



Book The M-Bomb

Riding the Multi-channel Whirlwind

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Recommendation

You live in a landscape littered with deflated stock indexes and failed dot-com ad campaigns, so perhaps you are prone to think that this Internet deal is a fad, like the hula-hoop. According to author Geoff Webb, if you think the Internet will fade away, you are very wrong. The true Internet explosion hasn't happened yet, but it will. Once it does, business will become so competitive that companies that haven't adapted to the new multi-channel reality - in which customers will expect a vast array of new ordering and delivery services at no extra cost - will fade away. Speed is of the essence. Older companies must form partnerships to get their competencies up to a competitive level. If hierarchies, dead weight and slow adapters obstruct radical change, you must discard them. *BooksInShort* hears the essential message: a Darwinian "adapt or die." Adapt to the new multi-channel reality or whither away. If you want to see the future, look here.

Take-Aways

- Don't let the dot-com collapse fool you. The Internet is here to stay.
- The dot-com failure rate is probably lower than the failure rate of traditional businesses, and some dot-coms are working.
- The multi-channel bomb, or "m-bomb," will change everything for businesses.
- Smart traditional businesses and start-ups are changing the rules and making it harder for competitors to stay viable.
- Technology allows small companies to share the advantages of Enterprise Resource Planning previously available only to large companies.
- To succeed, a company must create partnerships to get all the necessary competencies.
- Look at your competition and figure out what works and what doesn't.
- Businesses that are trapped into doing things the old-fashioned way are dust.
- Some traditional businesses - Wal-Mart, Reuters, Citigroup, Sony - are exploiting the m-channel reality as adeptly as fresh startups.
- The m-bomb offers your company a once-in-a-lifetime opportunity. Don't blow it.

Summary

The M-Bomb Challenge

The early phase of Internet activity is over and what is happening now is both real and fundamental. What is happening now is the "m-bomb," the creation of multiple channels for ordering, sales and service delivery.

This transition will destroy, in effect, half of today's players and big-league brands. This will start the multi-channel wars. To avoid being victims, large companies will have to work to serve customers in complex ways without compromising their traditional base. The m-bomb will challenge all businesses and force them to build multi-channel operations that bridge old and new enterprises.

Challenges and Partnerships

Traditional businesses will have problems raising money to make the changes they need to make so they can adapt to a multi-channel environment. Large businesses are also averse to partnering, which is a must in this new economy where new skills must be added. Many smaller companies are poised to exploit new business opportunities because they've been able to gain partners who contribute expertise in various areas.

“The early e-commerce bubbles have already started to burst and are now giving way to highly credible and profitable multi-channel services that meet real customer needs and make money.”

Managers will have to realize that they can generate more corporate value by building their multi-channel services than they can by actually increasing overall sales of their products. That is true because we're now reaching a time where the uniqueness and value of your product is being overshadowed by the vast array of choices on the Internet. Companies need to acquire some new competencies very fast and shed some others that no longer make a difference.

A Time of Radical Change

Don't be fooled by the apparent dot-com collapse. The Internet is here to stay and vast changes are afoot. Here are some reasons why:

- Older businesses are learning how to use the Net in a big way to augment their traditional services.
- The new economy is creating younger, leaner companies that will exploit this great change.
- If you can't reinvent your core business, then partner with a company that can help you exploit this new multi-channel environment.
- Finally, don't judge the Internet's potential by what you see today. The elephants have been breeding quietly behind the barns and the offspring are ready to rampage in your vegetable patch over the next year or two. What you see now is a shadow of what will be.

CEO Q&A

Today's CEO should be asking several important questions to ensure the company's future.

Q: How can I make money from this within three to five years?

A: You have to weigh m-opportunities against other moneymaking ventures within your company.

“It is clear that the Internet is here forever and it will contribute to subtle changes in the way many of your customers hear about your products, buy them and complain to (everyone) about them. No one can afford to go into denial. A bunch of pathetic dot-coms failing is irrelevant.”

Q: Does a broader or more accessible service meet a real need for customers we are good at serving? A: You must determine whether this will benefit your best customers or whether it is a waste of time.

Q: If I support these ambitious changes, how will we implement them?

A: Implementation requires a schedule and a plan or nothing will get accomplished. Many a dot-com failed because it never grasped business fundamentals.

Looming Death

Businesses that don't adapt to the new multi-channel reality will die for two primary reasons:

“Low profitability customers should ideally be migrated over time to low-cost servicing channels and should be charged to use more expensive retail facilities, home services or customer-care operations.”

First, unimaginative traditional businesses and ineffective dot-coms will become highly uncompetitive. Their efficiencies will decline rapidly in the face of companies who have mastered multi-channel sales and delivery. If they respond by throwing together an Internet plan in haste, it will cause them more problems - since it won't be thought out carefully enough or executed skillfully enough.

“I believe more strongly than ever now that anyone who reinvents their new customer offerings and Internet operations from scratch is a fool. There are many businesses out there that are trying to weld the old and the new together in various smart ways.”

