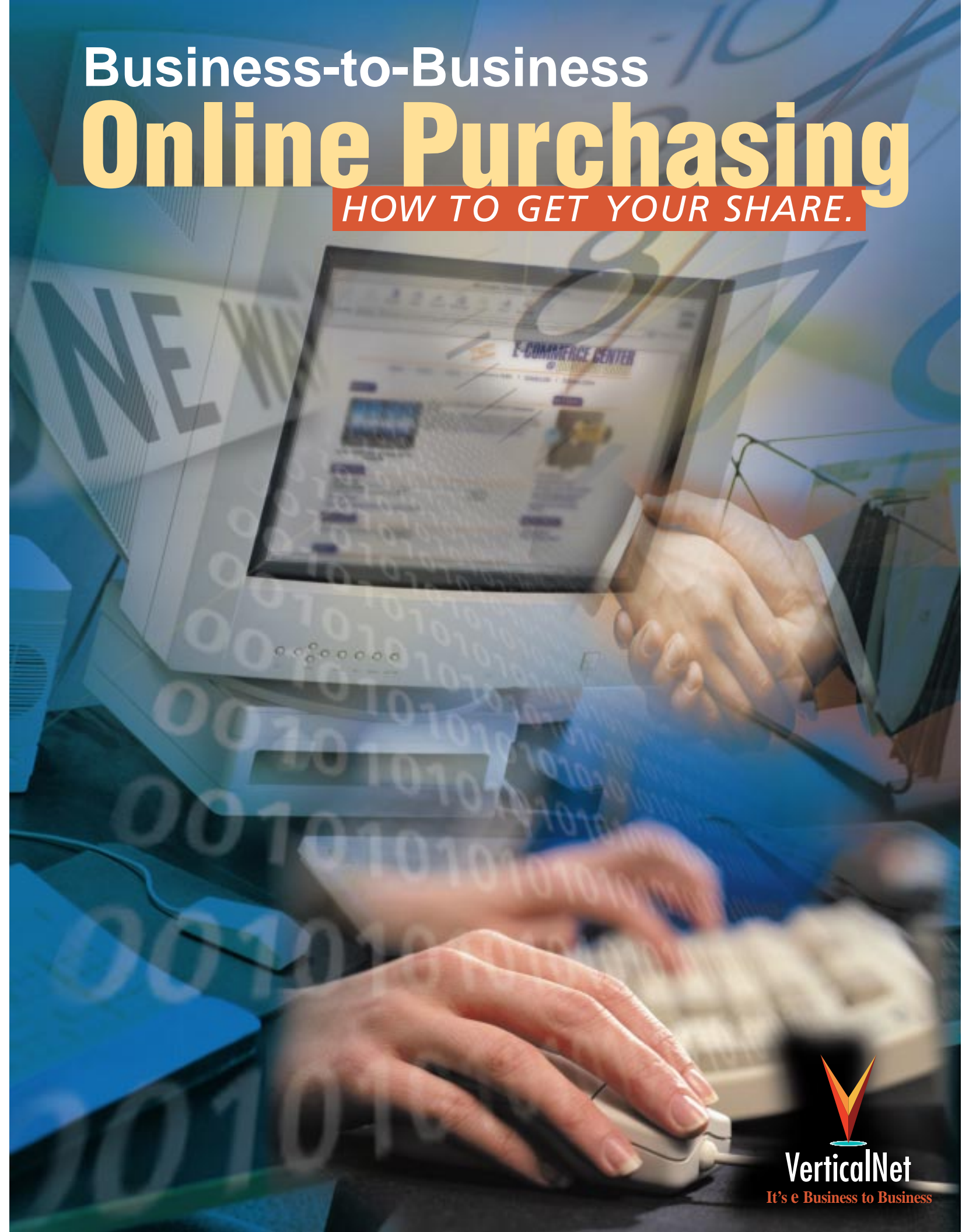


Business-to-Business Online Purchasing

HOW TO GET YOUR SHARE.



VerticalNet

It's e Business to Business

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Business-to-Business
Online Purchasing
HOW TO GET YOUR SHARE.

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Getting Your Share of the Booming Business-to-Business E-Commerce Marketplace

E-Commerce outpaces growth forecasts.

