

AMP—Leading the Way to Successful E-Commerce

Harrisburg, PA is probably the last place you would expect to find a major technical innovator and player in the emerging electronic commerce field. However, that hasn't stopped AMP—a 55-year old company, headquartered deep in Pennsylvania Dutch

www.amp.com

country—from taking an early and compelling lead in the field of Internet commerce.

Background

AMP was founded in 1941 as Aero-Marine Products and is today the

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leading supplier to the world of electrical and electronic connectors and interconnection systems, manufacturing over 130,000 products. The company employs over 45,000 people in 50 countries and boasts that it is the supplier to most of the world's major manufacturers of electrical and electronic equipment—over 88,000 customers. Revenues in 1996 exceeded \$5 billion. Innovation in its field has always been a hallmark of AMP—the company has more than 15,000 patents or utility models issued or pending in the United States and other countries.

Planning the Goal and Mission

It was AMP's hard-headed business planning and ability to strategize its markets that led it to the Internet and electronic commerce. Market research undertaken in the early '90s indicated that AMP's customer base had stratified

into three tiers. Tier one was made up of 80 high volume customers with low-growth potential and low profit margins for the company. Tier two was medium-sized customers, but it was tier three customers that were the most interesting—80,000 customers with low-volume sales, but with both high growth and high profit margin potential. Furthermore, the research indicated that the top two tiers were adequately serviced by distributors and in-house sales engineers, while the third tier was being neglected.

In order to sell its products, the company relied on as many as 400 paper catalogs—some as thick as telephone books—published throughout the year. The budget for these paper behemoths exceeded \$10 million a year, and keeping them up-to-date was a constant battle. Other distribution methods included fax on demand and, starting in 1994, a CD-ROM that was able to give customers a search function and 3-D drawings of parts in addition to word descriptions.

The CD-ROM was quite popular with clients, but after some questioning, it became apparent that what the customers really liked was the search function, which allowed them to find what they were looking for more easily. Fortunately for AMP, the World Wide Web and the first graphical interfaces also appeared in 1994. Suddenly, there was another powerful way to give their clients product information and search options.

AMP's management could see the potential in the Internet but wanted reassurance about security and some idea that there was a potential for customer acceptance. In 1994 AMP had over 400 clients spending more than \$1 million a year (contributing about 61 percent of AMP's revenue). Research

AMP at a Glance

- Founded: 1941 as Aero-Marine Products (NYSE:AMP)
- CEO-President: William J. Hudson
- Web sites: www.amp.com
www.connect.amp.com
- Web site live: January 11, 1996
- Products online: over 100,000
- Sales 1996: \$5.47 billion
- Employees: 45,000 worldwide
- Operations: 200 facilities worldwide

Source: AMP

Internet & Electronic Commerce Strategies

Using Technology to Improve Your Bottom Line

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indicated that 46 percent of that group already had registered for domain names and 25 percent had already created "home pages." In addition, AMP found that of their 87,000 clients that were spending under \$1 million, about 30 percent had registered domains.

Based on this intelligence, AMP's management realized that its tactical and strategic goals could be realized by implementing an electronic commerce initiative. Their mission became the delivery to their clients of an online catalog of the 30,000 parts that made up over 80 percent of AMP's revenue by the end of 1995.

The Web Site

By the time AMP Connect went public a year later on January 11, 1996, AMP had partnered with 12 companies including IBM, Intel, Xerox, Siemens-Nixdorf and Siemens Telecom, as well as distributors Marshall and Hamilton Hallmark to develop the site. AMP

codeveloped Step Search, its search engine, with Saqarra Systems. Step Search is a nonhierarchical, parameter-based search engine. Using Step Search, an AMP client seldom gets a "no match," instead choices are offered that are close matches to the original entry. Other hallmarks of AMP's original site were dynamic page creation and user specific customization. The site that went live on January 11 had 32,000 parts, five different language options, and included picture and alphabetical search. AMP could trace orders to the site within a couple of days of going live.

