

Solutions for the digital gap in e-procurement

What happens with the existing relationships with digitalization?

Peter Ledermann, Board Member and Founder Mercateo Group

CEE e-Procurement Summit 2019

Samorín, April 11th 2019

mercateo is the leading independent B2B marketplace for sourcing of indirect supply positioned to become THE B2B network in Europe

[#1]

Independent B2B
marketplace in Europe,
founded in 2000

[14]

European Countries

>[110]k

Active customers¹⁾

>[1,3]m

Registered users

100%

Equity held in EU

Founders ~ 50%



>[280]m

Articles under
management

[550]

Employees (>60 IT
Specialists)

[> 450 years]

Scalable technology
with more than 450 man
years invested in
software development

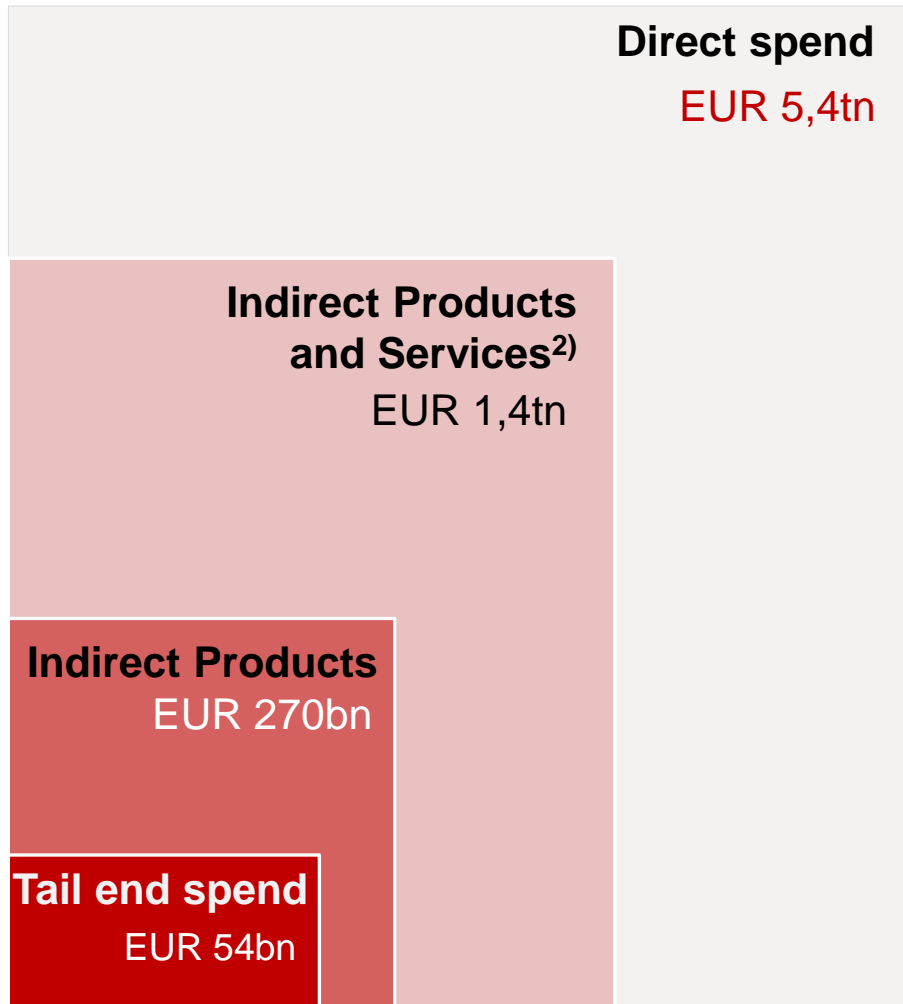
[340]m

Expected Sales
2019E/ Expected
Net Revenues 2019E

1) Active during last year

Mercateo operates in the large, underpenetrated B2B procurement market

Purchasing Volume in the EU 28¹⁾



- **Indirect spend accounts for c. 10% of total GDP** (c. EUR 1,4tn)
- This segment with its combination of industry products and services is the material part of **European value creation in the SME sector**
- This volume depends on **relationships and cannot be taken over by conventional marketplaces**
- This makes indirect spend a **special issue of digitalization**
- Only a **network-platform-model offers an economical way** into the digitalization of these economic sectors

1) Source: Management estimate based on A.T. Kearney/ American Express (European Indirect Spend Management Study 2011); 2) Telecommunication, travel, energy etc.

