Using e-business to gain advantage

Received (in revised form): 6th November, 2001

Henk Tobias

is Chairman of European Forum for Electronic Business (EEMA), has served on the EEMA Board of Directors for eight years and was previously chairman of the EEMA User Interest Group. Henk brings to the chairmanship vast experience in electronic messaging, including his position as Technology Manager in the Global Infrastructure Organisation, GIO, Unilever. As Chairman, Henk is closely involved in steering the organisation and introducing new projects and interest groups. EEMA is the leading vendor-neutral, not-for-profit European association working with the industry to further the advance of e-business throughout Europe.

Abstract In a few years' time we will probably not be using the term 'e-business'; we will all just talk about 'business' again because by then every business will be an 'e-business'. The challenge — whether your company is large or small, new or old — is to understand just how the Internet can deliver real business benefits and then to make it happen. Basic business fundamentals remain as important as ever, but in every area of business the Internet offers truly amazing opportunities to transform the way you operate.

This paper, focusing on some of the differences between B2C and B2B e-business, looks at delivering true benefits using internet-based technology.

INTRODUCTION

Most users are well aware of the jargon used in the marketing industry: e-business will save companies money; e-business will create efficiencies; e-business will streamline a company's supply chain. But the only really relevant question is: What can it do for a company? e-Business will, for example, enable companies to talk directly to their suppliers and/or customers 24 hours a day, seven days of the week. But is that really productive? Will it make them more profitable than in the past? The answer is to take a strategic look at the business and then decide what is relevant and meaningful to it.

At the beginning of 2000 the NASDAQ was storming to another record close. The Internet was still seen as the hot ticket to a fast buck, and if a company's name did not have an 'e' in

front of it — or a dot.com at the end — some seemed to think that they might just as well pack up and go home. Since that time, however, tech stock values have dropped; many investors have lost very large amounts of money, and the once-feted 'dot.coms' are now a dirty word. It is, however, just as important to keep a sense of perspective today as it was a year ago.

Companies have been harnessing new technology to transform the way they do business faster — more fundamentally — than ever before. The impact of Web-based systems on business has been far deeper, more substantial and more strategic than most people would have imagined. Even the language used is likely to sound odd in four or five years' time. Who will be talking about 'old economy' and 'new economy' once every company is, to some extent, an

Henk Tobias

Unilever NV, PO Box 760,
3000 DK, Rotterdam, The
Netherlands.

Tel: +31 10 217 4544;
Fax: +31 10 217 4177;
e-mail:
henk.tobias@unilever.com

Internet company? Who will talk about e-business when every business around is an e-business in one shape or form? This paper looks at the differences between business-to-consumer and business-to-business e-business, and gives some examples of e-business implementations in both areas.

THE BUSINESS-TO-CONSUMER ARENA

In the business-to-consumer arena the first crucial point is to see the Internet not primarily as another channel for selling products, but much more as a vehicle for building a stronger dialogue with consumers. Through that dialogue the customer's needs can be better understood, and it is thus possible to provide them with better solutions for their daily lives. The second key point to understand is that the Internet is a very different medium. Success online will not simply come from doing business in the same old ways. The rules of the game are different.

Banner adverts

It is important to think about why people go online. They nearly always go online for a purpose, for specific information or a desired solution. Moreover, they are not very patient. One thing they are not looking for are the little banner adverts that pop up whichever website is visited. So if those adverts are used according to the old rules — interrupting consumers regardless of their interests at any given time or place — they are unlikely to be either attractive or successful. If they are searching for Manchester United's football results, it is not the best place for an online promotion for a brand of soap. If a consumer is searching for a specific solution, they will not even

register irrelevant, out-of-context banner adverts after a while. If, however, they are used in a way that is relevant to this new medium, they can be valuable. If, for example, someone is looking for a recipe for a meal and is then offered a relevant recipe, the business offering it can win.

Promotions

It is well known that online success will not simply come from encouraging consumption. It is not possible to just transfer online money-off coupons and buy-one-get-one-free promotions. Promotions are part and parcel of marketing, but how many people would change their preference for toothpaste because they were offered 30 pence off in exchange for clicking onto a website, registering, printing off a coupon and remembering to take it with them to the supermarket? Is that all a consumer's time is worth? The Priceline efforts in online grocery retailing have failed, for precisely those reasons. But again, relevant promotions can be both informative and valuable. For example, samples of a particular brand of toothpaste offered on a dental hygiene site gathered tens of thousands of new consumer prospects.

Demographics

Finally, it is a fact that success will not come from using the Internet to target nice, neat demographic groups. Individuals are not sitting online, waiting to be bombarded by marketing as an assumed member of some age and gender cohort. That is the stuff of the old mass marketing world — of 30-second television commercials. Like money-off coupons, they still have their place, but not on the Internet. It is necessary to build trust and individual

relationships. That is possible in the online world where one can reach individuals as individuals. But it is only through hard work that this can be achieved — and companies also have to work in new ways.

The key thing to remember about the Internet is that it is fundamentally about dialogue. The great opportunity it offers is the chance to build strong, interactive, ongoing relationships, through compelling content, features and links, interactive communication and useful technology applications. Here are some examples:

- iVillage: a site where women in North America and Europe go for information on everything from healthcare to beauty; from parenting to relationships. Where they go to interact with others and find solutions. Where companies can help them to find those solutions, and they provide information about themselves
- Lipton Recipe Secrets site: in the USA, consumers visit it for last-minute recipe ideas. The visitor can say what is in his or her cupboard, and how much time they have to spend cooking, and the site will give them a meal solution
- HeleneCurtis.com: this site combines the content and information from three different Unilever brands for hair care
- popsicle.com: games for children, harnessing the Internet's enormous capability for entertainment.

