

e-business Competitive Assessment

The speed of the Internet suggests great distances can be covered in very short periods of time.

In what e-business direction should your retail company travel to retain and find new customers while increasing efficiency?

This report has been prepared for John Smith
of ABC Stores
by CustomAbility
On July 25, 2000

Executive Summary

The world has irreversibly changed with the introduction of the Internet and the World Wide Web. Companies are expanding their relationships with customers, lowering costs and time to reach new customers, and re-using information in ways never imagined just a few years ago. Retail companies are finding that e-business, i.e., conducting various aspects of a business on the Web, greatly expands their opportunities for increasing revenue and profit. The formula for success, however, requires new thinking and behavior. This report describes specific actions you should consider based on the answers you provided and those submitted by your peers.

In this digital age, the consumer controls the course and speed of the relationship. Customers are demanding business be conducted on their terms, such as operating 24 hours a day, seven days a week. Since customers have unique needs, they expect retail companies to treat them with personalized service, whether it's on the Web, telephone or in their local store. They expect you to know what you have in stock, how much it costs and how quickly they can get it, all in real-time. Understanding and satisfying customer needs and wants is becoming synonymous with success.

The power of the customer is shaping the retail world, most notably on the Web. The following observations provide evidence of significant changes in the industry – each of these changes has a direct impact on traditional retail companies who built their businesses before the Web was created.

ABOUNDING COMPETITION »» The pervasive nature of the Web can give a small local retailer a national, or even international, presence. As a result, large established retailers are finding themselves with a host of new competitors, including “e-tailers” such as Amazon.com that exist only on the Web.

PROLIFERATION OF SERVICES »» Customers are no longer willing to accept being treated as identical buyers. Web-based technologies have raised their expectations regarding the level of knowledge they expect the retailer to have about who they are and what they want. Whether it's making recommendations about books they would like to read or just remembering their shoe size from their previous purchase, consumers desire to be treated with a higher degree of knowledge. Retailers that are able to provide this level of service will prosper in the new economy.

REINVENTION OF VALUE »» No excuses. Customers not only expect you to know what you have in inventory but what your suppliers have on hand as well. They want to know when their order was shipped, when it will arrive and where it is at any given moment. Retailers can no longer meet these requirements simply by improving their own systems. They must develop seamless real-time links with manufacturers, distributors and other channel partners.

