

TAMING E-BUSINESS MODELS

How the Internet rewrites the rules of business marketing.

A key points summary from the fifth meeting of the
ISBM Business Marketing Web Consortium

March 4, 1999
Marietta, Georgia

by

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- [Ravi Kalakota](#), Georgia State University. *Virtual Vertical Integration: Supply Chain Management on the Web.*
- [Barbara Steinberg Cerf](#), IBM Enterprise Web Management. *Achieving Business Value on the Internet.*
- [Kirthi Kalyanam](#), Santa Clara University. *Developing an Internet Marketing / E-Commerce Curriculum: (An exercise to tap the audience’s ideas and needs for course development.)*
 - [ISBM’s e-business curriculum questionnaire](#)
- [Richard Vlosky](#), Louisiana State University; and Renée J. Fontenot, New Mexico State University. *Extranets: Business Applications and Buyer-Seller Relationships, a study of U.S. corporations.*

“OPEN MIKE” ON MEMBER ISSUES: A composite of problems and solutions consortium members reported as they described their marketing activities on the World Wide Web.

<No member commented about Y2K spending possibly interfering with Web site development.>

Electronic business strategies

- Linking e-business with core businesses.

- Provide more than e-mail response applications.
- Provide 24x7 customer support.
- Provide secure interactivity beyond the corporate firewall.
- Information sharing with customers, distributors, suppliers.
 - e.g., legal documents such as: MDMS (material safety data sheets) in the chemicals industry; construction project approval forms.
 - Build revenue and customer satisfaction.
 - Post/share cost-reduction information across the value chain.
 - Provide useful information that attracts repeat visits.
- Provide customer customization and navigation.
- “Hitting home runs”—publicizing visible successes to senior management—to keep the budget growing; e.g., “how our \$3 million investment produced \$10 million extra revenue and productivity savings.”
- Web initiatives continue to suffer from confusion over appropriate/valid measurement methods.
- Facilitate global marketing.
 - Expanding U.S. site to global market.
 - Coordinating worldwide imagery.
 - Permitting regional customization.
 - How to prevent region A customers from visiting site for region B, etc.
 - Languages appropriate for sites.
 - Local language for marketing/promotion content.
 - English for technical information.
 - Should some companies maintain just one site, in English, for global customers?
- Public Web site experiences expose a company’s customer service vulnerabilities.
 - Site provides a focal point for customer complaints.
 - Customers expect an immediate response to e-mail queries.

Centralize vs. decentralize

- Balance corporate interests in presenting a consistent brand image and consistent customer experience—navigation, graphics, etc.—with the unique needs of individual business units.
 - Corporate policy requiring central communications approval of all copy/graphics/design posted publicly.
 - Having a single online marketing “agency of record” for the entire corporation ensures coordination across individual business unit sites. The agency might also provide traditional marcom services, being a marketing-savvy agency with technical expertise.
 - An internal online marketing agency directed by a corporate e-commerce steering committee ensures coordination, and strong extranet and intranet development.
 - Enforce written, unambiguous corporate identity guidelines, just as company has specified for traditional media.
- Classic debate between emphasis on corporate brands or business unit brands. What is the “integrated identity”? A “house of brands” or a “branded house”?

- Funding becomes a critical dimension. Corporate funding justifies corporate oversight, while business unit funding encourages unit site autonomy, and little support for corporate-wide efforts.
- Integrated Web identity can work backward to integrate corporate identity in traditional media.
- Corporate Web teams conducting complete audits of complex, major corporate Web programs.
- “Customization” should be determined by the customer’s need, not individual business unit needs.
- Challenge of coordinating separate sites started independently by autonomous business units, which now require the discipline of the corporate communications group.
 - Corporate teams watch the technology, maintain corporate control, and help business units identify their online opportunities.
 - Business units develop content, applying the technology to specific marketing tasks.
 - The Web is unforgiving of muddled business plans. Going online forces businesses to enunciate value propositions, and perhaps reengineer value delivery processes they had not had to question before.
- Business units suddenly are showing more interest in e-business transactions.
 - Managers now responding to drumbeat of publicity about Web.
 - Web successes of early adopters has a “tornadic effect” on early majority business units, all of which now demand to do e-business.
 - Resources have not been budget to handle sudden explosion of interest.
 - Concomitant explosion in security concerns.
- CEO mandate very helpful for asserting central control over business unit programs.
 - Requiring all units to add e-business to annual plans.

Understanding customer online buying practices

- What are the most meaningful segmentation criteria?
- What facilitates online branding?
- Developing customer-customized navigation around the site.
- How to efficiently/effectively handle inquiries on the site? How much information to provide back to the online inquirer?
- How to design site to meet disparate needs of business buyers, end-users, third-party intermediaries?

Web site marketing tactics

- Presenting product selection lists.
- Dealer locators.
- Corporate video library accessible through site.

Corporate governance: functional/departmental site control.

- Marketing vs. corporate management vs. IT functions. E-commerce management cuts across traditional functional boundaries.

- Marketing must reach out to other functions, “be a missionary” though in some firms, few marketing people know how to conduct Web marketing.
- Beware of technical input that knows little about marketing.
- Achieving integration among rival functions: develop “hybrid Web teams” and full-time “Web technologists” in charge of e-business.
 - Web teams members should be at vice presidential levels, a level high enough in organization to wield influence.
- More business unit marketing input required for site development.

