E-Business C Crossing the dotted line

Kalpana Mathur

Mohit Batra

E- BUSINESSES - CROSSING THE DOTTED LINE

Kalpana Mathur
Associate Professor, Department of Management Studies, JNV University.
13, Krishna Nagar, Panch Batti, Jodhpur 342001, Rajasthan, India.
Tel: 91-291-512261,512267 Fax: 91-291-438514
Email: drkmathur@satyam.net.in

Mohit Batra
Chief Operating Officer,
e-Eighteen.com Pvt. Limited, 328, 3rd Floor, TV Industrial
Estate, S.K. Ahire Marg, Worli, Mumbai 400018, India
Tel : 91-22-4983796(O), 8260915(R)
Email: mohit.batra@moneycontrol.com

ABSTRACT

Businesses make life possible and ‘E’ makes businesses possible. Lots of views have been posted over period of years about the success and failure of E-Businesses. This paper initializes the need of ‘E’ism in businesses quoting examples from a host of industries. It relates and compares it to conventional business lines. Need of E-Businesses is re-emphasized via survey findings. Paper also routes through various stages of E-Business from need identification, business models, marinating growth, innovating, focus areas and succeeding. At every stage various examples and learning have been taken from industry performers. Focus of the paper is about being there to grow in highs and lows of E-Business and sustaining uncertainties. Paper would make it's objective clear in terms of answering key questions related to any business- What, How, Why, When and Where. Technology as a tool has been positioned as an enabler rather than product in itself. Need of successful business models have been re-emphasized in the findings.

‘*E-Businesses- Crossing the Dotted Line*’, is an attempt to look in future and estimating the need of technology and also succeeding it. E-Business is a sure success whatever way we look at it. Time is a factor that makes us jittery and not results. Profits is a factor of sustaining growth and not just coming out with an excellent idea.

INTRODUCTION

“In a mad world, only the mad are sane”…Akira Kurosawa

Businesses will never be the same again. The Gap between what can be imagined and what can be converted has never been shorter. Also the gap between what is success and what is failure has never been so funnily narrow. The E between success and failure is what has brought innumerous nightmares to managers, investors, shareholders and even customers. Like a hit on the head when one faces vertigo before gaining consciousness, E-business is something the world is still taking time to understand and comprehend with. Taking time is something that is not an issue; the point of discussion is different. Where are we reaching? It is like walking rigorously when the way may be entirely different. It can lead one in a totally different world with the lack of direction. To get the right sense of direction, what is required is something very basic.

Where do businesses want to reach?

Is e-road the best way of reaching there?

Can there be a better path to reaching the defined goal?

Can you depend to take the e-road time and time again?

‘E’ is nothing more than an alphabet. It DOESN’T do any wonders to the business, apart from spasms of excitement on the stock markets. It is also not the start of any revolution neither is it the end of one. It is another way of doing business but Yes! It is a damn effective way. A tool that can cut both sides, a way that can involve one to an extent that one can shut his/her age-old business and can start the businesses of this tool without being aware of it. Mind it without being aware of it. It is very difficult to keep the E’ism not so involved to your business, as it has a tendency of relating to the businesses at an extremely closer level. Profitability, cutting costs, increasing revenues are nothing till the time they are repeated time and time again. Growth is what determines the longevity and sustainability of any businesses. Businesses go through their own life cycles of inception, growth and maturity but then there has to be a growth factor to this life cycle too. Asking ourselves a question - *where do we think a product like Coke would be on the life cycle?* ☺ It has out passed all life cycles and what it does is keeps on growing making each seemingly matured stage a platform for a newer growth perspective. So businesses never end, they might convert and become better and seem to be a totally different business. ***Needs and expectations change and businesses have to align themselves accordingly.*** How they align to offer these values in a better way is through various business models and what runs these business models is something like the alphabet E, tools.

