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IBM Sticks with E-Business

Marketing Message Will Focus
on Enabling Integration

*By Patricia B. Seybold, David S. Marshak,
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January 31, 2002

BEYOND THE BACKLASH

Despite the dot-com and “e-everything” backlash in the marketplace, IBM is firmly committed to e-business as the overarching framework for its key offerings to customers. After spending a lot of time talking to its customers, Big Blue is finding that e-business still resonates—though the climate has obviously changed. E-business is now less about inventing the future and creating brand new business models than about doing business in a better, more streamlined, more accountable way. E-business is all about integrating intra-enterprise and inter-enterprise business processes for sustainable competitive advantage.

IBM is now in the midst of rolling out a major branding initiative, focusing on the evolutionary nature of e-business and the critical steps required to move from one stage to another. Here’s our take on IBM’s e-business branding and customer education efforts.

IBM’S VIEW OF E-BUSINESS ADOPTION

After surveying 33,000 of its customers, IBM has determined that their current e-business is in one of three stages:

- Early
- Integrated
- Advanced

Companies may move from one stage to another. They can also decide to focus their efforts on achieving particular business benefits and to remain within one specific stage.

Early Stage Companies

In the Early Stage, companies are implementing solutions that drive customer interactions (including product selection, product purchase, and service/support) to the Web. The Web site has become more than mere brochureware, and customers can conduct significant business on the site. In this stage, the focus is on rich content publishing and management, secure order/transaction handling, and providing Web-based support for these transactions.

Early Stage companies achieve cost savings mainly through customer self-service. They also may see increased revenue by offering a wider variety of products, making products easier to find and purchase, and/or by entering new markets.

However, the Web activities of Early Stage companies are not integrated with their other internal systems and customer-facing activities. Thus they face the high costs of transferring data and integrating their Web-centric initiatives with their ongoing business operations. They are also liable to encounter lost sales and lower customer satisfaction due to time-lags in information flows, such as when a customer gets one set of pricing and inventory-availability information over the Web and different information over the phone.

Integrated Stage Companies

After some time (this can vary from months to years) in the Early Stage, companies realize the need to integrate their Web activities with their other key business applications (inventory, finance, etc.) as well as with their other customer touchpoints (call centers, retail stores, etc.). They may also embark on direct integration with their customers (e.g., automated procurement) and their business partners (e.g., integrated logistics).

IBM views the Integrated Stage as requiring an integration redesign phase in which companies first need to solve their internal integration problems and then move to external integration.

Advanced Stage Companies

IBM's view of the Advanced Stage centers around a company's ability to dynamically adapt to changing conditions, to easily enter into digital communities and partnerships, and to seamlessly outsource non-core competencies. Advanced Stage companies will be able to create new business models and to reshape their industries. Advance Stage companies will be able to seamlessly integrate themselves with other companies—each focusing on its core competency and value proposition—to create a single branded experience to solve the needs of its customers: this is an advanced form of business ecosystems that we call Customer ScenarioNets. A Customer ScenarioNet is a set of seamlessly interconnected customer-driven business processes that enable either consumers or business customers to achieve their desired outcomes by relying on the partners with whom they prefer to do business. These business partners provide a streamlined set of supportive services that enable customers to achieve their outcomes with a very high Quality of Customer Experience (QCESM). IBM believes that very few of its customers have been able to move to this Advanced Stage of e-business because it will require, among other considerations, a new set of legal underpinnings and standards.

While there is a lot of discussion and promise in this area, IBM sees very few companies that have reached this stage—today, a Web-based trading community such as eBay may be the best example. In fact, IBM is focusing less on understanding and defining this stage and concentrating more on helping companies move from the Early Stage to the Integrated Stage.

IBM sees that the majority of its customers are now just beginning to move into the Integrated Stage.

IBM'S E-BUSINESS MARKETING STRATEGY: INTEGRATION, INTEGRATION, INTEGRATION

IBM sees that the majority of its customers are now just beginning to move into the Integrated Stage. IBM will be speaking directly to the executives in both Early Stage and Integrated Stage companies this year—insuring that each one understands how IBM can help his or her company achieve a more Integrated Stage and reap the rewards of having a seamless, non-duplicative infrastructure.

When IBM first popularized (if not invented) e-business, the company had a straightforward definition: *e-business* = *Web* + *IT*. Seemingly simple, this definition pointed out the need to integrate both the new and the existing systems and thinking patterns.