Corporate “intranet” development

- Using an intranet as testing ground for innovations for the public Web site.
- At one company admittedly just learning marketing, the intranet dwarfs the public site. “We have a competitive intelligence intranet to kill for.”
- Integrate Web-based and legacy backroom systems. “What we learn on the Web will help us improve our intranet.”
- Develop a sales resource center for salespeople worldwide.

Strategic partner “extranets”

- A supply chain emphasis gives our employees ready access to the robust information available from our suppliers.
- Question of how much information to make available to customers.
- Purchasing people make the most use of extranets, actually buying online. Often, the procurement function is ahead of the marketing function on the Web.
- A special site for stock analysts, billed as an annual meeting site, facilitates investor relations.

MEMBER STRAW POLLS: Quick polls of the audience.

What is the release phase of your Web site?

1st release	2
2nd release	9
3rd release	7
4th release	1
5th+ release	1

Which system, your intranet or your Web site, provides superior functionality?

Intranet superior to Web site	11
Web site superior to intranet	7

How many corporate sites use an online marketing agency of record that all business units must use?

9

How many corporate sites have written corporate identity guidelines for Web design?

13

How many follow/enforce it?

10

How many have an “approval gate” for pages, a formal vetting before a page can go online?

yes 17

no 0

RAVI KALAKOTA: Director of the Center for Digital Commerce, and Professor of Information Systems, Georgia State University.

Virtual Vertical Integration: Supply Chain Management on the Web

Virtual vertical integration defined

- Present capabilities (though no site so far does all well):
 - Content: cross-searchable multiple supplier catalogs online.
 - Sales transaction and order entry via EDI, e-mail, with real-time integration.
 - Service transaction: online order management and tracking.
- The next wave:
 - United interface: “transactive” meshing of content and transactions through business-to-business portals.
 - Marketing-driven supply chains synchronizing and coordinating transactions.

The “second phase” of e-commerce: supply chain integration.

- Few so far have married supply chain issues to e-commerce; the back end of e-commerce is not being studied much.
- Distribution is a critical part of competitive advantage online, and sometimes a matter of life and death as in healthcare.
- The electronic “reconfigurable ecosystem” is superceding traditional business methods.
 - e.g., it is no longer necessary to possess assets.
 - Successful business models online shift constantly, annually, faster than companies can change their individual business models.
- Shift in supply-chain emphasis:
 - In the 1980s, techniques such as SPC (statistical process control) and just-in-time delivery revolutionized the “front end” of the manufacturer’s supply chain: the path from supplier to factory.
 - Now, the business-to-business success stories concern the rest of the supply chain: from factory to ultimate consumer/customer.

- New types of intermediaries creating new online channels are replacing the traditional value-added reseller; e.g., online drug stores.
- Sales force efficiency and effectiveness, e.g.; sales force automation.
- Traditional firms can change their orientation to the supply chain, but it will happen in some of their business units faster than in others.

Customer-driven supply chains

- When companies start, customers are the “center of gravity” around which they build operations. But as companies grow, the center of gravity moves toward the company itself. In maturity, the company operates to sustain its assets and competencies already in place.
- Today, rather than assets and competencies driving the supply chain and determining how companies serve customers, e-commerce makes customer requirements the drivers of the supply chain:
 - e.g., Barnes&Noble.com carries the excess baggage of assets that will put its online operations out of business. Amazon.com, now spending heavily on start-up costs, will make money within three years without the asset burden.
 - e.g., McKesson supplies the backend service for about 90 percent of online drug stores.
- Manufacturer should not try to sell direct to the end-user online. Distributors are closer to customers and should not be cut out of the process.
- The distributors’ challenge is developing new tools to manage the customer relationship.
 - e.g., fulfillment to order: FedEx, shipping direct from their warehouses, is emerging as a new channel.
 - e.g., Heineken USA collects distributors’ sales and inventory data and calculates forecasts.
 - Distributors manage inventory more efficiently.
 - Heineken USA cuts order lead times, sends more accurate forecasts to the Heineken brewery in Holland, increases sales, and removes salespeople from order taking (a 20 percent time saving).
- Online commerce sidesteps traditional barriers to entry to the supply chain.
- Increasingly market drivers influence the supply chain backwards, from customer needs back to the manufacturer and back to suppliers. The business-to-business portal becomes an aggregation of functions designed to fulfill customer needs. Distribution no longer is a “push” business, but a “pull” business serving customer requirements.
- The new drivers of customer satisfaction provide the entire experience the customer seeks. E-commerce does not address all of them, yet.
 - Flexible communication and mass customization.
 - Ease of purchase.
 - Seamless ordering.
 - Pick, pack, and ship integration.
 - Integrating point of use with reordering and warehousing systems.

Procurement through business-to-business portals

- Purchasing agent requirements include:

- Paperless purchasing.
- Quick vendor response.
- Easy reordering.
- Complete electronic procurement system with detailed sales and purchasing reports.
- Online catalogs of endorsed vendors.
- The hardest part of procurement online: integrating all suppliers, getting them to improve the efficiency of their automation to meet supplier integration requirements.
 - Using multi-supplier catalogs with a common ordering platform but customized for different purchasing agents.
 - 1,000-plus SKUs.
 - Real-time inventory checking.
 - Dynamically generated personalized pricing, product sets, order forms, etc.
 - Links to CAD drawings, spec sheets, etc.
 - Comparison tables.
 - Orders forwarded by EDI, e-mail, fax.
 - Orders tracked online.
 - Integration with ERP/financial/accounting systems.
 - Online RFP's from buyers to suppliers.
 - Online auctions of excess supplier inventory.
 - Marketing channel for advertisements and promotions.
 - Customer relationship management on the Internet.
- Benefits to suppliers:
 - Faster and wider exposure to buyers.
 - Low-cost, wide-reach marketing channel on the Internet.
 - Increased sales to repeat buyers.
 - More and easily accessible product information.
 - Customer incentive and retention plans.
 - Better service to customer employees, franchisees, etc.

