

# NEXT STOP > THE WORLD

The explosion in online commerce has profoundly changed the U.S. business landscape. And you haven't seen anything yet. Is your company prepared to compete in a Web-savvy global market?



Underwritten by MasterCard Corporate Products

A genuinely global economy — one world, one market — may not be here yet. But thanks to the Internet it's getting a lot closer. Today, you can buy and sell computers and machine tools across national borders almost as easily as you can across state lines.

Up to now, e-commerce has been mostly a North American phenomenon. The U.S. and Canada account for the lion's share of business-to-consumer and business-to-business Web transactions — about \$100 billion worldwide this year, according to Forrester Research.

But thanks to a new generation of electronic marketing and purchasing systems and advanced global payment technologies like the MasterCard Multinational Corporate Program, the rest of the world will soon close the gap. Forrester projects an astonishing 13-fold growth over the coming three years, and International Data Corporation estimates that two thirds of the globe's 31 million online buyers will be overseas in 2003, mostly in Western Europe, Australia, Asia and Latin America.

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Is your company ready for a truly World Wide Web? Just as e-commerce is rapidly blurring the notion of local markets in the U.S., it will inevitably erode international market boundaries and call into question traditional business precepts. Savvy growing companies will be able to reach foreign customers without having to build a costly international infrastructure. Existing multinationals will face more, and stiffer competition, but will have the opportunity to further leverage their strong brand names. Corporate procurement will be transformed by international e-vendors offering buyers more choices at lower prices.

Whether you buy or sell products or services, whether your customers are consumers or other businesses, the Internet should be a central component of your global business strategy. Now is the time to position your company to take advantage of this tectonic shift.

## Millions of New Customers

The opportunity to easily and cheaply conquer new territory is the biggest appeal of e-commerce. The Internet is uniquely able to circumvent existing rigid distribution networks and facilitate a kind of guerilla approach to market expansion. A Web-based strategy involves a fraction of the capital and much less risk than relying on bricks and mortar. With an online storefront and fulfillment system in place, a company can do business with anyone anywhere who has an Internet connection and a Web browser. Someone in Hong Kong or Munich can peruse the Boise Cascade Web catalog as easily as a customer in Kansas City. Many companies, including Eddie Bauer and computer retailer Cyberian Outpost have racked up significant overseas sales from their U.S.-based web sites.

Others, like L.L. Bean and Drugstore.com, discourage Web foreign orders because of high international freight costs, burdensome Customs paperwork or other government restrictions. But that reluctance is likely to diminish as international shipping gets

cheaper and diplomacy resolves tariff and regulatory issues. The Clinton Administration wants to make e-commerce a tax-exempt "free-trade zone" — a concept that is gaining support abroad. In the meantime, ambitious online retailers like Amazon.com and the upstart e-Toys are setting up local warehouses and web sites to serve overseas markets.

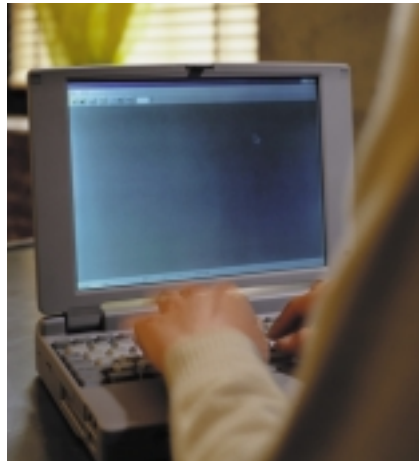
## Business Meets Business

Although consumer marketers get most of the media attention, the much larger global business-to-business market will grow faster. Cost is the driving force. The Web lets sellers disseminate product specs more quickly and cheaply than they can using conventional means, and orders can be taken and processed almost instantly. This leads to faster turnover, leaner inventory and reduced reliance on independent regional distributors. IBM and Microsoft, among others, produce software that lets companies create online business-to-business catalogs. A recent Andersen Consulting study found that such technology, when well implemented, can cut sales expenses 20 to 45 percent.

Buyers also get a payoff. Internet procurement can streamline the acquisition of non-production goods and services, such as office supplies, computer equipment, replacement parts, and maintenance services, which are crucial to daily business operations. Aberdeen Group, the consulting firm, estimates that these routine, low-dollar, high-volume purchases — often referred to as Maintenance, Repair, and Operating (MRO) supplies — account for 30% to 60% of total expenditures at most organizations and represent an inordinate portion of purchasing professionals' workload.

Instead of poring over catalogs and calling suppliers to investigate product availability and pricing, employees can use a Web browser to access an online catalog, examine product specs, generate a requisition, process payment and generate a report that feeds into the company's accounting software. This method saves about two thirds of the \$150 it can cost to process a paper purchase order — savings that go straight to the bottom line. Aberdeen calculates that Internet procurement systems can produce a 300% return on investment in a single year. Most companies opt for turnkey procurement software that offers

access to a number of popular business-to-business vendor catalogs. Last March, Clarus Corp., the leading developer of e-procurement systems, joined with Microsoft Corp. and MasterCard International, Inc. to introduce MasterCard WebPurchasing™, an integrated solution for streamlined purchasing, payment and procurement reporting. WebPurchasing uses a combination of local databases and Web interfaces to place contracted supplier catalogs with part numbers, descriptions, and contracted pricing, at employees' fingertips.



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Increasingly, companies are also looking to electronic vendor networks, some geographically based, others devoted to vertical markets like auto parts, chemicals and pharmaceuticals. So-called "trading communities" organized by companies like Ariba, VerticalNet and Commerce One give corporate purchasing departments one-stop access to a vast array of products and services from numerous suppliers. Commerce One recently announced plans to link various markets around the world into what it describes as the first international network of business-to-business portals. Ultimately, these systems may enable a corporate buyer to quickly locate a product for sale anywhere on the globe and transact business in real time.

## Maximum Data, Maximum Control

Although e-purchasing is compatible with almost any payment system, it works best with a virtually paperless technology like corporate purchasing cards. In fact, the

MasterCard Corporate Purchasing Card™ is now the preferred online payment vehicle at Commerce One sites.

To place an order, an authorized employee selects items from an approved vendor's Web catalog and supplies the card number. No purchase orders or invoices are required. Unlike other types of payment vehicles, the MasterCard Corporate Purchasing Card generates a trove of data that buying companies can use for financial controls and supplier negotiations. All vendors provide the card issuing bank with basic information, such as the name of the individual buyer, and the amount and date of purchase. Many, if not most vendors have the ability to supply much more comprehensive line-item detail about each purchase, including quantities, product codes, product descriptions and freight and duty costs.

MasterCard, in association with EC Cubed, is currently developing the infrastructure for an Internet Commercial Card Gateway through which purchase order data is transmitted from any front-end electronic procurement software solution.

Regardless of where the vendor is located, the currency used, or whether a card is issued by a U.S. or foreign financial institution, the purchasing data goes to the MasterCard Central Data Repository in St. Louis. From St. Louis, the data is made

available to the issuing bank, then to the company to which the card was issued — all in a matter of hours. If a purchase is made by a foreign subsidiary of a U.S. company, the information can be channeled both to the subsidiary and to U.S. headquarters. In all cases, the data is conveyed in a form that is readily accessible through software such as, MasterCard Smart Data for Windows 3.1, an application that allows corporations to easily view, report and analyze expenditures made with any MasterCard Corporate Card Programs card.

As e-commerce becomes the norm, every company doing business abroad must be able to efficiently gather and consolidate purchase information from multiple locations, in varying currencies and languages. These innovative technologies make that possible.

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