



E-Commerce Strengthens Sales and Supply Chains

According to a recent National Association of Manufacturers (NAM) survey, 80 percent of the 2,500 companies surveyed maintain Web sites, and 43 percent use an online catalog for customer service.

One-third of the respondents use electronic commerce for business-to-business transactions, and half of these create new sales channels via the Web. But fewer than 10 percent use e-commerce to manage logistics, raw materials or supply-chains.

Beneath these figures, the report concludes, lies the challenge manufacturers face in establishing coherent lines of command for E-commerce. At present, responsibility is shouldered at different companies by CEOs, IT staff, marketing and sales departments — or no one at all.

B2C: Selling to the Consumer

It was ten years ago that a Pennsylvania college student keyed a credit card number into his computer, bought a compact disc for \$12.48 and launched the era of online shopping. This year, online retail shoppers in the U.S. will spend \$144 billion, 27 percent more than last year — and nearly seven percent of *all* retail spending.

The growth in online shopping has cast light on several trends. Retailers, for instance, have found it easier to sell some items over the Web than others. The buyer who orders a book a week from Amazon, for example, might not consider buying clothes online.

This reluctance stems from buyers' innate trust in sensory

experience. To address this need, new “touch and feel” software is emerging with enhanced graphic and display capabilities that provide visual clues to such qualities as softness, fullness, thickness, elasticity and others.

But no matter how realistic a piece of furniture can be made to look on a screen, many online shoppers will still window shop online — and buy down the street.

These “catalog browsers” pose challenges to both kinds of retailers — old-style bricks-and-mortar operations and modern “clicks-and-mortar” enterprises trying to sell their commodities online. A classic example, familiar to the front-line marketers on the sales floor, are buyers who arrive fully armed with information they gathered at far-flung Internet sites. They use this new knowledge to negotiate a lower price — or happily walk across the street to do likewise.

Clicks-and-mortar sites have learned some tricks, though. They’re also getting better at site design, making navigation not just more user-friendly but more buyer-friendly as well. Some have discovered, for example, that the online shopping cart is only that — and that items can be easily taken out before it reaches the virtual cash register by customers who are simultaneously inspecting a competitor’s wares. Smart e-tailers add links to items in the cart, so the prospect can go back and view the items again. In the same vein, some have borrowed other point-of-purchase tactics — offering “impulse items” at checkout, like last-chance offers or service enhancements.

Security is a high concern, and brand-name security guarantees — VeriSign and EnTrust are the best known — carry more weight with shoppers than unknowns, even if they cost more. And under the lash of competition, online retailers are also introducing greater transparency — showing one complete “out-the-door” price, for example, rather than relegating shipping and handling costs to fine print.

B2B: Selling to Businesses

The other side of e-commerce is business-to-business transactions. The label can be confusing — your office supply company may process your online orders as it does those from consumers. but it may buy from its

suppliers using a more sophisticated and elaborate B2B system.

The first B2B system — electronic data interchange, or EDI — is still going strong. But new standards, most notably XML, are better able to exchange information between disparate systems.

Electronic commerce modules are standard in most enterprise resource planning (ERP) systems. In fact, B2B extends a key ERP functionality — automatic, real-time coordination of inventories — outside a company's gates and into its supply chain. An aftermarket sale in Portland, for example, sends out a ripple, and a Tennessee vendor's production schedule changes minutely.

Thus, operations can be streamlined and resources used more productively. One caveat, though: B2B systems can be expensive, although the growing availability of off-the-shelf software should bring prices down over time.

E-commerce offers advantages, including new sales channels and cost reductions, to many manufacturing and distribution firms.