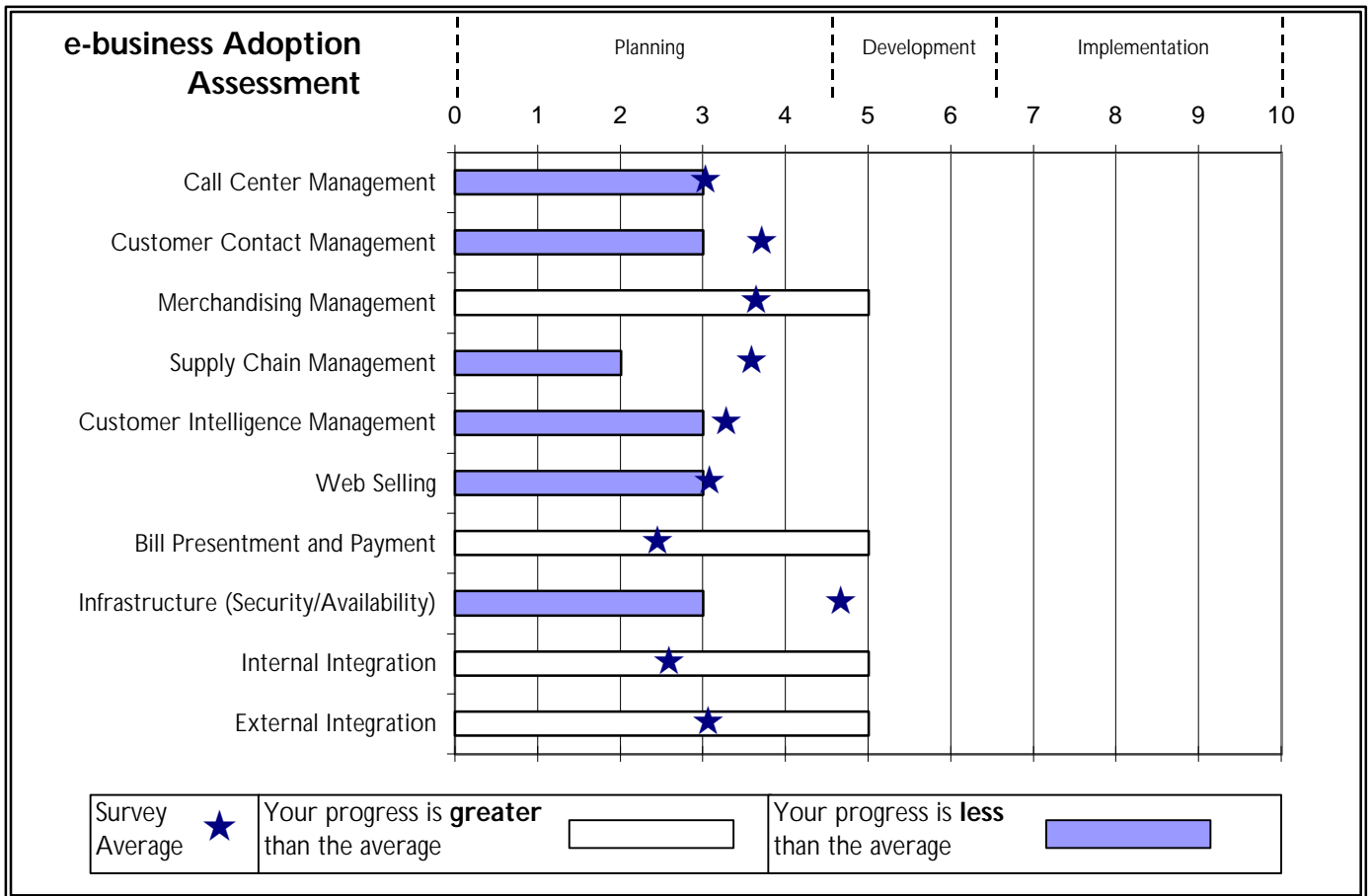
The early success of e-tailers such as Amazon and Buy.com has driven many traditional “brick and mortar” retailers to respond with their own Web offerings, as well as inspiring a whole host of new Web competitors. While the intentions of the traditional retailers have been good their implementation has often left much to be desired. A successful e-business formula combines Web technology with business strategy. Neither business strategy nor technology alone will deliver success. The e-business landscape is littered with companies that have unsuccessfully tried to use only business strategy or technology. The simple fact is, to exceed customer expectations requires the combined skills of business managers in marketing, merchandising, and customer care with the full resources of IT. Although this is a simple formula, many companies have ignored it and as a result, have been unable to realize business success measured in increased revenue, increased customer loyalty and/or increased wallet share (a greater percent of a customer's spending).

The purpose of this Competitive Assessment is to highlight areas that can improve your company's success in leveraging e-business to exceed customer wants and needs. The information is personalized based on the answers you supplied in the questionnaire. At a summary level, the chart on the next page describes your progress in servicing your customers on the Web. Detailed comparisons are contained on the following pages.

Current e-business Position of ABC Stores

e-business has changed the customer-facing functions of an organization from a necessary evil into an opportunity for strategic competitive advantage. At the same time, the Web has created tremendous opportunities to reduce costs and improve productivity by integrating business critical systems both internally, and externally with suppliers and other partners. From new market entrants like Garden.com to established players such as Wal-Mart, companies in the retailing industry are incorporating e-business technologies to support their aggressive new business strategies.

The summary chart below shows that you trail other survey participants in your industry in several key areas, some of which you consider to be very important to the long term success of your business.



In today's business environment e-business is not an option; it's mandatory for any business that wants to grow and prosper. The effective implementation of a comprehensive e-business strategy will separate the winners from the losers. The delivery of Web-enabled services to your customers can provide the strategic advantage that you need to succeed in a market which is becoming increasingly competitive.

