



COMERGENT

2004 E-Commerce Survey

Benchmarking of Best Practices

A survey of leading manufacturers, distributors and retailers

Comergent Technologies, Inc.
White Paper Series



Executive Summary

Early in 2004, Comergent completed its annual survey of the enterprise E-Commerce market. Responding to the survey were over 120 companies consisting mostly of executives within manufacturing companies. Key findings of this report are summarized below:

- ✚ Customer facing applications, such as product catalog, order management and portal are the main focus for enterprises implementing E-Commerce.
- ✚ Companies are implementing E-Commerce to make it easier for their customers to do business with them while simultaneously reducing their own operating costs.
- ✚ Sales, marketing and customer service are the departments mainly requesting E-Commerce capabilities.
- ✚ E-Commerce applications are driven from the top down by high level executives taking the main sponsorship role.
- ✚ Companies appear to be using software vendors and internal development in combination to execute their E-Commerce initiatives.
- ✚ ERP solutions are not being considered as the solution for E-Commerce but play a key part in enabling E-Commerce.
- ✚ Other IT priorities and budget constraints are the main inhibitors for launching E-Commerce initiatives.
- ✚ 97% of companies have showed a “*strong positive*” or “*met expectations*” as it relates to their return on investment (ROI) on their E-Commerce initiatives.

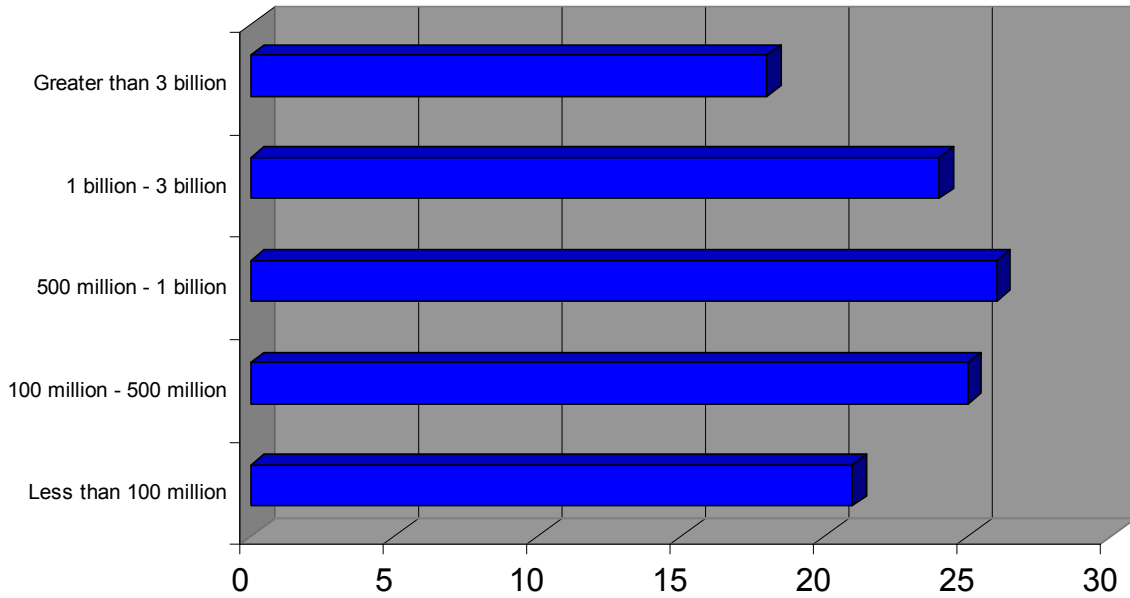
Survey Respondents

The 2004 Comergent E-Commerce survey was sent at random to hundreds of business contacts throughout North America in various industries. As a result, this year’s respondents represent a wide range of companies both in terms of revenue size and the industries they operate in.

