

## Chapter 4.21

# The Snakes and Ladders Game in E-Business: Digital Transformation at American Hardware Depot

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### EXECUTIVE SUMMARY

American Hardware Depot (AHD), a retailer of hardware and home improvement products, sells over 65,000 products through its network of 4,500 stores nationwide that are operated by owner-dealers. While rivals such as Home Depot were quick to launch their e-business efforts, AHD was late to embrace technology as well as electronic retailing. Though some of the AHD's e-business efforts met with moderate success, others faced severe challenges. AHD invested over \$5 million as a minority equity stake in Americanhome.com in return for this dot-com firm acting as an online front-end store for AHD—however, this effort failed within a year. AHD was at a critical inflexion point. AHD seeks to enhance its e-

business efforts in at least three major areas: (1) to connect its dealers who had varied business processes and technologies, (2) to market and sell its products through the Web, and (3) to streamline its supply chain operations. A newly appointed vice president of e-business has to find solutions to the challenges facing AHD.

### ORGANIZATIONAL BACKGROUND

Sri Nathan, vice president of e-Business at the American Hardware Depot (AHD) looked out her office window at the gardens sprawling the seven-acre campus of AHD. The lush green foliage reminded her of her ancestral home in India. She thought back to the meeting she had just left

on the future of e-business at AHD. Nathan had joined AHD only six months ago after leaving her successful consulting career at Accenture. AHD had gone through a rough phase after its e-business venture failed to deliver on its intended promises. Nathan was hired to resurrect and steer AHD ahead on its e-business efforts.

Nathan faced three key issues: First, AHD needed an intranet to electronically connect its 4,500 owner-dealer operated stores nationwide. Such a system will not only facilitate electronic ordering and inventory management, but also help alert stores with special offers, trends and product information. AHD had deployed a legacy system that linked only a proportion of its stores—this system had several limitations in providing real time information and was also outdated. Second, AHD needed to quickly step up its online retailing efforts in order to respond to its competitors' Web-based e-commerce endeavors. This was crucial as AHD's e-business venture with Americanhome.com, which had over \$5 million as equity investment, had failed. Third, in order to expand its online initiatives, AHD had to work out a strategy to partner with other companies that had online experience.

Nathan wondered how long it would take AHD to finalize its technology plan. The company's recent experience with the Web had created considerable cynicism and skepticism among some senior executives as well as dealers of AHD. However, the CEO and some senior managers were strongly committed to e-business. Given these sharp differences among the rank-and-file of AHD, considerable ambiguity had surfaced about the course of action to be adopted.

Relaxing for a rare moment, Nathan pondered: Is it worthwhile for a hardware retail company to think about e-business? At a time when other hardware retailers and rivals have been effective in using the Web for increasing their sales, how could AHD utilize this opportunity and become a retail leader? How do you make a once-bitten-twice-shy company continue with its online

initiatives? These issues highlighted some of the major challenges facing the senior management at AHD.

Nathan was reminded of the traditional Indian game of snakes and ladders, in which the players roll a dice and run a race on a board featuring multiple squares. There are various amounts of snakes and ladders of differing lengths on the board—the varying lengths of snakes and ladders will move a player backward or forward, slowing down or speeding up their race to the end of the board. If one should land at the base of a ladder, they advance to the top of the ladder, surging ahead of rivals. If the top of the snake is reached, a player descends down to the bottom and will have to attempt to move up again. AHD was going back and forth on some of its e-business efforts and in some cases, had to even restart and rebuild. While AHD had attempted major strides, all of its efforts have not paid off, forcing many of AHD's rivals to surge ahead. .

## **Home Improvement Retail Industry**

The home improvement industry caters to a variety of customer needs—supplying tools, materials and the know-how to build, repair, maintain, and improve residential homes. The industry boomed right after World War II, and within a decade, the do-it-yourself concept started becoming popular.

Prior to the 1970s, the industry was dominated by small and mid-sized retailers and specialty stores that sold specific home improvement products. However, during the 70s, hardware stores expanded their product line to include building material and lumber to become “home centers.” Lumberyards expanded their offerings to move into the home center category. This led to the emergence of regional and national hardware retail chains. By the 1990s, these chains had opened large stores, 100,000 square feet or more in size, that operated across several states and territories.

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