

Business Transformation and Information Management

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Introduction

Even today, many people associate marketing and the Internet and immediately think of online sales.

However the industry is becoming littered with companies who are making a resounding failure through selling on the Internet. According to Dallas-based analysis company eBSure shopping-cart software results in a 66 percent customer abandonment rate. Although much touted and the most recognised Internet based brand, Amazon Bookstore is yet to post an operating profit.

In this paper I examine some areas of real value to organizations in its relationship to the market, using the Internet as a key tool. It examines how the Internet is used to build long term client relationships. To put it in common industry used terms I cover:

- Knowledge Management
- Content Management
- Customer Relationship Management and
- The Information Content Supply Chain

I also look at the characteristics of organizations that make most successful use of the Internet and the implications for the role of the senior marketing executive in this new information age.

Amongst those companies making most successful use of technology, a number of common characteristics are seen:

- They view and manage the company and its processes as a whole unit, instead of managing each component independently.

- They pay attention to company culture and provide incentives to reward contributions to customer relationships.
- They employ a range of complementary technology and systems.
- They plan their strategy carefully and ensure their initiatives are keyed to well-defined business goals.
- They understand that new processes result in organisational change and instigate training and communications programs amongst other change management programs.

The New Economy is Not New – But Many Lessons Remain

I do not intend to argue the benefits of moving to new technology and the Internet from traditional business methods. These benefits have been discussed many times by other commentators over the years, as have ways in which to start down the track of implementing new technology.

From a business efficiency perspective, it is generally acknowledged that the greatest proven gains companies can make is in automating its supply chain. By introducing integrated systems, such as Enterprise Resource Planning systems (ERP) and automating business-to-business product and service processes, companies are increasing inventory turnovers and reducing the working capital invested in stock on hand.

To look at a case study, consider the US-based retail companies Amazon.com and Wal Mart. Wal Mart is widely regarded as a leading pre-Internet e-Commerce company. Both companies sell retail goods. Amazon.com achieves an annual inventory turnover of nine times versus Wal Mart's annual turnover of four times.

Early in its life Amazon.com was commonly held up as a prime example of good e-Process practice, as it did not need warehouses to store the books it sold. Instead it relied on close business relationships with intermediaries and distributors and state of the art electronic processes to support its "just-in-time" supply chain.

However, like many online retailers, the peak sales period in Christmas 1999 proved to be a watershed. The Christmas season experienced a boom in online sales in the US. At last it appeared that the promise of the new technology would be fulfilled.

Instead Christmas 1999 was widely regarded as a fiasco, characterized by many failures in basic processes of fulfillment, inventory management and after-sales service. The prime reason was that many companies had succumbed to the allure of automating retail sales through the Internet, but failed to ensure all associated processes could react to fulfill demand.

Prior to Christmas 1999, Amazon.com was criticised for its unexpected investment of \$300 million in new warehouses. During Christmas 1999 it wrote off US\$40 million in excess inventory. These were seen by industry analysts as inefficiencies.

However unlike a significant number of online retailers, during Christmas 1999 Amazon.com maintained an on-time delivery performance of over 97 percent, compared with the industry average of 90%.

What Amazon.com had learned ahead of time was that it needed inventory on hand to maintain on-time delivery performance and that it could not totally rely on its intermediaries and distributors. It had considered the totality of its supply chain and modelled its responses under extremes of seasonal demand.

The important points to consider in this example are:

- Identifying the key business goals is critical. If Amazon's only business goal was to create an efficient process, they would have fallen into the trap of many American online retailers. In addition to efficiency, Amazon also considered quality of service.
- In any new initiative you must consider the whole process and all influences that play upon it. Simulation and modelling can help identify bottlenecks. Many of the influences and stakeholders will be outside the scope of the Marketing department's responsibility.

Which is more important, an efficient service (usually defined as lowest cost) or an effective service (which may require greater investment)?

Many companies starting process improvement programs using new technology and the Internet make the mistake of equating lowest cost with best practice.

In this scenario what is the role of the Marketing department and what skills and knowledge do you need to possess?

E-Process Maturation

At the beginning of the Internet boom the ability to sell efficiently online outside your current markets was the factor that excited wide attention.

As we mature with the use of the technology we come to realize new ways in which it can be applied. The greatest current focus areas are streamlining the supply chain and the developing area of customer relationship management.

I say “developing area” of customer relationship management because current technology and systems orient mostly on collecting information about customers and presenting tailored information based on customers self-customisation and past purchase patterns.

The future will see an increasing focus on correlation and analysis of information, modelling of market segment behaviour at a macro and micro level and integration of systems to track total customer contacts and behaviour, be it through the web site, call centre or credit card spending patterns.

Automation and increasing efficiency has a downside. It puts us another step removed from our customers. In some industries this may not be inappropriate. Such industries include those with many producers of commodity groups where price sensitivity is high.

However even in commodity driven industries we see enormous investment in customer profiling and behaviour analysis. The online portals, such as Yahoo, and “e-tailers” such as Amazon track customer contacts and adapt their responses based on knowledge of customer preference. For Amazon this results in 70% repeat business.

In the next stage beyond efficiency measures aimed at procurement and the supply chain, companies have come to realise that building relationships with customers and business partners remains high as a priority for maintaining a competitive edge.

None of these things are new. Quite the converse. We continue to rediscover that in the age of the Internet traditional business wisdoms and practices remain just as relevant as ever. It is merely the method of application that has changed.

What has changed significantly is the rate of change. The product maturity lifecycle has shrunk, forcing companies to continually adapt and innovate. It also means that the way we provide information and stay in touch with customer needs must change.