Revenue

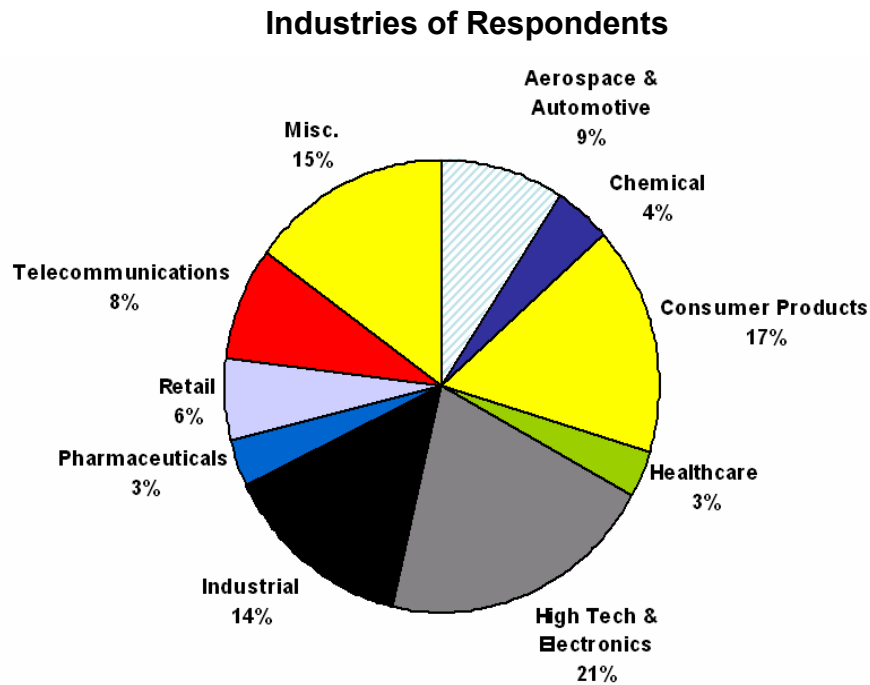
As depicted in the chart below, the size of the companies who responded to the survey ranged widely in revenue from less than \$100 million to over \$3 billion, the largest respondent stated their company generated over \$16 billion annually in revenue.

Company Revenues



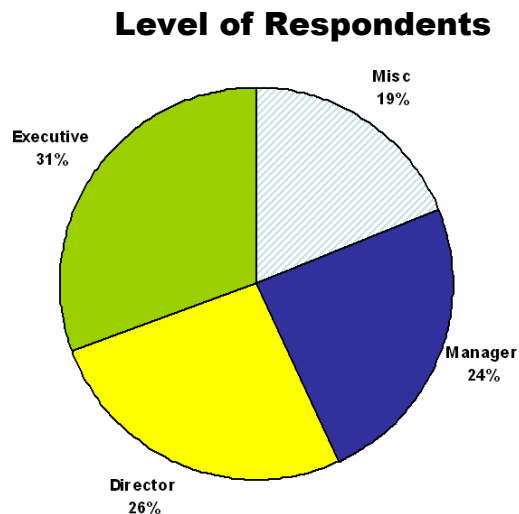
Industries Represented

The respondents industries represented a wide range within the market - manufacturing represented approximately two-thirds of all respondents.



High-Level Representation

This year's survey had very high level representation with a vast majority of respondents (81%) operating at management or senior management level. Also, the largest single group responding to the survey was executives (CEO, President, CTO, CIO, CFO, VPs, etc.).



State of E-Commerce

Over the past few years, many articles have been published about E-Commerce and how electronically transacting business with trading partners was not living up to the hype that was created in the late 1990's. Quite a few articles surmised that when the dot.com bubble burst so did E-Commerce. Four years later the proof is compelling and indicates the exact opposite effect.

Let's challenge some of those wild predictions that were made in 1999 related to E-Commerce. Forrester Research made the following predictions.

1. U.S. **consumer** e-commerce would reach \$108 billion by 2003. At the end of 2003, U.S. consumer e-commerce was just shy of this prediction at \$95 billion.
2. U.S. e-commerce between **businesses** will reach \$1.3 trillion. In 2003, as reported by Forrester "networked business-to-business transactions" now stands at \$2.4 trillion.

In addition to the Forrester Research predictions the Brookings Institute projected that "productivity gains from e-commerce will pump \$250 billion a year into the economy by 2005." Business Week recently reported on the progress of this prediction and stated that "gains from businesses using the Net to sharpen forecasting, keep inventories lean, and communicate instantaneously with suppliers could reach \$450 billion a year by 2005."

The impact that e-commerce is having on the economy and individual businesses is and will continue to be profound. We at Comergent Technologies are proud to sponsor this year's survey and to benchmark where companies stand in their pursuit to deploy e-commerce for their customers and trading partners.

