



Grocery Manufacturers of America 2001 E-Business Report

Prepared by Computer Sciences Corporation (CSC)



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GMA is the world's largest association of food, beverage and consumer product companies. With U.S. sales of more than \$460 billion, GMA members employ more than 2.5 million workers in all 50 states. The organization applies legal, scientific and political expertise from its member companies to vital food, nutrition and public policy issues affecting the industry. Led by a board of 44 chief executive officers, GMA speaks for food and consumer product manufacturers at the state, federal and international levels on legislative and regulatory issues. The association also leads efforts to increase productivity, efficiency and growth in the food, beverage and consumer products industry.

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Introduction

This report analyzes the results of the second phase of the Grocery Manufacturers of America's examination of the impact of e-business activities on the GMA-member community. The industry e-business survey was conducted in 2000 and in 2001 by GMA's Information Systems Committee and Computer Sciences Corporation (CSC).

First, a definition of e-business is in order:

As used in this study, e-business refers to the inter-networked digital technologies that include the Internet, intranets, extranets and the World Wide Web. By definition, e-business includes the transactions (e.g., item, price, order, invoice and payments) that occur between trading partners. E-business also includes direct-to-consumer marketing and sales, plus other non-transactional interactions that occur within or between companies that are enabled or supported by inter-networked digital technology.

This definition — and the distinctions it makes between high-level e-business and the transactions and activities that e-business comprises — is important to remember when reviewing the findings reported from this survey.

It is also important to keep in mind that the 1999 and 2000 studies have been fielded and written in very interesting times. The first study, conducted in the fall of 1999, was written in early 2000. The data was collected while the B2C balloon was flying high; yet, the report was written when it had started to come down to earth. Similarly this year's study was fielded when B2B was very "hot" (in the fall of 2000), and is being reported in late summer of 2001, when some B2B fundamentals are being called into question.

In fact, the findings throughout this report highlight the struggle that consumer packaged goods (CPG) companies are having with implementing and realizing the benefits from B2B activities. In addition, the findings in this report also show that the largest companies in the industry are furthest along on the spectrum of e-business sophistication. These companies are the ones to watch, as they will provide indications of future direction for the industry.

Therefore, survey results and conclusions should be read with the fast-changing e-business landscape in mind. This report provides benchmarks and overall guidance for the GMA members that can be used to understand how the industry perceives the state of e-business at this point in time. The report also makes informed decisions about future investments and resource commitments.



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Executive Summary

This second phase of GMA's survey of e-business reveals thought-provoking findings and ideas about how pervasive e-business has become and where the emphasis is likely to be in the future.

While this report does include many interesting facts, it will be equally interesting for readers to think about the implications — and draw many of their own conclusions. The five key findings or themes in this report include:

- 1. E-business is a top priority** — While the focus may have shifted from B2C to B2B and B2E, the overriding principles of e-business are firmly planted in the minds of executives in the consumer packaged goods (CPG) industry.
- 2. CPG companies are adopting a pragmatic approach to e-business** — An increasingly conservative approach to IT overall is washing into the e-business arena, causing an growing number of CPG companies to consider themselves to be lagging their peers in e-business.
- 3. The marketing and purchasing organizations are the primary drivers of e-business activity; IT provides the enabling infrastructure** — E-business activity is occurring in many functional areas of CPG companies; however, marketing and (to a slightly lesser extent) purchasing are leading the charge.
- 4. E-business investments are evaluated based on strategic criteria** — The rationale for evaluations of e-business activities are largely based upon the strategic nature/fit of the activity, thus demonstrating how integrated e-business has become with overall business strategy.
- 5. Current priorities emphasize e-business infrastructure and internal operational efficiency** — After the chaos of the initial forays into e-business, CPG companies have come to the realization that a solid collaborative infrastructure is required to make B2B transactions work. This is where the focus of most e-business activities lies.
- 6. The B2B stalemate will be unlocked by a segmented approach** — Communications with trading partners (customers as well as suppliers) forms the basis for B2B. Survey results indicate that a “one size fits all” approach does not work. Currently, the largest and most aggressive companies in the industry are working through a complex set of varied modes of communication designed to enable B2B.

Key Findings/Themes

1. E-business is a top priority.

Our most important finding from this year's survey is that e-business remains a top priority for an overwhelming majority of CPG executives. Overall survey results indicate that 66 percent of senior business executives and 83 percent of senior information technology executives believe that e-business is a top priority.

In addition, e-business is expected to have a profound impact on the industry: 90 percent of the respondents agree or strongly agree that e-business technology and the capabilities it provides will have profound impacts on the business and operating models of successful CPG companies.

This finding is particularly noteworthy given the degree of turmoil and change that e-business activities have undergone in the recent past. Last year's survey was fielded



during the height of the business-to-consumer (B2C) heyday. By the time last year's report was written, however, the B2C bubble was beginning to burst and increasing amounts of attention were being placed in the business-to-business (B2B) arena.

The situation with the 2000 report has been equally tumultuous. Since the survey was fielded, B2B has begun to be called into question, although perhaps to a lesser extent than B2C was last year. In addition, we are experiencing the rise of B2E (business-to-employee/enterprise) as companies, believing in the power of e-business, look for activities to undertake that they can control and drive to benefits with relative speed and ease.

Quote from one respondent: "This is the least benchmarkable period in history. It is not clear what is going on."

Respondent
Quotes

The findings throughout this report highlight the struggle that CPG companies are having with B2B and how difficult it will be to implement B2B programs. At the same time, while these companies believe that there is a lot of value to be derived from B2B e-business, the true size of the opportunity has not yet been defined conclusively.



[Click here to go to explanatory graphic](#)

1

The findings also show that the "giant" companies — those companies with revenues in excess of \$10 billion — are a clear driving force. While the responses of all reporting companies support the idea that e-business is a top priority, the largest companies have responded with the clearest indication, and survey analysts believe that these large companies are the ones to watch to provide indications of future directions for the industry.

2. CPG companies are adopting a pragmatic approach to e-business.

While e-business remains a top priority for most CPG executives, it is also important to bear in mind that these same executives are increasingly pragmatic in their technology investments and activities. (This applies to IT in general and to e-business in particular.)

The respondents to these GMA studies are increasingly describing themselves as IT conservative, indicating that they either aim to stay current on technology — without getting too far ahead of the competition — or they choose to use proven, mature technologies.

In addition, the respondents are increasingly viewing their own company as lagging behind those of their peers in e-business. (In 2000, 34 percent reported this as compared to 26 percent last year.)

Both of these measures are self-reported, i.e, the individual respondents are describing his or her company in this more conservative manner. This is seen as an indication of both the reality and the desire to be more thoughtful and careful with spending in this area.



“Company size and aggressive-vs.-conservative are the most discerning. The aggressive spend more. The larger spend more. . . . Are the small/medium companies more pragmatic?”

Respondent
Quote

3. The marketing and purchasing organizations are the primary drivers of e-business activity; IT is providing the enabling infrastructure.

E-business activity has begun to permeate the decision-making processes at most companies in the CPG industry. This year’s survey indicates that overall e-business activity levels increased significantly over last year. Additionally, activity seems to have migrated from IT as the focal point, to marketing, and also to purchasing. (Activity in the IT area is still growing, but relative to other areas, it is decreasing.)

E-business activity levels have more than doubled from last year, if activity is measured by overall spending on these activities. The 2000 survey indicates that spending on e-business has more than doubled since last year with almost 0.9 percent of sales being spent. Projections for next year are for a further rise in spending to 1.2 percent of sales.

The total projected spending number for next year, no doubt, should be qualified. While the mean (i.e., the mathematical average) spending is projected to be 1.2 percent of sales, the median (i.e., the amount of spending at which equal numbers of respondents anticipate spending more and equal numbers anticipate spending less) is considerably lower — 0.11 percent of sales. The mean is, in all likelihood, being raised substantially by the anticipated spending of a small number of the largest, most aggressive companies.

It is interesting to note is that, while overall levels of spending are increasing, so too is the portion of spending that is occurring *outside* of IT. This year 61 percent of the total amount was spent outside of the IT area, compared to last year’s 24 percent.

This shift in the spending mix shows where activity is being concentrated. This year, both the marketing and purchasing functions report dramatic increases in activity, with 71 percent of companies reporting medium or high levels of e-business activity this year in marketing, and 44 percent reporting the same in purchasing. e-business activity in the IT area was still high, with 59 percent of companies reporting medium or high levels of activity, but this percentage was down from 67 percent last year.



Click here to go to explanatory graphic



"E-business is managed out of the marketing department."

"The largest percentage increase in e-business spending is to meet customer requirements."

Respondent
Quotes

4. E-business investments are evaluated based on strategic criteria.

This year, consistent with last year, the most important method for evaluating investment in e-business activities or projects was whether a strategic rationale for the initiative existed. Other top criteria are cost-of-doing-business considerations and return-on-investment (ROI) considerations.

These criteria indicate that successful CPG companies need to continue to focus on those activities that make strategic sense for their organization. They also need to monitor those activities to ensure that they are good financial investments.

This year's survey indicates that unclear return on investments remains the greatest barrier to e-business. More than three quarters of the companies responding to the survey this year reported that this is an issue. Uncertainty about the role of industry exchanges (Transora, WWRE, GNX) is also a large issue that is making industry executives hesitate about investing in e-business technology and business applications, with 59 percent of respondents citing this as a concern.

"...[B]arriers are unclear ROI, uncertainty around exchanges. . . . Our company will wait to see alternatives proven, wait for the dust to settle. . . ."

Respondent
Quote

5. Current priorities emphasize e-business infrastructure and internal operational efficiency.

This year's survey supports what we already know from marketplace current events. After the "big bang" entry of e-business activities, we are beginning to see some structure emerging:

- ❖ B2C has fallen out of favor as the industry comes to the realization that the size of the opportunity is smaller than had been initially estimated and the logistics of interacting with individual consumers on a regular basis increases the difficulty of implementing these activities.
- ❖ The industry is struggling with precisely how best to realize the benefits of B2B, but the recognition is there that tight integration among trading partners and a solid collaborative commerce infrastructure are required to enable B2B transactions. B2B requires enabling infrastructure (Transora, UCCnet and accurate/timely data), as well as enabling standards (GTIN, GLN).
- ❖ B2E and other intra-company operating efficiency programs are being pursued due to their relative ease/speed to implement, as well as the clearly defined benefits. Unlike B2C and B2B, which required external participation, B2E can be controlled autonomously to achieve internal business operating results. In addition, B2E becomes the infrastructure for B2B.



"...[T]he third era...retreated to internal autonomous control of investment and results."

Respondent
Quote

It is, therefore, not surprising that 80 percent of respondents indicate that an interest in increased internal efficiency motivated them to invest in e-business (67 percent reported this in last year's survey). In addition, 71 percent of respondents indicated that the desire for increased efficiency of trading partner interactions/transactions motivated them to invest in e-business.

6. The B2B stalemate will be unlocked by a segmented approach.

B2B activities have been constrained as the industry waited for an appropriate set of standards to be developed. The development of these standards upon which B2B transactions can occur has proven to be difficult and time-consuming. Building consensus among the various industry players also is no small task.

While beginning with a centralized and common set of standards is theoretically very appealing (for example, in an industry exchange such as Transora), it is — in all likelihood — too difficult a task to accomplish initially. Indeed, 71 percent of the respondents to this year's survey report that they expect to have direct integration of their business processes with their largest customers within three to five years. One hundred percent of the industry "giants" intend to have this occur.

This is an indication that leaders in the CPG industry continue to move forward with B2B activities as they adopt a tiered strategy, starting with their biggest and most important trading partners. Additional communication channels will be used to interact with other trading partners.



[Click here to go to explanatory graphic](#)

In all likelihood, this will have a trickle-down effect. The largest companies will work together with their largest customers to define the future, while the smaller companies will follow the lead set by their largest customers.