Your company trails the survey average in some key areas. In these areas you are behind the competition in adopting important e-business strategies. Your organization needs to accelerate planning and development efforts in these areas to avoid being placed in a competitive disadvantage in the marketplace.

In e-business, where one company's innovations quickly become every company's basic requirements, no financial services firm can afford to stand still. Those that fail to learn the lessons of the Internet today will be poorly positioned to realize far more significant opportunities in the months ahead.

Detailed e-business Competitive Assessment

Our assessment is based on the answers you provided in the questionnaire. It provides you with an evaluation based on your progress on the Adoption Cycle and compares your progress with the other participants from the retail industry. Your e-business initiatives are analyzed with regard to key e-business elements as well as the degree of integration of these elements with each other (internal) and with other business critical processes (external).

The scales below were used in the e-business questionnaire. Please refer to the Adoption Cycle and Importance scales shown below when examining the graphs on the following pages.

Adoption Cycle Assessment Scale	
N/A	0. Does not apply
Planning	1. Have not identified a need
	2. Identified a need
	3. Started planning
	4. Completed planning
Development	5. Started development
	6. Completed development
Implementation	7. Piloting deployment
	8. In production, no results yet
	9. Not satisfied with results
	10. Satisfied with results

Planning - Creating strategies to address unmet e-business needs. This could include identifying needs, teams, workplans, schedules and project flowcharts.

Development - Creating and testing processes to handle planned e-business functions. This could include installing hardware and software, creating Web content, establishing links to other systems and expanding network bandwidth.

Implementation - Bringing e-business functions online as well as the ongoing maintenance and incremental improvement of these functions.

Importance Assessment Scale
0. Does not apply
1. Not important
2. Somewhat important
3. Important
4. Very important
5. Critical

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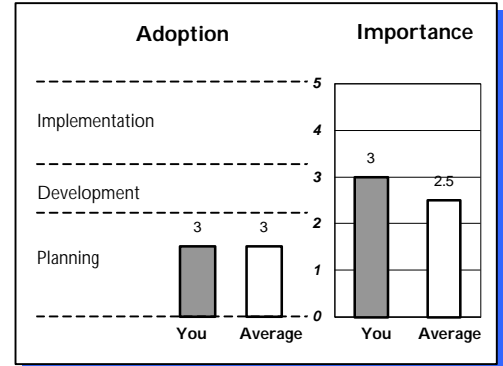
1. Call Center Management

A Call Center can be an integral part of the customer-facing environment for a retail company. Both inbound customer calls and out-bound marketing and sales calls represent an on-going dialogue with customers and prospects.

With the advent of the Internet, new dialogues are being conducted with customers and prospects. The information captured on the Web needs to be shared and integrated with the information gathered in the Call Center.

You rated your company's Adoption score for Call Center Management as being in the Planning phase, which is the same for the average of the other retailers in the survey. You indicated that Call Center Management is important (3) to your company. The survey indicates that this is about the same level of importance given to this area by the other retailers. Your company's progress is on par with the industry. There is an opportunity to create competitive advantage by accelerating your efforts in this area.

The following factors are representative of a Call Center's ability:



(scale 1 = None of the time; 5 = Always)

	Your score	Average score	Interpretation
A The extent Call Center Representatives have access to the questions posed by customers on the Web site	4	3	Your scores are above the survey average for both factors. Customers expect retailers to "know them" across all access points. Sharing information improves one's ability to treat each customer as an individual. This directly effects profitability, loyalty and revenue.
B The extent Call Center Representatives are aware of customer interactions across all touch points, e.g., stores, catalog phone center and Web store.	4	2.3	

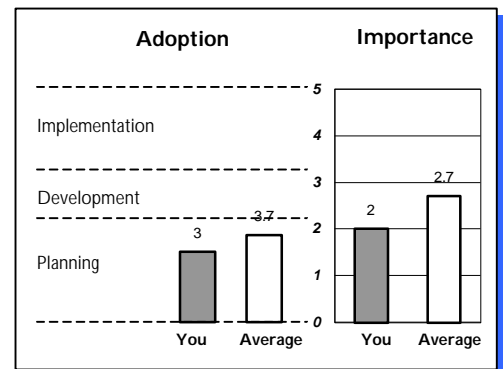
2. Customer Contact Management

As technology has advanced, customers have moved from a single, preferred point of purchase (e.g. store) to a wide variety of touch points. Phone applications, such as automated attendants and touch-tone systems, provide 24-hour convenience to customers. Web-based interactions represent an extension of this trend creating a wide range of possibilities for customers and prospects to interact with your company. Although they may interact at numerous touch points, customers expect the retailer to have a composite view of their relationship.