...Forrester estimates that business-to-business E-commerce will grow more than 10 times today's numbers, reaching \$1.3 trillion by 2003.

growth

E-commerce has gained ground far more rapidly than even the most optimistic participant thought it would. In fact, one of the leading Internet forecasters, Forrester Research [Cambridge, MA], anticipates that business-to-business E-commerce marketing will reach "the E-commerce threshold" — the time when E-commerce becomes "not only viable, but commonplace" — within the next few years.¹

How quickly is E-commerce growing? According to Media Metrix, education sites dominated the top 15 list of most visited sites as recently as 1996. Today, nearly all the top Web site destinations offer content, communications, community, and commerce.² And Forrester estimates that business-to-business E-commerce will grow more than 10 times today's numbers, reaching \$1.3 trillion by 2003.

That projection only hints at the real dollars involved. In a major report issued by the U.S. Department of Commerce,³ the government notes that the "Internet plays an important role in a much larger number of transactions than those completed online...the Internet is an important source of research that influences off-line ordering and purchasing, particularly for big-ticket items..."

In the report, Secretary of Commerce William M. Daley said:

"This past year, electronic commerce has grown beyond everyone's expectations. Every day, more people are finding new ways to provide innovative products and services electronically. The Internet is changing the way businesses do business, from the acquisition and servicing of customers, to the management of their relationships with suppliers... [and] when compared to our overall economy, [the numbers] are growing more rapidly and provide more evidence that electronic commerce will be the engine for economic growth in the next century."

service

According to the report, "electronic commerce and the information technology industries that make E-commerce possible are growing and changing at breathtaking speed, fundamentally altering the way Americans produce, consume, communicate, and play."

How important is it for companies to get involved in E-commerce *now*? A Forrester researcher is quick to point out that there are "definite benefits to being in the space [e.g., VerticalNet's online Storefronts, Catalogs, Auctions, Buyer's Guides, and other E-Commerce Center selling opportunities] sooner, rather than waiting for the 'threshold.'" He offered a warning to companies not yet participating: "If you're just starting now, you're pretty late."

"Every day, more people are finding new ways to provide innovative products and services electronically."



Internet activities attack inefficiencies, provide opportunities.

opportunities

VerticalNet is the model which companies of all sizes are using to take advantage of E-commerce opportunities.



E-commerce capabilities are changing the way business is conducted. Forrester Research points to “aggregators” as one example of how new business communities are created. This is where a company such as VerticalNet pools supplier resources to create “a searchable, one-stop shopping mall with predefined prices for buyers within a business community.” This allows “geographically dispersed buyers and sellers to find each other fast.”

Auctions are also highlighted as a way to create markets and reduce sellers’ losses. Forrester notes that online auctions pit buyers against each other to purchase seller surplus...and that sellers and buyers can participate in multiple, real-time auctions simultaneously — without accruing physical-world search and travel costs.⁴

These online communities are important because, according to *Business Marketing Magazine*, companies in highly competitive industries must understand that prospective customers *will not* beat a path to their doors unless they become part of a “vertical portal” site that hosts several partner companies within a specific industry.⁵ Company Web sites are enhanced by being part of linked vertical communities. VerticalNet is the model which companies of all sizes are using to take advantage of E-commerce opportunities.

The Internet is also proving to be more cost-efficient than traditional media. In an examination of business-to-business lead costs, *Business Marketing Magazine* reported that “The cost per lead in E-commerce is dramatically lower than print or being listed in a ‘card deck,’ a bagged stack of 3x5 cards mailed directly to potential customers.”

Another report compared the response to a 30-day free trial offer via e-mail compared to fax and direct mail. The program results were 6.2% response for e-mail, 1.6% for fax, and 1.1% for postal. And the program allowed respondents to accept the free trial and update their address information in the e-mail reply.

E-mail, as well as banner ads and other forms of advertising, are techniques used by VerticalNet to drive industry participants to their targeted online communities and to participate in E-commerce.





New purchasing patterns and methods.

A recent survey showed that 58.4% of companies will be using E-commerce for at least 25% of their purchases during the next 12 months.

purchasing

This rapid projected and real growth of E-commerce is supported by an online survey of 2,000 businesses, cosponsored by the marketer of an enhanced purchasing card. It showed that 58.4% of companies will be using E-commerce for *at least 25% of their purchases* during the next 12 months, with *11.2% using it for half their purchases*.⁶ This is a dramatic change from the 2.9% who currently go online for half their purchases.

One reason that online purchasing is escalating so rapidly is because E-commerce is allowing firms to reconsider which functions they should perform “in-house” and which are best provided by others. The Commerce Department says the new technology has helped to create new relationships and to streamline and augment supply chain processes. As these changes are occurring, the roles of logistic and financial intermediaries (e.g., FedEx, UPS, American Express) are expanding.

