

Start up. In the networked world, everyone can. The details are unique for each customer. But the steps – the basics of e-business – are surprisingly consistent. We think there are five. They're also a way of understanding what we're doing, investing in and building across IBM today. It all begins with a commitment, a decision to...

1. Join the MOVEMENT

A few years ago, it was clear the Net was coming. But at that time it wasn't clear if it would be much more than a planetary chat room and an electronic newsstand. However, back then, IBM was saying the Net would become much more than those things. We said that it would not just change technology. It would spark an all-out revolution in the way the world works.

Many of our customers held the same view. They saw a chance to reinvent everything

from the way governments deliver services to citizens and students access the wisdom of university faculties, to the way physicians treat patients and enterprises of all kinds serve customers of all kinds.

It's a powerful idea. And like all new ideas, you can ponder it and possibly miss something big. Or you can start experimenting, learn, and push it for all it's worth. You can be part of the movement.

Gary Briggs
e-business marketing strategist

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consider **the facts**

The Internet is the epicenter of change today...

It took radio nearly 40 years to reach 50 million people. TV took 13 years. Cable TV, 10. Not six years after the birth of the World Wide Web, more than 140 million people are online – and some estimate that **50,000 new users** – workers, students, buyers, sellers, patients and citizens – come online every day in the United States alone. They use the Net both as a medium and as a destination – the largest, most restless, round-the-clock marketplace the world's ever seen.

because the incentives are irresistible...

The Net dissolves barriers that once limited market access and opportunity. It creates new ways to achieve global reach, find new customers, improve service, conceive and deliver new offerings. It fundamentally alters the economics of transactions. The cost of basic banking transactions drops from **\$1 to one cent** on the Net. Companies that once spent \$35 to process an expense form do it for less than \$5 using intranets.

creating opportunities for all businesses and institutions...

We're watching the creation of nothing less than a new economy. By one estimate, Internet commerce grew from \$12 billion in 1997, to more than \$30 billion last year, and will surpass **\$425 billion by 2002**. You can find other estimates that see a **\$1 trillion marketplace in the same timeframe**. What's harder to measure – but even more significant – is the value of the Net as it transforms the internal operations of organizations and redefines the important work of noncommercial institutions.

(and for the information technology industry).

Our industry is growing about 10 percent a year, and spending on e-business hardware, software and services is growing twice that fast. At these rates, the overall information technology industry should reach **\$1.6 trillion by the year 2002**, and e-business will account for \$600 billion of that total.

all can play

ONE GREAT THING about experience: you learn. We've worked on nearly 18,000 network computing engagements with customers large and small, in all sorts of industries. From this work we've learned that while online retail sales – "e-tailing," as some call it – is exploding, it's just one aspect of e-business. Prime movers in this revolution also include universities, hospitals, government agencies and nonprofit institutions that embrace the Net to transform what they do. And some of the most astounding results (and returns on investment) come when customers build e-business solutions inside their enterprises to unlock the ideas of their own people. Here, a handful of e-business pioneers.

STATE OF ARIZONA

ServiceArizona is used by 7,000 Arizona residents a month to renew vehicle licenses online, saving the state \$325,000 a year. Online renewals cost the state \$1.60 versus \$6.60 for an in-person transaction.
www.servicearizona.ihost.com

AIR CANADA

Site provides travelers with the convenience of secure online ticketing for 545 global destinations. First-year bookings soared to 25 times the anticipated volume, and Air Canada is seeing major reductions in distribution costs – its second largest expense.
www.aircanada.ca

SAAB CARS USA

Extranet connects 225 dealers and 20 service centers. Dealers and technicians go online to order parts, trace deliveries, check warranties and maintain service histories. Saab estimates this Web-based system will lift productivity by up to 25 percent at each dealership.
www.saabusa.com

FEDERATED DEPARTMENT STORES

In 1998, Federated Department Stores created its online subsidiary, macys.com. The site offers 250,000 items for sale, from socks to diamonds. In the fourth quarter, volume increased 700 percent and traffic across the site jumped 550 percent.
www.macys.com

RECREATION EQUIPMENT INC. (REI)

REI's fastest-growing business: online sales. E-commerce revenues rose 360 percent over 1997. Revenue through the Web site exceeded per-store volumes generated by most of the chain's largest physical stores, and online orders averaged twice the amount of traditional purchases.
www.rei.com

SHELL CHEMICALS

This extranet application automates delivery of chemical products, allowing for just-in-time shipments to customers, electronic billing and payment. Sales of chemicals increased at 45 percent of Shell Chemicals' accounts, and its customers eliminate costly excess inventory. www.shellchemicals.com

AMWAY OF AUSTRALIA

8,000 distributors now access sales and product information over the Net. In its first year, the Web system reduced order processing costs by nearly \$2 per order. www.amway-au.com

SCHNEIDER AUTOMATION

A global extranet at Schneider Automation, the U.S. subsidiary of France's Groupe Schneider, gives sales and service staff in 130 countries instant access to customer and product information. The industrial automation equipment manufacturer says the networked application was instrumental in a 60 percent jump in customer satisfaction. www.schneiderautomation.com

TIENDAS E. WONG

Peru's first online supermarket offers 15,000 items for sale. Operating costs are half those of traditional stores, and profit margins from online sales are 35 percent higher. www.ewong.com