The issue then is how companies should use the information that consumers provide to increase the value of their brands to them, increase consumers' value to companies, and build brand loyalty. The challenge is to identify the 20 per cent of consumers who typically account for 80 per cent of the brand's

business, and then build individual relationships with them through special communication and offerings — both on and offline; and then to target the 80 per cent of consumers who are light users of those brands, and with very targeted consumer communication convert them to the wisdom of the other 20 per cent. Where companies can deliver genuine consumer benefits, it is good to use the latest technology applications to do so.

THE BUSINESS-TO-BUSINESS ARENA

In the business-to-business arena new technology is transforming the way companies relate to their suppliers, their customers and their competitors.

The supply chain today looks very different from the box-shifting exercise of yesterday. It is much more complex, comprising multiple networks of customers, trading partners and distributors, each with their own set of specific, individual requirements. It is also characterised by fragmentation — geographical spread, a mixture of proprietary and open systems, and manual processes. It is worth remembering that a company's supply chain is only as good as its weakest link: between manufacturer and customer, manufacturer and distributor, supplier and manufacturer, or distributor and customer. A company should view management of the supply chain as a strategic imperative. In changing to an e-strategy, it is therefore necessary to ask some fundamental questions. What are the company's core competencies? These might include processes such as planning, manufacturing and distribution. Other questions must be: what will the company do on its own, what will it do with its partners and what will it outsource? Refining the business and focusing narrowly on what a company

does best is crucial in deciding how it defines and implements electronic business.

The ideal supply chain is now a community of business partners. The business applications might include:

- automated procurement
- inventory management and distribution
- order processing
- integrated customer support
- collaborative planning.

The Internet removes the barriers of time and distance, and offers an unprecedented level of information flow. In business terms, that means that the entire business cycle is dramatically shortened, and there are many opportunities to develop new business partnerships and markets.

The partnerships a company creates will vary in complexity. It may simply wish to share information with another company. Alternatively, it may choose to develop a completely electronic supply chain, enabling e-commerce opportunities, with on-line catalogues and electronic procurement as its drivers. Whatever the scope of the project, however, it is important in any e-strategy to get results quickly. Many ERP and SAP projects can be strung out over five to seven years. They may completely transform a company's production and planning processes. Eventually that will give it much faster and flexible processes. It is also important, however, for any company to realise short-term success. Projects can be divided into three to six-month modules, so that people do not lose their patience with a company, and with the changes taking place.

Culture can also be a difficult issue. People do not always embrace change with enthusiasm. For example, it is possible to distribute a new application

throughout the company, via the Internet, in 48 hours, but it might take six to 12 months to get people to use it. The company must therefore make sure that it gets buy-in from everyone before the technology is implemented; which means starting an awareness campaign right from the beginning. Moreover, that does not just mean within the business. The business may offer its suppliers and customers a wonderful B2B solution, but if they do not accept it what is the business going to do?

Some major areas for efficiency in the B2B field can be summarised as:

- e-procurement: at its most basic, the Internet enables companies to revolutionise the way they buy, and deliver enormous cost savings in the process. To give an idea, Unilever is looking to save around 1.5 bn Euros within the next two years as a result of efforts in this area. Once common internal systems are in place — which, for many large companies, is the hardest part — then the company is prepared. At the touch of a button, buyers can now access information about aggregated demand across the company — and use its scale and reach to get the best prices
- collaborative planning: e-procurement is really just the start. The real opportunity lies in increasing the efficiency of the entire supply chain through collaborative planning and forecasting. This is where industry-wide exchanges come in. A good example is Transora, the global exchange for fast-moving consumer goods, which has 50 member companies. The aim is to open the whole industry to a global marketplace of suppliers, in a space that is open, on a field that is level. The one thing to say about exchanges is that in most sectors there are

already too many. Just as there is a shake-out in the business-to-consumer arena, so a shake-out will be seen in the business-to-business arena too. In every sector, scale and scope will be critical — and while exchanges like Transora are likely to flourish and grow, others will inevitably fall by the wayside

- customer relationships: at the other end of the supply chain, new technology is transforming the way companies interact with their customers too. In Saudi Arabia, Unilever salespeople have replaced their hand-written order books with hand-held computerised devices. Whether they are dealing with the wholesale trade, their largest retail customers, or local sales vans, the technology enables them to input data on customer demand electronically. This information is then instantly transferred back to the warehouses, making the whole distribution process much more efficient. By reducing the

costs of doing business, and improving the efficiency of the process, it becomes a 'win-win' transaction for both supplier and customer — helping to ensure that retail consolidation, far from being a threat, is an exciting opportunity.

CONCLUSION

In a few years' time the term 'e-business' will probably not be used. The talk will again be about business, because every business still around will be an e-business. The challenge — whether a company is large or small, new or old — is to understand just how the Internet can deliver real business benefits and then to make it happen. Basic business fundamentals remain as important as ever — profit and loss, fulfilment and so on. But in every area of business the Internet offers truly amazing opportunities to transform the way a company operates. This is a medium which is transforming the whole commercial order.