You rated your company's Adoption score for Customer Contact Management as being in the Planning phase, which is the same for the average of the other retailers in the survey. You indicated that Customer Contact Management is somewhat important (2) to your company. You should be aware that, on average other retailers feel this area is of greater importance. The gaps in Importance and Adoption suggest either your company has decided not to pursue Customer Contact Management or its implementation substantially lags your competitors'.

Specifically, the following factors measure a company's ability to manage customer information for their competitive advantage:

(scale 1 = None of the time; 5 = Always)



	Your score	Average score	Interpretation
A The degree customers are satisfied with their ability to get personalized information from your Web site.	2	2.1	Your score for Question B was above the survey average but your score for Question A was about the same as other retailers. Customers expect Web sites to deliver personalized information. Retailers must leverage this opportunity with data contained in other retailing systems. Leading companies are using this information to score and segment customers.
B The degree information gathered on the Web is shared with other retail systems in different functional areas, e.g., store operations, merchandising and customer care.	3	1.8	

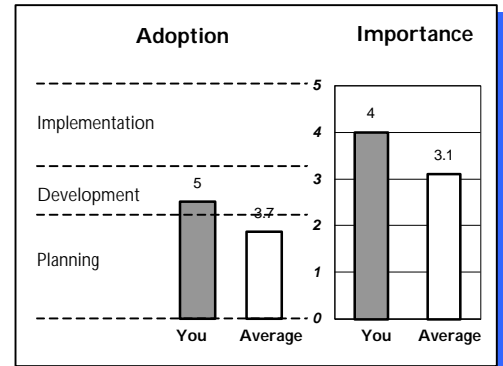
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3. Merchandising Management

Today's hot products could become tomorrow's overstock if your company lacks the agility to change pricing, promotions and reorder levels in real-time. An out-of-stock condition can result in more than the loss of a sale, it can mean the loss of customer. Merchandising Management becomes even more complex in a multi-channel environment where pricing and promotions on your Web site need to be coordinated with those in your retail outlets. Leading retailers are implementing Merchandising Management systems that can address all of these issues in support of their multi-channel strategies while delivering high levels of customer satisfaction,

You rated your company's Adoption score for Merchandising Management as being in the Development phase. This is ahead the other retailers in the survey as, on average, they are in the Planning phase for this area. You indicated that Merchandising Management is very important (**4**) to your company. This level of importance is greater than that given by the other retailers to this area. Your emphasis in this area has produced a substantial competitive lead.

Two factors act as characteristic signatures of a retailer's abilities in this e-business area of Merchandising Management:



(scale 1 = None of the time; 5 = Always)

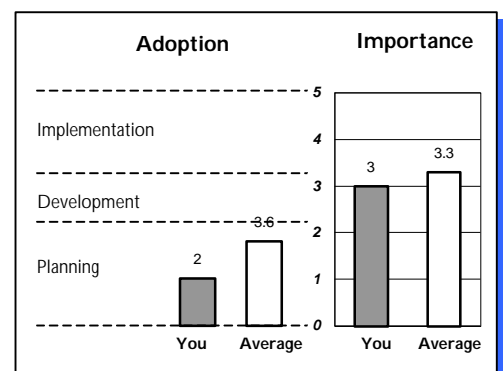
	Your score	Average score	Interpretation
A The degree to which product sales data is analyzed to optimize product mix and selection and make specific recommendations to Category Managers.	4	3.6	Your score for Question B was above the survey average but your score for Question A was about the same as other retailers. By not monitoring product sales and promotions in real-time and making immediate adjustments, companies are losing sales, customers and profits. This is particularly critical in the fast-moving high volume arena of selling over the Web.
B The extent discounting activities are monitored, tracked and analyzed in real-time to adjust promotional activities automatically to maximize sales effectiveness.	3	2.2	

4. Supply Chain Management

Establishing electronic linkages to key suppliers through the use of Supply Chain Management has become a critical success factor among high volume retailers. Companies that are able to take full advantage of this technology and related opportunities, such as participating in Web-based trading exchanges, will create a competitive advantage through their ability to react quickly to changing market conditions.

