IBM

e-commerce roadmap

Successful strategies and solutions for retailers selling online

e-business

Sales+

*"Every now and then,
a technology or idea comes
along that is so profound,
so powerful, so universal
that its impact changes
everything. e-business will
transform every institution
in the world. It will create
winners and losers. It will
change the way we do
business, the way we teach
our children, communicate
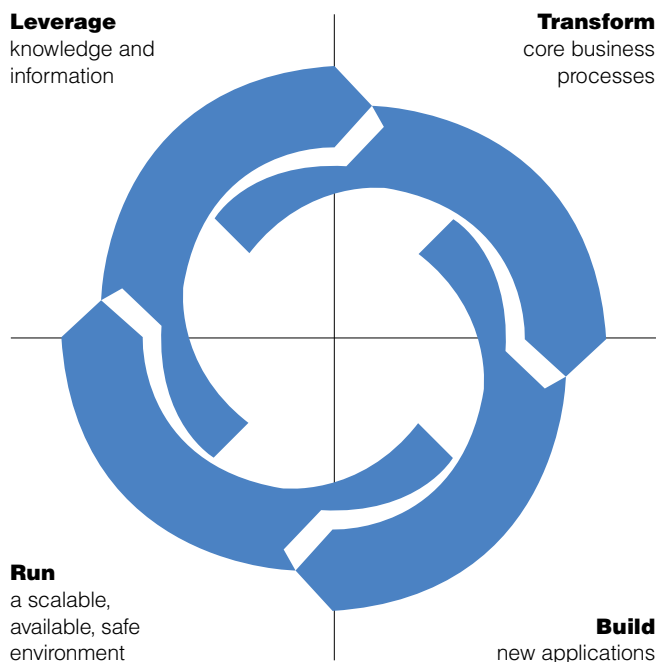and interact as individuals."*

Lou Gerstner, IBM Chairman and CEO

Changing the rules of retail

Technology has always helped retailers become faster, more accurate and more efficient. Today, its effects are far greater. It is changing the fundamental rules of buying and selling, managing the supply chain, designing and launching products, and building market share.

Many retailers are deciding to take advantage of the Internet and other new information technologies. They are using technology to attract new customers, build competitive advantage and create added value for customers in a multi-channel marketplace. They are embracing new markets, unleashing employee creativity, reducing operating costs and improving core processes. And they are thriving in an entirely new space, which IBM calls e-business.

The transition to e-business is complex, challenging and lengthy. But every retailer must choose a starting point. For many, the most logical – and most important – first step is e-commerce. At IBM, we've helped the world's leading retailers establish strategic, profitable e-commerce solutions. And we have the right combination of tools, technology experts and hands-on retail experience to help you do the same.

Understanding e-commerce

e-commerce – the electronic exchange of goods and services for economic value – is just one element in the larger world of e-business. But it is a crucial element, and it impacts all phases of the sales cycle, from initial awareness-building to after-market service and support.

e-commerce solutions – like any aspect of e-business – range from simple Internet storefronts to complex, interactive shopping environments. For a small business, e-commerce may be your only sales channel. For a global retailer, it may be one of 10 ways customers can purchase your products. In any case, the goals are the same: increase profits, provide superior customer service and keep costs to a minimum.

Although it is clear that e-commerce offers significant benefits for retailers in every market, developing the actual solutions requires careful planning and consideration. That is why IBM implements e-business solutions for e-commerce using a proven, four-step cycle.

- Transform core business processes

- Build new applications

- Run a scalable, available, safe environment

- Leverage knowledge and information

This entire process poses challenge after challenge. But with an IT partner like IBM, who understands the nuances of retail, the rewards are phenomenal. Brand equity improves. Customer loyalty increases. And e-sales start flowing.

