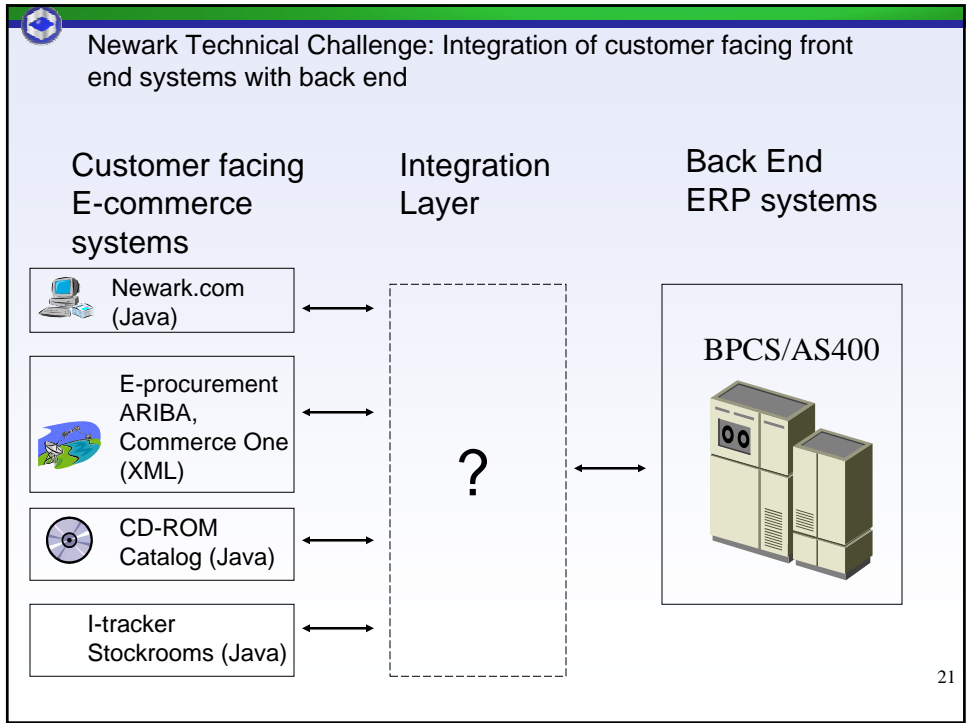
Q1

Q2

Q3

Q4

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**Search for Integration Solution**