Redefining the channel model: the next generation of strategy

- The new buzzword: FTO—"fulfillment to order."
- Redefine the customer delivery model to ensure optimal customer satisfaction and most efficient delivery.
- Customer-driven fulfillment requirements:
 - Lowest total delivered cost in industry.
 - Products configured to customer specs.
 - Comprehensive product fulfillment.
 - Shorter "time to market."
 - Value-added services for large customers.
 - Responsiveness and accountability.
 - No compromise on quality.
- The old and new breeds of "channel master":

Old

- Strive for expertise across the value chain.

- | | |
|--|--|
| <ul style="list-style-type: none"> • Solutions through large scale force. • Create customer dependency. • Heavy cost structure. • Large, inflexible systems. | <ul style="list-style-type: none"> • Focus on core competencies. • “Productize” knowledge/ manageability. • Empower customers. • Lean, leveraged business model. • Smaller, modular, flexible systems |
|--|--|

New

Think e-business, not e-commerce

- Business-to-business e-commerce is one link in a complex chain. It is not isolated from the consumer side of e-commerce.
- Business-to-business e-business is about structural transition and business transformation from old business models to new business models.
- Business-to-business e-business requires effective inter-enterprise integration processes and technology.
- Business-to-business e-business is not a technology issue. It is a serious business design issue and top management problem.

BARBARA STEINBERG CERF: Director of Marketing and Community Development, IBM Enterprise Web Management.

Achieving Business Value on the Internet

The new IBM Corporation

- IBM, having survived its early 1990s crisis, transformed itself into an e-business company. “We’ve been through the horror. We’ve been through the pain.” It’s mandatory that every business must have a Web strategy.
- At IBM, the Executive Web Council, composed of general managers and vice presidents from each division, meets monthly.
- E-business initiative couldn’t do everything at the start. It place emphasis on the “big hits” such as technical support.
- IBM maintains seven “server farms” worldwide to run its sites.
- IBM is consolidating more than 100 customer databases into one.

Before and after

- An October 1997 internal audit found:
 - The largest corporate site >500,000 pages.
 - 175 content organizations.
 - 25 million hits per week; 30 million including IBM’s intranet.
 - \$120-200 million being spend on e-business.
 - 800-1,000 people working on Web sites.
- The internal audit revealed:
 - Most business units are engaged in Web efforts, but few have business plans for the Web.
 - There was a groundswell of enthusiasm for the Web, but ...

- a lack of corporate architecture made navigation difficult.
- many duplicative efforts.
- Overlapping organizational responsibilities.
- Ambiguous decision making and financial accountability.
- Now that IBM has undergone substantial cultural change transforming its core processes:

	<u>Before</u>	<u>Now</u>
• In procurement: \$4.2 billion total savings.		
Purchase order processing:	30 days	1 day
Contract cycle time:	6-12 months	30 days
Average length of contracts:	40+ PAGES	6 pages
Rate of “maverick buying” (purchasing outside the system):	30%	<2%
Internal satisfaction with procurement:	40%	>85%
• In fulfillment:		
Time to obtain commit date:	hours to weeks	real time
Time to enter customer order:	30 minutes	5 minutes
Time to respond to inquiries:	15-20 minutes	real time
% orders manually shipped:	75%	0%
Invoice accuracy:	70%	98%
• In managing the integrated supply chain: \$1.7 billion cumulative savings.		
Supply/demand planning time:	45+ days	20 days
“Pull” replenishment:	0	>80%
On-time delivery:	30-60%	77-95%
Cycle time, order entry to delivery:	27-44 days	2-23 days
“Rapid response” revenue:	\$0	\$1 billion

IBM “E-care” initiatives

- E-commerce:
 - The top three applications at www.ibm.com are shopping, technical support, and software downloads. The site receives 40 million hits a week.
 - Revenue: from \$1 million/day in January 1998 to \$35 million/day in December 1998.
- Procurement:
 - Reengineered internal procurement process.
 - Created tools to reduce supplier costs and prices. IBM developed customized Web sites to work with suppliers.
 - Strategic sourcing of services.
 - \$600 million in Web-based purchasing in December 1998; \$12 billion expected in 1999.
- Customer “e-care” support:

- Helping customers help themselves; greater customer satisfaction.
- Self-service access to product and support information.
- 24-hour response to e-mail.
- 14 million self-service transactions in 1998, saving \$300 million.
- Volume expected to double in 1999.
- Employee “e-care” on the intranet:
 - IBM forces employees to use the intranet to get company information, benefit data, etc.
 - Features include dial-up service for company’s 100,000 mobile users.
 - International cash management tool online.
 - Around 30 percent of internal education in 1999 will be via “distance learning,” saving \$100 million.
- Business partner “e-care” on extranets.
 - IBM extranets include >300 customized sites, serving about 47,000 business partners.
 - Quickship feature.
 - Global PartnerInfo and PartnerCommerce programs.
 - Online financing.
 - Online marketing support.
 - Greater business partner satisfaction.
- Influencer “e-care”:
 - Web-delivered information to press, security analysts, consultants, shareholders.
 - Online financial data: accurate, fast, and easy.
- E-marketing communications:
 - Reinforce corporate product strategies and messages.
 - Shift from “drive to Web” to “drive to page.”
 - “Push” relevant content to profiled users.
 - Web-enable sales and marketing collateral, including testing personalized sales brochures.

