ISRC *Notes* – September 1999
To Dell or be Delled: A Leading Edge View
of Electronic Commerce
Based on Presentations by Dr. Blake Ives and Mr. Todd Willinger

UNIVERSITY *of* **HOUSTON**

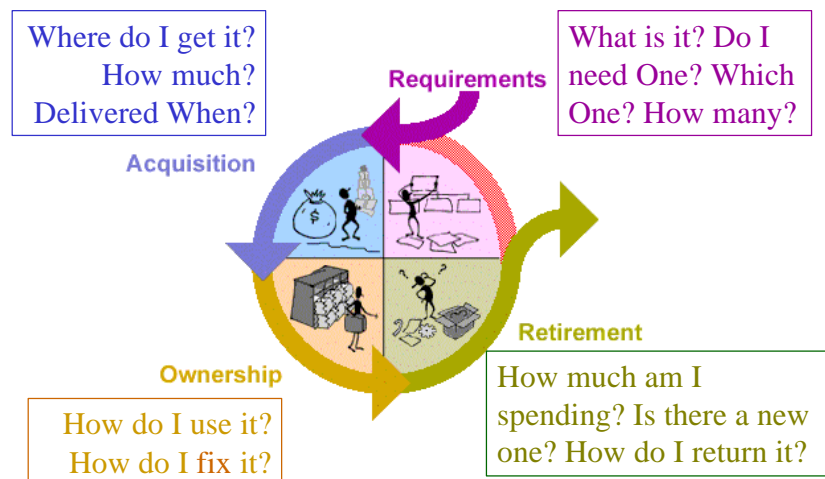**CBA**

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The first meeting of the 1999-2000 year was an interesting look at the current status and future prospects of E-commerce from both the inside and out. Blake Ives of Tulane University and Louisiana State University gave an in-depth presentation on "Harnessing the Internet to Your Customer Strategy" which focused on the customer service life cycle as a benchmark for implementing an e-commerce sales distribution channel. Todd Willinger, Director of Information Technology Infrastructure Engineering for Dell Computer, discussed how Dell has risen to meet the procedural and technical challenges of providing an effective website that has gone from $0 to $30M per day in only three years.

Introduction and Overview

The customer service life cycle described by Blake Ives provides a structured perspective on the process of making the purchase decision, acquiring the product, owning it, and finally retiring or disposing of a product or service. After putting this process into an E-commerce framework, the successes of various organizations matching these needs were demonstrated. As one of the recognized successes, Dell Computer is now doing 40 percent of its total business through its web site.

The Customer Service Life Cycle

Where do I get it?
How much?
Delivered When?

What is it? Do I need One? Which One? How many?

Requirements

Acquisition

Retirement

Ownership

How do I use it?
How do I fix it?

How much am I spending? Is there a new one? How do I return it?

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Current status of E-commerce

The meteoritic rise of economic transactions occurring over the Internet in the US alone now accounts for 1.2 million jobs and $301.4 billion in revenue according to the Center for eComm at the University of Texas at Austin. The Industry Standard (April 26, 1999) reported that just since 1998, the number of web users increased 55 percent. "The average revenue per Internet Economy worker is about $250,000, or about 65 percent higher than their Industrial Economy counterparts" (Center for eComm). These figures are even more startling when you consider that the first web browser was released only six years ago.

However, as Blake Ives points out, the Internet is a disruptive technology, which is creating disequilibrium in business. It has opened many opportunities for new products/services, new marketing channels, new entrants and new business processes. On the other hand though, the Internet can also be opening doors to disintegration of established organizations and services. The question is not "if" an organization is going to be a part of E-commerce rather it is "when" or "how come you are not there yet?".

Planning for IT and the Customer

The underlying theme of Blake's presentation was a caution. Simply participating in the E-commerce revolution is not a guarantee of success. There are a lot of ways to do it wrong and that could be more financially disastrous than not being there at all. In order to have a successful Internet presence, it must be properly planned and designed with a clear concept of the objectives. A website that is difficult to navigate, cumbersome to use or aesthetically unappealing will drive a customer away and, studies have shown, that once gone the customer does not come back.

