

Energizing e-business

By Jack Shaw

I've been a student of e-business since its inception. And for all the excitement and innovation that this industry has seen over the past several years, I believe that the best is yet to come. We're at the precipice of a new era in e-business.

James Burke, author of the book *Connections*, and host of the Public Broadcasting series of the same name, is recognized as one of the world's foremost authorities on the interplay of history and technology. As he points out in *Connections*, "One force above all seems to facilitate innovation. The easier it is to communicate, the faster change happens. Every time there is an improvement in the technology with which ideas and people and ideas come together, major change ensues.

"The Greek alphabet gave birth to philosophy, logic and the democratic process. The printing press generated the entire Scientific Revolution and the telegraph brought modern business methods into being and held empires together."

Never have we had a more significant improvement in the technology with which ideas and people come together than that brought about by the Internet and related technologies in just the past few years. And yet, the resulting massive surges in innovation have really just barely begun.

We saw the earliest glimmerings of these changes in the late '90s but they were cut short by the combination of the dot-com crash, September 11th, and the recession. Now, as we emerge from this recession, businesses are recognizing that in many cases, their business technology and online strategy are severely outdated because they were unable to make the investments necessary to keep pace. Meanwhile, technology and in particular, e-business, has continued its accelerated growth.

The leading researchers are very consistent in projecting continued explosive growth in Internet commerce, both business-to-consumer and business-to-business. Now, at the start of 2004, we can expect at least a doubling of online commerce in the next two years with no let up in growth expected in the foreseeable future. Businesses with substandard technology or an outdated strategy for their online efforts need to seriously evaluate their e-business capabilities and make the necessary investments now if they are to capture their share of this explosive growth.

Business-to-consumer online sales, in particular, project dramatic increases averaging 19% per year for the next several years. The US Department of Commerce numbers released at the end of February 2004 confirm this upward trend. In Q4 of 2003, \$17.2 Billion dollars was spent online. That was up 25% from the fourth quarter of 2002. Impressive numbers indeed. Industry leaders see this trend and, to capitalize on this increase in online demand, are once again investing heavily in e-businesses.

As online consumers' shopping preferences are evolving, online retailers are spending on site design and usability testing in an effort to create optimal shopping experiences for their customers. These changes – based on the needs of customers – are all done with an eye toward increasing customer loyalty; increasing sales effectiveness and changing the

way retailers compete for share-of-wallet. For example, today, 84% of the top 92 e-commerce sites offer zoom options for viewing products online and retailers like Sears and Home Depot offer Spanish language sites to better serve their Hispanic customers.

As a result of site improvements such as personalization and robust business intelligence systems that facilitate customer-centric e-marketing, commerce sites are seeing earlier conversion rates of browsers to buyers. Businesses who don't have their e-business tools and technologies in place within the next 12 to 18 months may never catch up. Competitive advantage, through the use of technology and through innovative e-business strategies, is once again a business reality.

Much of the increase in consumer demand is driven by the continued rapid adoption of new technologies. Today over 20% of all American homes and even more businesses have broadband, DSL or cable Internet connections. This surge in always-on connections combined with much higher speed downloads means that the numbers of people wanting to do business online is increasing dramatically. By the year 2008, half of all U.S. online households, and 40% of all households, will have broadband access.

Another dramatic development is in wireless communications. Wireless communications is one of the first areas where home use of technology has actually led businesses. The advent of easy to use, high-speed wireless home networking means a further increase in the ease and availability of interacting online. And public Wi-Fi spots will double to 85,000 world wide in just 2004 alone.

But wireless communications also means that radio frequency identification, or RFID devices, will keep track of products and inventories. The new Y-Max standard, coming out within the next 12 to 18 months will support bandwidths of up to 100 megabits wirelessly over a distance of up to 30 miles. Combined with RFID capabilities, such applications as vehicle tracking will become much simpler.

The increasing sophistication of the global positioning system now makes location-based services practical. The e-business analytics now used to optimize interactions with customers accessing the Internet from desktops will be extended beyond the boundaries of the enterprise and of their homes. People will be able to interact with organizations while on the move and in ways that are sensitive to their location. The implications for data-driven e-marketing efforts in this scenario are promising and certainly, quite exciting.

So, what is the significance of these advancements in terms of e-business?

They underscore the increasing sophistication and complexity of technology and point to the need for e-businesses to be agile in nature, open by design and adaptable to changing market conditions so that they can reap the benefits of the opportunities that lie ahead.

So, exactly what is ahead and how will the future of business be different? The challenge that faces management today is trying to understand how to survive and succeed in a dramatically different business economy brought about by the result of the Internet and globalization. What is it going to take to succeed in this new, new economy? How is that going to be different from what it used to be? And most importantly, what steps do you need to take in your business this year to ensure that you

can survive as the e-business explosion resumes?

It starts by managing change. And it's not enough to accept change. It's not even enough to embrace change. You've got to actively seek out change. Not just change for change's sake, but change to ensure that you are continually applying the best technology tools to implement the most effective possible business practices. I believe you must actively seek out change in order to bring renewed energy to your business initiatives.

