

# E-business options

## *E-business strategies at Nestlé, Barnes & Noble, Merrill Lynch and AOL*

**S**etting objectives and developing a strategy may have seemed very mundane to those dotcom entrepreneurs of the late 1990s who thought they were going to change the face of commerce forever. But the bursting of the dotcom bubble has changed the landscape somewhat. Now it seems only logical to put in place a corporate strategy for e-business.

### The importance of strategy

That is not to say that developing an e-business strategy does not require at least some awareness of the implications of e-business. The Internet means that a company can, in theory, communicate with each and every customer and develop individual customer profiles. E-business can also lead to the creation of new business models and revenue streams. Internet time can also be much faster and new relationships can emerge through e-business. So strategy development needs to blend experience of the company's past and current performance with a view of the future route the business is going to take.

Nonetheless, e-business is not usually a stand-alone unit within a company. It is affected by, and affects, the company's general corporate strategy, marketing, IT, finances, operations, R&D and possibly production.

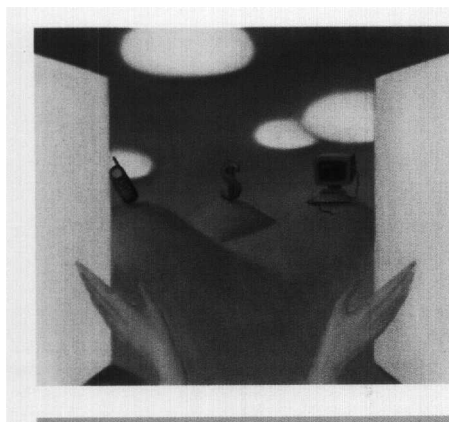
The experiences of Nestlé, Barnes & Noble, Merrill Lynch and AOL reveal that e-business can manifest itself in many different ways.

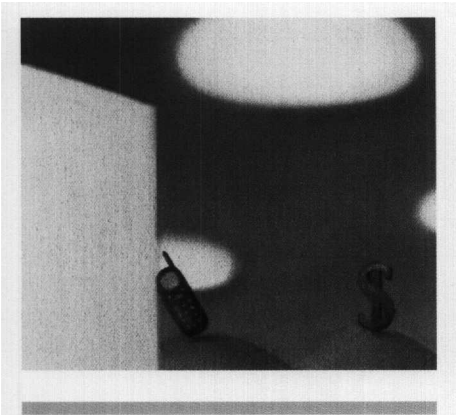
### E-business strategy at Nestlé

Nestlé is a 134-year-old company with 230,000 employees and 509 factories in 83 countries. On top of that it makes more than 8,000 products. Unsurprisingly, given its size and culture, Nestlé took a considered approach to this new technology, although it is going to spend \$1.8bn over three years on its e-business strategy.

Most of this will not even be visible to the customer. Nestlé is focusing on how it buys, manufactures and delivers its products, rather than on how it sells them to customers. Speed and the elimination of waste are key elements of its e-business strategy. Large customers, such as UK supermarkets, J. Sainsbury and Tesco's, send in daily reports and demand forecasts to Nestlé and Nestlé employees can check supermarket inventory levels on the supermarkets' own computer systems using the Web.

Nestlé will be using the Internet to advertise its products and has set up Web sites for customers buying its baby food or Buitoni, its Italian food range. In this way, information is provided for customers, at the same time as Nestlé gathers information on these same customers.





Any company toying with the Internet needs to decide how important this tool is going to be. And that is not always an easy decision, as Barnes & Noble, the US bookseller, has found out.

#### The Barnes & Noble dilemma

Barnes & Noble has found that books are an item that consumers like to buy on the Internet. Unfortunately for the high street bookseller, it faced very strong and early competition from Amazon, which beat it to online book selling. Barnes & Noble thus had to do two things at once: develop its own e-business strategy and defend its existing position from Internet competition.

Barnes & Noble had little choice but to try and undercut Amazon, and in the process undercut the prices it charges customers in its stores. It continues to face a dilemma: promote the Web site as a cheaper alternative to its stores or let Amazon win the e-commerce battle for book sales?

#### Merrill Lynch's e-business partners

Many companies soon realize that they are unable to establish a strong Internet presence without assistance from other specialized providers. Merrill Lynch is a case in point. It has entered into partnerships with companies that can provide marketing, content, service and technology expertise. In this way, Merrill Lynch hopes to develop a major financial services portal. It also sponsors research at MIT and invests in companies providing a range of alternate trading systems.

#### AOL in transition

Another company taking a similar route is AOL. Since 1998 it has acquired CompuServe and entered into alliances with Wal-Mart. DirectTV and, of course, the company has merged with Time Warner, a major media company. The strategy has not been without its problems. The merger with Time Warner is not yet deemed to be a success and the synergies promised have yet to drive the company forward.

#### Strategy questions

As can be seen from the examples above, e-business is not a one-size-fits-all development. Questions that need to be answered include:

- is the business an Internet pure-play or Internet start-up or is e-commerce going to be just one of several ways in which a company is selling its products and services?
- is the e-business element going to be integrated with the rest of the company or is it going to stand alone?
- what impact is e-business expected to have on the existing company? and
- how capable is the company of delivering the e-business strategy on its own?

As time has gone by and the hysteria of the late 1990s has evaporated, companies can evaluate their e-business options more coolly. They have also come to realize that e-business offers them many options. One of the most significant issues is how e-business can change relationships with customers, suppliers and intermediaries, as

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**Keywords:**

**Internet, Business strategy,  
Alliances, Nestlé, Barnes & Noble,  
Merrill Lynch**

well as create a whole new range of relationships with providers specializing in Internet-related services.

What is clear is that any company needs to take a strategic approach towards the Internet. It is not enough to launch a Web site and hope for the best. As other companies hone their e-business offerings, those companies failing to take a strategic approach to e-business are going to be left behind.

**Comment**

This review is based upon "Synergy and strategy in e-business", by Jennifer Rowley. It uses four company examples to illustrate how important a strategic approach to e-business is. Under the headings, integration, strategic options and the value chain, Rowley considers how e-business fits in with the existing business and changes it. The article reflects the ongoing debate over e-business. What comes across loud and clear is the need to think through the implications of taking the e-business route. It is certainly not enough to just do it. As Barnes & Noble found out, e-business can be a two-edged sword.

**Reference**

Rowley, J. (2002), "Synergy and strategy in e-business", *Marketing Intelligence & Planning*, Vol. 20 No. 4, pp. 215-22, ISSN 0263-4503.