**Business Requirements**

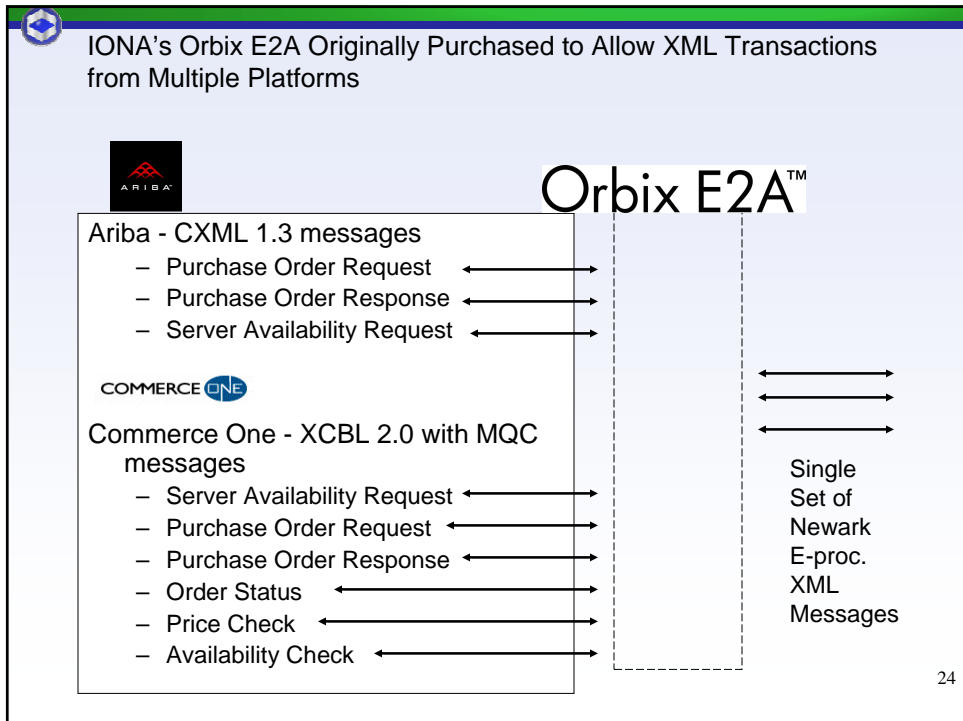
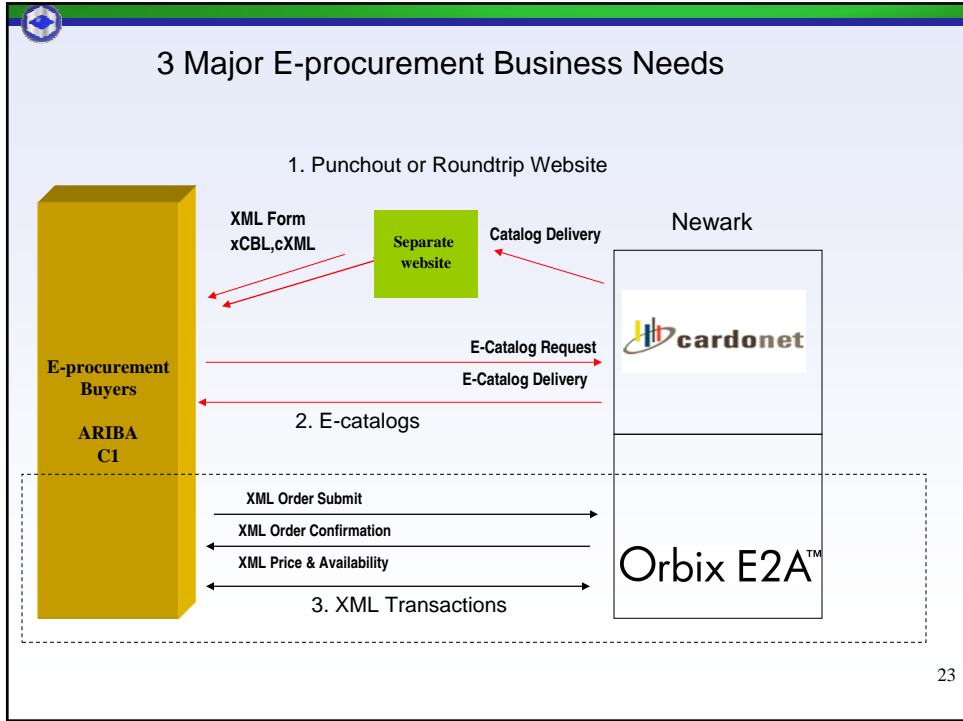
- Automate the process from end to end; no human intervention
  - Receive Orders and send confirmation electronically
  - Support Price Check and Inventory availability
  - Support Order Status
- Scalable and easily maintainable process
- Cost efficient

