Summer 2000: B2B: Emerging Initiatives and Best Practices

Date: July 21, 2000
Place: Monroe Hall, Charlottesville, VA

AGENDA

9:30 – 10:00 a.m. *Welcoming Reception & Registration*

10:00 - 12:00 p.m. **Presentations:**

Peter Keen
Chairman, Keen Education

F. Dale Hayes
Vice President, Business Development, United Parcel Service

12:00 - 1:00 p.m. *Lunch - Garden Room, Colonnade Hotel*

1:00 – 3:00 p.m. *Panel and Roundtable Discussion*

3:00 - 4:00 p.m. *Closing Reception*

B2B: Emerging Initiatives and Best Practices

During the past several months, a plethora of large companies have announced the formation of standalone business-to-business (B2B) exchanges that will streamline direct goods procurement in their respective markets. Ford, GM and DaimlerChrysler have pooled their resources to create an online auto supplier network that may process over $240 billion in annual spending. Sears and Carrefour also are launching an exchange that could streamline over $80 billion in purchasing from more than 50,000 suppliers. Likewise, several government agencies are working with suppliers to create an online “G2B marketplace.” Many other exchanges have been announced, and many more are in the works in virtually all industries.

What’s driving this aggressive behavior that appears to be transforming the economic landscape? The answer appears to be simple: moving transactions to an online marketplace makes a great deal of sense. No industry is 100 percent efficient, and global e-commerce networks have the power to eliminate waste, streamline inventory, and reduce processing costs. But along with the benefits come a host of caveats, including collusion, price fixing, technological hurdles and standard setting.

This program will address these emerging issues in our typical speaker-panel-roundtable format featuring Peter Keen and a host of practitioners representing both public and private sector initiatives and best practices.

Peter Keen

Peter Keen, Chairman of Keen Education, is a writer, researcher, consultant and educator. He is the author of over twenty books addressed to helping senior executives exploit the business opportunity of information technology. CIO Magazine identified his *Every Manager's Guide to Information Technology* as one of the ten most influential books of the past decade. His most recent book, *From .Com to .Profit*, is co-authored with Nick Earle. It is the latest in his books on electronic commerce, which include *The eProcess Edge*; *Building Electronic Commerce Relationships: Trust By Design*; *The Business Internet and Intranets*; and *On-line Profits*.

Peter is an adviser to top managers in public and private sector companies across the world. *Information Week* identified him as one of the top 5 IT consultants in the world and *Forbes* profiled him as the "Consultant from Paradise" (a reference to his five years of living in the US Virgin Islands and managing the world's smallest multinational firm from there.)

He has served on the faculties of Harvard, Stanford, Wharton, Duke, Fordham, and MIT in the US and the Universities of Delft, Stockholm, and Oxford in Europe.

Keen Education is in the business of helping companies accelerate their "time to impact" in their electronic commerce plans. Its more than fifty Faculty Associates include professors from leading universities across the world, noted practitioner-educators. Keen Education designs customized executive education for action that aims at accelerating organizational understanding, focus, coordination and business-technology dialogue of the "E" world, which is no longer the "new" economy but the economy.

Dale Hayes

Dale Hayes is the Vice President, Business Development and has overall responsibility for Customer Relationship Management of the company's small, middle, key/major and national market segments. He develops and directs processes to identify, acquire, retain, penetrate, service, and satisfy customers at UPS.

In his leadership position at UPS, Dale also has responsibility over electronic commerce and technology marketing. He spearheads the UPS electronic commerce, OnLine products, web site and Document Exchange groups.

In his 5 years with UPS, Dale has held a variety of positions in international marketing and the U.S. products and pricing group.

Dale is a highly sought industry expert with interviews published in leading magazines such as *CIO, Computer World, Sales and Marketing, Journal of Commerce* and *Traffic World.* He is also active on the speakers' circuit having presented at conferences including Internet World, The Stanford Global Supply Chain Forum, The Conference Board and recently addressed the National Transportation Research Board.

Dale received a Masters of Business Administration from The Colgate Darden Graduate School of Business Administration at the University of Virginia and a Bachelors of Science in textile chemistry from NC State University.

Conference Synopsis

MORNING SESSION

Peter Keen, Chairman of Keen Education, opened the morning session with a presentation assessing the progress of business to business commerce and dissecting in detail the concepts that will define B2B in the near future.

Mr. Keen began by stating that despite common perception, B2B is **not about transactions,** but about **building relationships.** The equivalent of R&D in the internet economy is customer acquisition, and it is an expensive prospect--it takes about $100-$150 million to build a brand. However, acquiring customers is just the first step: it is building the relationship that is key. Toys R Us demonstrated how disastrous customer acquisition without customer satisfaction can be in the Christmas of 1999. The dot-com era is over--the web is nothing more than a relationship interface.

The key, then, to making money in the internet economy is to keep the customer coming back for more. This can be accomplished through promotions--giving away web pages (myYahoo), or giving away the transaction (American Express not charging certain customers for online trades).

How can companies afford these promotions? The answer is negative working capital--if companies can ensure they receive cash in hand long before they have to pay their suppliers, this essentially is obtaining an interest-free loan from their suppliers. As such, it is a crime in the internet economy to have large accounts receivables and inventory--that is lending money to your suppliers.