You rated your company's Adoption score for Supply Chain Management as being in the Planning phase, which is the same for the average of the other retailers in the survey. You indicated that Supply Chain Management is important (**3**) to your company. The survey indicates that this is about the same level of importance given to this area by the other retailers. Your company's progress is behind the industry. Efficiency gains should be investigated within your company.

The factors that drive the assessment of this e-business element are:



(scale 1 = None of the time; 5 = Always)

	Your score	Average score	Interpretation
A The extent your systems are directly linked to suppliers so that they are aware when inventories need to be replenished to avoid out-of-stock conditions.	2	1.8	Your scores are about the same as the survey average for both factors. In general, the average retailer still lacks the ability to exchange information electronically with their key suppliers automatically. These companies are missing an important opportunity to improve their operational efficiencies while increasing the level of service they are able to provide their customers.
B The degree to which the Supply Chain Management System connects to trading exchanges to take advantage of volume purchase arrangements over the Web.	1	1.5	

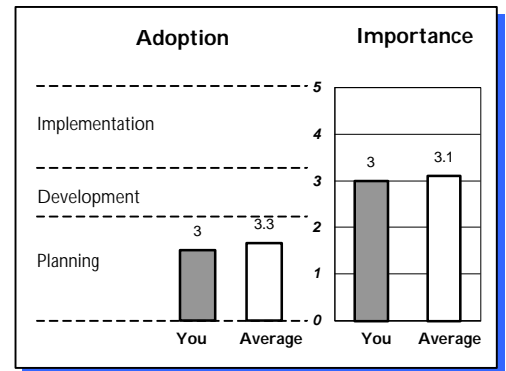
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5. Customer Intelligence Management

Sharing information across the various lines of business has traditionally been a difficult task. The Web adds to this complexity by increasing the volume and type of information that can be captured on a customer or prospect. This data represents the opportunity to learn more about your customers than previously possible.

You rated your company's Adoption score for Customer Intelligence Management as being in the Planning phase, which is the same for the average of the other retailers in the survey. You indicated that Customer Intelligence Management is important **(3)** to your company. The survey indicates that this is about the same level of importance given to this area by the other retailers. Your company's progress is on par with the industry. There is an opportunity to create competitive advantage by accelerating your efforts in this area.

Two elements provide insight into a company's progress in harnessing this new information for business growth:



(scale 1 = None of the time; 5 = Always)

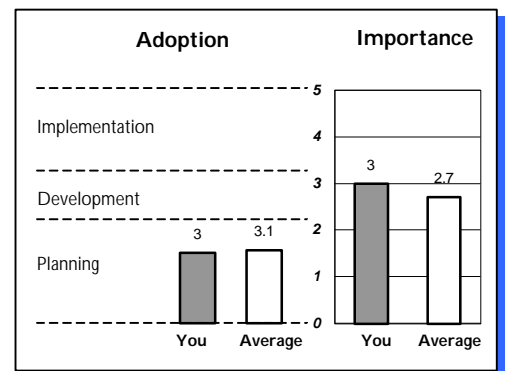
	Your score	Average score	Interpretation
A The extent data is gathered even if a prospective customer on the Web site does not choose to purchase.	2	1.9	Your score for Question B was above the survey average but your score for Question A was about the same as other retailers. Many businesses fail to capitalize on the opportunity to collect data on prospective customers that visit their Web site. Even fewer are taking full advantage of this data by analyzing it to define and target new marketing campaigns.
B The extent customer information is compiled, analyzed, and used to define each promotional campaign.	3	2.2	

6. Web Selling

Providing products and services over the Web is rapidly becoming the new paradigm in retailing. Customers expect a store's Web site to provide a level of interaction and service that is the equivalent of visiting a retail location. This means viewing the product, knowing if it is stock, and asking for help if needed. Customers also expect to be able to complete their purchase online, even if the transaction is complex, such as applying store credits or using gift certificates. Forward-thinking retailers are using the power of the Web to improve the selling process, such as intelligent cross selling.