What B2B procurement partnership determines

- **Relationship**

often long-term partnerships

- **Consulting**

if I have a specific question about the product or the service I will get a valid and reliable answer

- **Services**

The product is combined with a service (e. g. special logistics for the airport; desktop delivery; ...)

- **Trust and Reliability**

I can rely on agreements even on handshake business

- **Regional/local**

Partners act in the same regional network and community. Advantage of short distances

- **Price**

Good purchasing price for regular needs

Digitalization objectives of the procurement department

- **Less suppliers**

to reduce number of suppliers and consolidation to the relevant partners. Less creditors in the accounting system.

- **Less maverick buying**

to increase number of catalog based online orders with contracted suppliers

- **Decentralized procurement to relieve the purchasing department**

less operative ordering by the purchasing department. More time for strategic tasks.
Role and right model for users

- **Centralized overview/control**

Purchasing department is still in control. Better data for decision makers

- **Lower process costs**

less manual steps with digitalization during the whole purchasing process

-

Digital requirements for suppliers (and customers)

- **ERP-Integration**

issue: different ERP-Systems with different customizing

- **Electronic catalogue**

content issues and different formats of catalogues. Duplet matching.

- **Electronic invoice**

not only as pdf

- **Electronic interfaces**

to different systems like stock information, track and trace, specific order numbers from customer systems, ...

- **Procure to pay**

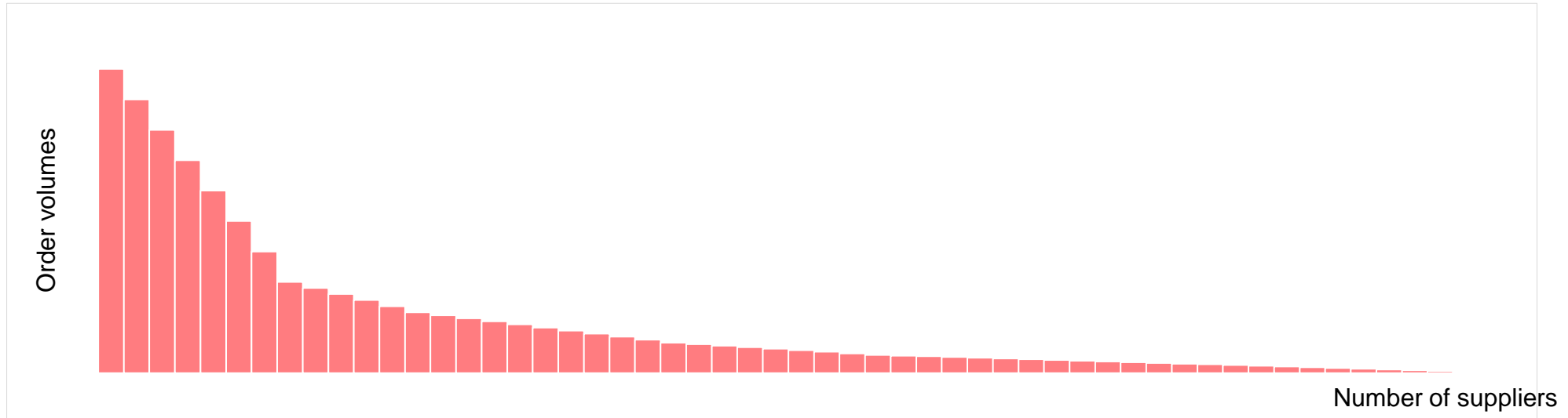
different payment methods and terms of payment with different customers and suppliers

-

Who can solve digitalization objectives and provide digital requirements?

