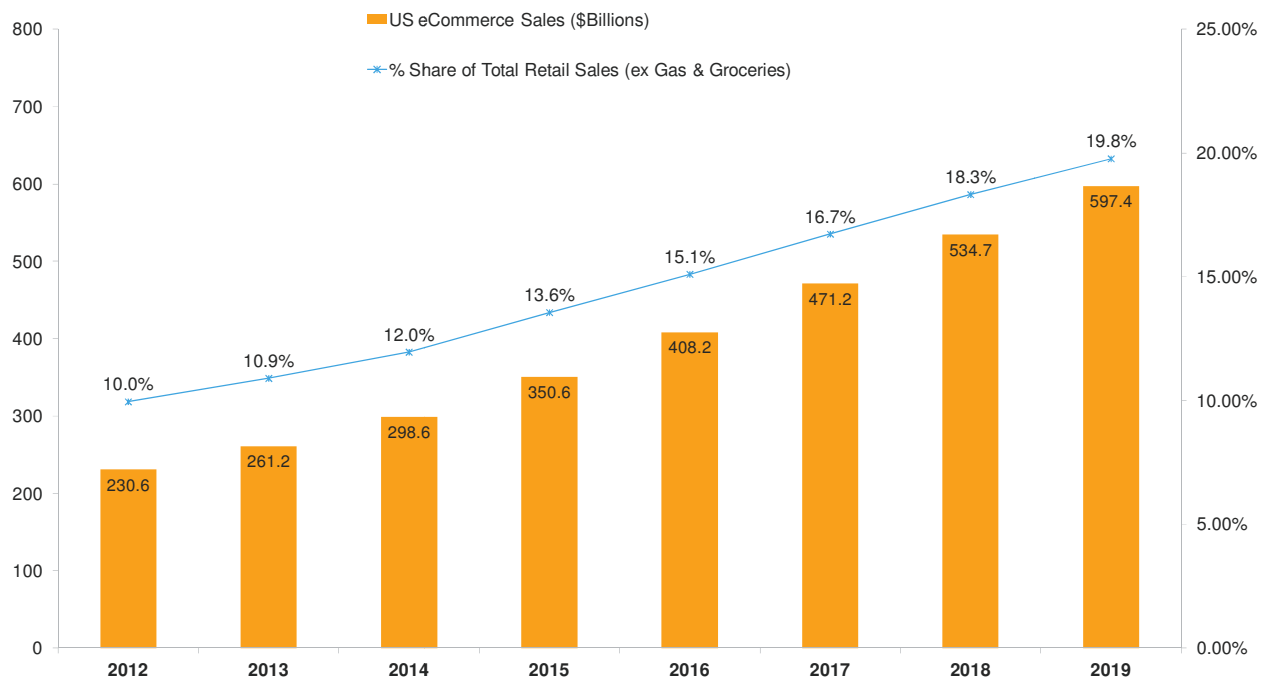


# MonarchFx Alliance

## The eCommerce Challenge

Most of today's retailers and their supply chain advisors understand the shift in retail sales to the online channel but, for many years, the inclusion of gasoline, groceries, and automobile sales in U.S. retail sales numbers masked the true extent of eCommerce penetration:



Source: US Department of Commerce, BofA Merrill Lynch Estimates

During the period 2012 to 2019, eCommerce sales are projected to grow at an annual rate of 14.9%, over five times faster than traditional "bricks and mortar" retail sales so that, by 2019, eCommerce will account for almost one fifth of applicable retail sales.

