

# **E-Commerce – An Important Element of the Business Plan**

***Robert W. Smith***

*Director, New Business Development*

**The ChemQuest Group, Inc.**

Cincinnati, Ohio

---

*Adhesives Age Magazine*

November 2001

Electronic Commerce is becoming an important and critical element of the business plan. However, the chemical industry, and especially the specialty chemical industry has struggled to successfully develop and integrate E-Commerce into their overall business plans. E-Commerce is not, and must not be, an isolated venture, but rather must be approached as an integral component of the overall business plan. Only then can E-Commerce fulfill the potential to accelerate growth and provide significant savings in operational and transactional costs. Data shows that chemical organizations are significantly less likely than their counterparts in other industries to have an effective E-Business strategy. Difficulty in aligning the organization on a course of action is a primary barrier to conducting e-business. In some cases a lack of interest among their companies or management is another reason for their lack of an e-business strategy.

Clearly, the chemical industry, and especially, the specialty chemicals portion of the industry, is behind in implementing successful strategies in E-Commerce. The specialty chemicals industry, which would include most of the adhesives & sealants industry as well as their suppliers, has unique needs that might not be best served by the models designed for commodity chemical producers.

Electronic Commerce is perhaps best defined as “business conducted via the Internet”. There are more complex definitions, but that simple statement includes pretty much all permutations of what has developed over the past few years. We like to think of a successful implementation of E-Commerce as *E-BUSINESS*, since that term better encompasses the many business elements that can be included in a successful implementation strategy. In the most basic implementation, E-Commerce will consist of little more than a “home page” and some basic information about the company, products, history, etc., but today such an implementation would be considered very elementary. Today, effective implementations include the ability to conduct many complex business transactions entirely within the Internet environment, including:

- Procurement of raw materials and services
- Exchange of information with suppliers, customers and others
- The ability to conduct actual sales and purchase transactions, either publicly or privately entirely within the electronic conduit
- Partial or complete integration with ERP (Enterprise Resource Planning) implementations

Further, these types of interactions can be conducted on a one to one basis, a one to many basis, or even in various forms of auctions or reverse auctions. Options exist for these transactions to exist in a public or private



manner. Private exchanges can be created for business to be conducted between two or more parties on a very controlled basis.

E-Business has clearly been demonstrated to offer some significant competitive advantages to those businesses that have developed and implemented a sound strategy to approach this new mode of business conduct.

- ***Transactional Savings***  
Significant transactional savings have resulted from a successful E-Business implementation. In some cases, total transactional costs have dropped to \$25 per order from \$125 per order in a “sell side” implementation.
- ***“Store Front” Visibility***  
The visibility of a world class implementation can be very effective in prospecting for new customers on a global basis. The effectiveness of the sales force or other marketing resources can be greatly improved.
- ***Supply Chain Efficiencies***  
These can be very significant, particularly when implemented with a full integration with a business’s ERP system to streamline purchasing, improve just in time deliveries, strip out other inefficiencies in logistic functions, freeing staff for more important tasks.
- ***Value Chain Efficiencies***  
Combining efficiencies from selling and sourcing transactions, logistic details, and improving sales efficiencies will almost always alter the value chain and capture more value for the business with a truly strategic and successful E-Business implementation.

However, E-Business is not without potential downside risks. The business press is filled with stories of “dot-com” failures in both the business to business and business to consumer arenas. Many of these are the results of lack of cash flow, out of control expenditures, and in some cases, a fundamentally flawed business model. This latter issue is of particular importance because it suggests many casualties may have entered the E-Business arena without having first developed a sound strategy to integrate E-Commerce activities with the overall business strategy – a critical flaw. History and common sense have clearly demonstrated the importance of such strategic planning in developing a sound E-business strategy.



## About The Author



Bob Smith is Director of The ChemQuest Group, Inc. ([www.chemquest.com](http://www.chemquest.com)) an international strategic management consulting firm specializing in the Adhesives, Sealants and Coatings industries, headquartered in Cincinnati, Ohio. Call Bob at (614) 792-3673.

Questions or request for additional copies of this paper may be directed to the author at:

**The ChemQuest Group, Inc.  
8150 Corporate Park Drive  
Suite 250  
Cincinnati, OH 45242**

**(513) 469-7555  
(513) 469-7779 - FAX**

**[www.chemquest.com](http://www.chemquest.com)**

