MARKETPLACE

CREATING AND NURTURING A
PREMIER E-BUSINESS

Dick Anderson

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INTRODUCTION

This article examines three things. First, it explores the speed with which the Internet is moving. Second, it describes how e-business is transforming the way corporations not only market, but run their entire businesses. Finally, it offers evidence that we are really just at the start of this period of change.

GROWTH OF THE INTERNET

Only two years ago many people did not believe what was going to happen on the Internet, but what a conversion has occurred since then. The number of Web-connected people is now up to around 150 million worldwide. As the number of people on the Net grows, their usage skyrockets. I'll give you an example. Just one year ago at the Nagano Olympics, we set a number of records for the official website (www.nagano.olympic.org). In 16 days that site had 650 million hits, and it peaked one day with 65 million hits and at one minute with 103,000 hits. That record has been broken a number of times since then. It used to be that only event sites achieved high volumes, but now we see them on commercial sites like the financial sites. Also, last year there were five times as many emails sent as all other types of mail: 2.7 trillion emails.

Hits are one thing, email is another, but we really ought to talk about doing real business on the 'Net. Last year more than a third of all the stock trades were done online, and we expect that to go to more than 50% this year. But the growth is not just limited to

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the finance industry. In fact, last month Secretary of Commerce William Daley estimated that, for sales in 1997, the consensus of the various estimates was $3 billion. Additionally, he admitted at the beginning of 1998 that the outlook was to double that to $6 billion. In fact, the consensus now is that 1998 was a $9 billion consumer year. He furthermore forecast that it would triple again this year, so that by the year 2000, we will have a $30 billion industry around those sales.

While business-to-consumer sales are important and very critical to the overall numbers, the predictions very consistently show that business-to-business sales will be four or five times larger than the business-to-consumer market. Finance, travel, and retail are all being transformed. In fact, 85 of the top 100 U.S. retailers have now gone online. Other industries are following.

Every month now we have 53,000 new servers added to the Internet. That's about 1.2 new servers per minute. We are moving from an era where the big eat the small to one in the Internet world where the fast are going to eat the slow.

Two years ago most of the pundits would have said the strength of the Internet was going to be in its publication capability, its ability to put information online about news and weather and sports, and even about business aspects like products and stock financials.

IBM'S VIEW OF THE INTERNET

Transaction-Based Model

For some time IBM has had a different view. Our view is that the power of the Internet and its connectivity is about transactions all kinds, between all parties. So about a year ago we coined the term "e-business" to describe all the ways that people are going to do transactions on the Internet. These will take the form of transactions among employees for certain, as well as transactions within the supply chain, between the distributors, and between the suppliers and the resellers, going after speed and efficiency. There will also be transactions between government and citizens, between students and educa-

tors, and so on. For some companies like Amazon.com and certainly e-Bay, being first can lead to significant competitive advantage, and I guess also significant stock appreciation. However, for the majority of companies that already have an offline presence, moving to the Internet and having a fast follower approach really has merit.

Our own experiences at IBM are a case in point on this. What was clear for a company of our size was that the opportunities were so great the first thing that we had to do was to prioritize. We picked seven areas to focus on:

1. e-commerce;
2. procurement on the Web;
3. customer care;
4. business partner or reseller support;
5. employee communications;
6. communications with key influencers like the press, analysts ,and stockholders; and
7. marketing communications.

I will address the first four below with examples of what IBM has done.

E-commerce

What's exciting is how rapidly the Internet lets you really change what you're doing. Let me give you a few examples out of IBM's experience. In January of 1998, we were doing $35 million of commerce across the Internet, which is not very significant for a company that generates $81 billion in revenue. Connectivity allowed end user customers to get specific information, order online, and do other commerce with us. We did a similar thing with our OEM customers (our customers that are buying components). We also did that with our business partners and resellers. As a result, our e-commerce revenue skyrocketed, and in December of 1998 we had ramped to $1.2 billion of commerce across the Internet.

Procurement

Another key area that we focused on was how goods and service are procured. How do we