

A Conversation

WITH GAJJU SAREEN

by Linda DiBiasio

Gajju Sareen is the founder and CEO of Mindtrac.com, the first online neutral marketplace aimed at the \$180 billion global tire industry.

Mindtrac, which is powered by the Ariba B2B Commerce Platform, began operations in May, 2000, and based on its dramatic growth, is expected to enjoy positive cash flow status by the beginning of this year.

The company currently has offices located around the world, in Singapore, New Delhi, Dubai, Lahore, London, Zurich, Shanghai, Miami and California.

LD: *What made the tire industry so appropriate for the creation of Mindtrac.com?*

GS: The industry has suffered from a fractured distribution system and a scattered supply chain. You have manufacturing facilities that are fairly restricted to the local area, and a supply chain where consumers are all over the world. So, it's a market that was ready for new efficiencies.

LD: *In addition to bringing together buyers and sellers, Mindtrac offers a series of value-added services – tax and shipping advisories, payment and management issues, etc. How important was that to your success?*

GS: Because of the complexity of the industry, it was imperative to come to market with value-added services. Once the buyer and seller have made a transaction, our work begins, and a whole host of back end services comes into play. If the buyer has credit established with the exchange, payment systems are initiated. Then based on the purchase order, containers are constructed, loading takes place, inspections are done, and the tires are delivered. Taking all of these

processes on line means that they happen simultaneously, and that somebody can do it easily.

LD: *How much time do you estimate is saved in that process?*

GS: The biggest problem in international trade is the time that's lost in the documentation. Your transaction is not complete until you have actually seen the invoices and your bank has actually given the money out. So we signed up with bolero.net, which is a global eTrading network jointly owned by Swift and Through Transport Mutual Services Club (TTMSC), and any transfers that we do go via the Swift network. [Swift is a banking cooperative co-owned by 6,000 banks worldwide; TTMSC is an insurance cooperative co-owned by 5,000 transport operators.] Of course, the actual shipping logistics still takes 45 days, but we have taken the documentation process down from 21 to about three days.

LD: *One of Mindtrac's initial partners is ABN Amro. What role has this global bank played in your success?*

GS: ABN Amro was very important,

because when we started, nobody else was offering this kind of back-end services. So we had to set standards and determine the processes. We could have put four bankers on the table, but that would have taken four times as long. In the future, we can expand to a second or third bank because the processes are now defined.

LD: *How long did it take you to actually get up and running?*

GS: Only about 30 days. The opening site wasn't spectacular, but we had something in place, which was good for our staff. They could see that there was really a business there, and how things were actually going to work. We took another 60 days to customize the product to our specifications, and then we went to a real, live environment.

LD: *I understand that you don't look at gross in terms of new members, but rather in terms of member units. Can you explain?*

GS: We didn't want to go for thousands of members who aren't doing any business, so we defined a "mem-

ber unit." In order to qualify for a member unit, a company must do a minimum of four transactions, representing \$100,000, per year with us. Otherwise, it doesn't justify the time and cost of the technology. When new members come in, we spend a lot of time with them. We have to make them bolero-enabled, we have to install new software on their systems and educate them about how to use it, set them up with our 24-hour hotline for assistance, etc.

You just can't set up an electronic marketplace; you have to get people into the digital market slowly. This is why I continue to speak at forums, etc. People have to be receptive to what you are doing. The human mind is the biggest problem, not technology.

Technology doesn't have a face. This is why we have a local representative in every region of the world – there is always a face to the transaction.

LD: *What drew you to Ariba?*

GS: We were a new and aggressive company, and Ariba had just set up its office in Singapore. We saw them also as a new, aggressive company,



and it seemed like a good fit. To us, technology was important, but attitude was even more so. I met several times with the people in Ariba's Singapore office. Later, I met with Keith [Ariba CEO Keith Krach], and I asked him for his commitment.

Keith was great. He said he would give us 150 percent. 'We will make it happen.' And that was very comforting. Keith never forgot that. Now, every time we meet, his opening line is '150 percent, still there....'

Ariba is also connecting us with the right kind of companies. The synergy between the other marketplaces was another important factor. There are tremendous things that can be accomplished with this kind of partnership.

LD: *What vital information do you provide?*

GS: Many people feel that content is catalog. I don't agree. Content is information that helps you make a decision to buy or sell – information that you can't get anywhere else. If you were to buy any product today, you would want to know as much as possible about that product – this is the best product on the market, this person is giving a discount, here's what is happening in New York, this is the last available piece of this product. This is why we created trac-times, our news service that offers breaking news and trade-specific information.

LD: *What do you see from your unique vantage point?*

GS: Let me give you an example. One of the biggest factors affecting the market in Africa is devaluation of the currency. In Latin American



THE HUMAN MIND IS THE BIGGEST PROBLEM, NOT TECHNOLOGY.

countries, political unrest is often a factor. If you are a buyer or seller whose shipment is on the water during one of these crises, you have to make a decision. So you say to us, 'OK, give me my options.' Then, we can say, 'This is the logistics package: You either can (a) accept the shipment and absorb the loss; (b) divert it or sell it to somebody else; or (c) bring it back.'

LD: *Will your members come to depend on you to run their businesses?*

GS: Yes, because we are saving them money. If you offer people a new way to conduct their business that will require them to invest their time and money up front, you better be able to save them a bundle of money in the end.

We offer what we call the BSAP – Buyer Supplier Auction Program. When we look at companies for membership, we not only qualify them on the strength of their 'business house,' but also according to

how technologically advanced they are. For example, if a company is still using a modem, we can't make them members from the exchange point of view. So we adopt their business in a sense. We show them that the first time they buy, they'll save 15 percent. If they buy again, they will save another 15 percent. and the third time, again they'll save 15 percent. Chances are by the fourth time, they will come to me and say 'OK, how do I get my hands around this?'

Now they will invest money for an ISDN line or other needed equipment, because they clearly see the potential to save money. We have to gradually get out in the market. We are talking about a very long haul here, and we have to approach it in steps.

LD: *Where do you plan to take Mindtrac in the future?*

GS: In the future, we can offer auto parts, or insurance, expand into mining – all sorts of related products and services.

But, we will cross that bridge when we come to it. Diversification is for the long term. There is still a lot to be done before that. We are very strongly focused on substance. We are obsessed with education. We're looking at further back end and commerce services integration, etc.

The foundation for success is laid. Now, we have to keep putting the blocks in place. 