The next question that is so visible and the answer to which may seem to be equally vague is - ***So why do businesses enabled by the power of E fail?***

The answer is No! they don't. E-businesses may fail but businesses enabled by the power E are much lesser likely to fail. E as a tool can be always used effectively be it in terms of saving time, money or increasing servicing and offerings. *'E' as a business still has to go through the industry gestation period of visible sustainability and growth and thus they seem to fail right now. It is a phenomenon that has yet to happen at its prime.*

DEFINING THE DOTTED LINE

As said and experienced, E-businesses fail more often then conventional ones. This may be due to various reasons- inside or outside to the business itself. Sustainability of business itself is of prime importance and then the fact of adding and enhancing its value. So when one has to analyses why e-businesses fail the prime suspect is not factor E but business itself. As it is said 'What' comes before 'Why' and 'How'. What is the business has to find answers before anything else. Then there can be various why's and how's. E defines the how' of the business and not what'. This is what we mistake it for and lose focus on. 'Defining the dotted line' is not about issues neither is it about caution signs. It is about What, How and Why of businesses in perspective to latest technology changes. Let's try and understand the three factors-

What- business I am in, customers I am addressing, distribution channels, business processes, need determination, communication strategy, geographical boundaries, and so on and so forth

How- do I reach my customers, timelines, costing, prices, marketing, servicing, reorders, competitive strategy, Industry effects, business can be done in a better way and so on and so forth.

Why- if this is it, is it the best way?
All the above can be *Application Factors* [1] of technology on businesses. The requirement is to redefine the business but first defining it in a better way and then applying/not applying technology to it. These Application Factors will also give an insight so as to technologies what-be it business processes or delivery mechanism or transactions or distribution channel. Finding out ways of bettering them and then deciding on what technology to be used in order to meet up with expectations. Evaluating and then deciding if it is the best way looked at. ***The success of this tool is not just dependent on what it can do but also how it can do it.*** So it may happen that at the implementation stage it is found out that it was not the best way out and the business may not sustain this technology over the rigors of growing expectations. The pointer out here this time is on the whole concept of technology and it's sustainability. In order to define that, again there are three factors to be looked upon.

- Do companies enter with a firm business model?
- Does e-businesses itself has potential of success? or,
- Is e-business growth oriented i.e. is there a long-term sustainability issue?

The question that is facing us all and is there always is- what does it require to go digital and then how does one manage that and finally how to sustain the longevity of digital businesses?

CONTROL+ALT+DEL - LETS REBOOT OURSELVES!!!

Here are some findings of the Morgan Stanley Dean Witter Survey, November 2000 [4].

FIGURE-1

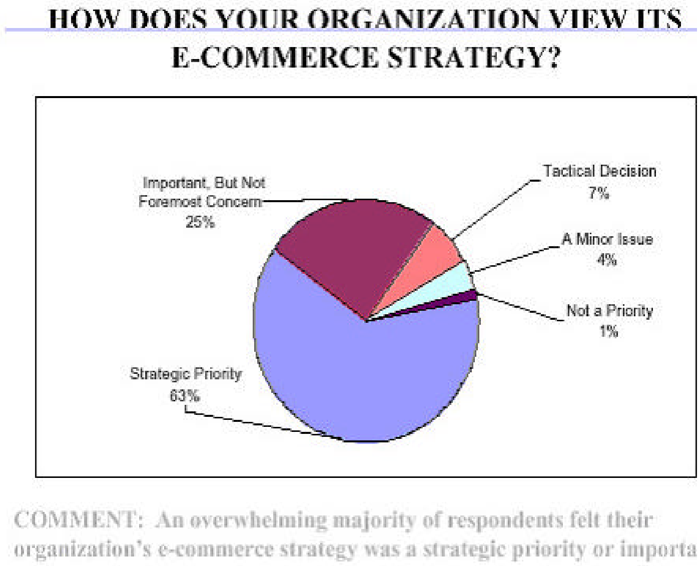
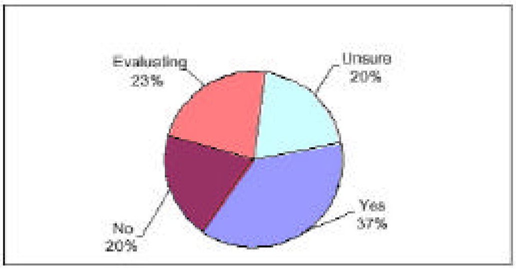


FIGURE-2

IS YOUR COMPANY PLANNING TO PARTICIPATE IN AN E-COMMERCE TRADING EXCHANGE, SUPPLY CHAIN, OR COMMUNITY?