Like the survey sponsor, American Express is also offering an enhanced purchasing card “which supports online purchasing by facilitating the process of placing an order, fulfillment, reconciliation, data management and program maintenance.” This shift in process has security and economic benefits. The survey sponsor says the card provides “an audit trail and a way to identify all the players in a transaction.” And American Express, in conjunction with Ernst & Young Management Consulting, claims that the enhanced card “used in conjunction with an E-purchasing system can help companies streamline the purchasing process for a total savings of up to 95 percent compared with manual purchase orders.”

At the beginning of 1999, only 20% of companies with 5,000 or more employees had some sort of E-commerce functionality. Forrester Research predicts the number will grow to 92% by 2002.

The future is now.

future

Access Media International, a New York-based research firm, says that of the 7.1 million small businesses in the U.S. [defined as fewer than 100 employees], 2.5 million are online and by the end of 1999 more than 2 million will have their own Web site [compared to 900,000 at the beginning of the year].

That growing reliance on E-commerce is also supported by the following independent research, which demonstrates the increasing dependence on VerticalNet targeted communities for information and purchasing.

The following data — which is projectable across all online communities — clearly shows that the best way to build brand and image, and to get your share of E-commerce sales, is to become part of an industry-specific VerticalNet community. We urge you to review the following report, then call a VerticalNet representative to review specifics.

Notes:

1. Business Marketing, E-Commerce sites return investment, netb2b.com/cgi-bin/print_article.pl/article/1194.
2. Media Metrix Chronicles the ‘History’ of the Internet, March 18, 1999 (<http://www.mediametrix.com>).
3. The Emerging Digital Economy, U.S. Department of Commerce, June 1999.
4. The Emerging Digital Economy II, U.S. Department of Commerce, June 1999.
5. Business Marketing, One-stop shopping, netb2b.com/cgi-bin/print_article.pl/article/1187.
6. Business Marketing, Study: More companies to buy online, netb2b.com/cgi-bin/print_article.pl/track7/753.

...the best way to build brand and image, and to get your share of E-commerce sales, is to become part of an industry-specific VerticalNet community.

VerticalNet Executive Summary of Research Findings



Sales Activity

Visitors to VerticalNet Online Communities translate into sales.

- Nearly one out of every two inquirers (46%) had either *purchased* or was *considering purchasing* a product from an advertiser, based on the contact made through the VerticalNet community. 12% said they had purchased the item they had inquired about, 34% indicated they still had the purchase under consideration.
- The average amount of the initial purchase was \$23,000.
- Estimates of business-to-business E-commerce revenue continue to be revised upward. Forrester Research, a leading Internet analyst, says that sales will top \$100 billion in 1999 and jump to more than \$250 billion in 2000. By 2003, revenue could reach \$1.3 trillion.
- At the time of the survey 19% of respondents had made an additional purchase, 22% were considering an additional purchase.



E-Commerce Potential

Online sales are a reality for 7 out of 10 VerticalNet inquirers.

- 71% of the respondents, across the 27 communities surveyed, indicated they would consider purchasing the item they inquired about online.
- Most cited ease and speed of the online transaction — along with convenience — as their reason for making a purchase online.
- 77% of inquirers surveyed said they will visit their community again... and more than half of all prospects surveyed visit their community at least once a month.
- By the year 2003, it is expected that Internet revenue will reach the “E-commerce threshold” — the time when E-commerce is not only a viable option for buying and selling, but a commonplace occurrence.



Audience Draw – Not Audience Reach

VerticalNet Goes Beyond “Audience Reach” to deliver “Audience Draw.”

- With 1,461,605 user sessions in a recent month, VerticalNet delivers an audience of purchasing decision-makers like no other medium. Unlike trade publication circulation figures, VerticalNet user sessions represent active information seekers and shoppers who are drawn to specific online communities to satisfy distinct needs.
- **32% approve or authorize purchases x 1,461,605 user sessions = 467,714 purchase approvers per month.**
- **41% make final purchasing decisions x 1,461,605 user sessions = 599,258 final decision makers per month.**
- **67% recommend purchasing decisions x 1,461,605 user sessions = 979,275 purchase recommenders per month.**



Buying Authority/Influence

VerticalNet Online Community users have substantial influence and authority over the purchasing process.