"Need an ABC strategy that involves large process-to-process integration through direct integration. CPFR involves all kinds of collaboration. EDI serves the middle tier. Lower tiers are primarily interested in the Internet."

"There was promise that e-marketplaces would deliver benefit; however, that hasn't materialized. Now the industry is back to one-on-one."

Respondent
Quotes



Looking to the Future

The reports of the first two e-business surveys have been written in exciting times. We witnessed dramatic growth in the e-business arena and then some significant retrenchment. Yet the industry has held firm to the prospect of an e-enabled business world.

What of the future? Survey analysts cannot look into a crystal ball and predict the path e-business will follow. However, they believe that the following thoughts are worth keeping in mind:

❖ **While the B2C revolution may have cooled, B2C will retain an important role.**

B2C does enable closer ties to consumers. It has permeated the lives of consumers in the United States. While no one expects this area to be the focal point for all e-business activity in the future (which once may have been the case), report analysts do believe that it will continue to play an important role, particularly in enabling interactions with consumers via e-mail, providing product information and enabling market research. This is evidenced by the fact that companies are committed to decreasing the amount of time to respond to consumer e-mail comments, questions or complaints. This year, more than half of the respondents (53 percent) indicated that all or most consumer inquiries are answered within 24 hours. Only 4 percent of the survey responses indicated that most inquiries are not responded to at all (down from 11 percent last year).



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4

❖ **B2B is here to stay.** The largest companies in the CPG industry will be the ones to figure out how to make it work for their business with their biggest and most important customers. These transactions will form the basis for industrywide operating models.

❖ **B2E will enable companies to achieve focussed efficiencies within the four walls of their own organizations where they can have complete control. B2E will also pave the way for participation in B2B activities.** These initiatives will create internal integration and operating efficiencies. Ultimately, they are expected to enable B2B transactions, because the internal integration will prepare the organization to operate within a more collaborative business environment.

❖ **Emerging wireless/mobile technologies are leading to the rise of the “m-business/m-commerce” craze, enabling a-a commerce (anytime, anywhere).**

Is this the next hype curve, following the B2C and the B2B mania? The full implications of m-commerce are interesting to contemplate, but companies must be careful to distinguish what is real from what is not.

“The next wave is the aggressive posturing of e-business, whether e-marketplaces, the use of wireless technology for a number of applications, or delivering information to the field force. . . .”

Respondent
Quote



2001 E-Business Report Themes

In compiling this phase two of GMA's e-business report, survey analysts unveiled six distinct themes occurring in e-business in the CPG industry today. These themes include:

Theme One — E-business is a top priority.

The survey results are conclusive — e-business is a top priority. Sixty-six percent of senior business executives (CEO, President, CFO, COO and Functional VPs) and 83 percent of senior information technology executives (CIO, VP/IS) believe that e-business is a top priority.

This is up from 1999, when 57 percent of senior business executives and 76 percent of senior information technology executives believed e-business to be a top priority. It is interesting to note that 100 percent of the executives of the giant companies believe that e-business is a top priority. This is consistent with last year.



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5&6

In addition, 90 percent of the respondents agree or strongly agree that e-business technology and the capabilities that it provides will have profound effects on the business and operating models of successful CPG companies. And, 100 percent of the respondents at giant companies agree or strongly agree.



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7

Perhaps not surprisingly, the CPG industry is not perceived to be at the forefront of e-business activity. However, while few (5 percent) believe CPG to be a leader with respect e-business — when compared to other non-CPG industry sectors — this year more than half of the respondents (54 percent) believe that CPG is a quick follower, up from 40 percent last year.

Most CPG companies report having a developed and executed e-business strategy, and half (49 percent) of the respondents indicate that it is integrated into the overall business strategy. E-business is now an integral part of the CPG organization's normal business activities.

Theme Two — CPG companies are adopting a pragmatic approach to e-business

The general IT spending GMA survey reports that an increasing number of CPG companies view themselves as IT-conservative as compared to IT-aggressive. This year, 60 percent report themselves to be in the conservative segment, vs. only 39 percent last year. (See elsewhere on the GMA website for the text of the IT spending survey book.)



[Click here to go to explanatory graphic](#)

8



The conservative segment is defined to be those companies that want to stay current on technology but not get too far ahead in the field. Or, these companies indicate that they take a conservative approach, opting to use proven, mature technologies.

The aggressive segment is defined to be those companies that compete at the cutting edge of innovation and use IT as a competitive weapon. The aggressive companies also reported that they view IT as a critical and essential investment area, and invest in leading, but proven technologies.

CPG companies indicate that they believe that this industry is gaining ground compared with other industry sectors in the area of e-business. In 2000, 59 percent of the respondents indicated that they believe CPG to be either a leader or a quick adopter vs. other industries, and only 42 percent reported this last year. However, these same CPG companies also believe that they are beginning to lag behind their peer companies within the industry on e-business (34 percent report this year vs. 26 percent last year).

It is also interesting to note that 15 percent of the companies reporting this year (vs. only 10 percent last year) indicates that they believe that they are leaders vs. the other companies in the industry in the field of e-business. This supports the analysts' hypothesis that the "giants" are leading the way, and that there is an increasing disparity between the capabilities of these larger companies and the rest of the industry.



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Theme Three — The marketing and purchasing organizations are the primary drivers of e-business activity. IT is providing the enabling infrastructure.

Spending on e-business has more than doubled since last year, with approximately 0.4 percent of sales being spent on e-business last year and almost 0.9 percent of sales being spent this year. Projections for next year are for a further rise in spending — 1.2 percent of sales.



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10a

The total projected spending number for next year should, no doubt, be qualified. While the mean (i.e., the arithmetic average) spending is projected to be 1.2 percent of sales, the median (i.e., the amount of spending at which equal numbers of respondents anticipate spending more and equal numbers anticipate spending less) is considerably lower — 0.11 percent of sales. The mean is expected to be raised substantially by the anticipated spending of a small number of the largest, most aggressive companies.

An important point to note is that while overall levels of spending are increasing, so is the portion of spending that is occurring *outside* of IT. Last year only 24 percent of spending was outside of IT, while this year 61 percent was spent outside of the IT area.



The smaller companies plan to spend more within IT next year (80 percent of their total e-business spending), while the larger companies are planning a more even split in spending both within and outside of IT.

It is interesting that the giant companies are spending less on e-business than the large companies overall. Perhaps this is because the giants have already made the required major investments that the large companies overall are first making now. Or, perhaps this reflects a fixed cost of infrastructure, which appears to be reduced spending for the largest companies when expressed as a percentage of total sales.



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10 b-d

A somewhat similar story emerges when we compare the IT-conservative to the IT-aggressive companies. The more conservative companies plan to spend more within IT next year (70 percent of total spending), while the aggressive companies are planning a fairly even split in spending within and outside of IT (51 percent within and 49 percent outside of IT).

It is also not surprising that the IT-aggressive companies spend more in total than the IT-conservatives. This year the IT-aggressives spent 1.76 percent of sales on e-business, while the IT-conservatives spent only 0.29 percent — the difference in spending was almost six-fold.



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10 e&f

The IT organization has the highest level of activity with respect to strategy creation, e-business funding, application design and e-business operations. Since IT is an enabling function, these increased levels of activity in IT reflect an enhanced level of activity across the enterprise.

This year's survey results also indicate that companies are increasingly looking to external resources to manage web activities. Perhaps this is due to the fact that it is hard to attract talent. Perhaps this is due to the increased complexity of e-business and the demands it places on the organization. Or, perhaps this is the result of companies focussing on core competencies — and the realization that management of web activities may not fall into their core competency area.



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11



"The Web is more a tool than a silver bullet or panacea — there is a lot of hype."

"The e-business spokesperson works with IT and others to deliver a total solution."

Respondent
Quotes

CPG companies are not reporting that a significant number of staff members are focussed solely on e-business activity. This year's survey results indicate a total of 14.4 full-time equivalent staff working on e-business activity — up from 11.3 in last year's survey. However, the number of incremental headcount reported this year is 2.8 — down from last year's incremental headcount of 3.5.

No dominant organizational structure emerges for these staff members — 35 percent report that these FTE's are centralized, and 32 percent report that they are dispersed throughout the organization. However, when we focus on the giant companies, we do see that a dominant structure emerges: 60 percent are centralized while only 20 percent are dispersed. This is consistent with the overall IT trend in the CPG industry towards centralization.



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12

As is often the case with new technologies, the initial ventures spring up all over the organization as individuals in grass roots efforts embrace the new technology (e.g., the use of the PC in the early 1980s). As the industry moves toward more of a steady state, the efforts generally become more mainstream, and it is appropriate for one, centralized group to take over the maintenance and future enhancements that are required.

It is interesting to know that an increasing number of CPG companies have considered creating an entirely separate business entity or dot-com spin-off to house these employees and capture the value of e-business activities. The 1999 survey results indicated that 71 percent of the respondents had not considered creating and spinning off a separate dot-com company, while only 33 percent of this year's respondents indicated the same. However, while more companies consider this, many more also decided definitely not to create a separate company (46 percent this year vs. only 7 percent last year).



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Theme Four — E-business investments are evaluated on strategic criteria.

The principal basis used to evaluate investments in e-business activities or projects was largely strategic in both the 1999 and the 2000 surveys. This is true across company size classifications and likely results from the fact that determining financial returns on e-business investments is difficult to do.



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14



In fact, unclear return on investment remains the number one barrier to e-business, although confusion over exchanges looms large. It is also interesting to note that security issues and concerns about changing technology decreased this year.

While security issues fell overall in 2000 (with 32 percent of the companies citing this as a concern compared to last year's 36 percent), these concerns have increased among the giants, with 60 percent of the giants reporting security as a concern this year — up from 50 percent in 1999. The driver of these results most likely is the fact that the giants are almost entirely global or at least multi-national companies; thus, these companies are, in all likelihood, forced to confront the more stringent European privacy laws.



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Theme Five — Current priorities emphasize e-business infrastructure and internal operational efficiency.

Overall, improvements in the efficiency/productivity of internal operations are the biggest motivator for e-business activity. Increasing the efficiency of trading partner transactions also is rated highly as an e-business motivator.



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16

A review of the e-business areas that experienced the largest increases in activity also supports the idea that internal efficiency and collaborative infrastructure are the key drivers. Supply chain activities — including integration, planning, indirect/direct procurement and inventory management — topped the list of areas with the largest activity increases. These areas are also seen as providing the biggest benefits.



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While survey results indicate an increased emphasis on collaborative infrastructure, some infrastructure-related barriers/inhibitors need to be considered — data accuracy and timeliness. Overall, approximately one-third of respondents do not consider these data issues to be a problem for purchase orders, advanced shipping notices and invoices. However, *none* of the giant companies agree: 67 percent of these companies consider data accuracy to be at least a minor issue and 80 percent of these companies consider data timeliness a minor issue.



[Click here to go to explanatory graphic](#)

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Participation in Transora — the industry marketplace formed by a consortium of CPG manufacturers — is strong, with 44 percent of the respondents being equity members of the exchange. However, it is also important to note that 15 percent of the respondents indicate that they do not expect to be a participant at all. Perhaps this is an indication of a frustration with Transora's slow start in providing both an enabling infrastructure for B2B and a range of meaningful service offerings to its participants.



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19

Awareness of UCCnet, another component of the B2B enabling infrastructure, went up from 83 percent in 1999 to 90 percent in 2000. However, only 21 percent of respondents are aware and currently using UCCnet services. An additional 23 percent plan to begin using UCCnet services within 12 months, resulting in a total of 44 percent.



[Click here to go to explanatory graphic](#)

20

Global Trade Identification Numbers (GTIN) and Global Location Numbers (GLN) represent enabling standards. Currently, more than half of the respondents indicate that they have no plans to implement use of these numbers. This reluctance could, no doubt, create complications in the development of the required collaborative infrastructure, further slowing widespread B2B progress.



