

BAIN & COMPANY

Harnessing
the Internet
to Make Your
Company
More Valuable

e - c o m m e r c e



the
Bain perspective

It's not two different worlds out there—one online, one off. It's one, fast-paced economy in which businesses today struggle for competitive edge. The Internet is one tool that can help companies gain the ground they seek.

It can flow through your whole operation to help you do business incredibly quickly, efficiently and effectively. It can help you share learning and profit from knowledge in centers of expertise around the globe. And it can reach customers in ways that create deeper, broader, longer-lasting relationships than ever before.

That's what's new. What hasn't changed is the way value gets created—through offering the right product or service at the right price to profitable customers from a position of cost, service or quality that outstrips competitors.

The hype is over. The real value is yours to discover. Bain can help you harness the Internet to a profitable business model and build success today.

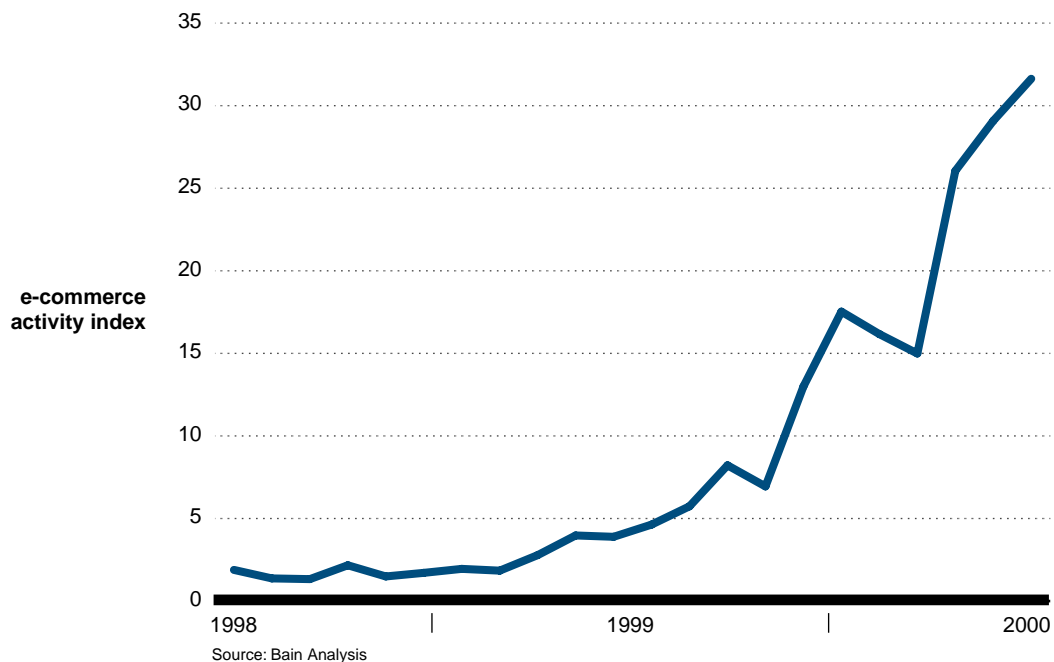
gaining an **edge** in the digital age

The Internet is revolutionizing the way we do business. It's creating marketplace **opportunities**, and complex challenges, for industry leaders. And already we're seeing casualties. The breathless headlines roll on—350 million online users in 2000, a figure set to double in five years; 5 percent of US GDP forecast to be generated online by 2002. Increasingly, these headlines are countered by news of grand-scale shakeouts and commercial disasters. We've seen losers emerge, stock prices tumble and presumed winners falter.

We have also seen companies take advantage of the power of the Web to start new businesses successfully, to reinforce customer relationships in their core businesses, or to improve efficiency. One client has used the Internet to create a competitive cost position that is likely to be unassailable over the next few years. Another has used the Internet to increase sales among its core customers and to improve customer retention. And another has launched a series of new, highly promising businesses that will help meet the aggressive profit growth targets implicit in their high stock-price valuation.

The Internet is an important strategic variable for all companies. How to best use it will differ by business and industry, but all should consider three categories of **opportunities**: those on the buy side, the sell side and the inside.

Figure 1: Indexed growth of e-commerce activity at Bain



Market analysts predict the Web will drive \$1.3 trillion in cost savings by the year 2002 and carry \$1.8 trillion in commerce by 2003. In this dramatic, swiftly evolving business environment, executives are asking: How quickly and deeply will the Internet affect my business? How can I take the greatest strategic advantage of the Web? How can I use the Web to increase productivity and lower costs in my core business?