You rated your company's Adoption score for Web Selling as being in the Planning phase, which is the same for the average of the other retailers in the survey. You indicated that Web Selling is important **(3)** to your company. The survey indicates that this is about the same level of importance given to this area by the other retailers. Your company's progress is on par with the industry. There is an opportunity to create competitive advantage by accelerating your efforts in this area.

Two measurements of a retailer's ability to sell on the Web are:



(scale 1 = None of the time; 5 = Always)

	Your score	Average score	Interpretation
A The degree to which your company has an integrated multi-channel retailing strategy so as to deliver a common look and feel, and common messages to each customer.	4	2.6	Your scores are above the survey average for both factors. Electronic dialogues with your customers will shorten sales cycles and increase revenue. The Web is also immensely scalable. Customization techniques can be applied to prospective customers, which will have the result of adding new customers to the store.
B The degree a Web site reacts to a customer in a knowledgeable manner providing real-time linkages to other systems such as returns/exchanges and credit card operations.	3	1.9	

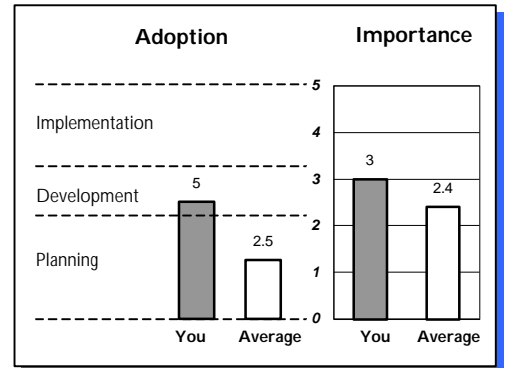
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7. Bill Presentment and Payment

The ability to present retail credit card customers with complete, timely, and fully integrated billing statements in real-time has become an important feature for both consumers and retailers. Retail firms, along with other important consumer industries such as Telecommunications, have been quick to identify this service to customers as a key area of potential benefit and cost savings. New automatic payment services such as CheckFree and PayTrust now facilitate the payment of bills through a simple point-and-click user interface. The increasing complexity of these systems combined with the rapid pace of change makes this a challenging environment for even the most technically advanced companies.

You rated your company's Adoption score for Bill Presentment and Payment as being in the Development phase. This is ahead the other retailers in the survey as, on average, they are in the Planning phase for this area. You indicated that Bill Presentment and Payment is important (3) to your company. This level of importance is greater than that given by the other retailers to this area. Your emphasis in this area has produced a substantial competitive lead.

The following two indicators can be used to further compare your company with others in the industry:



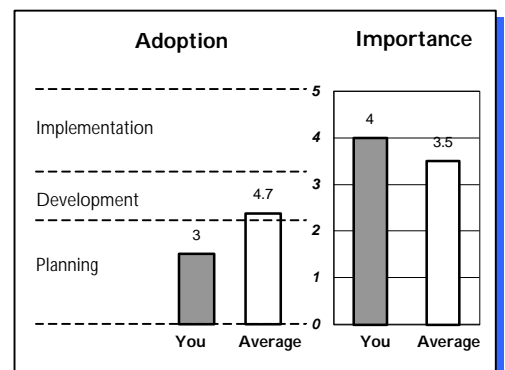
(scale 1 = None of the time; 5 = Always)

	Your score	Average score	Interpretation
A The extent to which your company provides customers with Web-based statements for your store credit card.	4	1.5	Your score for Question B was about the same as the survey average but your score for Question A was above that of other retailers. Web Bill Presentment and Payment has significant advantages for a store, most notably improved cash float and a powerful link with customers.
B The degree your Web site can handle complex payment transactions including the use of returned merchandise credits and gift certificates.	2	1.9	

8. Infrastructure (Security/Availability)

It is not enough just to be able to perform most of the e-business functions most of the time. In today's highly competitive environment customers expect nothing less than 24 by 7 operation, 100% availability and near instantaneous response times. And of course, they expect the highest attainable degree of security to protect the integrity and privacy of their retail transactions. To achieve this level of service and performance, retail companies must develop a robust, well-planned and highly integrated infrastructure. This infrastructure becomes even more important as you move from Planning to Implementation on the other elements of e-business mentioned in this report.