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21

It is interesting to note, however, that among the giants, only 25 percent of the respondents indicate that they have no plans to implement use of the GTIN and GLN numbers. This is another example of how the giants are leading the way in the e-business arena.

Theme Six — The B2B stalemate will be unlocked by a segmented approach.

Conceptually, it would make sense for the industry to have one mode of communication with all trading partners, perhaps via an industry exchange. However, more pragmatically, the survey results reflect the fact that the industry expects to have several modes of communication, indicating the varied requirements of the trading partners as well as the expenses associated with some communication modes.



[Click here to go to explanatory graphic](#)

22

Not surprisingly, results indicate that more B2B transactions (purchase orders, advanced shipment notices, invoices, payments, item maintenance and price changes) will be conducted over the Internet in the future. And, the number of inefficient, paper-based transactions will decrease. This is true for companies of all sizes, but especially for the larger companies as they blaze the path forward for the industry overall.



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23



The end-state vision for how individual B2B transactions will be processed supports this overall conclusion:

End-State Vision on Future B2B Transactions

	Paper	EDI	Web
Purchase Orders	23%	53%	44%
Advanced Shipment Notices (ASNs)	34%	40%	47%
Invoices	27%	56%	46%
Payments	36%	46%	52%
Item Maintenance	18%	8%	33%
Price Changes	33%	33%	59%
Overall	29%	39%	47%

The respondents' perspectives on the anticipated impact of the Internet on traditional EDI is varied, although almost half (45 percent) believe that the Internet will complement traditional EDI. However, all are in agreement that there will be *some* impact on traditional EDI.



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"Traditional EDI won't go away. Everyone has a lot invested in it. EDI will convert to XML."

Respondent
Quote



Survey Profiles

I. 2000 - Small and Medium Enterprises (SME) Profile

- ❖ Of the SME companies 78 percent were classified as conservative and 22 percent as aggressive, a ratio of almost four to one.

- ❖ SME Conservative Demographics:

Percentage of Total Sample	36 Percent
Average 2000 Revenues	\$436 Million (From Public Information)
	\$550 Million (Interpolated From Survey)
Mean Number of Employees	2,370
Revenue Growth '99>'00	5 Percent
IT Spending (Percentage of Sales)	1.07 Percent
E-business Spending (Percentage of Sales)	0.29 Percent

- ❖ SME Aggressive Demographics:

Percentage of Total Sample	10 Percent
Average 2000 Revenues	\$471 Million (From Public Information)
	\$630 Million (Interpolated From Survey)
Mean Number of Employees	1,463
Revenue Growth '99>'00	13 Percent
IT Spending (Percentage of Sales)	1.48 Percent
E-business Spending (Percentage of Sales)	0.35 Percent



E-Business Profile: Small and Medium CPG Manufacturers

SME Segment	IT Conservative Companies	IT Aggressive Companies	Implications
E-Business Strategy	Almost half (43%) of these companies reported that activity is first underway to develop an e-business strategy.	Half of these companies reported that their e-business strategy is integrated into their overall business strategy.	The IT Aggressive companies have more well-developed e-business strategies.
E-Business Investment Evaluation Criteria	29% of these SME companies report that they follow the leader when making e-business investments.	0% of these SME companies report following the leader as an evaluation criteria.	The conservative companies are content to let others lead the way in the e-business arena.
E-Business Level of Activity, by Functional Area	The top three functional areas reporting e-business at moderate-high levels of activity in 2000: Marketing (50%); Sales (36%); IT (28%)	The same three areas reported the highest levels of e-business activity in 2000: IT (75%); Marketing (50%); Sales (50%)	Overall, more e-business activity reported by the IT-aggressive companies; but activity in marketing was the same for both segments. (An indication of how important marketing is in e-business activity?)
E-Business Budgets	Approximately half of e-business budget was spent within IT (47%) and half spent outside of IT (53%) this year. Next year, just over three-quarters (76%) of the budget is planned to be spent within IT.	Virtually the entire e-business budget was spent within IT (99%). This is anticipated to be the same next year.	The rationale behind this finding is unclear. Perhaps the aggressive companies have a more focussed approach to spending?
E-Business Staffing	These companies reported 1.7 full-time equivalents, with only 0.6 positions incremental.	These companies reported 1.5 full-time equivalents, with only 1.3 positions incremental.	Overall, similar staffing levels, but the aggressives have slightly more than double the amount of incremental staffing. (Does this mean that staff within the aggressive companies is more fully utilized on other efforts?)
E-Business Organization	Almost half (46%) report no organization; with the remaining companies evenly split between centralized and dispersed.	Evenly split (50/50) between centralized and dispersed.	While no overall dominant organizational structure is in place, the aggressive companies have decided upon a structure that works best for them.
E-Business Motivators	#1 motivator: Increase internal efficiency (64% reporting). #2 motivator: Increase efficiency of trading partner transactions, increase organizational productivity and defend current market share position (all reporting at 50%).	#1 motivator: Increase internal efficiency (75% reporting). #2 motivator: Increase efficiency of trading partner transactions, increase sales with trade customers and create overall market demand growth (all reporting at 50%).	While the overall motivational profile is quite similar, the more aggressive segment looks to e-business to generate growth as well as efficiencies.
E-Business Transactions	Currently, no transactions taking place over the Web. End-state calls for approximately 40% of all B2B transactions taking place over the Internet.	Almost 20% of all item maintenance and price change notifications take place over the Internet today. In the future, approximately 20-35% of all purchase orders, ASNs and invoices will take place this way, while 45-60% of all payments, item maintenance and price changes will take place over the Internet.	The aggressives have a more segmented approach to using the web for B2B transactions. Certain activities seem to be more attractive for the Internet.
B2B Barriers	50% report data accuracy and 55% report data timeliness are major or minor issues in collaborative commerce.	67% report data accuracy and 50% report data timeliness are major or minor issues in collaborative commerce.	Data accuracy appears to be a bigger stumbling block for the aggressives, while data timeliness is relatively more of an issue for the conservatives.
Overall E-Business Barriers	Top 3: unclear ROI, uncertainty about exchanges and other priority capital projects. Lack of business sponsorship also cited by more than half of respondents.	Top 3: unclear ROI, uncertainty about exchanges and other priority capital projects.	Similar concerns, regardless of segment.
Use of Transora	A somewhat mixed approach to Transora: 21% are members, 57% expect to use Transora but will not be members, and 21% do not expect to use the service at all.	100% of these companies expect to use Transora, but none will be equity participants.	No clear implications — although overall, most are prepared to use the service if it is made available to them.



II. 2000 — Large Companies Profile

- ❖ Forty-three percent of the large companies are classified as conservative and 57 percent as aggressive, a ratio of almost one to one.

- ❖ Large Conservative Demographics:

Percentage of Total Sample	21 Percent
Average 2000 Revenues	\$9,024 Million (From Public Information)
\$7,556 Million (Interpolated From Survey)	
Mean Number of Employees	22,733
Revenue Growth '99>'00	3 Percent
EBITDA Percentage of Sales	8 Percent
Change in S/H Value '97>'99	(12) Percent
IT Spending (Percentage of Sales)	1.60 Percent
E-business Spending (Percentage of Sales)	0.24 Percent

- ❖ Large Aggressive Demographics:

Percentage of Total Sample	31 Percent
Average 2000 Revenues	\$10,664 Million (From Public Information)
\$6,115 Million (Interpolated From Survey)	
Mean Number of Employees	23,085
Revenue Growth '99>'00	5 Percent
EBITDA Percentage of Sales	16 Percent
Change in S/H Value '97>'99	(2) Percent
IT Spending (Percentage of Sales)	1.80 Percent
E-Business Spending (Percentage of Sales)	0.76 Percent



E-Business Profile: Large CPG Manufacturers

Large Segment	IT Conservative Companies	IT Aggressive Companies	Implications
E-Business Strategy	78% of these companies reported e-business strategy is integrated into business strategy.	67% report e-business strategy is integrated into business strategy, and 67% report that their e-business strategy is developed and executed at division level.	Most companies in this segment have tackled the issue of developing an e-business strategy.
E-Business Investment Evaluation Criteria	The #1 criteria used for evaluating investments in e-business (with 78% of these companies selecting) is whether they consider it to be a cost of doing business.	92% of these companies report strategic reasons was the prime criteria in evaluating e-business investments.	The aggressive segment is making investments strategically, while the conservative segment is slightly more reactive.
E-Business Level of Activity, by Functional Area	Top 3 functional areas reporting e-business moderate to high levels of activity in 2000: Marketing (89%); IT (67%); Purchasing (66%).	The same areas reported the highest levels of e-business activity in 2000: Marketing (92%); IT (75%); Purchasing (67%).	Overall, perhaps not surprisingly, slightly more e-business activity reported by the IT-aggressive companies.
E-Business Budgets	Approximately half of e-business budget was spent within IT (51%) and half spent outside of IT (49%) this year. Next year, the situation should largely be unchanged.	34% of e-business budget spent within IT, and 66% spent outside of IT. Next year, approximately half of budget is planned to be spent within IT (47%) and the remainder outside of IT (53%).	The aggressive companies appear to be taking a more holistic approach to e-business; it is not just a set of technology initiatives.
E-Business Staffing	These companies reported 13 full-time equivalents working on e-business activities, with only 4.8 positions incremental.	These companies reported 36.5 full-time equivalents, with only 4.3 positions incremental.	The aggressive segment has nearly three times the number of FTEs, but almost the same number of incremental staff; this may reflect higher amount of activity in this area.
E-Business Organization	44% centralized, 22% decentralized and 33% dispersed within the departments of the organization.	45% centralized, 18% decentralized and 36% dispersed within the departments of the organization.	While no overall dominant organizational structure is in place, both segments have fairly similar profiles.
E-Business Motivators	#1 motivator: Increase internal efficiency (100% reporting) #2 motivator: Increase efficiency of trading partner transactions, lower procurement costs and defend current market share position (all reporting at 89%).	#1 motivator: Increase internal efficiency and increase organizational productivity (100% reporting) #2 motivator: Increase efficiency of trading partner transactions (92% reporting).	Overall motivational profile is quite similar, companies in both of these segments are looking to generate efficiencies.
E-Business Transactions	Currently, virtually no transactions take place over the Web. End-state calls for approximately 50-60% of all B2B transactions to take place over the Internet (except for item maintenance, where only 20% are anticipated to take place over the Web).	Almost one fifth (18%) of all price changes take place over the Web today. In the future, approximately 50-60% of all purchase orders, ASNs, invoices and payments will take place over the Web, while only 14% of item maintenance and 75% of price changes will take place there.	Both segments appear to be hesitant to use the Web as the primary transaction place for item maintenance.
B2B Barriers	77% report data accuracy and 82% report data timeliness are major or minor issues in collaborative commerce.	53% report data accuracy and 44% report data timeliness are major or minor issues in collaborative commerce.	Data accuracy appears to be a bigger stumbling block for aggressives, while data timeliness is relatively more of an issue for conservatives. Overall, aggressives do not report as many issues as conservatives.
Overall E-Business Barriers	Top 3: unclear ROI, uncertainty about exchanges and other priority capital projects. Technology adoption/penetration in consumer households also cited by almost half of respondents as a barrier.	Top 3: unclear ROI, channel conflicts and uncertainty about exchanges.	Both segments are most concerned about ROI and industry exchanges.
Use Of Transora	56% are members and 44% expect to use Transora but will not be members.	A somewhat mixed approach to Transora: 73% are members, 9% expect to become members, and 18% do not expect to use the service at all.	No clear implications – although it is interesting to note that 18% of the aggressives do not plan to use Transora at all.