Pareto-optimum (80/20 rule) describes the long-tail of procurement

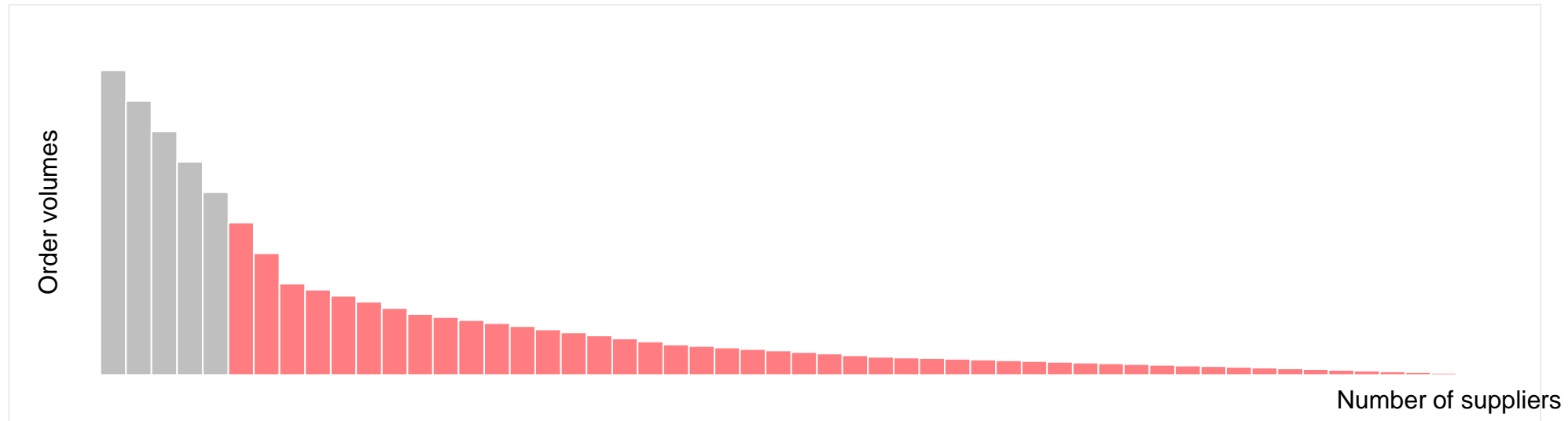
No sophisticated new information however, important for understanding



Study from University HTWK Leipzig in cooperation with Mercateo shows significant process costs in the low tail end spend

Free download from Mercateo corporate sites in German and English

Who can solve digitalization objectives and provide digital requirements?