IBM has returned to these roots. It is focusing its professional services, software offerings, and knowledge of best practices to enable companies to achieve the Integrated Stage. In particular, IBM is positioning the four brands in its Software Group around the integration message:

- The Tivoli brand is all about integrating systems.
- The WebSphere brand is all about integrating applications.
- The DB2 brand is all about integrating data.
- The Lotus brand is all about integrating information and people.

Using integration as a theme across its four main product areas gives IBM's product marketing groups a unifying theme that fits well with the company's overall e-business mantra.

While integration will be the main thrust of IBM's external marketing, it will be not the exclusive message. IBM's work with its strategic application partners (such as Siebel Systems and SAP) and its recent announcement of utilities as "e-business on Demand" are aimed clearly at Early Stage customers. And IBM continues to drive marketing in the

Advanced Stages toward a wide range of multiplatform solutions running on Linux, AIX, and other operating systems.

FOCUSING ON BUSINESS PROCESSES

We believe that e-business is a means to an end, and not an end in itself. There is, in fact, a basic market driver behind all three of IBM's e-business stages: redesigning business processes from the outside in. Early Stage companies, for instance, may be most interested in distributing timely marketing materials to a global sales force, and seeking to reduce the costs (and time lags) associated with relying on print-based distribution. An Integrated Stage company may want to speed the response time between customers' requests for custom products and a company's ability to automatically fulfill those requests. And many of the business processes that define Advanced Stage companies have yet to be envisioned.

IBM has considerable expertise as a solution provider. It is a company that can combine appropriate products with insights into business operations and activities. IBM can work with its customers (as well as its own internal experiences) to identify and describe the best practices for each of the three stage, as well as the challenges, investments, and key priorities for companies that are attempting to move to the next higher stage.

BEYOND INTEGRATION: FOCUSING ON THE CUSTOMER EXPERIENCE

We're impressed by IBM's continued commitment to e-business as its unifying strategy in the face of the dot-com backlash. Like IBM, we feel that e-business, whatever we all choose to call it, is not a flash in the pan, but a fundamental transformation in how business is done.

We also concur with IBM's customer analysis: most companies have focused to-date on point e-business initiatives, not on integrating e-business into the fabric of how they do business. We absolutely agree with IBM that companies need to tightly

integrate their customer-facing e-business initiatives into their ERP, CRM, and other operational systems and processes. We also see the amount of pain that many of today's companies are experiencing because they haven't yet tackled cross-touchpoint integration nor adequately connected their customer- and supplier-facing applications into their inventory and logistics systems. Like IBM, we see 2002 as a critical turning point—the time in which, driven by the excesses of Y2K global recession of 2001, companies will focus on leveraging the systems they have in place by more tightly integrating them into modern, internet-enabled end-to-end business processes.

Our only concern about IBM's single-minded focus on integration is our fear that IBM's marketing and sales machine will simplify the message so that companies will see the three stages not as descriptive (as IBM intends), but prescriptive. This could cause customers to put a stop to their customer, partner, and supplier-targeted e-business initiatives while they get their internal houses in order.

It's easy to hear the call for integration as a call to stop everything, to redesign our internal IT architectures to be net-native and Web Services-friendly, and to avoid rolling out new functionality for customers and partners until we "get it right."

In terms of best practices, we've seen most forward-thinking companies find a way to continue to innovate by giving customers and distribution partners the new e-functionality they need, while, at the same time, shoring up and integrating back-end systems. In our experience, we've seen this innovate-and-integrate approach work in a recursive manner. A company's attempts at external integration (which may initially be done with the electronic equivalent of duct tape and bailing wire) will drive the needs for the internal integration. This external-to-internal integration continues iteratively—with the internal integration providing new external capabilities and the external requirements setting the priorities for internal integration.

The most advanced companies are using externally-oriented standards and approaches (such as

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XML, SOAP, and Web Services) as they do their internal integration in order to create a seamless internal/external architecture. This not only addresses their immediate integration issues, but prepares them for moving into the Advanced Stage when the time and market is right.

IBM is well aware that these standards will play the critical role in enabling companies to evolve to higher stages of e-business. As Nigel Dessau, director of e-business marketing strategy puts it, “Standards are the integrators secret weapon.”