Developing an E-Business Strategy

Applying Lessons Learned

"You got to be careful if you don't know where you're going, because you might not get there."

- Yogi Berra

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Agenda

- E-Business Strategy – The Beginnings

- The Realities

- The Evolution - Lessons Learned

- Further Readings

Early E-Business Strategy

- Transform established and emerging businesses into leaders of the New Economy

- Professional e-business services

  – Strategic services for breakthrough business models

  – Creative design for compelling online experiences

  – Rapid site development and deployment

  – Technical architects for mission critical operations

# Early Expectations

Client

- New business models
- Time-to-market urgency (1st mover advantage)
- Compelling beyond cool
- A broader mix of talent
- A greater appreciation of brand
- Build it, but also bring them to it
- Put some "skin in the game"

Internet Consulting Investors

- Market rewards infrastructure over revenue.
- Market rewards revenue over profit.
- Build infrastructure.

New Business Models abounded: for example E-business Community

- **Vision:** People-centric solutions for the experience economy
- **Experience:** The community becomes a comprehensive environment for members to:
  - learn or teach
  - collaborate
  - examine or decide
  - process or transact
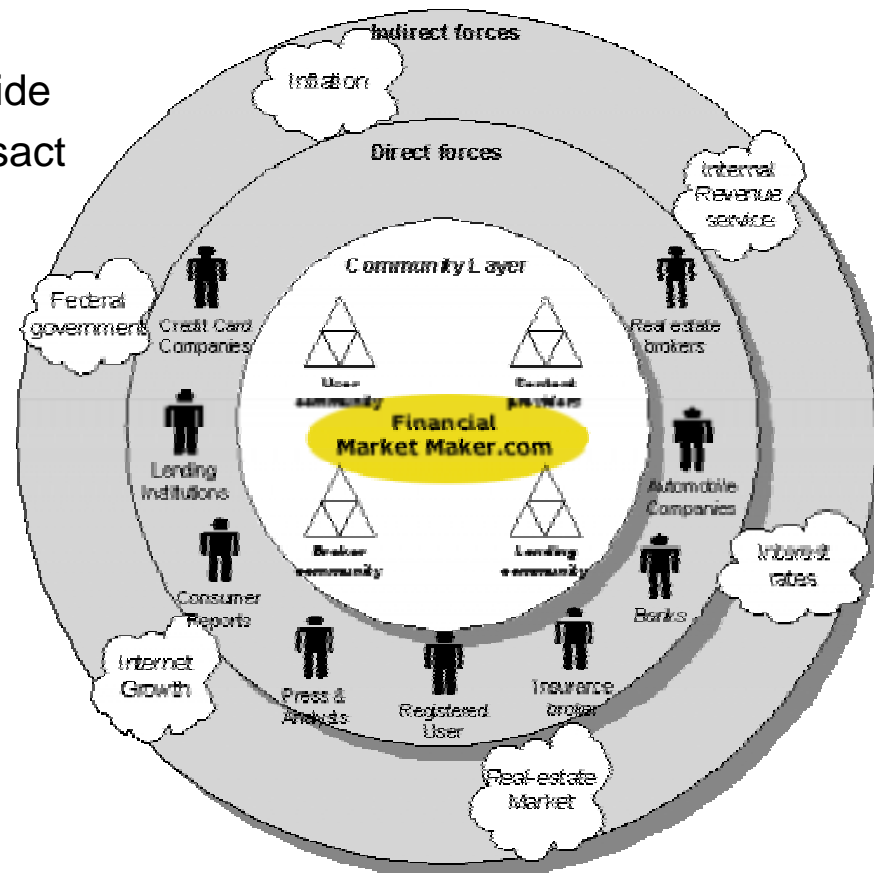
The Groundswell Approach
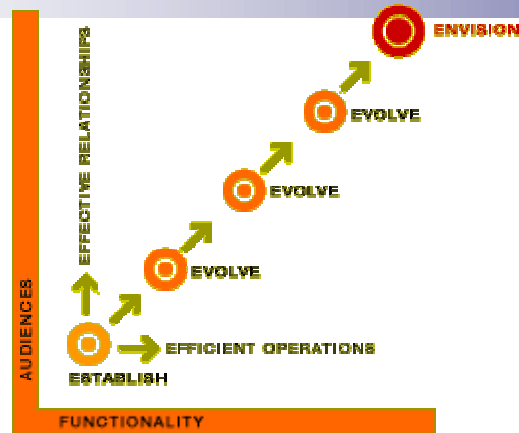

Source: Groundswell.net Web Site

Early E-Business Strategy Experiences

- Three Guys with Money:
  - High-end Travel Web Site
  - What is a backend system?

- We want it at Internet Speed:
  - No business plan
  - No time for an e-business strategy
  - Web sites were developed for vaguely defined and unsustainable businesses

- Clients with a "new idea" that wasn't so new.
  - There were already a dozen sites just like it.

- Who's the customer?:
  - Barely functional with no traffic
  - Who is the customer?

- What's an e-business community?

- What is an e-business strategy and how do you develop one?
  - What's an e-business strategy anyway? Deliverables, tasks?
  - Teams of business, technical and creative staff who had never worked together before:
  - Who's in charge?
  - Who's responsible for what?
  - What are the deliverables?