The industry environment: the Forrester Research view

- Internet adoption is growing faster than other media—cable, TV, and radio—did in their early days.
- Forrester Research predicts the year 2001 will see:
 - 48 million non-PC Internet devices in use, those devices accounting for 50 percent of Web-enabled equipment. They will handle 16 percent of Internet access.
 - 230 million Internet users globally.
 - Business-to-business e-commerce will reach \$300 billion.
- Major issues facing corporations:
 - Lack of full-time, dedicated individuals.
 - Dispersed funding.
- Signs that ad hoc coalitions do not work.
 - Corporate sites tackle multiple brands, so business units build their own sites.

- Global constituency emerges: “Distance and cultural differences cause Europe to opt out of the coalition.” European customers want marketing materials in their local language, but technical information in English.
 - The CEO questions the Internet expenditure when there is no ROI measurement.
 - E-commerce progress is slow in the *Fortune* 500: 43 percent do not support ordering on site.
 - Companies must create formal alliances.
 - Form a strategy review board with a clear leader.
 - Create content services group.
 - Create an Internet applied technology team.
-

KIRTHI KALYANAM: Director, E-Commerce Initiatives; Associate Director for Research, Retail Workbench Research & Education Center; professor on the marketing faculty, Santa Clara University.

Developing an Internet Marketing/ E-Commerce Curriculum

An exercise to tap the audience’s ideas and needs for course development.

DR. KALYANAM’S COMMENTS:

Challenging questions for instructors

- What are the business capabilities of the Net and how are they emerging?
- How can we understand and anticipate developments in the market space?
- What frameworks can be used to plan the integration of the capabilities of the Net into a business?

Challenging questions for e-business managers

- “Internet hype is two years ahead of reality.”
- What do you want your internal clients to know?
- How do you get the organization to embrace the technology?

Two levels of target audience

- General managers, marketing managers, product and section managers, and marketing communications professionals interested in integrating the tools and techniques of electronic commerce into their overall business practice. This group does not include “web experts” such as HTML programmers, of those very experienced in e-commerce design.
- Management responsible for support, direction, and tying electronic commerce to other business functions—executives who would benefit from a “general introduction” and better understanding of the concepts, tools, and techniques of e-commerce.

Topics to prioritize

- Technology infrastructure for e-business.
- Strategic thinking in the market space.
- Building management perspectives.
- Templates for evaluating e-business opportunities.
- Intranet/extranet.
- Legal aspects.
- Marketing strategies in the market space.
- Marketing research using the Net.
- Using the Net to improve new product development.
- Security.
- Internet trends.
- Interactive marketing.
- Online marketplaces and portals.
- Markets for information goods.
- Brand building. (We have no case histories of the Net *improving* the strength of an *existing* brand.)
- Customer buying cycles.
- Site capabilities.
- Site design cycle.
- Driving traffic:
 - Online advertising.
 - Offline promotions.
- Research:
 - Log file analysis.
 - Online surveys.
- Pricing strategies.
- Privacy and personalization.
- Adoption by business-to-business partners.

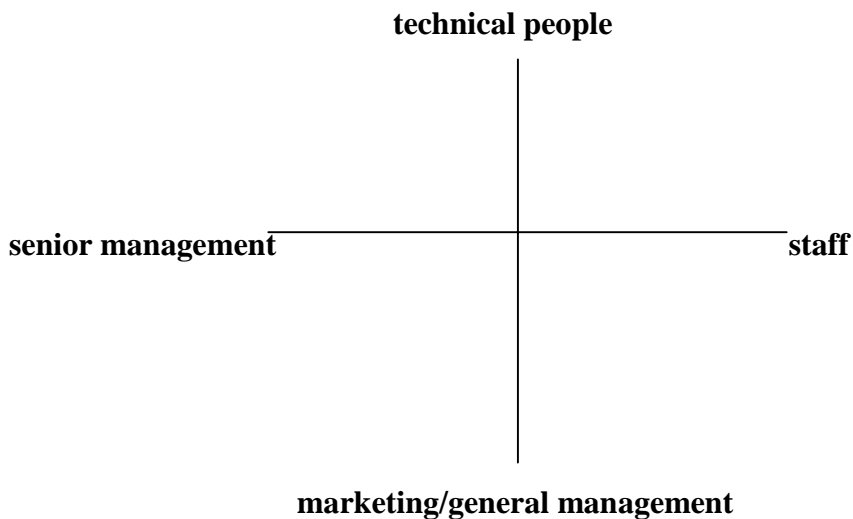
Questions for audience brainstorming

1. Describe the characteristics and skill sets of the ideal person you would want to hire to run your e-business operations.
2. What frameworks do you find to be most useful when evaluating e-business opportunities and challenges? (An example: Break down your customer's buying cycle in terms of the customer's experiences, and compare how you deliver on each phase now, compared to how you would do better with new technologies.)
3. What pedagogic methods would be most useful in a course of this type?
 - Lectures.
 - Case studies.
 - Guest speakers.
 - Site visits.
 - Hands-on projects to design, develop, or implement an e-business.