COMMENT: Only 20% answered that their company would not be participating in an e-commerce trading exchange, supply chain or community – an unusually high commitment to this new segment.

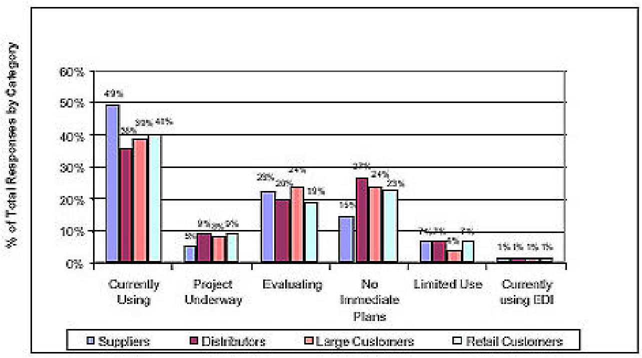
FIGURE-3

HAS YOUR ORGANIZATION IMPLEMENTED A WEB STOREFRONT?

COMMENT: 42% of respondents have still not implemented a Web storefront, thereby implying we have not yet reached market saturation.

FIGURE-4

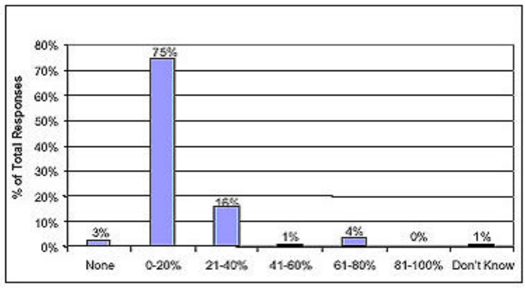
DO YOU CURRENTLY USE E-COMMERCE FOR TRANSACTIONS WITH...



COMMENT: At least 36% of respondents are currently using e-commerce for transactions with customers, with 49% of them using e-commerce for transactions with their suppliers.

FIGURE-5

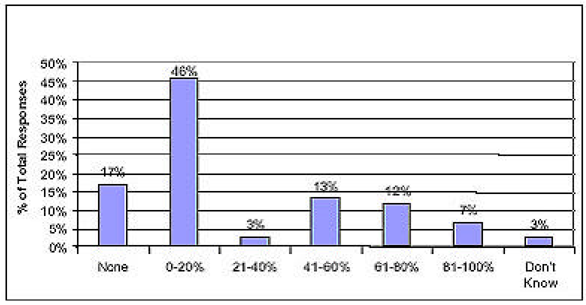
WHAT % OF YOUR IT BUDGET WILL BE SPENT ON YOUR E-COMMERCE INITIATIVES?



COMMENT: The vast majority of respondents plan on spending between 0-20% of their IT budgets on e-commerce initiatives. All but 3% are dedicating budget resources to e-commerce initiatives.

FIGURE-6

TO DATE, WHAT % OF YOUR INTERNET INITIATIVES WOULD YOU CLASSIFY AS END-TO-END SOLUTIONS, I.E. INTEGRATING BACK-END LEGACY AND CLIENT/SERVER SYSTEMS INTO FRONT-END APPLICATIONS?



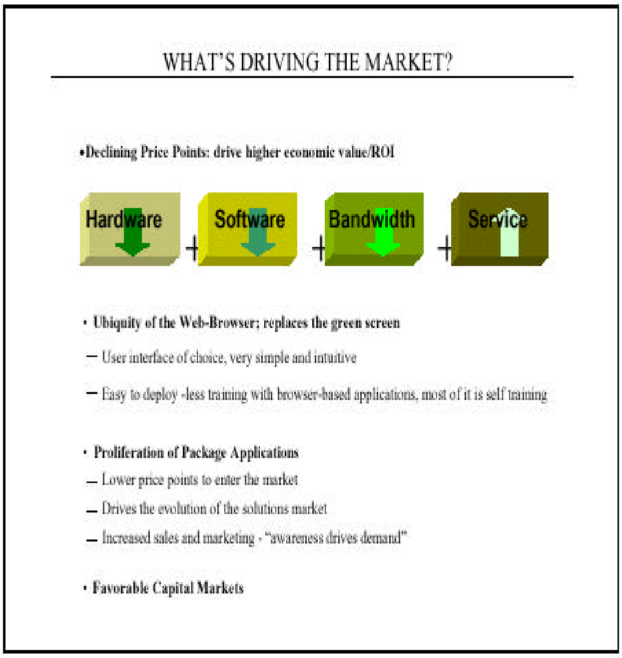
COMMENT: 63% off those surveyed said that 0-20% of their Internet initiatives are end-to-end solutions. That said, there is still substantial work to be done to realize maximum efficiencies.