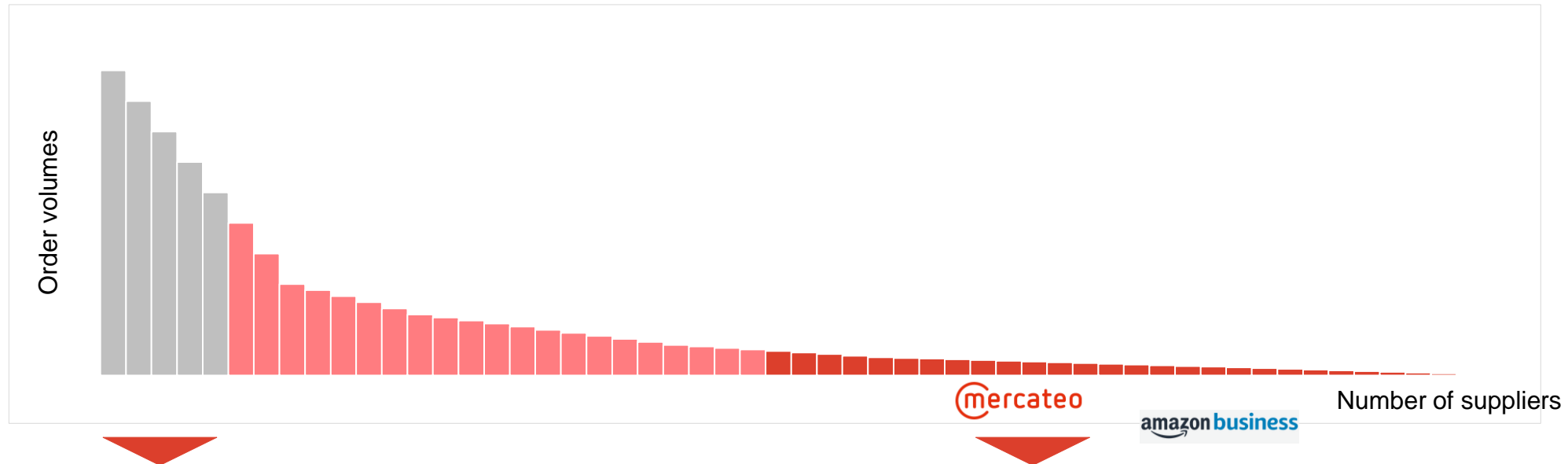
ERP

Core: digitalized via 1:1 relationships

- **Digitalization of central procurement** – ordering, accounting and payment. Target: **no-touch or low-touch process**
- **Uniform electronic format** – accelerated processes
- Direct connection to suppliers – **catalogues linked to customer's ERP**
- **Significant process cost savings**

Who can solve digitalization objectives and provide digital requirements?

Digitalization primarily suited for highly specific or highly standardized customer-supplier relationships



ERP

Core: digitalized via 1:1 relationships

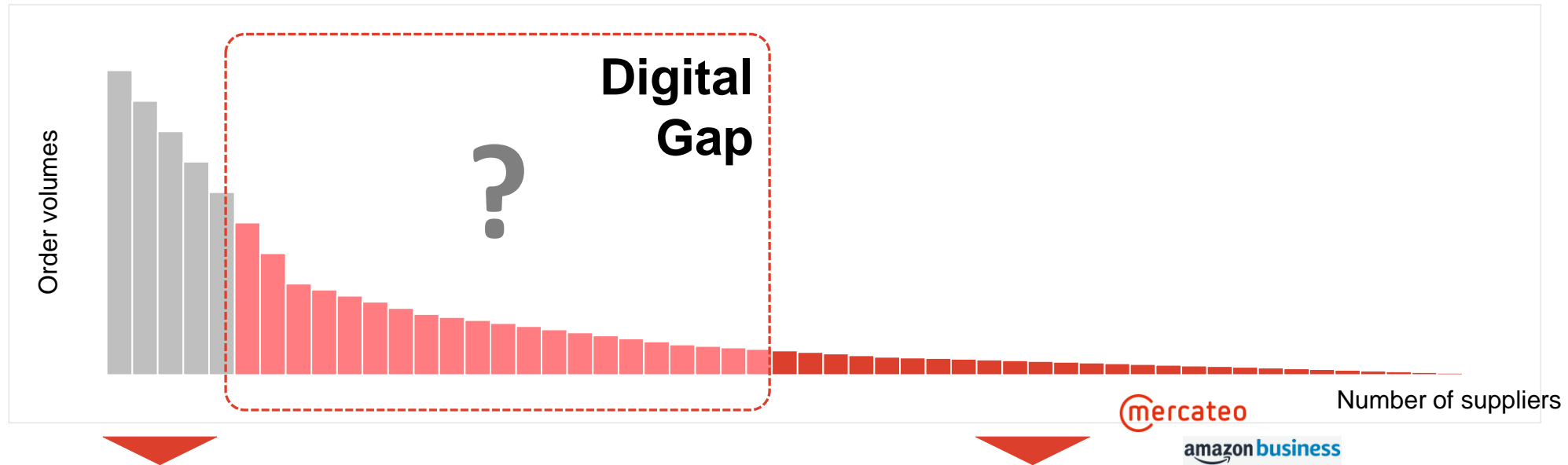
- **Digitalization of central procurement** – ordering, accounting and payment. Target: **no-touch or low-touch process**
- **Uniform electronic format** – accelerated processes
- Direct connection to suppliers – **catalogues linked to customer's ERP**
- **Significant process cost savings**

Long-tail: digitalized via **marketplaces**

- **No relationship**
- **Digitalisation of ordering process** from digital workflow management, automated transfer to supplier to payment processing
- **Digital market access** for small suppliers
- **Central product and price availability**
- A significant **reduction in process costs**

Who can solve digitalization objectives and provide digital requirements?

