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Moving from the Tactical to the Strategic Use of Technology

Bob Loeffler

I.T. as Strategy

- Architecture and Infrastructure
- Planning
- E-commerce
- Knowledge Management

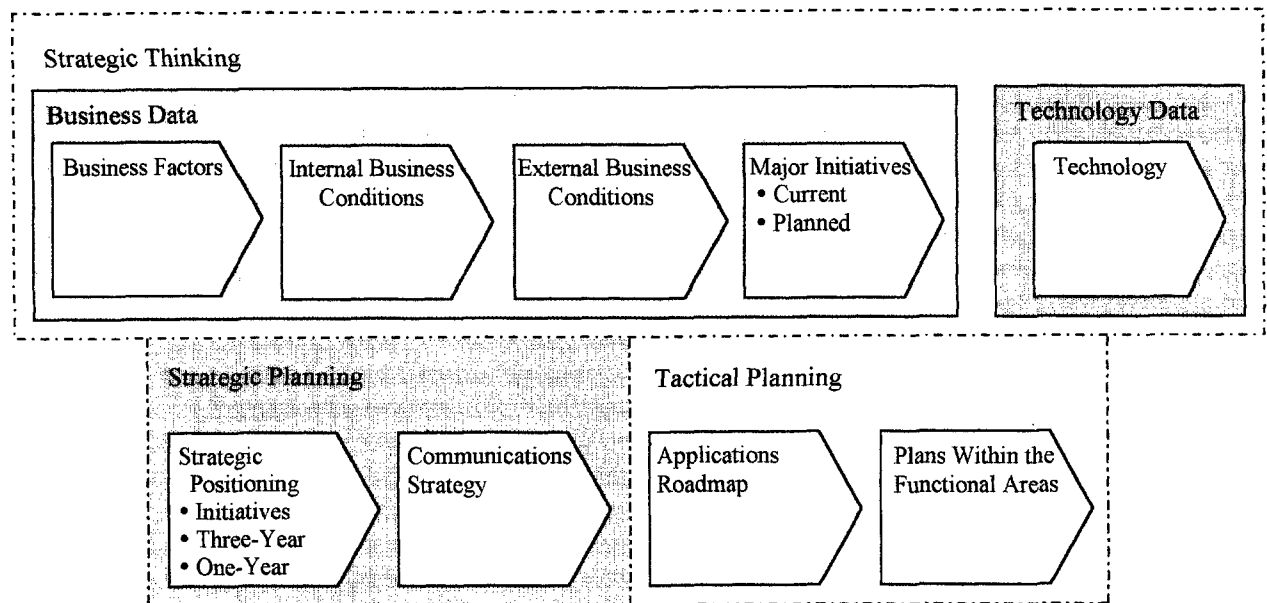
Architecture Hardware and Software

- Open
- Extendable
- Time Left in Life-Cycle
- Popular
- Reasonably Priced

Architecture Objectives

- Avoid “Noah’s Ark”-I-Tecture
- Simplicity
- Power
- Speed

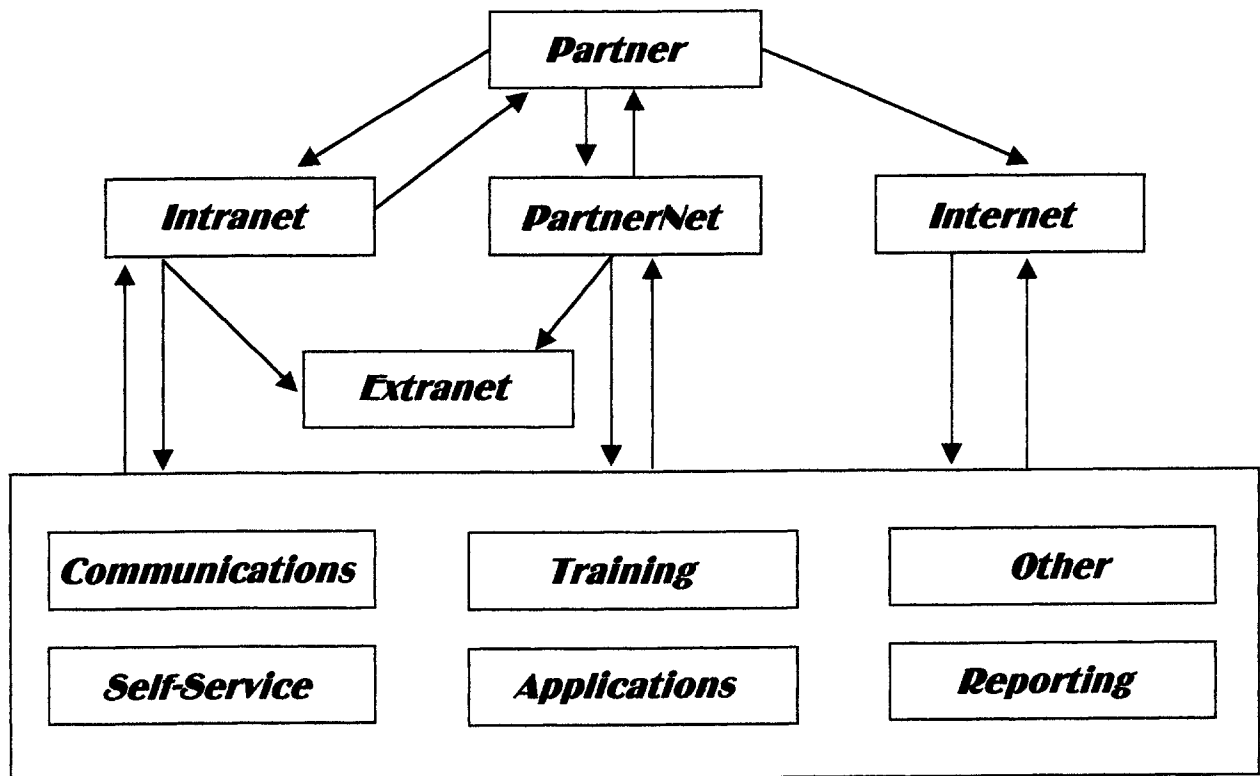
I. T. Planning



Bob Loeffler is chief information officer and president, H.E. Butt Grocery Company, Pantry and Dallas Divisions.

E-Commerce

- With Employees
- With Suppliers
- With Customers



Employee Communications

- New Product Notice/Set of Instructions
- Pick of the Week/Items to Push
- Employee Discount Programs
