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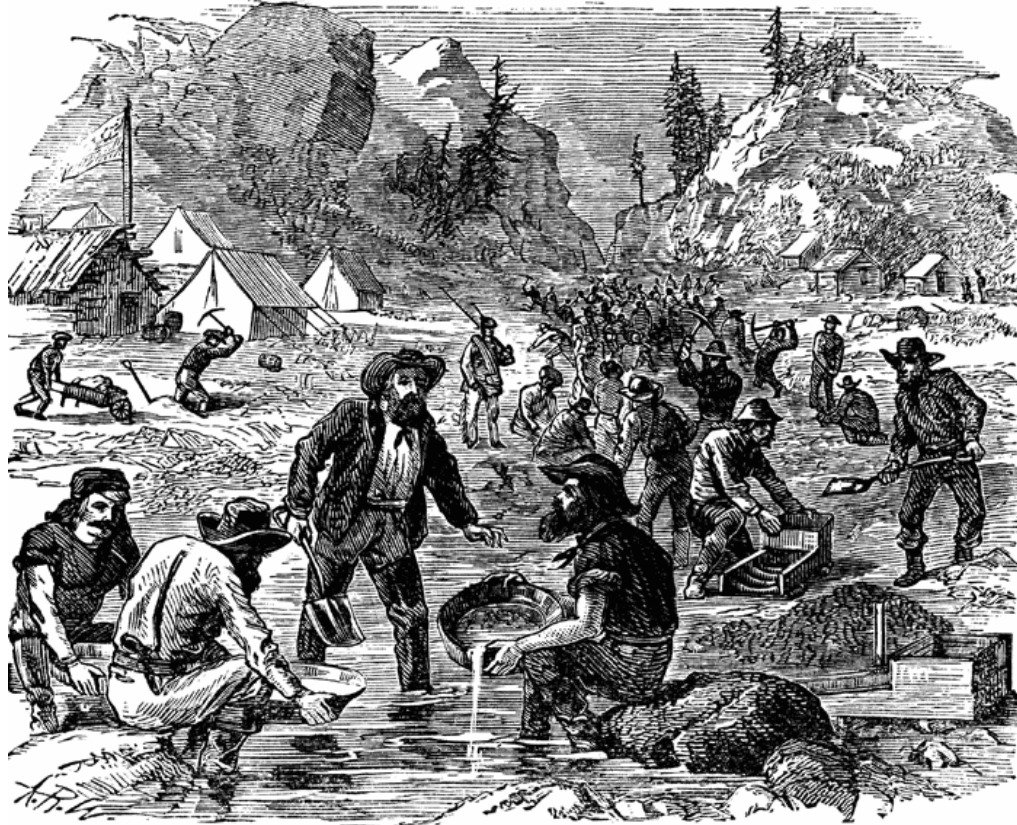
The B2B Gold Rush A Look Back

