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

Total size = $6.5 trillion

U.S. = $2.7 Trillion

B2B e-Commerce Growth

$43 Billion

CAGR=98%

$1.3 Trillion


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

- **Product-centric**
  - Push: Move goods
  - Inventory-buffers
- **Consumer-centric**
  - Pull: Move information
  - Just-in-time everything

Roles:
- Customer
- Manufacturer
- Wholesaler/Distributor
- Import/Export
- Transportation
- Retailer

Raw Materials
Stages of B2B e-Commerce Implementation

Electronic Exchange of Documents

Shared Product Information / UPC Catalog

Collaborative and Hosted Applications

Online Markets and Trading Communities

Retail still predominantly paper based

Collaborative efforts are in their infancy

Reduced expenses

Reduced inventory costs

Reduced cycle time

Network benefits

New customers and markets

Retail industry savings opportunity is $102B
B2B e-Commerce Services to the Retail Industry

- Retailers
- Vendors
- Manufacturers
- Carriers

- eCommerce Services
- Content Services
- Application Services
- Marketplace Services
QRS B2B e-Commerce Services

Electronic Exchange of Documents

Shared Product Information / UPC Catalog

Collaborative and Hosted Applications

Online Markets and Trading Communities

eCommerce Services

Content Services

Application Services

Marketplace Services

QRS Concourse®
Connectivity Services

QRS Alliance®
Messaging Services

QRS ECES
EC Enabling Services

QRS Keystone®
Catalog Services

QRS IMS®
Inventory Management Services

QRS LMS®
Logistic Management Services

QRS RDS
Retail Data Services

QRS Tradeweave
Internet Community & Marketplace
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

Diagram showing interconnected stores and vendors with QRS in the center.
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

Total Apparel
$200B

- Off-Price Merchandise: $50B (25%)
- Excess Merchandise: $40B (20%)

Retailers
$200B

- QRS Customers: $115B (57%)

Vendors
$75B

- QRS Customers: $52B (70%)

$40B

$50B

$115B

$52B
Tradeweave Leverages QRS

- Access to QRS technology, services and installed base
- QRS reputation as a trusted third-party
Strong & Growing Customer Base

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

Number of Customers

Revenue per Customer

![Bar charts showing the growth in number of customers and revenue per customer from 1996 to November 1999.](chart.png)
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

Annual Program Revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>1997</th>
<th>1998</th>
<th>Nov 1999</th>
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<td>($M)</td>
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Program Trading Partners

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<th>Year</th>
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<th>1998</th>
<th>Nov 1999</th>
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<tr>
<td>980</td>
<td>1,000</td>
<td>1,040</td>
<td>1,100</td>
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QRS B2B e-Commerce Roadmap

Retail Information Infrastructure

QRS eCommerce Services
QRS Content Services
QRS Application Services
QRS Marketplace Services

Manufacturers / Vendors

Suppliers

Transportation Management
Warehouse Management
Order Management

Retailers

Transportation Management
Warehouse Management
Purchasing Management

Consumers

ERP

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

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<thead>
<tr>
<th>Internet Capital Group</th>
<th>CMGI</th>
<th>VerticalNet</th>
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<tr>
<td>Ariba</td>
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<td>Retek</td>
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<td>JDA</td>
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### Retail Industry Focus / Expertise
# Experienced Management Team

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<thead>
<tr>
<th>Name</th>
<th>Position</th>
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<tbody>
<tr>
<td>Peter Johnson</td>
<td>Chairman</td>
</tr>
<tr>
<td>John Simon</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Shawn O’Connor</td>
<td>President and Chief Operating Officer</td>
</tr>
<tr>
<td>Peter Papano</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Glenn Dubois</td>
<td>VP, Sales</td>
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<tr>
<td>Gopi Sankarasubramani</td>
<td>VP, Technology</td>
</tr>
<tr>
<td>Allison Nelson</td>
<td>VP, Business Development</td>
</tr>
<tr>
<td>Phil Woodworth</td>
<td>VP, Content Services</td>
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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

Revenue CAGR = 33%

* Excludes non-recurring charges
Nine Months Comparison

($'s in Millions)

1998 1999

Revenues

$65 $91

42%

Operating Income*

$12 $18

47%

* Excludes non-recurring charges
Quarterly Revenue Growth

25 consecutive quarters of revenue growth since IPO

($M)


$0.0 $5.0 $10.0 $15.0 $20.0 $25.0 $30.0 $35.0

$4.4 $32.4

$32.4
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

<table>
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<th>Long-Term Target</th>
<th>Considerations</th>
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<tr>
<td></td>
<td>$M</td>
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<td>%</td>
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<tr>
<td>Revenue Growth</td>
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<td>Gross Profit</td>
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<td>Operating Expense</td>
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<td>25 - 30</td>
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<tr>
<td>Operating Income</td>
<td>17.5</td>
<td>18</td>
<td>20+</td>
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