

The logo features the letters 'Q', 'R', and 'S' in a bold, red, serif font with a white outline. The 'Q' is stylized with a tail that loops back. The letters are set against a dark blue background with faint, light blue circular patterns. A small 'TM' trademark symbol is located to the right of the 'S'.

QR STM

Retail B2B e-Commerce Leadership

QRS Mission

We Provide B2B e-Commerce Services to the Retail Industry



QRS Snapshot

- Founded in 1988, IPO in 1993 at \$8.00 per share
- Four B2B e-commerce service groups
- Established user base of approximately 8,500 customers
- Headquartered in San Francisco Bay Area
- Approximately 400 full-time employees
- LTM revenues of \$119 million, net income of \$22 million
- Sequential revenue growth over past 25 quarters

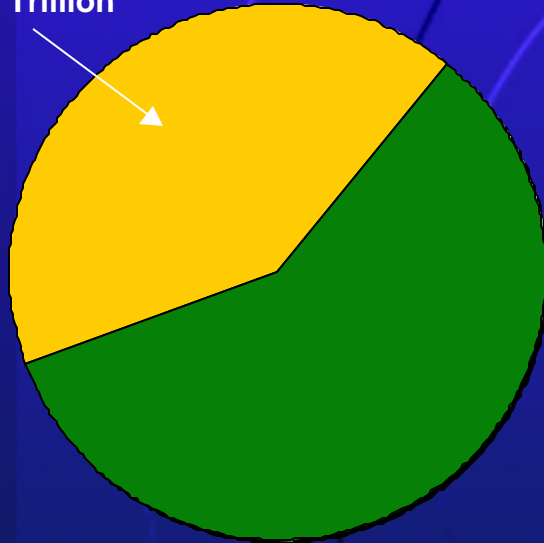
Investment Highlights

- Huge B2B e-commerce market opportunity
- Leader in retail B2B e-commerce services
- Recently introduced Tradeweave Internet community and marketplace
- Leverageable industry expertise, customer network and content assets
- Highly efficient distribution strategy
- Expanding into new markets - grocery and international
- Proven recurring revenue model

Very Large Market Opportunity

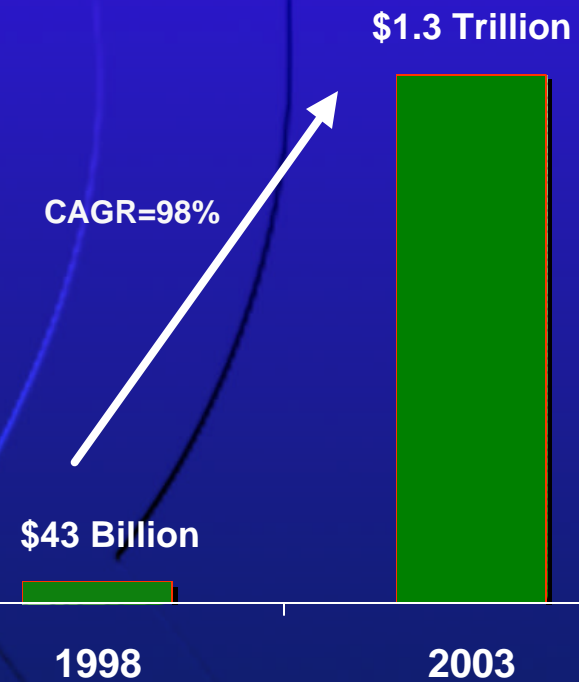
Global Retail Sales

U.S. = \$2.7 Trillion



Total size = \$6.5 trillion

B2B e-Commerce Growth



Source: Euromonitor, US Government.

Source: Forrester Research.

Retail Industry Today

- Highly fragmented and highly competitive
- Enormous inefficiencies
 - Estimated \$102B in operating inefficiencies per year
 - Merchandise stock-outs occur 8% rate
 - 20% of U.S. retail sales is excess merchandise
 - Over 80% of transactions still paper-based
- Opportunity and dislocations due to Internet
 - e-Retailing
 - Access to global customers and suppliers
- Limited time or resources to implement key technologies

