Exchanges in the Digital Economy: The Case of StorebrandXchange.com

Sri Beldona and Mahesh S. Raisinghani
University of Dallas, Graduate School of Management

ABSTRACT
Store brands offer a novel approach for retailers to differentiate themselves from the competition, enhance its image and provide the consumers with a quality product at an affordable price without coupons or promotional pricing. StorebrandXchange.com (SXc) started in early 2000 with a focus on helping to level the playing field between national brand manufacturers and private label manufacturers, and more importantly provide a forum to respond and compete with the bigger retail exchanges. Bob McCain, Vice-President of Business Development, SXc, noticed a distinct shift away from the specialized public exchanges such as Ventro or VerticalNet, and towards large industry-wide exchanges run by consortia of incumbent firms, such as Covisint in the automotive industry and Transora in the consumer products sectors. Taking a clue from these developments, SXc had to transform itself to be successful. This case describes the key issues involved in the decision process of this transformation in the digital economy.

Keywords: Business-to-business e-commerce, store brands, store brand marketing, digital exchanges

INTRODUCTION[1]

As Bob McCain, Vice-President of Business Development, StorebrandeXchange.com (SXc) took his seat on the 747 bound from Boston to Phoenix on the chilly December 2000 morning for the upcoming meeting with the venture capitalists for further funding of $8.9 million, the events of the past eleven months were playing in his mind. He had been a very successful business executive for some of the top store-brand manufacturing firms in the United States of America, Germany and United Kingdom. With over 35 years of experience in the industry and a prominent officer of the store brand manufacturers association (store brands, e.g., Walmart's Great Value, Minyard's Hi-Top; and private label are used interchangeably throughout this case), he understood the issues that the store brand manufacturers faced when competing with national brand manufacturers. So when Carl Prescott, CEO of SXc approached him in late 1999 to come on board and help the business development process, he was delighted to help. He knew the weak points of the store brand manufacturers and being a prominent member of the Private Label Manufacturers Association (PLMA), he had all the relevant information and contacts he needed to push the SXc concept. Bob McCain's motivation was to have a powerful impact on an industry that he had been involved with for over 35 years before seeking retirement in Flagstaff, AZ. In a speech to the PLMA in November 2000 on the future of e-commerce in the retail industry and the introduction of SXc he made the following bold statement:

---

[1] Note: The company name and the names of characters in this case study have been disguised to protect the identity of the company. Cases are not intended to serve as endorsements, or as illustrations of effective or ineffective management.

> " .. our industry, especially the private label has long needed a tool to maximize the production capacity and increase market share & visibility vis-à-vis the national brands. Having served this industry for over three decades I am very confident that you will find web portals such as the SXc a must to propel us (private label manufacturers and retailers) into the future."

However, the recent events of the demise of several dot-coms had changed the whole landscape. This change coupled with the initial high subscription fee increased the skepticism of manufacturers to sign up for the service. The manufacturers and the retailers who were key to the success of SXc were skeptical. They had serious apprehensions arising from the uncertainties of the benefits that may accrue from the retail exchanges they belonged to.

As the plane approached Phoenix Bob McCain wondered what lay in store for him and his 22 associates back in Boston. The survival of SXc depended on securing additional funding. He had modified the strategy by lowering the subscription fee in order to build the critical mass required for sustainable growth. Earlier in the year (2000) he had had a rift with Todd Warden, CFO on the pricing model but could do little as Todd had the blessings of Carl Prescott, CEO and founder. But when the pricing model did not produce the required subscriptions which resulted in Todd's resignation, Carl had given Bob the freehand to modify the business strategy (including pricing strategy if necessary). As the wheels of the plane touched down at Phoenix, he put away the business week article he had just finished reading which had mentioned that venture capitalists were once again opening up their bank accounts for funding businesses with sound and realistic business plans.

