

Delivering eBusiness Visions

eFORCE in Multi-Channel Retailing

"...it will be structurally impossible for most pure Web retailers – unless they hit Amazon.com-like scale – ever to turn a profit, let alone to take a dominant position. The clear advantage in retailing goes to big, highly skilled traditional retailers that use the Web to extend their already potent physical presence..."

— From "How e-Tailing Can Rise from the Ashes"
McKinsey and Company, 2000

Despite positive predictions from across the spectrum of media, analysts, and investors, "pure-play" web retailers, with a few notable exceptions, did not come to dominate the retail marketplace at the expense of traditionally successful brick and mortar businesses. For every Amazon.com and Priceline.com, which, while lacking in profit, were nonetheless able to capture significant market-share and revenue, there were significantly more Boo.com's.

While some traditional retailers had initially stayed on the eTailing sidelines, they are now smartly jumping onto the web with a Multi-channel Retailing strategy. In doing so, they are realizing new sources of revenue, solidified loyalty among their traditional customer base, and improved profit margins.

Many large retailers are adding new channels through internet-based catalogs and in-store kiosks. Sears is using this strategy to increase sales at its conventional stores by providing convenient and extensive research on their products. Barnes and Noble is using its online store, barnesandnoble.com, to serve both external, "New Economy" web buyers while giving its in-store shoppers kiosk access to search barnesandnoble.com for book reviews and selections not available on the store shelves.

Multi-channel Retailing is the next logical step in a complete retail strategy. If done correctly, integrating the web channel with more conventional retail channels such as the storefront, telephone, and mail order will deliver substantial benefits of market reach, depth, and timeliness. If not done properly, the risk is the real loss of customers and consumer confidence. (Wal-mart's abrupt closing of walmart.com for "remodeling" is worth noting.) If not done at all, the reality is a second tier retail experience that cannot compete with the heightened shopping experience provided by first tier retail providers of a Multi-channel model.

The following pages review the major issues in creating an effective web channel as part of a Multi-channel Retail strategy.

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The Retail Environment

The retail environment is changing dramatically driven in a large part by the changes in technology. A multi-channel retailer faces many strategic issues, including:

The Changing Channels

Changes in technology, and in the cost of technology, allows the message to be presented across an expanding set of channels from the conventional brick and mortar store, mail and telephone orders, to in-store kiosks, web sites for computers, targeted e-mails, PDA and Internet-enabled phones. Each channel has specific intrinsic characteristics and implied customer expectations driving the possible messages which can be presented; for example, a WAP enabled phone has no space for banner ads, and customers will only tolerate load times up to a certain length, whether loading a home page for a Web site or the “load” time to get past advertising on the telephone. Similarly, eMail functionality in a kiosk does not have significant value.

Furthermore, channels are not independent: a transaction initiated on one channel may be completed on another – product research on the web followed by purchase in store, or test drive a car at the dealer followed by a search for the best price on web – so the retailer must be prepared to handle the overlap.

Customer Characteristics

Different groups of customers expect different levels of support through the buying process. These buyers range from high-touch customers who may want on-line chat while purchasing with a CSR (customer support representative), to another type of shopper, the goal of whom is to get to the item and buy it as quickly as possible. The retailer must, on line as well as off-line, set up purchasing mechanisms to quickly determine the type of customer and offer appropriate service levels.

Personalization versus Privacy

eTailing offers sophisticated methods to track customer behavior for personalization and closed loop marketing. The techniques range from click stream capture with immediate feedback in advertisements to capture of overall customer behavior for follow-up analysis. These capabilities have raised considerable privacy concerns. For example, privacy regulations are different in the European Union. There has also been attempted sales of customer information lists from ‘bankrupt.coms,’ even though the sites had subscribed to Web privacy rules. Personalization offers great opportunities and is welcomed by customers when done according to their wishes, but the privacy issues remain. It is important that the retailer confirm that the privacy policies are clearly stated and that adherence or less desirably, opt-out opportunities are presented clearly.

Closed Loop Marketing

Closed loop marketing means more than basing the next offer to the customer on his previous behavior. It means a visible, trackable, and complete process for gathering leads, qualifying the leads into prospects, and then to buyers. Closed loop marketing must fit the channel on which it is presented and the message must be fresh, relevant, timely, and welcome.

The Supply Chain

The 1998 holiday season was the prototype for Web sales, 1999 was the pilot with its much advertised missed deadlines, out of stock conditions and Federal Trade Commission fines. The customer using the Web during the 2000 Holiday season has high expectations: the supply chain must work, meaning that both the internal systems and the supplier systems must be able to handle the steep holiday volumes; merchandise must be delivered when it is promised; and the customer service system, whether on-line or via telephone, must be available when needed. Integrating the various components is critical.