Are there new business opportunities embedded in my company that I should fund and start up? How?

Bain & Company, active in e-commerce since 1994, has helped hundreds of management teams—in companies of all sizes—develop and implement their strategies. **(Figure 1)** Our objectives are to help our clients gain advantage from the Internet and to help build the winners in the digital economy.

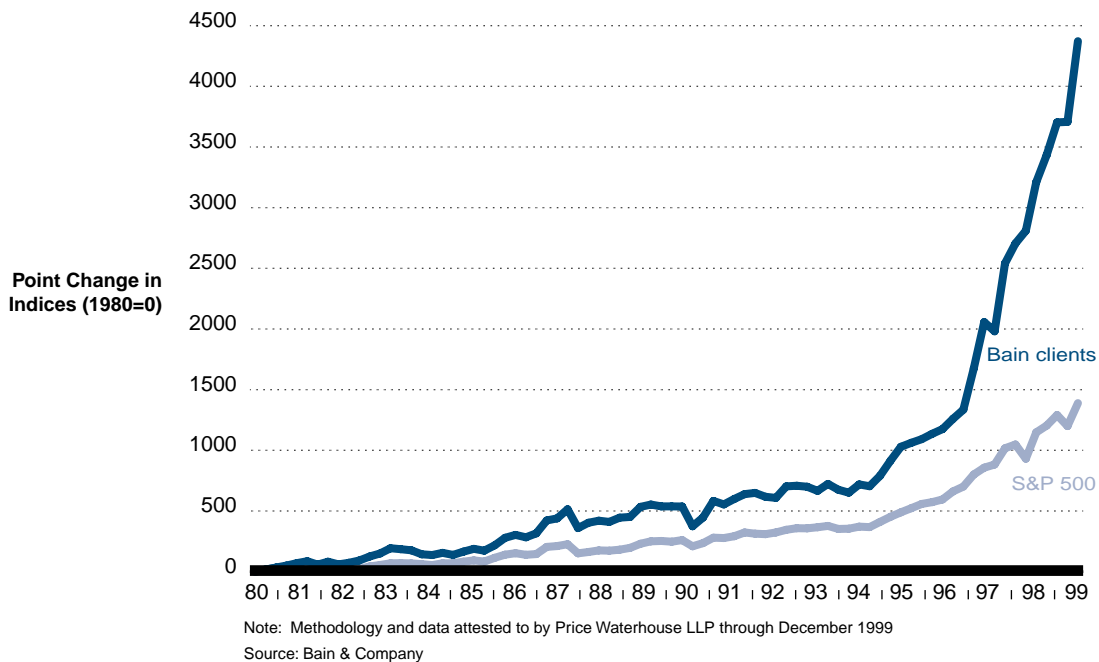
making the **right** moves

To build a great e-commerce strategy, you need a sound business strategy. Bain's e-commerce group is built on more than 27 years of experience in strategy consulting and implementation. We have the breadth and depth of experience needed to help you determine the right moves and to make those moves successfully. With 26 offices in 18 countries and more than half our e-commerce work outside of the US, we are a global leader in e-commerce consulting. More than a third of our work is in e-commerce, and almost all of our major clients have

turned to us for help in this field. Most importantly, we invest in sharing our experience globally so our knowledge and understanding grows at the fastest possible rate.

And Bain is unique: Not only do we understand e-commerce, but we also have a longstanding track record of helping our clients increase the value of their companies. For more than a decade, the stock composite of our clients has outperformed the S&P 500 by more than three to one. (*Figure 2*)

Figure 2: Bain clients' stock price performance



In this rapidly changing environment, venerable brick-and-mortar institutions can learn much from nimble start ups. And new enterprises are discovering not only that the basic rules of market economics still apply, but also that there is no substitute for experience in building a sustainable business model. Our more than 140 Internet clients span the range of e-commerce players—large and small, old and new—so we can apply our knowledge to accelerate your learning. We've done this for clients on six continents, and in industry sectors ranging from financial services and retail to telecommunications and pharmaceuticals. The results? Highly attractive returns for our e-commerce clients.