A few reasons for e-failures

- Rushed and incomplete business models

- Standalone e-business projects

- *"Me too"* strategies

- Inadequate business infrastructure, technology and staff

- "*Webification"* of old, inefficient or obsolete business processes

- Lack of integration with core legacy systems

- A value proposition with insufficient value

- Not consistent with the corporate brand

What happened to Internet consulting companies?
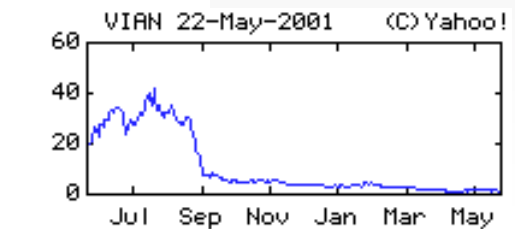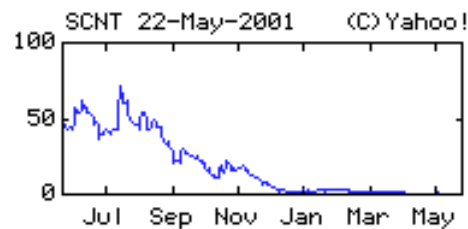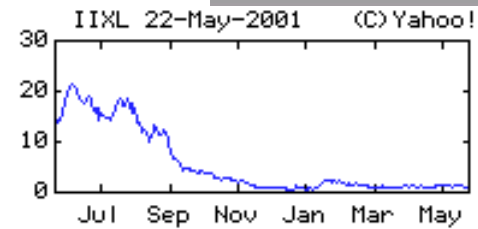
Lessons Learned

Lesson #1: The metric for measuring e-business success is now ROI.

Eyeballs

"Stickiness"

Page Views

Discounted Terminal Value
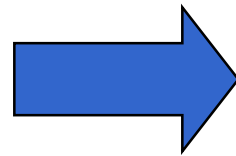
Develop site, build brand, attract eyeballs, find paying customers, then figure out the business and a strategy for getting profitable.

E-business Opportunity Filter – Prioritization Criteria
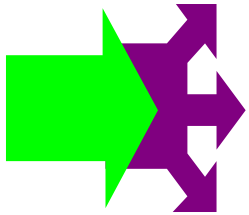
Weighting

 Contributes to the Business Direction **50%**

Aligns with the Business Strategy

 Value **40%**

Benefits: both tangible and non-tangible
Less Cost

10%

 Risk

Meets Business Objective
Organizational Readiness
Information Technology
Deployment

100%

Lesson #2: Don't mistake an e-business strategy for a business strategy.

- **Business Strategy**

  - Describes how a company is going to be different and achieve a competitive advantage in order to sustain value superior to the competition.

  - Identifies its' strategic position. For example, as defined by Michael Porter's six principles:
    - » Right Goal – for example, superior long-term return on investment
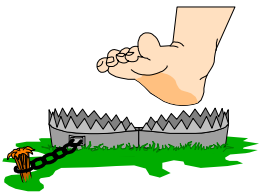   - » Value Proposition – set of benefits different from those of competitors
    - » Distinctive Value Chain – different activities or the same activities in different ways
    - » Trade-offs – forgo some features, services or activities to be unique.
    - » Fit – mutually reinforcing activities
    - » Continuity – forgo certain opportunities to pursue this strategy

  - Not to be confused with implementing "best practices"
    - » just continually improving and doing everything better is not a strategy.

Lesson #2: Don't mistake an e-business strategy for a business strategy.

- **E-business Strategy:**

    - Lays out how a company will use Internet technologies to do business:
        » Opportunities and Initiatives
        » Internet Technology Architecture
        » Internet Organizational Alignment: Structure, Style, Staffing, Skills and Processes.

    - Aligns with the business strategy
        » E-business technology and the Internet enables and mutually reinforces other activities of the company that make the company distinct
        » Generally, e-business technology does not provide the competitive advantage itself.

Business Strategy

Market-leading organizations excel by focusing on delivering one kind of value to their customers, while maintaining threshold standards in the other two.

1. Product Leadership

"best product"

3. Customer Intimacy

"best total solution"

2. Operational Excellence

"best total cost"
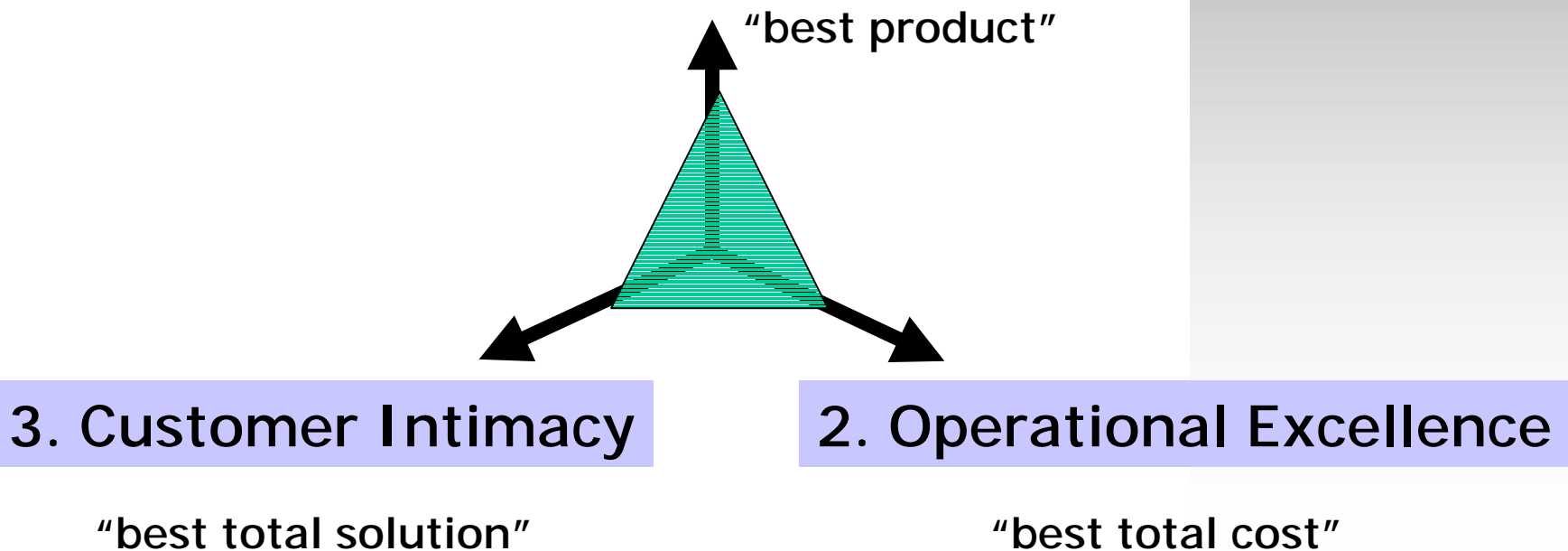
Concept introduced 1995 by Michael Treacy and Fred Wiersema, The Discipline of Market Leaders