“Internet sales will grow from 0.4 percent of total consumer spending in 1999 to 3 percent in 2004.

By 2002, Multi-channel retailers will dominate B2C Internet sales...”

— Giga Information Group, internet.com, July 18 2000



**Integrating the Retailer and Customer
through Multi-Channel Retailing**

The Multi-Channel Retailer

It is clear that not all retailers intend to operate across all channels. However, the set of channels in which a particular business intends to operate must be used consistently. Retailers can create competitive advantage across the selected channel set through:

Integrating the selected channels into a unified set that offers the customer a seamless experience. The customer must be able to initiate a transaction using one channel, and continue using another while still receiving the level of service desired.

Fashioning the message for the channel. Each type of channel has a specific set of characteristics as to bandwidth, size of “canvas” and ease of interaction. A message must be presented so as to take advantage of the strength of the particular channel.

Providing the highest possible level of customer support. Different classes of customers desire different levels of support, but all customers want the support to be available when and where desired with the CSR or agent aware of the customer’s current situation.

Implementing an efficient supply chain. Merchandise must be available where and when promised, and shipping, returns, and customer service must integrate among themselves and across the channel set.

Integrating personalization and closed loop marketing. Comprehensive data gathering will allow calculation of the value of specific customers, and can drive targeted closed loop marketing supporting increased revenue.

Supporting customer and regulatory requirements for privacy. Privacy issues are not going away, and a proactive approach including opt-in policies and efficient response to customer input is required.

Adding value-added offerings. The drive towards portals and branded intermediaries implies that retailers of appropriate size should look for value added offerings which can support and enhance their brand.

Continuous monitoring of the site performance with constant upgrading/ modification as required.



When using the web as a retail channel, the retailer can leverage the buyer’s profile to target for future purchases.

“But the winners will be those that master multi-channel marketing and sales, not those that play only in the real-world stores...”

— Andrew Bartels, VP, Giga Information Group

BEST AND BRIGHTEST

Hackett Benchmarking survey identified five ‘best practices’ from a survey of 50 online retailers:

- From an investment standpoint, the e-retail site is treated like a start-up, yet with a “balanced ROI” model that evaluates several key indices.
- Web presence is part of an integrated channel strategy to give the customer a consistent experience.
- Stores, catalogs and Web site work together. For example, Web purchases can be returned in stores.
- Customer information is integrated across all sales channels to personalize the sales experience.
- Company is organized in a manner that fosters innovation, speed and flexibility.

Source: Hackett Benchmarking

The eFORCE Value Proposition

eFORCE is helping leading multi-channel retailers leverage the power of eBusiness technologies to gain increased customer satisfaction, operational efficiencies and strategic market advantage.

eFORCE provides strategic eBusiness solutions in the areas of B2B, Exchanges/Marketplaces, B2C, Corporate Portals, and Mobile Commerce. Combining expertise in eBusiness strategy, architecture, creative design, integration, and implementation with its uniquely rigorous, comprehensive eBRIDGE™ implementation methodology (eBusiness Rapid Implementation and Deployment for Global Enterprises), eFORCE delivers production-scale solutions in Internet time.

Our solutions are based on the integration of best-of-breed application packages with appropriate customization. eFORCE clients—ranging from established companies to digital innovators—partner with us on three levels:

Technical Task Level

eFORCE provides best-in-class strategy, creative and technical personnel with the appropriate education and hands-on training necessary for successful eBusiness solution implementation and integration.

Organizational Level

Client personnel and eFORCE consultants collaborate on a tightly integrated project deployment team utilizing eBRIDGE™, eFORCE's robust, disciplined implementation methodology, to rapidly implement industrial-strength eBusiness solutions.

Solutions Level

eFORCE architects and delivers eBusiness solutions that enable F1000 and digital innovator clients to rapidly transition their business visions online to support the buying, selling, and exchanging of information across the entire inter-organizational value chain.

eBRIDGE™ — the eFORCE flagship and uniquely rigorous implementation methodology that serves as a roadmap for project roles and responsibilities, optimal “next steps” of project action, and project communication between client and consultant— addresses points of failure head on. With joint client -eFORCE teams, rigorous planning, an emphasis on consensus building, and explicit requirements for executive sponsorship, our methodology focuses on the key attributes of project success—People, Product, Place, and Process—to achieve a consistently superior delivery process.