HISTORY OF STORE BRANDS

"Store brands" or "private label" refer to merchandise that carry wholesaler's or retailer's own brand name or a brand name created exclusively for that particular wholesaler or retailer. For example, Great Value is a store brand exclusively offered by Wal-Mart stores and Hi-Top is a store brand exclusively sold by Minyard/Sack-n-Save grocery stores. Brands such as Tide, Whisk, Frito-Lay are examples of national brands.

The store brand revolution in earnest began in Europe in the early 1970's. The demand by consumers in Europe for store brands has translated into a 40% market share to retailers; an envious position compared to the 20% market share enjoyed by US retailers. Store brands have become so successful in Europe that retailers have their own food technologists and R&D departments experimenting with new product formulations and concepts. In other words, retailers truly "own" the brands in Europe. In contrast, most of the US retailers rely on manufacturers to produce new products. However, this landscape is slowly changing with the collaborative introduction of premium brands by retailers in consultation with manufacturers.
Wal-Mart, considered one of the most aggressive and innovative U.S. retailers, exemplifies the store brand revolution in this country. Wal-Mart has traditionally centered its marketing strategy on nationally advertised brand names sold at "everyday low prices" (EDLP), a concept that discouraged cherry picking attitudes of consumers who basically would shop certain stores for certain products. During the mid 1990s Wal-Mart in addition to its EDLP concept has made a commitment to a more visible portfolio of products using its store brand, Great Value, through aggressive pricing and in store product demonstrations.

Today, most US supermarkets irrespective of their size, offer store brands that are often times comparable to leading national brands in both quality and packaging. Store brands now account for 20% of a person's shopping basket (PLMA 2002). In year 2000, store brands accounted for over $50 billion in sales (PLMA 2002). As is evident from Figure 1, sale of store brands has been constantly rising (after being adjusted for inflation) and research indicates that this trend is likely to continue.

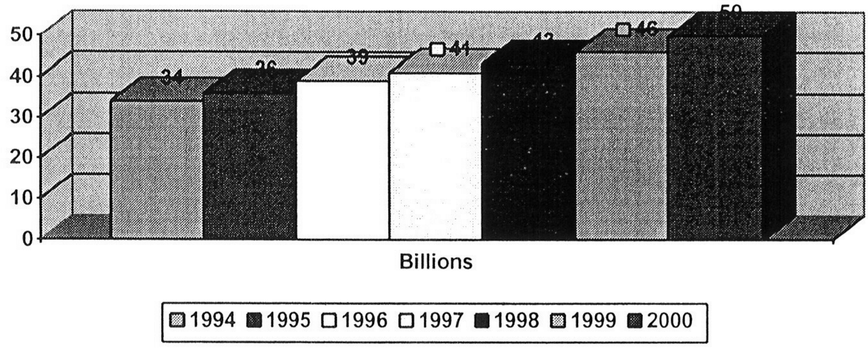

Figure 1. Growth of Store Brands in the United States of America

In a study conducted on behalf of PLMA, over "75% of the consumers defined private label as national brands and ascribed to them the same degree of positive qualities and characteristics – such as guarantee of satisfaction, packaging, value, taste and performance – that they attribute to national brands" (PLMA 2002). Also, about 83% of respondents said they purchase store brands on a regular basis.

Store brands are important to retailers for a number of reasons. First, they build loyalty to stores. "Great Value" brand is available only at Wal-Mart stores and hence for those customers who buy this brand Wal-Mart becomes their destination. Second, store brands offer greater margins to retailers than national brands. Also, at times it is essential to offer national brands at low prices as a loss leader strategy to entice a consumer to shop that particular supermarket for all their needs. This resulting reduction of overall margins to the stores has led supermarkets to focus and market store brands at a feverish pace. On an average the margins for store brands are triple those of national brands. This is further exemplified by results complied from Progressive Grocer's 68th annual survey, listed in table 1 below (Progressive Grocer, 1996-2002). Table 1 lists a five year trend of the importance of store brand, an attribute that received the highest rating each year on the annual survey of Progressive Grocer which included over 20 questions covering all facets of the supermarket business. The questions on the survey asked executives of Chain Stores, Independent Stores and Wholesalers how likely they were to do the following: Focus on Private Label, Stress Category Management, Stress Efficient Assortment, and so forth. Executives indicated their response on a 0-100 point scale where 0 = Unlikely, 50 = Likely, and 100 = Very Likely.