Examples

1. Product Leadership

"best product"
- Intel
- Nike
- Disney
- Swatch
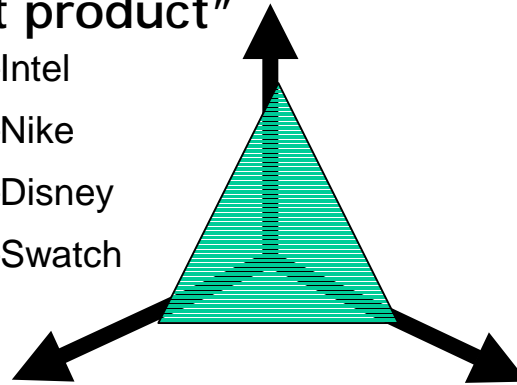
3. Customer Intimacy

"best total solution"
- Nordstroms
- Home Depot

2. Operational Excellence

"best total cost"
- Southwest Airlines
- Dell
- Wal-mart
- McDonalds

1. Product Leadership

Value Proposition	Best Product
Basic Philosophy	Offer products that push performance boundaries
Core Processes	Invention, R&D, Engineering, Commercialization, Market exploitation
Major eBusiness Opportunities	B-Web Integration, Knowledge Management, Collaboration, Portal and Application Design

2. Operational Excellence

Value Proposition	Best total cost
Basic Philosophy	Low or lowest price and hassle-free service
Core Processes	End-to-end product delivery, Customer service cycle
Major eBusiness Opportunities	B-Web and Intra-Enterprise Integration, Analytics, Business Process Design

3. Customer Intimacy

Value Proposition	Best total solution
Basic Philosophy	Delivering what the specific customer wants
Core Processes	Client acquisition and development, Solution development
Major eBusiness Opportunities	Customer relationship management, Client Portal

Lesson #3: Emphasis has shifted from creating new "Business Models" to enhancing existing value propositions.

- Dot-coms and established companies are looking for ways to leverage the power of the Internet throughout their organizations.

- Viewed less as a "disruptive technology" even though some Internet businesses have clearly changed the rules (e-brokerages, Napster, etc.).

Value Chain E-Business Opportunities

Leadership

- Balanced Scorecard web-based
- Dashboard of Performance Measures
- Investor relations (information dissemination, broadcasts of conference calls)
- Enterprise-wide knowledge management

Marketing and Sales

- Online sales channels including Web sites & marketplaces, auctions sites, etc.
- Real-time inside & outside access to customer info, product data, dynamic pricing, inventory availability, online submission of quotes and orders
- Online product configurations
- Customer-tailored marketing via customer profiling
- Push advertising
- Tailored on-line access
- Real-time customer feedback through Web surveys and promotion response tracking.
- Online support of customers: e-mail response, chat, voice over IP.
- Customer self service over web.
- Real-time field service.

Engineering

- Collaborative product design across locations and among design partners
- Real-time access by R&D to online sales and service information with search capabilities.

Operations

- Internet-enable demand planning
- Real-time ATP and capability to promise
- Internet connection to purchase inventory and forecasts with suppliers.
- Procurement via marketplaces, exchanges, auctions, buyer-seller matches.

Operations

- Real-time integrated scheduling, shipping, warehouse management, demand planning across suppliers and locations.
- Dissemination of inbound, outbound and WIP inventory data.
- Integrated information, scheduling and decision-making for in-house facilities, contractor manufacturers & suppliers.
- Real-time Available to Promise(ATP) to sales force and channels.
- Real-time orders from customers, sales, or channel partners.
- Online customer contracts/agreements
- Integrated channel management including info, warranty and problem resolution.

Finance

- Web-based departmental budgeting
- Web-based financial applications.
- Electronic time & expense reporting.
- ASP for payroll.

Enterprise Infrastructure
Information Technology

- Collaborate build/deploy systems
- Self-service help desk
- Self-service web content management

Human Resources

- Self-service personnel & benefits admin: HR info, 401K, stock options, benefits
- Web-based training