Leverage
knowledge and information

Transform
core business processes

Run
a scalable, available, safe environment

Build
new applications

The e-business cycle

Total integration: Borders.com

Borders.com, developed in concert with IBM e-commerce experts, integrates an online store with realtime inventory checks and ordering for a total inventory of 10 million books, audio tapes, CDs and videos that can be shipped to any home or business. This integrated approach may seem intuitive, but developing a Web site that operates in parallel with physical stores involves many complex challenges.

TRANSFORM: Develop a cohesive strategy

Sound e-commerce strategy starts with a fresh look at your business. Taking retail to the Web means new customers, competitors and channels – all of which will shape the plan of action. Working with IBM experts, retailers can address these questions with respect to short-term results and long-term stability. And then focus energies on a well-planned e-commerce Web site.

As the natural focal point of any e-commerce initiative, the site needs to accomplish three critical goals.

1 Serve the customer first

Shoppers will not stay at a site that does not make it simple for them to find what they need. To build in customer focus, e-commerce sites should offer versatile search options. Flexible merchandising is also important. This means deep product information for a wide range of products. Just-in-time promotions increase purchases too, just as bundled buying improves convenience. Finally, the site must deliver personalized services, such as follow-up e-mail to confirm orders or account status.

2 Attract traditional and new customers

On the Web, potential customers are a click away. They may go directly to your site for specific information, or find your site accidentally. To maximize traffic from all groups, your site should be listed with major search engines, "portals" like yahoo.com and online directories. Print, TV and radio ads, as well as sales collateral, should highlight your site address. On the Web, banner ads placed on noncompetitive sites with related content can draw customers from untapped markets. The site should also make it easy for satisfied customers to forward information from your site to others, and receive rewards for referrals.

3 Turn general interest into repeat visits

e-commerce sites must provide compelling content to keep casual visitors coming back. This may include unique items or special pricing only available online, or services such as a gift registry or gift selection assistance. A community for interaction is also critical, which can be boosted by live chats or Web-casts of special events. Other tools that can generate repeat visitors are loyalty programs, which offer special site features, prices or discounts to preferred customers. And e-mail with messages targeted by consumer profile.

Multichannel retailing: REI

REI (Recreational Equipment, Inc.) extends their product selection in physical stores with Internet kiosks customers can use to browse the REI Web site. As a result, REI and their customers have a single view of each other. Sales clerks in the retail stores can access customer order history, including orders placed over the Internet, via point-of-sale systems. REI has achieved sales growth of 350% in less than two years, with the online store posting sales equivalent to one physical store.

BUILD: Create customer-focused, full-service Web sites

An effective strategy is only the first step. Building the actual site requires much more attention to detail. After helping more than 18,000 customers create profitable e-business solutions, IBM knows the specific features and services e-commerce sites need to deliver online customer loyalty. Plus, we have the Application Framework for e-business, a set of tools to implement these systems efficiently and strategically.

Sophisticated search engines. Synonym-based search capabilities and "advice agents" – such as parametric searches, recommendation engines and product configurators – help customers find what they need on their own terms.

Easy checkout. Sites should remember customer information to avoid rekeying data and enable one-click purchasing. Other critical features include error checking, optional ordering by phone, inventory status and accurate pricing – including shipping, tax, customs and foreign currency data.

Guided selling. Helping customers decide what to purchase turns browsers into buyers. Guided selling includes recommending products based on user-specified criteria or overall buyer preferences. Options may include configuration for complex products or design help for do-it-yourself items, as well as reference selling – listing popular items in a given category.

Dynamic presentation. Like catalogs, Web sites do not allow shoppers to handle products. Effective presentation can overcome this obstacle. Detailed, accurate product information and multiple visuals – even animation of the product – can increase customers' sense of the product's size, shape and feel.

Online incentives. On the Web, pricing can be customized for individual consumers. And it can be based on realtime supply and demand. This gives retailers new flexibility to give Web shoppers special discounts, offer overstock and discontinued items, and hold auctions for limited-edition and other rare products.

Satisfying service. Shoppers must not feel cut off once they have completed an online purchase. Retailers can help by providing follow-up e-mail, instant messaging, live chats, call centers and frequently-asked-question (FAQ) lists for consumers who need after-sale support. Self-service applications that allow customers to check order or shipping status are also important.