- Digital Video Segments
- Polls and Surveys

Self-Service

- Electronic Net Check Advice
- Online Expense Reporting
- W2 Info, W4 Data Change
- Vacation/Sick Information
- Flex Account Balances
- Job Postings and Self-Nomination
- Open Enrollment
- Address/Personal Information Change
- Savings Plan Transactions
- Credit Union Transactions

Training

- CBT Courses Delivered Via Internet
 - PC Basics
 - PeopleSoft Web Interface
- CBT Courses Delivered Via In-Store Machine
 - Retail Basics—Making More Cents
 - Produce Test
 - ACR Training Modules
 - Alcohol Sellers Training
 - Orientation Modules

Reporting

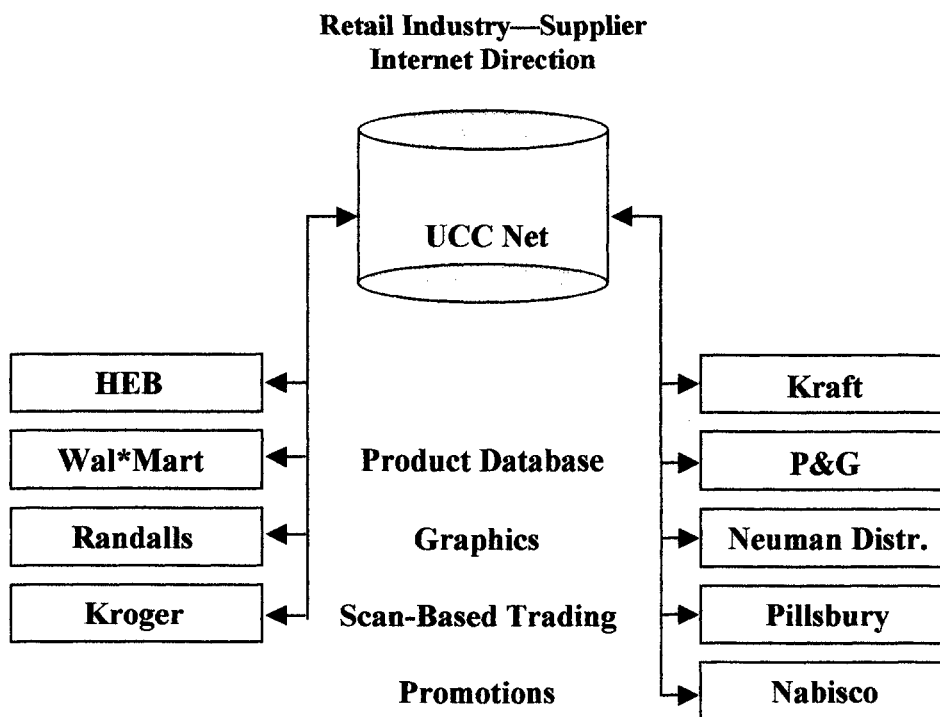
- Plan-O-Gram Changes, Cut-In Instructions
- DSS Report Access
- Daily/Weekly Sales Reporting
- Budgeting/Reporting
- Publish/Subscribe Setup for Reports You Are Authorized to See
- Knowledge Management