So, what steps do you need to take in your business this year to ensure that you can survive as the e-business explosion resumes? You must do several things simultaneously. You must:

- * Increase the degree to which you effectively collaborate with your suppliers, your business partners and especially your customers. Efficiencies gained in this area will result in higher customer satisfaction and increased customer and partner loyalty.

- * You must maintain a high degree of agility in response to a rapidly changing business environment.

- * You must continue to bring new customer-oriented services to market ever faster in order to increase your ability to compete for a customer's share-of-wallet.

- * You must differentiate your products and services from those of your competitors by developing and implementing innovative business processes. Dell is an excellent and frequently cited example of process being a key differentiator. Dell's mastery of their supply chain management process allowed them to be highly competitive in other areas and was part of the overall strategy that led them to become the PC market share leader in the US.

- * And finally, you must do all of these things while maximizing the productivity of your people.

To achieve an energized e-business, organizations must integrate their strategies, processes and technologies as never before. You must use current and emerging technologies as enablers to redesign your business processes in ways necessary to achieve your strategic objectives.

Perhaps the most critical such process is customer collaboration. Customer collaboration is the automation of customer interaction and the provision of personalized self-service in order to enhance customer satisfaction and retention. Collaboration and personalization are the key drivers to profits and long-term growth.

By 2005, there are expected to be over 30 billion customer interactions per year in North America alone and many more around the world. There are not enough people available to be hired to manage all of those interactions on a personal basis. This is why it is so critical to automate these customer interactions. At the same time, though, you can't maximize customer service and retain your customers in the long run unless you can provide them with the high level of personalized service that they have come to expect.

Let me cite an example of a business that's doing this very well, Circuit City, the electronics retailer, allows its customers to set up personalized home pages on which, among other things, they can identify which Circuit City stores are most conveniently located for them. So, when shopping for an item, they can find out whether their store has that item in stock today. Then, based on their needs, they can choose to either have that

item shipped to their home, or stop by and pick it up in person, knowing that it's being held for them at the store.

To support this kind of sophisticated customer-centric e-business, you must have the right infrastructure in place. Here's a brief checklist of some of the key characteristics of such an infrastructure:

- * First, it must be based on open standards so that you can provide an agile architecture with standard methods of communicating such as Web services to tie systems and processes together.
- * It should support scalable, extensible, modular applications with rapid incremental implementation. The era of years-long monolithic business management systems implementations are dead and gone. Infrastructures that enable businesses to realize faster-time-to-market efficiencies will capitalize on growth trends.
- * Today's infrastructure must be developed with the understanding that it provides massive global connectivity and supports spontaneous transaction flow and information transparency throughout the extended enterprise.
- * And finally, on top of this infrastructure, sit e-business processes. And we know, from my earlier points, that a key characteristic of an energized and competitive e-business is a commitment to designing innovative business processes.

Well-designed e-business processes work like this.

- * Information enters the process from one of three sources.
 - It may come in from traditional, paper-based or unstructured media such as letters, faxes or e-mails.
 - It may also be entered by knowledge workers through web-based, enterprise self-service interfaces. The knowledge workers could be employees of your organization or they could be authorized people at trading partner organizations such as customers and suppliers.
 - The third way the information can enter the business process is directly from other automated business management systems via Web services interfaces.
- * Once the information has entered the system, routine transactions are handled without any unnecessary human intervention according to rules defined by management.
- * Even common exceptions can be handled without human intervention, so long as they fall within limits defined by management.
- * Those management exceptions that do require human intervention are facilitated by e-business workflow.

You can't maximize the productivity of your people and still meet the needs of your customers without effective e-business workflow. A sound business process management system sits at the heart of e-business workflow. It ensures that information flows through the process without any unnecessary human intervention. At the same time, it recognizes when human intervention is required and invokes the help of the right person or people with the minimal impact on their time and productivity. The process understands the

people who manage it.

Every e-business process consists of two parts, the e-business system, and the supervisor, the person or people who manage it. The e-business system processes transactions according to business rules. The supervisor manages those exceptions that may arise via e-business workflow.

The supervisor also uses business intelligence tools to monitor the performance of that part of the process relative to pre-determined goals. Whenever necessary, or even simply desirable for any strategic or tactical reason whatsoever, the supervisor or any other authorized manager may intervene into the business process in much the same way as a pilot can take direct command of an aircraft rather than allow the autopilot system to fly it.

In a well-designed e-business, not only does the process understand the people involved, but the people understand the process. This concept is the cornerstone of a sound e-business strategy.

Ultimately, you have no choice as to whether you are going to become a full-fledged e-business. This is the way the market is moving. With your competitors investing heavily in technology once again, the choices are only two. You can be reactive or proactive. You can be reactive, sit back, put your feet up on the desk, let the competition do it first, and over the next two to three years, spend just as much if not more money, time, and effort attempting to respond to the demands of your customers and the threats of your competitors while gaining little, if any, strategic advantage.

Or, you can be proactive. That's the personal challenge I issue to you. Take a leadership role in your company by driving its evolution into a 21st Century e-business, an e-business that provides the best customer service and the highest quality customer experience and that manages its costs by maximizing the productivity of its people and by integrating its processes with those of its suppliers and other business partners.

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