III. 2000 — “Giant” Companies Profile

Sixty percent of these companies were classified as conservative and 40 percent as aggressive

E-Business Profile: Giant CPG Manufacturers

Large Segment	
E-Business Strategy	80% of these companies reported that their e-business strategy is integrated into their overall business strategy.
E-Business Investment Evaluation Criteria	100% of these companies indicated that strategic reasons and ROI are the most important criteria for evaluating investments in e-business .
E-Business Level of Activity, by Functional Area	The functional areas reporting the most e-business at moderate to high levels of activity in 2000: marketing, IT, purchasing and customer service.
E-Business Budgets	Approximately half of the total e-business budget was spent within IT (53%) and half was spent outside of IT (47%) this year. Next year, the situation is expected to be largely unchanged.
E-Business Staffing	Companies reported 67.2 full time equivalents working on e-business activities, with only 7.7 positions incremental.
E-Business Organization	60% centralized, 20% decentralized and 20% dispersed within the departments of the organization.
E-Business Motivators	100% of these companies reported the following motivators: Increase internal efficiency Increase efficiency of trading partner transactions Increase sales with trade customers Lower procurement costs Defense of current market share position Increased understanding of consumer Build consumer brand(s).
E-Business Transactions	Currently, virtually no transactions take place over the Web. End-state calls for approximately 55-80% of all B2B transactions to take place there (except item maintenance, where only 10% of transactions are anticipated over the Web).
B2B Barriers	100% report that data accuracy and data timeliness is a major or minor issue in collaborative commerce.
Overall E-Business Barriers	Unclear ROI and security issues are the two biggest barriers, with 60% of companies in this segment reporting these as issues.
Use Of Transora	100% are current equity participants of Transora.



Survey Methodology and Demographics

Forty of the 140 GMA members polled responded to this year's survey or a 29 percent response rate. Survey data were collected in the fourth quarter of 2000. Throughout the report, references to years indicate the year in which the data were collected, not the year of the report, which lags the data collection by one year.

The demographics of this year's respondents were, once again, virtually identical to last year's sample characteristics. Consistency in sample composition further strengthens the findings and trends reported in this year's report.

Additional data were collected from publicly available financial sources to augment the survey data with business performance data. While the surveys are received by CSC without company identification, GMA did provide company names in four groupings (large-IT-conservative, large-IT-aggressive, SME-IT-conservative and SME-IT-aggressive). While this left the individual surveys anonymous to CSC, it did enable a correlation of trends and business performance.

Reporting Perspective

Sixty-two percent of respondents reported from a global corporate perspective within their company. Another 26 percent reported from a domestic-only corporate vantage point. The remaining 12 percent reported from their division's perspective.

Company Size

In terms of size, the respondent profile is also similar to the past. The revenue category defined as companies with annual revenues greater than \$10 billion changed the most. In this year's survey, it represents 12 percent of the sample, whereas in last year's survey this group represented a third of that number at 4 percent.

Companies with sales less than \$10 billion but greater than or equal to \$3 billion represented 27 percent of this year's sample. This is consistent with last year. Companies with annual sales revenue less than \$3 billion but greater than or equal to \$1.5 billion make up 15 percent of this year's sample — down from roughly 20 percent. This group appears to be the one that has shrunk the most to make way for the growth in the \$10+ billion category. This may be indicative of the high level of mergers and acquisitions in the industry.

These three revenue-class groupings of greater than or equal to \$1.5 billion make up the "large" segment of the sample. Collectively, this segment makes up 54 percent of the sample. Patterns, priorities and organizations within this group are similar and are quite different from the other smaller respondents with annual revenues less than \$1.5 billion. The small and medium enterprises (SME) segment represents the remaining 46 percent of the respondents.



These SME companies are composed of the following: 27 percent have revenues less than one-half a billion dollars, and 20 percent have annual revenues of less than \$1.5 billion. These percentages have been extremely consistent, as has the 46/54 breakdown between the SME and the large segments in the survey samples. This SME/large categorization is used throughout the report to examine spending and trends.

2000 GMA IT Technology Study

Part Two:

The Impact of E-Business Within the GMA Member Community

Conducted by CSC Consulting

In the past five years, the Internet and World Wide Web have burst into the mainstream of the world's consciousness like few other technologies in recent memory. New businesses have emerged, new consumer conveniences are being realized, and many existing businesses have undergone, or are undergoing, fundamental transformation. In part two of this year's GMA IT Spending Survey, we would like to explore the impact of e-business within the GMA community. First, a definition is in order.

E-Business: As used in this study, "e-business," refers to the collective business impact of the inter-networked digital technologies that include the Internet, intranets, extranets and the World Wide Web. By definition, e-business refers to the exchange of business transactions (e.g., item, price, order, invoice and payments) between trading partners. E-business also includes direct-to-consumer marketing and sales and other non-transactional interactions that occur within or between companies that are enabled or supported by inter-networked digital technology. This definition, and the distinctions it makes between high-level e-business and the transactions and activities that e-business comprises, are important to remember as you complete this survey.

<i>Name:</i> _____	<i>Title:</i> _____
<i>Company:</i> _____	<i>Address:</i> _____
<i>Phone:</i> _____	_____
<i>e-Mail</i> _____	<i>City:</i> _____
<i>Fax:</i> _____	<i>State/ZIP:</i> _____

To ensure confidentiality of responses, this cover page will be detached upon receipt prior to tabulation.

A. Company Demographics

1. At which company level are you reporting?

- a. Corporate (including international)
- b. Domestic corporate
- c. Division
- d. Subsidiary

(Please ensure that all succeeding answers relate only to the company level you indicated above.)

B. Overall View

1. Is e-business a top business priority for senior business executives (CEO, President, CFO, COO and Functional VPs) within your company?

- Yes
- No
- Don't know

2. Is e-business a top business priority for senior information technology executives (CIO, VP/IS) within your company?

- Yes
- No
- Don't know

3. E-business technology and the capabilities it provides will have profound impacts on the business strategies and operating models of successful CPG companies.

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

4. Where do you believe the consumer packaged goods industry is with respect to e-business when compared against other non-CPG industry sectors that you believe are the farthest ahead in their adoption of e-business?

- The CPG industry is the leader with respect to other industry sectors.
- The CPG industry will be a quick adopter following other industries.
- The CPG industry will be a laggard.
- The CPG industry will be a non-adopter of e-business.

5. Where do you believe your company is with respect to e-business when compared against other consumer packaged goods companies?

- My company is leader with respect to other CPG companies.
- My company will be a quick adopter following CPG companies.
- My company will be a laggard relative to other CPG companies.
- My company will be a non-adopter of e-business.

6. Mark all that apply to your company's e-business strategy.

- We do not have an e-business strategy.
- E-business strategy is comprehensive across the entire corporation.
- E-business strategy is developed and executed at the division level.
- E-business strategy is departmentally developed and executed.
- E-business strategy is an IT/technical strategy.
- E-business strategy is integrated into our business strategy.
- Our e-business strategy fundamentally altered our overall business strategy.
- Activity is underway to develop an e-business strategy.

C. Current Approach to E-Business

1. Please rate the level of activity (H = High, M= Moderate, L= Low, blank = no activity) below corresponding to where the various aspects of e-business decision-making and operations are currently taking place within your organization.

	Strategy Creation			E-Business Funding			Application Design			E-Business Operations		
	L	M	H	L	M	H	L	M	H	L	M	H
Corporate Level	-	-	-	-	-	-	-	-	-	-	-	-
Operating Division	-	-	-	-	-	-	-	-	-	-	-	-
Physical Locations	-	-	-	-	-	-	-	-	-	-	-	-
IT Organization	-	-	-	-	-	-	-	-	-	-	-	-
Other Departments	-	-	-	-	-	-	-	-	-	-	-	-
Project-Level	-	-	-	-	-	-	-	-	-	-	-	-
Outsourced	-	-	-	-	-	-	-	-	-	-	-	-

2. Has your company created a separate business entity or dot-com spin-off company to handle e-business?

- Yes, we have spun off a separate dot-com unit (subsidiary, tracking stock, etc.).
- Have considered creating and spinning off a separate dot-com company.
- Have not considered creating and spinning off dot-com company.
- Have decided to definitely not create a separate dot-com company.

3. What criteria are used for evaluating investment in e-Business activities or projects?

- ROI
- NPV
- Follow the leader
- Strategic reasons
- "Gut feel"
- Cost of doing business
- All of the above
- None of the above
- Other, specify _____

4. Please rate the current level of e-business activity within each of the functional areas of your company listed below.

	<u>None</u>	<u>Low</u>	<u>Moderate</u>	<u>High</u>
Finance	-	-	-	-
Information	-	-	-	-
Marketing	-	-	-	-
R&D/new products	-	-	-	-
Manufacturing	-	-	-	-
Distribution	-	-	-	-
Transportation	-	-	-	-
Human resources	-	-	-	-
Purchasing	-	-	-	-
Trade marketing	-	-	-	-
Sales	-	-	-	-
Customer service	-	-	-	-
Other	-	-	-	-

5. Please estimate your company's annual spending on e-business as a percentage of sales both within and outside the IT function.

	E-business Spending as a % of Sales		
	<u>Last Year</u>	<u>Current Year</u>	<u>Next Year</u>
Within the IT function	_____ %	_____ %	_____ %
Outside the IT function	_____ %	_____ %	_____ %
Total Company	_____ %	_____ %	_____ %

6. Please rate, using scale below, how your company's E-business investments and resources are being allocated to the general categories of e-business listed below.

- Blank No focus or resources deployed.
- L Low-level of focus and/or resources deployed.
- M Moderate focus or resources deployed.
- H High degree of focus and/or resources deployed.

E-Business Area of Focus	Current Year			Next Year		
	L	M	H	L	M	H
E-Business-to-Consumer	-	-	-	-	-	-
Internal Business Functions (Intranets)	-	-	-	-	-	-
Business-to-Operating Partners (Co-Packers, 3PL)	-	-	-	-	-	-
Business-to-Trade Customers	-	-	-	-	-	-
Business-to-Direct Suppliers (Raw Materials)	-	-	-	-	-	-
Business-to-Indirect Suppliers (MRO, Supplies)	-	-	-	-	-	-
Business-to-Service Providers	-	-	-	-	-	-

7. How many e-business specific positions (on a Full-Time Equivalent basis) have been created since the beginning of e-business activity within your overall organization? How many of these positions represent new, incremental headcount to the organization?

	<u>E-Business Positions</u>	<u>Incremental Headcount</u>
Business	_____	_____
Information technology	_____	_____
Outside resources	_____	_____
Other; specify:	_____	_____
_____	_____	_____

8. How are these FTE's organized?

- Separate business unit, e.g., dot-com company
- Centralized within the organization
- De-centralized organization
- Dispersed within the departments of the organization
- No organization

9. How would you characterize the integration of your current and planned e-business technologies, plus the associated applications, within your existing applications environment?

	<u>Current</u>	<u>Planned</u>	<u>No Plans</u>
Stand alone (outsourced operations)	-	-	-
Stand alone (in-house)	-	-	-
Interfaced with a few application systems	-	-	-
Interfaced with core ERP system	-	-	-
Integrated with a few application systems	-	-	-
Integrated with core ERP system	-	-	-
Web applications are core systems	-	-	-

D. E-Business Benefits/Opportunities

1. What is motivating your company's investment in e-business? Mark all that apply.

- We see little or no opportunity and are not investing in e-business.
- Control of channel.
- Create overall market demand growth (create new demands).
- Market share growth (take from competition).
- Defend current market share position.
- Increase sales – direct to consumers.
- Increase sales – with trade customers.
- Cut purchase prices/lower procurement costs.
- Increase internal efficiency.
- Increased understanding of consumer and consumer needs.
- Increase efficiency of trading partner interactions/transactions.
- Increase organizational productivity.
- Consumer brand building.
- Other – specify: _____

2. What do you believe the impact of the Internet will be on traditional EDI (via store-and-forward value-added networks) in the next five years?