You rated your company's Adoption score for Infrastructure as being in the Planning phase. This is behind the other retailers in the survey as, on average, they are in the Development phase for this area. You indicated that Infrastructure is very important (4) to your company. The survey indicates that this is about the same level of importance given to this area by the other retailers. Your company's progress is behind the industry. Efficiency gains should be investigated within your company.



Below are two measurements of this:
(scale 1 = None of the time; 5 = Always)

	Your score	Average score	Interpretation
A The extent your Web site is integrated with the other retail systems such as inventory management and logistics in order to provide the customer with real-time order information.	4	2.3	Your score for Question B was about the same as the survey average but your score for Question A was above that of other retailers. As companies develop a greater dependency on the Web, more emphasis will be placed on leveraging computing infrastructure to win and retain customers. System security will also naturally increase in importance.
B The degree to which your company's Web site is secure and customers feel comfortable conducting business on the site.	4	3.6	

e-business Assessment: Other Analysis

To be successful in today's highly competitive business environment, companies must move beyond parity to establish a clear competitive advantage in the markets that they serve. Based on your input relative to the other participants in the survey, your organization is at a competitive disadvantage in three of the e-business elements. You are currently at parity with the average company in three of the eight key elements and you are at a competitive advantage in two of the eight key elements of e-business. This suggests that you are at parity with in the industry in implementing e-business.

Competitive Disadvantage	Competitive Parity	Competitive Advantage
<ul style="list-style-type: none"> - Contact Management - Supply Chain Management - Infrastructure (Security/Availibility) 	<ul style="list-style-type: none"> - Call Center Management - Intelligence Management - Web Selling 	<ul style="list-style-type: none"> - Merchandising Management - Bill Presentment & Payment

The Importance/Adoption Matrix, below, indicates how well your organization is focusing its resources.

On Target represents those areas that are considered to be important to your organization and are well along in their development and implementation. These areas should "stay the course" as they are on the right track.

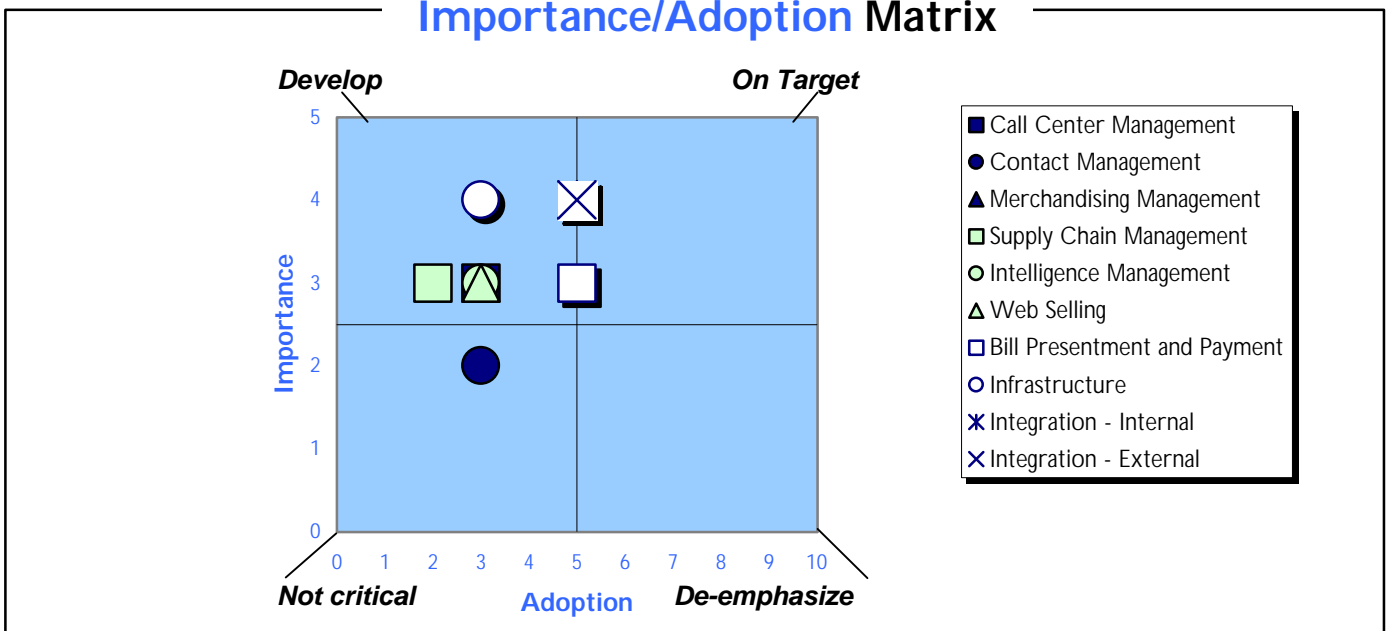
Develop represents areas that are also important but are still relatively immature in their progress. These areas should receive the most emphasis in your organization's e-business plans.