AUDIENCE "BRAINSTORMS" THE QUESTIONS, in addition to completing a [questionnaire](#). A summary of the audience comments:

Appropriate audiences

- Who is the “customer”? Senior management or junior staff. Those with only general skills, or those with technical skills? A skills and seniority space:



- Those in the lower left quadrant—higher-level non-technical managers—are the people who make things happen in the organization. They’ve grown up on traditional business models and need the exposure to new thinking.
- Also need to teach the technically knowledgeable managers, critical to implementation.
- People at lower right include junior talent eager to work on and build their careers by learning e-business.
- Corporate cultures and life cycles determine how many people the organization has in each quadrant.
- Education at the top level might be essential, to foster the top management support needed to build e-business capabilities.
- Reach the CEO by solving his/her biggest problem. Use cases that illustrate solutions to the company’s major problems.
- We need IT people who know about marketing.
- We need to teach enough to IT and marketing so they can communicate.
- Differentiate between managers’ need to understand:
 - Web-centric solutions; e.g., downloading software.
 - Web-enabled solutions that improve the customer relationship.
- Train groups, not individuals. Training individuals does not change group behavior.
- The problem at many companies might be more fundamental, where they do not have a customer-focus in the first place and little knowledge of their implicit value proposition.

Pedagogic tools

- Use an interactive CD-ROM, and evaluate it by user pre- and post-tests.

- People learn best interactively. Use case studies and use programs online; don't deliver a lecture program only.
- Senior people are too busy to attend courses, unless the CEO mandates it.
- Take the live instruction course on the road to corporate offices.
 - Tailor it to the company's needs.
 - Deliver it in discrete bites; e.g., a two-hour session per month.
- A Netcast training course on the Web would build user familiarity with the Web.
- Use the "action learning" approach: have students solve one of their company's actual problems. However, it might take a while to see results that validate the decisions made.
- Case histories ensure that we stick to reality and not get lost in theory.
- Be a facilitator as much as an instructor. Let group discussion solve the firm's real-world problems.

RICHARD VLOSKY: Associate Professor, Forest Products Marketing Program, Louisiana State University.

RENÉE J. FONTENOT: Doctoral candidate, New Mexico State University.

Extranets:

Business Applications and Buyer-Seller Relationships

A study of U.S. corporations.

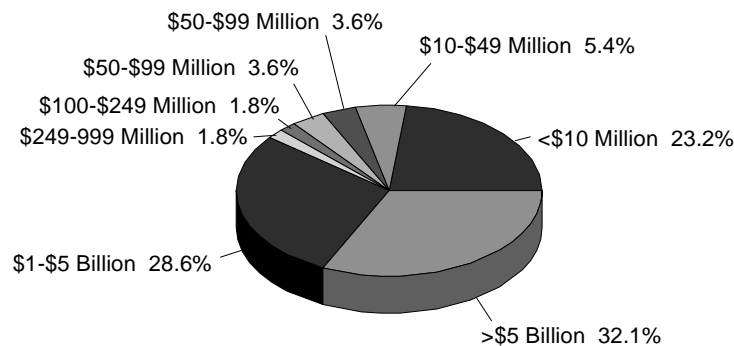
The study and sample

- An extensive literature review and Web search identified companies currently using extranets, or developing them.
 - Business-to-business extranet use is increasing rapidly.
 - Industry estimates: 20-30 percent of *Fortune* 1000 companies have an extranet or are developing one.
- Definitions:
 - Intranets are private networks within the confines of a company, using Internet technology.
 - Extranets typically link supplier and customer intranets for selective distribution of information. Typical extranet benefits include:
 - Smaller inventories.
 - Reduced uncertainty about customer and material needs.
 - Better planning and customer response.
 - Products reach market faster.
 - Fewer design flaws.
 - Optimized processes materials use.
 - Shorter order cycles.
- Data collection:
 - Phone calls to 185 companies in more than 18 corporate sectors.

- Followed up by a mail questionnaire to individuals knowledgeable about technology and marketing.
 - 56 returned questionnaires, for a 30 percent response rate.
 - Additional field research later added six more responses.
- All companies in the sample are presumably early extranet adopters, although the depth and range of network applications vary.
- More than 60 percent of respondent companies had sales of \$1 billion or more in 1997; almost a third had \$5 billion or more. More than half of respondent companies have 2,500 or more employees.

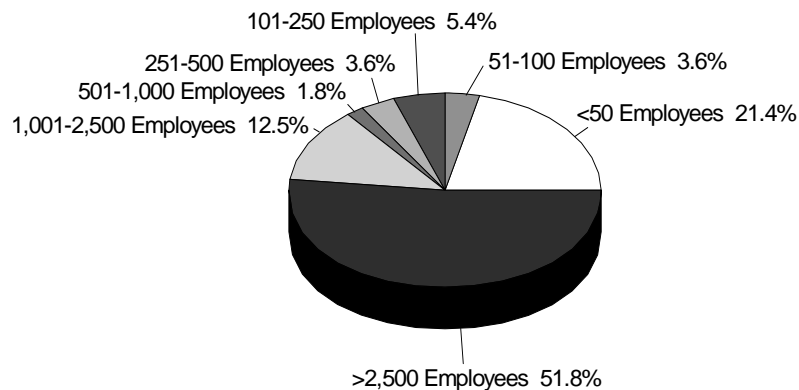
Respondent Size 1997 Sales

(n=56)



Respondent Size Number of Employees in 1997

(n=56)

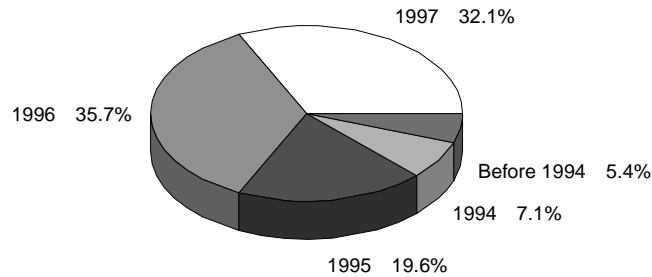


The findings

- Extranet implementation is a fairly recent phenomena with 88 percent of respondents first conducting extranet business since 1995.