- Traditional EDI will be replaced by Internet technologies using EDI standards.
- Traditional EDI will be replaced by Internet technologies using new or other standards.
- E-business technology replaces transaction-based standards with standards for process integration.
- Internet complements traditional EDI.
- No change or impact on traditional EDI.

3. Please indicate current e-business activity within your organization and, to the right of each function/process, please rate each by its potential for long-term improvements.

	Current Activity	Business Process	Potential Benefits			
			High	Med	Low	None
<i>Customer Acquisition</i>	-	Brand development	-	-	-	-
	-	Consumer advertising	-	-	-	-
	-	Direct-to-consumer promotions	-	-	-	-
	-	Trade customer acquisition	-	-	-	-
<i>Sales and Demand Fulfillment</i>	-	Direct-to-consumer sales	-	-	-	-
	-	Trade customer transactions (EDI)	-	-	-	-
	-	Trade customer care and service	-	-	-	-
	-	Trade customer self-automation	-	-	-	-
<i>Manufacturing and Supply Chain Operations</i>	-	Supply chain integration	-	-	-	-
	-	Manufacturing operations	-	-	-	-
	-	Supply chain planning	-	-	-	-
	-	Inventory management	-	-	-	-
<i>Procurement</i>	-	Commodity market purchasing	-	-	-	-
	-	Direct materials purchasing	-	-	-	-
	-	Indirect materials purchasing	-	-	-	-
<i>Product Development</i>	-	Supplier development	-	-	-	-
	-	Product development	-	-	-	-
	-	Package design and development	-	-	-	-
	-	Consumer feedback	-	-	-	-
	-	Consumer samples	-	-	-	-
<i>Internal Services</i>	-	Human resources	-	-	-	-
	-	Corporate communications	-	-	-	-
	-	Finance/accounting	-	-	-	-
	-	Legal	-	-	-	-

2. For the following transactions, to what extent is lack of item and price synchronization inhibiting your progress in collaborative commerce?

	Data Accuracy			Data Timeliness		
	Major inhibitor	Minor inhibitor	Not a problem	Major inhibitor	Minor inhibitor	Not a problem
Purchase Order	-	-	-	-	-	-
Advance Ship Notice	-	-	-	-	-	-
Invoice	-	-	-	-	-	-

3. What is your participation in Transora, the industry marketplace formed by a consortium of CPG manufacturers?

- Current equity participant.
- Expect to become an equity participant.
- Expect to be a user but not an equity participant.
- Do not expect to be a user.

4. Are you aware of the services offered by UCCnet?

- Aware and currently using UCCnet services.
- Aware and plan to begin using UCCnet services within 12 months.
- Aware but have no plans to implement within 12 months.
- Aware of UCCnet but unclear on services offered.
- Not aware of UCCnet.

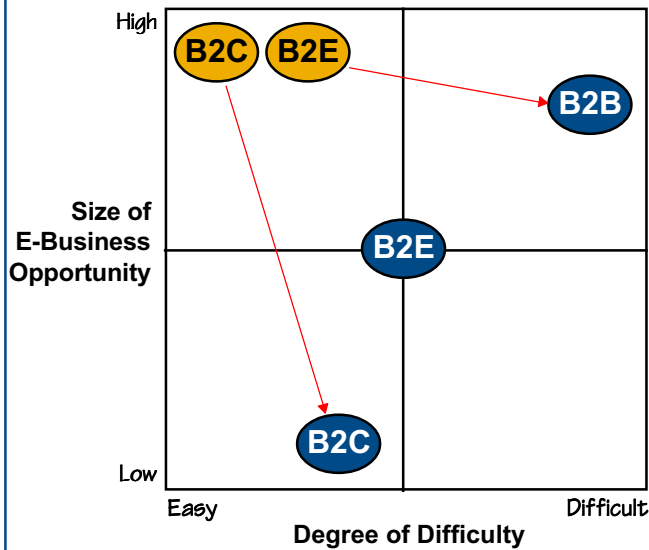
5. Looking three to five years in the future, how do you expect you will link your processes to your customers?

	Large Customers		Small Customers	
	Primary	Secondary	Primary	Secondary
Direct integration of business processes	-	-	-	-
Both parties connected through a single CPG-focused exchange (e.g., Transora)	-	-	-	-
Both parties connected through a single retail-focused exchange (e.g., GNX, WRE)	-	-	-	-
Through a CPG-focused exchange connected to customers through a retail-focused exchange	-	-	-	-

6. What stage is your company currently regarding the implementation of GTIN (Global Trade Identification Numbers) and GLN (Global Location Numbers)

	GTIN	GLN
Fully implemented	-	-
Partially implemented	-	-
Planning	-	-
No plans to implement	-	-

CPG Industry Perceptions of E-Business



B2C fell out of favor as the realization emerged that the size of the true opportunity was much less than had been anticipated.

B2B is still perceived as a large opportunity but one that will be much harder to implement than initially thought.

B2E is more focused in scope and is currently perceived as being both relatively easy to implement as well as a significant opportunity area.

- Initial Perception
- Current Perception

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E-Business Level of Activity

2

Functional Area	Overall Increase (+) or Decrease (-) in Activity Over Last Year	Percentage Reporting Medium or High Levels of Activity This Year
Marketing	+	71%
Purchasing	+	44%
Human Resources	+	32%
IT	-	59%
Sales	-	44%
Trade Marketing	-	29%
Customer Service	-	31%
Finance	-	15%
Manufacturing	-	12%
R&D/New Products	-	10%

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A Segmented Approach to B2B

3

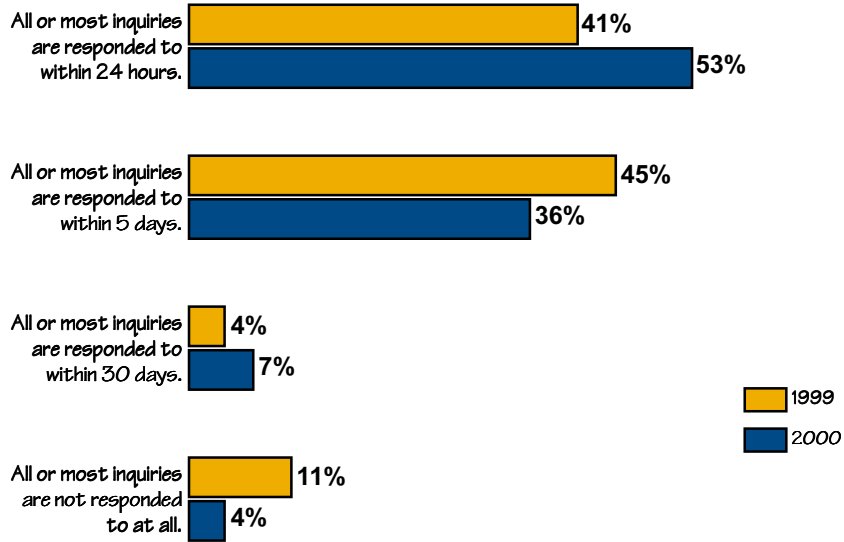
CPG Manufacturers	Large	<ul style="list-style-type: none">• CPG Exchange• Customer Self Service	<ul style="list-style-type: none">• Direct Process Integration
	Small and Medium Enterprises (SME)	<ul style="list-style-type: none">• CPG Exchange• Retail Exchange• Fax/Phone/Paper	<ul style="list-style-type: none">• Retail Exchange
		Small and Medium Enterprises (SME)	Large

Customers

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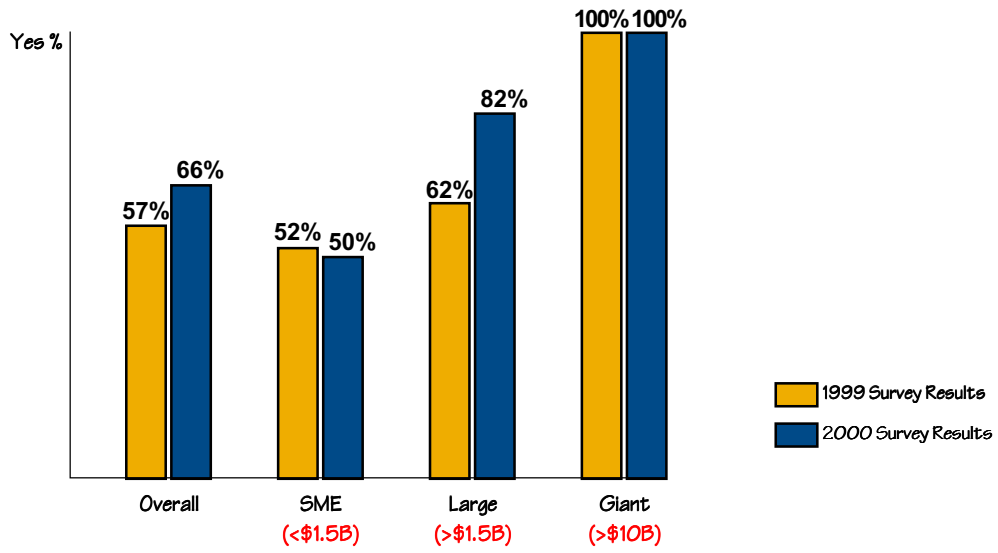
Source: CSC Analysis

Corporate Commitment to Consumer Follow-Up



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Is e-business a top priority for senior business executives?

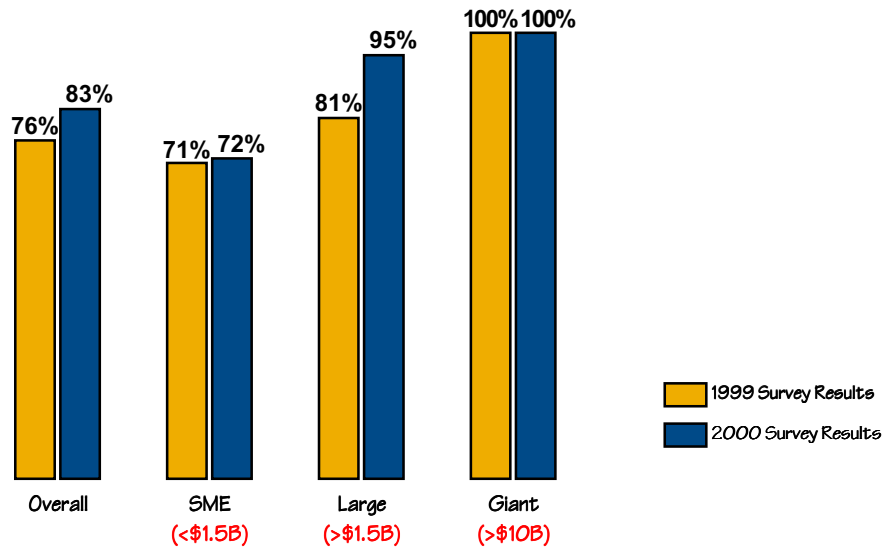


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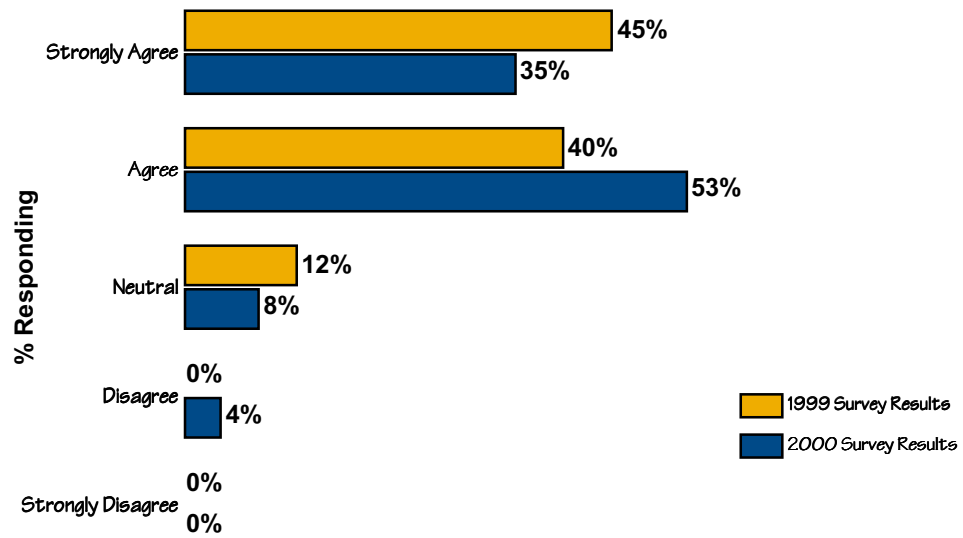
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Is e-business a top priority for senior IT executives?