Key Constraints

- Web Access at the Store Level
- Network Infrastructure
- Effectiveness and “Freshness” of Presentation to Create Excitement
- Capital Needed to Get and Keep Necessary Technology
- ISPM Partner Skill Sets to Develop Solutions in New Web-Based World

E-Commerce With Suppliers

- Shortcomings of Electronic Data Interchange
- Tactical Use of Internet With Suppliers
- Industry Strategic Use of Internet With Suppliers



E-Commerce With Customer Competition

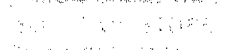
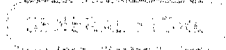
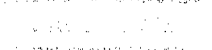
- Webvan.com
 - High Talent Management
 - More Than \$1 Billion in Investment Capital
 - Logistics Specialists—High Automation
 - Aggressive Deployment Schedule
 - Dallas Market Entry Next Year
- Peapod.com
 - 10 Years of Experience
 - Limited Capital for Growth
 - Unprofitable Model in Texas
 - Moving Toward Centralized Distribution
- Albertsons.com
 - Home Delivery of Non-perishables in Texas
 - UPS for Statewide Distribution
 - Currently Testing in Dallas
- Others



Peapod.com



homegrocer.com NO LINES. NO CARTS. NO FASSEL.



streamline.

- HEB.Com???? Or Not????



Experience the convenience of shopping on the web.

Come visit the following sites:

E-Retailing Mission (Warm & Fuzzy)

- Leverage Web Technology to Make Shopping Easier
- Provide Customers Easy Access to Information That Will Assist in Purchasing Decisions
- Provide Customers With a More Convenient Shopping Experience

Mission (Cynical Version)

- Take the Hassle Out of Shopping!
 - Let people who absolutely have a miserable time shopping at our stores get out as quickly as possible or not go at all.

Digital Strategy: The Real Opportunity

- Create a New Channel of Distribution
 - Store Pickup
 - Home Delivery
 - Mail Delivery
- Support Our Existing Infrastructure
 - “Pre-shopping” Tools
 - Brand-building
 - Kiosks
 - Community
- Both—“Clicks and Mortar”

Long-Term Planning and Analysis

- Research Full E-Commerce
 - What kind of fulfillment system do we employ?
 - What do we outsource?
 - Should we host the architecture?
 - Can we extend our brand by selling additional categories?
 - One-to-One Marketing—How do we capture and leverage customer data?
 - Central Market, Pantry, Mexico?
- Should we create an “HEB.com” organization?

In the Meantime . . .

- Customers are screaming for coupons!!



Brought to you by:
SmartSource
 Home to America's Great Brands



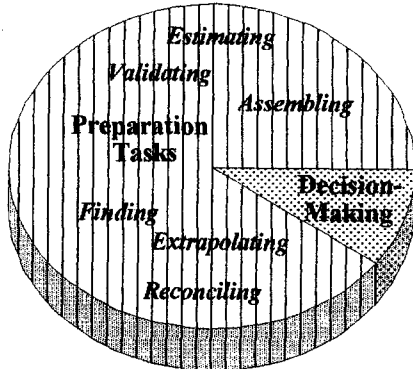
- Pharmacy is going live.
 - Online Rx Refills
 - Product Information
 - New Rx Requests



Fact-Based Decision-Making (*Knowledge Management at H-E-B*)