- 67% of respondents directly influenced the purchase of product.
- 41% of respondents decide on the manufacturer or product.
- 32% of respondents approved or authorized the purchase.
- On average, respondents with purchasing responsibilities average \$350,000 in annual purchases.



Product Awareness

VerticalNet is a preferred method for obtaining product information.

- More than three-quarters (76%) of respondents indicated that a VerticalNet online business community is among the top three sources they use to get product information.
- Nearly one out of every three decision makers come to our business communities every other week to find information on products or vendors.



Advertiser Awareness

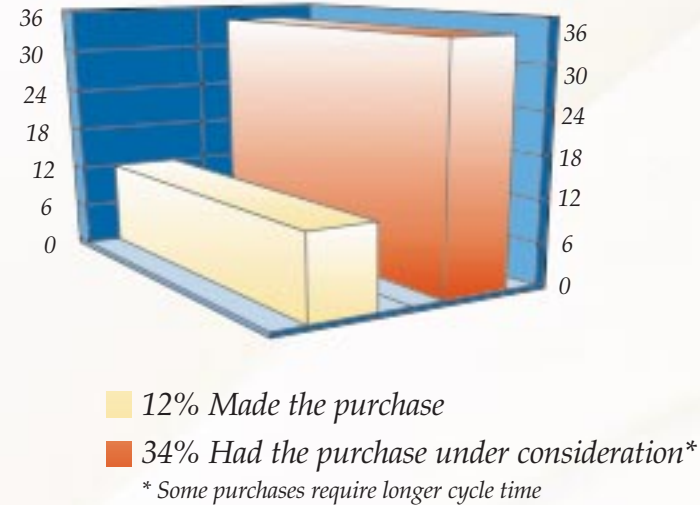
VerticalNet Online Communities make advertising pay off.

- Results showed that VerticalNet online communities bring many buyers and sellers together for the first time.
- About half of the respondents (49%) who purchased products indicated they were not aware of the advertiser from whom they purchased, prior to coming to a VerticalNet online community.

The data above is based on a combination of telemarketing and online surveys of 1,300 respondents on VerticalNet's online communities that yielded a margin of error of +/-2.7% at a 95% confidence level. The findings are highly accurate and projectable to VerticalNet's 40+ online communities. For more information, see page 19 of this report.

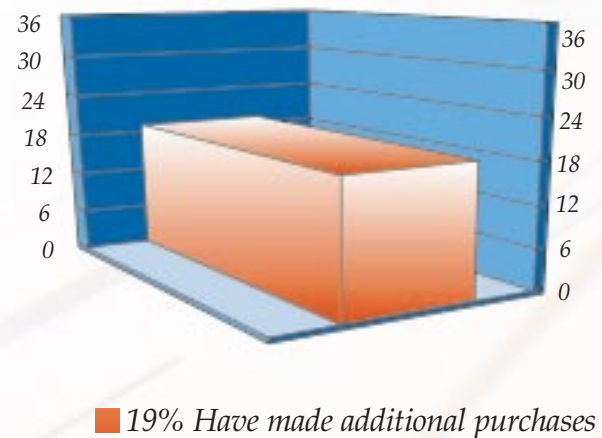
Generate quality leads with VerticalNet.

- More than one of every ten visitors to a VerticalNet community purchases a product or service based on information received.
- More than one out of every three visitors to a VerticalNet community had the purchase of the item they inquired about under consideration.

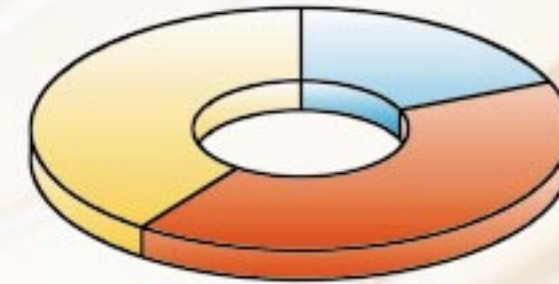


Reduce your lead cost with repeat business. VerticalNet purchasers are repeat customers.

- One out of five purchasers buy again from the same vendor.
- VerticalNet's mix of content, community, and commerce attracts repeat business.



VerticalNet delivers industry and product information that attracts visitors.



Three of four prospects rate VerticalNet as a key source for industry information.

- Among top three choices for industry information: 75%.
 - First choice for industry information: 30%.
 - Second choice for industry information: 31%.
 - Third choice for industry information: 14%.

VerticalNet doesn't "reach" a static audience; VerticalNet "draws" an active audience.



