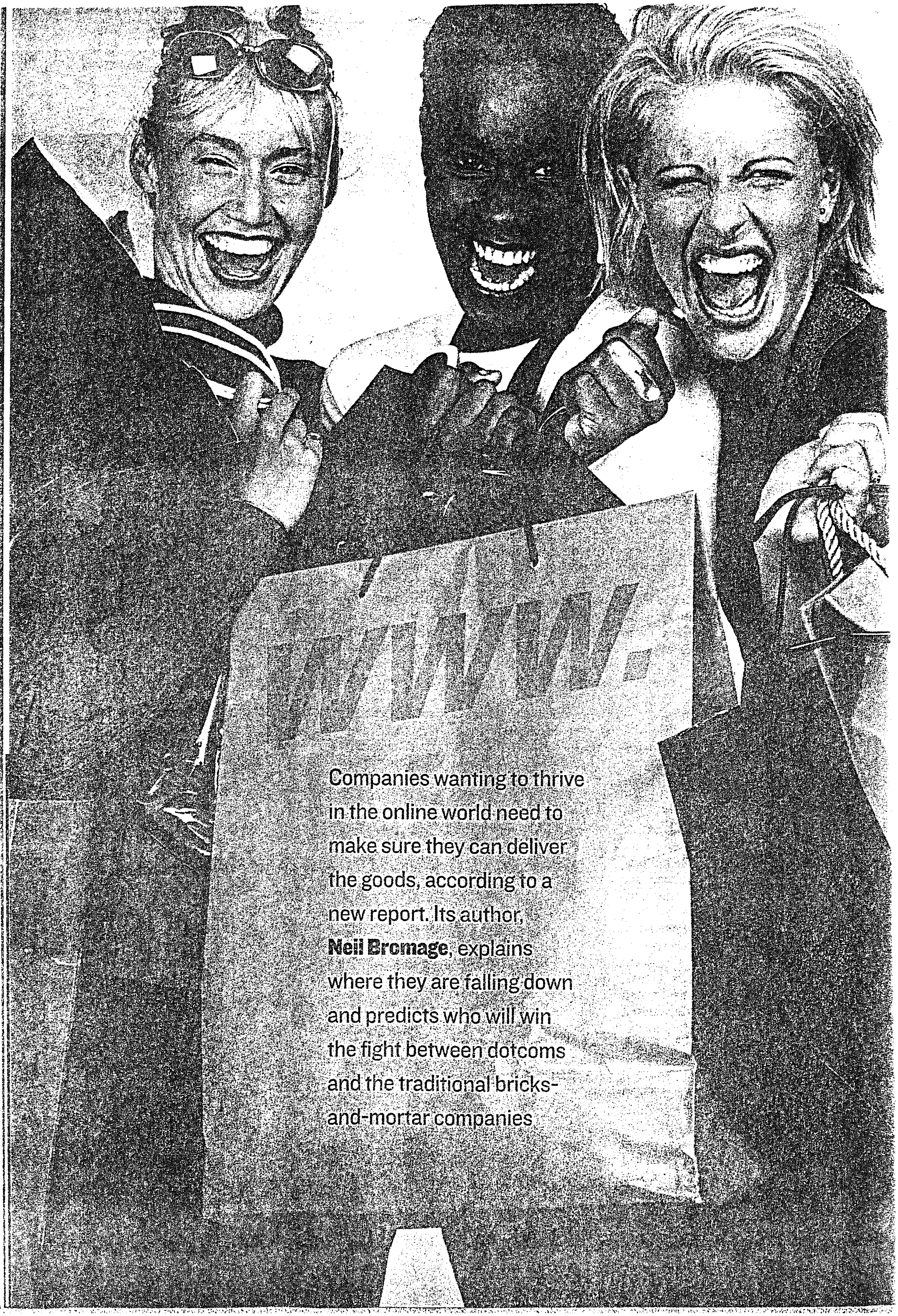


Companies wanting to thrive in the online world need to make sure they can deliver the goods, according to a new report. Its author, **Neil Bromage**, explains where they are falling down and predicts who will win the fight between dotcoms and the traditional bricks-and-mortar companies

Keep the customer satisfied

You've just gone online to purchase some clothing for that all-important trip you've got coming up. So you click onto your favourite site, trawl through endless fashion parades of models who bear absolutely no resemblance to your shape and size, choose the lime green top, blue trousers and so on which are now loaded into your shopping cart. Finally, after a hassle over which credit cards you can use, you make the payment and now all you do is wait.