Part of this change encompasses the culture within an organization. Each of your staff becomes more important in identifying customer and market issues and adding to your growing body of market intelligence.

The To Do List for eCommerce

In their book “The eProcess Edge”, Peter Keen and Mark McDonald present what they call a “To Do list for eCommerce”, shown below. It describes the critical steps for companies to achieve greatest success using e-Commerce and the Internet. It also looks at common mistakes many companies are making.

Things to Do	Instead of...
Design customer-centred processes	Running your online business over established business processes that focus primarily on efficiency
Focus on relationships	Transactions
Enable customer self-management of the relationship	Limiting customer interaction, making customers access complex contact points
Ensure incentive schemes that reward contribution to relationships and customer experience	Focussing on measures of functional performance such as budgets, call times
Expand relationships and make the web site an interface to a wide and deep marketplace	Viewing the web site as a an isolated online storefront
Integrate the end-to-end supply chain	Viewing supply chain components as individual responsibilities, separate functions and disparate processes
Build collaboration and community	Build transactions, sales and information

Andersen Consulting present much the same recommendations. Some of their key points are:

- Marketing is the key;
- Physical processes can matter as much or more than online ones;
- Clicks and bricks (ie. Online plus offline channels) are the new game;

- Technology management processes require much more than merely setting up web sites;
- Organisational capabilities and processes must change;
- The customer's perspective defines the value of a process (allied with customer satisfaction being the key measure of quality).

Managing Content – A Business Relationship Key Element

We have seen that the key elements for e-business success revolve around relationships and building processes resulting in genuine value for the customer.

The Delphi Group believe there are three main building blocks to developing an online presence that gives customer value and results in recurring use. These are:

- Commerce – The aim of the exercise, and thus the area of main focus.
- Communities – The original views on communities and markets are also evolving. Originally we classified online markets as falling into either Business to Consumer (B2C) or Business to Business (B2B). We now talk about Business to Employee (B2E), Business to Business to Consumer (B2B2C), and Business to Business Exchanges.
Just as you must consider your business as set of integrating processes (rather than each process in isolation), so you must consider the various communities and the interacting roles they play.
- Content – The information and knowledge that underpins the structure.

Content and knowledge management is seen by many commentators as the area of differentiating edge that will distinguish the future leaders in the market from the rest of the pack.

Content falls into two main categories:

- Structured content based on transactions. This includes information about orders, reports generated from a database etc;
- Unstructured content. This includes information such as market analysis reports, product descriptions and can include things such as sound or video.

By making information of value easily available to your client community and allowing them to personalise it, you build business value and encourage long term loyalty. By sharing information with employees and business partners you leverage on the knowledge to keep a step ahead of your competitors.

How to Make Content and Knowledge Management Succeed

The subject of content and knowledge management covers a broad area and requires special skills and planning. What do we need to do to succeed? Let us look at some lessons from a survey of 83 companies that looked at the focus of effort and outcomes resulting from 93 separate content and knowledge management projects.

The projects were classified as high-, medium- and low-impact projects based on realised benefits, usage trends and levels of enthusiasm amongst the user communities. Each of the projects was linked to a strategically important activity involving the re-use of information.

More than two-thirds of the high-impact projects related to production, development or customer service, as shown in the table below.

Production	30%
Production Development	25%
Customer Service	25%
Competitive Intelligence/Strategic Planning	10%
Enterprise-Wide	5%
Sales Processes	5%
Project Management	5%
Intellectual Capital Management	5%

Table 1: Application of High Performing Projects

Of the overall projects, 65% were associated with revenue generation or process quality improvement. 35% were primarily for cost reduction. However of the high performance projects only 5% were associated with cost reduction.

A number of key characteristics were common amongst the successful projects.

Plan Your Approach

76% of the high-impact projects had a detailed strategy for reaching their goal. By comparison only 13% of low-impact projects had a detailed strategy. Content and knowledge management is a means not an end, and must have a well-defined business goal and supporting strategy.

Organise Your Content

Information must be capable of being found and being understood. Merely storing it in a database holds little value. You must be capable of creating paths through the information via structured information hierarchies, key word searches and high level information about the information (metadata).

The companies that are most effective at organising and transferring information also ensure that the key individuals who know the subject matter are identified (termed knowledge gatekeepers), and that references are available to assist consumers of the information follow up with next steps.

Invest in Content Maintenance

84% of the high-performance projects provided for investment in ongoing content maintenance. Two kinds of roles were commonly defined: Those who had skills to extract and organise the content (librarian roles); and the business experts who created or determined what went into the content.

Plan for Change

If you change your process you must plan for it. Measures vary depending on the focus of the information and include user training, usage promotion and ensuring that the community understands what is in it for them.

Of the low-impact projects, none included change management measures.

In addition to the above I recommend strongly that any tools you choose should also give you metrics allowing you to measure how the systems and information are used. Remember that usage patterns will change over time – and if they don't you are in trouble!

End Note

The subject of the Internet as it applies to Marketing is very broad. In this paper I have outlined the general directions in which successful companies are moving, the ways they are looking at their business and the views they have of their communities.

As senior marketing executives I encourage you to consider the implications of rapid change for your organization. Where does the role of marketing finish, and that of other business units start? I believe there is no clear edge.

To succeed each department must be capable of viewing their role from a marketing perspective and vice versa. Beyond this they must have the ability to initiate or recommend new measures. Conversely those in marketing must have the responsibility to see beyond their immediate role. Marketing must know about technology, procurement and other business functions in order to make effective marketing decisions.

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