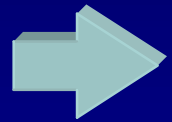




The Power of B2B eMarketplaces

October 19, 2000

Today's Discussion



eCommerce and the industrial economy

The power of Dynamic Pricing and eMarketplaces

As you know, eCommerce is fundamentally changing the industrial economy

eCommerce

=

Radically increased efficiency in:

- **Pricing**
- **Transaction cost**
- **Inventory management**

More efficient industrial markets change the game

	From	To
Intermediaries	Sales representatives	Technology & new buying intermediaries
Market Information	Weak and sporadic market intelligence	Full market knowledge
Basis of Competition	Relationships, marketing & sales important	Total factor productivity only
Transactions	Slow, manual processes	Quick, electronic interactions
Supply Chain	Buffer inventories, little build to order, slow demand response	Optimized inventories, build to order, and fast market response
Industry Structure	Many fragmented players	Consolidation to most efficient producers
Market Efficiency	Limited market clarity allows inefficiencies	Market speed and openness drive efficiency

In 1990, Purchasing, HR and IT were not top priorities for most CEO's

CEO's view of the Company - 1990

Management	
Sales and Marketing	
Finance	
Engineering	Operations
Human Resources	Purchasing
Information Technology	

Between 1990 and 2000, CEO's were confronted with dramatic new trends

Dramatic Trends 1990 - 2000

- **Global competition**
- **Corporate focus on purchasing for cost reduction**
- **Huge increase in computing power**
- **The Internet**
- **“New Economy” competition for talent**

The result is that many CEO's have changed their view of business

The CEO View - 2000

Buy Side

(Purchasing and supply chain management)



Leadership	
Human Resources	Finance
Engineering	Operations
Information Technology	



Sell Side

(Sales and Marketing)

Conclusions and implications

Conclusions

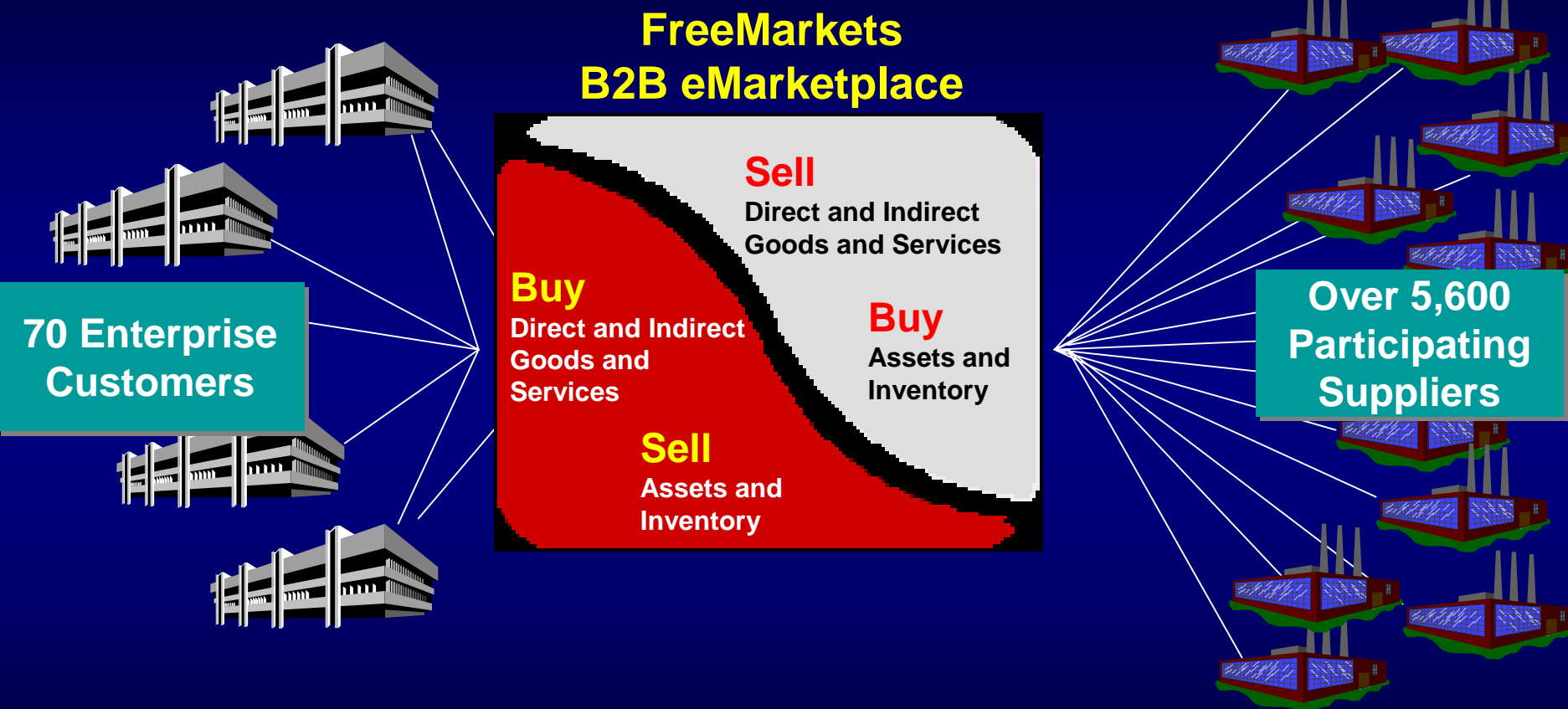
- **eBusiness is creating a whole series of changes effecting the entire global economy**
- **The trend is unstoppable**
 - **Operational savings and value creation are too compelling**
 - **CEO's have changed their views of business and are pushing for change**