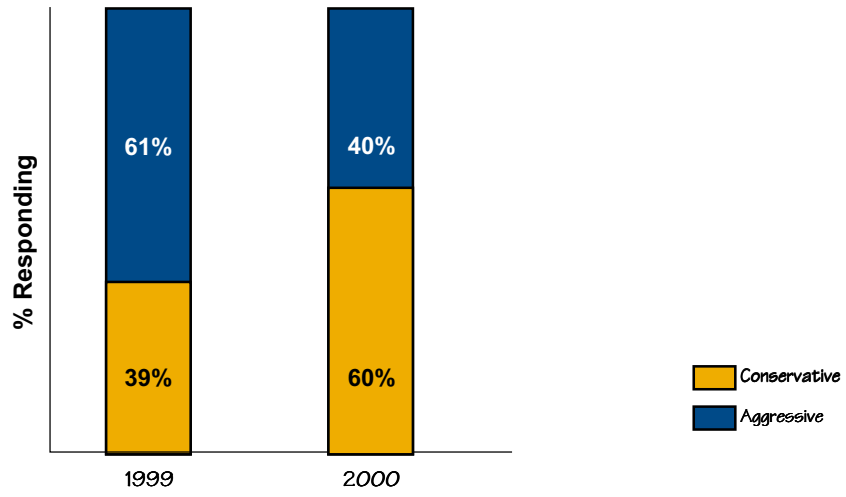
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E-business will have profound impacts on the CPG industry.



IT Strategic Profile

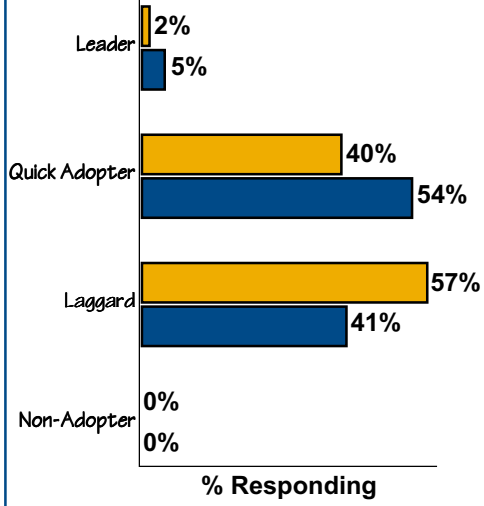
8



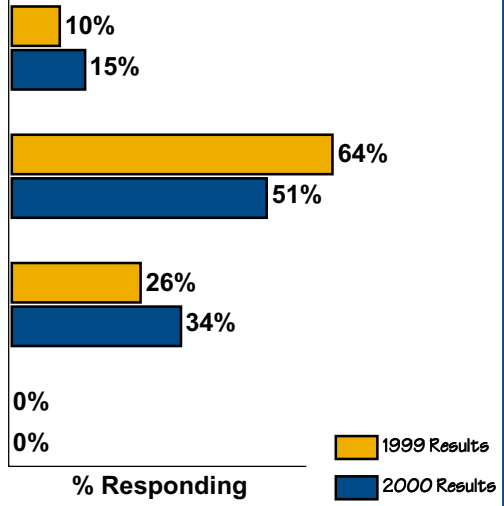
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Relative CPG Positioning

CPG vs. Other Industries



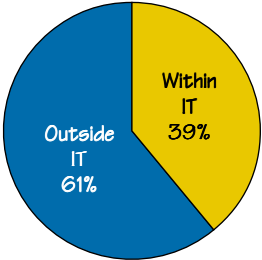
Your Company vs. CPG Industry



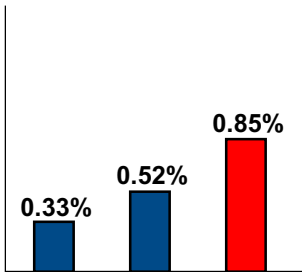
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Annual E-Business Spending — Overall

This Year



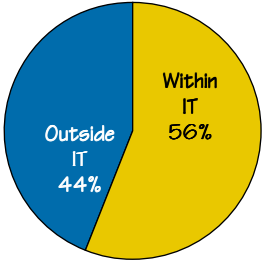
Mean % of Sales



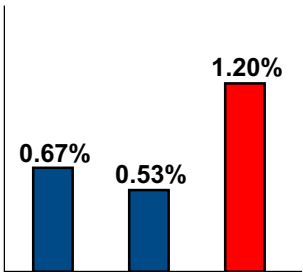
Median % of Sales:

Category	Median % of Sales
Within IT	0.03%
Outside IT	0.02%
Total	0.05%

Next Year



Mean % of Sales



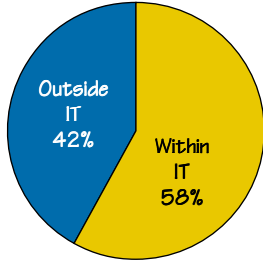
Median % of Sales:

Category	Median % of Sales
Within IT	0.06%
Outside IT	0.05%
Total	0.11%

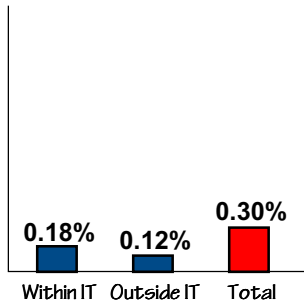
**Annual E-Business Spending —
Small and Medium Enterprises**

10b
go
to
10c

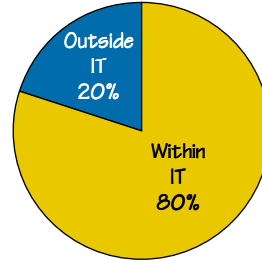
This Year



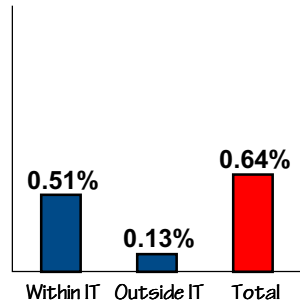
Mean
% of Sales



Next Year



Mean
% of Sales

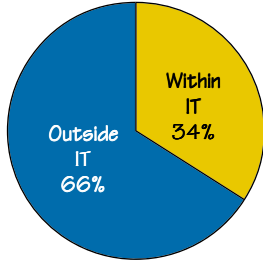


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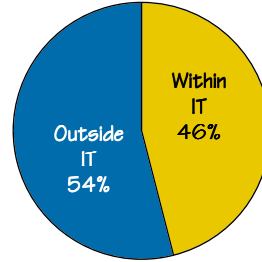
Annual E-Business Spending — Large Companies

10c go to 10d

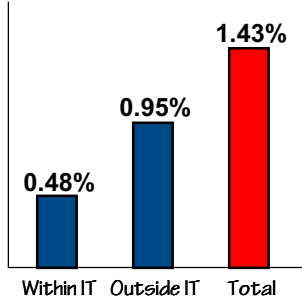
This Year



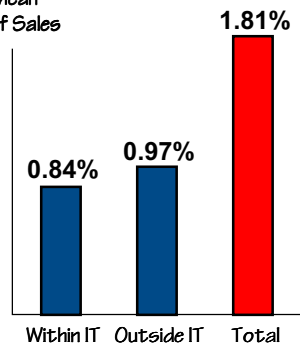
Next Year



Mean % of Sales



Mean % of Sales

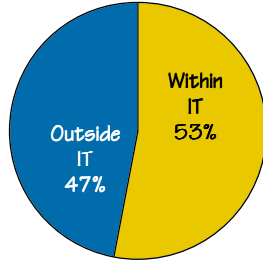


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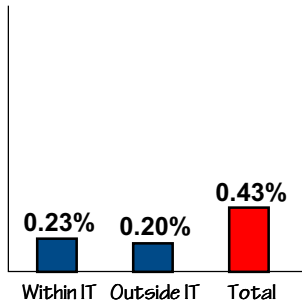
**Annual E-Business Spending —
“Giants”**

10d

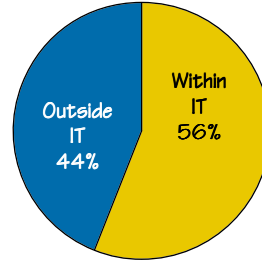
This Year



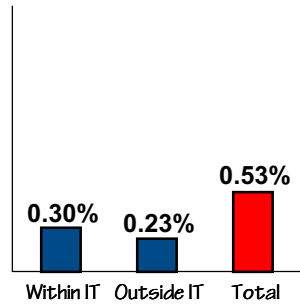
Mean
% of Sales



Next Year



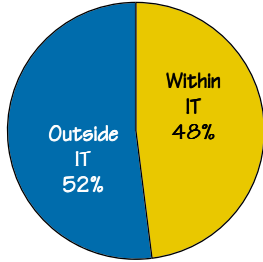
Mean
% of Sales



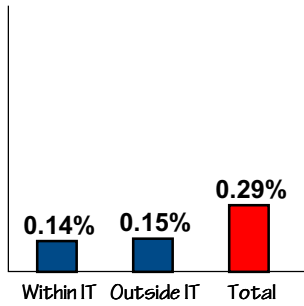
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Annual E-Business Spending — IT-Conservative

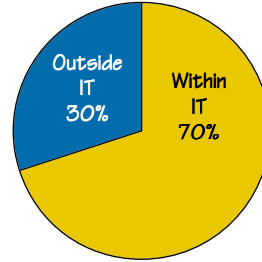
This Year



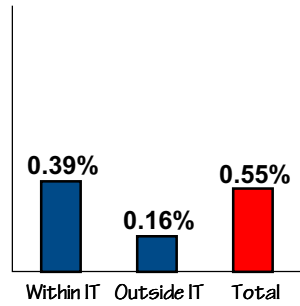
Mean % of Sales



Next Year



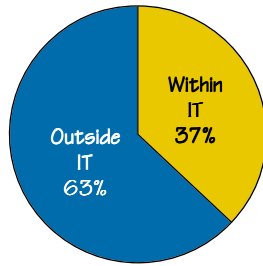
Mean % of Sales



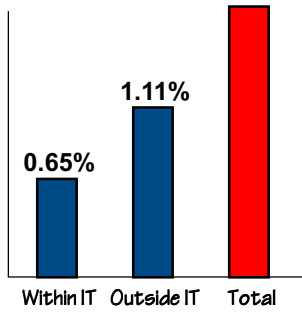
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Annual E-Business Spending — IT-Aggressive