Implementing an effective E-commerce plan not only addresses the customer interface but also the business processes that support it. An audience participant discussed a personal example of a fairly simple web-based transaction that concluded with the message that shipping would take 6 to 8 weeks. Your e-business strategy cannot slow your customer down. An Internet transaction carries with it the perception of speed and efficiency and when those goals are not realized, the seller loses credibility. Designing a web-based system should be approached as both an analytical and a creative process. The customer service life cycle (CSLC) provides a structure for analysis that can be a useful tool for designing successful applications.

The Customer Service Life Cycle

The CSLC described by Blake Ives is a thirteen phase process covering the customer's activities associated with making the purchase decision, acquiring the goods or services, owning and maintaining the product and finally retiring it when it is no longer serving its purpose. Each sub-phase should be looked at through the customer's eyes and the whole process expedited through the effective design of an E-commerce process. The phases are summarized below:

Requirements
Establish requirements
Establish a need for the product
Specify
Determine product attributes
Acquisition
Select source
Determine where to obtain the product
Order
Order the product from a supplier
Authorize and pay for
Transfer funds or obtain credit
Acquire
Take possession of the product
Test and accept
Ensure that product meets specifications
Ownership
Integrate
Add to an existing inventory
Monitor
Control access and use of the product
Upgrade
Upgrade the product if conditions change
Maintain
Repair the product as necessary
Retirement
Transfer or dispose
Move, return, or dispose of product
Account for
Monitor product related expenses

In the requirements phases there is a real opportunity for strategic alliances and creative cross selling. Having links to your web site from complimentary products or services is an effective form of on-line data mining. Cross-selling other of your products or even upgrading the purchase can be easily accomplished in the well-designed website. Blake showcased a number of

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web sites that aided the purchaser in specing-out their purchase, verifying availability, capturing ordering and delivery information, and settling payment.

Areas for Further Consideration

As mentioned previously, the Internet is a disruptive technology. The new technology brings new customers and organizations have to be careful not to leave the old customers behind. Channel conflicts can also be a major barrier for an organization wanting to sell direct. Existing relationships must be dealt with. New processes will be required when dealing directly with consumers. Customer service relative to pre-purchase product testing, training, returns, and customer complaints now become the responsibility of the manufacturer. If the seller does not have the processes and staffing in place to satisfy these customer needs, they will quickly lose customers and credibility. Another area of concern is the growing power of third party evaluators. There is a plethora of web sites purportedly ranking, evaluating or otherwise steering customers, based on some criteria, to the "best" sites. An E-commerce organization will need to monitor these evaluators and take necessary actions to make sure that they are being treated fairly.

An Exemplar: Dell Computer

Dell Computer's brief, but phenomenal, history with marketing through the web was chronicled by Todd Willinger. Dell had three major objectives for initiating their web-based program.
1. Make it easier to do business with Dell
2. Reduce the cost of doing business for both parties
3. Enhance customer relationships

They accomplished these objectives with architecture comprised entirely of Dell servers in a multi-location, internally managed, and fully integrated environment. The results have been more than what was expected. Revenues are now $30 million per day, which represents 40 percent of their total business. There have been verifiable savings compared to phone-in order processing and customer feedback and acceptance has been positive. The technology infrastructure has been a showcase of Dell hardware and the site reliability exceeded expectations.

Future plans call for continual upgrading as volumes continue to increase. They are expecting to hit 50 percent of their business being done on the web by next year. There is complete executive support at every stage in this effort. Plans include expanding strategic partnerships and extending into even more core areas of their business.

Summary

E-commerce is no longer a novelty. We have rapidly moved past that point. It used to be acceptable to have a less than effective web site just as long as you had one. The landscape is different now. If a seller doesn't have a properly designed site and the back-office processes to support it, they are already starting down the path to disintegration.

Additional Information

http://isds.bus.lsu.edu/cvoc/projects/cslc
> Customer Service Life Cycle web site which describes this concept in detail

http://www.isworld.org/isworld/ecourse
> A clearinghouse of links to E-commerce resources

http://isds.bus.lsu.edu/cvoc/talks/houston.ppt
> Copy of animated slides used in Blake Ives presentation to the ISRC membership

http://www.dell.com
> Dell's web site