Steve Green

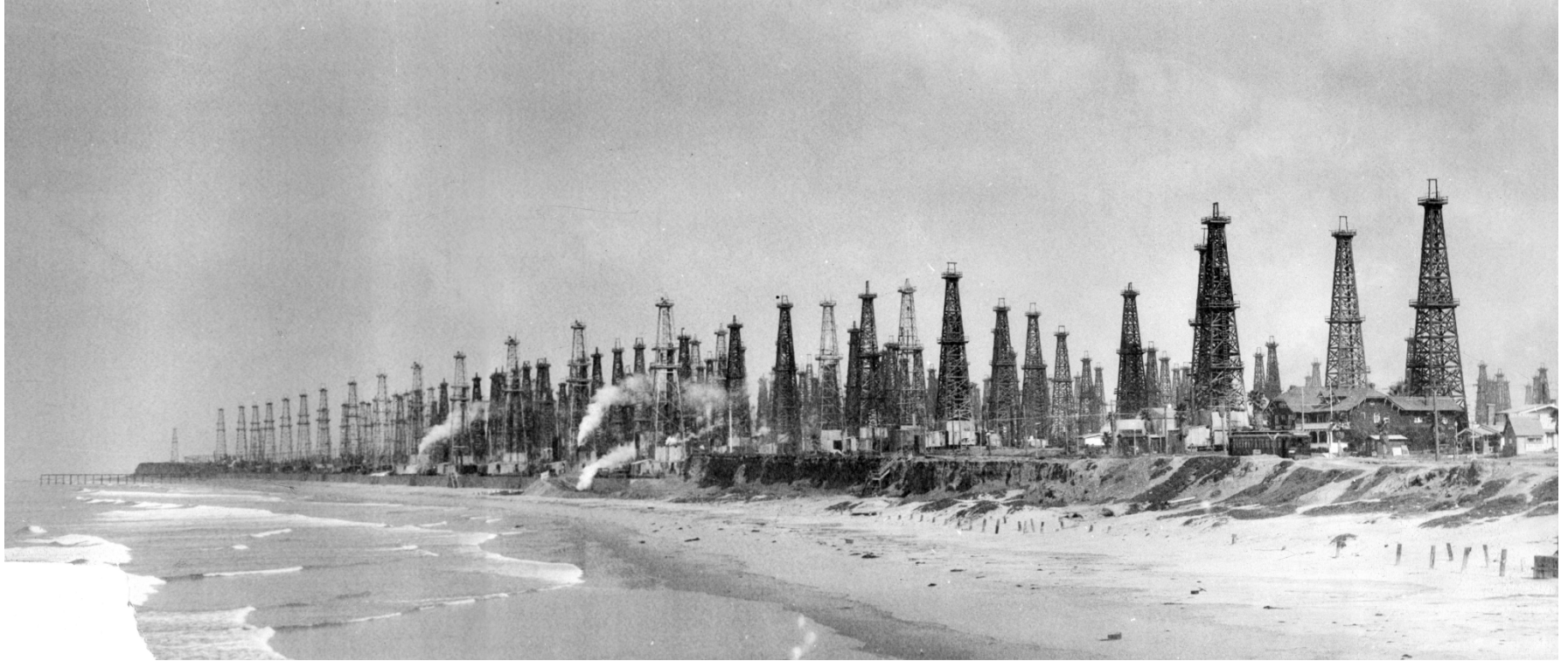
Global Account Executive

PIDX 2016 Spring Conference

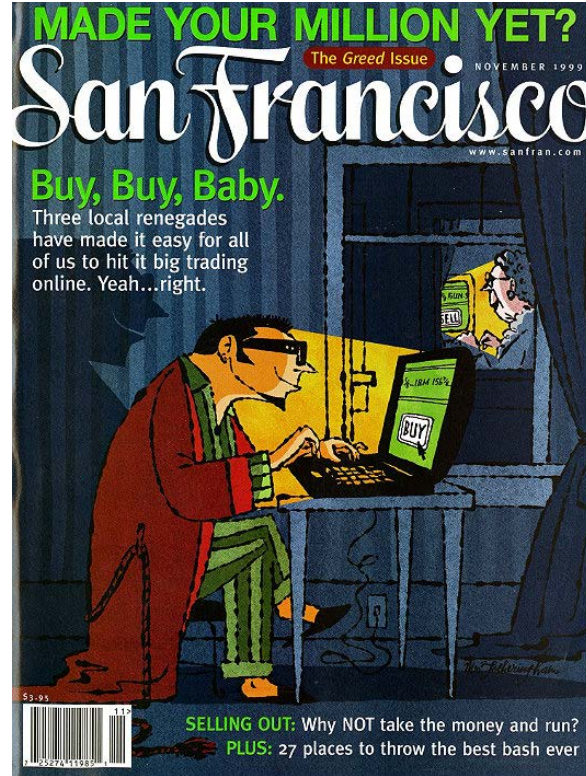
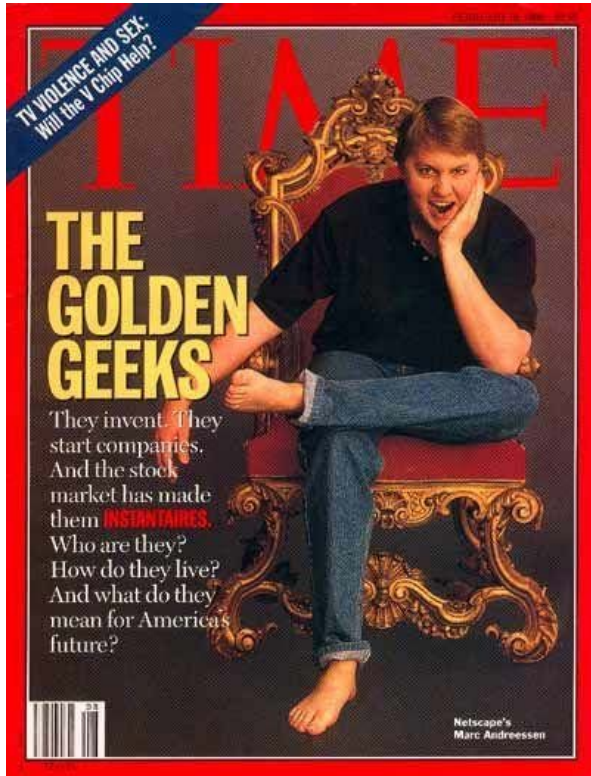
California 1849 – The Gold Rush



The Oil Booms



The Dot-com Boom



What is your Internet Strategy?



