

by Linda DiBiasio

A Conversation

WITH NICK EARLE

Vice President and Chief Marketing Officer, HP

ARIBA: Where does eServices fit into HP's business for the future?

EARLE: The future of Hewlett-Packard is built around eServices – using the Internet to bring together companies' business processes to create their own new services, which they sell over the Net. This new world will be built around IT infrastructure, appliances and services, and HP is uniquely positioned as a global supplier of all three. In short, eServices represents the future of HP, a unifying vision for the whole company.

ARIBA: How do you develop a brand for eServices, as opposed to products like computers or printers?

EARLE: Don't confuse *branding* with *labeling* or with a logo. The brand stands for a set of values that the company represents. We are the company that stands for invention. We always have been. Now, we are inventing not only the products that the market is aware of, but we're also inventing technologies that enable the web to turn into a network of services.

Our e-speak technology, for example, enables the brokering of services across the Internet. In the future, if somebody connects to an Ariba procurement portal, they'll not only be able to buy products and services from suppliers who connected to it, but the portal will be able to broker across the Internet

worldwide for any supplier of those services. You'll be able to find anyone on the Internet, and be able to start doing business with them.

As VP and chief marketing officer for Hewlett-Packard, Nick Earle is responsible for directing HP's corporate Internet strategy. In this exclusive interview, Earle shares his unique vision of the future of

ARIBA: You have become known for your belief in the concept of 'shared value.' How will this value shift impact business in the future?

EARLE: The big shift that's going on is Chapter Two of the Internet. (Chapter One is the feeding frenzy that's occurring, with everyone "dot.coming" themselves.) HP buys from about 120,000 customers, and every day about 400 of them contact us and say, 'Hey, good news. You can now buy your products off our website. We're now doing eBusiness.'

We have said that we're never going to buy products from anybody's website. That's a pretty fundamental statement considering what's happening today, with everyone going online.

Nobody's making any money just by putting products on their website. All they're doing is opening their price book to competitors. You have

to go to global pricing, one price worldwide. You can't hide behind local country markups or special discounts or special customers.

So for the future, you shouldn't just think of the Internet as a great way to sell your product. But rather as being the way you capture value from the ecosystem in which you reside.

For example, if you're an oil company you may sell oil, but your ecosystem also represents people buying and selling pipe, drill bits, concrete mix. It's a microcosm of industries all working together, and your product is only a little piece of the puzzle. The great prize is to find a way to share in the value of the total ecosystem in which you live. In other words, to be first to create a vertical hub.

ARIBA: Do you see the traditional portals of today becoming more refined to focus on vertical industries?

EARLE: Yes, but there will only be a few winners. The average advertising cost today to be one of the Top 10 top-of-mind web sites, for example,

is \$40 million. So far, the primary beneficiaries of the Internet have been the VCs, the founders of these little companies, and the one industry that they were supposed to kill, publishing.

generation portal. For a traditional company with a traditional brand, this is very frightening. Nobody's going directly to their sites, they're going to these portal sites. Your brand is five clicks down as a result

buy their products as well as mine. Hey, they might even be my competitors, I don't care.' This is why the new vertical hubs are almost always spin-outs from the traditional companies, so that the corporate mother ship doesn't kill the new baby.

ARIBA: A sort of 'Welcome to My World?'

EARLE: Yes. You know when the settlers first came to America, or Hong Kong – wherever two worlds met – trading companies were formed. And, they rapidly became vertical trading companies.

What's really interesting is that those trading companies became the dominant companies in the next economy. So our prediction is that the trading entities being formed today – the vertical hubs – are going to be the dominant companies in the future. In seven or eight years, the Dow could consist primarily of trading companies that are being formed right now, because they are capturing the whole ecosystem, not just selling their own products.

ARIBA: Is HP positioned to service all of these vertical industries?

EARLE: Yes. We see these portals being formed as spin-offs or joint ventures from the existing companies. We then do several things for them: We power them and get them started really quickly. We finance them. We loan them equipment. We give them very attractive leasing rates. And, we market our partners' services.

The final thing we can do is run them. One of the interesting things is that these new portal companies don't have to own any computers, because you can now get computing service. We can sell people comput-



Packard, worldwide interview, Earle eCommerce.

So, an economic model is going to kick in whereby the big, established bricks and mortar companies find a way of making serious money. Until now, these companies have not been the Internet leaders, and so customers often found them by doing a category search on a first

of a category search sorted by price, and that's not a nice place to be.

So what we see happening now, is a set of superportals being formed that are trading communities. It's not just 'come to my site and buy my product,' it's 'come to my site and I'll connect you with others and you can

ing the way that PG&E sells people electricity. You can have computing on demand.

This is a significant step for HP. We are shifting from a company that is primarily selling computers to end users, to a company that is enabling services in the new economy.

ARIBA: Is IBM a major threat in this space?

EARLE: Yes, but when IBM talks about services, they mean 'buy *our* services.' They've got 120,000 consultants they've got to feed and water every day. So, they advise their clients to take a \$20 million consulting contract, and 'we will build you a network on IBM technologies in six months.'

We say, 'Don't build it yourself. Connect to services like Ariba.' You don't need \$20 million worth of con-

sultancy. The customers we're working with are going live in 30 days.

ARIBA: What are the barriers to being a global eServices business as different countries are moving toward Internet commerce at different rates of speed?

EARLE: That is both an advantage and a disadvantage. The low penetration of the Internet globally is an inhibitor. There are certain countries where the telecommunications industries are not strong enough yet.

On the other hand, it's an advantage, because the people who implement these new business models will be able to leapfrog their traditional rivals. Take China, for example, some of the best and most innovative models are being implemented there right now. Our business there

is four times bigger than Sun's. HP has leapfrogged dot.com and are racing to eServices.

ARIBA: How do you move from the vision to the execution?

EARLE: You start with a messaging awareness and you get the early adopters like Ariba. Then the trickle becomes a flood.

We're not debating whether portals are going to happen. The question is who will be the winners. It's not going to be a five year battle like client server was. The game will be over in 18 months. We picked Ariba because we thought they would be an 800 pound gorilla in this space. The events since then have only enhanced our view. This is the new economy and we're glad to be standing alongside Ariba helping it unfold. 