Adapted from Michael Porter, "Strategy and the Internet", HBR, March 2001

Dell – Integrated Value Chain Example

Traditional value chain in the computer industry

suppliers	supplies → ← requirements + $$$	**manufacturer**

finished goods → ← $$$ **distribution**

finished goods

customers ← finished goods ← ← $$$ → **retailer** — $$$
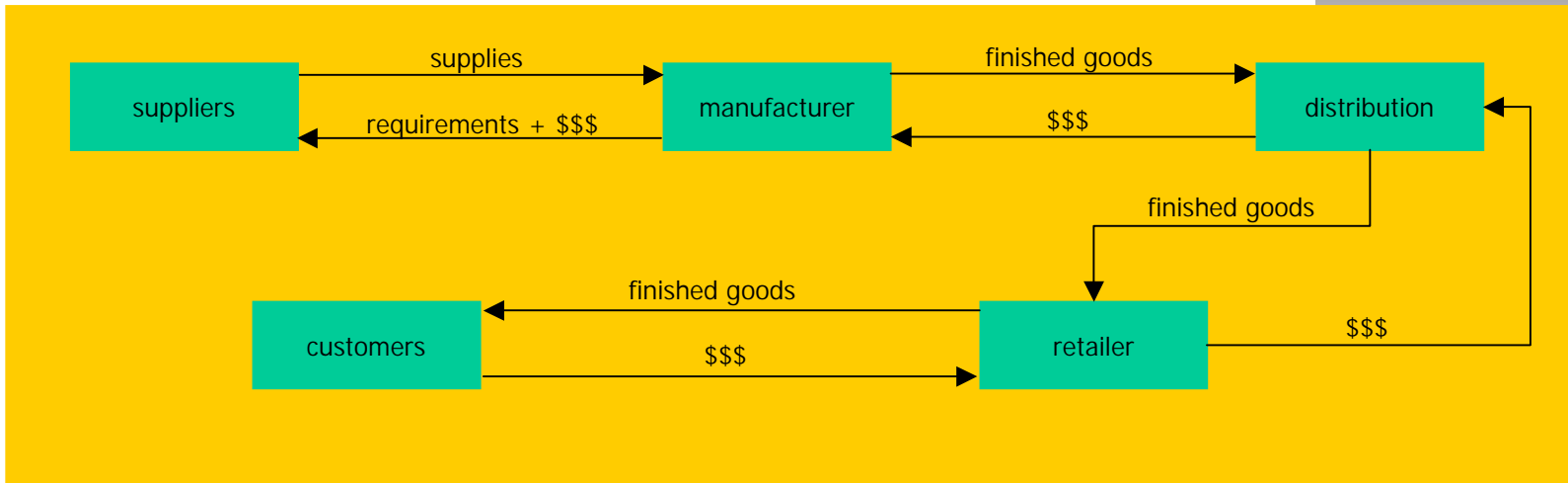
Virtual Integration blurs the traditional boundaries and roles of the value chain

some products, e.g. monitors, can be shipped straight to customer but Dell still gets its mark-up for generating the business

quality supplies, just-in-time →
staff expertise, products and services →

suppliers — **DELL** — **customers**

← real-time information flows on demand, specifications and $$$

← information on demand, trends and $$$
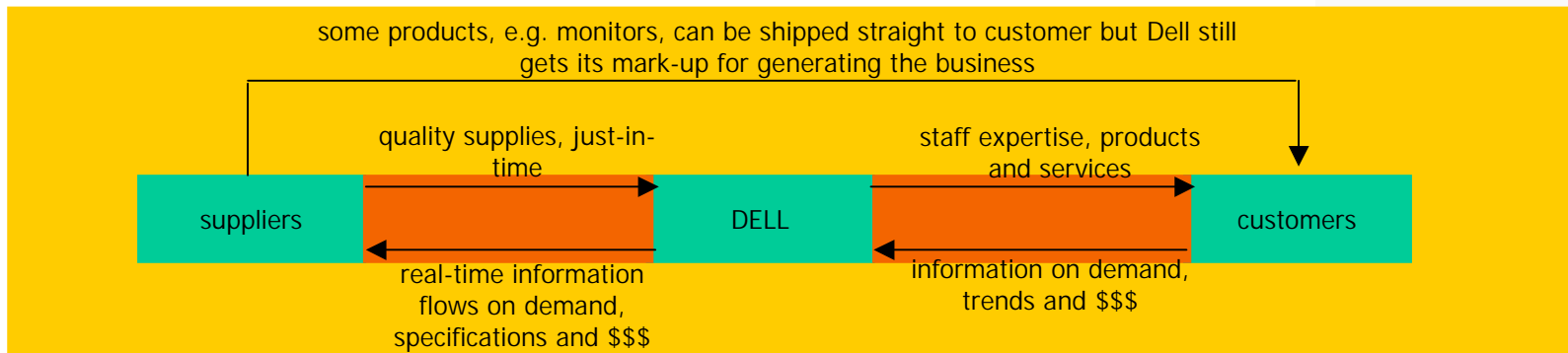
Business Webs and Private Exchanges
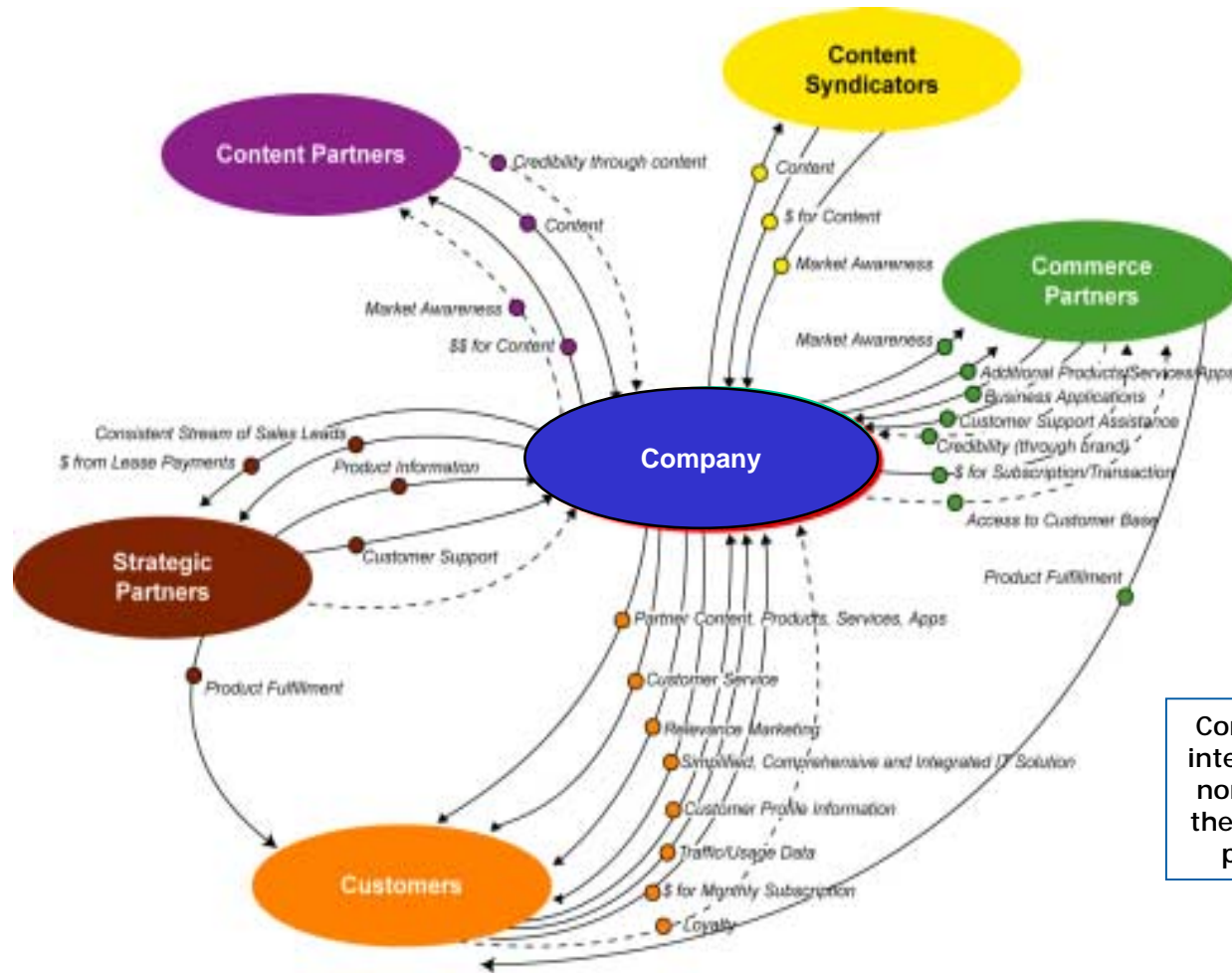
Companies are foregoing vertical integration in favor of outsourcing non-core functions and are using the Internet to integrate business processes and to collaborate.