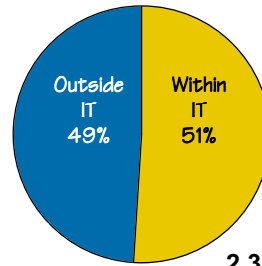
This Year



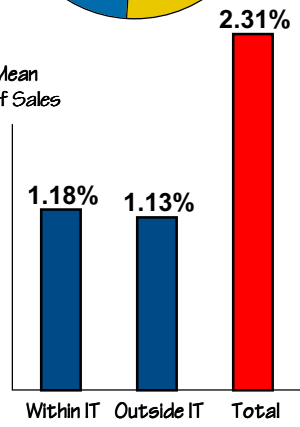
Mean % of Sales



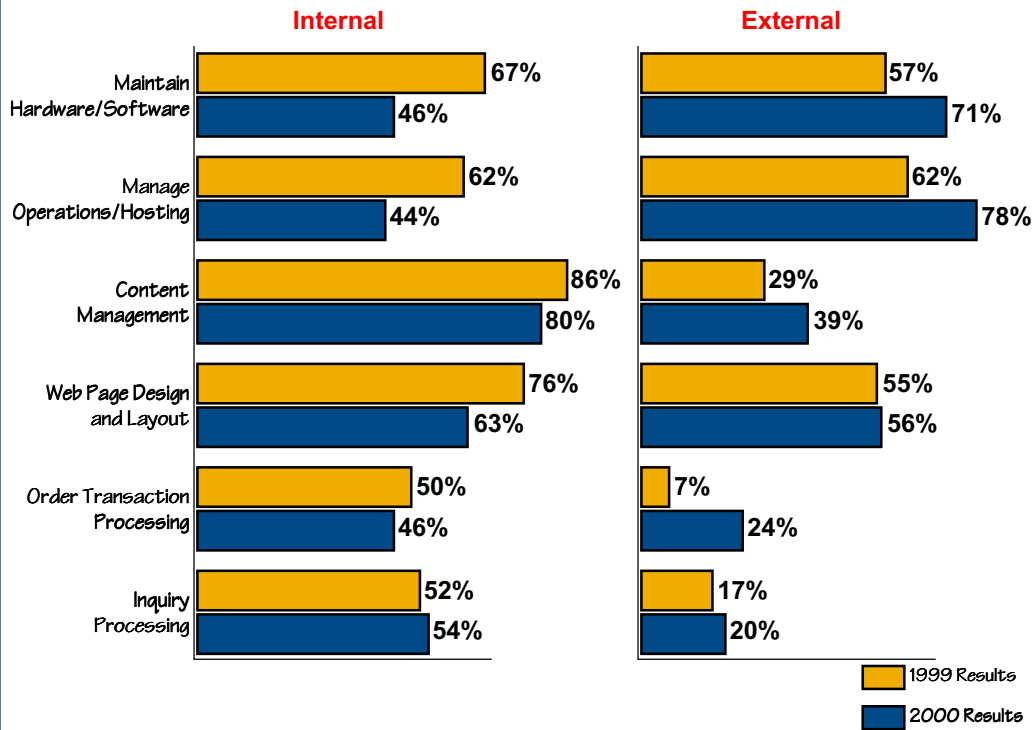
Next Year



Mean % of Sales



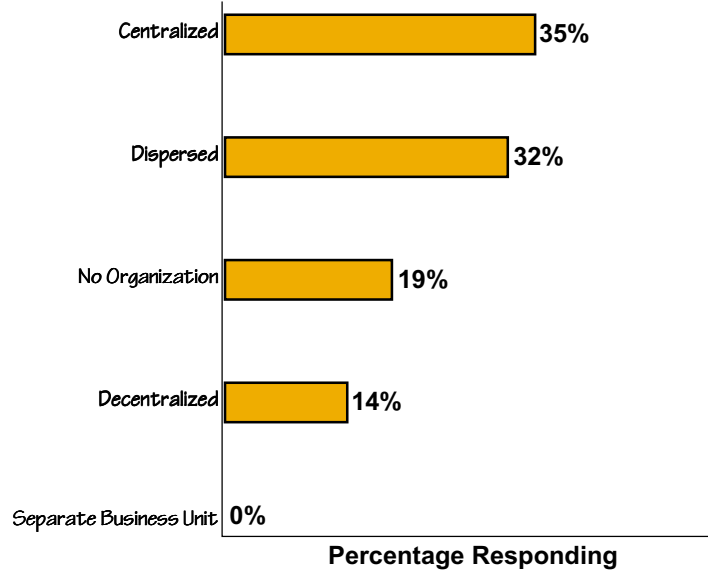
How do you manage Web activities?



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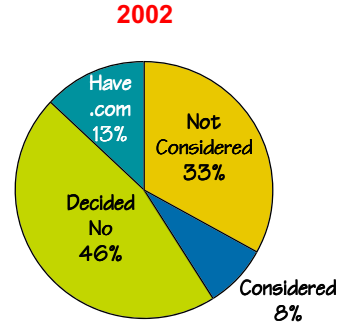
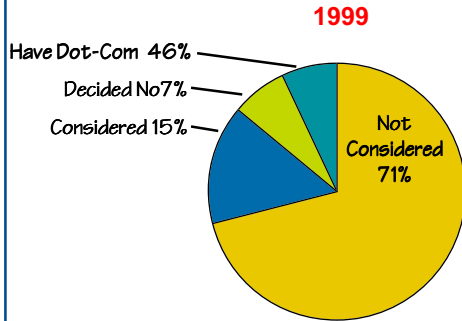
E-Business FTE Organizational Structure

12



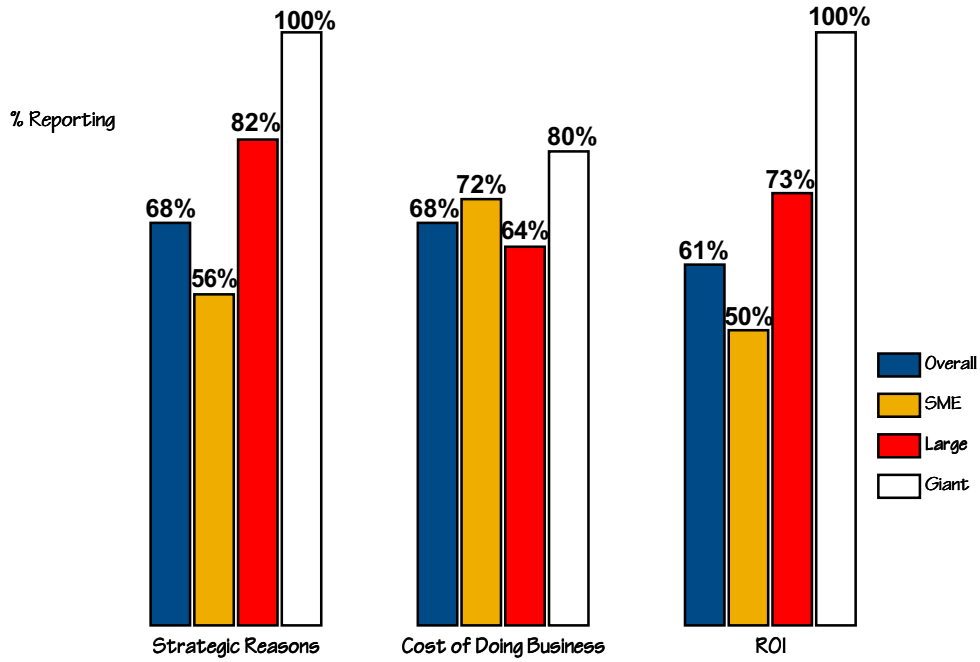
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Created a dot-com spin off?



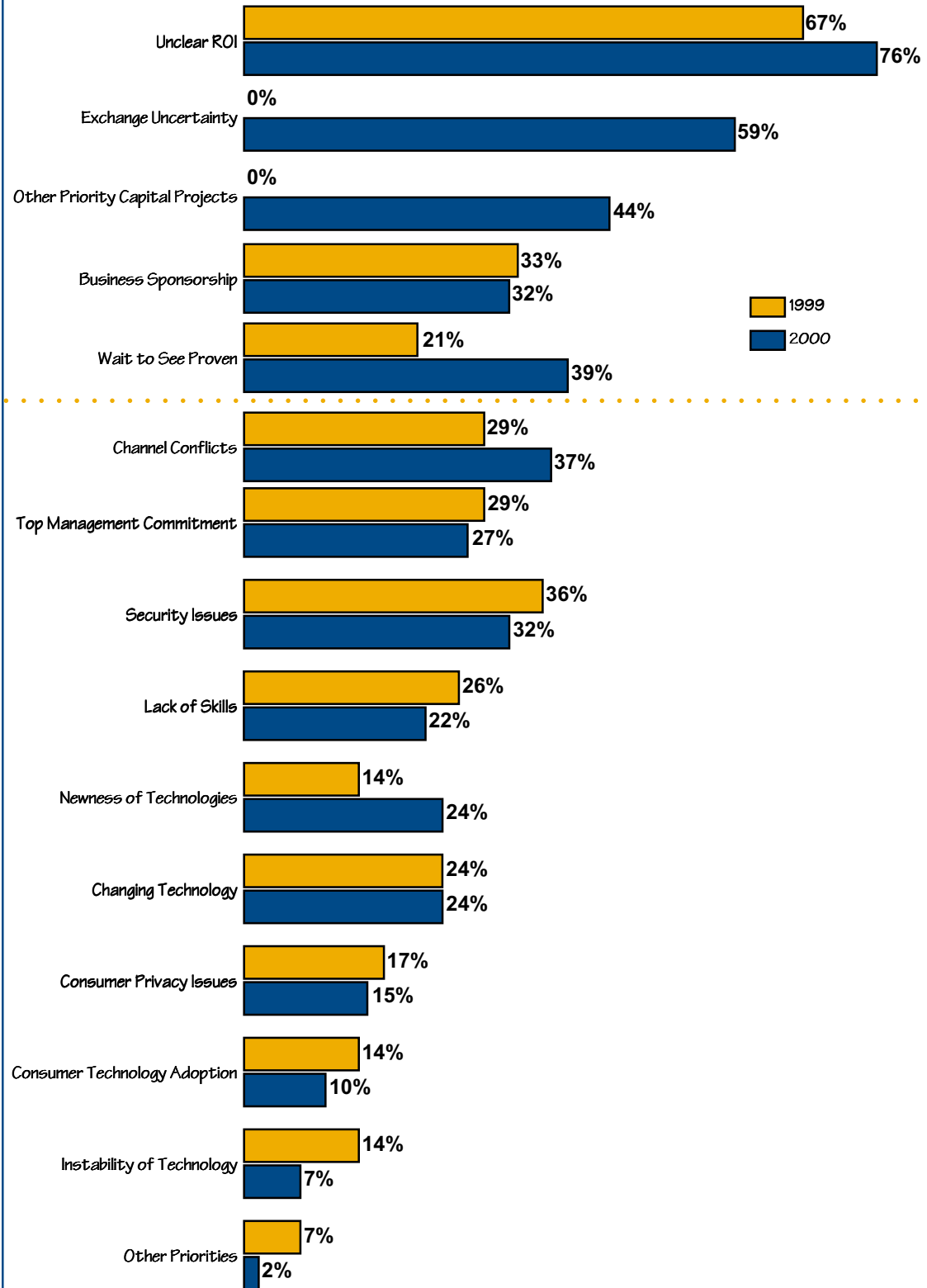
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E-Business Evaluative Criteria



