

## D E M O

## letter

## Companies to Watch

### Metreo: An Edge for Sellers

Depending on who you talk to, business exchanges have been either a huge success because they've helped buyers to cut costs, or, a huge failure because they've not performed as well as expected.

But in the rush to build large exchanges, the seller's side of the equation has been given short shrift, forcing larger companies into the untenable position of competing on price alone. This has opened a door for Metreo Inc., a Palo Alto, California, start-up founded by a group of entrepreneurs from Healtheon, Netscape, and SRI. Metreo's core business targets sellers, not buyers, a proposition that along with this company's management team, has resulted in oversubscribed funding rounds.

Metreo's management team, board members, and advisors have helped it to attract top-ranked venture capitalists. The company has thus far inked about \$12 million in two rounds of financing from Prospect Venture Partners, Sequoia Capital, and Mentor Capital Group. In addition to CEO Daphne Carmeli, the board of this company also includes Mentor Capital's Joseph Prang and

Sequoia's Timothy Connors, both of whom are advocates for e-marketplace software aimed at sellers.

At first glance, Metreo isn't what it seems—yet another ERP or CRM vendor adapted for manufacturers and sellers. It's a new class of enterprise software with tools that allow managers to predict and profit from factors that were previously classified as unknowns." This start-up also has an advantage that most companies don't enjoy. Its software is replacing what for many companies is still a manual process—trying to figure out the effect of transportation costs, the proximity of finished goods to a buyer, and other economic factors.

Metreo is focusing on four sections of the electronics and computer industry—semiconductors, electronic subsystems, components, and computers. All four segments are deeply affected by the tight, fluctuating margins associated with

dynamic pricing. Where Metreo shines is in its ability to rapidly produce two and even three points of improved margins for sellers. It also is one of the only packages from among a legion of offerings in

the CRM and ERP space that deliver information in real time, which is increasingly important to any sales organization that has to deal with scarce or perishable items.

At the heart of Metreo are three key pieces of intellectual property: a recursive look-ahead component that's part of a patented algorithm that lets its users

look at the impact of uncertainty on sales of current products, an optimization algorithm that shows the effect of competing demands for resources when time is a factor in the sales equation, and, an algorithm that helps sellers deal with fast multiple factors that affect fast-moving markets.

The danger this company faces is from huge commerce-related

#### Metreo, Inc.

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#### CEO:

Daphne Carmeli

#### Funding:

\$12M in two rounds of financing. Backers include Prospect Venture Partners, Sequoia Capital, and Mentor Capital Group.



businesses such as e-marketplace software supplier I2 and from some of today's players in the CRM and ERP categories, most of which now recognize that sellers' needs aren't being met by current software, but are expected to use updates of existing applications to meet the new opportunity.

Metreo's antidote to potential competition is a series of patented technologies that let users gauge, optimize, and prepare for future uncertainty.

But Metreo has an important leg up over would-be competitors. In fact, it's already scored a key win at Eaton Corporation. Deployed

initially in a single business unit, its software is now being adopted throughout the corporation. In addition, Metreo could end up partnering with mainstream players like Oracle, SAP, or PeopleSoft, which would give yet another advantage in a fast-moving market. —JMF



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