Digitalization primarily suited for highly specific or highly standardized customer-supplier relationships



ERP

Core: digitalized via 1:1 relationships

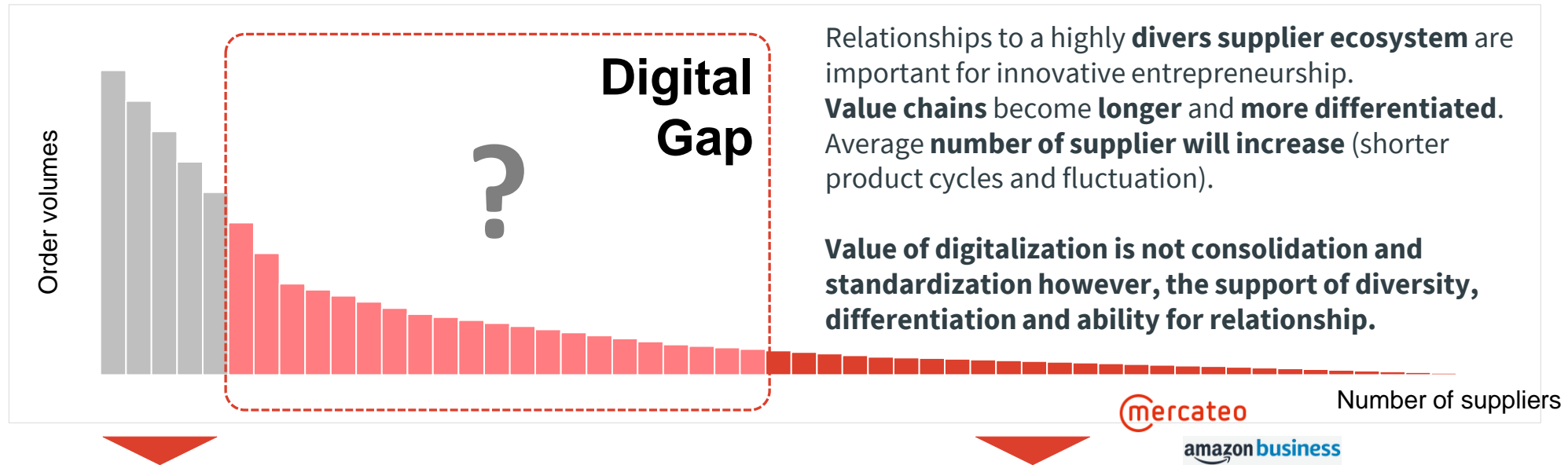
- **Digitalization of central procurement** – ordering, accounting and payment. Target: **no-touch or low-touch process**
- **Uniform electronic format** – accelerated processes
- Direct connection to suppliers – **catalogues linked to customer's ERP**
- **Significant process cost savings**

Long-tail: digitalized via **marketplaces**

- **No relationship**
- **Digitalisation of ordering process** from digital workflow management, automated transfer to supplier to payment processing
- **Digital market access** for small suppliers
- **Central product and price availability**
- A significant **reduction in process costs**

Who can solve digitalization objectives and provide digital requirements?

Digitalization primarily suited for highly specific or highly standardized customer-supplier relationships



