

Electronic Commerce 98

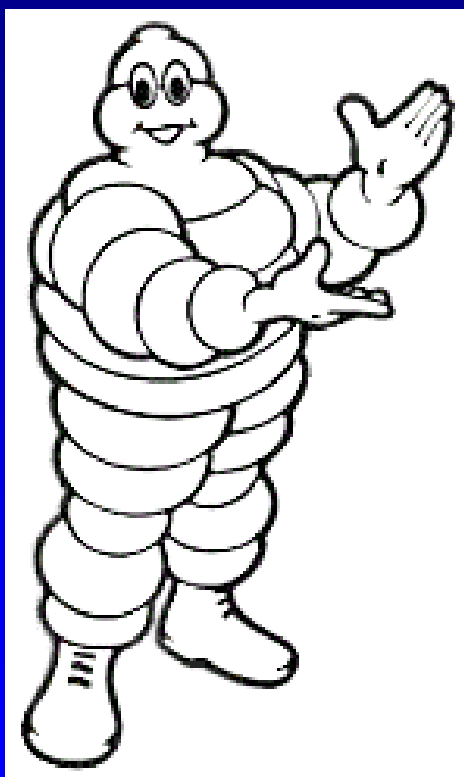


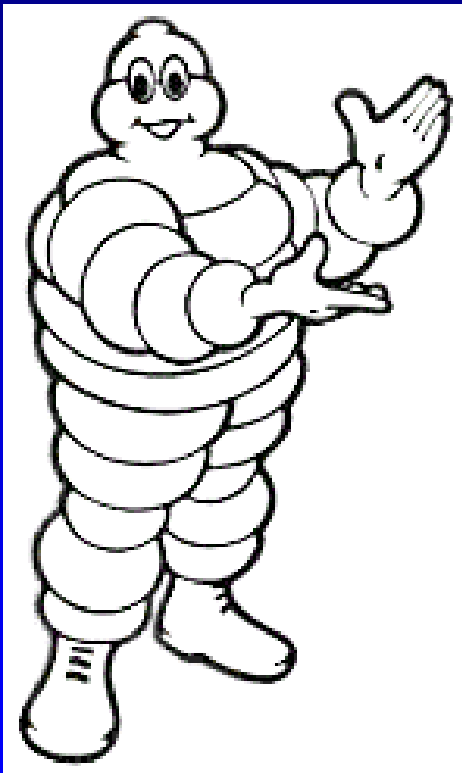
Technologies for Improved Customer Service

Lynn Melvin

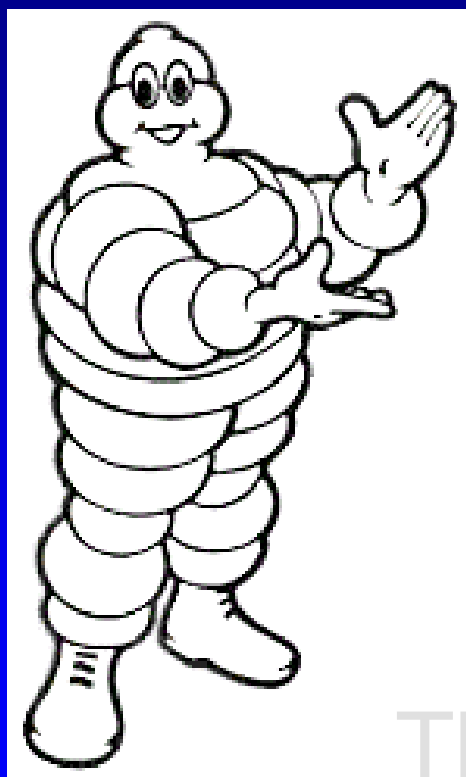
Michelin North America

15 November 1998





The Michelin Man

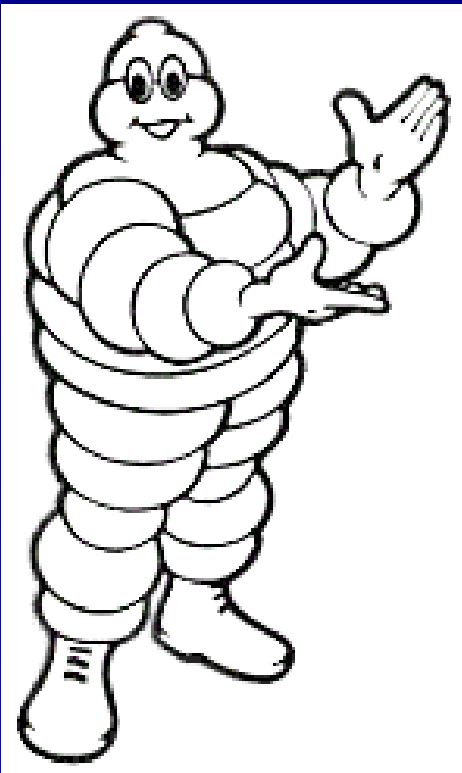


The Michelin Man
is

BIBENDUM (BIB)