Reference: Digital Capital – Harnessing the Power of Business Webs. By Don Tapscott, David Ticoll, Alex Lowly. Harvard Business School Press, June 2000.

Technology Enablers - Info World Top IT Trends of 2001

1. **Customer Relationship Management:** In a down market, generating more revenue from each customer engagement becomes a higher priority. In fact, some folks on Wall Street may begin using this metric as the primary way they measure corporate value.

2. **Supply-chain automation:** The next big thing to do in a down market is reduce your costs. Automating supply chains to drive costs out of the production process is always popular with the board, but in a down market, it becomes an extremely high priority.

3. **Knowledge management:** To get more out of employees, you need to give them better tools. As workers come and go, you need to retain the knowledge they create. Whether it's an up market or a down market, people realize that intellectual property is really their core asset, and right now, the primary storage mechanism is organic and mobile.

4. **Content management:** Determining what an organization actually knows is only half the battle. Getting that knowledge to the right place at the right time is the other half. We're just now exploring the potential of technologies such as XML, which will fully emerge this year as the dominant data format in corporate computing.

5. **Peer-to-peer networking:** This is an old idea whose time has finally come. Most servers today are an impediment to collaboration and create a huge amount of overhead for IT. The more users get in touch with each other directly, the lower the support costs for IT.

6. **Business process integration:** We will only see business-to-business e-commerce really become the true dominant business model if the industry as a whole takes enterprise application integration to the next level. Integrating applications is still too time-consuming relative to the scale of the task at hand. New tools in this area should make a huge difference.

7. **Mobile commerce:** With millions of Internet appliances ranging from phones to handhelds and pagers now in the hands of consumers, the opportunity to completely reinvent tarnished business-to-consumer e-commerce models is great.

8. **Optical computing:** Right now, much of the Internet core is being revamped with optical networking technologies in order to meet increasing bandwidth demands driven by the need to deliver richer content to Web sites. As the cost continues to drop, much of this technology will find its way to the edge of the Internet in 2001.

9. **Application utilities:** The costs of supporting any large scale Internet presence across multiple customers, distributors, and suppliers are beyond the ken of most IT organizations. With more complex business requirements, IT executives will increasingly look to data hosting centers and application service providers to provide and manage all the resources needed for a major online presence.

10. **Application frameworks:** The widely used three-tier application development models in use today will rapidly give way to n-tier models where multiple servers act in concert. Technologies in support of this are still in their infancy, but by the end of this year, the next big step will be clear.

Lesson #4: The distinction between an e-business strategy and an information technology strategy has all but disappeared.

- E-business and Internet usage is becoming pervasive throughout organizations everywhere.

- Companies are interested in leveraging all types of technologies – whether it is an Internet technology or not.

- In seeking ways to enable their business strategies, companies are not distinguishing Internet technologies from other information technologies during the strategy process.

Lesson #5: Time moves at the same rate for everyone

- "Internet time" was used too often as an excuse for lack of discipline.

- "We don't have time for:
  - developing a business strategy, or
  - an e-business strategy, or
  - for preparing a requirements definition or design – just build the web site".

- Result: Internet infrastructures that were incomplete and did not solve a business problem.

Lesson #6: Don't confuse your VCs with your customers

- This lesson really applies to new ventures.

- Web development was rushed to have a "real" site to show to VCs to get the next round of funding.

- Often without a business strategy, without a clear understanding of who the audience is or sufficient definition of requirements.

