

## Chapter 4.18

# Intelirel's Transition to E-Business: Optimizing the Combination of Electronic Data Interchange and the Internet

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### EXECUTIVE SUMMARY

Intelirel is a U.S.-based multinational corporation that produces a variety of items with apparel as one of the business divisions. This case provides an overview of Intelirel's transition to electronic business (e-business) of its apparel division. The company introduced the Electronic Data Interchange (EDI) technologies in the mid-1980s. Before starting the implementation of e-business technologies in the late-1990s, the company conducted extensive surveys to assess the attractiveness and convertibility of its various market segments. The analysis of the surveys indicated that a strategic imperative for the company is to

optimally combine EDI and the Internet so as to reap the benefits of both technologies.

### ORGANIZATIONAL BACKGROUND

Intelirel is a U.S.-based diversified company with operations in over 50 countries. The company has apparel as one of its main business divisions. Intelirel manufactures and markets about three dozen apparel brands worldwide. They include basic, non-fashion apparels in various categories. The company employs different channels of distribution to sell its products. In some cases, it directly sells to the consumers through its

factory outlet stores and the Internet. Its mass-market channel includes well known retailers in the global market.

Being a manufacturer and marketer of high-quality products, Intelirel has priced its products higher than most of its competitors. The company thus competes on product differentiation such as higher quality fabric, well known brand names, and a variety of styles provided to the customers.

Table 1 provides additional information about the strengths and weaknesses of Intelirel as well as opportunities and threats facing the company. We briefly discuss them in this section.

**Strengths:** Being a diversified company with worldwide operations and a large customer base, Intelirel can enjoy economies of scale and scope in its operations. Another major strength of the company includes its focus on quality products

and services to meet customer expectations. Competing on quality rather than price is of paramount importance in the new economy. Still another strength of the company is its proactive IT department that has placed business benefit creation as its mission. Thanks to competent and experienced staff in the IT department, Intelirel has been among the first few companies in the industry to incorporate new innovations in storage, networking and security in its system.

**Weaknesses:** In terms of global competitiveness, U.S.-based apparel companies fall behind their home textile counterparts. The latter groups have stronger brand names and better inventory-management programs (Lloyd, 2000). The industry-level brand problems are worsened by Intelirel's firm level weaknesses. Notwithstanding its focus on quality, there are several apparel brands that are more well known than Intelirel's

*Table 1. Intelirel's online apparel business: A SWOT analysis*

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Competent IT personnel.</li> <li>• Diversified company with businesses in a number of segments.</li> <li>• Product differentiation as selling propositions: better quality fabric, more styles and more choice.</li> <li>• Worldwide operations.</li> <li>• Huge customer base.</li> <li>• Company's focus on quality services and meeting customer expectations.</li> </ul>	<ul style="list-style-type: none"> <li>• Not strong brand name.</li> <li>• Disintegrated e-business model.</li> <li>• Products priced more than its competitors.</li> <li>• Lack of product awareness among the target segments.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Possibility of Internet's use in redefining customer expectation.</li> <li>• Availability of "robust, reliable and user-friendly color correction" on the Internet.</li> <li>• Apparel industry: one of the fastest to adopt e-commerce technologies.</li> <li>• Clothing: among the top 3 products bought online during the holiday season of 2004.</li> </ul>	<ul style="list-style-type: none"> <li>• Market attackable from upscale brands.</li> <li>• Powerful big retailers as major customers.</li> </ul>

*Sources: DiMartino (2000, p. 41); Tedeschi (2004); Interviews with an e-business manager at Intelirel; and authors' research*

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