De-emphasize indicates areas that are well along in their development despite being relatively unimportant to the organization. Your company should consider shifting resources from these areas to those in the Develop area.

Not critical are those areas that have low importance and little progress in development.

The Importance/Adoption Matrix graphs your company's progress in implementing various aspects of e-business versus the importance your organization places upon them. Your first priority should be to move areas from DEVELOP to ON TARGET as you have indicated that these are important to your business. You should also review the importance you assigned to areas shown in NOT CRITICAL and DE-EMPHASIZE compared with the industry average, by reviewing these areas on pages 5 through 8.

Importance/Adoption Matrix



e-business Summary and Recommendations

Based on the e-business elements relevant to your business, your company trails the average in six out of the eight elements. Customers, therefore, will possibly find improved service from other retailers. The stakes are high since each of these e-business elements directly relates to retaining your current customers and attracting new ones.

The table below indicates the threat posed to your retailing company by leading edge e-businesses.

e-business Elements	Why customers will be attracted to leading e-business retailing companies
Call Center Management	Customers will be using a Web site and will have a question about a product or service. Leading retail companies will incorporate a hot button on their Web site to cause a Call Center Representative to contact them immediately.
Contact Management	Customers will be talking to the Call Center and they will be pleased to find out that the information they provided in completing a transaction on the store's Web site is available to the Call Center Representative. They could then ask the CCR to modify their online order such as changing the shipping from standard to 2-day express.
Supply Chain Management	Customers will be able to use the store Web site to check the availability of products including expected delivery on items currently on backorder from the manufacturer. Suppliers will be able to adjust their manufacturing mix based on real-time sales information they are able to aggregate from various retailers.
Customer Intelligence Management	Companies will analyze their customer information to increase the accuracy of their segmentation, more accurately define customer needs, and better predict buyer behavior. This will enable the retailer to offer products and services that are specifically selected to meet the needs of targeted groups of customers.
Web Selling	Customers will be able to purchase all of a stores products online, not just a subset designated for the Web store. They will be able to view the product from different angles, see each variation of color, style or model, and ask questions about it. They will be able to buy it, have it shipped and track its delivery right to their doorstep..
Infrastructure	Customers will visit Web sites when it's convenient for them, whether that's evenings, weekends or 3 O'clock in the morning. They will expect the site to be up, available and provide immediate responses to their queries. They will expect that their transaction will be secure and their personal information will be confidential.

We recommend you consider new ways to accelerate your e-business initiatives in these areas since the opportunity for success is time dependent. Leading edge e-businesses have achieved their success by partnering with appropriate consulting firms that complement their skills in business strategy, implementation and I/T operations. Whether it is a complete outsourcing arrangement or the use of pinpoint skills, we advise your company to investigate its options with these value-added consulting firms.