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Forestindustry.com: A Case Study

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Background

Forestindustry.com, a Nanaimo, BC company, established in 1995 and publicly traded, is a leading forest and wood products dedicated vertical business community on the Internet that provides software and services that link the solid wood industry from "stump to end user". It currently services about 600 customers annually in over 20 countries, including Canada, the United States, the United Kingdom, New Zealand, Australia, Sweden and Finland. Customers are comprised of both buyers and sellers and may use services provided by forestindustry.com to build advertising, communication, sales, procurement and information needs their throughout the lumber mill supply chain. Forestindustry.com aims to provide their customers with products and transition services that help transform their supply chain without alienating their distribution network.

The company has enjoyed a 240% growth in customers each year since it's inception Forestindustry.com has affiliations with many of the worlds leading forest industry publications, associations and trade events

Forestindustry.com started with the founder and has grown to approximately 30 full-time employees and various consultants (when required). Revenues have also increased approximately 200% each year since inception

Strategy

Although the forest industry has embraced technology in processing operations in various degrees, it has been historically slow to embrace available information technology to maximize overall corporate performance. Rising competition from foreign markets, pressure to manage inventory levels and increased government and environmental regulations have been driving industry to seek new opportunities to improve the economic efficiencies within the forest industry

Forestindustry.com's strategy is to create "online e-business communities" also known as a marketplaces and provide services to assist companies to create on-line convergence for all sectors of the lumber forest industry. By doing so, their vision is to provide a "one stop shop" marketplace for a forest company looking to service suppliers or customers using e-business. These on-line communities provide an invaluable resource for individuals, businesses, and associations to communicate, transact business, and share information. These online communities, enable businesses to concentrate on their core capabilities and competencies and leverage the various services provided rather than develop their own solutions

E-Business Services

Forestindustry.com currently provide clients with the following services

- Complete corporate web site development and maintenance
- Site hosting and maintenance
- Dedicated web servers and Internet connections
- E-Commerce solutions (on-line stores) B2B & B2C
- E-mail services
- Basic, enhanced and high profile promotional plans
- Custom-designed E-dentity and E-branding corporate site management programs
- Banner advertising and press releases
- Business-to-Business lumber and equipment exchanges

In the past five years forestindustry.com has acted as a neutral focal point for on-line communication and information for the forest industry and has succeeded in aggregating a large portion of the lumber industry. The company has built an enviable reputation within the forest industry and has developed a loyal client base and sustainable revenue model. Neutrality has

enabled forestindustry.com to develop long term relationships with 21 of the leading trade publications and many trade events and associations providing a valuable traditional communication channel within the forest industry. With a client base of over 600 forest industry businesses and a host of trade events, journals and associations forestindustry.com is an established and accepted forest industry business. Unlike the majority of 'dotcom' businesses, forestindustry.com has built an online community with traditional forest sector "brick and mortar" businesses.

Investments and Focus of Effort

- In the next five years, forestindustry.com plans to continue to lead the industry as the focal point for communication, transaction and information service for businesses, individuals and companies working in the global forest industry.

- As the market/industry continues to become more Internet friendly, forestindustry.com's services will continue to empower more companies and individuals to use the Internet to maintain and grow their businesses. More value-added services will be added to ensure industry business are able to take full advantage of everything e-business can offer their company.

- Forestindustry.com is currently evaluating proposals for strategic alliances with several leading e-business technology partners to ensure the best solutions are available for the company and it's clients, reducing duplication of effort and speeding up time-to-market. These alliances will help to ensure that forestindustry.com concentrates on its core competencies while leveraging on the abilities of the leaders in specific areas of Internet technology. These alliances will open up new revenue opportunities for forestindustry.com and provide its clients even more services with the "best-of-breed" solutions.

- Forestindustry.com's services will continue to evolve by building the bridge between Internet technology and the forest industry. Increased emphasis will be placed on customer service and support to educated clients on e-business technology. The company will continue to evolve its services to reflect the regional and international nature of the industry. Developing international services will not be based on individual countries, but on global production regions with language, regulation and regional issues at the forefront of forestindustry.com's strategic development.

- Major investment will be made in human resources and other investments will be made in robust user-friendly applications that will add value to existing industry business processes and companies that use them.