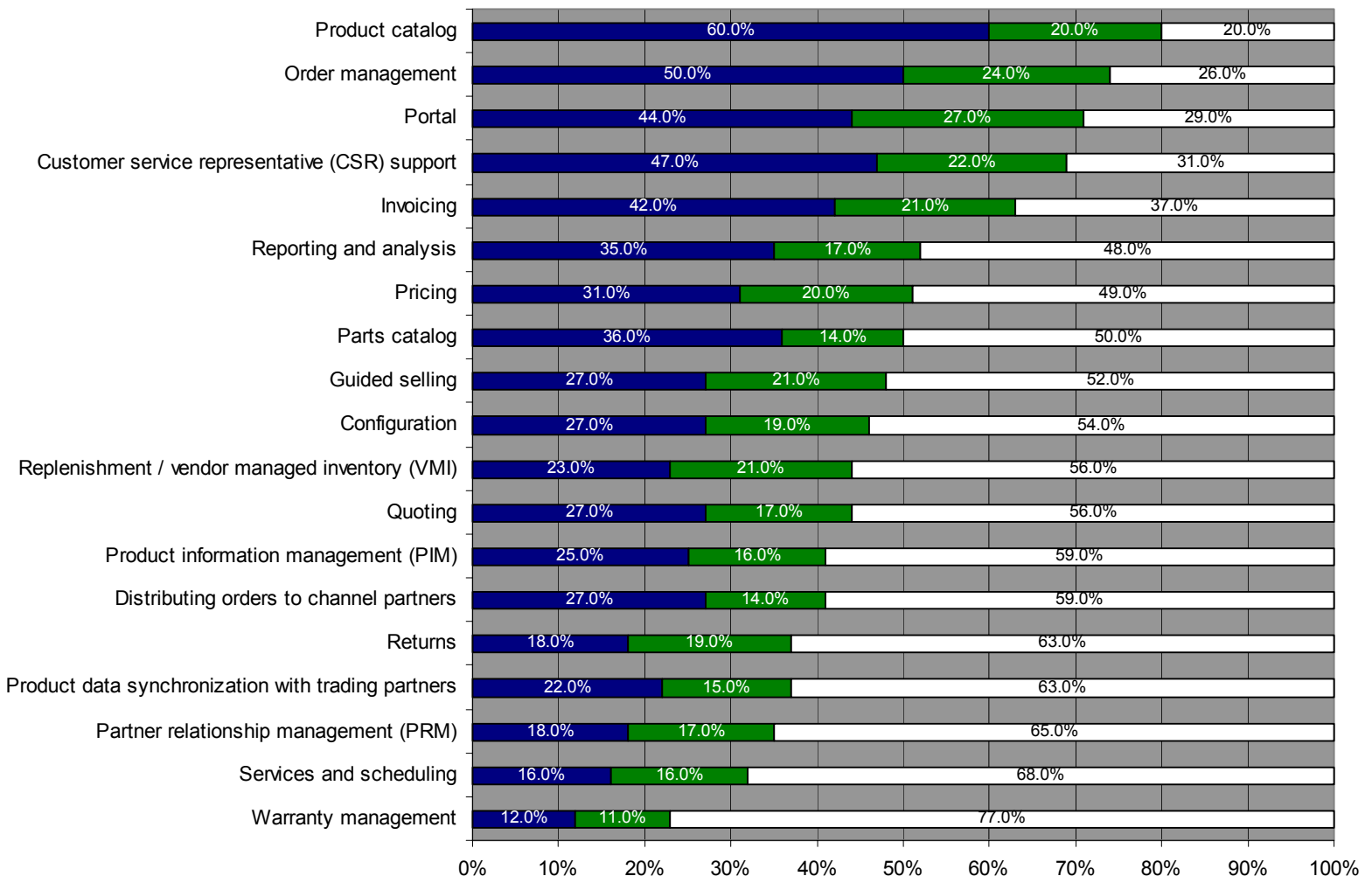
Survey Questions

#1 What's Being Implemented and Why?

Respondents were asked which E-Commerce applications they have implemented or are planning to implement, in the next 12-18 months or which they have no plans to implement currently. The types of projects that have been or will be implemented focus on: 1) giving customer's the ability to place orders for products with a product catalog 2) order management and 3) portal (totaling 80%, 74% and 71% respectively).

Which e-commerce applications have/will you implement?