- Existing business leaders pressured to capitalize on the internet and available capital
- Speed to implement the top priority
- B2B marketplaces and exchanges prevalent
 - Lured by promises of incredible cost savings and greater efficiency, buyers in industry verticals attempted to start marketplaces or join exchanges. Some companies even created private exchanges for their companies. It did not matter that EDI was barely working because the internet would solve everything.

The Dot-com Collapse



Buyers Band Together



August 7, 2000 – Trade-Ranger, formerly the Energy and Petrochemical Exchange, announces incorporated status. Trade-Ranger's founding members are Conoco, Dow Chemical, ENI, Equilon Enterprises, Royal Dutch-Shell, Mitsubishi Corporation, Motiva Enterprises, Phillips Petroleum Company, Statoil, TotalFinaElf, Repsol YPF, Occidental Petroleum, BP, and Unocal representing \$212 billion or 25 percent of the annual global spend in the energy and petrochemicals industry. All are vying for an estimated value of sales using the internet of more than \$1 trillion by 2003. Substantial savings have been guaranteed for buyers and sellers using the service.

Buyers Band Together



The plan is to be conducting transactions online by September at a cost of more than \$100 million. CEO Peter Lamell provided an example of how quickly the project evolved. “We arrived in Houston on Wednesday night, negotiated for office space on Thursday, did the deal on Friday and moved in on Saturday.”

Executive VP for Unocal and Chairman of the Board Timothy Ling said “The founding shareholders have been working together to ensure that we can offer the most effective online trading community for the energy and petrochemical industry. We have taken the lead and are working with other buyers, sellers and exchanges to set global standards for e-catalog content and e-procurement to drive complexity and costs from our industry.”

Concerns of the Supplier Community



- It seemed that buyers were collectively dictating how business would be done.
- The marketplace benefits promised suppliers were unproven while the not-so-subtle threat of not participating was clear.
- Supplier IT personnel were not equipped to address the business implications. Who to send to the meetings?
- There were serious concerns about the non-negotiable terms and conditions suppliers had to accept by click-thru such as data ownership, usage, confidentiality, fees, indemnification, intellectual property rights, industry standards, third-party responsibility, etc...
- Suppliers were told that their products would be commoditized like a Yellow No.2 Pencil and that pricing would be transparent. Tools like reverse auctions would be used by buyers to drive prices down. Buyers were being guaranteed savings and told that suppliers would pay for the buyer's system costs as well.



Concerns of the Supplier Community



- With respect to sourcing, there was no means to allow an oilfield supplier to differentiate. Few of us had any experience with classification standards or technical attributes.
- Suppliers saw greater complexity, not less, and doing things differently or manually for each buyer was not acceptable to them. Suppliers had no means to translate invoices into XML or send them without extra tools or services costs such as EDI required. In addition, the exchanges were asking fees for handling catalogs and transactions.
- E-catalogs being asked for did not exist. IT could not build them and business was reluctant. No one was prepared to talk about all the exceptions including custom or complex services, returns, non-contract items, third-party costs, etc.



The Oil & Gas Suppliers Band Together



OFS Portal provides practical e-commerce knowledge and expertise in the Upstream Oil & Gas industry. OFS Portal has deep industry connections and a continuing track record of successfully connecting Buyer Networks and Suppliers together in a vendor and technology neutral environment.

Founding OFS Portal members included: ABB, Baker Hughes, BJ Services, Cooper Cameron, Halliburton, M-I, Schlumberger, and Weatherford.



PIDX provides a global forum for delivering the process, information and technology standards that facilitates seamless, efficient electronic business within the oil and gas industry and its trading community.

Some of the players to follow...





Conclusions

The Motivation - What were they thinking?



The motivations in 2000 for introducing B2B were similar to those of a gold rush or oil boom. Ordinarily clear-thinking business leaders were caught up in the get rich rush of the Internet boom. All they needed to do to for the trillion dollar prize was conduct supplier adoption and go live.



The Prize - The promises of incredible cost savings



- Electronic commerce can automate and streamline processes associated with Requisition-to-Payment such as three-way matching (purchase order, delivery ticket and invoice) and payment approval processes. It can help improve DSO as well as other efficiencies. However, the truth is that the cost savings are relatively small. Furthermore as a supplier, if my competitor and I both transition to e-commerce then our costs are equally reduced and there is no commercial or strategic advantage.
- In electronic B2B, suppliers have so far avoided or defeated most attempts by buyers to commoditize their products or otherwise reduce cost through sourcing events such as reverse auctions. Tendering for projects existed before e-commerce and prevails today.