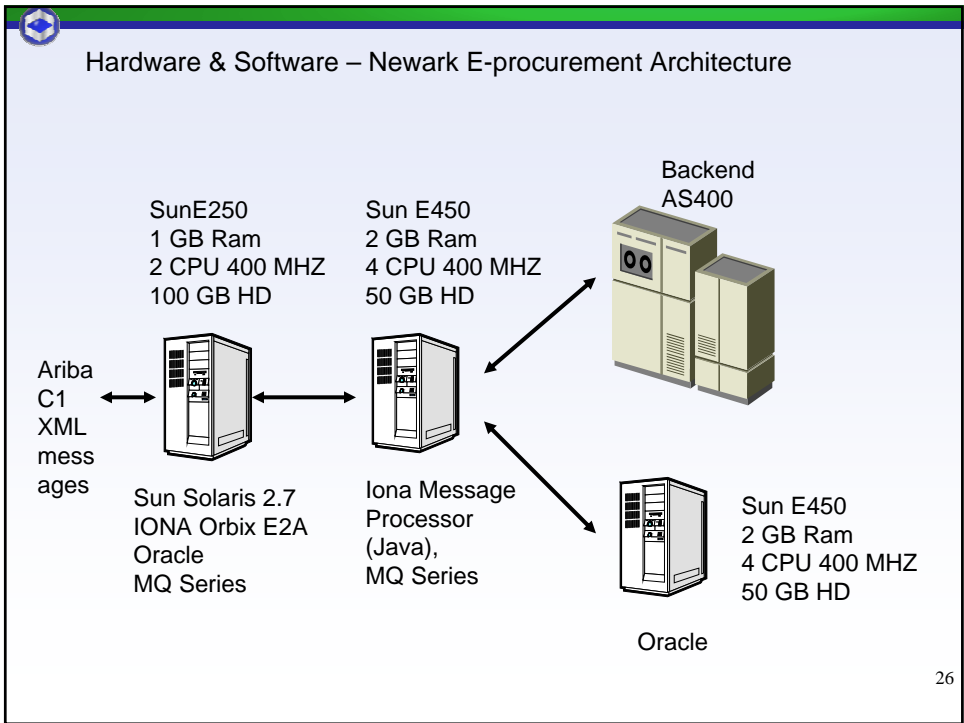
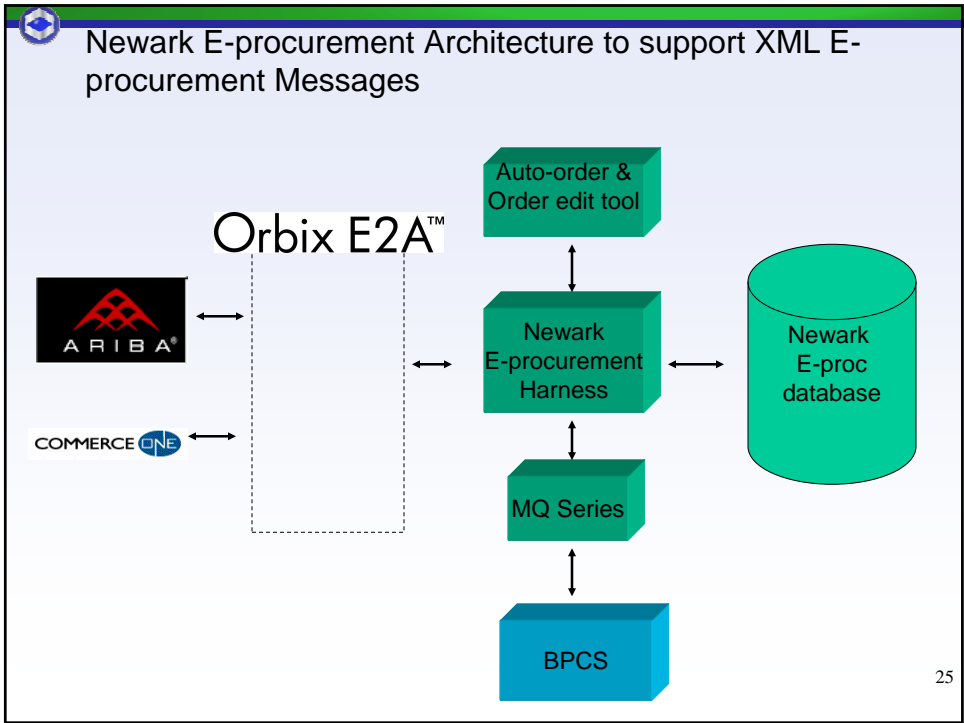
**Technical Requirements**