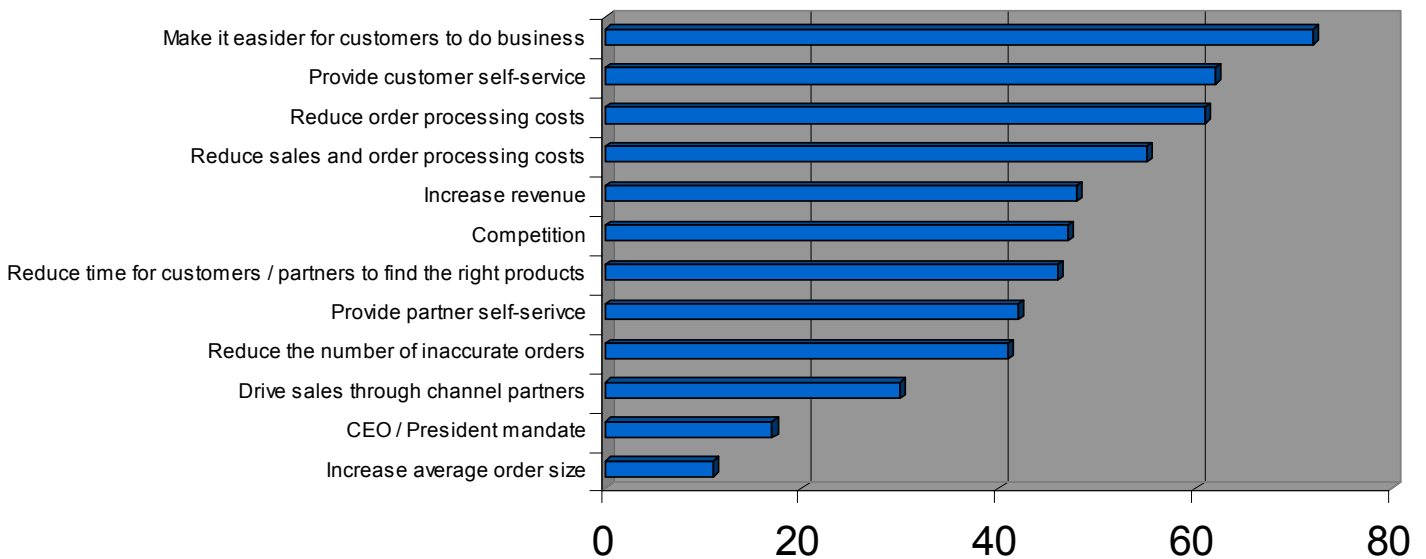
■ Currently Have ■ Planning To Have □ No Current Plans



#2 Motivations for Implementing E-Commerce

The hypothesis that companies are implementing E-Commerce to make it easier for their customers to conduct business with them was validated by the survey results (see below), where respondents were asked why they were performing E-Commerce. Additionally, reducing costs was a significant reason for why companies were implementing E-Commerce with both “reducing order processing costs” and “reduce sales and customer support costs” coming in the 3rd and 4th highest positions respectively.

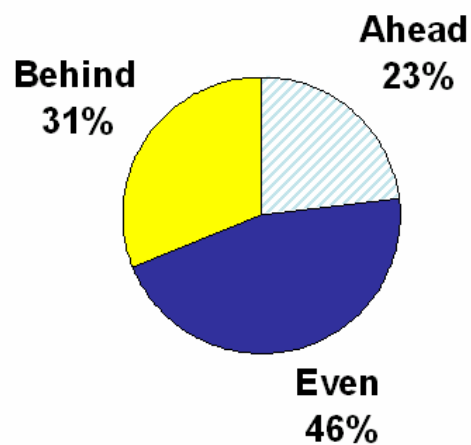
Why did you implement e-commerce?



#3 Competition

Survey respondents were asked to benchmark their companies against their competitors. Only 23% of respondents feel they are ahead of their competitors in their E-Commerce activities.

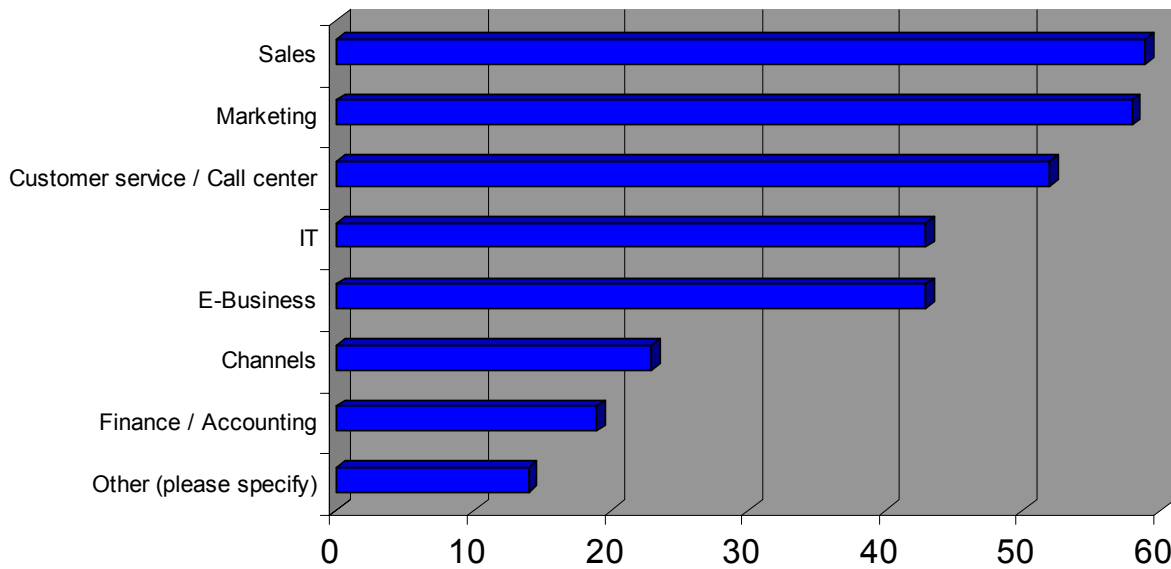
Where do you consider your company relative to your competitors in e-commerce?