Personalized interaction. Familiarity with a consumer's buying behavior may be interpreted as an invasion of privacy. To drive personalized service, use only explicit preferences, provided directly by customers. This information may be used to drive site customization, product recommendations or live interaction with a sales associate.

Customer fulfillment. Many retailers avoid creating a Web presence because they lack the resources to provide smooth, back-end fulfillment. IBM offers complete outsourcing for fulfillment and integration services to existing environments, so you can ensure the right products get delivered on time.
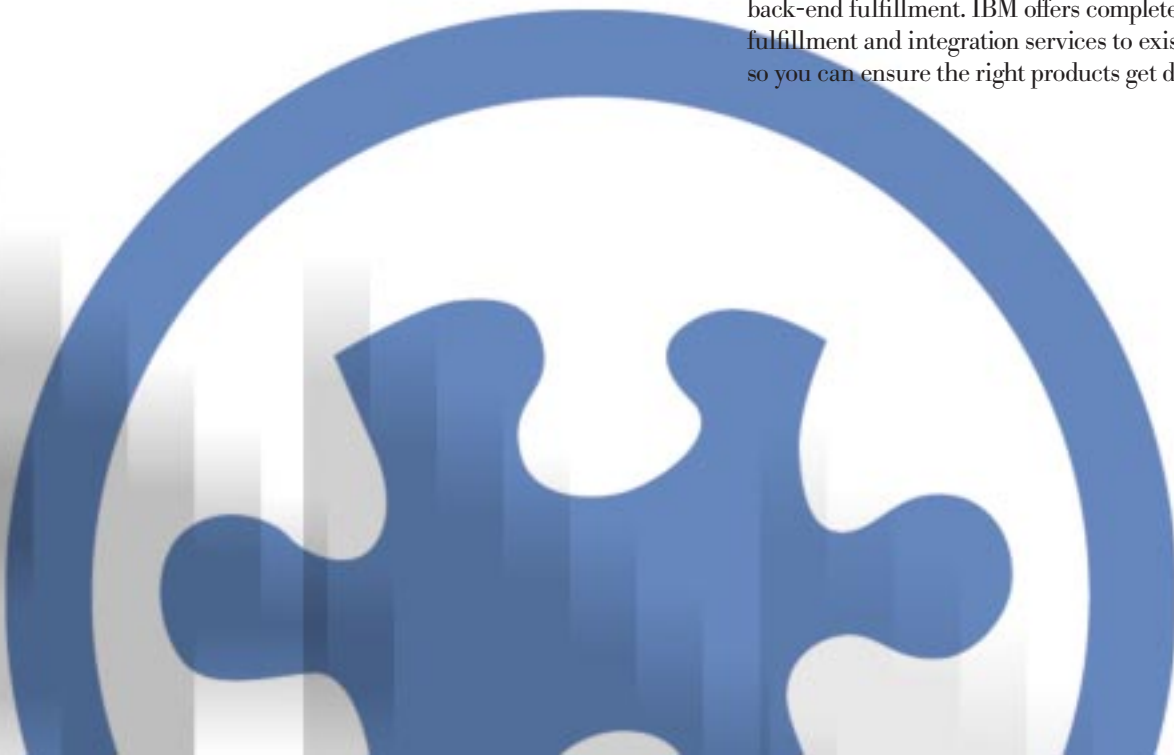
RUN: Ensure 24x7 availability and information security

Anytime, anywhere availability is what makes the Internet such an attractive option for many shoppers. Which makes 24x7 uptime absolutely critical for building online customer loyalty. IBM delivers a wide range of scalable servers and storage systems – plus unmatched experience keeping integrated systems up and running – to help you build a highly secure, easily managed e-commerce solution that grows with the success of your business.