Lesson #7: Don't forget or underestimate back-end integration

Siebel CRM App

Customers
Customer Product
incl Serial Number
Call/Case Information
Inventory & Work Orders
(Replacement/Repairs)

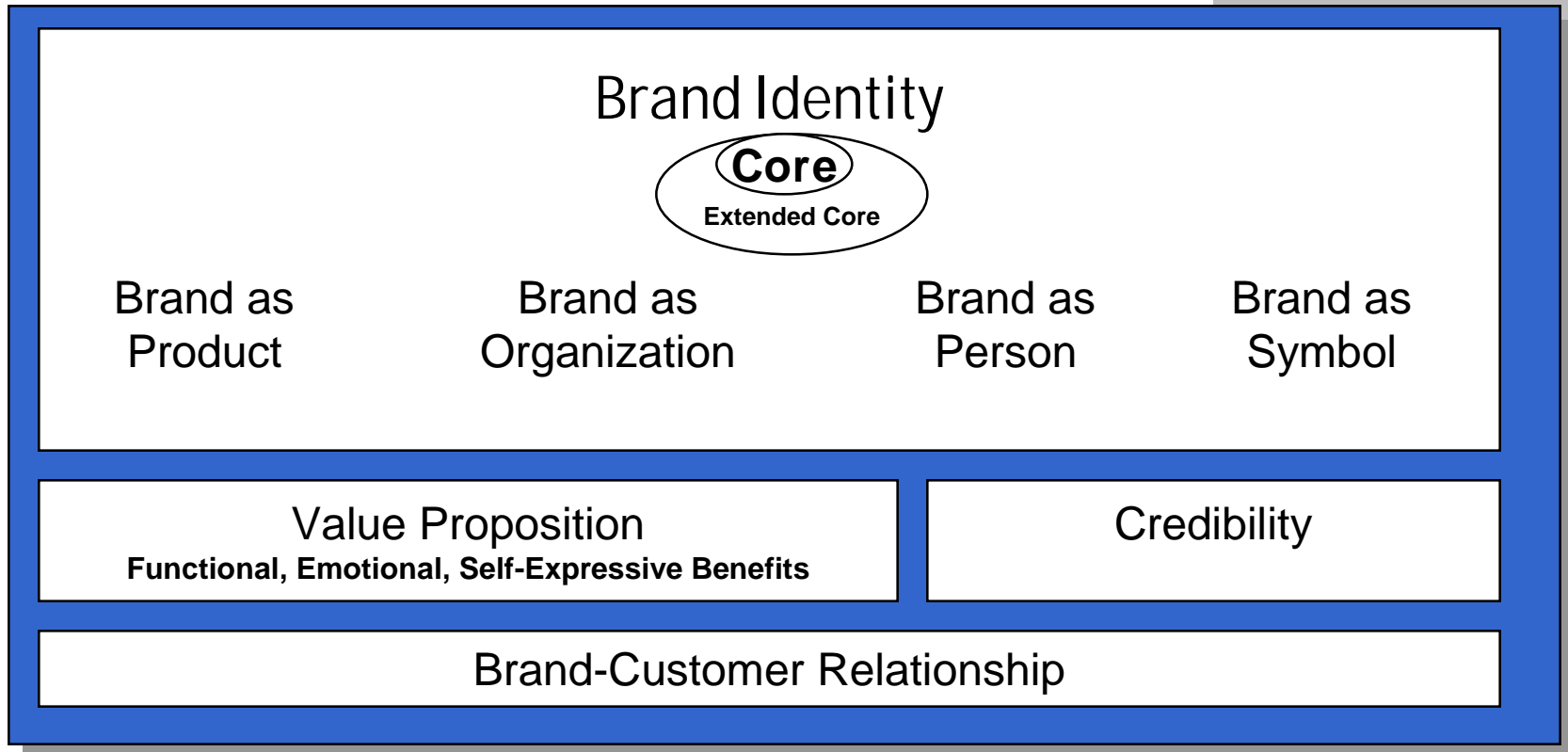**E-Commerce App
(Custom)**

Customers
Products
Prices
Orders

Merchant Banking Apps

Credit Card Info
Payment Info

Return/Repair Shipment Info

Customer Information
Shipment Confirmation
(Serial No)

Customer Information
Shipping Information
(Repairs, Return)
Billing Information

Customer Information
Order/Shipment Confirmation

Credit Information

Customer Info
Order Info

Shipment Confirmation

SAP Enterprise Apps

Operations Apps

Human Resources Apps

Finance Apps

ADP Payroll Services Apps

Employee Info
Payroll Info

Customers
Sales
Products
Pricing
Orders/Shipments
Forecast
Invoices
Accounts/Budgets
Bill of Material
Inventory (FG)
Assets
HR Information

**Baan Contract
Distribution Apps**

Inventory - FG
Purchase Order
Customers
Orders
Shipments

**Oracle Contract
Manufacturing Apps**

Inventory
(Stock, WIP, FG)
Bill of Material
Document Control
Purchase Orders

1 by Raumer Associates

Lesson #8: The E-Business solution must align with the Brand

- The e-business brand identity, brand architecture and site design must be consistent with the corporate brand and strategy.