Implications for Business

- **Seize the opportunity for operational savings and value creation**



FreeMarkets is the original and world's leading B2B eMarketplace

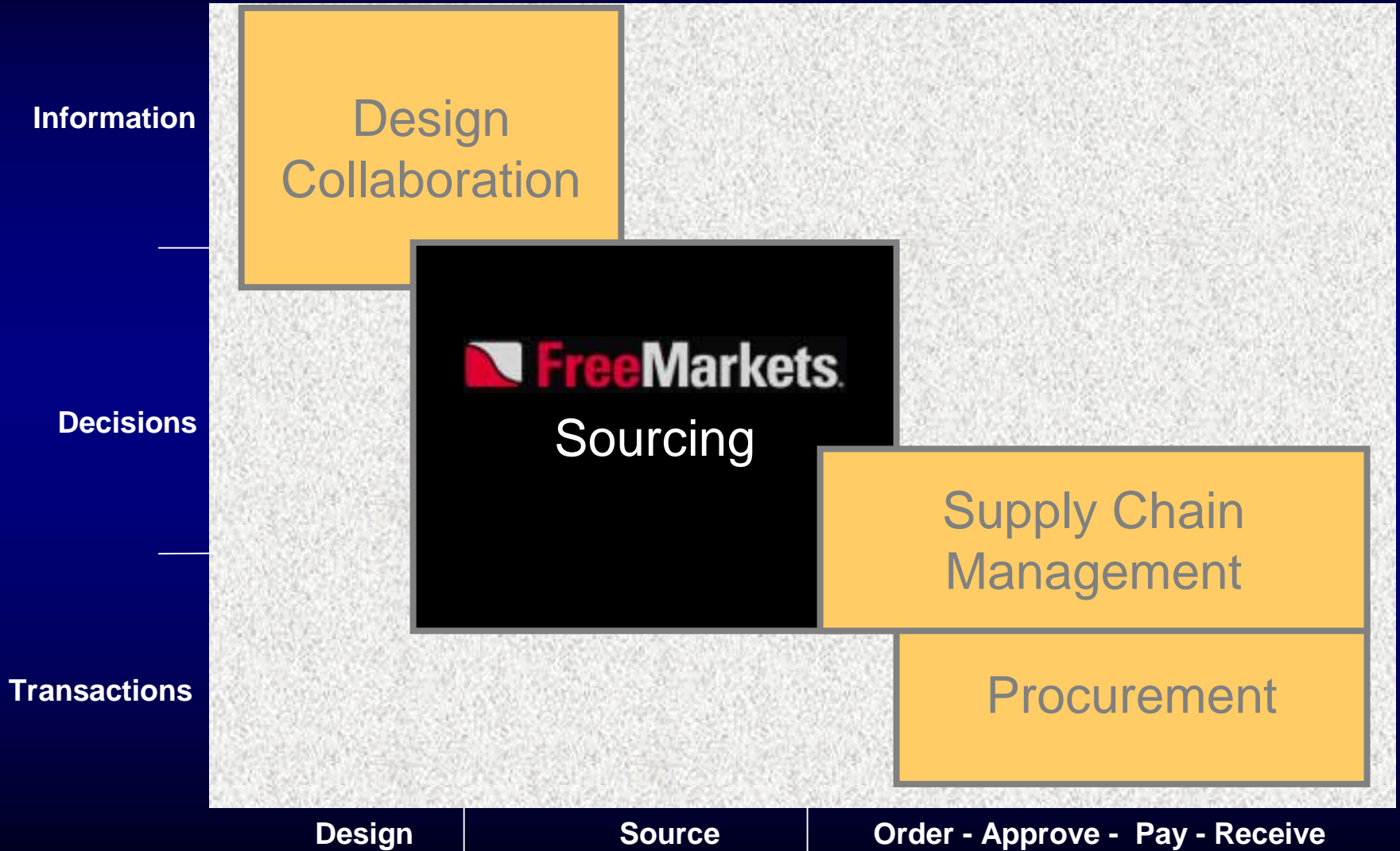


Over 5,000 auctions, \$7.6 billion in real market volume and \$1.5 billion in savings for industrial buyers

FreeMarkets is the world's leading B2B eMarketplace for *Automotive* sourcing



There are four key sources of value in your buy-side e-commerce portfolio



Sources of value in your buy-side e-commerce portfolio

Solution

Source of Value

Benefits

Sourcing

**Better/quicker
sourcing decisions**

- Real market prices
- Reduced cost of goods
- Access to new suppliers
- Better supply industry information

