

Get online or die

SEVENTEEN PER CENT OF AMERICANS EXPECT TO BE USING THE INTERNET FOR MOST OF THEIR SHOPPING WITHIN TWO YEARS. CARNEGIE MELLON UNIVERSITY IS ALREADY OFFERING A MASTER'S DEGREE IN E-COMMERCE. CISCO DOES NEARLY 50 PER CENT OF ITS BUSINESS ONLINE. LIKE IT OR NOT, E-COMMERCE IS THE WAY OF THE FUTURE, SAYS BUSINESS AND IT EDITOR JUDY VOULLAIRE.

ONE OF THE MOST FAMOUS STORIES IN THE annals of marketing is about the manufacturer of the best goddam buggy whips in the USA. I've forgotten the brand, which in itself is significant because in the first quarter of this century it was world famous. But the company didn't recognise the pace of change. Instead of parlaying their brand leadership into an enormous future in the motor industry, they blew it. By the time they realised that they were really in the business of "transport accessories," the world had passed them by.

I was thinking of this story as I talked to Richard Harrison, manager (since inception) of Woolworths' Home Shopping. Woolworths NZ

is a subsidiary of Dairy Farm International Holdings, which trades in Asia, Australia, New Zealand, Spain and the United Kingdom through supermarkets, convenience stores and drug stores in seven countries. Their storefront brands (Woolworths in Australia and New Zealand and Welcome in Hong Kong) are recognisable to everyone in those markets. In 1994, Dairy Farm earnings started going into decline, which was recognised early and has now been turned around. New Zealand's venture into Woolworths Home Shopping dates from that period. It is one of the earliest online shops of its kind in the world, and was introduced to Kiwis at a time when you had to be brave to shop on the Internet

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OUR GOAL

"TO BE THE LEADER IN THE PROVISION, INTEGRATION AND SUPPORT OF DATA ACQUISITION, LABELLING AND IDENTIFICATION SOLUTIONS IN AUSTRALASIA"



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in view of the continual trumpets of doom from most of our press.

Three-and-a-half years later, Woolworths provides home shopping for customers in Auckland, Wellington and Christchurch, and are in a consolidation phase before expanding the service to smaller centres. The turnover is, in Harrison's words, "approaching the level of a normal traditionally sized supermarket." Most of this is additional turnover, which wouldn't otherwise have gone to Woolworths. It's so successful that Dairy Farm has Harrison working as an internal consultant in the development of services for other parts of Asia. Next to go live is Welcome in Hong Kong, which will be operational within a few months.

Harrison has worked hard on the "back end" of his home-shopping system to make the service level as good "as if you were in the store, asking." From my perspective, as someone who uses it every week to shop for an elderly relative miles away on the mainland, it's probably better, because their pickers know every item in the store and will custom pack. The week I wrote this story, I asked for the French cutlets to be packed in threes, for 500 g of mince to be packed into two packages of 250 g each, and the gurnard as individual fillets. And that was how it was delivered.

The picking is done from the shelves of a conventional Woolworths supermarket where your online order is fed by radio link from a behind-the-scenes computer to a laser radio transceiver on board a customised picking trolley. That's one of Harrison's internally developed ideas, and we think it's a world first. The on-board system incorporates a barcode reader, and each item is scanned as it's placed in the trolley. Your order (except for perishables) is shrink-wrapped onto a cardboard tray. Perishables are packed in a Woolworths' checkout bag. Included with your order is a print-out detailing goods and prices, any items which they couldn't supply, and substitutions, if any. The substitution service is excellent. When in doubt, they ring and enquire. Ansett Express handles delivery in customised vans, which include a frozen-foods section. The order arrives within a two-hour period, which the customer nominates.

Obviously Woollies are on the right track, because 65 per



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e-commerce



Using its web-based tracking system, CourierPost can tell you where your package is every step of the way.

cent of their customers fall within two groups which are likely to remain loyal: working parents with school-age children and families with children not yet at school. The rest are all sorts of people driven by time or convenience, ranging from high-pressure executives to people like me, shopping at a distance. And it's very easy to do. I've actually met people doing their online shopping at the Cyberzone in the Ansett Golden Wing Lounge at Auckland Airport.