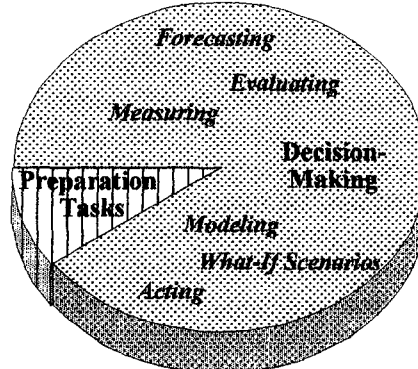
- A Paradigm Shift

Current State



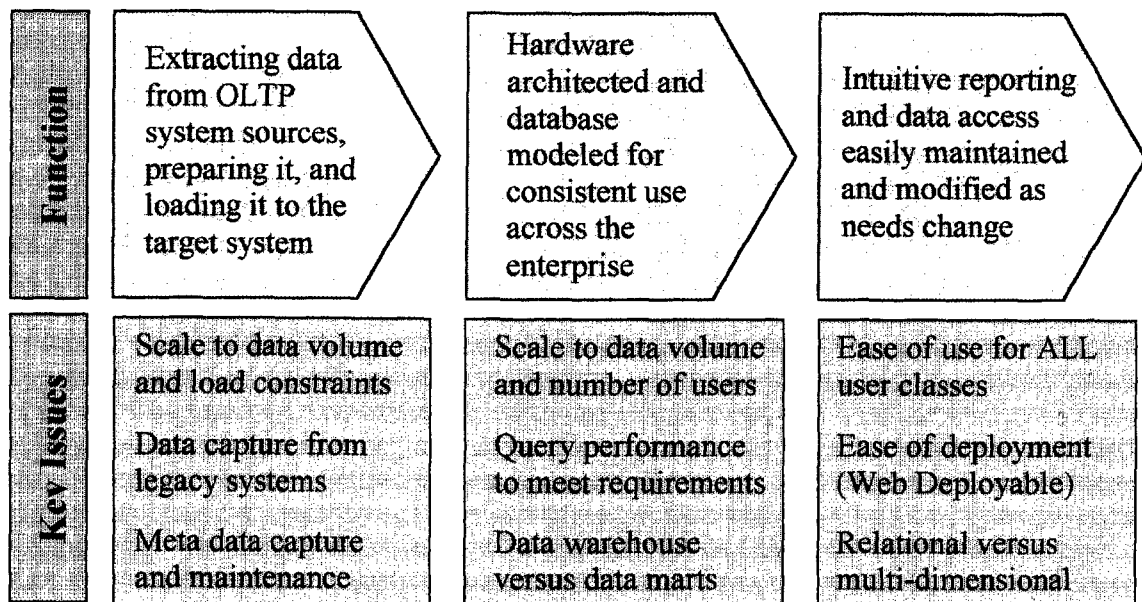
- Barriers Preclude Use of Facts
- Action in the Absence of Knowledge
- No Measurement of Decision Impact