- Availability of up to date data, anywhere & anytime
- Can accept and translate various XML formats (XCBL, CXML, etc...)
- Reduce implementation and deployment time

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## Customer product search preferences changing

- Punchout replacing static e-catalogs
  - More up to date information (updated daily instead of annually)
  - Supports columnar pricing (volume discount)
  - Can view inventory
  - Access to more powerful non ARIBA or C1 product search tools
    - Parametric search
  - Shift data management / load work to suppliers
  - Requires integration testing with each new customer
  - 40% today



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## Customer moving away from stand alone e-procurement solutions back to their ERP systems

- Most popular systems
  - 2000
    - ARIBA, Commerce One, Intellisys etc.
  - 2003
    - SAP, Oracle, I2, etc.
- Most ERP packages now come standard with built in e-procurement functionality



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## Common XML language and data taxonomies starting to splinter

### XML

- Consensus is either CXML or XCBL
- Problem is people are not staying current
  - Many customers still on 2 or 3 version back from latest due to cost
  - Suppliers required to support all versions
- Documentation has been poor from some vendors
  - Inadvertent creation of new versions at every customer

### Data

- Still many different product taxonomies
  - UNSPC, RUS, etc.
- Same problem - customers not staying current due to cost

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## XML integration difficult for some vendors

- ARIBA - integrate to network and you are integrated to all ARIBA customers
- Commerce One - must integrate with each Commerce One customer separately
- Portals - similar but not identical XML protocols to ARIBA or Commerce One
  - Exostar, Covisint, Pantellos
- Starting to become more like EDI - where every customer must be mapped individually
- Primary advantage - still fairly few messages, cost to support not too high



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## Many e-procurement vendors and portals closing down - stranding customers

- Intellisys
  - Ford, Texas Instruments
- Purchase Pro
  - Hotel industry
- TotalMRO
- MRO.com
- ARIBA sales are down 50% and still losing money
- Commerce One losing money and just sold transaction network to E-scout

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## E-procurement demands stretching other parts of company

- Back end ERP responses needs to be real time with customer systems waiting for answers
  - No more batch processing
- Product data must be 100% accurate
  - Electronic catalogs make pricing errors obvious
  - Easy to filter out and reject sku's with bad descriptions
- Customer want 7/24 support and no down time
  - Customers pushing users to 100% purchases through e-procurement systems. Don't want any excuses not to use.
- Sales staff must be literate and able to answer questions on how to find product and order on customer e-procurement systems
  - Newark trains its staff on ARIBA and Commerce One

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## Customer focus on getting ROI on E-procurement systems is changing

- 2000 Theory
  - increased productivity of purchasing staff
  - Expected to save hundreds of millions for several million dollar investment
- 2000 Actual
  - Supplier enablement and user training huge issues
  - Did not get volume through system
- 2003 Expectations
  - Cost savings from eliminating off contract purchases
  - Improved reporting allows detection of areas of spend to cut
  - Volume gradually coming through system
  - Does help in vendor rationalizations

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## Supplier leaders in E-procurement

- Newark Electronics
- Grainger
- Boise Cascade Office products
- MSC Industrial
- Staples
- Software Spectrum
- Dell Computer

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## Portals no longer play major role in North America

- All supplier run industry portals were bust
  - Customer benefit on stop shopping was not strong
- Even customer run industry portals are struggling
  - Economics are not clear
    - Does Covisint buy better than GM
  - Heavy infrastructure costs
- Portals still being invested in in Europe and Asia
  - What do they know that USA doesn't?
- Original purpose of cashing in on IPO is dead

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## Good News

- XML Integration with customers is finally happening without massive pain
  - No longer require months of technical effort
- Customers are starting to put significant volume through their systems - best ones approaching 50%
  - Cost savings for Newark by eliminating manual order entry and customer service
- Newark is winner from e-procurement,
  - Surviving vendor rationalization, going from 1 of 8 to 1 of 2
  - Strong e-procurement program winning awards and praise from customers
- Government and international customers starting to adopt e-procurement

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