From Supply Chain to Demand Chain

Customer



Retailer



Transportation



Wholesaler/Distributor



Import/Export



Manufacturer



Raw Materials

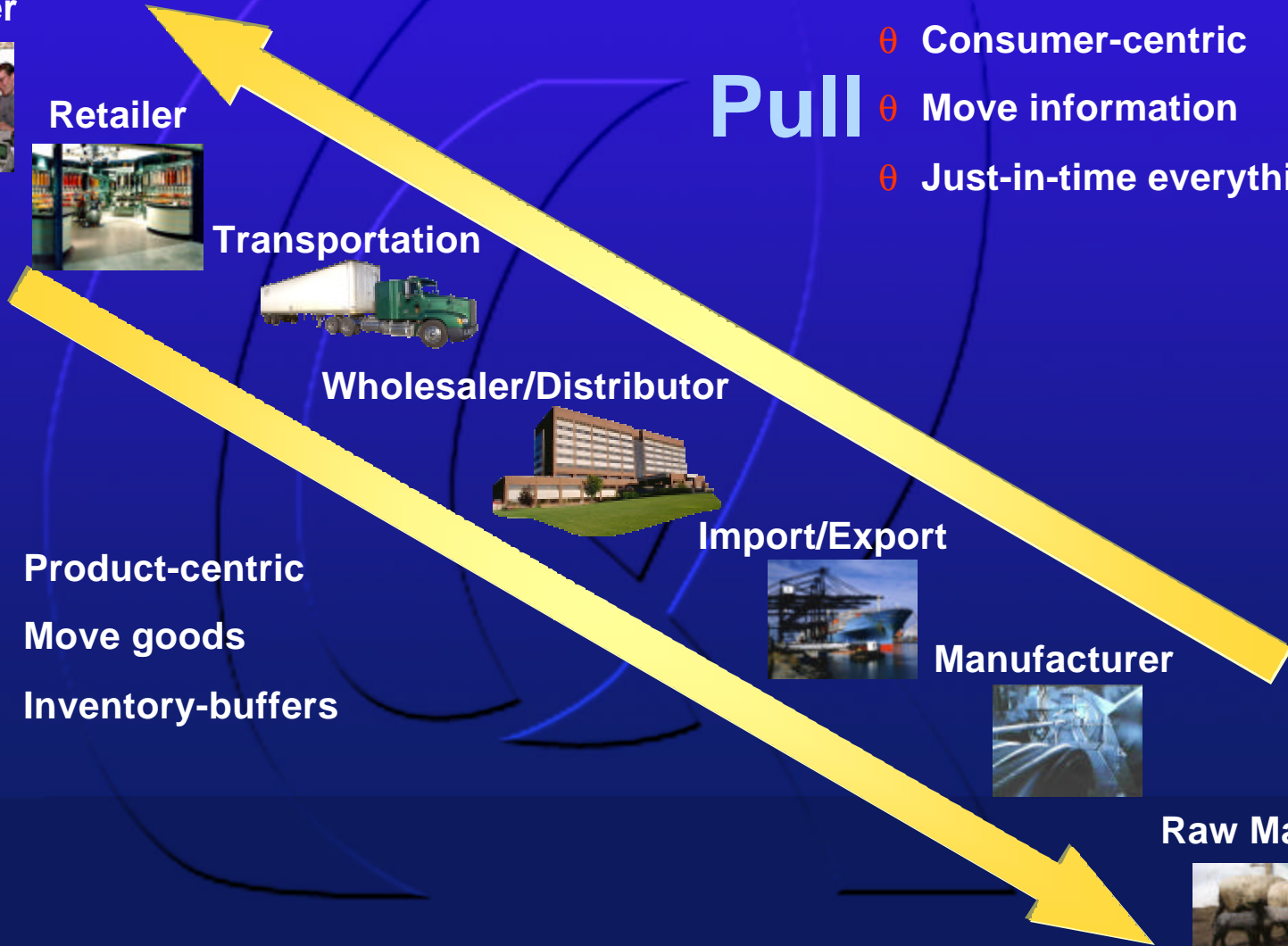


Pull

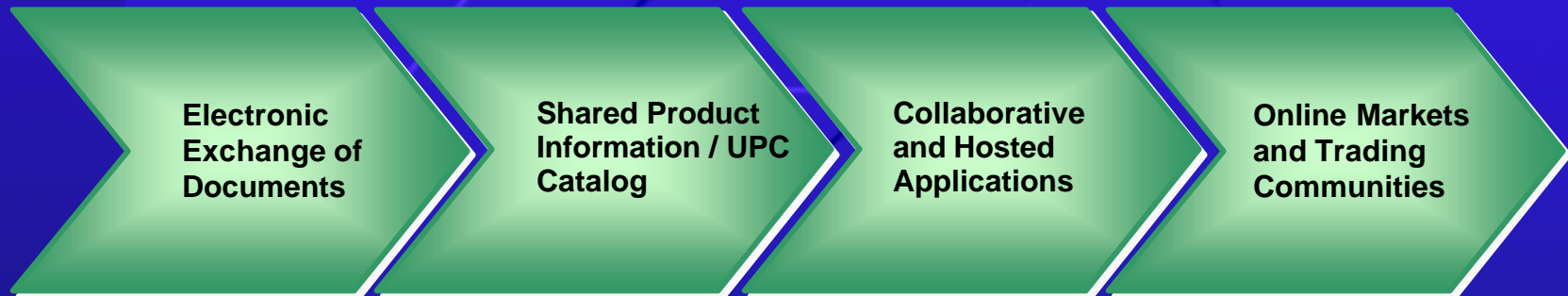
- ⊖ Consumer-centric
- ⊖ Move information
- ⊖ Just-in-time everything