VerticalNet audience draw brings active information seekers and shoppers who have purchasing authority.

Monthly draw of purchasing decision makers:

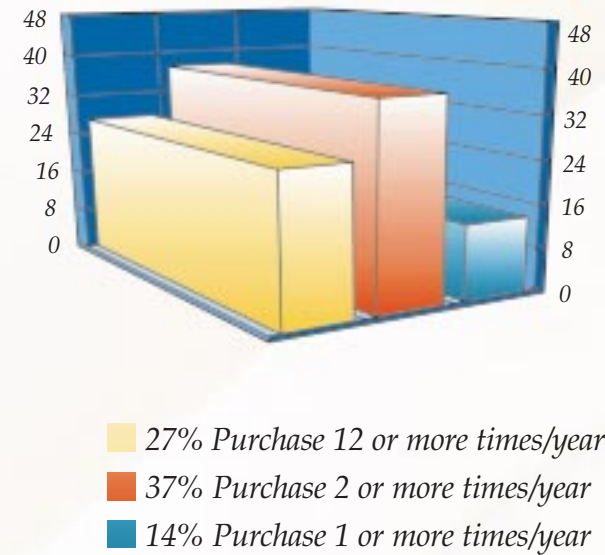
- 467,714 purchase approvers.
- 599,258 final decision makers.
- 979,275 purchase recommenders.

*Based on recent figures of 1,461,605 user sessions per month, and quantitative audience survey results of purchasing authority.

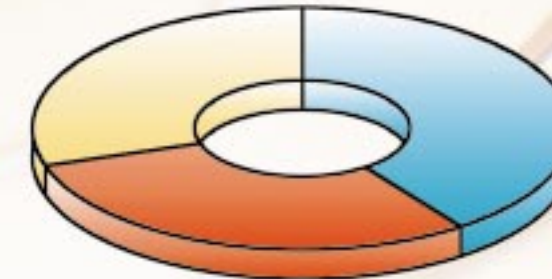
Buyers stay with online sellers, delivering a high lifetime value.

Purchasers are frequent purchasers:

- 27% purchase at least 12 times/year.
- 37% purchase at least 2 times/year.
- 14% purchase at least 1 time/year.



VerticalNet delivers big-ticket buyers.



- 30% of purchases average \$72,000
- 40% of purchases average \$4,800
- 30% of purchases average \$400

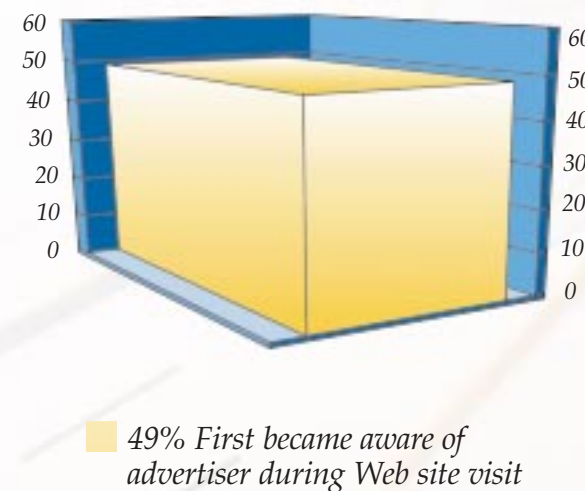
Product purchases for material/equipment average between \$400 and \$72,000.

- 30% of all purchases average \$72,000.
- 40% of all purchases average \$4,800.
- 30% of all purchases average \$400.

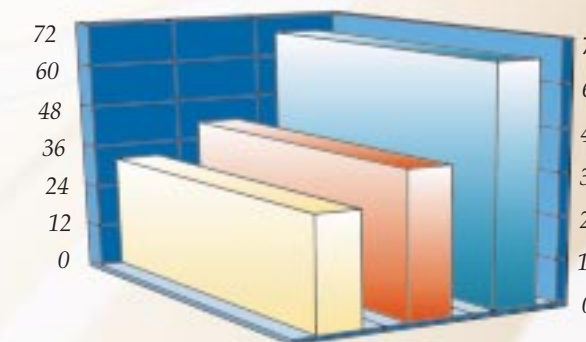
VerticalNet forges online relationships.

VerticalNet advertisers receive increased exposure, leads, and sales.

- The Web site was the initial source of awareness of the advertiser for about half of the prospects.



VerticalNet attracts a “let’s-do-business” audience.