Scalability. Many of the first successful e-commerce companies now face the unpleasant task of rebuilding their Web infrastructure due to the original technology's inability to handle the traffic successful sites attract. e-commerce infrastructure should be designed to handle increasingly high workloads and maintain fast response time. And it should be easy and affordable to upgrade, so your retail enterprise can adjust to the exponential growth of the online shopping community.

Security. Site visitors do not become actual purchasers unless they are absolutely sure your site will keep their information confidential and secure. Plus, e-commerce poses serious financial risks for retailers, since credit card orders performed via the Internet are considered 'card not present' transactions – which means retailers must pay the full cost for invalid sales. The technology to keep confidential transactions confidential is here today. But it cannot be an afterthought. It must be designed into the solution from the outset. This process includes decisions about security architecture, security policies, intrusion detection and evaluating weaknesses through testing.

Privacy. Invasion of privacy is a rapidly growing concern for online consumers. Research continues to show that users are more likely to purchase products from retailers who address their privacy policies openly and directly.

LEVERAGE: Use customer data to make profitable decisions

Conducting e-commerce gives retailers important new opportunities to gather information about customers, transactions, buying patterns, products and traffic flow. All of this data – if applied strategically – can help your retail enterprise gain competitive advantage.

Robust infrastructure. To draw meaningful conclusions from massive amounts of data, retailers need reliable storage systems and databases, plus the ability to integrate e-commerce data with information from other channels and distribute learning to decision-makers across the enterprise.

Advanced analysis. Data mining and data warehousing applications turn raw information into market insight. Data mining and analysis can reveal hidden correlations that help identify your most profitable online customers, what they need and how best to sell to them.
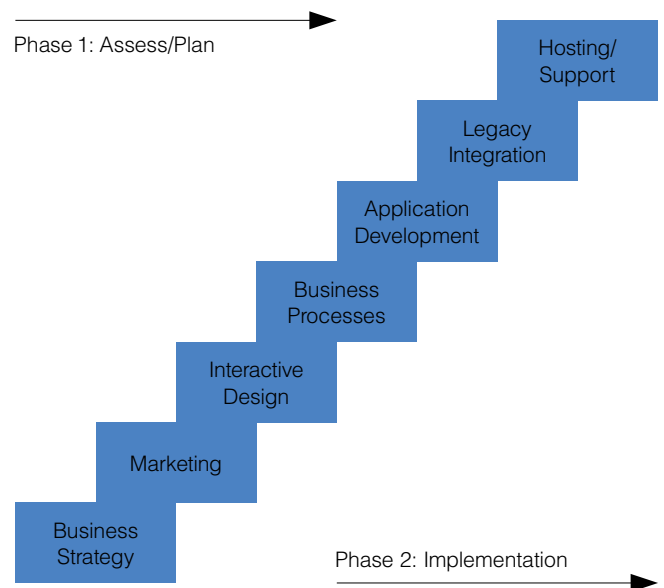
Applied learning. Knowledge management can be used to rethink and recombine core processes in new ways. For example, creating new customer service offerings exclusively for online customers. To get the most out of the information e-commerce generates, look to IBM. Our Institute for Knowledge Management conducts extensive research with leading retailers to discover how to adapt knowledge management to different business models.

Choose a proven partner today

Taking your business to the Web can be complicated, but ultimately rewarding – if you choose a partner with the right experience. One with proven strategies and robust, scalable solutions. A forward-thinking e-business perspective. And a global network of retail-focused Business Partners to ensure successful implementation.

As a leading provider of e-commerce solutions for all kinds of retailers, IBM brings unmatched experience and expertise. We know how to use e-commerce to strengthen customer relationships, build brand leadership, streamline your enterprise operations and improve the bottom line. For more information about how we can develop successful e-business solutions for you, please find us on the Web at www.ibm.com/solutions/retail or contact your local IBM representative.

Phase 1: Assess/Plan

Hosting/Support

Legacy Integration

Application Development

Business Processes

Interactive Design

Marketing

Business Strategy

Phase 2: Implementation

IBM End-to-End Integration Services

IBM