The road is clear, the ways are numerous, destination is not far-sighted, it is not a concern so as to how reaches there first. the concern is all have go there and may be farther than that to survive. Transition seems to be inevitable and to welcome that the economy is getting deregulated. Companies are rapidly shifting resources, both proactively and reactively, to address the opportunity and threat created by the digital economy. In **essence, the Internet or Digital Economy is breaking down the traditional barriers to entry and blurring the lines between business models.** This market dynamic

allow both existing and new organizations to enter non-traditional lines of business. With the advent of these new digital competitors, consumers gain greater access to both Information and product/service options, thereby substantially improving their overall buying power versus the supplier. The building of digital businesses includes both pure play dot-coms and traditional bricks-and-mortar companies expanding onto the Internet. In the digital economy the success, and therefore the value of a company, will be directly tied to its knowledge, retention, and monetization of its customer base. Also successful digital businesses will deliver a true one-on-one user experience by aggregating customer data and generating user-specific profiles based on such data. To this end, organizations are aggressively utilizing digital consultants to deploy customer relationship management (from such vendors as Siebel, Onyx, and Clarify) and Internet personalization solutions (from such vendors as Vignette, Octance, E.piphany, and Broadvision). [6]

COMMAND: ENTER

FIGURE-7



Source- Building and managing digital economy - [6]

So here we are defining digital solutions as viable and useful for the company, customers, suppliers and management systems. Not only does these solutions look inevitable for organizations to grow over long term but also come with bundle of value adds to supplement the logic. Along with all the visible benefits, there is also cost saving that comes bundled with the implementation of digital solutions to conventional business. For digital solutions there are four main cost components: hardware, software, bandwidth, and services. Over the last several years, computing hardware, software, and bandwidth have experienced significant price declines despite increasing levels of performance for each. Consequently, the economic value or return on investment of deploying these solutions is increasing. A platform for displaying products and services gives the companies revenue generation options rather than just sprucing and integrating the back-end applications. Be it dot-coms or conventional companies, the basics and benefits of digital revolution can be of fitting use across.

COMMAND: TABBING GROWTH

The below given 3 categories will try and define all possible types of models on Internet. It would highlight some of it's features and success factors.

1. ***F5 (Refresh) - Innovation at it's best-***

www.ebay.com and www.amazon.com represent the new kid-on-the-block category, with innovation and servicing as it's main domain of expertise. These kinds of companies have very minimal existence in the real world and mainly grow on delivery of information, product and services on the net only. There can again be two kinds of players in this category. A) Companies that also have competition in physical world - Like Amazon might compete with any other physical book store and B) Companies that are absolutely exclusive on the net and have no competition with physical world what-so-ever - Yahoo, MSN may fall in this category. [6]

Internet companies which have similar businesses in physical world face dual competition. The saving grace is that the principal business model is well tested in the physical world and presence on net enables added advantage to services/delivery systems. The risk of survival is less and thus the blame on the Internet as a medium of delivery is also minimized. Companies entering into Internet on such a physically visible platform do not at least fight with an invisible demon. It all starts with recognizing a need. This may be in the form of better delivery systems/services, saving time or money, but there has to be unsatisfied need to nurture a business model. Then comes the viability testing phase where one needs to devil advocate oneself so as to be completely aware of success/failure factors to the level of sanity. The biggest Yes/No decision any dot com should be sure of is revenues. Project revenues and if that is not possible at the start of the business, it may never happen. Again the projections have to be dependent on complete research of markets, industry, product, background, technology costs, customers, channels of distribution, computer penetration, buying behavior on the net and so on and so forth. *There has to be* ***Differentiator****, a need to which there can be no better solution than the one on the net. Anything close to a 'may be' is again heading for disaster.* Setting up information gateways, transaction capabilities, a virtual channel of distribution via optimum use of technology becomes the next step. *Along with this, there has to be commitment and a sense of sustainability.*