- Continued expansion of enterprise level hardware, software and applications will be at the forefront of forestindustry.com's technical evolution.

- Custom developed industry-specific on-line applications will be completed in many cases as joint-venture opportunities with technology partners to ensure less duplication of effort and faster time-to-market. By leveraging the strengths of its alliance partners forestindustry.com can provide "best of breed" solutions while reducing its direct costs, which can then be passed on the forestindustry.com clients.

Benefits

Return on Investment (ROI): ROI for e-business should be measured in the long term. Success will depend on how well a company integrates solutions into daily business. The benefits customers can expect will include, a 20 to 25% savings through e-procurement, a 10 to 15% increase in on-line sales, a 10 to 15% savings in marketing while increasing global industry presence.

Develop a Community: In the past five years forestindustry.com has been extremely successful in developing community and content. Unlike the vast majority of dotcom companies who spend 80 to 90% of their budget on trying to get people to visit their site and build community, forestindustry.com has already developed community. The company will be concentrating on expanding its technical services, e-business solutions and customer support services. The vast majority of its e-business solutions will be deployed in the second and third quarter of 2000 and costs related to this development are estimated to be between two and three million dollars. A US office should be opened on the eastern seaboard in the second or third quarter of 2000 as well.

Costs should fall further as a sustainable Fee for Service is established: As the competitive Internet market continues to evolve consumers should expect to see a reduction in costs for on-line services as market factors determine a sustainable fee for service. Consumers should also expect relatively low on-going fee for their basic Internet services and incur fees on a "pay per use" basis for things such as procurement, direct sales and other applications. Companies that choose to develop their own services and not leverage off businesses and buying groups that already provide these services can expect to incur much higher development and maintenance costs.

Challenges and Advice for Organizations

Based on its experience and work with existing clients, forestindustry.com has the following advice and suggestions for forest sector companies moving to implement e-business :

Develop a Plan: Develop an Internet plan with specific, attainable objectives (i.e. direct sales, procurement, customer service, and internal company services) E-business is still business. Online applications should only be adopted if they either make or save the company money

First Focus on Existing Clients: Maintaining and servicing existing clients may be the most important objective of a successful e-business strategy. Understand the full spectrum of how the Internet can either make or save the company money. It's not just about direct sales, but also procurement, customer service, communication, internal business communication and more. Like business in the "brick and mortar" world, participate in the company's marketplace on-line. Like regular tradeshows, on-line vertical communities provide a focused marketplace with a high amount of qualified buyers and sellers

Technology Strategy should include Open Compatibility: Technical systems need to be evaluated carefully to avoid technology products and services that may be unable to integrate with other products or services. The more accessible and open the core data and applications are, the easier and cheaper it will be to extend e-business services in the future

Develop an Easy to Use Web Site: Develop a well-designed, easy to navigate web site with easy access to important information and e-business processes to encourage repeat business among clients and staff. If possible, use existing in-house data sources to populate online applications to ensure up-to-date and correct data

Forestindustry.com's solution run on an NT platform and use JAVA script and integrates easily into 3rd party software, such as existing email systems. Very little training is required to set up a customer on line. Customers only need a browser and a personal computer. In fact, the greatest obstacle for forestindustry.com was not the technology itself, but rather the conservative attitude within the industry. This is why forestindustry.com also offers services such as web-site development and web hosting, to assist clients in resolving the organizational challenges for clients in best leveraging the on-line opportunities

Be ready for Constant Change in Processes and Practices: Like any customer channel, e-business requires an ongoing commitment and should be continually evolving to meet customer and company demands. A successful e-business program should be evaluated on a one to three month cycle.

Continual efforts are usually required to encourage a client's staff to take advantage of e-business programs. However, Joe Perraton, President and founder of forestindustry.com warns, "Companies can no longer choose inaction over action. Everyone should be moving in the direction of e-business. It can no longer be ignored " For some companies that have already taken this step, the rewards are just beginning based on short payback on e-business investments

Moving into the Future

Moving forward, forestindustry.com exists, and is thriving based on conclusions made by their customers, that it becomes readily apparent to them that e-business will dictate the way business is conducted in this forest industry. In order to prepare themselves for this evolutionary environment, forestindustry.com has recently expanded their services to include the World Wood Exchange, an e-business trading exchange

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