#4 What departments are driving E-Commerce?

Since “making it easier for customers to do business with an enterprise” was the respondents’ number one reason for performing E-Commerce, it is not surprising that the departments asking for E-Commerce were customer facing: sales, marketing, and customer service.

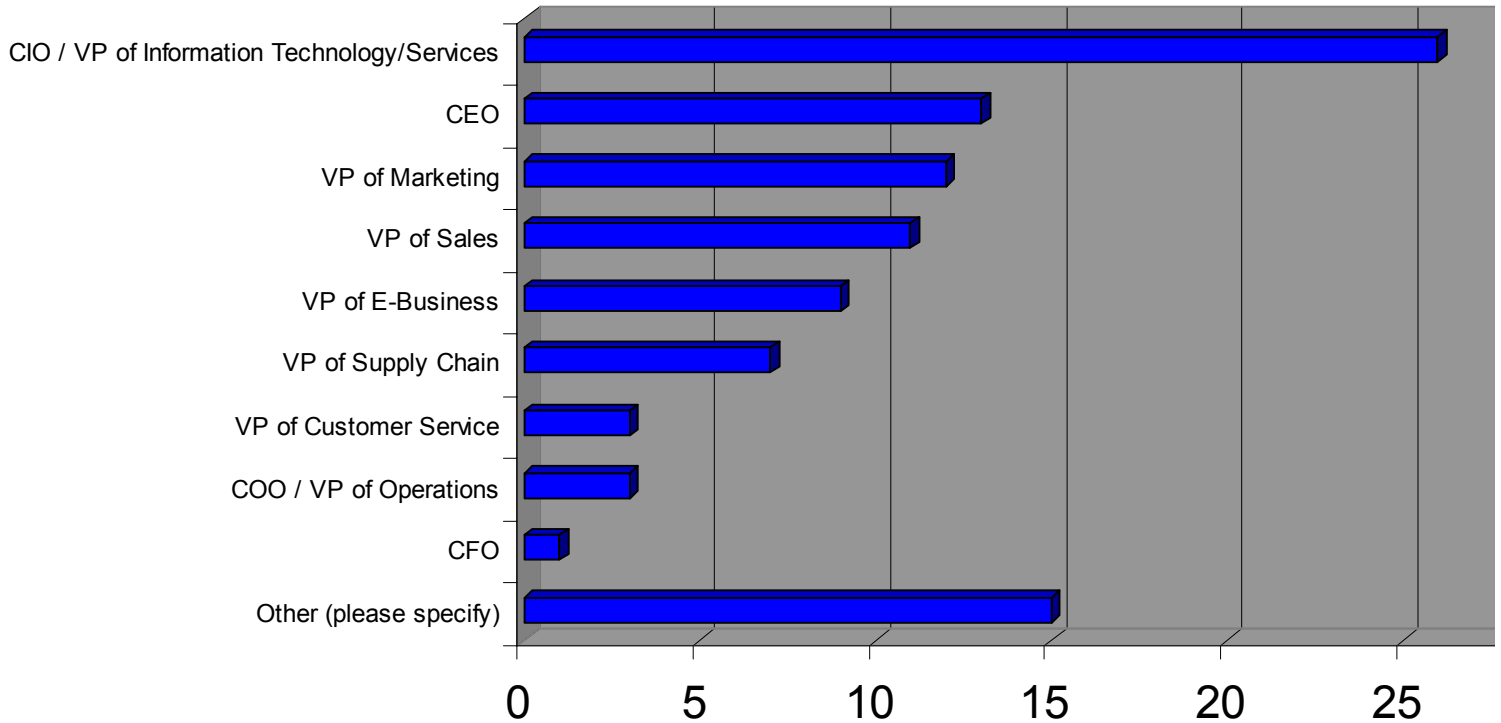
Which departments within your company are asking for e-commerce systems?



#5 Sponsorship

According to the survey results, E-Commerce initiatives in 2004 are being driven at the highest levels of an organization. CIOs were sighted as the main sponsor of E-Commerce by more than twice that of any other title in the company followed by CEOs.