Case- www.furniture.com made too many such promises that it couldn't keep. Promising web shoppers 24-hour browsing and six to eight week delivery times on everything from table lamps to 10-piece bedroom ensembles, the site offered too much. Convincing customers to buy furniture online was the easy part. The company reported $22 Million in net revenues for nine months ending September 2000- more than twice the total of 1999 net revenues and attracted 1 million users a month. But with the increase in usage came a dramatic jump in customer dissatisfaction. Customer complaints rose from 1 in 1999 to 149 in 2000. Furniture.com neglected the infrastructure support to meet with the increasing demands. It also created a cancellation policy no furniture company could afford. Customers were given the option to cancel the order right until delivery date. With 6-week wait turning into six month delay, a third of all orders were cancelled. Local logistics companies had warehouses of unwanted furniture. The result: storage costs that surpassed the already astronomical shipping costs Furniture.com footed for the customers. The online retailer with a sound business model and everything going well till mid last year applied for bankruptcy on November 20, 2000. [2]

Business has to be played by the rule of trust and commitment. Be it Internet or physical. Customers are ready to pay provided they get what they need in the most effective way. What they need is there prerogative, how to make it the most effective choice is what Internet can do.

2. *'Turbo power it'- Extending it to success-*

When effectively utilized, digital solutions can significantly enhance a company' s competitive positioning. Today it may seem painfully obvious that companies should serve customers in as many venues as possible: online, by phone or fax, by mail or in person, by outlets or on the net. Airlines and Banking industry were one of the fastest to learn this and extent it services to the net. It is not that easy as it may look like. *Every delivery media carries with itself it's own baggage cost.* External conflicts sometimes get turned into internal if not properly managed. In a move that sent shudders through the e-commerce world, Levis Strauss & Co announced in 1999 that it would halt sales of it' s own products on Levi.com and Docker.com. The San Francisco based jeans maker, which saw overall sales slump by more that $1 billion between 1996 to 1998, cited the high cost of running its award winning sites even while insisting that online sales had been strong. But its exodus from e-commerce neatly eliminated another problem: the aggravation of Levi' s retailers who worried that the website would draw customer away from their brick-and-mortar stores and who resented the manufacturers ban on selling Levi' s products on their own websites. Levi' s thus lifted the ban [3]. Thus it may be all right in the physical medium with Internet looking like the most obvious medium to migrate and still it just may not happen.
Companies under this category are better off then the previous ones. They are there in physical and have a revenue line. *Need can be to improve the delivery systems, cut costs, and save time* . From brick-and-mortar to click to click-and –mortar, it has all come in place with experience. Every medium has it' s own advantages that can be replicated to reach the customers effectively. One medium obviously cannot meet with all the expectations especially when it is with delivery of a product. [6]
Case- For all click-and-mortar businesses, convergence hinges on making sure information moves seamlessly between channels. www.lids.com or www.hatsworld.com accomplished that by synchronizing individual and retail store orders with each other as well as company' s warehouse. Lids' 50,000-square-foot warehouse serves both its 370 retail stores in 42 states and it' s individual internet customers worldwide. The company still relies on people to pick and pack orders. Lids also claims a near-zero error rate in filling those orders, thanks to a bas-code system that identifies each hat from warehouse arrival to customers' head. According to Director-Distributor, Stephen Knauth- "You are just another store to me". In the present world physical has to be integrated with internet to complete the delivery chain. [2]

Combining clicks and bricks would obviously involve establishing strong customer call centers, superior data-mining applications and onsite features such as personal shoppers and gift registries. But an increasing number of companies are also using in-store technology to drive traffic to their e-commerce sites. The most popular: web-based kiosks that let customers and salespeople check inventory and order products right from the sales floor. Same applies to the servicing industry too. Checking out www.citibank.com and www.americanexpress.com, both have the entire gamut of services replicated on the net. Works better as there are no complications of delivery systems like physical products. Servicing industry is much prone to saving costs via Internet that any other industry. Right from linking savings account to investments to credit cards to loans to insurance to private banking to demat accounts, everything is possible. It also applies to the corporate scenario. To top it all you get reduced handling charges and expert advice all the time. Nothing can beat this if it is all properly managed.