Year when Extranet Business First Conducted

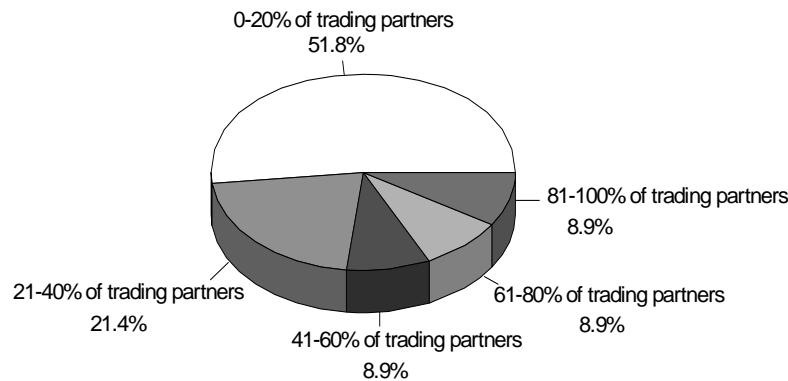
(n=56)



- Half of respondents are currently conducting extranet-facilitated business with 20 percent or less of their trading partners while a quarter of respondents are doing so with 40 percent or more of their trading partners.
 - Two-thirds of respondents initiated the extranet relationships with trading partners.
 - About 26 percent said the extranet was initiated by their partners.
 - Around 7 percent, indicated that extranet development was a joint decision.

Percent of Trading Partners With Which the Company Has an Extranet

(n=56)



Extranet use and business applications

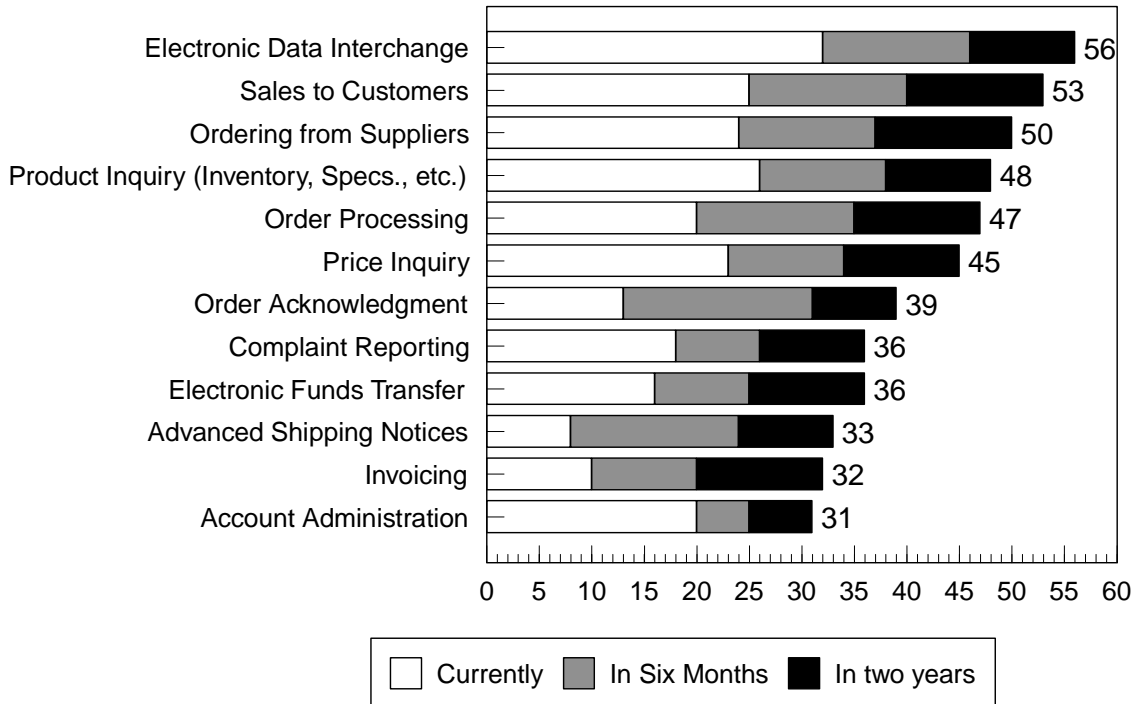
- The top five general uses of extranets:
 - Electronic communication with trading partners: 89%.
 - Customer contacts: 71%.
 - Vendor contacts: 59%.
 - Sales to customers: 48%.
 - Product and service promotion: 45%.
 - Purchases from suppliers: 41%.

