

Brady corporation case study analysis

Information Systems

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2 Executive summary

Analysing the case of the Brady Corporation, it is shown that the internet and information systems have brought many conveniences to Brady, its distributors and customers. The internet also provided Brady with the opportunity to bypass intermediaries to sell directly to the customer. Nevertheless, Brady focused upon end customer service by keeping their distributors and leveraging their technological capabilities to better serve the needs of both their customers and distributors. In concurrence with Porter (2001) the internet can be used a complement to traditional business activities and distribution channels.

[This paper addresses the issues raised in questions 2, 3 and 4 of the Brady Corporation case study]

3 Introduction

Technology should only be used where it truly adds value to the customer (Faisal, 2002). Numerous high profile cases such as Boo.com demonstrate that where the focus is not enhancing customer service, technological development and changes often prove to be unsuccessful or disastrous (Amjad, 2003).

From the Brady case, it can be seen that when Brady reviewed technological changes, they analysed the impact on the various stakeholders and particularly its end customers. As Dave Hawke, vice president of the graphics group says: *“You can spend a lot of dollars in building and promoting functionality that customers really don’t care about. We need to think about the value to the customer...”*

One of the challenges for organisations today is to continue to add value to its service offering that fulfil and exceed customer expectations (De Chernatony, 2001). This report will evaluate how Brady attempted to add value through its eBusiness strategy up unto the year 2001. Firstly it will be discussed how Brady was able to use technology to improve its service offering to its distributors and subsequently selling directly to its customers. Following the discussion of the importance of distributors and direct selling to customers, this report will conclude by drawing together the main lines of thought articulated within this report.

4 Distributors

Distributors play a key role within Brady's business model. Brady's strategy has been to serve their customers in a very accommodating way, as vice president, David Winter says: *"We'll serve them [the end customers] through any channel they like"*. This shows that Brady firmly place the customer at the centre of attention and view new technological platforms as merely a means of better serving the customer rather than an end in itself. According to Porter, the internet can be seen as an enabling technology that has resulted in an opportunity for customers to deal directly with manufacturers (2001). Whilst this is true, the Brady case demonstrates that technological developments are rarely universally adopted hence there is an implicit need to keep traditional distribution channels open. It is essential organisations recognise the importance of technological change and the utility that organisations can gain through such technology. Nevertheless, as Lightman, Sarewitz and Desser (2003, p239) argue, such change should be done so *"without alienating the customers it ultimately depends upon"*.

4.1 The role of distributors to Brady

Adding value Distributors have played an important role at Brady as they represent a traditional distribution channel that is of value to some of Brady's end customers. Whilst selling directly to customers offers a number of advantages to both customers and Brady (these will be discussed further in section 5.0 page 6), Brady has maintained the role of distributors within their business model. Brady has relationships with approximately 3,500 distributors who have a strong sales force which in turn reach hundreds of thousands of customers. For many of Brady's customers, the products supplied by Brady only represent a small portion of total materials purchased thus it is convenient to buy from a distributor. Furthermore there is value in Brady's products being offered alongside its competitors.

4.2 How Brady works with distributors online

Instead of Brady seeing the internet as an alternative to distributors and a way of reducing their buying power, Brady decided to use the internet and eBusiness to enhance its relationship with its distributors. Initially Brady did this through distributor.com which began life as a primitive extranet which was essentially 'brochureware' (Straub and Klein, 2001). Brady augmented its online offering to distributors by providing facilities for distributors to order online in 1999. Porter commented in 2001 that successful companies will be those that use the internet and advances technology to complement traditional business models. Brady have clearly adopted this approach to use

technology to enhance and facilitate its existing relationship with distributors, giving opportunities to share in the mutual cost savings by ordering online.

4.3 Disadvantages of distributors

Slow take-up of technology Nevertheless, whilst Brady has taken the approach of using the internet as an 'enabler' (Behnezhad, 2000) to create operational savings, the rate of adoption of this technology within distributors has not been very quick. Fundamentally this is a problem that is echoed throughout the business community where, even though savings can be made with the adoption of new technologies, there is a resistance to change or a misunderstanding of the benefits that will be derived following the change. In similarity to the consumer market, amongst businesses, there are always innovators who adopt technology first, followed by early adopters, early majority, late majority and finally laggards (Moore, 1991). Essentially those distributors which have quickly adopted to new technologies will receive greater savings, whereas those lagging behind loose out.

Whilst Brady has attempted to simplify the order process through online ordering, eBusiness initiatives such as the use of Web-to-Workbench are very costly to develop and if the take-up is not high could prove a waste of resources. In addition, the Web-to-Workbench application raises an interesting subject as essentially it requires a customer to design the product themselves. Whilst the use of Web-to-Workbench would be through a distributor's website, the fact is that the customer is unconsciously directly interacting with Brady. Fundamentally, this brings into question whether there is a real value in distributors as their role in this specific example is simply to pass the customers on earning a commission. In the future Brady may indeed choose to establish more direct relationships with the customer by bypassing the distributors where possible. This would not necessarily mean that the distributors would be eliminated per se; however the likely result would be that their role and power within Brady's business model would be reduced as a result of the changes in technology.