A week or so later, the blue top arrives – shame it's the wrong size – along with a note saying the rest of your order isn't in stock.

This is typical of the many problems online shoppers have encountered during the past year since the Internet really came to life. During that time there have been many developments. Yet despite the high profile demise of many big-name dotcom enterprises, the net continues to thrive.

But companies wanting to thrive along with it need to get that chain of events – from the customer entering their site to the final point of delivery – absolutely right. Those that don't will add their names to the growing "failed" list, alongside the likes of (the now relaunched) fashion site Boo.com and delivery service Urbanfetch.

My report, *Delivering on the ePromise*, shows that more than 25 per cent of online shoppers in 1999 did not receive their Christmas purchases, though others have put this proportion in the 30-65 per cent range. With such a high proportion of purchases failing, it's clear that e-tailers have a long way to go to deliver the experience expected by shoppers. The report aims to show companies how to fulfil customers' expectations and keep their costs down.

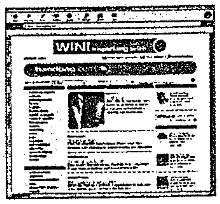
PHOTOGRAPH: STONE

Integration

If there was one issue that constantly came to the forefront as I talked to industry experts, it was integrating systems. An online presence alone is not an effective Internet strategy. Companies need to ensure that their back-end and front-end systems are stitched seamlessly together, firstly with each other, and then with their trading partners, to ensure the smooth running of their business.

case study

Handbag.com



Boots launched handbag.com in October 1999. The site offers 18 channels including fashion, health, beauty, entertainment and news. It has its own range of expert writers covering topics from arts and education to relationships and travel. Users can have their questions answered and take part in online discussions.

Three million handbag.com CDs were distributed through all Boots retail outlets – the largest ever giveaway of computer software for Internet access.

Handbag.com, which is owned equally by Boots and Hollinger Telegraph New Media, quickly become the market leader with an ABC Electronic audit of 312,000 unique visitors per month (July 2000).

But by November 2000, it announced it had lost £1.9m on the venture between April and September. However, Boots plans to continue investing in handbag.com.

Unfortunately, the focus of many Internet start-ups has been on delivery rather than systems. Many failed to recognise early on that software is the bedrock of any successful e-business. The report shows that it is critical for online retailers that their software infrastructures are capable of integrating with all their supply chain partners. It is only in this way that companies can be confident that purchases made on their sites are fulfilled, delivered and received by the customer on time.

The report also found that information sharing in the wider businesses community is far from the norm. Forty-three per cent of managers said that none of their suppliers attempted to share data and 36 per cent confessing to not sharing information and key performance data.

Real-time information

Fulfilment is much more than getting a product from A to B. It's about ensuring customers have access to the right information before they buy and being proactive with information on their deliveries. If integration is critical, then real-time information is crucial in order to provide customers with up-to-date information as they make purchases or track orders online, particularly as between 70 and 80 per cent of online shoppers make more than one enquiry about the status of their orders.

Talking to some of the bean-counters, it's clear that the use of real-time information ▶

can increase their customer understanding. The data, they say, then becomes a powerful tool for assessing opportunities to sell customers other products or to get repeat orders, as well as allowing traditional bricks-and-mortar brands to gain a better understanding of customers.

Seamless fulfilment – myth or reality?

When you talk to such a wide section of any industry, you'll come across problems and opportunities. It became abundantly clear to me in researching the report that the third-party logistics/delivery sector is an area of immense opportunity for getting the entire system – from the customer clicking on the site to them receiving the order – working like clockwork. However, at the time of writing the report, late last year, no one seems to know who, or rather which, type of company is going to fill this role.

There are arguments between the established fulfilment houses, delivery companies and the logistics operators as to who is in the best position to provide this important cog in the wheel – the final mile as its sometimes called. But as our research drew to a close, it was obvious that at least some of the existing well-known delivery companies were already gearing up for new streamlined services.

Returns

The issue of returns was a regular hotspot with many managers. Robert Barge, director of operations at the wine e-tailer chateauonline.com, offers the following suggestions for dealing with returns. These mirror closely the responses received from other companies I spoke to for the report:

To lower the return rate: send messages by e-mail and text message to mobile phones explaining exactly when they plan to deliver. Allow for alternative delivery points.
More effective deliveries: to make second and third delivery attempts more successful, don't come back at the same time the next day, but contact the customer first.
Fix a time window for deliveries: allow for alternative time and fixed hour or day window at customer's request.
Extended delivery times: increase delivery options outside normal working hours.
Use third-party pick-up points: create partnerships with groups such as petrol stations. UPS is testing such a scheme with Texaco garages in the Benelux countries.
Measure statistics together: measure delays and incidents and exchange these between the e-tailer and the delivery company.
Multiple delivery options: allow for the use of third parties in your solution.
Multiple deliveries: allow more than one e-tailer to make a delivery at the same time.