Push

- ⊖ Product-centric
- ⊖ Move goods
- ⊖ Inventory-buffers



Stages of B2B e-Commerce Implementation



Retail still predominately paper based

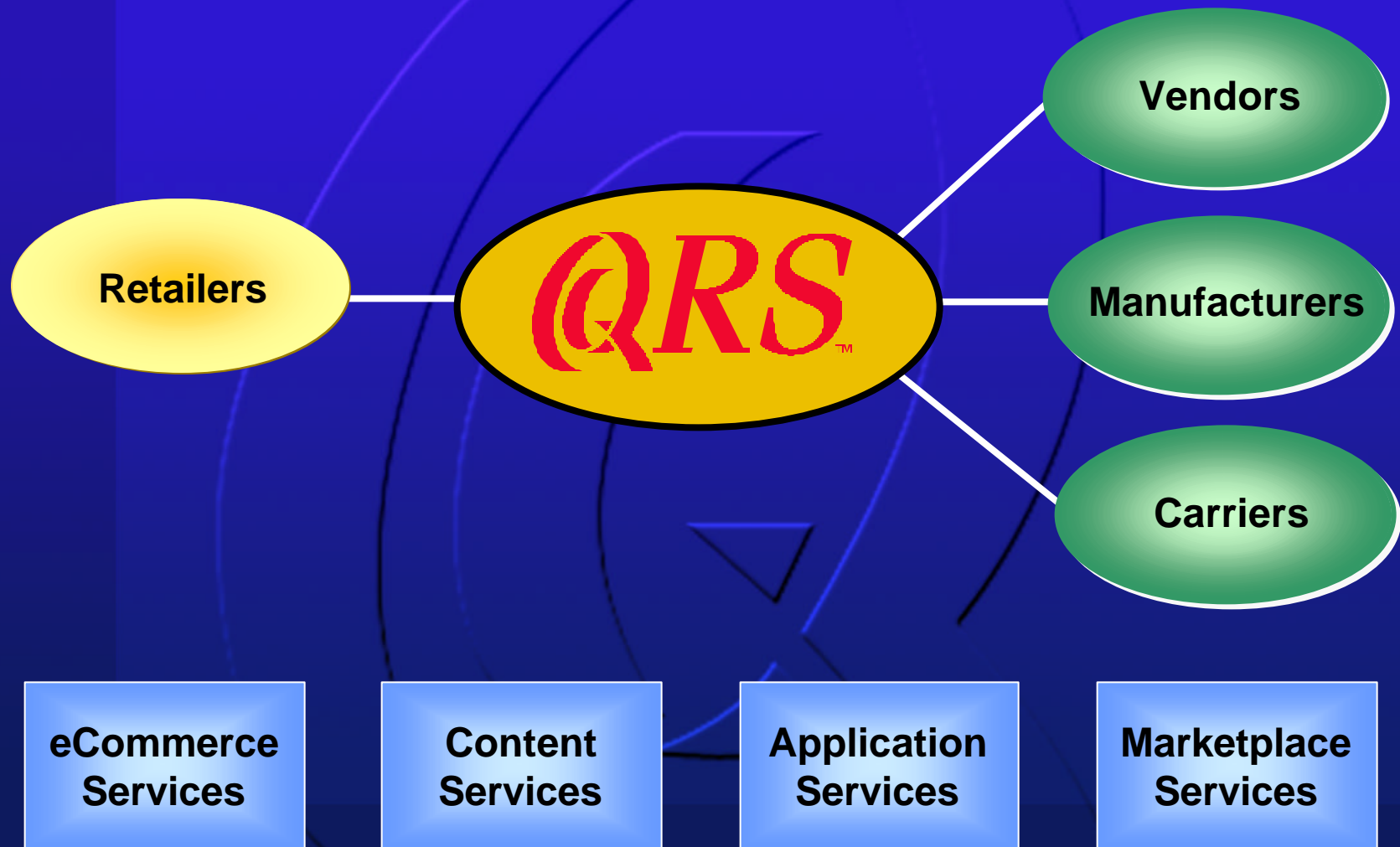
Reduced expenses
Reduced cycle time

Collaborative efforts are in their infancy

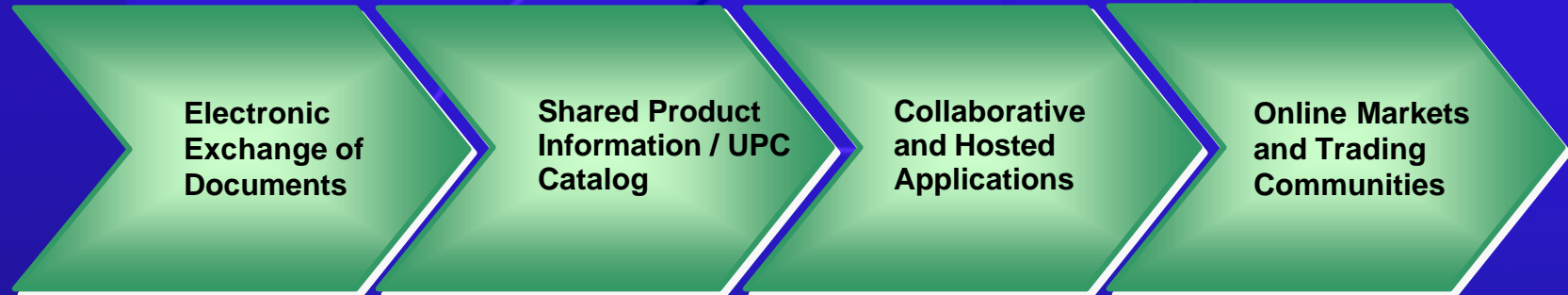
Reduced inventory costs
Network benefits
New customers and markets

➔ **Retail industry savings opportunity is \$102B**

B2B e-Commerce Services to the Retail Industry



QRS B2B e-Commerce Services



eCommerce Services



Content Services



Application Services



Marketplace Services



QRS Advantage



“Point to Point” Problems

- No standards
- Pockets of information
- No collaboration
- Redundant efforts

“Network” Benefits

- Time to market
- Shared information
- Increased efficiency
- Customer / market insight

eCommerce Services

100% solution for electronic exchange of documents



Foundation for QRS B2B
e-commerce services



Electronic exchange of
business documents



Outsourced e-commerce
services



Shipping application for
e-Retailers

- Services span the breadth of e-commerce technologies
 - EDI, XML, proprietary networks, Internet

Content Services

Backbone content for retail B2B e-commerce



Provides access to our database of product information with over 70 million items

- Retail industry's largest database of product information
- Increases information accuracy and speed
- Efficient means to maintain currency of dynamic information

Application Services

Hosted applications available online



Sales analysis tools for
retailers and vendors



Provides logistics
information and carrier
tendering to improve
merchandise movement
and tracking



Data collection and
market analysis of
competitive retail
pricing, promotion and
distribution information

- Access to sophisticated applications as an outsourced service
- Lowers upfront investment and ongoing costs and increase speed of implementation