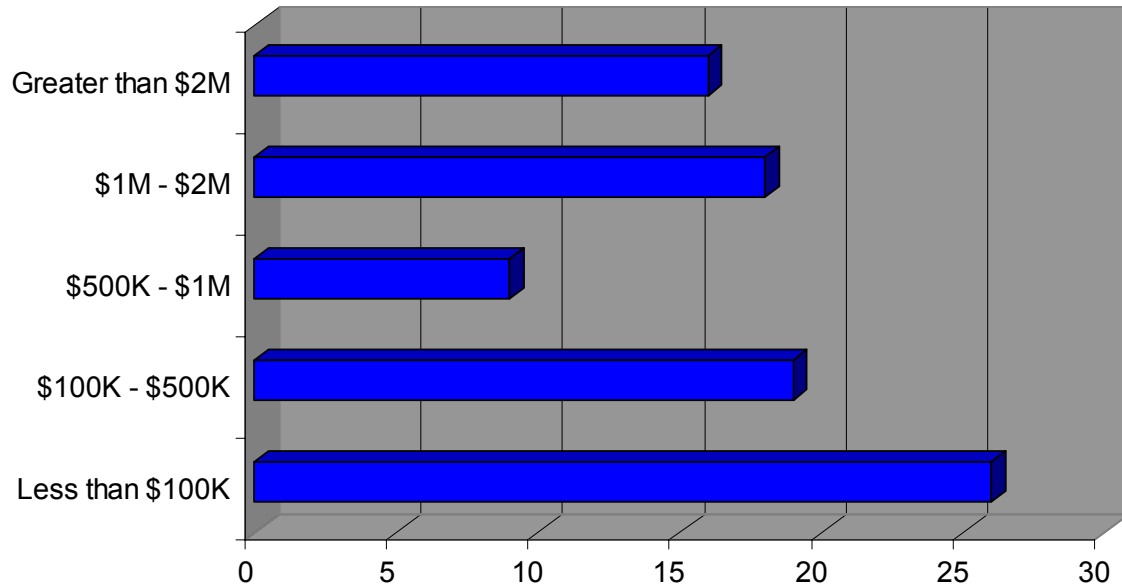
Who is the main sponsor for e-commerce initiatives at your company?



#6 Budget for E-Commerce

The survey looked at how much companies are spending to implement their E-Commerce initiatives. Below is the budget being allocated by respondents on their software and services for E-Commerce (salaries were not included).

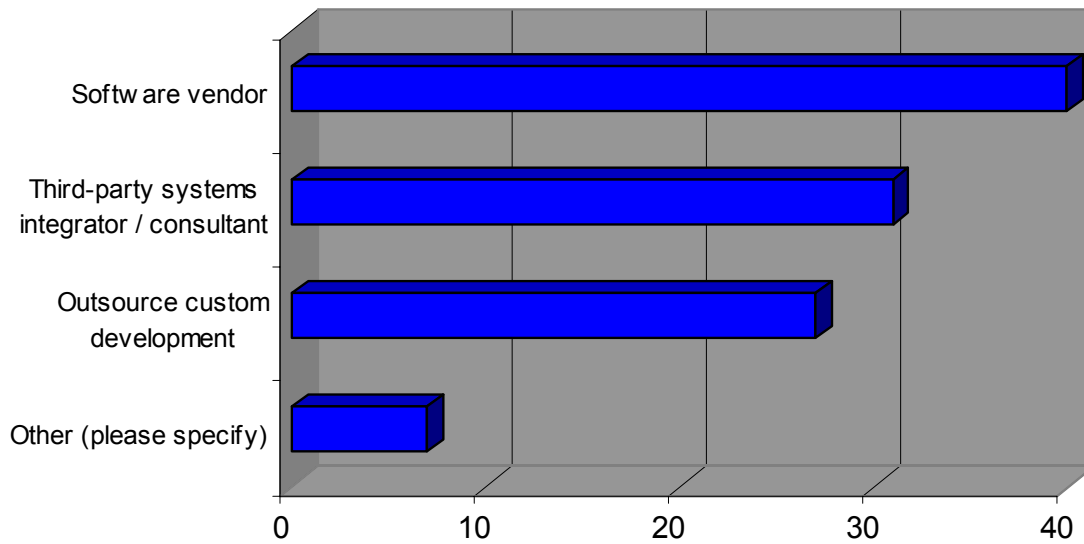
How much has your company spent or budgeted for e-commerce?