ERP

Core: digitalized via 1:1 relationships

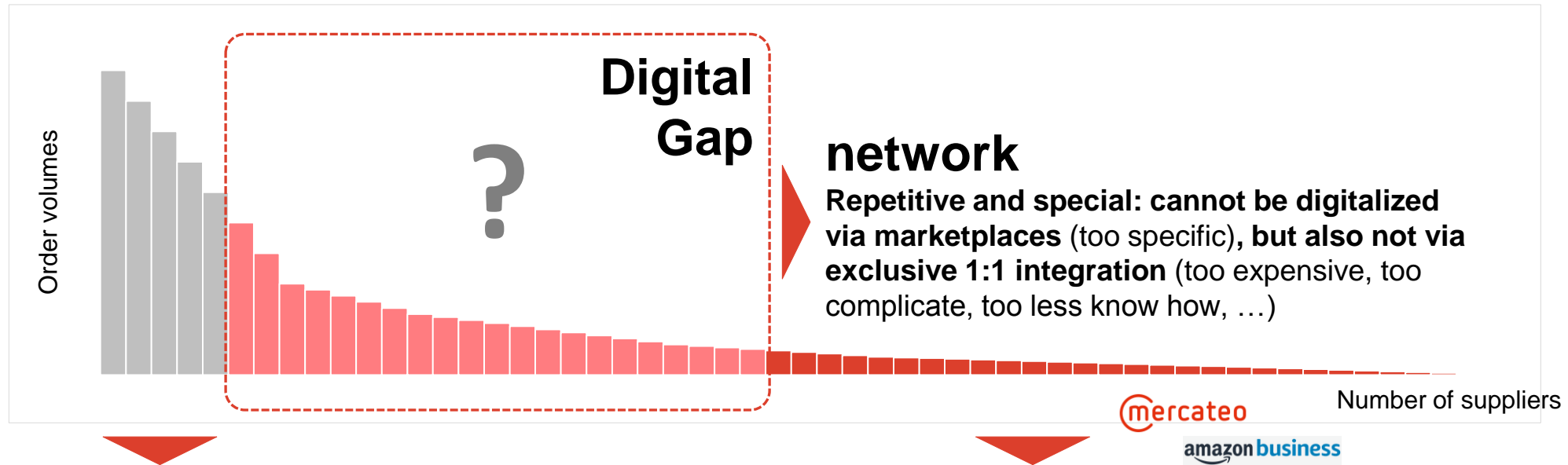
- **Digitalization of central procurement** – ordering, accounting and payment. Target: **no-touch or low-touch process**
- **Uniform electronic format** – accelerated processes
- Direct connection to suppliers – **catalogues linked to customer's ERP**
- **Significant process cost savings**

Long-tail: digitalized via marketplaces

- **No relationship**
- **Digitalisation of ordering process** from digital workflow management, automated transfer to supplier to payment processing
- **Digital market access** for small suppliers
- **Central product and price availability**
- A significant **reduction in process costs**

Who can solve digitalization objectives and provide digital requirements?

Digitalization primarily suited for highly specific or highly standardized customer-supplier relationships



ERP

Core: digitalized via 1:1 relationships

- **Digitalization of central procurement** – ordering, accounting and payment. Target: **no-touch or low-touch process**
- **Uniform electronic format** – accelerated processes
- Direct connection to suppliers – **catalogues linked to customer's ERP**
- **Significant process cost savings**

Long-tail: digitalized via **marketplaces**

- **No relationship**
- **Digitalisation of ordering process** from digital workflow management, automated transfer to supplier to payment processing
- **Digital market access** for small suppliers
- **Central product and price availability**
- A significant **reduction in process costs**

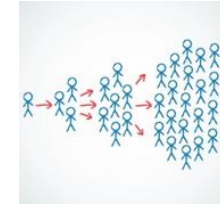
Issues and requirements for a successful network

- **Chicken-Egg-Problem**

The benefit of a network exponentially grows with the number of users

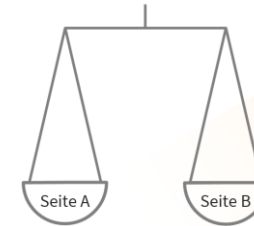
- **Virality**

Network users motivate each other on the network



- **Neutrality**

network provider is not part of the game. Network provider has no own advantages for his established business. Win-win-situation for all users.