Brand Identity
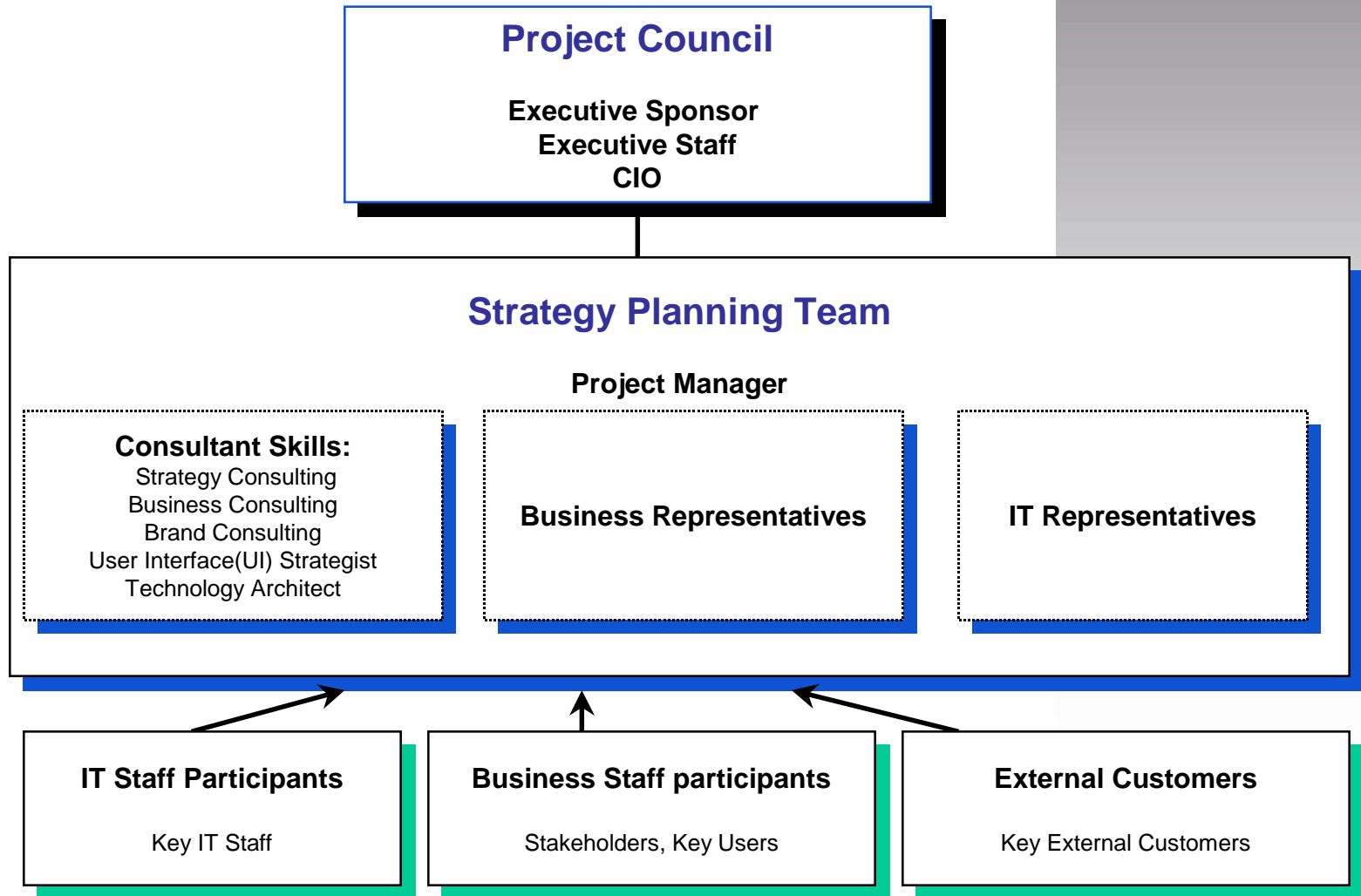
Core

Extended Core

| Brand as Product | Brand as Organization | Brand as Person | Brand as Symbol |

| Value Proposition
Functional, Emotional, Self-Expressive Benefits | Credibility |

Brand-Customer Relationship

Brand - Examples

Dell	Be Direct
eBay	Focus on trading communities
Southwest Airlines	Meet the customer's short-haul travel needs at fares competitive with the cost of automobile travel
Wal-Mart	Low prices, every day.
Webvan	Unparalleled customer service from selection, price, convenience, quality and a personalized courier service that is second to none.