- Business applications: Electronic transactions—EDI, selling, and procurement—lead the list of current and planned applications.
- Current and planned extranet applications:

Business Applications Using Extranets

(n=56)

Number of Respondents

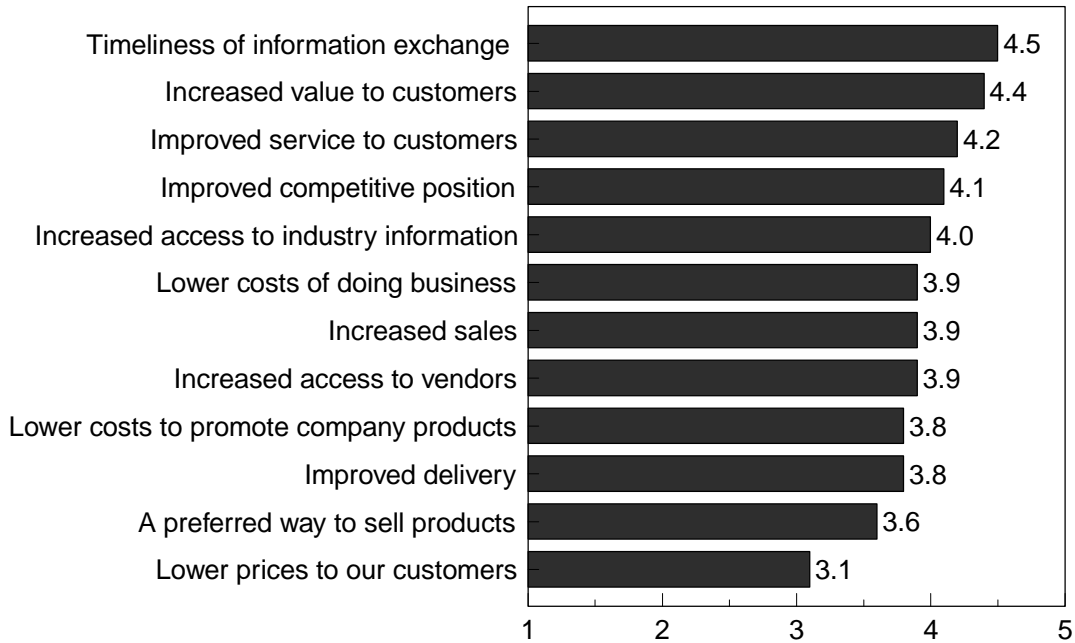


- Of a dozen extranet benefit statements, promoting lower prices to customers is the least popular.

Having An Extranet Offers:

(n=56)

Scale: 1=strongly disagree to 5=strongly agree



- Respondents register few concerns about using extranets. Security of information ranks high on the list. The technical issues—speed of access and availability of technical resources—rank second and third.

Concerns About Having an Extranet

(n=56)

(Scale: 1=not a concern to 5=is a major concern)

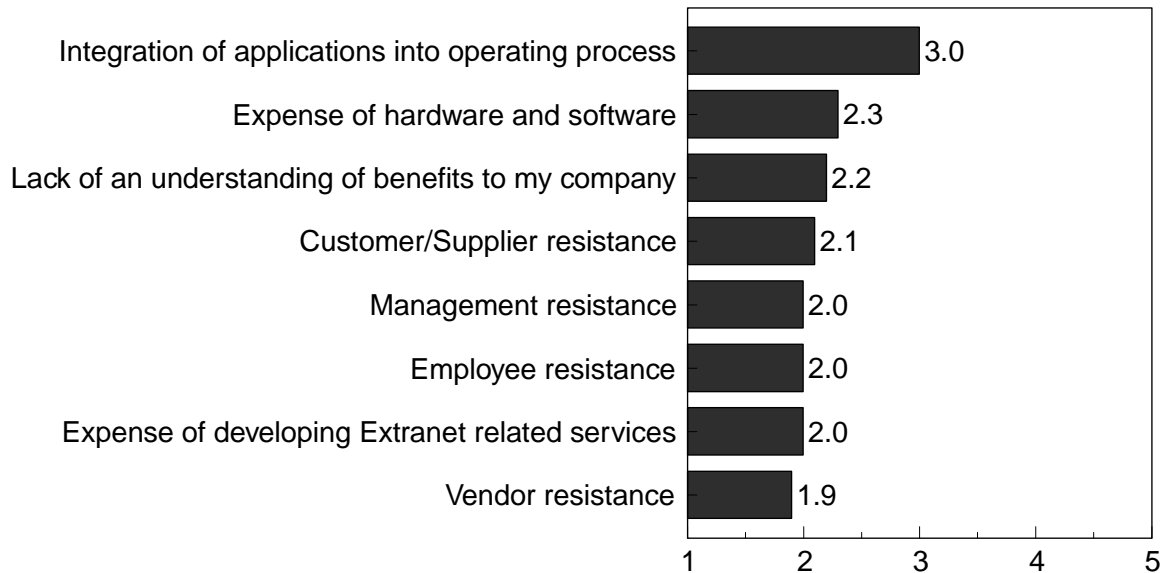


- Respondents say they do not experience strong impediments to Internet implementation.
 - Integrating extranet applications into the operating processes of the firm top the list of impediments.
 - The expense of developing a home page, lack of understanding in the organization, and customer/supplier resistance were the next strongest impediments.

Impediments to Extranet Implementation

(n=56)

(Scale: 1=did not impede to 5=strongly impeded)