On the buy side, you should look at how the Internet can affect your supply chain, reduce costs and improve the quality and productivity of your factor inputs. On the sell side, determine how the Internet can deepen customer relationships, and penetrate new clients and products. And on the inside of your organizations, understand how the Internet can improve productivity and reduce costs.

using the internet to create **value**

Wherever you are in the life cycle of your Internet play—starting out, integrating online and offline operations or consolidating a leadership position—Bain can help you create value. We bring broad experience combined with a practical, non-theoretical approach (**Figure 3**). Also, you can be certain our interests are aligned with yours: Not only do we approach our work from an owner’s perspective, but we frequently co-invest with our clients and take equity in lieu of cash fees.

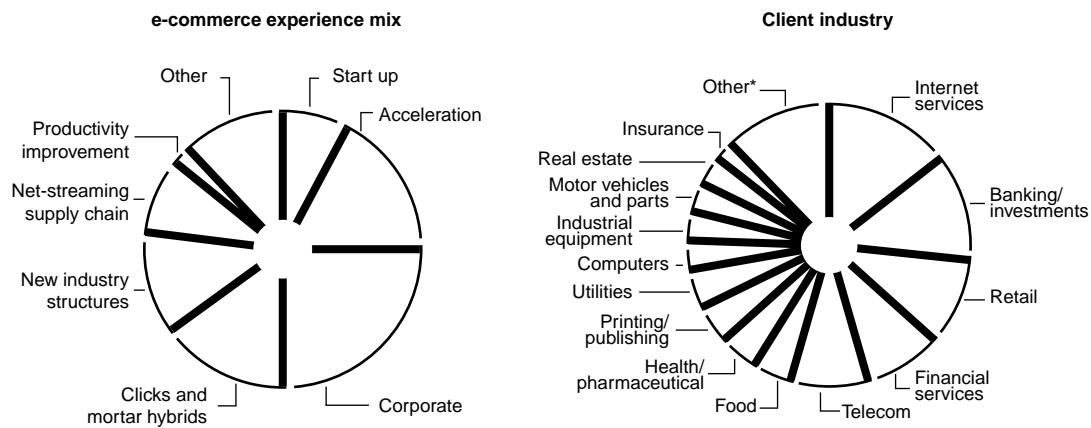
Clients’ needs are unique, so we customize solutions—there’s no set formula. Our intent is to act as your partners, providing practical help to address the most important issues you face.

Most commonly our clients ask for our help in:

- Setting priorities among e-commerce opportunities
- Finding and launching new businesses
- Accelerating successes on the web
- Developing an online channel for traditional companies
- Preparing for new industry structures
- Anticipating new technologies
- Managing the supply chain
- Enhancing productivity

For examples and further details on how we add value for clients, please see the inserts at the back of this brochure.

Figure 3: Bain’s e-commerce experience



Source: Bain & Company

*Other includes: non-profit institutions, consumer products, online travel, aerospace and defense, freight and parcel transport, legal services

BainNet: **best-in-class** solutions, whatever your needs

The complexity of e-commerce and the need to move swiftly may lead you to seek one single company to help with all your Internet-related needs.

In this **increasingly competitive** environment it is essential to get best-in-class help in every area—unfortunately, no single company can deliver this. So, in addition to providing clients with our expertise in strategy development and implementation, Bain has created a network of best-in-class e-commerce product and service firms ranging from web-site developers, systems integrators and software firms to customer relationship management and order fulfillment companies. We call this alliance **BainNet**. With BainNet, Bain can help you develop a winning strategy and coordinate the efforts of any suppliers you select to ensure the best solutions and rapid, lasting results.

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fluid strategy,

simultaneous implementation

In today's business turbulence, Bain's expertise is more relevant than ever. You may need to craft an overall business strategy or create a new Internet business. You may seek to capture the full value of integrating your online and traditional businesses or to gain efficiencies in core business functions. In all cases you'll need to create your blueprint and build your businesses simultaneously. Fluid strategy, simultaneous implementation, financial impact. That's what Bain is about. That's what Bain has always been about.

If you are interested in more information about Bain or our e-commerce practice, please log onto www.bain.com, or call the managing director of any of our offices.

Making your company more valuable

Bain & Company is one of the world's leading global business consulting firms, serving clients across six continents. It was founded in 1973 on the principle that consultants must measure their success in terms of their clients' financial results. Bain's clients have out-performed the stock market three to one.

With headquarters in Boston and offices in all major cities throughout the world, Bain has worked with more than 2,000 major multinational and other corporations from every economic sector, in every region of the world. As a complement to its strategy consulting practice, Bain has established bainlab, an active incubator and accelerator of Internet companies, which brings Bain's intellectual capital and execution capability to bear on identifying and building profitable Internet businesses. For more information visit www.bain.com and www.bainlab.com.

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