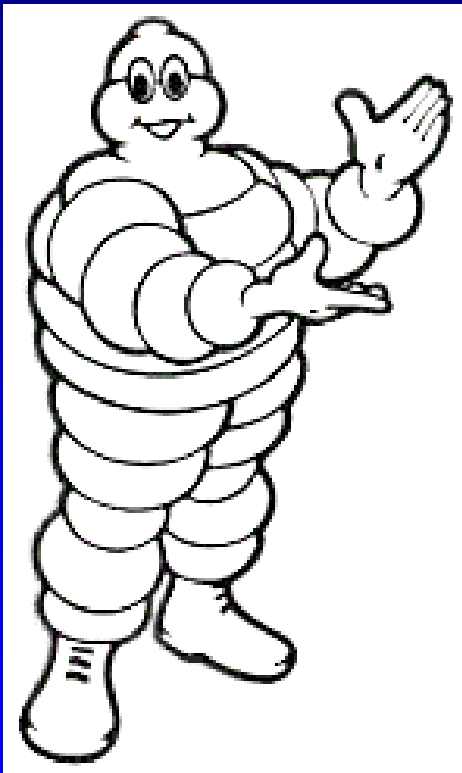
This year BIB is 100 years old !

Agenda



- Background
- Environment
- Discovery
- Development of EC Initiatives
- Where are we now?
- Lessons learned

Michelin the Company



- Manufacture tires for consumer, commercial, Original Equipment markets
- Major brands: Michelin, BFG, and Uniroyal
- 13.4 B in worldwide sales
- 115,00 employees worldwide
- 70 mfg plants, 19 in North America



Background

- Established Electronic Commerce Team:
 - Created a cross functional team (Marketing & Sales, Customer Service, IT)
 - Full time
- Leadership
 - Target a market segment of independent tire dealers
 - Champion projects
 - Move opportunities from paper to reality.
- Focus
 - Customer bias; involving the customer
 - Re-engineering for cost savings.



Electronic Commerce - Mission

Develop the means for an electronic exchange of the most valued information between Michelin and our customers, involving our customers in the process so as to maintain a customer bias, and also re-engineering for cost savings.



In pursuit of this Mission

- Determine Customer needs and value.
- Seek opportunities to “delight”.
- Document Michelin capabilities.
- Benchmark successful EC enterprises.
- Define boundaries of information sharing.
- Recommend specific projects.
- Develop timetables and costs of plan.
- Champion implementation of key projects.



Strategy

- Make all customers better off... but some, our strategic partners, much better off.
- A solution that recognizes the technical sophistication variations among customers.
- An approach that borrows from and adds to core existing systems.



Environment : Customer

- 1,700 (8,000 locations), only 2 use EDI
- 1 location to 150
- Variation in business practices
- Wide variety of hardware/software
- Independent with varying degrees of loyalty to Michelin and other manufacturers.



Customer Environment cont'd

- Small number of large customers and customer groups dominate.
- Marketing of “Alliance” customers a strategic direction.
- Perception that Michelin is “Difficult to do business with”.



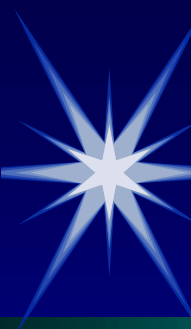
Environment - Customer Profile

<u>Number of Dealers</u>	<u>Locations</u>	<u>Percent of Business (units)</u>
25	533	44.1%
50	1,767	55.5%
75	2,762	62.8%
100	2,811	68.3%
150	3,100	76.4%
250	3,400	85.8%
318	3,600	88.9%
1,000	5,019	98.8%
1,734	8,269	100.0%



Michelin Environment

- Paper intensive.
- Interact through people, not technology.
- Large number of small orders.
- Large number of inventory inquiries
- A time consuming claims approval process.
- A reputation for great products
- The best trained sales force
- A partially automated sales force.
- Existing system functionality.



Discovery: Technology Leaders

- Gartner Group
- DISA
- AT&T
- IBM
- GEIS
- Sterling
- Control Data
- Hewlett Packard
- Harbinger



Discovery: Benchmarking

- Hewlett Packard
 - Reaches distributors through Internet
- P&O Shipping
 - Industry Solution
- Mobil Oil
 - National Account Processing via PC.