Future State

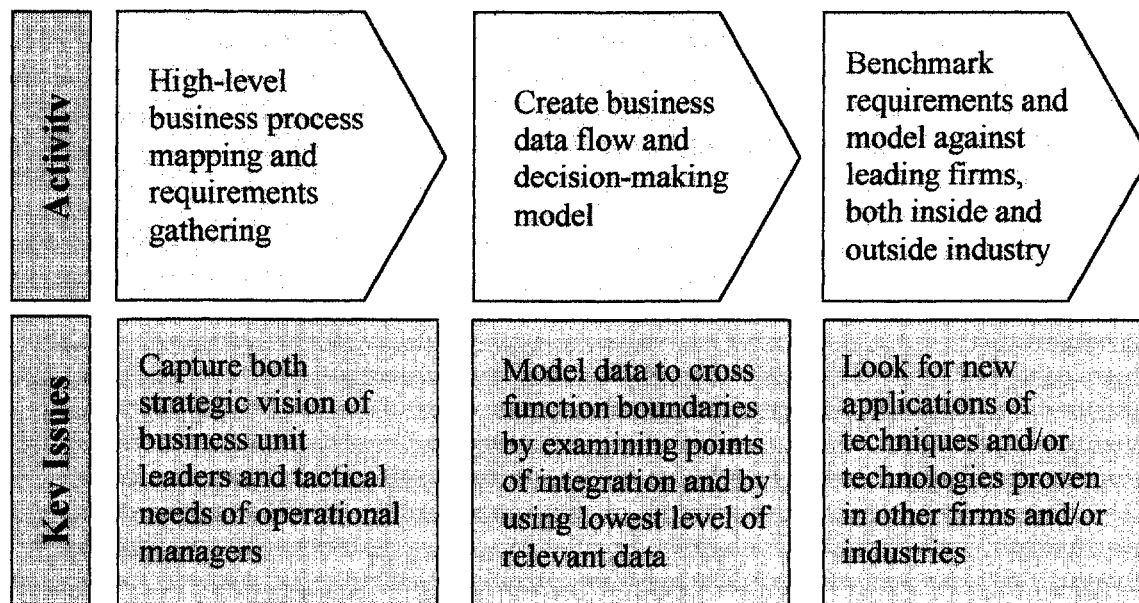


- Barriers to Facts Are Low
- Action Based on Facts
- Measurement Leads to Improvement

- Functional Infrastructure Model

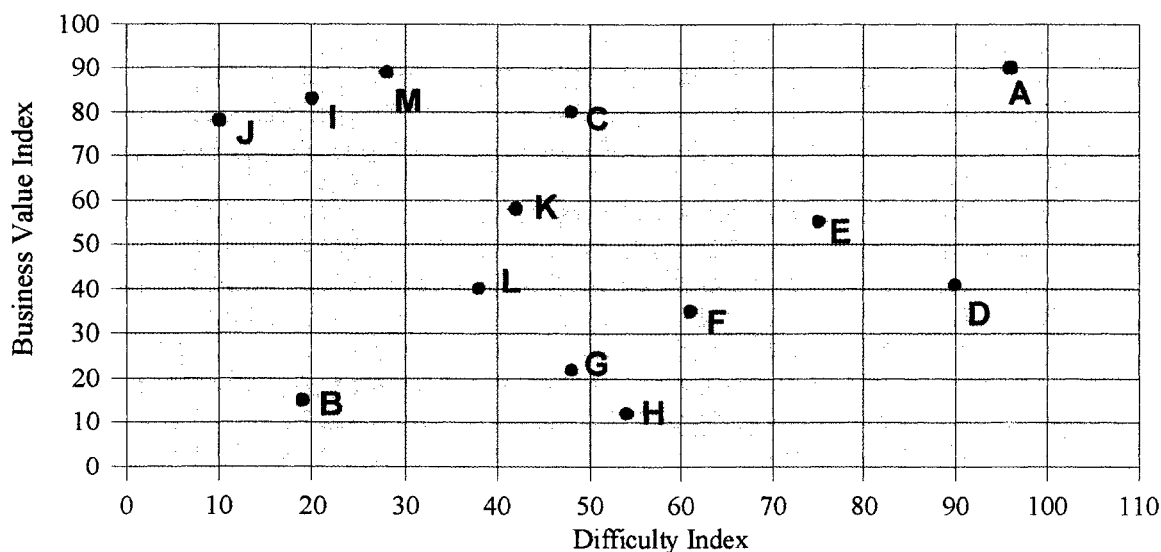


- Implementation Model



- Define and Prioritize Work

- Segment decision model into 3–6 month projects
- Quantify both value to the organization and difficulty of implementation
- Difficulty of remaining projects should decrease and value should increase



- Five Key Success Factors

- (1) Senior Executive-Level Sponsorship
(Must have significant cross-functional responsibility.)
- (2) Projects Driven by Business Needs, Not IS
(Don't assume that if you build it, they will come.)

- (3) Front-Loaded Planning to Ensure Data Accuracy, Integrity, and Cross-Functional Integration
(Design quality in rather than to inspect defects out.)
- (4) Access Tools Must Be Easy and Functional
(Strive for a 10X increase in ability to assimilate data.)
- (5) Deliver Real Business Benefit Early
(One Meal at a Time. Don't Try to Cure World Hunger.)

I.T. as Strategy

- Led by Senior Management
 - May need NERD program!
 - I.T. must be topic of discussion at every meeting
- Requires MONEY!
 - “Rolling Thunder,” not the “Big Bang”
 - Generate savings to pay for next moves
- Will Determine the Winners and Losers by 2010