Smart companies craft **win-win relationships** by streamlining their supply chain. As a result, companies can scale rapidly to meet changes in customer demand. The question is how to utilize technology to accomplish this end.

Mr. Keen detailed four ways in which companies can reinvent themselves in the B2B marketplace. The first is for companies to examine their business processes and to **embed recurring processes in the software interface.** The second is to **examine the processes from the customer's perspective.** Mr. Keen asserts that for the traditional business model the customer is an afterthought--truly successful companies will always consider their customer first. The third is to **selectively outtask (as opposed to outsource) non-core compentency processes to the best practice providers.** The fourth is to **build relationships through insourcing**--by selling competitors product, you build the relationship with the customer even though your competitor gains the revenue--another example of a win-win relationship.

The catch, of course, is in automating all the business processes to make sure to account for the exceptions. Once that is taken care of, your business will be well positioned to be a B2B best practice leader.

At this point, Mr. Keen concluded his remarks and turned the discussion over to **Dale Hayes,** Vice President of Business Development at UPS. Mr. Hayes discussed specifically how UPS, the largest express company in the world, has come to be seen as a model for customer service and B2B integration. Mr. Hayes reiterated Mr. Keen's comments on customer relationships, stating that a UPS motto is that they "watch the back-end of the customer."

Mr. Hayes went on to detail what he say as trends in global e-commerce--the two strongest forces were **globalization** and **consumer pull.** With the internet, time and space borders are topping, supply chains are being streamlined to squeeze inefficiencies out, and inventories are shrinking. Mr. Hayes sees globalization as the area where B2B can help provide the most improvements--currently, 49% of Internet orders for export are abandoned due to the inability of systems to cope with export regulations.

Mr. Hayes cautioned that **strapping new technology to outdated business processes could negatively impact value.** For example, many websites allow customers to submit their order electronically, yet for fulfillment the companies must print them out on paper from old legacy systems. To date, only 10% of billion dollar companies can truly accept orders electronically.

Mr. Hayes then went on to describe the ways in which UPS implements B2B efficiencies. Allowing customers to track their packages online instead of calling reduces the cost from $2.50 to $.10 per request, and now 40% of tracking requests are performed online. UPS is also experimenting with delivering documents electronically, a product called Document Exchange.

Mr. Hayes concluded by stating his "Three T's" to B2B success: **Time, Transparency,** and **Trust. Time** savings for companies translate into financial savings. **Transparency** allows companies not to worry how a business process is accomplished. **Trust** comes of companies being able to rely on the integrity and reliability of their business partners.

AFTERNOON SESSION

The afternoon session began with **James Collins,** manager for e-Commerce Solutions in the Americas for IBM. Mr. Collins explained how in 1993, the new CEO of IBM deferred answering pressing questions about vision and strategy to allow the company to investigate internal problems. Most significant was the fact that the company spent over $20 billion in procurement, with each business unit having its own procurement department. The 70 separate departments were not leveraging any of the spend out or the IBM name, resulting in over 80,000 suppliers and 12 different ERP systems.

By 1999, IBM had managed to reduce the number of production suppliers to 2,500, the number of ERP systems to 2 (one for the USA, one for the rest of the world) and saved $9.1 billion dollars, earning recognition in Procurement Magazine.

Mr. Collins detailed forces present in the e-Marketplace, most notable of which was customer push for electronic personalization in the procurement process. He also described the three major modes for e-Marketplaces: **Seller-Centric, Buyer-Centric**, and **Exchanges.**

At this point **Greg Mossburg,** a Senior Principal with American Management Systems, described how the Internet has given rise to **B2G** or the Business to Government marketspace. The Federal Government spends over $210 billion each year, with state and local governments spending over $300 billion. A large portion of this money is being spent in procurement.

Mr. Mossburg cautioned that the B2G sector is very different from B2B in that it is governed by strict regulations, although there is a push towards adopting private sector best practices. Many of these regulations focus on fairness towards all suppliers.

Mr. Mossburg pointed out several different models of B2G exchange, most common of which are reverse auctions or surplus assets auctions. He concluded by stating the critical success factors for B2G are **support for Federal Procurement laws, Integration,** and a **proven track record.**

At this point, the session broke into a round table discussion with questions asked from the audience. Some of the most notable points were:

Customer satisfaction is key: greater attention is being paid to the uniformity of the customer experience. Quality of customer service as well as channel integration (internet, call center, etc.) are extremely important. Changing to process horizontals instead of process verticals can help build this synergy, and incentive systems are needed to build motivated customer service agents.

Value-added Intermediaries will grow as business models: Travel web sites have put most travel agents out of business, unless they can offer services that the web sites cannot.

Technology standards will evolve: XML and EDI are to some degree imposed standards, and will evolve as the needs of the marketplace evolve. Lack of standards in certain technologies (wireless) will need to be closely monitored.

Privacy and security issues will abound: The use of Smart Cards, one-click shopping and other ways to associate identity with technology will cause much debate and raise trust as one of the primary goals of any company in the Internet marketspace.