Discovery: Strategic Customers

- 55 customers
- 40% of customer Volume Overall



Discovery: Focus Group - Objectives

- Better understanding of electronic commerce.
- Prioritize opportunities from customer perspective.
- Quantify “value proposition” from customer perspective.
- Brainstorm technical possibilities.
- Develop a common VISION.



Discovery: Focus Group Result

- The 19 areas our customers see as opportunities for improvement.
- Policy Issues identified.



Development: Functions

- Order Entry:
 - new order, import order, backorder mgt., order status
- Inventory:
 - real time inquiry, automated shipping notification, line/style options
- Claims:
 - all types: pricing, product, program funds, DRs, Warranty adj.
- Customer Support:
 - Bulletin Board, Databook, M&S Programs
- Administrative: E-Mail, Security
- Inventory management: auto replenishment
- Back office software



Development Strategy

- EDI: for larger customers who have the capability and resources
- Phone/Fax technology for some simple functions
- E-Commerce tools:
 - ① Inventory management partnerships
 - ② An Internet tool for all customers: BIB NET
 - ③ Integrated customer business software



① Inventory Management Partnerships

- Selected a group of customers: capable, committed
- Customers electronically provide
 - product sell outs
 - inventory levels
 - desired fill-rate levels
- Michelin and customers create
 - inventory models tailored to customer's business
 - replenishment schedules
- Michelin models recommend a suggested order, customers approve and submit orders



① Inventory Management Partnerships

- Benefits for both:
 - shortened process cycles
 - lowered inventory levels significantly
- Inventory management must become a key responsibility for customer
- Requires extensive back-end integration
 - customer's systems
 - Michelin's inventory replenishment models



ON-LINE EC TOOLS: BIB NET

- Designed by our customers
 - covered the 19 areas identified in earlier sessions
- Multiple sessions based on functions
- Target was “user” within function area



Main Menu

Scott Gallup

01/08/98 11:10:53 AM

Version 1.5.1.0a

ORDER ENTRY

[New Order](#)
[Orders In Process](#)
[Order Inquiry](#)
[Order Status](#)
[Order Template](#)
[Administer Backorder](#)
[Recommend Order](#)
[Import Order](#)
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INVENTORY

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CLAIMS

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[Claim Status](#)
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[Campaign Status](#)
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INVOICE

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PRICING

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[On Invoice Price](#)
[Service Price](#)

BUSINESS SUPPORT

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[National Account Directory](#)
[Marketing and Sales Programs](#)

ADMINISTRATION

[Change Ship To](#)
[Configuration](#)
[Preferences](#)
[Registration \(User Setup\)](#)
[Change Password](#)
[Terms and Conditions](#)
[Batch Status](#)
[Tutorial](#)

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③ Business Software for Our Customers

Now a look at our future





③ Millennium Objectives

- Added value
 - Introduce and provide a true cost benefit analysis mechanism that demonstrates Michelin tire value
 - Develop an environment that enhances product and company loyalty
 - Provide a means for customers and the end user to become proactive tire managers
 - Permit customers to “lock-out” the competition
- Help customers increase gross profit
- Establish Strategic Partnerships




Millennium Suite

- Expands connectivity
 - Associate customers
 - Fleet customers
- Simplifies and improves integration
- Broadens functionality
 - Forecasting tools
 - Auto replenishment



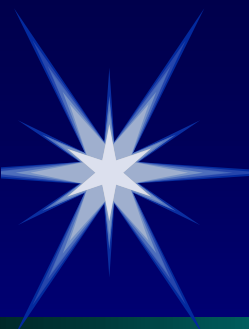
Millennium Suite

- These 21st century tools allow us to:
 - Add value to the supply chain
 - Enhance the value of our partnership
 - Prove the value of our product
- Continue to set the standard for quality of service




E-Commerce: Where Are We Now?

- EDI:
 - Continue to use, not successful in independent tire dealer market
- Phone/Fax: Implementing an automated phone ordering system for National retailers



E-Commerce: Where Are We Now?

- Inventory management Partnerships:
 - 4 - 10 customers in some state of implementation
 - very high maintenance cost, reserved for customers who have inventory problems
- On-line EC tools: BIB NET
 - 286 customers installed
 - Commercially viable system
 - New focus group sessions
 - system critique
 - new enhancements
 - new functions



E-Commerce: Where Are We Now?

- Integrated business software
 - Launched at National dealer sales meeting, Feb '98
 - 9 installed
 - 1 pending
 - 35 - 40 interested



Electronic Commerce: Lessons Learned

- Use a dedicated, empowered, veteran team
- Keep the end user involved
 - They may not know the solution but they know the problems
 - Gives them buy in
- Communicate, communicate, communicate
- Don't base the projects' success solely on cost reductions and ROI figures
- Not everyone will embrace the concept immediately



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Questions ?