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Quality content equals happy customers

As profit margins continue to slide, the value of good product content in the distribution channel climbs.

IT4profit Limited

In the words of Paul Griffin, vice-president of sales and marketing for Asbis, a \$500m-plus international IT distributor of Intel, Seagate, Maxtor and Hitachi products, you have to be 'something of a masochist who suffers amnesia once a quarter' to be in channel distribution today. Indeed, distribution in almost all industry sectors is tough, and the internet is exacerbating these pressures. Margins continue to slide to almost unsustainable levels. Asbis, however, has managed to buck the trend for the last three years.

In 2002, Asbis grew its revenues 40 per cent from \$380m to \$540m, and remained profitable while many others saw their revenues and profitability decline. 'Part of our success is that we continue to expand into new territories that have been less affected by the economic downturn,' says Paul Griffin. 'But a major contributing factor to our success is that three years ago we were forward thinking in embracing e-business and getting the proactive support of our suppliers in implementing our e-business solutions. Today, we are reaping the rewards.'

The problem is that the distribution model is changing fast, and few suppliers and fewer distributors are aware of the acceleration of change. An example is inventory turns.

A few years ago some distributors were content with 15 inventory turns per year. Today they may have to do as many as 25, and it is likely that they may have to do over 50 in three of four years' time. They can only achieve this if they implement an e-business strategy quickly.

Gauging customer needs

For many manufacturers and suppliers the distribution channel resembles an iceberg. Suppliers only see the tip above the waterline and are not aware of the activity that goes on below. This can often result in all sorts of bottlenecks and blind

spots in their supply chains. Manufacturers and suppliers alike need to see the demand signals from the channel and the true market pricing. Likewise, distributors and their customers need to see product availability and pricing, and be able to track and trace their orders and shipments.

'We asked our customers what they wanted,' says Griffin. 'Their answer was firstly detailed product information to help them with their buying decisions. They want this information in a clear and consistent format that allows them to search and compare products and prices easily.' Customers also explained their frustration at having to rely on hyperlinks to websites to access distribution information. 'Customers complain that they can too often get lost or waylaid in these large websites,' adds Griffin. 'Thus we saw that having good product content on our site was key to our success.'

Affordable distribution

Three years ago, Asbis partnered with a UK-based company called IT4profit to develop affordable supply-chain solutions specifically focused on channel distribution. 'We outsource the production of our product content to IT4profit, who have a content factory in Moscow,' explains Griffin. 'They work closely with our suppliers to download and clean the data, translate it into a dozen different languages and then maintain it. Initially our suppliers were sceptical about working with a third party, but our results have proved them wrong.'

'We see content as the hook to get customers returning again and again to our site,' adds Griffin. 'We then make it easier for them to buy online and keep them engaged by creating online offers and negotiations. We create a very dynamic trading environment and our customers and suppliers love it. The only ones who hate us are our competitors. But then, of course, they are masochists!'