#7 Deploying E-Commerce

Based on the results of the survey most companies are still deploying their systems internally versus using hosted services. However, a majority of those deploying internally indicated they were also turning to software vendors to provide the base applications for E-Commerce. Thus, it appears that most companies are deploying internally and using software vendors' offerings to execute their E-Commerce initiatives.

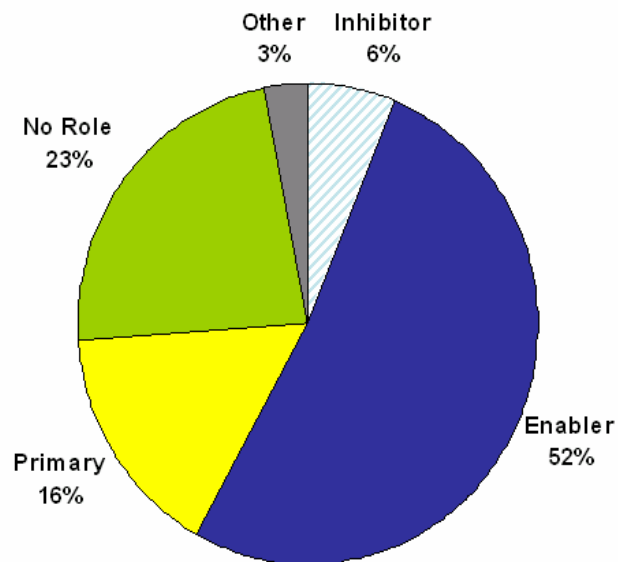
How did/do you plan to deploy your e-commerce system?



#8 The Role of ERP in E-Commerce

When respondents were asked what role their ERP system would play in their E-Commerce initiatives, the responses were mixed. Nearly 25% of respondents felt their ERP system is/would play no role with an additional 6% actually feeling their ERP system is/would be an inhibitor to their E-Commerce initiatives. A minority of respondents (16%), felt their ERP system is/would be the primary system for E-Commerce while more than half of respondents felt the ERP system is/would play a role as an enabler in their E-Commerce initiatives.

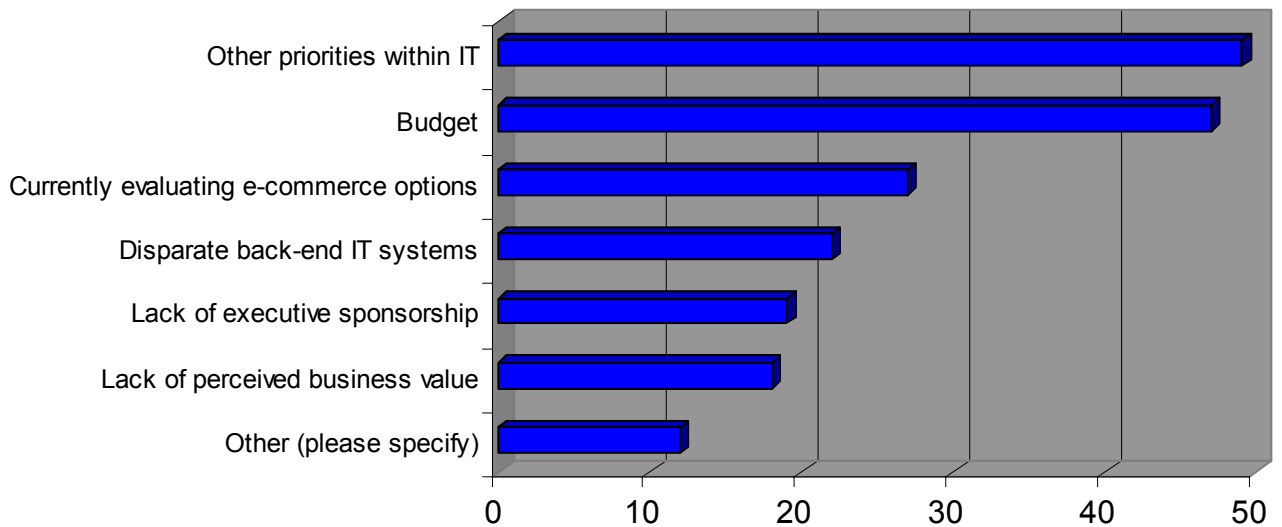
What roles does/will your ERP system play in your e-commerce initiatives?



#9 E-Commerce Inhibitors

Respondents were asked what was inhibiting them from performing E-Commerce. The results were interesting. Contrary to the question's intent over a third of respondents indicated they were currently evaluating E-Commerce options. However, many cited "other IT priorities" and "budgetary constraints" as their main reasons for not performing E-Commerce at this time. Some indicated "disparate backend systems", "lack of executive sponsorship" while the lowest scoring inhibitor was "lack of perceived business value". Several respondents filled in answers under "Other" and those answers included "incompetence, poor planning, management", "resources (human)" and "software system limitations".