- 32% Approve or authorize purchases
- 41% Make the final purchasing decisions
- 67% Recommend products or manufacturers

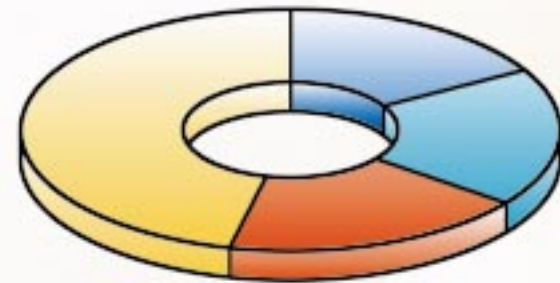
VerticalNet sales leads have significant purchasing power:

- 32% approve or authorize purchases.
- 41% make the final purchasing decisions.
- 67% recommend products or manufacturers.

VerticalNet buyers purchase a range of equipment types.

Sales results are projectable across all industries!

- 18.4% Mechanical Equipment/Machinery.
- 18.4% Analysis/Test and Measurement.
- 16.8% Electrical/Electronic Equipment.
- 46.4% All Others.

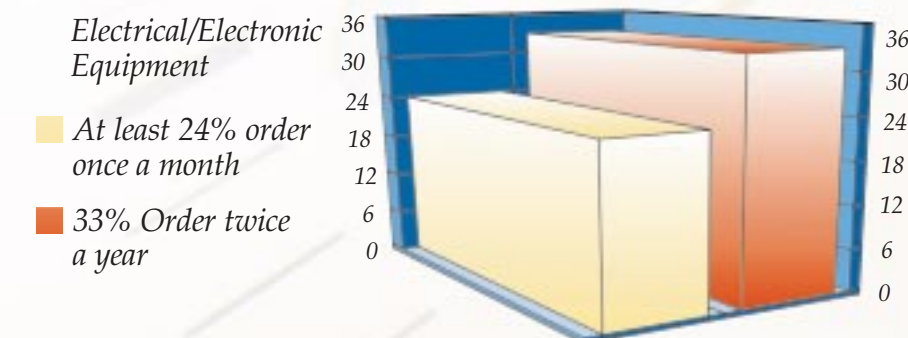
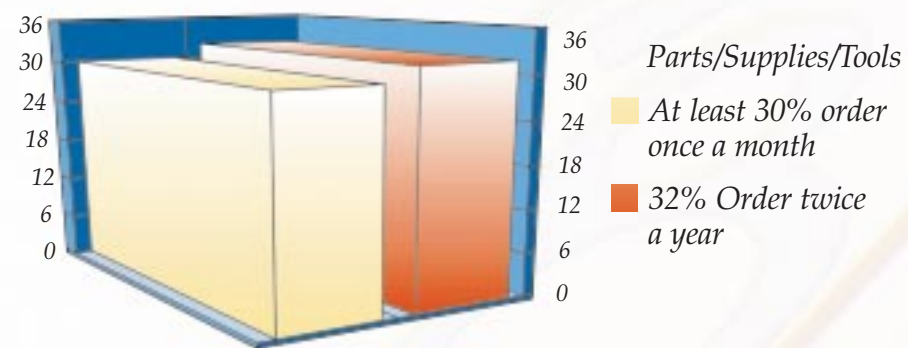


- 18.4% Buy Mechanical Equipment/Machinery
- 18.4% Buy Test and Measurement Equipment
- 16.8% Electrical/Electronic Equipment
- 46.4% All Others

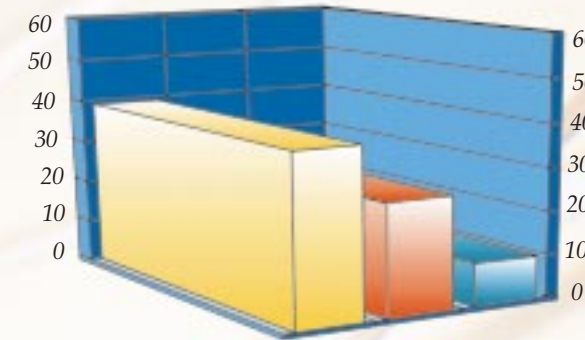
Most Frequently Purchased Equipment:

VerticalNet buyers purchase equipment frequently.

- Parts/Supplies/Tools.
 - At least 30% order once a month.
 - 32% order twice a year.
- Electrical/Electronic Equipment.
 - At least 24% order once a month.
 - 33% order twice a year.



