Steel eBusiness in China and Automotive Steel Chain

By BAI Rui, Shanghai Ganglian eBusiness Co., Ltd., Nov 2015
Steel + Internet
Use product as the guide and use the Internet to improve products and operation

Internet + Steel
Use users as the guide to obtain industrial users as the driver, build on the huge user base and provide value-added services, make fundamental innovations by using Internet technology
Steel OTC market

Market on the scale of trillions

- The steel industry remains a huge market on the scale of trillions and accounts for 10% of the GDP
- There are 150,000 steel trading companies, with 1,000,000+ employees

Opportunities coming for steel eBusinesses

- Overcapacity and lower profit causes the industrial upgrade to accelerate, creating big opportunities for steel eBusinesses
- Internet + Steel becomes common understanding
- Highly acceptable to end users, with steel eBusinesses taking 30%+ of the steel transaction in Shanghai
- Industrial eBusinesses are favored by capitals

Steel eBusinesses O2O

- End retailer users places high demand on warehousing and logistic services, and it becomes a trend to integrate services
- Financing needs are huge, and offline regulation and online transaction are combined to bring advantages
The industrial eBusinesses witnessed a vigorous growth in 2014-15 in China, particularly in bulk commodities. They are favored by the capital market. Take steel eBusinesses for example.

<table>
<thead>
<tr>
<th>First-party eBusiness</th>
<th>Second-party eBusiness</th>
<th>Third-party eBusiness</th>
</tr>
</thead>
<tbody>
<tr>
<td>(started by steel companies)</td>
<td>(started by trading companies or logistic service providers)</td>
<td>(started by Internet companies or information service providers)</td>
</tr>
<tr>
<td>Baosteel: Ouyeel</td>
<td>Zhejiang Materials Development</td>
<td>Banksteel</td>
</tr>
<tr>
<td>Hebei Steel: Hebei Iron &amp; Steel Transaction Center</td>
<td>XIBEN New Line Stock</td>
<td>Zhaogang.com</td>
</tr>
<tr>
<td>ShaSteel: Jiulong Online</td>
<td>Xinyilian.com</td>
<td>zgw.com</td>
</tr>
<tr>
<td>NJSteel: Jinling Steel Online</td>
<td>Oupu Smart Net</td>
<td>ggang.cn</td>
</tr>
</tbody>
</table>

* zgw.com and ggang.cn have been listed on NEEQ, Oupu Smart Net has been listed on SME, and other steel eBusinesses are looking for ways to stock exchanges
Traditional marketing channels for steels

1. Direct Supply
   - Steel mill → VIP
   + The relative stable demand from customers is advantageous to steel companies;
   + Obtain information on needs and feedbacks, to drive product development;
   - High marketing cost;
   - Cost of funds & market risk;

2. Distribution
   - Steel mill → Agent → Agent → End user
   + Prepayment from agents creates an advantage in the cost of funds;
   + Market risk passed onto agents, and it is easy to expand the distribution channel;
   - Do not know the information of customers;
   - Market responds slowly;

3. Retailing
   - Steel mill → End user
   + Know the firsthand information from end customers;
   - Excessively high cost of the retailing channel
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3. Retailing

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What services are needed by customers?

Transaction Service
- Easy to operate, fast to complete a transaction

Payment Settlement
- Easy and secure payment: The funds are monitored and understood dynamically

Warehousing & Processing
- Warehousing and processing needs
  - Can we provide Door-to-Door service like the retailers do?

Logistics Transportation

Financing Service
- Financial support is necessary, and bank loans are too complicated

Data Information
- I need to know the transaction details and industry-related information, which can help my purchase decisions
Banksteel eBusinesses = Platform + Service

Platform

Leading steel OCT platform in China

Service

Online Service

- Matchmaking
- Consignment
- Collective order
- Payment and settlement
- Online financing
- Data service

Services of banksteel platform

Offline Service

- Warehousing
- Processing
- Logistics

Seamless docking with partners of Ganglian
Warehousing eBusiness: Ganlian IoT

Smart Warehouses

Our concepts: safe, easy, effective, and intelligent

Our mission: Build on the cloud-based warehousing system, consolidate the resources in warehousing, logistics, financing and transportation, to become a leading company and rule-maker in the steel IoT and form a complete supply chain.
Logistic eBusiness: 56steel.com

- The *Didi Taxi* in steel transportation
- Consolidate and optimize the nationwide transportation capacities
- Fully transparent logistic information

Vehicle Nr. YG SH301
Vehicle type: 13 m long, flatbed
Status: offline

**12000**
Special vehicles to transport steels

**35500t or above**
Daily transaction (peak)

**800000 t**
Total transacted steels
Bulk commodity supply chain and financing

Integration of:

- Products
- Logistics
- Funds
- Information

Banksteel financing & supervision platform

- Cloud-based warehousing Controls
- Safety of goods

- Bulk payment Controls
- Safety of funds

- Info. follow-up Controls
- Safety of transaction

Companies vs Products

Mega data
Steel eBusiness’ development in stages

Integration of closed-circle transaction

High

Data collection, basic data service
Further analysis, industrial consultation
Customer demands, Up and down-stream match-making
Consignment sales, overlap payment
Overlap prepaid consignment, warehousing, financing

Low

Research & consult
Match-making
Transaction platform
Closed biosphere

Low

Info Data
User Stickiness

High
Ganglian Holdings’ biosphere of bulk commodities

- Business service centered on transactions
- Warehouse
- Logistics
- Transact
- Finance
- Data
- Info
- Research

Info service centered on data

Easier and safer transaction of bulk commodities
Characteristics of automotive steel marketing

- Highly professional and high service requirements
- High requirement in cutting and processing
- Various steel grades and difficulties in placing orders
- Difficulties in inventory management
How to serve the automotive steel sector?

<table>
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<th>Service Type</th>
<th>Details</th>
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<tr>
<td>SME component manufacturers</td>
<td>For the various services necessary for the automotive steel sector, the SME component manufacturers cannot be well served by traditional steel mills and traders</td>
</tr>
<tr>
<td>Collective purchases</td>
<td>Usually SME component manufacturers cannot reach the minimum order quantity (MOQ) required by steel mills. The MOQ problems cannot be well solved due to limited number of customers in the offline purchase</td>
</tr>
<tr>
<td>Consignment sales</td>
<td>Steel mills and large steel traders can consign their products to an eBusiness platform, which accelerates the inventory circulation and meet the demand of customers with small frequent orders</td>
</tr>
<tr>
<td>One-stop service</td>
<td>The eBusiness platform can provide one-stop services by integrating the financing, cutting, processing and distribution functions</td>
</tr>
<tr>
<td>Steel application inquiry service</td>
<td>Professional steel database with self inquiry service on steel grades, chemical compositions and mechanical properties</td>
</tr>
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</table>
THANKS
FOR
YOUR ATTENTION