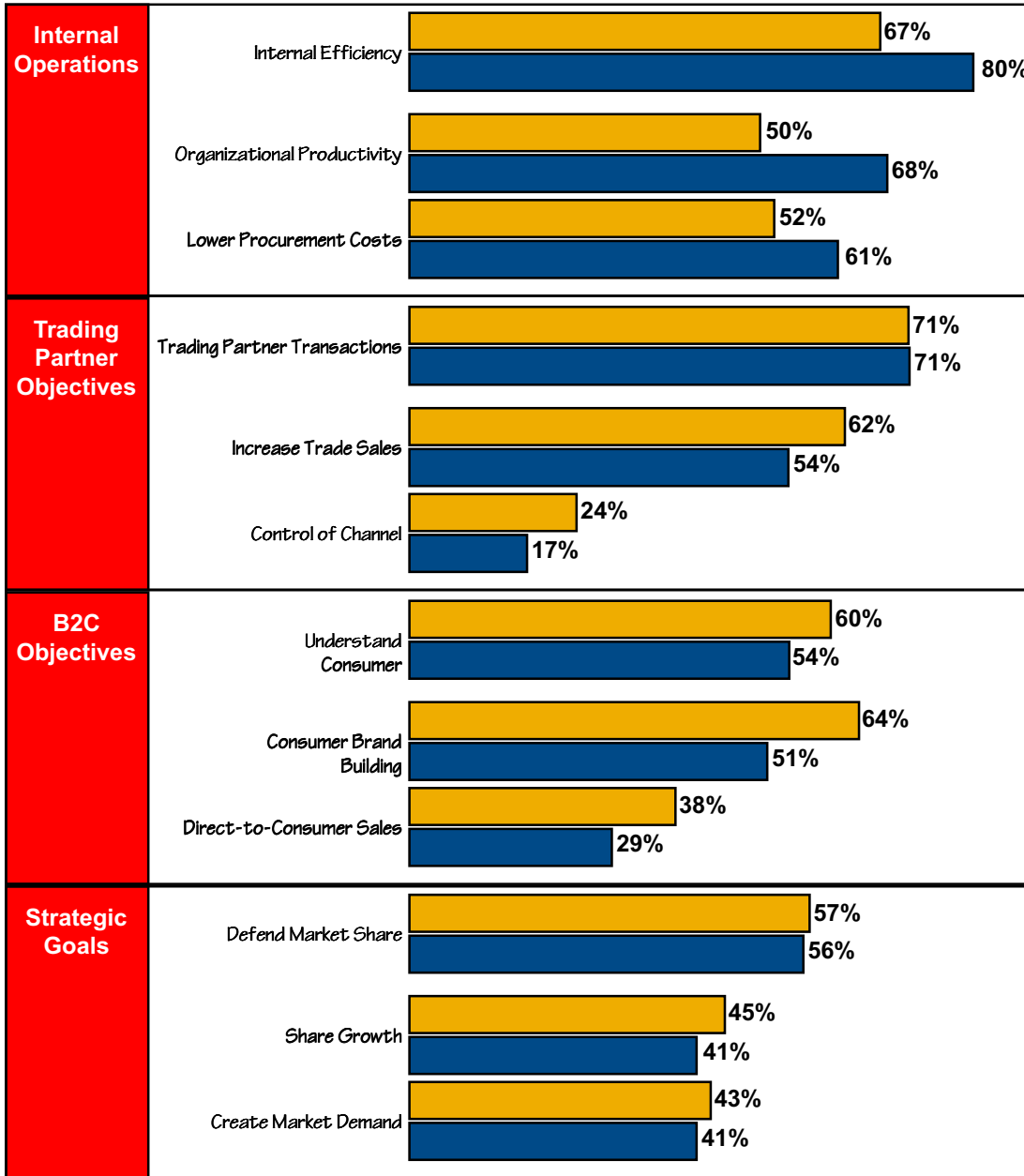
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What risks would make you hesitate before investing in e-business?



What is motivating your company's investment in e-business?

1999 2000



See Little or No Opportunity 2% 7%

Changes in E-Business Activities '99 – '00

17

Top 5 Areas of Activity Decrease

Consumer Feedback	-11%
Consumer Advertising	-6%
Brand Development	-6%
Package Development	-4%
Corporate Communication	-3%

Top 5 Areas of Activity Increase

S/C Integration	+30%
Indirect Procurement	+27%
S/C Planning	+25%
Commodity Purchasing	+20%
Inventory Management	+13%

Areas of E-Business Benefits '99 – '00**Top 5 Benefits Areas '99**

Trade Customer Transact	2.0
Corporate Communication	1.9
S/C Integration	1.8
Brand Development	1.7
Consumer Feedback	1.6

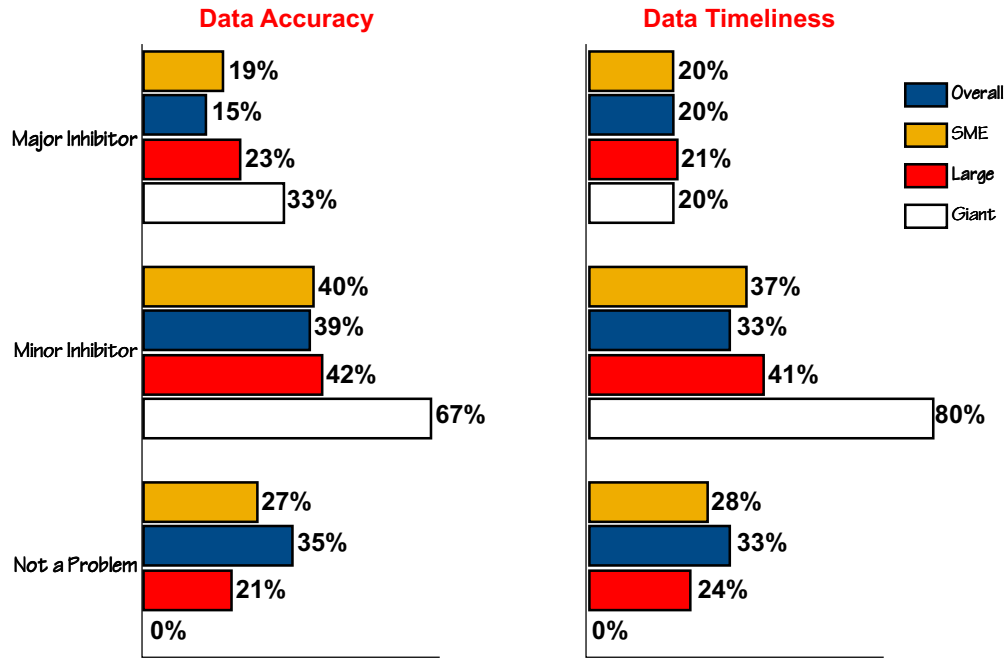
Top 5 Benefits Areas '00

S/C Planning	2.6
S/C Integration	2.5
Customer Care/Service	2.5
Inventory Management	2.4
Corporate Communication	2.3

Degree of Benefit: 0 = None, 1 = Low, 2 = Moderate, 3 = High

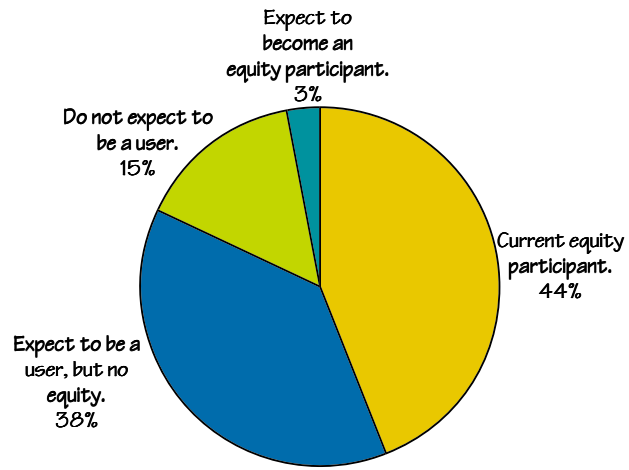
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Barriers to Collaborative Commerce



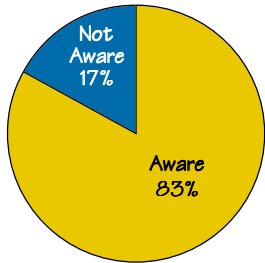
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Transora Participation

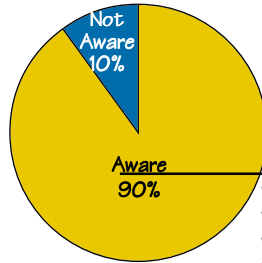


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1999

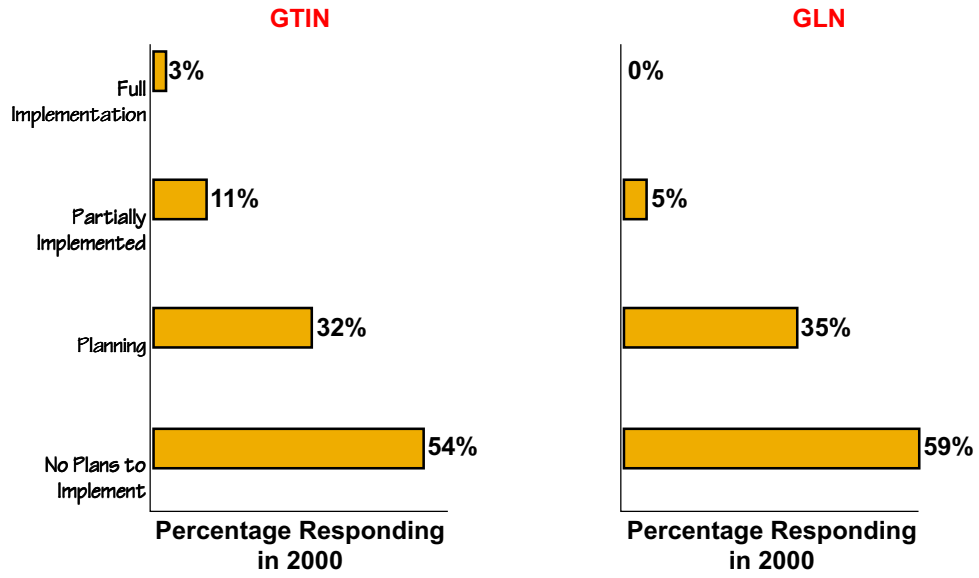


2002



- Currently using, 21%
- Plan to use, 23%
- No plans to use, 28%
- Unclear of services, 18%

GTIN/GLN Implementation Status

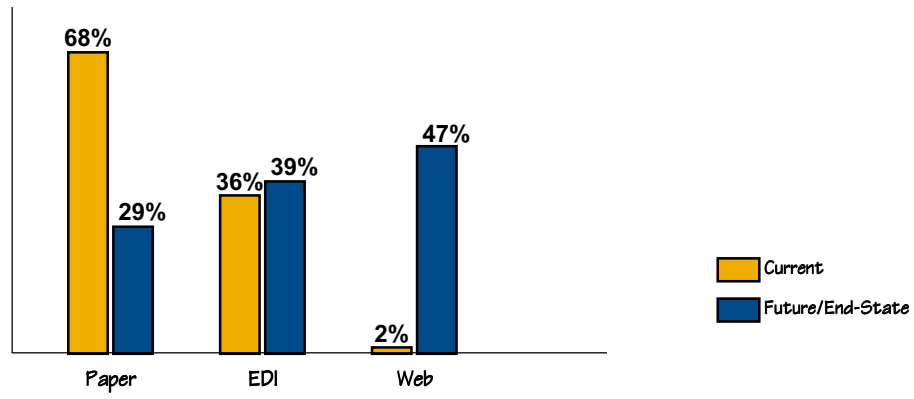


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How do you expect you will link your processes to your customers?

Size of Trading Partner	Large	<ul style="list-style-type: none"> • Retail Exchange, 44% • CPG Exchange, 41% 	<ul style="list-style-type: none"> • Direct Process Integration, 56% • CPG-to-Retail Exchange, 32%
	Small	<ul style="list-style-type: none"> • CPG-to-Retail Exchange, 46% • CPG Exchange, 37% 	<ul style="list-style-type: none"> • CPG Exchange, 22% • CPG-to-Retail Exchange, 17%
		<i>Secondary</i>	<i>Primary</i>
Means of Connection			
		Expect to Use Transora	85%
		Expect to Use UCCnet	44%

B2B E-Business Activity



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	1999	2000
• Traditional EDI replaced by Internet technologies using:		
Internet technologies using EDI standards.	21%	13%
Internet technologies using new standards.	21%	25%
• E-business technology replaces transaction-based standards with standards for process integration.	28%	18%
• Internet complements traditional EDI.	31%	45%
• No change or impact on traditional EDI.	0%	0%

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