And the ordering pattern? A big burst on Sunday night, a smaller burst every evening, but otherwise steady.

Two lessons can be seen in the Woolworths experience. E-commerce can be used to increase market share and to get the jump on potential competitors. And the need for thoughtful design of both front-end (web ordering) and back-end (in-store, fulfilment and delivery) systems. Also, it needs to be an iterative process, where you use your customer base for ongoing market research, listen to customer ideas and complaints, and work continually to make the process better. The value of this type of shopping is its instancy. If you miss that, or if someone else starts doing it faster, you've missed everything.

Woolworths, of course, is a creative systems user. So is the company behind another of my online favourites, CourierPost. You can use their website to trace the progress of your parcels from dispatch to delivery. To test it for this story, I placed an order with Tauranga-based Multiple Zones, an online computer store, at nine o'clock one morning, asking them to email me the tracking number. At 11 a.m. I went to <http://www.courierpost.co.nz> and checked my order's progress. It had already left the store. Later in the day, I checked again. It had reached Auckland. Like Woolworths, CourierPost combines scanning and radio communication. The information is downloaded to the tracking system via the cellular network every time a courier docks his portable scanner in the special station in his van. He scans on pickup. As the parcel is placed in a container at the depot, it's scanned again, and so on. Within moments of each operation,

the information appears on the website.

New Zealand Post couldn't tell me the arrival date for eBill, their next innovation, only that it's due sometime in the next three months, and that an inhouse trial is about to start. However they have already set up an Internet site where you can register your early interest. The new service will be a variation of the present opportunity to pay bills at your local Postshop. It will allow you to receive, and pay, your regular corporate and local-government billers online—rates, power, phone, TV licence, large retailers and so on. Matthew Pickering, who is part of the project team, describes it as “doing electronically what we've always done physically. Delivering bills and delivering payments back.” The advantage to NZ Post's customers will be convenience and control (compared to other payment methods such as direct debit), because you'll be able to customise your payment dates and so on, varying it as it suits you. NZ Post's system is based on CheckFree, which currently pays more than 10 million bills each month in the US. It's going to be an inexpensive service based on a subscription fee (we predict \$10 to \$20 per year) but no transaction charges, these being derived from the biller.

This is the way of the future. This year nearly three million billers will receive 85 million payments through CheckFree to a value of more than \$15 billion. They include AT&T, BellSouth, Chase Credit Card and Mortgage, Florida Power & Light, First U.S.A., American Electrical Power, Southern California Edison, CUNA Mutual Group and HomeSide Lending, but also dentists, baby sitters and home handymen.

CheckFree has just signed a deal with Bank One (300,000 US banking customers online) which will become the first US bank to introduce fully integrated online bill delivery through the Integriion Financial Network. New Zealand isn't far behind. ASB Bank Online (another of my favourite e-commerce services) has always allowed bill payments online, and is now moving into bill receipts also. As I write, they're promoting their new service to billers.

e-commerce

Website Screen grab 1

Screen grab 1 caption

Website Screen grab 2

Screen grab 2 caption

Website Screen grab 3

Screen grab 3 caption

Website Screen grab 4

Screen grab 4 caption

Deliver it. Or die Right product. Right place. Right time.

ACCORDING TO PAUL RYAN OF WALKER Datavision "Being able to accurately tell the customer what is in stock, when it can be shipped and delivering to that promise" is the differentiator between e-commerce companies that will succeed, and those that will die. "E-commerce is about immediacy," he told me. "Enterprises on the web all have the same presence, regardless of size. It's easy for a disgruntled customer to locate a competitor who will deliver the right product on time."

"Fulfilment practices that use mobile data collection, integrated to wireless networks (LAN or WAN) which share information in real time, are Ryan's receipt for success. Realtime information," he says, "is reliable information, and the use of mobile devices in combination with Internet e-commerce can be used to create an 'enterprise without walls'."

Current initiatives with which Ryan is involved such as CourierPost, use standardised identification such as EAN 128 barcodes to share information within the supply chain.