Table 1. Importance of Store Brands

Year	Chain Executives	Independent Store Executives	Wholesalers
2000	76	70.3	85.9
1999	78.2	62.3	83.9
1998	76.1	66.9	83.9
1997	76.9	69.2	86.3
1996	73.1	62.3	85

Finally, store brands offer a vehicle for retailers to differentiate themselves from the competition and enhance their image. The advantage of store brands for consumers is a quality product at an affordable price without the inconvenience of clipping coupons or waiting for promotional pricing.

THE CONCEPT OF SXC

Business-to-business (B2B) exchanges include various categories of marketspaces, including vertical market portals ("vortals"), hubs, and various types of auctions. A single infomediary (industry consortium or 3rd party) brings together many buyers and sellers within a specific vertical market, such as plastics, steel, or industrial chemicals, charging a commission on all transactions. Hundreds of industry-specific exchanges have now been launched, and more are being developed every day. Some of these 'marketspaces' operate with posted pricing models, while others employ collaborative negotiated prices, auctions, reverse auctions, Dutch auctions, and other pricing mechanisms. Many are used in spot markets for industrial materials, overstocks, and perishable goods, as well as business services transactions. See the teaching note for a more in-depth discussion about B2B marketplaces and online exchanges on the characteristics and differentiators of online marketplaces.

SXc started in early 2000 with a focus on offering better synergies for store brand product manufacturers and retailers, a benefit that was being utilized by national brands. SXc also provided a forum to respond and compete with the bigger retail exchanges. Although the concept was not novel, it mirrored the strategy of the exchanges with only one difference -- the store brand. The current retail exchanges focused primarily on national brands as it represented over 70-80% of the business. Thus, the needs of the store brand departments of the retailers took a back seat, needless to say that interests of store brand manufacturers were also ignored. In a segment of industry (store brands) where profit margins were minimal for manufacturers the initiative and the capital funding for such an exchange had to come from the retailers and or some third party. This provided a niche market for SXc to pursue since they recognized the fact that close to 20% or $50 billion of retail sales in the USA come from sale of store brands and this particular segment was not being adequately addressed by the current retail exchanges. For retailers such an exchange would provide vital information about manufacturers, their production capacity, product specifications, shipment information, etc. For manufacturers such an exchange, above all, would offer greater probability that their product(s) would be considered as a potential source before the retailers issue new sales contracts. This is because all manufacturers participating in the exchange would populate the centralized database with all their product lines and other necessary details. Also, such an exchange would make it possible for manufacturers to post their excess capacity for easy disposal to the retail community.

> "SXc is the marketplace of tomorrow, online today. We have a single mission at SXc: to focus on private label success. We link retailers with the people who make the products, those who package them and those whose job is it to help retailers reach out to their markets............ All the information needed to match buyers and sellers is right on their desktop. There is nobody else out there like us," said Carl Prescott, President and CEO of SXc.

In addition, the statement Carl made to one of the private label magazines best describes the functioning of SXc. Figure 2 illustrates the business model of SXc.

> "Through SXc we are building a global community within the private label industry, offering instant access to all the critical markets and audiences that share your vision

of private label growth and profitability, irrespective of whether you are a manufacturer, retailer or third party service provider. SXc was designed for one purpose: to meet your specific private label needs, adding real value to the areas that your business and investments are focused on. SXc success depends upon building your business."