Summary

The Web is an additional, and necessary, channel for retailing and cannot be viewed as stand-alone. All channels must be integrated to create the company. Without it, the risk to the retailer is a single channel strategy that will not meet the needs of its customers. Once the decision is reached to deploy a multi-channel model, the retailer must integrate the different channels coherently in order to create a positive ongoing customer experience.

eFORCE Multi-Channel Retail Clients

Bluelight.com
cameraworld.com
eLUXURY
Kingfisher B&Q

eFORCE Partners

Ariba	Intraware
ATG	iPlanet
Avolent	i2
BEA	Kana
Blue Martini	Oracle
BroadVision	Qwest Cyber.Solutions
E.piphany	Sun
Exodus	Versata
IBM	Vignette
InfoSpace	

Multi-Channel Retail Applications

Content Management
Product Management
Quote Management
Order Processing
Integration with Legacy Systems
Supply Chain Integration
Data Mining
Personalization
Campaign Management
Customer Relationship Management

eFORCE Multi-Channel Retailing Client Successes

www.cameraworld.com



www.KingfisherBandQ.com



www.eLUXURY.com



www.Bluelight.com



eFORCE integrates deep technology competency with retail marketplace understanding.

"eFORCE exceeded my expectations on this project by helping the eLUXURY IT group beat the odds...My expectations in going into this engagement with eFORCE were to implement two really large [software application] packages and implement them on time and on budget. What eFORCE did really well was to stick to that budget and stick to their schedule, and deliver on time. And I found that really valuable."

— Patrick T. Moore, Chief Technology Officer (CTO), eLUXURY

eFORCE Clients

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|------------------|----------------|----------------|-------------------|---------------------|----------------|
| American Express | CapitalOne | Exodus | HomeLoan.net | Lucent Technologies | Samsung |
| Avaya | Charles Schwab | FedEx | IAAC | MasterCard | Scudder Weisel |
| BakBone Software | CLAIMPlace | France Telecom | Intel | Merrill Lynch | Visa USA |
| Bank of America | Corio | GTE Genuity | Intraspect | Mitsubishi | Wells Fargo |
| BlueLight.com | eCargoService | Golfsat | Janus | myCFO | Workspeed |
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Key eFORCE Personnel

- Nat D. Natraj**, President and CEO
- Dave Winkler**, Chief Financial Officer
- Bob Boyd**, VP, Western Region
- Jim Oldham**, VP, New York Region
- Dr. Bruce Cottman**, VP and CTO, New England Mid-Atlantic Region
- Pete Sherrill**, VP, European Operations
- Wayne Flake**, VP, Central Region
- John Hitchcock**, VP, Marketing

Contact Information

Western Region Sales

510.266.6795

Central Region Sales

972.473.0003

New York Region Sales

917.836.4108

New England Mid-Atlantic Region Sales

781.270.1327

European Operations Sales

44 (0) 207.960.6091

eFORCE Office Locations

Headquarters	
4120 Point Eden Way Hayward, CA 94545	(p) 800.295.1914 510.265.5800 (f) 510.265.5801
Austin	
9430 Research Boulevard Echelon IV, Suite 400 Austin, TX 78759	(p) 512.343.3699 (f) 512.345.2924
Boston	
63 South Avenue Burlington, MA 01803	(p) 781.270.1300 (f) 781.270.4979
Calcutta	
Infinity Think Tank Building Calcutta 700 091, India	(p) 011.91.33.357.4899 (f) 011.91.33.359.8368
Chicago	
70 West Hubbard Street, Suite 210 Chicago, IL, 60610	(p) 312.970.8000 (f) 312.494.0820
Dallas	
2805 North Dallas Pkwy, Suite 400 Plano, TX 75093	(p) 972.473.0000 (f) 972.378.5122
London	
eFORCE Europe Ltd 10 Greycoat Place London SW1P 1SB	(p) 44 (0) 207.960.6091 (f) 44 (0) 207.960.6993
New York	
75 Ninth Avenue, 6th Floor New York, NY 10011	(p) 212.389.2300 (f) 212.389.2301
Northern VA	
7900 WestPark Drive, Suite T300 McLean, VA 22102	(p) 703.744.1500 (f) 703.744.1501
Paris	
41 Avenue Gambetta 92928 Paris La Défense Cedex France	(p) 33.0.155.703.011 (f) 33.0.155.703.111
San Francisco	
110 Sutter Street - Suite 1000 San Francisco, CA 94104	(p) 415.262.7000 (f) 415.262.7101
Seattle	
800 Bellevue Way - Suite 400 Bellevue, WA 98004	(p) 425.462.6385 (f) 425.462.6386
Southern California	
2729 Bristol Street, Suite 200 Costa Mesa, CA 92626	(p) 714.434.3000 (f) 714.751.8195