This standardisation and simplification of trade practices has allowed vigorous integration of information systems, assuring fastest possible delivery to the customer. Its foundation is mobile technology in the manufacturing plant, the warehouse, the retailer and the transportation organisations. Every step of the way, the product is tracked to ensure delivery of the marketing promise. The result? A satisfying experience for the customer and reduced costs of distribution as inefficiencies are removed. "Accurate and timely data, captured when the business transaction takes place, enhances the usefulness of information and the value of investment in centralised information systems," said Ryan.

The "electronic yellow brick road" Expansion. Improvement. Efficiency.

As the digital marketplace becomes the battlefield in which market share, brand equity and even equity investment will be determined, Pascal Grant of Oracle says that business drivers are paramount in creating successful Internet

based businesses. Business on the net is already littered with false starts and massive investment based on dubious business plans, he told me. Oracle often asks clients three key questions which to help prioritise the most effective path to the success that they seek on the "electronic yellow brick road".

"How can the net assist in expanding my markets or providing customers that I may not currently reach?" The answer may be electronic storefront allowing customers all over the world to access products.

"How could interactive technology with built in immediacy help me retain customers and provide improved customer service?" A customer cares system, perhaps, to diagnose and call up the client history.

"How can an electronic network provide efficiencies in getting my product or service to a global market?" The answer may be web enabling the supply chain and integrating it with other members and eliminating costs and inventory.

Two "musts" of e-commerce Commercial framework. Technology.

A sound understanding of the commercial framework, processes and opportunities within your company but also of understanding of technological possibilities, are the secrets of successful e-commerce, according to Don Guthrie of Netlink. Guthrie says that it's sometimes hard to explain (in terms that people understand) why their good idea isn't the most suitable one. Often that's because they've misjudged the culture of the Internet, or they've overestimated the amount of effort needed for their solution, or there's a better way to do it.

He says that Internet technology - websites, email, databases, wired keyboards and monitors on every desktop - is virtually ubiquitous.. but "They're just tools to be used when it makes sense to use them. There to be used in (re) designing one-off or routine business processes - sending out invoices, maintaining a database of client contacts, negotiating with suppliers, looking for sales prospects - all core business functions that could be built partly or wholly around Internet technologies."

Future traders

Wendy Fleming of Wholesale Florists
whose business is blooming – thanks to
the Internet Yellow Pages

Ansett Express AD

PAUL EGGLETON WORKS from Camellia Cottage in Russell. English style, with gable windows and a great view of the yachts in Matauhi Bay. Eggleton semi-retired here, combining a keepsake shop in Russell with a small immigration consulting business drawing on his impressive experience with information technology and the New Zealand Immigration Service. It was going to be an idyllic life. Then he bought space in the Internet Yellow Pages and Bay of Islands Immigration Consulting exploded.

“Our emails have increased 1000%,” he told me. “Where once we received one a day, we

now get 10, and sometimes more than 40 over the weekend. We’ve brought in lawyers, accountants, doctors, dentists, midwives, engineers, many business investors and estimate our clients have contributed in excess of NZ\$ 20 million in the last couple of years.”

I caught up with Eggleton as he met a client on the Russell Wharf. After four consecutive days of meetings with clients (in Whangarei, Keri Keri, Auckland and Hamilton) his idyllic lifestyle was a little disturbed. When I asked for his opinion of the Internet Yellow Pages. His reply was: “I can hardly handle the business it puts our way.”

Business is also booming for Wholesale Florists, New Plymouth, which handles flowers and gift baskets, mainly for the business market. “Within two to three days of our page appearing in the Internet Yellow Pages our orders started,” Wendy Fleming told me. In the three months to last Christmas, Wholesale Florists received enough business to pay for its Internet Yellow Page advertisements for the next five years. Not bad, for a relatively new medium, is Fleming’s comment, and the easiest way of tapping the international market that she knows.

A one-stop-shop for on-line information on New Zealand products and services, Internet Yellow Pages contains more than 170,000 business listings and has functions we haven’t seen in other Yellow Pages sites. In particular, the ability to search for words contained in the advertisements, instead of just key words. You can search for a brand or product and bring up the contact details for businesses advertising it. Also Shopping Guide, which links users directly to businesses with Internet, shops. Internet Yellow Pages currently attracts more than 15,000 searches daily. Find it at www.yellowpages.co.nz 