

CRAIN'S

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Region's top VC-funded startups

THE IMPORTANCE OF STARTUP TECHNOLOGY COMPANIES TO THE LOCAL ECONOMY HAS NEVER been greater. In recognition of their significance, *Crain's New York Business* chose five of the most promising venture capital-backed companies in the New York City area to spotlight.

The publication worked closely with the National Venture Capital Association to solicit nominations from its members, as well as from *Crain's* readers. The nominations were impressive. The region is home to a wealth of budding enterprises in biotechnology, health care, financial services, business services, education, media, software and telecommunications.

To help determine the winners, *Crain's* editors met with an advisory board of venture capitalists. The VC panel divulged any connections that they might have to the nominated companies. The criteria used to make the selections included the size of the business opportunity, the validity of the product itself, the competitive environment, the strength of the management team and the amount of capital backing.

The winners are Memory Pharmaceuticals, NSI Software, ReefEdge Inc., Spring Street Networks and TradeCard Inc.



Navigating through global supply orders

TradeCard service cuts paperwork, provides financing

BY TOMMY FERNANDEZ

There may be a global high-tech economy, but importing a shipload of goods usually means slogging through a boatload of transport documents. Invoices, letters of credit and insurance forms have to be faxed back and forth to ports around the world to ensure a single delivery of shirts, shoes or electronic equipment.

Hundreds of clients

A downtown high-tech firm called TradeCard Inc. is changing all that by offering a service that allows companies to order, monitor and even pay for global supply orders online. It currently has more than 600 clients, including JC Penney, Kmart and Staples, and will process \$1 billion worth of supply transactions this year. The firm expects to be profitable by 2005.

Warburg Pincus, a majority investor, is so sure that TradeCard will win the gold that it ponied up an additional \$10 million for the company in October.

"We've only begun to scratch the surface of this market; it's huge," says TradeCard Chairman and Chief Executive Kurt Cavano, who spent 20 years at tech-consulting firm American Management Systems. "You only need a small market share to generate a giant revenue stream."

TradeCard's system works like a credit service, or a PayPal, between businesses. Once importers get their suppliers to join the service, they can originate orders via TradeCard's Web site as well as make all transport arrangements and even

purchase cargo insurance. Most important, firms pay for the deliveries online—eliminating the need for letters of credit. They can also get financing from TradeCard's 12 partner banks.

"It's like a credit card for companies," says Bob Kaiser, chief financial officer of athletic shoe manufacturer Hi-Tec Sports. "TradeCard has taken the place of a bank and is doing it more effectively and cost-efficiently."

TradeCard is benefiting from budget-conscious importers' desires to shave delivery costs while keeping better track of their products. "Bottom line, this service saves us 20 cents in delivery costs per pair of shoes," says Mr. Kaiser.

Targeted marketing

So far, TradeCard has concentrated on selling its services to footwear, apparel and toy producers in Asia. The company is now marketing to the same industries in Europe and recently began doing business in Turkey.

"I spend most of my time going around the world educating people on how they can save money if they move from the old way of doing business," says Mr. Cavano.

To be sure, TradeCard is not the only company that dreams of bringing global trade online, but it may be the only one that addresses all the steps of the procurement process.

Companies such as Bolero International Ltd., SAP and PeopleSoft Inc. offer software systems that allow companies to transmit supply orders and other data via the Internet, but they

don't provide financing. Citigroup and HSBC offer electronic payment services for global deliveries, but only for their own banking customers.

The lack of competitors has helped TradeCard raise \$80 million—including \$60 million from Warburg Pincus, an original investor four years ago when TradeCard was established as a separate company after being a project of the World Trade Centers Association.

"In time, the growth phase of this company will kick in and go through the roof," says Warburg Pincus principal Cary Davis. "We firmly believe that will happen." ■



BUCK ENNIS

ELECTRONIC EMISSARY: Kurt Cavano travels around the world, educating people about TradeCard's services.