

Doing E-Business Right: Managing Market Unpredictability and Customer Knowledge

By Robert Jonas

You've heard it before. The new economy is revolutionizing the way companies do business. But understanding how the new economy will change how *you* run your business is another matter.

For manufacturers, the challenge is especially formidable. Not only is the competitive arena pushing prices and delivery times down, but customer intelligence and service are more important than ever. So how do companies act more quickly, sell at a lower cost, and become more knowledgeable about a marketplace that is more unpredictable than ever?

CEOs need to manage both unpredictability in the marketplace and knowledge about their customers. To manage these conflicting demands, we need to understand how today's new business model differs from the old.

Today's manufacturing business grew out of the Rockefellerian industrial age when success meant having access to and exploiting limited resources. Use of assets yielded diminishing returns, and so labor and materials were managed for maximum efficiency through measurable and routine processes. Management focused on maintaining control of scarce resources and strategizing within a relatively predictable marketplace.

But the rules have changed. Technology has transformed the resources-based economy into a knowledge-based economy. Now you don't need to control scarce resources to create wealth, you need the knowledge to use resources more efficiently and the intelligence and capability to serve each customer's particular needs.

In the knowledge-economy, resources are unlimited and work is not routine. The rapid development of new electronic tools lead businesses to faster implementation and business growth. Companies in the knowledge-economy regularly transform processes to improve efficiency. Innovation is occurring faster than

ever, and the bar is constantly raised. In this unpredictable market, management must continually adapt and strategize in an ever-changing marketplace in order to remain competitive.

For many who are accustomed to the old industry model, this new market can be intimidating, and for good reason. To dominate the marketplace companies must juggle competitive and ever-changing market demands at a faster pace than ever before.

Adapting to an unpredictable marketplace does not mean jumping on the nearest bandwagon. Not long ago companies were rushing to build websites without developing an overall strategy

that joined brick and mortar operations with web marketing and commerce. Technology makes our markets unpredictable, and if companies use new technologies without a strategy, they become more, not less vulnerable.

As new technologies and tools are developed for communication and management, the variables shaping B2B communications multiply. To adapt and dominate the marketplace these tools need to be evaluated and deployed to serve the overall strategy—not the most recent trend. The Internet alone is neither juggernaut nor panacea. It is a tool that has the capability of changing the way you distribute, inform, communicate, and go to market.¹

After the dust settled from the rush to cyberspace, CEOs began to get imaginative about how this new medium could improve how they do business. As a result, the Internet is no longer a mere host to cyber storefronts, but a new venue for company operations and communications with customers, employees, suppliers, and partners. For leading companies the web presence is wholly integrated into overall marketing and business operations. Communications are streamlined, more comprehensive, and more lucrative. The Internet

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has revolutionized the way companies are doing business because company leaders have begun to look at the Internet as a tool that operates in service to an overall strategy. Companies still do what they were doing before—communicating with customers, suppliers, and partners—only now with e-commerce and communications, they can do it better.

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Companies are also finding that whizzy websites, especially in the manufacturing industry, are not enough to sell product. While young techies may provide the dot com bells and whistles, they don't understand their customers well enough to "persuade the target customers to switch their main transactional mode from the handshake to the mouse click."ⁱⁱ Veterans of the old economy have the knowledge and fluency of industrial products and the inside track to contacts that give manufacturing dot coms the groundwork to develop a successful Internet business.

In the current climate of fast online bidding and blind date-like arrangements with discount suppliers, it's easy to overlook the importance of customer intelligence. But this mode of e-commerce may still be in the bandwagon mode. Recent studies are showing quality and low price are not enough. Customers *expect* companies to know them well.

Forrester Research recently reported that distributors and other intermediaries "can no longer deliver value simply by maintaining local inventory and providing product information." E-commerce has created new distribution channels in which information and availability is abundant. To distinguish themselves, resellers must foster customer relationships and hone their services. According to Daniel Garretson, senior analyst at Forrester, "middlemen must choose between world-class product fulfillment and physical services capabilities."ⁱⁱⁱ

Manufacturers also need to develop close relationships with their customers. In order to achieve intimacy with your customers, communication needs to be carefully monitored in order to develop a body of information about the customer's needs and preferences. As familiarity develops, so will a customer's loyalty. Customer knowledge enables a company

to customize communication, marketing, product offerings, service, and support. An investment in customer relationship management enables businesses to secure important accounts. A tandem investment in e-commerce allows companies to handle more information about these accounts and other critical contacts more efficiently.

The market will remain unpredictable, but companies can be nimble by staying close to the customer and proficiently employing technologies. Invest in e-commerce not because everyone else is, but because it affords you the speed, the marketing, and the communication networks that will serve sound strategies.

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ⁱ “Managing Change at Internet Speed,” New York Times, 10 October 1999.

ⁱⁱ Deutsch, Claudia, “New Economy: The new business to business marketplaces are turning to the old hands for help in selling industrial goods,” New York Times, 1 May 2000, C4.

ⁱⁱⁱ “Brick-and-Mortar Intermediaries Greet the Internet with a New Façade, According to Forrester Research,” Business Wire, 12 April 2000.