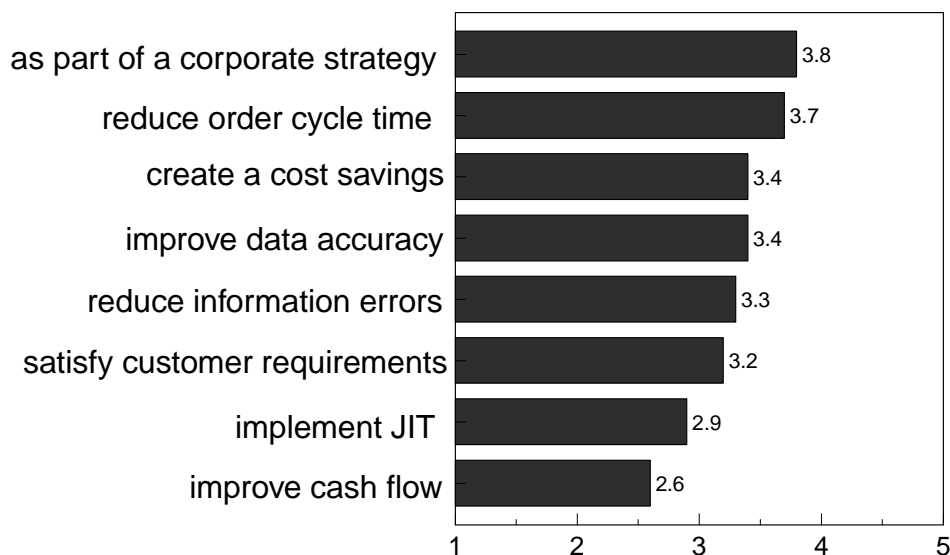


Extranet objectives

- The primary reason respondents implemented an extranet was to include this communication technology in the overall corporate strategy. Extranets are well-planned activities that are meshed into the corporate fabric as opposed to being a loose thread.
- Second, but nearly important, is the goal of reducing order cycle time, which has a direct bearing on reducing costs, the third ranked goal.

Our company implemented an Extranet in order to:

Scale: 1=strongly disagree to 5=strongly agree



- Respondents are very willing to transact business on their extranets.
 - 61.8 percent are “very willing” to sell.
 - 58.9 percent are “very willing” to purchase.

Extranet relationships

- The driving factors influencing traditional business-to-business buyer/seller relationships also apply in the extranet environment. The extranet adds an additional factor: partner performance.
 - *Trust*: the belief that one exchange partner will act in the best interest of the other partner. For the most part, respondents trust their extranet partners. There is a belief that information is held in confidentiality and that trust has been earned. There is confidence in the accuracy of information that is provided to respondents and that extranet partners look out for respondent company interests.
 - *Commitment*: a desire to continue a relationship and a pledge to work toward this continuance. Respondents express a sense of continuity and strengthening in the relationship over time, manifested in increased extranet sales or purchases.
 - *Power and Dependence*: Forcing technology implementation exercises a channel member’s power and plays on the other party’s level of dependence in the relationship, possibly causing a shift in power.
 - Aside from the need to modify business procedures to adapt to extranet requirements (3.3 on a 5-point scale of agreement), power does not seem to be a major factor from the respondents’ perspective.
 - Respondents believe that their extranet partners are strategically important to their companies and difficult to replace, implying a marginal level of dependence.

- *Comparison level of alternatives:* The less attractive the other firms with which a company could partner, the more the company depends on current partners and the stronger the relationships with them.
 - Overall, respondents only somewhat believe that relationships are superior with extranet partners.
 - Responses on this relationship component provide marginal support for the notion that extranet partners would be difficult to replace.
- *Information exchange/communication:* Respondents say extranets improve the accuracy and timeliness of information, as well as the speed of response.
- *Investments and switching costs:* Respondents strongly believe that it would be disruptive to the company to sever business relationships with their extranet partners. In addition, they consider investments in the extranet to be considerable and not easily transferable to other business operations.
- *Firm performance:* Using a number of measures of firm performance, results are mixed on whether extranet relationships offer superior performance. However, the items ranked above 3.0 on a 5-point scale of agreement are important indicators of company success.

Firm Performance

Extranet vs. Non-Extranet Partners

(n=56)

Scale: 1=significantly lower than non-Extranet partners to
5=significantly higher than non-Extranet partners



Extranet vs. non-extranet partners

- Respondents reported stronger, superior relationships with extranet partners than with partners not linked by an extranet, on many dimensions.

- In these early-adopter firms, are the extranet links superior because of the extranet, or because firms chose to establish extranets with firms that already were their best partners or with which they sought improved relationships?
- Additional responses from six firms with extranets compared their extranet and non-extranet partners:

Extranet vs. Non-Extranet Partners

Scale: 1=strongly disagree to 5=strongly agree

	<u>Extranet</u>	<u>Non-Extranet</u>
Better relationship in the short term:	3.8	1.8
Long-term commitment to the customer:	4.8	3.4
Willingness to share information:	3.2	2.4
Level of strategic importance:	4.6	3.8
Trustworthy:	3.0	2.4
Customer oriented:	3.6	2.2
Is a key partnership:	4.6	3.6
Reliability of customer:	4.2	2.6
There are many alternative partners:	3.0	4.6
Next-best partner is just as valuable to my company:	2.0	3.8
Relationship continuity:	4.2	3.2
Relationship strength:	4.4	2.6
Planned increase in purchases:	4.4	2.4
Margins:	4.0	3.2
Inventory turns:	3.8	2.0
Fewer claims:	3.8	2.6

Caveats

- Early extranet adopters are likely to respond differently than those who adopt new technologies and processes later in the life cycle.
- Early adopters have limited experience; their ability to respond will build over time.
- Extranet users might not have had the time to build relationships that typify the responses to surveys of traditional marketing relationships.

This presentation is based on ISBM-supported research reported in: Richard Vlosky, Renée Fontenot, and Lydia Blalock; "Extranets: Impacts on Business Practices and Relationships," ISBM Report 20-1998.

ISBM E-BUSINESS CURRICULUM QUESTIONNAIRE

<keywords>

brand
branding
corporate identity
curriculum
customer satisfaction
customer support
distribution
e-business
e-commerce
electronic commerce
extranet
global Web sites
Internet
intranet
marketing
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partners
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training
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