5 Direct selling to the end customer

With the rapid development in internet take-up, Brady have identified and begun to exploit an opportunity to serve its direct customers in a way which is highly efficient. Through offering customers another channel of purchasing Brady's products, Brady has complemented its traditional channels of distribution with the use of technology.

5.1 Benefits of direct selling to the customer online

Cost savings Shinder (2005) argues that businesses need to ensure that payment is as simple as possible online. Customers who order online with Brady represent a huge saving to Brady; the cost per transaction has been reduced from \$16 through ordering over the phone to \$5 through ordering online. This saving demonstrates a huge opportunity for Brady to become more efficient and gain a competitive edge over its competitors. Because the savings are so large for customers buying online, Brady has encouraged its direct customers to move to this platform with the incentive of discounts. Brady has clearly spotted an opportunity to make large cost savings and has attempted to share the benefits derived from online orders through offering discounts. Whilst the gains for Brady are substantial, they are not sustainable as when Brady's competitors implement a similar system Brady's competitive advantage will be neutralised.

Data mining In addition to the cost savings in selling online, Brady's Seton website has been used to keep a record of major customer's transactional information. This information is very valuable to Brady and through data mining it will be possible for Brady to spot trends in the spending of its customers, thus it may be able offer particular deals to satisfy their needs. According to Thierauf (1999), data mining tools are extremely useful as through analysis, important trends can be spotted which top management can use in decision making. This presents a strong case for Brady to encourage more customers to deal directly with Brady.

5.2 Trends in selling direct selling to the customer

Recuperate setup costs It is also within Brady's interest to encourage as many of its customers as possible to go online because of the large sunk-cost in providing online ordering facilities. This is explained through basic economic theory; because there are high setup costs to put the technology in place (a fixed cost), as more customers buy online this fixed cost will be spread over more sales. Hence the investment in Brady's online direct selling platform will be quickly recovered.

Gently encouraging customers online

As has been demonstrated throughout this report, Brady remained customer focused throughout the technological changes. This is demonstrated by the fact that Brady have ensured customer representatives are still available for direct customers to communicate with over the phone if they would like to. This displays willingness to be flexible to customer needs and prevents Brady's customers from feeling "pushed" into new technology. As customers realise the benefits to gain from doing business online, the customers themselves will make their own minds up to move towards the new technology areas. This concept of allowing the customer to identify the advantages and move towards the technology, whilst it does not ensure rapid take-up, will remove the threat of alienating customers.

5.3 Potential problems in Brady's direct selling online

Whilst it has been established that there are large benefits for Brady and its customers, Brady may have adopted a risky initial strategy in offering a price reduction by ordering online. The danger is that as Brady began with a reduced price to attract customers online, when Brady then wants to put the price back to offline prices, customers will react badly against this as they will link ordering online with low prices. This may prove problematic in the future and Brady should perhaps have put more marketing emphasis upon a more efficient customer service online rather than lower prices. Businesses will run into problems if they try to withdraw something from a customer that the customer has begun to expect as the norm (De Chernatony, 2005).

5.4 Importance of direct selling online in the future

It has already been shown that there are numerous benefits from customers buying direct from Brady. Cost savings, the data-mining of information and reducing the power of distributors will mean that it will be within Brady's overall interest to facilitate the ease to which customers can buy directly online in the future.

6 Conclusion

Throughout the discussion surrounding the Brady Corporation it has been shown that new technology can have a substantial impact on how a company does business. Furthermore it has been demonstrated that technology can open up new distribution channels and create efficiencies. Inevitably this means that focus sometimes shifts away from traditional distributions channels to new channels.

The Brady case study has shown there are numerous advantages in selling directly to consumers online and also highlights the possible danger in discounted selling online. As has been mentioned, whilst new information systems bring competitive advantage, these systems are not a source of sustainable competitive advantage as they are relatively easily copied by competitors. Carr (2003) argues that organisations should be conservative in their information systems development and *“should not lead but follow”* (page 48).

To conclude, an essential lesson to take from this case study analysis is the importance of organisations always being customer focused. In adherence to how Brady acted, organisations must recognise the opportunities that exist in technological developments. Nevertheless these developments should only be pursued where there is a benefit to both the organisation and the customer, and throughout developments organisations must ensure the customer is never alienated (Lightman, Sarewitz and Dessler, 2003). Furthermore this case analysis of Brady has shown that as Porter writes, the internet can actually *“complement rather than always cannibalise”* (2001, page 73) companies traditional activities and distribution channels.

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