VerticalNet sales leads are primarily from engineers and managers.

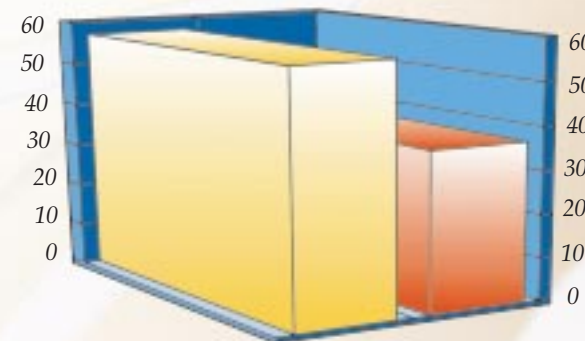


- 39% Engineers
- 26% Managers
- 10% Executives/Directors/Consultants

SALES LEADS:

- 39% are Engineers.
- 26% are Managers (operations, sales and marketing, engineering, purchasing).
- 10% are Executives/Directors/Consultants.

Industry-specific content attracts the visitors you want.



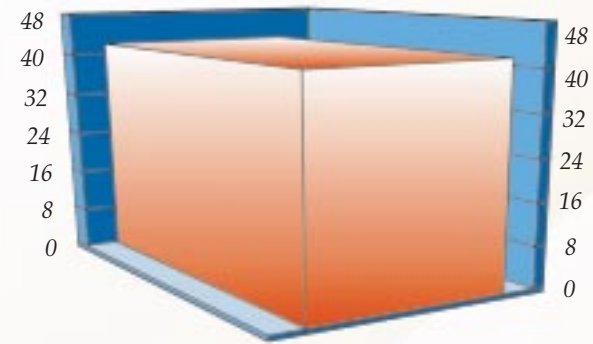
- 57% Managers with final decision on purchases
- 37% Engineers with final decision on purchases

- 57% of Managers make final decisions on purchases.
- 37% of Engineers make final decisions on purchases.

Leads come from all directions.

Many VerticalNet visitors inquire about products from other vendors.

- Of the visitors who made an inquiry with a specific vendor, 42% also inquired about products from other vendors on VerticalNet's online communities.

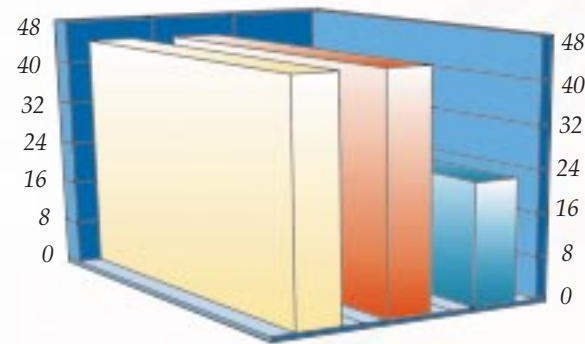


■ 42% Inquired about products from other vendors on VerticalNet communities

VerticalNet buyers prefer to purchase directly online.

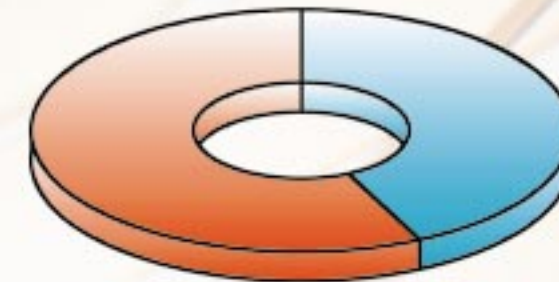
VerticalNet buyers find purchasing online fast and convenient.

- 44% find it easier to choose/browse/reduce paperwork.
- 44% find it faster in general/faster than by phone.
- 23% find it convenient to order from their desk and like the ability to get all information needed/required.



■ 44% Find it easier
■ 44% Find it faster
■ 23% Find it convenient to order

VerticalNet drives customers to visit again and again.

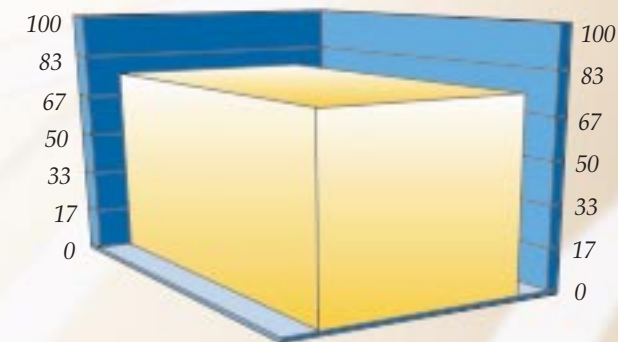


■ 44% Definitely will use it again
■ 33% Probably will use it again

The vast majority of site visitors will use it again in the future.