In June 1996, a revised site went live with 64,000 parts, adding three Asian languages. This site included the ability for users to do table comparisons and 3-D drawings of parts.

Update—Summer 1997

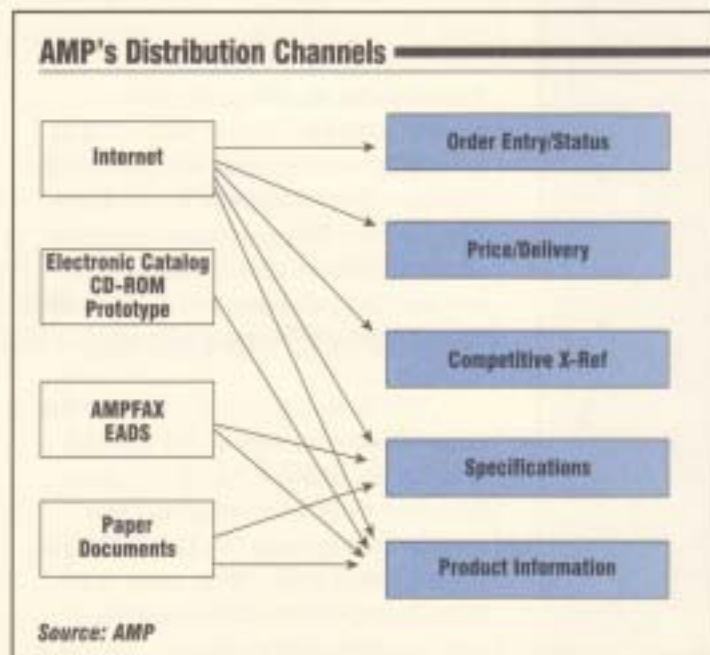
The site asks users to register and has over 100,000 members with an average of 250 new members signing up each day—68 percent are engineers. The registrations come from 138 countries. The site receives over 100,000 hits per day, and there are now over 100,000 parts online. Customers rave about the site, leaving messages such as "Your online catalog is superb! No more fumbling through thick volumes of books," and "Putting your catalog online makes it too easy for me to specify one of your parts versus someone else's."

AMP plans to add enhancements in the near future such as the ability to purchase on the site, country-specific marketing, a platinum program for large volume buyers, and an expert mode.

The Effects on AMP

Once AMP Connect went live, AMP rapidly discovered that the Web site was having a significant impact on its entire business.

www.saqarra.com



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AMP has changed the type of catalogs it creates since AMP Connect

came online, and now only prints smaller specialty catalogs—no more telephone books. No longer are parts lists out of date—AMP updates the Web site and its database daily making an average of 200 changes a day.

Staff has been reassigned and job descriptions have changed. AMP uses its intranet/Internet sites to communicate with its distributors and employees and for purchasing.

The Web site has enabled and enhanced AMP's international sales efforts. However, the most important effect is the new distribution paradigm evolving around the Web site. Before the Internet, distribution systems were linear and there were many layers—distributors, retailers, etc.—between manufacturers and end users.

Using the Internet as a connection, AMP is much closer to its end user and has a new and different relationship with its distributors, retailers, and OEMs. AMP projects that it will be a \$10 billion company early in the next century thanks, in part, to the changes this new paradigm will bring about.

New Businesses

Finally AMP Connect has given AMP an entirely new business—selling its expertise in Web commerce to other companies. AMPeMerce was launched as a new division of the company in fall 1996 and has since attracted customers such as the U.S. Navy, Caron Enterprises, and ITT Engineered Valves.

Conclusions

AMP is living proof that, when the Internet is used with strong strategic planning and in-depth market research, it is a powerful business tool that can significantly impact the way a business does business. ■

www.caron-inc.com

www.thomasregister.com/olc/engvalves/tomo.htm