- **Trust**

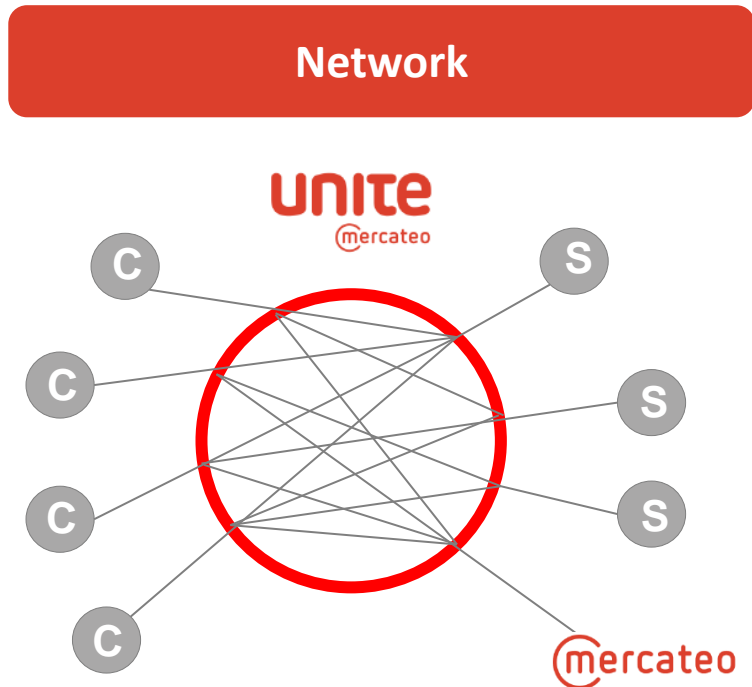
Data is not misused for third parties. Agreement of network members for use of data is necessary.

Reputation of network provider within the users segment.



- **Easy to use, low entrance barriers,**

Network effects, neutrality, trust and virality are the pillars of Mercateo Unite



Network effects: Existing customers and suppliers from the established Mercateo marketplace solve the chicken-egg-problem

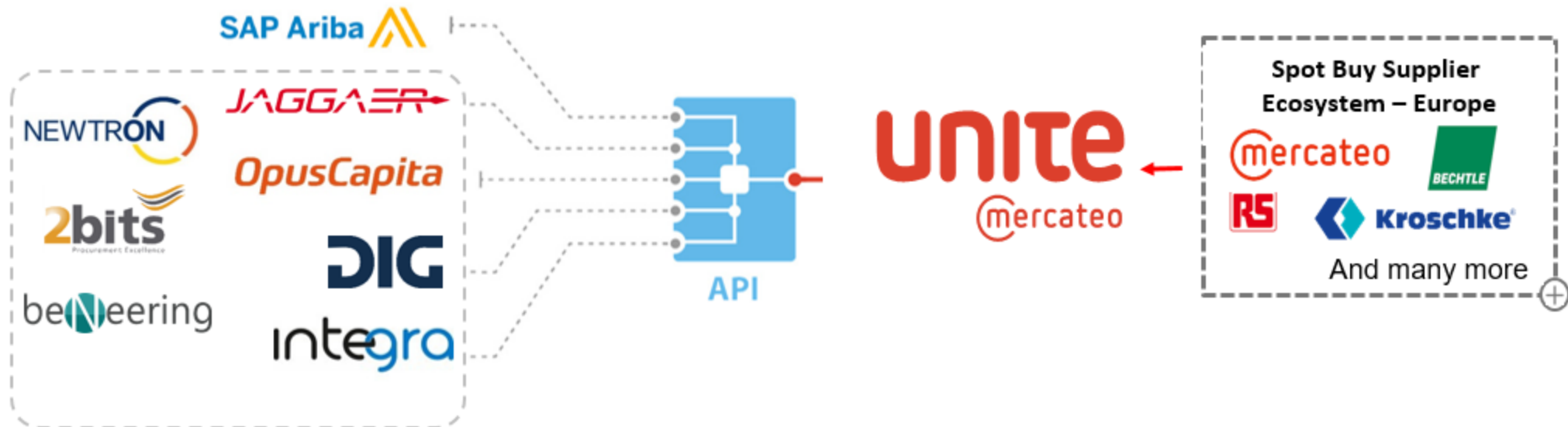
Neutrality: Mercateo has a proven strategic independency for a long time. Mercateo marketplace doesn't enter customer-supplier-relationship with specific prices. No misuse of data. Mercateo Unite has the unique trust from customers, suppliers, procurement organizations and industrial associations.

Virality: Supplier motivate their active customer relationships on the network.

Companies bring their supplier relationships on the network.

Market members are self motivated to use the network because of the network advantages.

Network Unite can be integrated into different ERP and e-Procurement systems



Thank you for your attention!