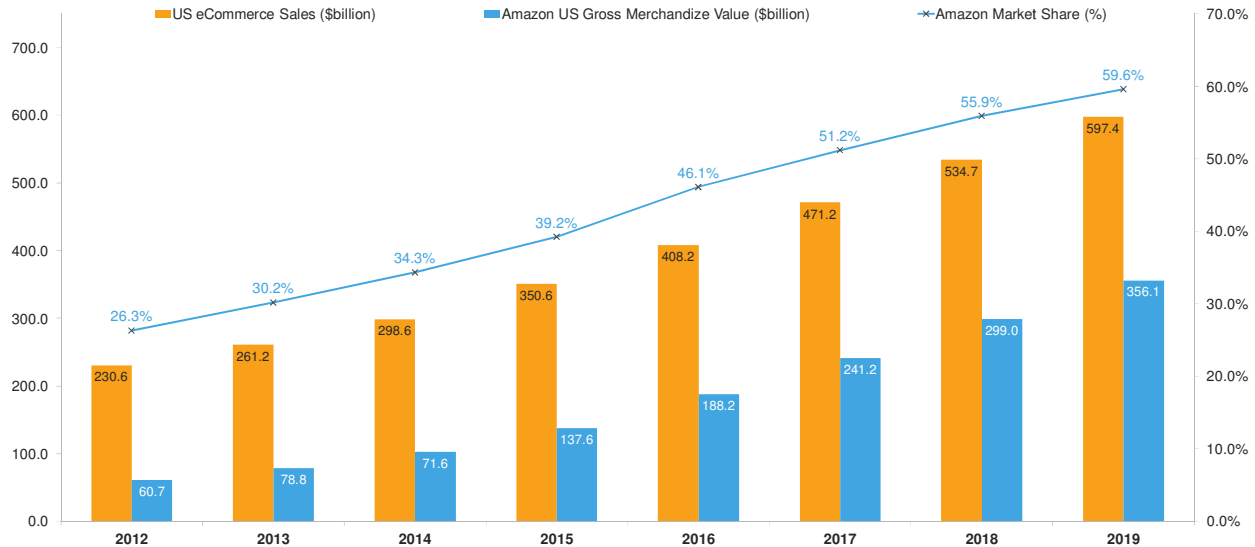
## The Power of Amazon

Responding to a channel shift of this size and speed requires significant investment in supply chain re-engineering and within itself, poses a major challenge to retailers, marketplaces, and branded consumer products companies.

However, the growth U.S. eCommerce has also been accompanied by incredible growth at Amazon.com, which has combined massive investment in local fulfillment infrastructure with a collaborative fulfillment model "Fulfillment by Amazon" to grow total sales or Gross Merchandize Value (GMV) twice

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as fast as the overall eCommerce market. The effect of this growth on Amazon's total eCommerce market share can be seen in the table below:



Source: US Department of Commerce, BofA Merrill Lynch Estimates

## Amazon Poses an Existential Threat to Almost All Online and Traditional Retailers

The threat posed by Amazon does not just arise from its market share, which is forecast to be almost 60% of eCommerce sales by 2019. The real threat from Amazon arises from the investment it has made in local fulfillment infrastructure and the incredible speed and delivery cost savings it can achieve as a result. The growth in Amazon's U.S. fulfillment infrastructure is shown in the table below:



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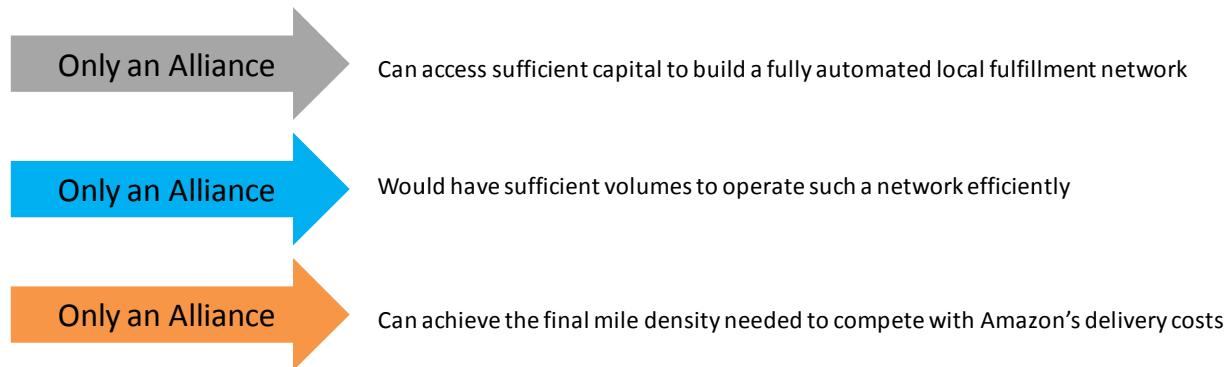
The threat that Amazon presents to other traditional and online sellers was neatly summarized by Morningstar Investment Advisers when they said:

*“We believe Amazon fulfillment infrastructure represents a considerable hurdle to other eCommerce players and traditional retailers, as no retailer can match Amazon’s fulfillment efficiency and geographical reach.”*

## The MonarchFx Solution – Capturing the Power of an Alliance

The vision behind the MonarchFx Alliance is to capture the two significant strategic drivers of Amazon’s fulfillment efficiency, local presence and incredible scale and make them available to other online sellers.

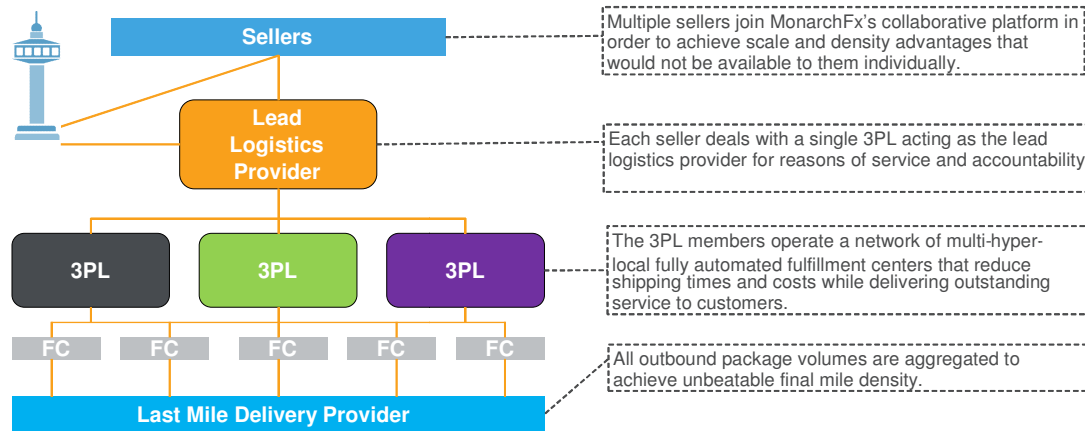
No individual retailer can access the capital to build an infrastructure of this size and no individual retailer would have sufficient volumes to operate it efficiently, even if they could.



# MonarchFx Alliance

## How the MonarchFx Alliance is Structured

MonarchFx is an alliance of the world's leading Third Party Logistics (3PL) providers that have agreed to work with leading retailers or sellers to create a collaborative network of local, multi-tenanted, fully automated fulfillment centers, shown in the figure below:



## How MonarchFx Benefits eCommerce Sellers

MonarchFx benefits shippers by providing them with a route to market their products that is capable of achieving the shipping times and costs that Amazon achieves through its Fulfillment by Amazon collaborative model. MonarchFx's commitment to market integrity means that it will never be a seller of its own products, never introduce private label products that compete with those of its customers, and never sell, share, or misuse its customer's data.

# MonarchFx Alliance

MonarchFx's key attractions as a long-term supply chain partner are set out in the table below:

Sellers Need	MonarchFx Delivers
<b>A partner they can trust</b>	MonarchFx's commitment to market integrity means that no MonarchFx supplier member will ever be a seller in competition with you or share/misuse your data.
<b>With scale and efficiency</b>	MonarchFx believes that only a collaborative model with co-mingled inventory can scale fast enough to capture the efficiency and low costs needed to compete.
<b>To "Get Local"</b>	MonarchFx's network of local high velocity fulfillment centers reduce shipping distance, time, and costs and provide the best service for customers.
<b>With full automation</b>	MonarchFx's fulfillment centers will be fully automated, providing the fast and efficient pick, pack and ship capabilities necessary for effective eCommerce.
<b>And the best technology</b>	MonarchFx will use JDA's state of the art distributed order management system providing 24/7 inventory visibility and seamless order fulfillment.