Welcome to Radio Tuck Mr. Pepper.

I was wondering, has there been anything in the last few months that have been very surprising as far as lessons for your business?
I think the most surprising thing is just the acceleration of the trend and impact of the webifying of our company as we look at it, the introduction of e-Business and e-Commerce. A new dimension of it was brought home to me yesterday, I was at a presentation with John Chambers who was presenting to us at P&G, and then I talked to him separately. As you’d expect John, being one of the great salesmen the world’s ever seen, he was talking vigorously about the role that digital will play in webifying, but he brought some interesting new perspectives to it. Perhaps the newest to me was the impact on productivity and the importance of productivity, and he made the point, which we’re seeing in so many fields, that one thing you can count on, things are going to get cheaper. Things are going to get cheaper and you better reckon on that in terms of your model of doing business, even as you add greater value. A critical component of doing that is going to be to take advantage of the web and everything that can be done through digital technology. He talked about the impact its having on governments and relayed the fact that he has, of course, in the last month talked to five or six presidents of countries including China, Indonesia, and fill out the list. And he’s saying they’re really getting it, and they are able to start to see how, if they don’t do that when you’re trying to improve productivity as China must for example by 5 or 6 percent a year, they need to be able to marshal these technologies in the right way. He also made a point that I think many of us have observed which was an awful lot of money was being spent, we think, on IT during the 70’s and 80’s and people were wondering ‘where’s the payoff from all this? Is this just a black hole?’ As we looked at the data together, in fact, the amount of money being spent on IT was not all that great. As was expected, when you look at it as a percentage of the total capital spending, there was very little improvement in productivity. But the point coming out of it is it has taken greater investment, but it’s taken whole corporations to get on this in terms of a total strategic focus from the top and down through the whole organization before the payoff really starts to come. We looked at models of different industries where some members of the industry were doing more of this than others and, as you’d expect from what I’m saying, we’re seeing greater improvements in productivity and shareholder return in those companies that were adopting this most aggressively. In our own company, this ended up just lighting a fire under things. We were already seeing in a business to business application, reverse auctions which were starting to save us tens of millions of dollars and we’ll blow away the initial estimate we had two to one this year, and we should be, given the potential. But, for us, it’s very important for everyone to keep in mind that this is a means to an
end, not an end in itself. This is something I continue to say in our own corporation. This is a means to the end of creating greater brands, serving consumers better, working better with customers, becoming more efficient. And we’re seeing that happening, as I mentioned, in say supply, but it’s happening now in how we can bond with consumers. Customization of products through a site we have called reflect.com, which customizes cosmetics or personal blends of coffee that we have. But perhaps the most important thing we’re seeing, and still really largely to be delivered, is it’s impact in allowing us to design and research and test market products, brands, services at far greater speed and order of magnitude, with greater reliability than we’ve done before. Then there’s the whole thing we’re starting to see on how we use it inside and converting processes that before were paper ridden and reworked to the internet. We’re finding that we’ve got to make some choices there and there are places where we have to say “this is it. We’re going to do this via the web.” We’re now doing that on our benefits programs. There’s a bit of grumbling, but if you really make sure you have the right training and the right back up, not a new system, but training, you can do it. I think the last thing I’d say that came out of yesterday in that presentation from Chambers, which I’d agree with, is the ability of putting this in place, digital technology, the web, to go beyond the individual focal point of the activity to actually have an impact on the total culture of an organization, helping become a catalyst for greater speed, greater transparency, greater openness, and I don’t want to over describe this as some cloud opening and the world changes overnight, but I can see it having an effect on that. I think there are two cautions in all of this that I’d complete on. One is the one I already mentioned and that is it’s very important that this be focused on what the ultimate purpose that the organization is rather than become a fad into itself, which I’ve seen happen so often on different ideas in business. And the second is we need to be sure that with all the values of communication it provides, it doesn’t lead to a depersonalization of the business, that need not happen. There is some risk that, especially if relationships haven’t already been formed, you start to just communicate via email or even live web, the interaction at least to get the relationship established, in my experience, is not the same. So there are some cautions one needs to have. This is a fabulous generation of change underway that we’re about. One has to be on the lead of it. It’s very important for a company like ours to get the kind of external stimulus that a John Chambers at Cisco will bring us, and there are others. That’s kind of what’s happened in the last 24 hours that’s kind of added some new adrenaline to something that’s been going on a bit longer.