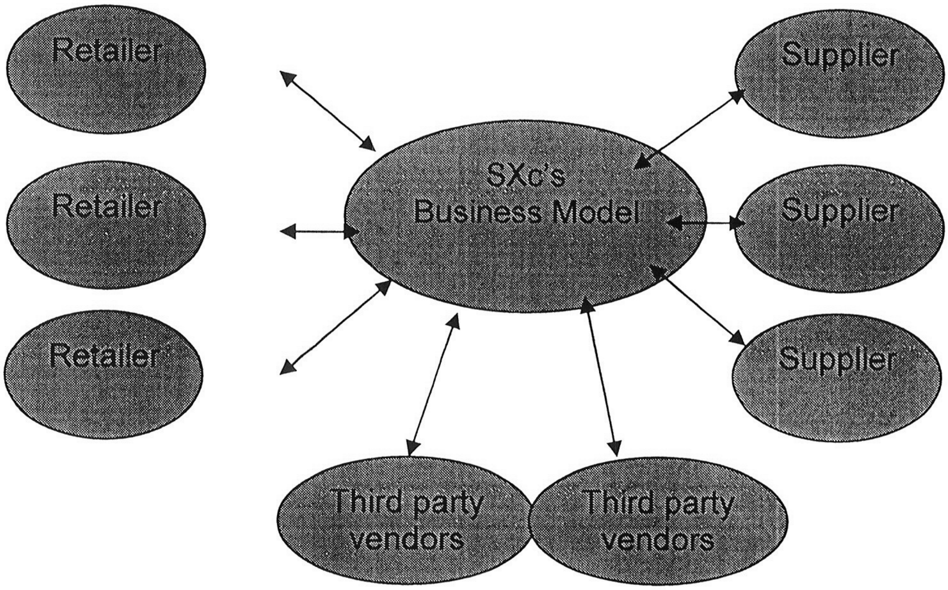

Figure 2. SXc Business Model

As is clear from figure 2, by bringing all parties involved in the production and sale of store brands on to a common platform, the synergies offered were substantial. It had the potential of a global community with resources focused on a fast growing store brand industry. For retailers this meant instant access to the industry's most comprehensive source of certified store brand manufacturers. For suppliers this meant an opportunity to showcase a virtual storefront of their products with a worldwide reach. More importantly, it offered an avenue for the manufacturers from various remote corners of the country/world, a level playing field and a far greater potential to be considered as a qualified supplier to meet the retailer's demands. Finally, for third party service providers, such as independent quality assurance labs, market research companies, and package design companies; it provided focused access to a very fragmented market.

However, the market opportunity for SXc was not limited to USA. Through these exchanges retailers and manufacturers from across the globe now had access to global markets. The overall estimates for the year 2001 indicated store brand business to be over $250 billion world wide - a huge market potential for SXc that was being ignored by the well-established exchanges.

Victor Guzman, VP of marketing was very enthusiastic about the market potential for SXc. In a presentation to the management team of SXc he said, "Companies falter in their approach to the marketplace as they go after the lion share of business and ignore the niche markets. We are looking for $1/100^{th}$ of the total store brand business. Don't get me wrong, we would like to own the market, but we would be happy if we can get about $2.5 billion of store brand business to be conducted over our exchange. Personally, I do not think it is a tough target to achieve, especially given the contacts and the industry experience of each one of us in this room. In the grand scheme of things it calls for about 5 big retailers like Albertson's or Kroger's of the world to embrace our exchange for their entire store brand needs. Our current proof of concept with one of the largest supermarkets in the country should help us propel and drive more interest in the exchange."

INTRODUCTION OF SXC TO THE MARKETSPACE

SXc was introduced with much fanfare to the marketplace in November 2000 during the annual Private Label Manufacturers Association (PLMA). With a huge booth strategically located at the entrance of the convention center it was positioned to be noticed by the more than 20,000 attendees visiting over 2000 booths showcasing various store brands, technology, and services from all over the world. The market reaction to SXc was excellent. People were attracted to the more than 20 plus touch screen kiosks in the SXc booth to get a peek at the future of store brands in a digital era. Needless to say, many visitors took appointments to get a personal demonstration. Indications based on market reaction and traffic to the booth indicated that PLMA attendees were intrigued with the idea of an exclusive exchange for private label. However, it did not translate to signed memberships. The estimates by SXc management had called for over 125-signed members with at least 300 seats in all by end of the show. Each institutional membership meant $25,000 in annual membership fees for 2 individuals/seats. Additional seats meant another $1,200 per seat per year. This would have translated into approximately $3.2 million a year in membership dues alone. This amount was widely anticipated as the numbers that venture capitalists were pushing Todd to meet and deliver. Bob remembered the phone call he had received from Carl just days before the PLMA show in which Carl had said in no uncertain terms:

"Bob, I know you disagree with Todd's pricing model calling for $25,000 in annual membership for two seats with additional seats at $1,200 per seat per year. I know you have an excellent knowledge about this industry and a feel for what the industry is likely to bear; but both Todd and I believe that times are changing and that people are willing to pay this amount. Trust me on this. We will discuss this issue if you are still unhappy about the pricing after you get back from the show. But remember, for all of us at SXc to survive, we need to ensure at least 125 members signup before the end of the PLMA show and a lot depends on your execution and contacts at the show. Go and get them, Bob."

The day after the PLMA show in Chicago tensions were brewing in the boardroom of SXc in Boston. Everyone on the top management team of SXc gathered in the boardroom was eager to hear Bob's presentation and no one was as eager as Carl and Todd. For the first time in his career, Bob started contemplating the move he had made in accepting the job at SXc and felt that an excellent opportunity to capitalize on the interest in the marketplace was hindered by the aggressive pricing strategy. To Bob the PLMA show was a make or break decision, especially given the fact that many dot coms were starting to feel the pressure of the market for cash flow and revenue and declaring bankruptcy when unable to respond to this pressure.
Carl called the meeting to order and offered the floor to Bob. Bob started the meeting by thanking all parties involved with the PLMA show and a special thanks to the IT department

who were working overtime to populate the data and functionality to the exchange even as the presentations were being made at the show. With regard to the success of the show Bob said:

> "...the PLMA show was a great success. We have accomplished one of our primary objectives for the show – create awareness. However, the most important objective, signing up subscriptions, has not been accomplished. We had a tremendous attendance at our booth and in all we had 250 personal demonstrations. But these demonstrations have resulted in only 5 sign-ups and the most disturbing fact is that these 5 happen to do so more because of personal contacts than for the functionality and or benefits offered by the exchange. I think we need to seriously reconsider our pricing strategy and also revisit our approach to sales. You all know my intentions with regards to sales. I have said this before and want to reiterate that the best sales approach is to get a retailer to sign up who will mandate the use of the exchange as the only way to do business. Unless that happens we will not have the critical mass to entice other retailers and manufacturers. I have outlined the sales approach in the brief one page handout (see Table 2) and have also taken the liberty to restructure the pricing (see Table 3) that I think will work for this industry."

SXC'S MARKETING STRATEGY

As Bob reviewed the numbers with the members of the management team he drew their attention to the fact that charging a rate of $100 per stock keeping unit (SKU) per supplier for each retailer they do business with would work out fine in the long run. He reasoned that on an average a big retailer transacts with close to 1000 suppliers with each supplier carrying approximately 20 SKUs. This would translate to $2,000,000 in revenues per retailer and with an anticipated signup of 5 retailers this would mean $10,000,000 per year to SXc. This he reasoned was a more realistic goal than the numbers forecasted by Todd in the initial financial performance for year 2002 which called for revenues in excess of $19,000,000 (appendix A).

Table 2: SXc's Approach to Sales

Option	Pros	Cons	Comments
1. Retailer Signup	1. Strong Support 2. Assures Supplier participation 3. Gives immediate legitimacy 4. Functionality becomes key	1. Deficit spending – need $0.5M to get a retailer up and running 2. Program structure centered around retailer 3. Supplier resentment for being pressured	Classic case of which comes first. Without a dedicated retailer the supplier community will be suspect. Without a supplier base of information, what is the worth to the retailer?
2. Supplier Signup	1. Start-up funding and income 2. Builds valuable database that will be attractive for retailers 3. Supplier input to program functionality	1. Supplier sees no need or reason to participate with no retailer presence 2. Must have full supplier community involved otherwise the program is incomplete and value add slips.	The probability of this being the necessary strategy might be strong. But none of the suppliers we spoke to PLMA want to signup with the anticipation of a retailer yet to come on board