Design Collaboration

**Quicker/better
design and market
response**

- Increased design efficiency
- Increased speed of market response

Supply Chain Management

**Better supply chain
communication
and coordination**

- Reduced inventory holding costs
- Increased speed of market response

Procurement

**Reduced
transaction costs**

- Staffing productivity
- Improved spend information for standard sourcing decisions

Sourcing Decision & Dynamic Pricing Capability Require Substantial Investment and Experience in Market Making Infrastructure, Operations, and Technology

Capability Required

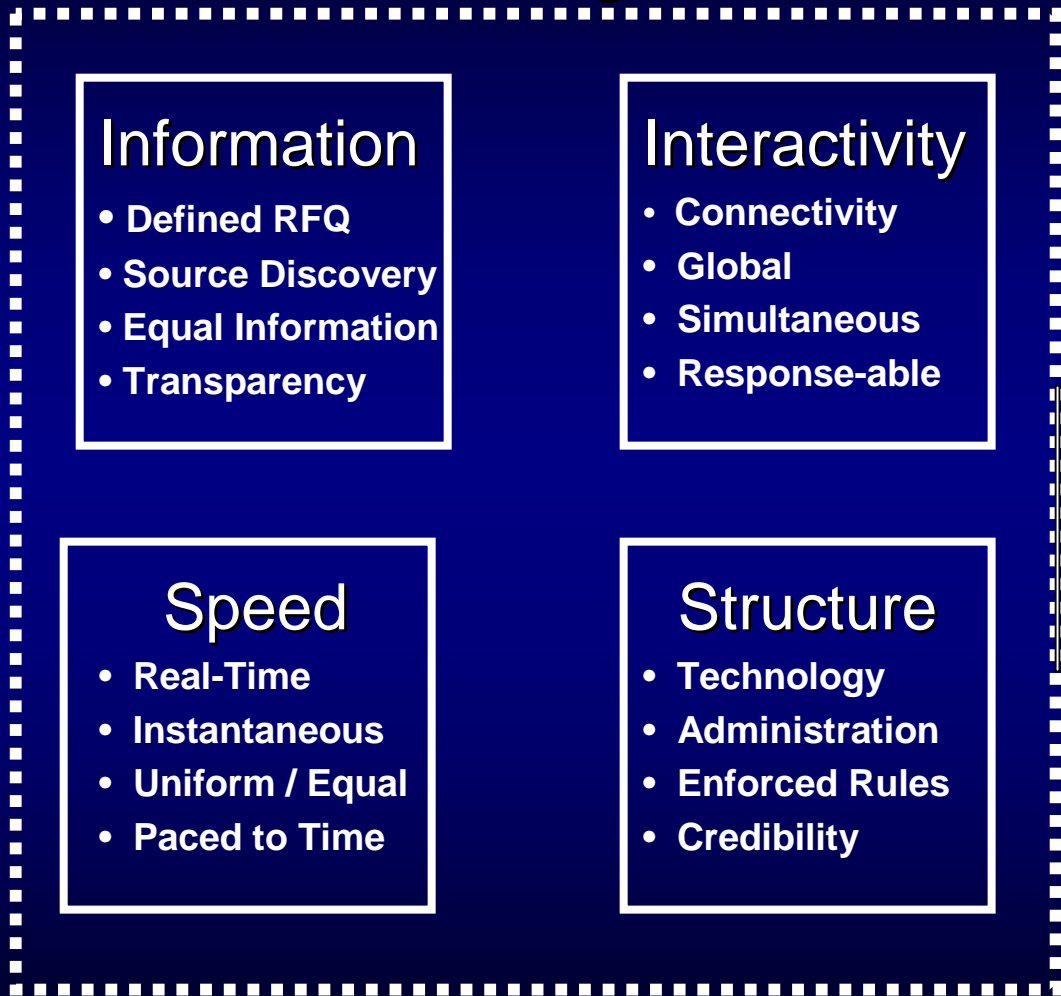
- Simple Auction Technology
- Advanced Auction Technology
- Web Marketplace Hosting
- Advanced RFQ Generation Technology
- Global Supplier Database
- Global Presence and Market Knowledge
- Call Center Support (Multilingual)
- Marketplace Rules
- Market Operations and Rules Enforcement
- Supplier Training & Services
- Market Making Training & Services

Dynamic Pricing &
Sourcing Decision
Capability

This is not “Auction” technology just thrown into Purchasing

There is a fundamental, paradigm-shifting change occurring: eSourcing

eSourcing Process



“Dynamic Pricing”

Web-Deployed, eAuction process yields new price discovery methods

- Efficient
- Transparent
- Fair



Presentation Complete

FreeMarkets at a Glance

Founded: 1995

Number of employees: 700+

Number of customers: 70+ of the Global 1,000

Symbol: FMKT

Website: www.freemarkets.com

We provide: The leading B2B eMarketplace

- Web-based auctions for sourcing and asset recovery
- Web-based suite of sourcing and asset management applications
- Access to sourcing experts, information and a global supplier database
- Global market operations and support