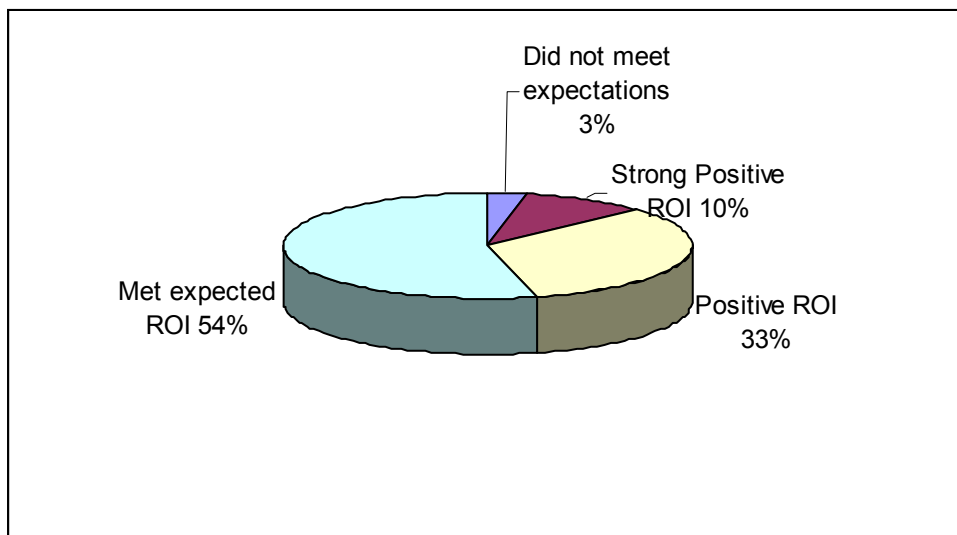
What is inhibiting your company from doing e-commerce?



#10 E-Commerce ROI

Finally, respondents were asked what the return on investment (ROI) to date had been of the E-Commerce applications they had implemented. The results were extremely positive with 97% of the respondents stating their E-Commerce system had a “positive” or “met expectations” ROI result. Considering the number one reason to implement E-Commerce (make it easier for customers to do business) is something with a relatively “soft” and difficult to measure ROI”, the results are exceptionally positive.

What has your company’s ROI (return on investment) been on its e-commerce system?



Conclusion: Early E-Commerce investment returns will fuel additional investment

E-Commerce is maturing. Early adopters are no longer driving the market—now Fortune 1000 companies are investing in E-Commerce initiatives. In response to their customers’ demands for both self-service and the ability to easily interact with their trading partners, mainstream companies are discovering that only software applications developed specifically for E-Commerce can address their customers’ demands.

In addition to responding to customer demands for E-Commerce, this year’s survey also proved that E-Commerce is one of the best technology investments that can be made with 97% of respondents stating they have had a strong positive, positive or met expectations as it relates to return on investment. This statistic far exceeds competing technology investments in ERP, CRM or Supply Chain Management.

Based upon this year’s survey results, we anticipate that companies that have embarked on E-Commerce initiatives will continue to invest in their programs and expand functionality beyond catalog and web-based order management. Some of the new areas of investment will include more collaborative applications such as quoting, vendor managed inventory (VMI), returns processing and invoicing.

Comergent Technologies

Comergent Technologies, Inc. is a leading provider of Demand Chain Management software solutions. Comergent's out-of-the-box enterprise applications can be installed at an enterprise's site or hosted. These demand chain management applications are based on open standards and designed to easily integrate with data sources both inside and outside the firewall. Comergent's applications increase an enterprise's profitability per customer by making it easier for customers to do business with the enterprise while simultaneously reducing the costs of selling and providing service.

A partial list of the customers using Comergent's E-Commerce and Demand Chain Management applications is shown below:

Textron Lycoming	Pearson	J.C. Penney
Goodrich Aerostructures	Brooks Sports	Snap Appliance
DuPont	Hitachi Data Systems	Staples
Symbol Technologies	Leviton	Hubbel
Lebanon Seaboard	Gehl	GE Access
Quantum	Bosch	Haworth
CVS/Pharmacy	Cisco Systems	Seagate
Adobe	Toro	Kraft
Gates Corporation	Dana	Thermadyne
Nissan	Osram Sylvania	Sun Microsystems
La-Z-Boy	Johnson Controls	Gilbarco
Choice Hotels	Nacco	Agfa Healthcare
Procter and Gamble	Dupont Dow Elastomers	Campbell's

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