Marketplace Services

Internet community and marketplace linking retailers and their trading partners



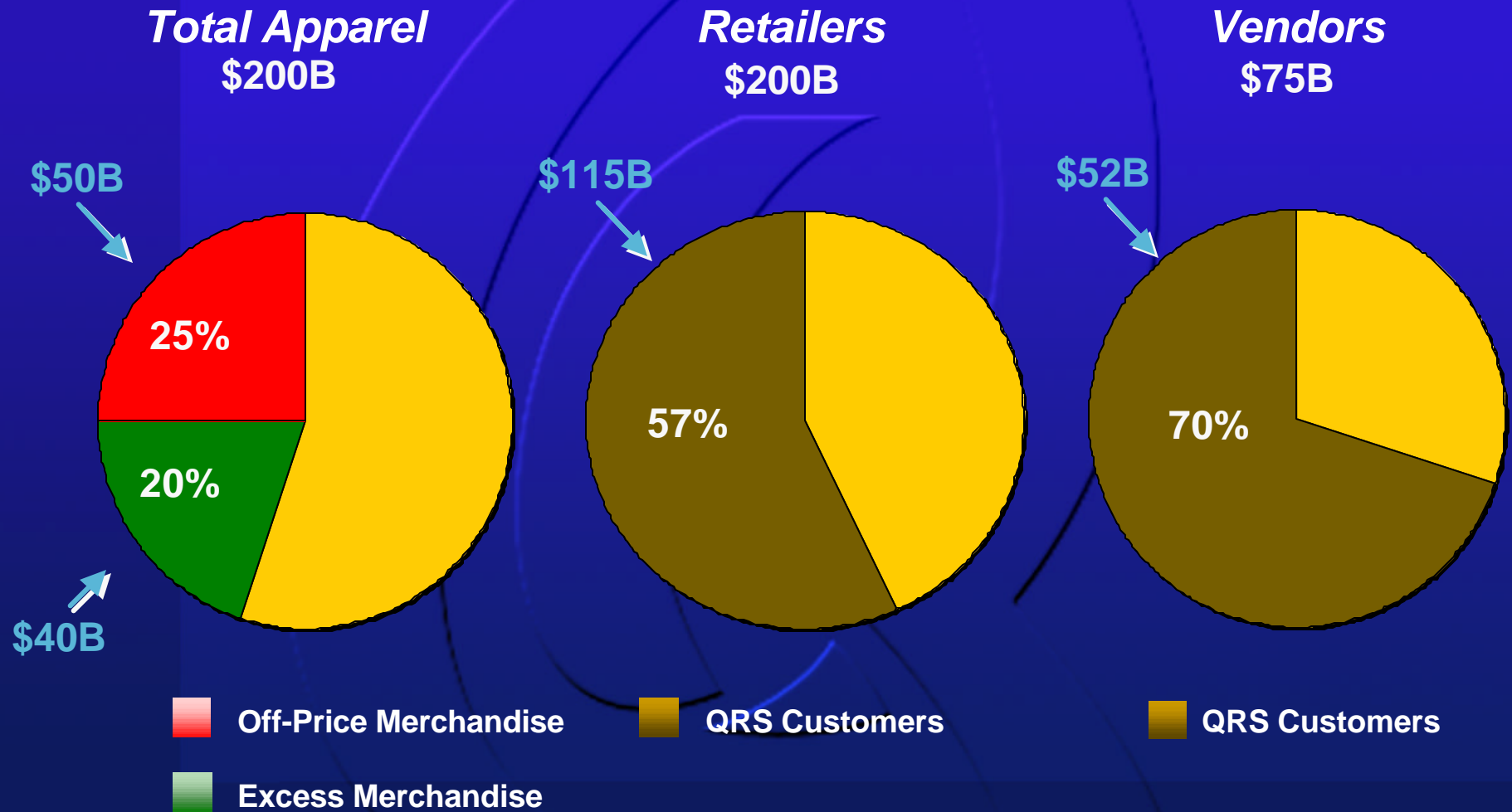
Online trading and auction of first-run and excess retail merchandise. Retail portal of industry content. Launch partners include Liz Claiborne, Donna Karan, and Dillard Department Stores.

- Reduces transaction and brokering costs
- Increased manufacturers' ability to service retailers with in-season merchandise
- Ability to target focused group of buyers

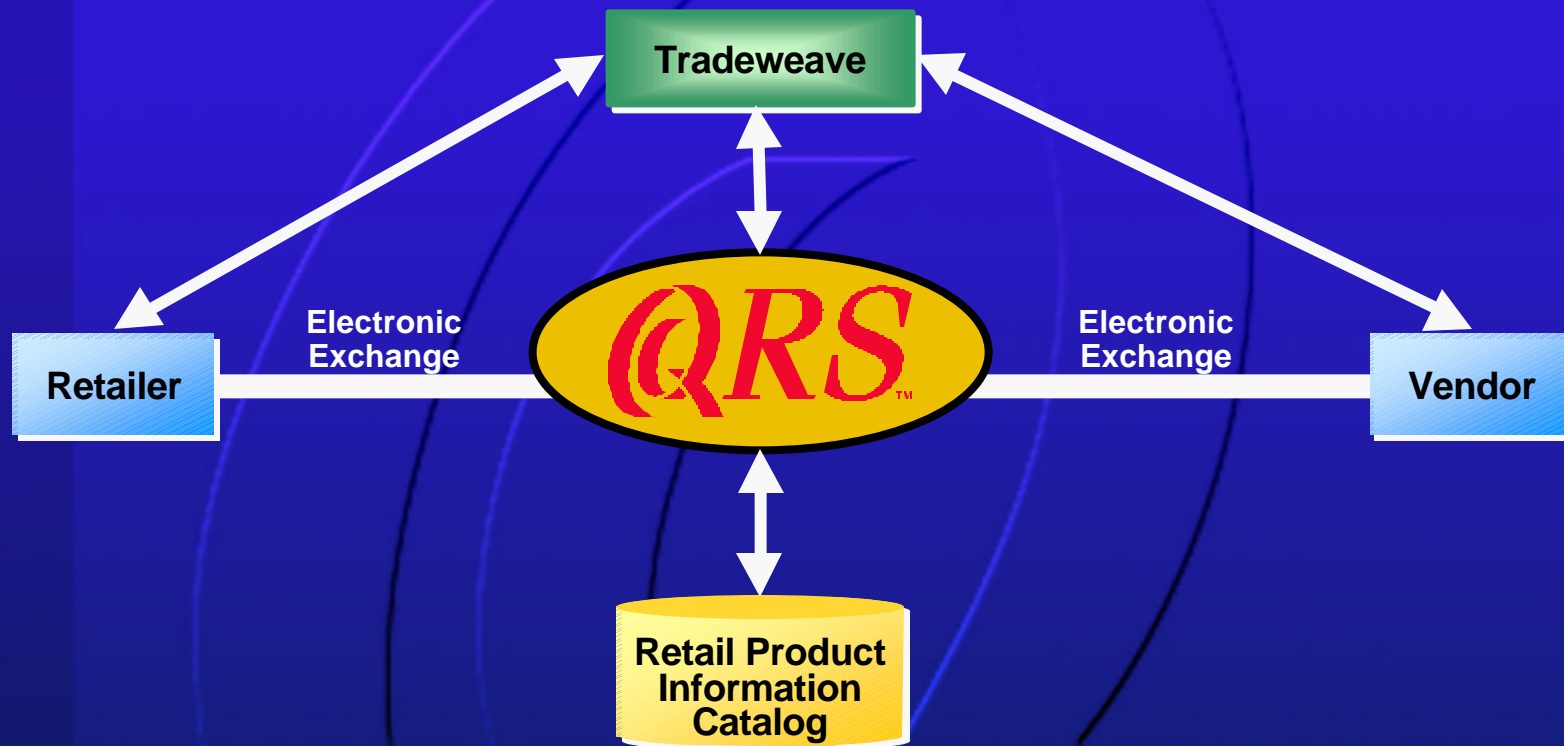
Tradeweave Opportunity

- Significant inefficiencies exist today
 - 20% of U.S. retail sales is excess merchandise
 - Excess merchandise typically disposed of at 25-40% of wholesale prices
- History
 - Initiated in Summer 1999
 - Time-to-market achieved through unique operating structure
 - Announced on December 1, 1999
- Market strategy
 - Initial focus on apparel and excess merchandise
 - Opportunities to cover full spectrum of first-run, in-season and excess merchandise
 - Longer term expansion into other retail segments and B2C