Table 3: Proposed Pricing for SXc

Options	250 Suppliers	500 Suppliers	1000 Suppliers	1500 Suppliers
$100 per SKU (average 20 SKUs per Supplier per year per retailer)	$500,000	$1,000,000	$2,000,000	$3,000,000
Flat Rate of $1250 per supplier per retailer	$312,500	$625,000	$1,250,000	$1,875,000

After reviewing the approach and the pricing, Bob also called Victor Guzman to give a brief synopsis about what he had learned at the PLMA show by talking to the retailers and manufacturers who visited the SXc booth.

Victor commented that while the price was a critical issue for all manufacturers it was not the only factor preventing them from signing up on the exchange, especially the US manufacturers. Manufacturers were primarily concerned with the following:

- Inadequate retailer signups. In fact no retailer had signed up yet.
- Based on the current pricing strategy, some manufacturers commented that their breakeven point for annual membership fees was over $1 million in incremental sales.
- Auctions were a double-edged sword. While it was great to dispose off excess inventory or better utilize production capacity, manufacturers were apprehensive that retailers may use the special auction price for all future normal business transactions as well.

On the other hand, concerns of retailers and third party vendors centered on the following:

- Not enough suppliers on the system to justify conducting normal business. In fact only 5 suppliers had signed up by the end of the PLMA show.
- In grocery industry typically 20% of suppliers fulfill 80% of retailer demand for products. If any one of the top suppliers were not on the system it was meaningless for the retailer to undertake any major transaction, which in other words defeats the primary benefit of the exchange. For example, Perrigo has monopoly in the health segment of store brands and non-participation on the part of such a powerful supplier would negate all the benefits the exchange could offer.
- Most of the top retailers were already members of either WWRE or GNX exchanges. While these exchanges currently did not address store brands there was a great likelihood that eventually these retail exchanges would address their needs. In the event that transpired, the switching costs would be too costly. Additionally the compatibility of different systems was also a major concern.
- A few retailers mentioned that since it was very easy for a buyer to pick up the phone and call the supplier to get the product information including pricing it was critical that the exchange be designed with an intuitive functionality to handle all their store brand procurement and order handling process lest the buyers use that as a pretext to torpedo the use of exchange.
- Some of the retailers also expressed concern that the use of the exchange would be viewed as a threat to job security by the middle management team as their entire

business process becomes visible to the upper management. In short, organizational culture was cited as an important factor when negotiating with retailers.

While it offered a focused approach to a fragmented market, the critical mass was simply not there for SXc's e-business model to offer any immediate benefits to the various stakeholders and expedite payment of their subscription fees to the exchange.

Carl thanked both Bob and Victor for their insights and offered to regroup in the next 2 days after reviewing the information presented. That very day Todd turned in his resignation to Carl citing personal issues and his desire to relocate to the west coast. Carl while accepting the resignation made Bob in charge of positioning the strategy and pricing for SXc with special emphasis on securing the critical second round of funding from the venture capitalists.

SURVIVAL STRATEGIES IN A DOWNWARD ECONOMY

As he thought about the strategic direction that the company had to pursue, he remembered the dossier his assistant Sandra had put together on the survival strategies in the downward economy and the personal notes he had made from this research in devising the strategy for the next two years, a key ingredient for approval of additional funding.