Secondly, less organized competitors will find that their products and services will become less appetizing to customers, much like a computer dealer that insists upon selling you 1995's computer. In the wake of the m-bomb, consumers will expect and demand more choices. The companies that survive will be the companies that respond.

“Over recent years, we have distilled and learnt how to bottle a relatively safe and guaranteed approach to achieving successful market entry with multi-channel offers in six months, without forgetting the broader goals of robustness and profitability. We call it the P-R-I-C-E approach - Process and Rules for Implementing m-Commerce Effectively.”

This combined effect is at the heart of the m-bomb - the multi-channel shock wave that will take the next three years to ripple out. This short-term future will bring forth a sprawl of new international competitors and out-of-nowhere brands. If you are a medium-sized business, beware. The Internet will also foster a number of cottage competitors that will nip at your heels as the big companies try to devour you whole. To survive, brands and companies will have to utilize the new m-channels. Your company will have to adapt to your customers so that they can order your product through PDA, cell phone, computer, Blueberry devices or any other interface that emerges in the years to come. These aren't goals that your company simply can achieve through serendipity - planning is a necessity.

Which Companies Are Vulnerable?

Is your company vulnerable to being swept away by these massive changes? The company that is most in danger is a classical low P/E, Fortune 500 business, which looks like this:

- It believes that partnering is about total quality, vendor specification and forging mutually acceptable deals.
- A big project that takes less than a year to complete is considered quick and impressive.
- Fifty percent of the company's management team appears to be dead from the neck up compared to the leadership of the brazen start-ups or older companies like Reuters that are moving quickly to exploit m-channel opportunities.
- Thousands of staffers do nothing but talk among themselves instead of attaining customers and cutting deals.
- The firm takes at least six months to raise \$2 million to pursue a good idea. The team created to spend the money is usually made up of spare parts or lightweights.
- Many people can interfere and stop all meaningful attempts at change.

M-Plan of Action

Instead of falling into that pattern, implement this plan of action:

1. Devise a strategic plan - You can't forget your traditional core business, but you must extend the services that you give your customers. Consumers have to get a broader offer.
2. Don't try to reinvent the wheel - Borrow shamelessly from the experience of others and the skills of partners. Observe what companies are doing to extend their brands and learn from both mistakes and successes. Anyone who reinvents their new customer offerings and Internet operations from scratch is a fool. There are many businesses out there that are trying to weld the old and the new together in various smart ways.
3. Your operations should plug and play efficiently - That applies internally and it applies to your partners.
4. Choose quick wins and radical options - Apply solutions that will yield early cost savings and market impact. Try to avoid romantic crusades, which can't be translated into hard benefits. Your new strategy and organization has to attain credibility quickly.
5. Select partners and content that advance your strategy - Your company can't do this alone, no matter what its size. You need complimentary partners who will enhance your performance. If you choose the wrong partners, then everything else may fail.
6. Develop a transition plan - Use this plan to focus your company's direction and agree upon goals.
7. Determine how to fund each initiative so you can move forward - Be prepared to be bold and radical. Translate this to mean giving equity away and bravely entering a very competitive race.
8. Remove obstacles - Spare no expense in realigning people. This is a nice way of saying that you should fire people who can't produce in these newer, demanding conditions.
9. Fail or succeed quickly - You have to move quickly in this new environment. If you can't accomplish a project within nine months, then you have to change your objective.
10. Embrace this monumental change - The Internet and the opportunities that it will bring aren't going away. Accept the change and seize the day.

First M-Movers

Each business has to do several specific things to establish "first mover" status as an m-channel brand. First, companies have to make their costs competitive with those of the best startups. Theoretically, companies should try to achieve cost reductions of 10% to 15% by applying some of the newer m-channel methods. Head counts are dropping and they need to.

“Don't forget that a new online customer will cost between \$25 and \$75 to recruit and set up, so the better you target them and hold onto them, the more profitable you will be. Many businesses give this recruitment activity far too little care and planning - and fail badly as a direct consequence.”

Locate that five percent or 10% of your customers who want greater convenience and richer service and target it to them. Develop practical solutions to current challenges, which should generate new profit streams or attract your more profitable customers. The key is developing the m-channel infrastructure in the first place so that you can extend your reach to those opportunities. M-channel companies have to introduce greater personalization, a great investment that also provides a great mechanism for customer retention as well.

“Are you receptive to new ideas? Are your brightest thinkers encouraged to experiment? Ply your suppliers with alcohol and discuss the headlines openly - you will find it very insightful.”

Traditional companies like Wal-Mart, Tesco and the Gap have become m-channel players. These companies prove that you can extend your profit margins in new areas while at the same time paying attention to current profit engines. Companies like these are models for brand leaders in any sector.

Bottom Line: This kind of monumental, watershed change comes along once in a lifetime. Don't let your company fall behind. Exploit this rare opportunity and grow.

About the Author

Geoff Webb gained experience driving change and innovation in the most aggressive blue-chip businesses around the world. He is

the founder of the Webb Partnership, an international consulting group specializing in customer innovation and e-services strategy and implementation. During the last three years, Geoff and his team have worked with and supported hundreds of leading retail and consumer businesses. He knows where the bodies are buried in bringing new channels to market.