Tradeweave Market Sizing



Tradeweave Leverages QRS



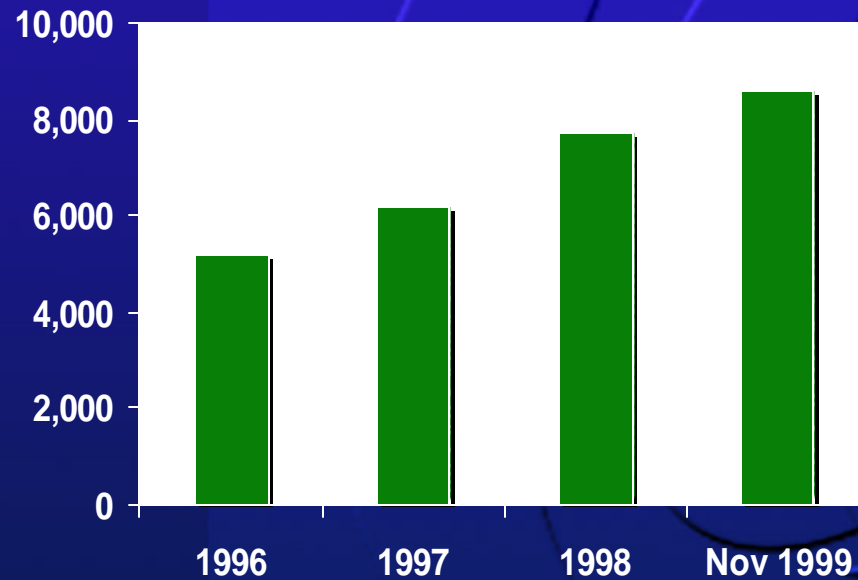
- Access to QRS technology, services and installed base
- QRS reputation as a trusted third-party