Bob's review of the research and his personal experience made it very clear that all business-to-business (B2B) initiatives needed to be evaluated using a combined qualitative-quantitative technology strategy. Qualitatively, a B2B project had to be assessed to determine how well it aligns with a company's business strategy. Will it provide a unique competitive advantage that other companies cannot or do not want to copy? Is a "best practice" important for improving operational efficiency that other companies can be expected to imitate or adopt? While each had its merits, neither could be used to the best advantage if a company's plan is not clear on its intended purpose. As for a quantitative evaluation, one important measure was the assessment of the extent and manner in which new channels are opened as sources of additional revenue, new customers, or increased customer satisfaction. Quantitative assessment also had to include evaluation of cost-saving efficiencies and new revenue opportunities, both on the buy-side with suppliers, and the sell-side with channels and customers (Vaskelis, 2001). Bob had also noticed a distinct shift away from the specialized public exchanges such as Ventro or VerticalNet, and towards large industry-wide exchanges run by consortia of incumbent firms, such as Covisint in the automotive industry and Transora in the consumer products sectors. In the first six months of 2001, Covisint managed transactions worth more than \$33 billion - 13% of the \$240 billion that Ford, GM and Daimler Chrysler buy annually (MacDuffie and Helper, 2001). Firms were also drawn to private exchanges, even though they offered fewer potential benefits than the industry-level exchanges that promoted standardization throughout a larger network. A recent Boston Consulting Group report on B2B had described this phenomenon as "exploiting public exchanges to create private sources of advantage."

While there were many benefits of an exchange, Bob knew that at the very least it had to show some performance improvements for serious consideration by both retailers and manufacturers. Moreover, Bob's personal experience in the grocery industry convinced him that such a performance had to be very easily quantifiable into dollar amounts. Some of the performance improvements noted were:

- Automating the procurement process: Bob's personal estimates had shown that reduction in paperwork alone were supposed to drive down the purchase order processing costs from $75-$150 to $10-$30.
- Interoperability: Building an exchange meant that all parties had to work seamlessly using their current systems. Extensible Markup Language (XML) promised to make e-market communication even more standardized. This was very important given the legacy systems that were still in use by some of the top manufacturers and retailers. Also, the increasing need from the industry to comply with the standards being set by Uniform Code Council (UCCnet) was more attainable through XML.
- Auctions: Online auctions had a tremendous potential to reduce prices, as large numbers of suppliers competed for contracts. Earlier studies by some of the top consulting firms had shown that online auction and reverse bid were likely to grow to $54.3 billion -- or 25% of US online retail sales -- in 2007 (Johnson et al., 2002). This was estimated to multiply as globalization of procurement was on the horizon.
- Collaborative planning: Major savings could be achieved if plants in the supply chain could quickly view each others' inventory levels and production schedule and plan accordingly. This was very important when planning promotional sales.
- Collaborative design: Product specialists in the same firm and/or different firms would be able to work in parallel. Various forms of proprietary software already existed, but the difficulties of linking them, and data security issues, still presented obstacles. However, using the XML architecture great strides could be achieved in drastically reducing the time it took to introduce new items to the market place. Initial usability estimates by UK's top retailer, Sainsbury's, showed an average of 8 weeks reduction in their entire new item introduction process – a significant return on investment (Just-food.com, 2002).

The core benefits that SXc offered compared to current systems in use by retailers and manufacturers as noted by Bob were as follows:

- Price and product transparency (i.e., the ability to easily locate and compare products and prices).
- Supplier and seller discovery, or the ability to aggregate demand and supply.
- Convenient and reliable transactions, by matching buyer and seller orders, and enabling a wide variety of pricing and market-making mechanisms.

CONCLUSION

As Bob reviewed his business plan that he was going to present to the venture capitalists, the discussions and arguments of the Strategic Planning Committee (of which he was a key member) came rushing back. It had been a very stressful and hectic two weeks in formulating the strategy. Carl Prescott, CEO, was very vocal about what it would take to build value and thus the required critical mass to succeed. He insisted that the only way to survive in a rapidly developing and fragmented market was to create barriers to entry, barriers that could only accrue through industry/domain expertise, backend integration, follow-up service, and a strong two-sided value proposition. Bob hoped that the new strategy, which was aimed at "value" building and thus enticing subscriptions, would receive a positive nod from the venture capitalists.

As Bob opened the door of the boardroom at the Airport Sheraton in Phoenix he was greeted by the three venture capitalists that were eager to hear the new plan and a good explanation of how their prior funding was being utilized. Bob had never felt the butterflies in his stomach before. The room was very silent as he started his presentation to explain the new strategic approach and pricing. Back in Boston his associates eagerly awaited the much promised phone call from Bob after the presentation.