The Silver Lining



**Too many people miss the
silver lining because
they're expecting gold.**

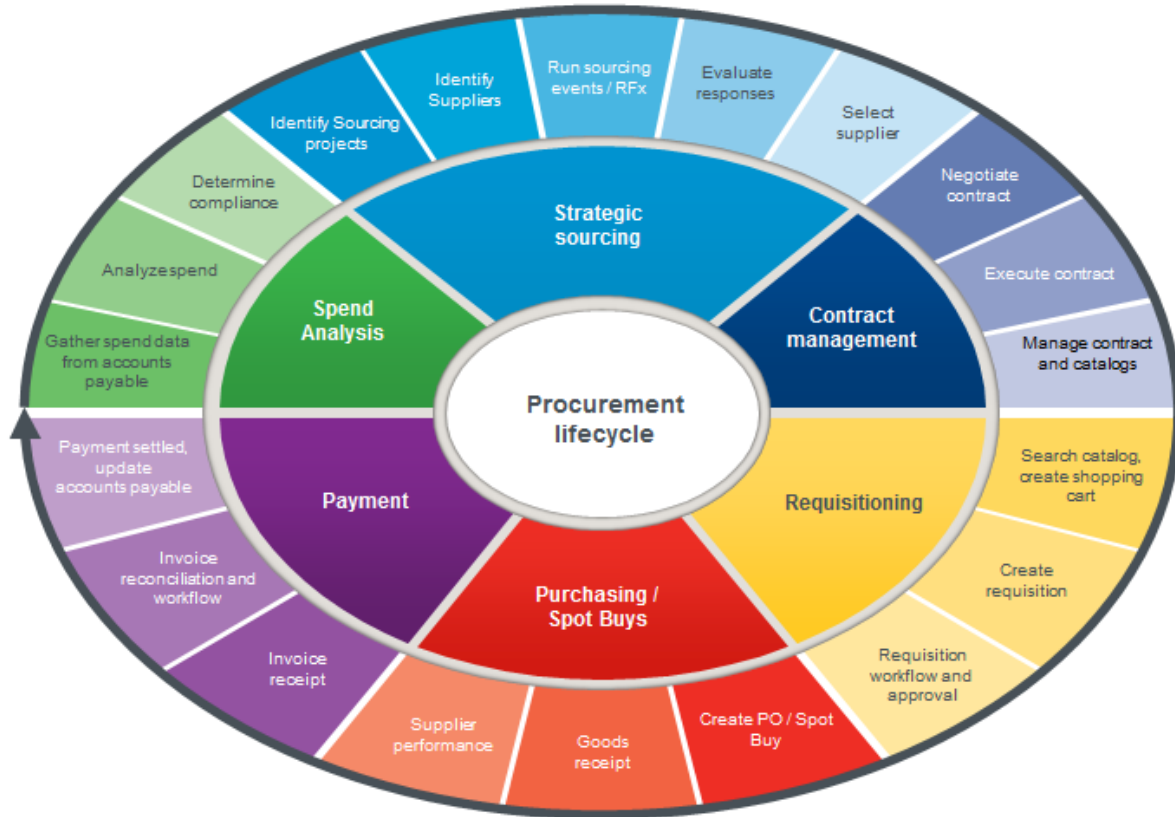
- Maurice Setter





Some Advice for the Future

Streamline and Automate more Buyer/Supplier Activity



Attribute Template Sets



Expect the standards for attributes templates to develop into sets or groups for different purposes. For example, the attributes needed to source/purchase an item are different than the sales/technical attributes needed to decide application. Engineering attributes are likewise different than shipping attributes.

Edit Attribute Set 'Cell Phones'

Edit Set Name

Name *
▲ For internal use.

Groups

Add New **Delete Selected Group**

Double click on a group to rename it

- General
 - name
 - model
 - sku
 - weight
 - manufacturer
 - status
 - tax_class_id
 - url_key

Unassigned Attributes

- shoe_type
- shape
- processor
- memory
- harddrive
- screensize
- gender
- shoe_size
- country_orgin
- room
- finish
- computer_manufacturers

Pressure to enable competitive sourcing will grow.



★★★★★ I don't think that I will ever buy another belt that is not a slide belt.

By JeffAB on January 19, 2016

Size: One Size | Color: Top Grain Brown with Winged Black Buckle | **Verified Purchase**

This belt is made from high quality leather and it is so easy to use. Unlike with other belts, it always has about one hole making the belt feel too tight and another hole making the belt feel too loose.

[Comment](#) | One person found this helpful. Was this review helpful to you? [Report abuse](#)

★★★★★ Fantastic Belt That is Highly Recommended

By James on February 8, 2016

Size: One Size | Color: Top Grain Walnut with Black Buckle | **Verified Purchase**

I have only owned this belt for a week so I can't speak to how long the product will last. However, based on the quality of the leather and buckle products I have ever purchased. The construction is solid and elegant. The ratchet system is easy to use and I am preparing to order my next belt.

[Comment](#) | Was this review helpful to you? [Report abuse](#)

Upstream vs. Downstream vs. Chemicals vs...



Standards don't really do anybody any good if every industry has their own.





THANKS FOR LISTENING!

ANY QUESTIONS?