Retail Industry Leadership

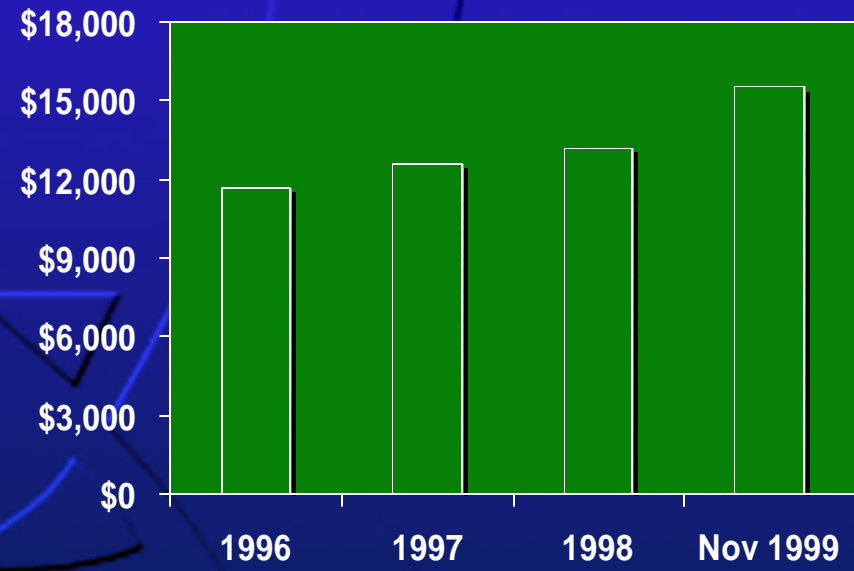


Strong & Growing Customer Base

Network of approximately 8,500 retailers, vendors, manufacturers and carriers



Number of Customers



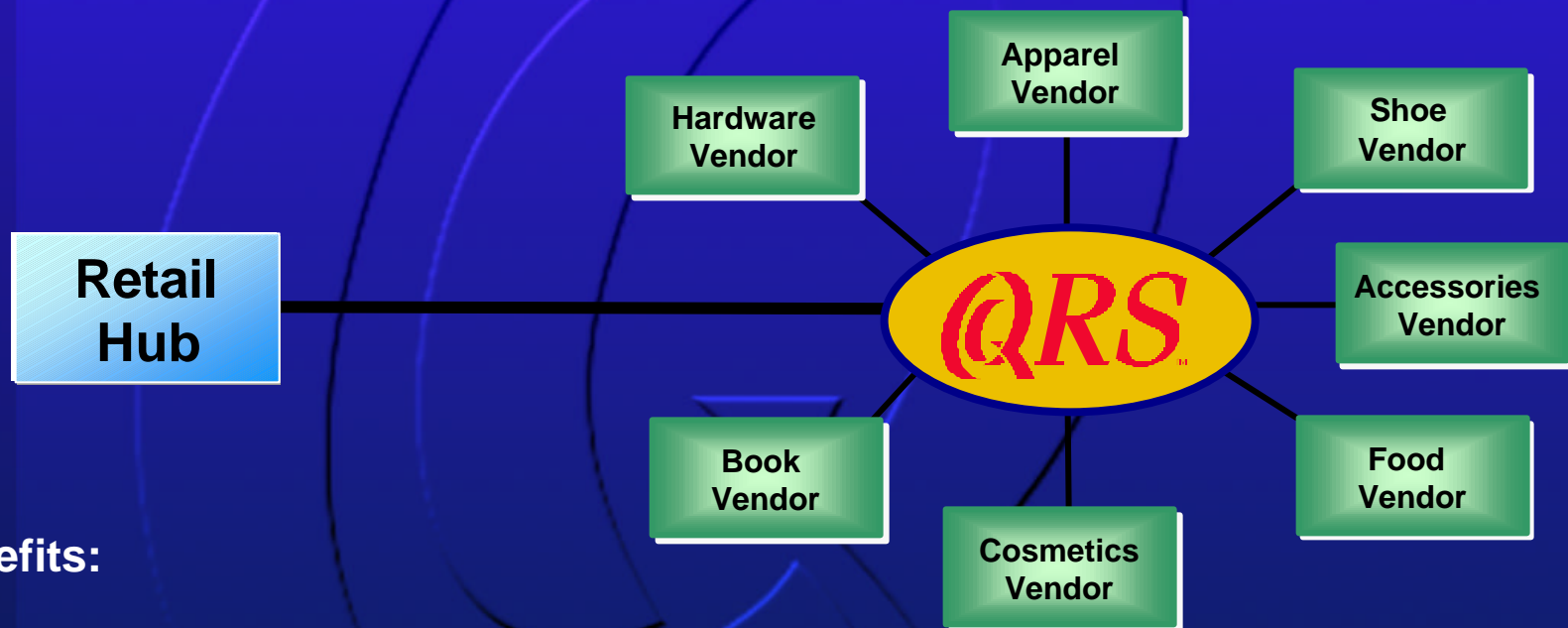
Revenue per Customer

Efficient Distribution Strategy

“Hub & Spoke” Distribution

One large retailer

Thousands of trading partners

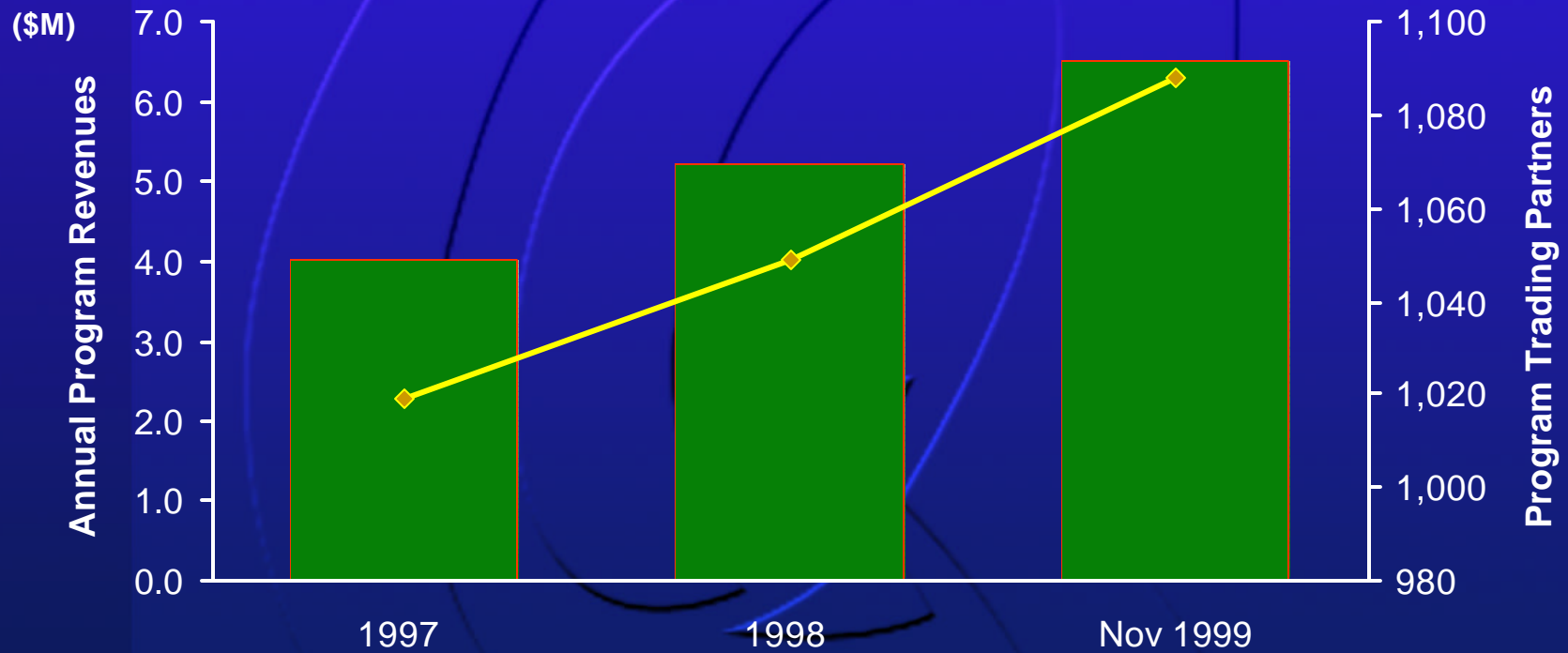


Benefits:

- “Mandated” by large retailers
- Cooperative marketing
- 95%+ recurring revenues
- Lower customer acquisition costs

