

E-COMMERCE: THE WINNING MODEL FOR THE ADHESIVES AND SEALANTS INDUSTRY

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Until now, most electronic commerce systems have been designed for commodity chemical exchanges and were cumbersome for specialty chemical producers or purchasers to implement in a practical manner. New approaches are being developed to meet the unique needs of our industry, offering strong marketing capability, front-end exchanges, and user-friendly procurement systems. Private or public exchanges are achievable, or focused systems to address obsolete or distressed inventory. These features offer the added benefit of smooth integration with both suppliers' and manufacturers' materials management systems and ERP's (Enterprise Resource Planning).

These new approaches can deliver features at a fraction of the cost of grass roots solutions with complete customization within short time spans. These new approaches offer the ability to deal with specific lots of materials, searchable by specification variations, product name, nature, etc. Management of information such as Material Safety Data Sheets and Technical Data Sheets are easily implemented.

A new solution has been needed to fulfill the promise of E-Commerce. By early 2000, it had been recognized that neither software providers nor the on-line chemical exchanges addressed the difference between commodity and specialty chemicals, creating a barrier for fully transactional on-line ordering and fulfillment of specialty chemicals. With new approaches, our industry need not force fit over 100 years of organic chemistry progress and creativity into an existing model. These novel approaches offer a simple, cost effective and seamless E-Commerce implementation meeting the unique needs of our industry. This flexibility is adaptable to fit strategic objectives

Existing Approaches

Many E-Business implementations have been documented, but most fall into four categories:

1. Private initiatives developed in-house or by contract. These are built from scratch, providing virtually any customization desired. This approach is costly and perhaps risky.



2. “Vertical Communities” are “shared” systems offering “store-fronts” and limited customization. A vertical community does not preclude a private initiative. As would be expected, participation in communities can offer lower cost alternatives, but with fewer options, and compromise highly desirable business strategy elements.

3. Shared Initiatives with other companies or businesses within a corporate family are beginning to appear. As a “co-operative” effort, these can often result in compromising elements of the business strategy.

4. There is off-the-shelf software available, offering some degree of customization, but usually fitting their model to the capability of the software. The hardware platform and hard resources to support the implementation are also required.

Failures

There have been high profile failures of E-Commerce business models in the chemical industry. Our work has revealed that these failures are primarily related to the following:

- High implementation cost
- Force fitting commodity models to our industry needs
- “Dot-Com” perception
- Forcing specialized businesses into a corporate E-commerce model, not meeting the target’s strategic needs

New Approach

From the lessons learned already in this dynamic part of the industry, we have observed key needs for our industry – including manufacturers and raw material suppliers.

First is the critical importance of developing a sound overall business strategy capable of incorporating the desirable features of E-business. A successful E-business implementation for our industry should:

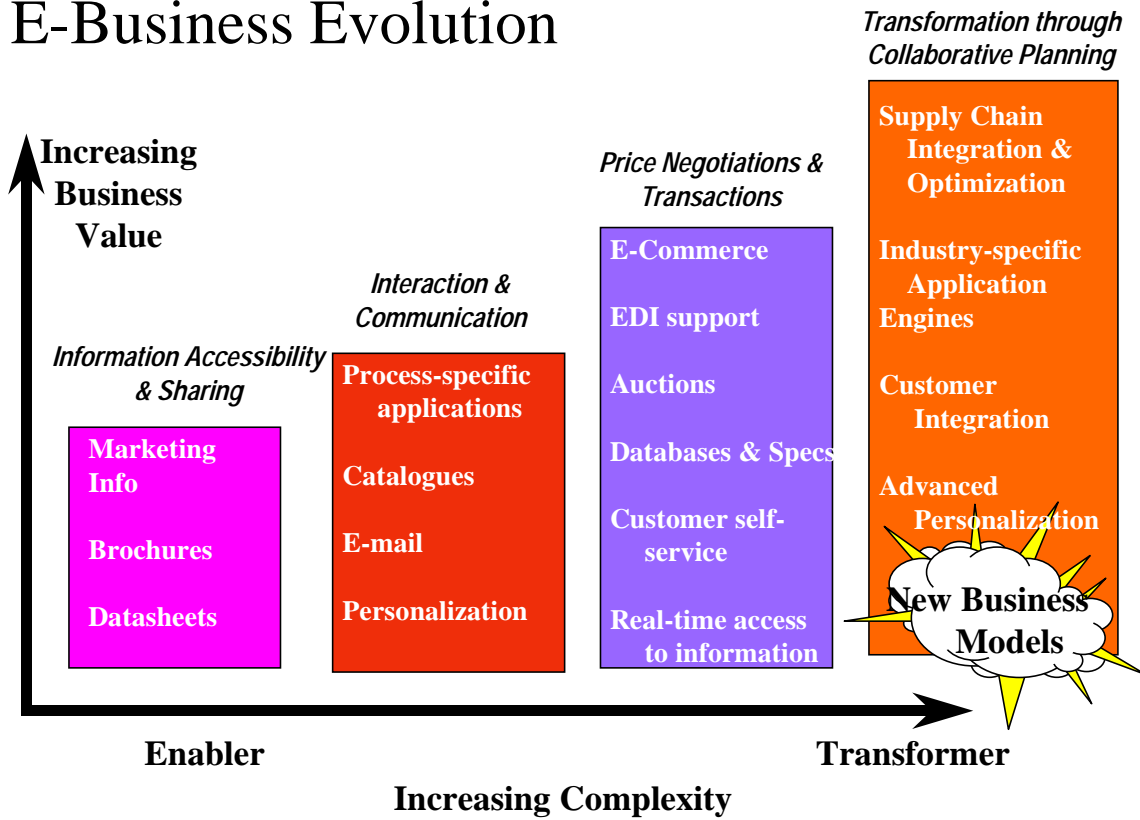


1. Be designed for “performance products” vs. commodity products
2. Be lot specific
3. Be easily integrated into ERP systems
4. Have low implementation cost
5. Offer low operational cost – ideally reside on third party hardware
6. Be customized
7. Be secure and reliable
8. Offer implementations and capabilities, including:
 - Information exchange (data sheets, MSDS, etc.)
 - Adaptable -- procurement and sell-side activities
 - “One to one” & “One to Many” transactions
 - Standard and reverse auctions
 - Anonymity – selling out of spec materials
 - Implementation Speed
 - Can capitalize on new marketing channels -- branded vs. unbranded; sales to specific end use, or geography

New approaches to E-commerce offer these important features in an economical and easy to implement package. As an Application Service Provider, it's accomplished through the development of pre-written code. Implementation can be completed in as little as thirty days at a fraction of the cost of grass roots implementations. The implementation resides at a third party location, and is ideal for small to medium sized businesses within large corporations, or independent companies previously unable to consider E-commerce seriously.



E-Business Evolution



About The Author



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