ACKNOWLEDGEMENT

The authors would like to thank the anonymous reviewers, the associate editor and the editor-in-chief, Dr. Shailendra C. Palvia for their insightful comments that have helped enhance the focus of this manuscript and strengthen its coverage.

References

1. Baumgartner, Thomas, Kajüter, Henrik and Van, Andrea (2001), "A Seller's Guide to B2B Markets," *The McKinsey Quarterly*, Number 2, On-line tactics.

2. Berryman, Ken and Heck, Stefan (2001), "Is the third time a charm for B2B," *The McKinsey Quarterly,* Number 2, On-line tactics.

3. Cuny, Tim and Richardson (2001), "Shopping for the Right E-Marketplace", *Information Week*, February 12, pp. RB 10-RB 12.

4. Devine, Dennis A., Dugan, Christopher B., Semaca, Nikolaus D. and Speicher, Kevin J. (2001), "Building enduring consortia," *The McKinsey Quarterly,* Number 2, On-line tactics.

5. Hansen, Maia A., Mathews, Benjamin A., Mosconi, Patricia A., and Sankaran, Vivek (2001), "A Buyer's Guide to B2B Markets," *The McKinsey Quarterly,* Number 2, On-line tactics.

6. Hicks, Matt (2001), "Survival Course: A few independent e-markets bucking the trend, thrive", *eWeek,* pp. 37-45.

7. Joachim, David and Moozakis, Chuck (2001), Can Covisint Find Its Way? http://www.internetweek.com/newslead01/lead091701.htm, *Internet Week*, Sept 17, 2001, pp. 1 and 35.

8. Johnson, Carrie A., Delhage, Kate and Dash, Amy (2002), Online Auctions Will Boom Through 2007, *TechStrategy Brief,* www.forrester.com, October.

9. Just-food.com (2002), UK: Sainsbury's to use GlobalNetXchange's collaborative product development solution, April 18, 2002, retrieved on May 14, 2003 from http://just-food.com/news_detail.asp?art=49006

10. MacDuffie, John Paul and Helper, Susan (2001), B2B and Modes of Exchange: Evolutionary and Transformative Effects, retrieved on February 25, 2003 from http://knowledge.wharton.upenn.edu/

11. Private Label Manufacturers Association (2002), Store Brands Today, retrieved August 28th 2002, from http://www.plma.com

12. Progressive Grocer (1996-2002), Annual Report of the Grocery Industry, VNU Business Publications, USA

13. Sawhney, Mohanbir S. (2001), "Where Value Lives in the Networked World", in *The Digital Enterprise,* Nick Carr (editor).

14. Vaskelis, Darius (2001), B2B: The Real World, Intelligent Enterprise, August 10, retrieved on February 25, 2003 from http://www.intelligententerprise.com/010810/412feat1_1.shtml

15. Wise, Richard, and Morrison, David (2000), "Beyond the Exchange, The Future of B2B," *Harvard Business Review,* November-December, pp. 86-96.

Appendix A

Projected Financial Performance

Store Brand Exchange.com

Proforma Income Statement - $MM investment scenario

(in 000's)

Revenue	**2001**	**2002**	**2003**
Procurement Services	$ 609	$ 10,041	$ 24,234
Membership Services	$ 1,140	$ 8,055	$ 21,480
Marketing Services	$ 178	$ 1,600	$ 4,318
Total Revenue	$ 1,927	$ 19,696	$ 50,032
Expenses			
Professional Services	$ 134	$ 1,722	$ 5,572
Product Development	$ 1,487	$ 3,208	$ 4,457
Sales and Marketing	$ 2,447	$ 7,221	$ 9,398
Gen'l and Admin	$ 1,479	$ 3,048	$ 4,438
Total Expenses	$ 5,547	$ 15,199	$ 23,955
Net Profit	$ (3,620)	$ 4,497	$ 26,077