Outsourcing

This presents one of the most heated arguments in the whole fulfilment debate.

Researching the report made it clear to me that many dotcoms struggle with the mechanics of product delivery in the face of growing sales volumes, but this is a basic business issue which shouldn't require rocket science to sort out. But with a new dotcom being launched every day at the time of my research – as they sought to be first to market in yet another sector – the importance of outsourced logistics services is increasing.

Although most online sellers rely on regular postal services to deliver products ordered online, increasing competition for customer business is pressuring them to find more complete solutions to ensure the timely delivery of goods. The research shows that it's wise to adopt an outsourced logistics solution once shipment volumes topped 1,000 a day. At this point, the complexities of stock management and order processing begin to consume an inordinate amount of resources in generally small online retailers, which can better manage their delivery costs by outsourcing complex supply-chain management.

The issue of whether or not dotcoms should manage their own fulfilment or outsource it is one on which will no doubt rage on. But *Delivering on the ePromise* shows that for companies prepared to share customer information with their trading partners, the gains from outsourcing far outweigh any perceived losses.

Dot.coms versus bricks and mortar

It's clear that each camp in the bricks-and-mortar versus dotcom battle believes it has an advantage. But having listened to the arguments, I could only find one long-term winner – the enterprise that establishes tried and tested business models and practices in its attempts to engage customers online.

There will be casualties in this war and some big names will sink. But those that follow the established rule and make their virtual promises a reality will be the winners.

Neil Bromage is a freelance business writer. Copies of Delivering on the ePromise *are available from Reuters Business Insight for £595 (paper copy) or £695 (electronic version) on 020 7675 0990 or www.reutersbusinessinsight.com.*

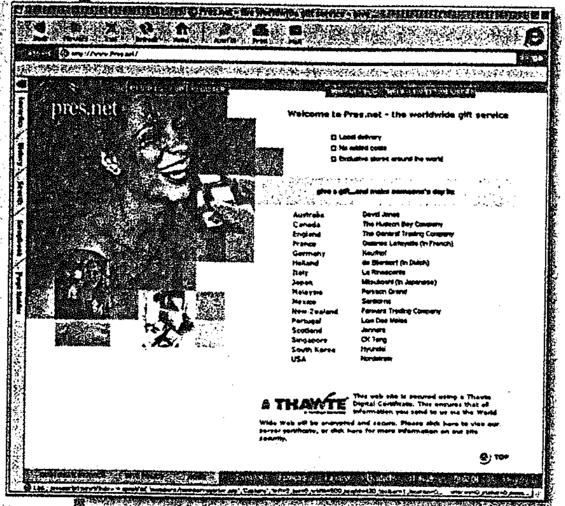
case study

CK Tang and Pres.net

In 1923, Tang Choon Keng founded CK Tang with nothing more than a hired rickshaw and two tin trunks full of lace. The business grew into Singapore's flagship department store, employing over 500 staff. The benefits and markets opened up by the Internet are vast and Tang was keen to take advantage of this.

Two years ago, the opportunity came in the shape of Pres.net, the online worldwide gift service. Foo Taing Sooi, Tang's chief operating officer, said: "To succeed in today's competitive marketplace, it is important to be able to market and sell our merchandise to a global market – if we don't, traditional and virtual retailers will."

Customers from around the world can buy gifts for friends or family in Singapore via Tang by going onto the Pres.net site. Since the site went live last February, Tang has received various orders for items from gift vouchers, Parker pens, Kenji necklaces and Escade fragrance to dual alarm clocks.



case study

Urbanfetch

Urbanfetch cut its teeth in 1999 offering instant deliveries to stressed-out New Yorkers, and was named a Business Week Best Product for that year. The company arrived in the UK in June 2000, offering free one-hour delivery 24 hours a day, 365 days a year.

Many people asked how they could deliver for free, have a no-tipping policy, maintain competitive prices and still make money. Urbanfetch said that it had very low overhead costs and it cost a lot less to keep items in a warehouse than in big retail shops.

The majority of customers loved the service, but feared that the business was too good to be true. They were right. It closed in October 2000 with the loss of about 100 jobs after its US parent pulled the plug. Fundamentally, it proved impossible to make a profit from delivering anything to somebody's desk within 60 minutes without charging for delivery.