LEHIGH VALLEY SAFETY SUPPLY

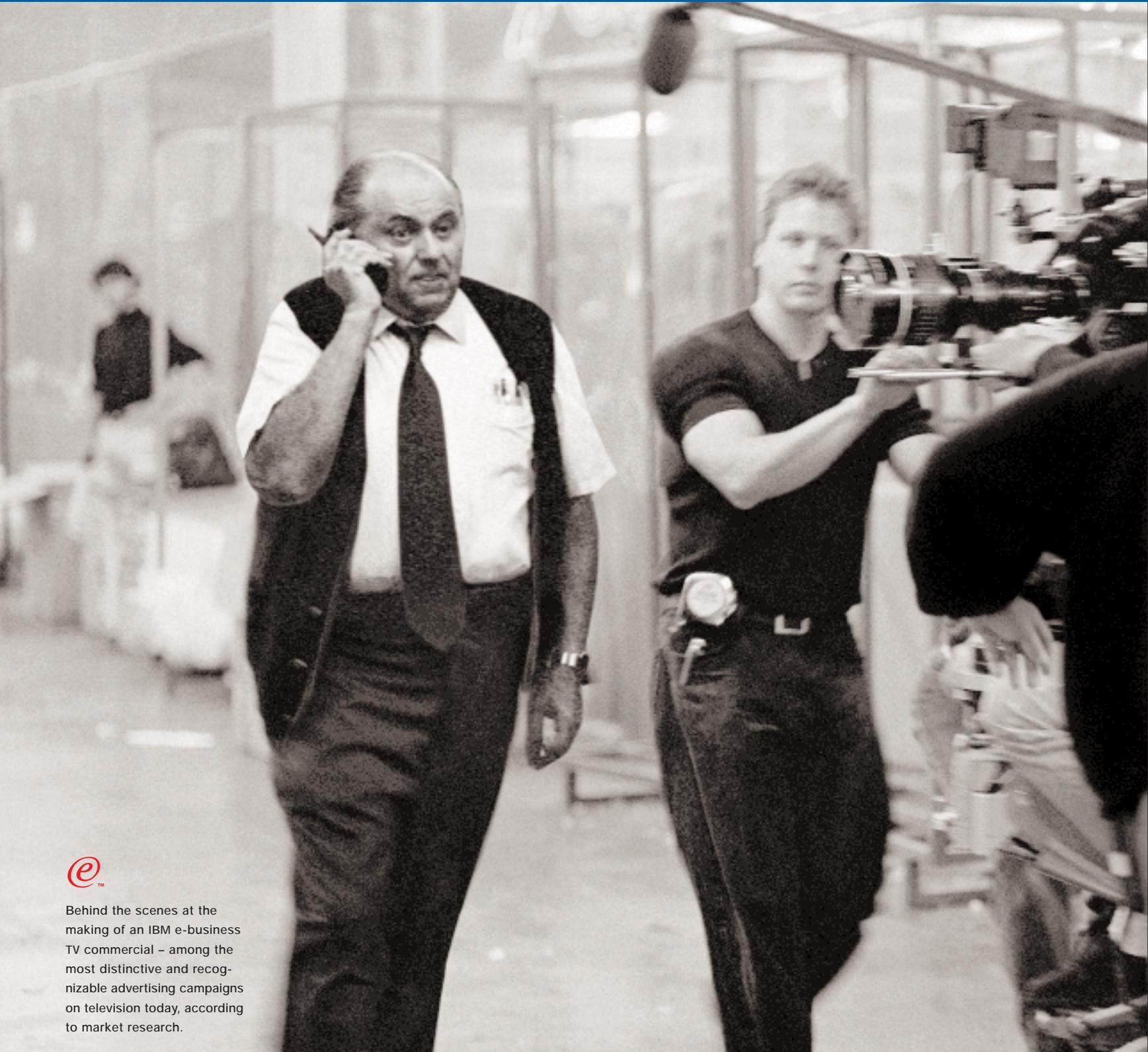
This small business once sold industrial work boots off a truck in a few eastern U.S. states. Its Web site now lists 250 varieties of boots and fields orders from Malaysia, Pakistan, Thailand and offshore oil rigs. www.safetyshoes.com

M.D. ANDERSON CANCER CENTER

This secure Net-based disease management tool at this Texas hospital allows doctors to track treatment outcomes and measure appropriateness of tests, prescriptions and procedures. For one major surgical procedure, test costs were reduced 35 percent, and the length of patient hospital stays came down 30 percent. www.mdanderson.org

KOREAN NATIONAL OPEN UNIVERSITY

More than 200,000 students – at 13 regional and 31 remote education centers throughout the Republic of Korea – use the Web and digital library technology. The Web site will soon hold 10,000 hours of broadcast lectures and learning materials. www.knou.ac.kr/imsi1.htm



Behind the scenes at the making of an IBM e-business TV commercial – among the most distinctive and recognizable advertising campaigns on television today, according to market research.



it's called **e-business**

BUT IT'S A LOT MORE THAN A NAME, or the tag line in an ad campaign. It's true that over the last two years we've invested hundreds of millions of dollars to promote our point of view on what the Net is all about. And our ads do introduce a lot of customers to the idea of e-business. But that's just where the conversation starts.

When customers decide to use the Net to transform time-honored ways of working, they have to ask and answer some very big questions. Where do we start? What kind of applications and infrastructure should we build? How are we going to use all the

information we'll capture – analyze it, extract new insights and apply them?

So in 1998, we started to move beyond broadband marketing to define in detail the business and technology implications involved in becoming an e-business. We created a methodology – a model describing the nature of this transformation – and we began taking it to customers and business partners. The response has been encouraging, as more and more customers are joining the movement – the e-business movement.