Lesson #9: An e-business strategy requires more than just defining the Internet technology direction.
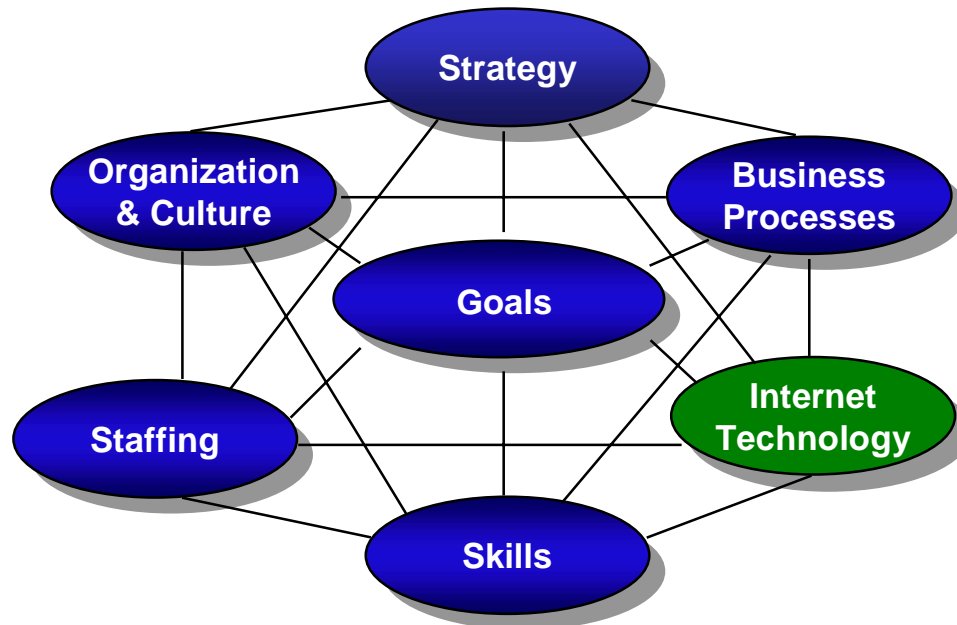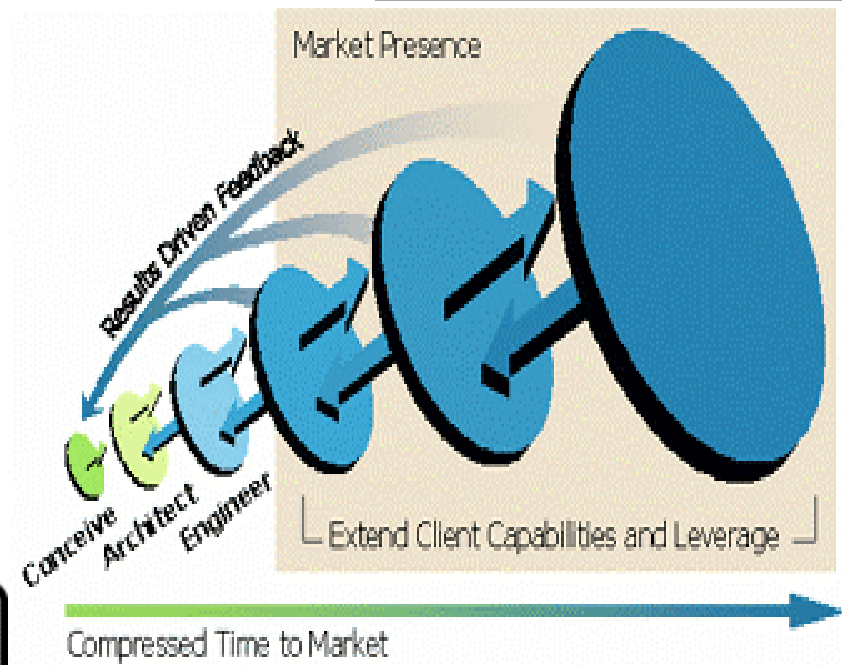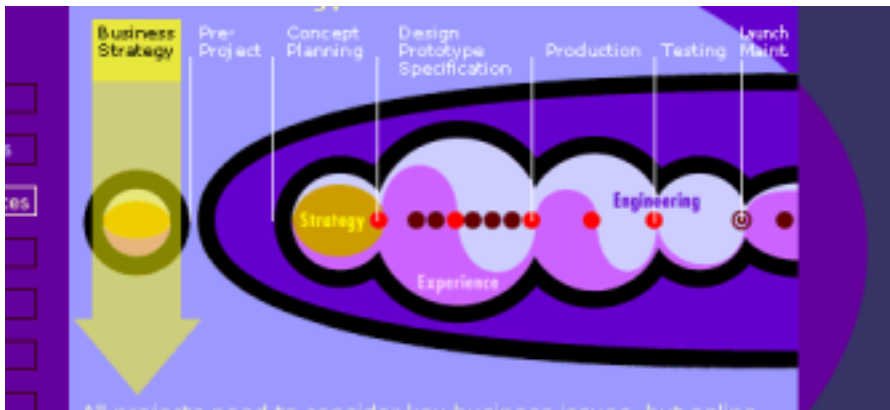

It includes changing the interconnected activities and organizational elements necessary for a successful e-business deployment and operation.

Lesson #10: E-business strategy teams require a wider range of skills.

Project Council

Executive Sponsor
Executive Staff
CIO

Strategy Planning Team

Project Manager

Consultant Skills:
Strategy Consulting
Business Consulting
Brand Consulting
User Interface(UI) Strategist
Technology Architect

Business Representatives

IT Representatives

IT Staff Participants

Key IT Staff

Business Staff participants

Stakeholders, Key Users

External Customers

Key External Customers

Lesson #11: There is not a "one size fits all" methodology for developing an e-business strategy.

Examples
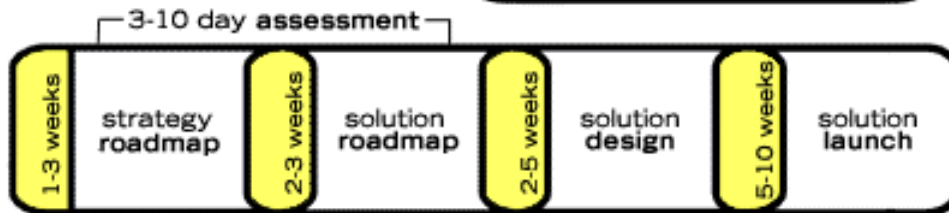
R&A E-Business Strategy Framework

I. Assessment → II. Strategy & Architecture → III. Roadmap

Understand Business Direction

Assess Current E-business Technology Capability

Identify Trends and Competitors

Identify E-business Opportunities

Strategy Formulation

Develop Technology Architecture

Define Initiatives and Projects

Prepare Organizational Alignment Program

Prepare Implementation Roadmap

Define Performance Measures

If you wish further information about the process, please contact me. Ron Raumer

Further Reading

- **Business:**
  - Strategy and the Internet, Michael Porter, Harvard Business Review, March 2001.

  - The Discipline of Market Leaders, Michael Treacy and Fred Wiersema, Perseus Books, 1997.

  - Digital Capital – Harnessing the Power of Business Webs. By Don Tapscott, David Ticoll, Alex Lowly. Harvard Business School Press, June 2000.

- **Brand**
  - Building Strong Brands. By David A Aaker. The Free Press, 1996.

- **Experience:**
  - The Inmates are Running the Asylum. By Alan Cooper. SAMS, 1999.

- **Technology & Project Management:**
  - The Rational Unified Process – An Introduction. By Philippe Krutchen. Addison-Wesley, 1998.

So, should you develop an e-business or an IT strategy?

"Accept the challenge, so you can feel the exhilaration of victory!"

- General Patton

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