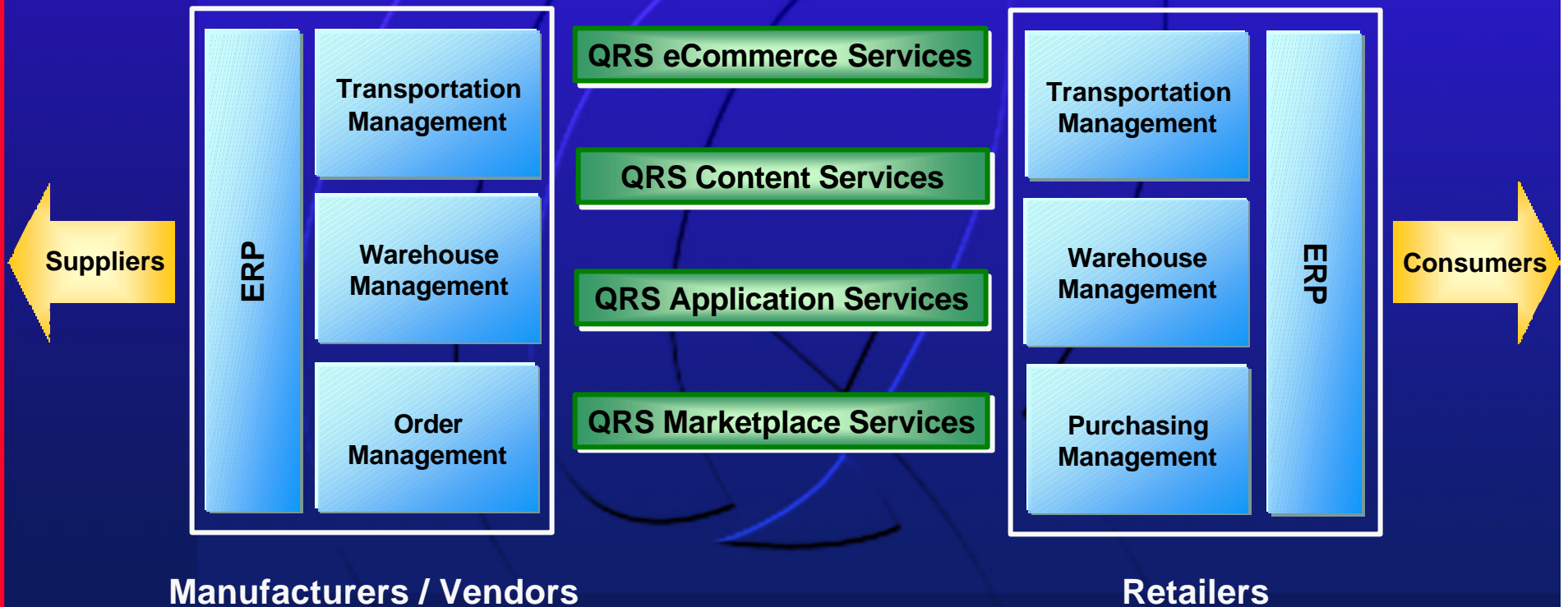
Distribution Case Study

Large Department Store



QRS B2B e-Commerce Roadmap

Retail Information Infrastructure



Manufacturers / Vendors

Retailers

 QRS positioning

eRetailers' Challenges

Sales

- Customer acquisition
- Pricing and promotions
- Customer retention and growth

Distribution

- Customer fulfillment
- DC and vendor logistics
- Operations staff

Merchandising

- Assortment editing and presentation
- Inventory management
- Merchandising staff



New Markets

Grocery

- \$550 billion market
- Similar challenges to other retail segments
- Next, natural expansion area for QRS services
- Leading customer base through RDS



International

- Globalization of retail industry and sourcing
- Leverage existing customer base, relationships and technology
- Early stage of adoption
- Significant destination for excess goods

Competitive Environment

Breadth
of
B2B
Services

Internet Capital Group
CMGI
VerticalNet



Ariba
CommerceOne
Tradeout.com
Sterling Commerce
GEIS

Retek

JDA

Retail Industry Focus / Expertise

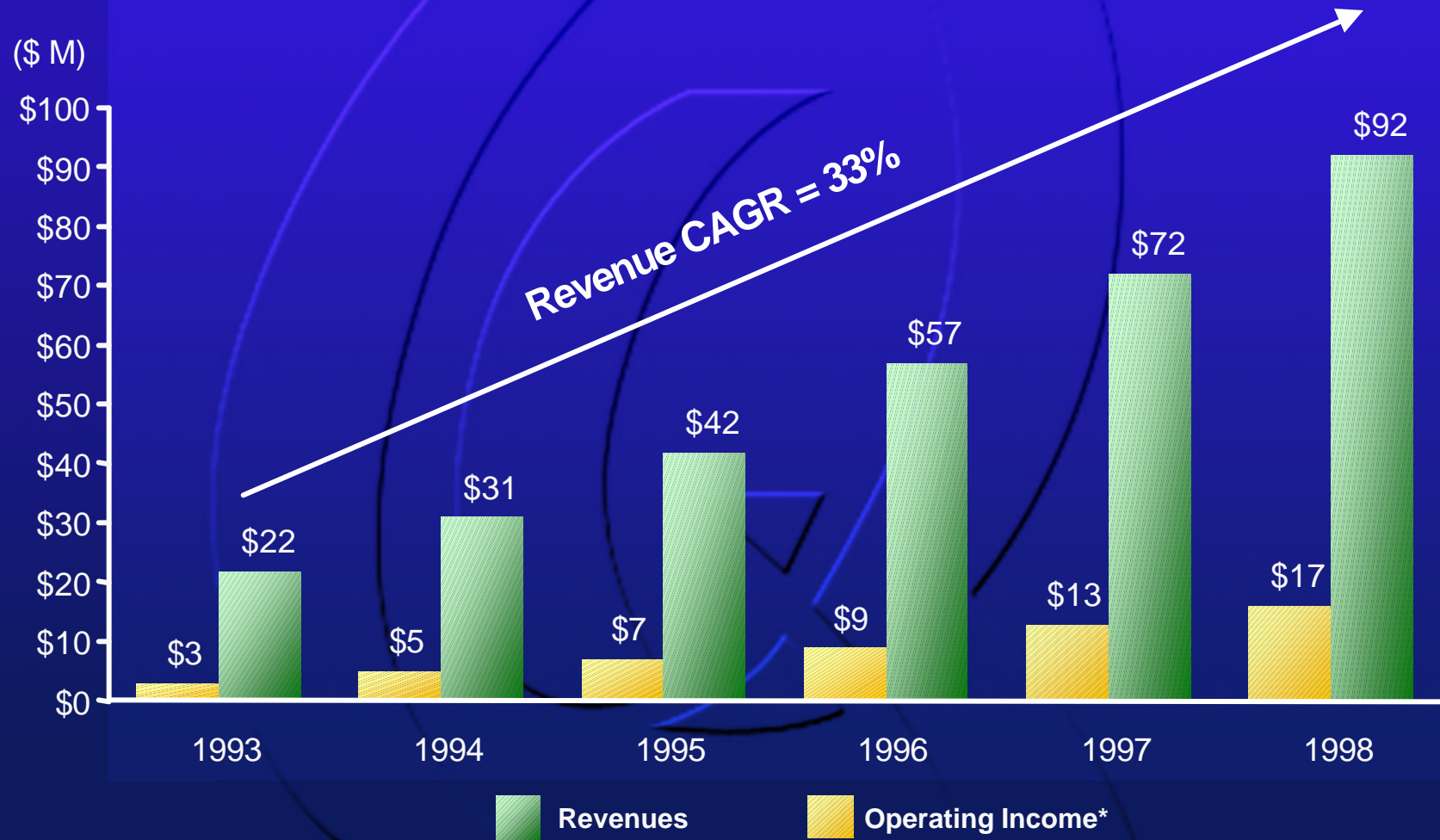
Experienced Management Team

Name	Position
Peter Johnson	Chairman
John Simon	Chief Executive Officer
Shawn O'Connor	President and Chief Operating Officer
Peter Papano	Chief Financial Officer
Glenn Dubois	VP, Sales
Gopi Sankarasubramani	VP, Technology
Allison Nelson	VP, Business Development
Phil Woodworth	VP, Content Services