- 77% will use.
 - 44% definitely will use.
 - 33% probably will use.

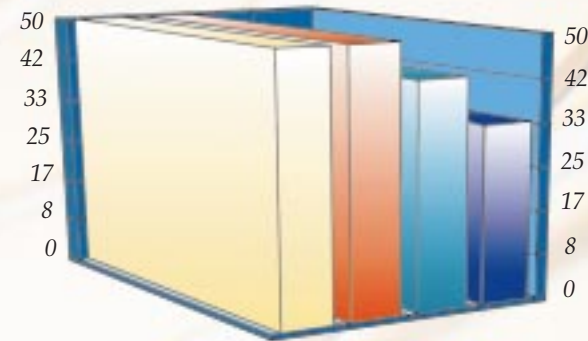
VerticalNet buyers have real purchasing authority.



■ 76% Willing to buy online and have the authority to do so

- Most of those site visitors who are willing to make a direct online purchase (76%) have the authority to do so.

VerticalNet's community concept increases your cross-selling opportunities.



- 50% Electrical/Electronic Equipment
- 50% Spare Parts/Replacement Parts
- 43% Analysis/T&M Equipment
- 34% Computers and Peripherals

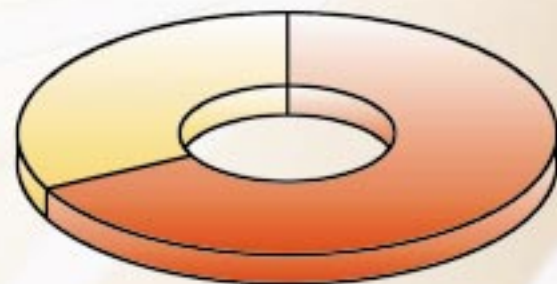
VerticalNet sales cut across many markets.

Visitors seek specific items, but also purchase items from other vertical communities.

For example, purchasers of mechanical equipment/machinery also purchase:

- Electrical/Electronic Equipment: 50%.
- Spare Parts/Replacement Parts: 50%.
- Analysis/T&M Equipment: 43%.
- Computers and Peripherals: 34%.

Get your share of online purchasing with VerticalNet.



- 23% Definitely would purchase online
- 48% Would consider purchasing online

The potential for your business to grow online is significant.

- 71% of people who purchase products would actually purchase or consider purchasing the product online.
- Definitely would purchase product(s) online: 23%.
- Would consider purchasing product(s) online: 48%.

About this research report...

research

The following data is the result of a combination online and telemarketing study to determine the value and effectiveness of online purchasing and advertising on one or more VerticalNet communities.

Telephone Interviews

In April 1999, Attitude Measurement Corporation [Southampton, PA] conducted 453 telephone interviews among individuals nationwide who had made an inquiry to one of five VerticalNet communities to request information or a bid: Chemical Online, Water Online, Medical Online, Wireless Design Online, and Food Online. VerticalNet provided a list of prospects or sales leads who had made inquiries between September 1998 and January 1999, and interviews were conducted in proportion to the number of sales leads for each of the five communities.

Sample

- 2,859 product center leads from 5 VerticalNet Web sites
- 9/1/98 through 1/31/99

Survey Response and Accuracy

- Completion rate of 15.8%
- Survey data accurately estimates within +/- 5%

Research Caveats

- Some findings are based on small sample size

Online Survey

In May, 1999, CustomerSat.com [Menlo Park, CA] conducted an Internet survey to assess member satisfaction and purchasing intentions by VerticalNet online communities. Personalized e-mail invitations were sent to approximately 6,000 online community members. Approximately 925 visitors responded (approximately 15%).

Sample

- 5,900 product center leads from 22 VerticalNet Web sites
- 9/1/98 through 4/14/99

Survey Response and Accuracy

- Completion rate of 15%
- Margin of error +/- 3.5% at 95% confidence
- Confidence testing at 80%-90%
- Positive Respondent Identification* (PRI)

Research Caveats

- Sample bias (non-random sample)
- Response bias (self-selecting)
- Self-administered instrument

Complete study, including research techniques, available on request.