3. *Command: Home- Run-of-the-mill….run-of-technology*

These are the solutions that web-enable existing processes. For example, web-enabling a company' s existing human resource literature to allow employees to access information and to submit requests online, versus the traditional paper model. This is definitely a faster, better and cheaper option of effecting technology. While the solutions clearly reduce an organization' s cost and improve operational efficiency, it does not affect the company' s competitive positioning or revenue generating ability. Since the business process already exists, it just goes through basic web programming and requires traditional system integration.

COMMAND: CTRL A & CTRL S- SAVING IT ALL

Participation in building the pillars of the next generation Internet is a huge business opportunity.

Whether business needs are changing technology or technology is changing business, building ongoing business relationships has emerged as a critical part of electronic commerce. *Forrester Research estimates that a company spends at least $25 to $50 Million to develop and market a major e-commerce site* [5] and this turns out to be more effective and profitable than investing the same amount in physical environment. Managers at all level will atleast nod their heads on the need of technology to better their businesses. But it is the fear of failure or e-accidents around that stops them from making it really happen. The model is there, rendering needs to be proper. ***There are three major participants in the whole scenario of being digital and succeeding it- customer, service and sustainability***. This clubbed with technology can be an unbeatable success. It is very imminent that for industries all across with different offerings and value propositions, no single success formula can be devised. But at the same time it would be unwise to say that factors that lead to success and failures cannot be placed. With examples all around it is becoming more and more clear so as to say what can and what cannot work in the e-scenario. Net by far is the fastest medium to reach the customers and also to provide 24x7 services. Customers are exposed to products all across the world with the best prices available. *So why shouldn't the net work?*

Probably what mistake we do is look at it from one angle. There are three angles that determines to what extent Net can be successful. All the theories and research thus should be focused across these three angles. Let's take an example to define these three angles

Case-

One of the better online shopping destinations is www.buy.com which offers products under categories of computer, software, office, wireless, electronics, books, videos, games, music, sports and to top it all a clearance sections which offers discounts and sales. Across all these categories various brands offer their products. One can compare products across categories and thus transact online. Obviously one can maintain accounts, shopping baskets and is eligible of gifts at the gift center once in a while. The site carries with itself good design and straight talks about price to catch attention. No doubt it has bagged some awards from Forbes and Forrester.

The basic assumption that the company may work with this- '*There would be time when shopping will compare to only shopping, not online to offline*'. Business model can be thus nurtured if the transition is done systematically. The focus should first of go in terms of determining the needs of customers to the core. ***Every business has to be customer centric, driven by services with the faith of sustainability.***

In the present example, www.buy.com has to compete with offline shopping. Thus the assumption for it to be any better would be that it has to provide something more that the offline medium. So an '***Offline plus***' approach-which gives the customer everything that he was already getting plus something more. This may be in terms of delivery systems, better product choice, price concessions, clubbed deals, one-stop-shop, loyalty programs, auctions and so on and so forth. Aim is that customer's life has been made better via technology. Companies that are failing in this arena are the ones that can't meet up with customer expectations.

Promise less and deliver more- servicing is some thing that can change the way businesses are done. It can to an extent even change the way people think about the products associated with them. The whole logic of applying Internet technology to a business is to make the servicing aspect better. In the present case of www.buy.com this may be in the form of payment gateways, intractability, customization, timeliness of product and information flow and updates.

Sustaining and growing will make customers confident and accustomed to the Internet medium. With every second day Internet companies closing shops, confidence is at it's lowest. Every company will have to be there for some time to start generating that confidence. Costs have to be maintained, promises have to be kept, services have to be improved, ups and downs have to be managed, companies have to survive. Life cycle of digital businesses may be short –lived but it never ends there. That's why it is know as Life Cycle. Digital businesses will have to re-innovate themselves at a faster pace than conventional ones. [1]

According to Erick Maronack of investment firm Newbridge Partners-, *"Its very difficult for a company that dominated one wave of growth to go and dominate the next wave".*

The wave is of digial businesses, the future lies there, ups and downs are always there, and those who can't survive it are boys and have to yet grow up. The competition is across and tough and it is for men to survive not boys.

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