Financial Highlights

- Recurring revenue model
- 25 quarters of sequential revenue growth since IPO
- Significant growth potential
- Huge opportunity in Tradeweave
- Attractive margins and cash flow
- Strong balance sheet

Annual Results



* Excludes non-recurring charges

Nine Months Comparison

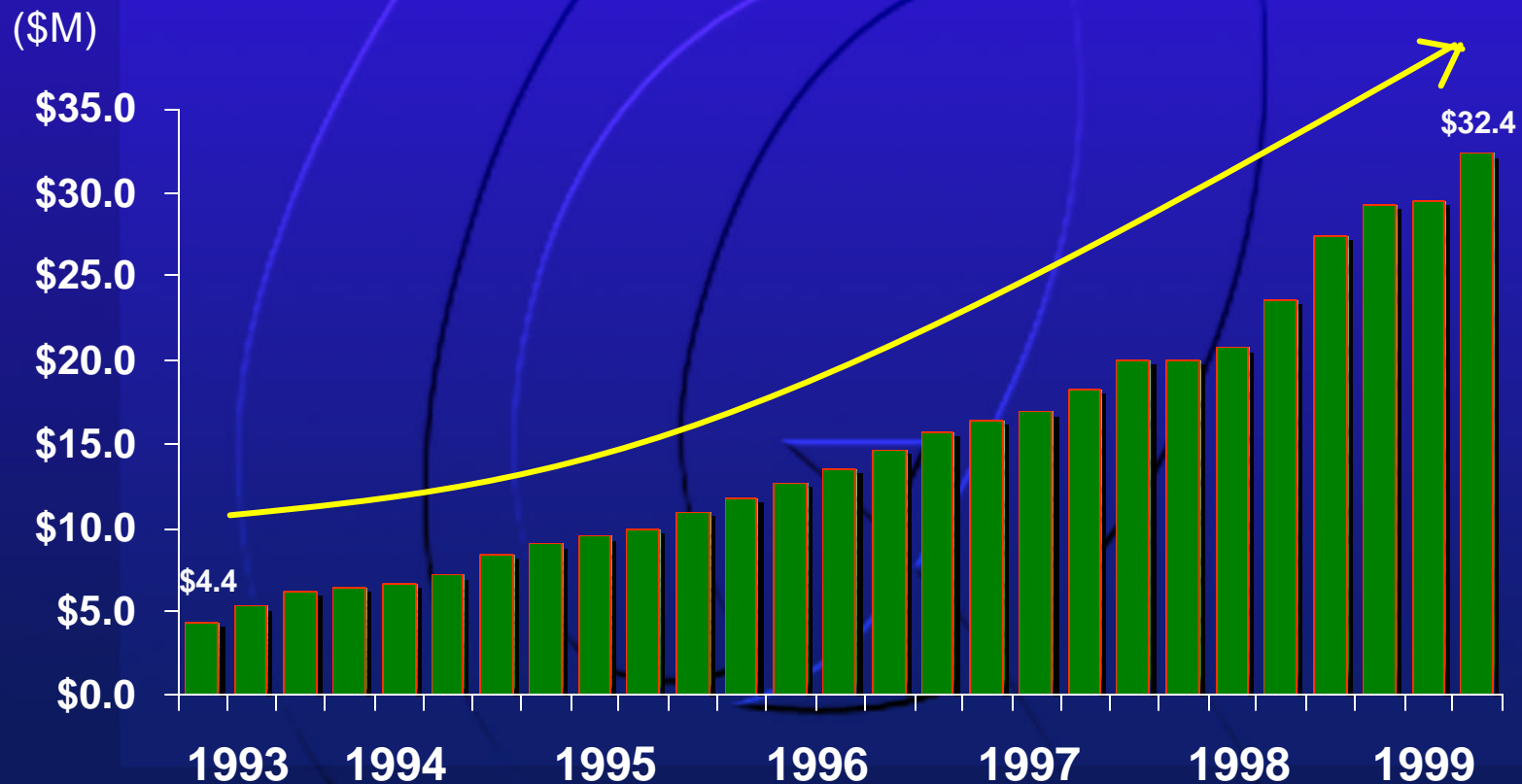
(\$'s in Millions)



* Excludes non-recurring charges

Quarterly Revenue Growth

25 consecutive quarters of revenue growth since IPO



Tradeweave Opportunity

- Structured as a “startup” within QRS
 - Time to market is critical
 - Focused incentives to attract key talent
 - Joint management
- Total investment to date of approximately \$5 million
- 90% QRS, 10% individuals
- Financial impact:

Near Term

Investment in:

- Infrastructure
- Sales & Marketing
- Product Development

Longer Term

Revenue Growth
Recurring Revenues
Attractive Margins

Financial Model

	9 mos 1999		Long-Term Target	Considerations
	\$M	%	%	
Revenue Growth	\$91.3	42%	40%+	<ul style="list-style-type: none"> • 25-35% near-term outlook • Upside from Tradeweave in late 2000
Gross Profit	44.2	48	50+	
Operating Expense	27.7	30	25 - 30	<ul style="list-style-type: none"> • Near-term impact from investment in Tradeweave
Operating Income	17.5	18	20+	<ul style="list-style-type: none"> • Near-term impact from investment in Tradeweave • Upside from Tradeweave long-term margin improvement opportunities

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