Evolution of Electronic Procurement in Egypt
Case of Speedsend.com

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ABSTRACT
Emerging information and communication technology is driving transformation and change in the cyberspace. Speed, competition and globalization are key factors for development and growth in the reengineered global business environment where electronic business promises to grow in volume helping the digital economy to mature and dominate. This chapter demonstrates the case of an Internet startup that capitalized on the opportunities presented by the information economy. Since its establishment in 2001, the business2business platform of speedsend.com pioneered the electronic procurement industry in Egypt through a customized web-based platform. The transformation of classical emerging markets challenges into opportunities has been a critical success factor that related to all building blocks of the business venture including technology infrastructure deployment, community awareness, information availability, and cultural adaptation of the online business amongst others. The owners of Speedsend.com developed a set of models to drive down procurement costs while providing a practical and reliable electronic solution that can boost enterprise procurement efficiency and effectiveness and that could be appealing to a community that is known for being resistant to change and not really mature in terms of information technology adoption, diffusion and adaptation. The case focuses on the models deployed by speedsend.com demonstrating the internal and external challenges faced and lessons learnt.

Keywords: electronic procurement, supply chain management, IT transfer to developing nations, business2business, customer relationship management, electronic business, Egypt

EVOLUTION OF ELECTRONIC PROCUREMENT
The Internet is an enabler to many online applications that renders organizational processes more effective and more efficient (Pani and Agrahari, 2007). One of these applications is the procurement process that has traditionally involved slow and manual procedures for handling procurement transactions (Hawking et al, 2004). eProcurement refers to the electronic acquisition of goods and services in a firm (Turban et al, 2006). eProcurement has had an increasingly important role in business2business (B2B) commerce (Philips and Piotrowicz, 2006). Moreover, with the continuous improvement in information and communication technology (ICT) and especially Internet-related technologies, opportunities emerge to make procurement for goods and services more transparent and efficient (Carayannis and Popescu, 2005). eProcurement has been advocated as a tool that can improve competencies and performance.

It is important to note that eProcurement has received tremendous attention from both researchers and practitioners alike (Pani, 2007). The reasons for such focus are numerous however; one can include the positive implications on process quality, total procurement cost, user satisfaction and system responsiveness (Subramaniam and Shaw, 2002). The implementation of eProcurement in private enterprises has resulted in savings in the range of 10-15% of procurement value (Somasundaram, 2007). However, a challenge remains constant among various eProcurement implementation and that relates to human resistance (Angeles, 2006). eProcurement practice is not well-established or documented in the context of emerging economies (Yamamoto and Karaman, 2007). Therefore, the case of Speedsend.com tries to demonstrate the initiation, development and implementation of a business2business
procurement venture in the context of an emerging economy, Egypt (Kamel, 2000a and 2000b). The case shows the different stages of development as well as the various challenges and opportunities that faced the founders of the promising Internet startup.

**SPEEDSEND – EGYPT LEADING EPROCUREMENT PLATFORM**

It was 10am on a rainy morning in Cairo (Egypt) in February 2006. While the rain drizzled outside his office window, Ahmed El-Sherif looked out the open doorway of his office and stared at the increasing number of employees, whose offices were on the same floor of his office, not taking into account the other two full floors that were occupied by the rest of the firm employees. What started out, as a business operation with only two people in 2001 was now rapidly approaching 95 staff members and counting.

As Speedsend.com co-founder, partner and sales director, El-Sherif mind was occupied with many concerns. Together with co-founder Mohamed Hussein, they had an unwavering goal of formulating their exit strategy, which guided the firm efforts since its foundation. In El-Sherif words, “we wanted to setup a firm with a proven premium tested business model to valuate it and sell it at the end”. According to El-Sherif, in order for them to reach their desired goal, they decided to build a company with a premium business model which would provide effective means of managing and controlling corporations’ procurement processes. Moreover, both of the cofounders wanted to gain an advantage from existing and emerging technology as an accelerator for their business, and that was to be accomplished by the firm being an online electronic procurement-servicing firm.

Speedsend.com aim was to develop a set of comprehensive products that provide companies of all sizes with both process and cost benefits making the firm the leading “office consumables” online supplier and a one-stop-shop platform for all businesses. The aim of Speedsend.com was to provide an IT-based solution using electronic business that can radically alter the ways in which firms interact with their suppliers and positively improve both their efficiency and effectiveness (Phillips, 2003). Consequently, the firm aspired to become Egypt largest B2B eDistributor of indirect goods with high turnover and ones consumed regularly by businesses. Since the inception of the firm and with a changing economy, Speedsend.com was faced with a number of challenges. This included uncertainty of financial markets, internal financial limitations, and technological constraints, adaptation of the business model and threat of the emerging financially secure competitors. Therefore, the challenge was exactly how Speedsend.com could best deliver their promises remained a key question for its founders.

**LOCAL MARKET STRUCTURE AND DYNAMICS**

Whether Speedsend.com operations were online or offline (move-to-the-net or born-on-the-net), the fact remained that the firm was competing within the office supplies market in Egypt. A market characterized by being very fragmented and dominated by traditional competitors such as agents, retailers, and stationary stores among other players. In 2006, Speedsend.com had a market share of 0.01% and the rest of the market was dominated by traditional stakeholders who controlled the office supply market (American Chamber of Commerce in Egypt, 2002). Primary agents sold the products to retail outlets and corporate reseller and/or directly to corporate entities if they had their own retail outlets. Retailers then sold to corporate entities as well as small and medium-sized enterprises (SMEs). Exhibit 1 demonstrates local market dynamics. The office supplies market was a double-edged sword. On the one hand, it is characterized by having a high turnover, with massive volumes of sales and high percentage of revenue and regular consumption rate. However, on the other hand, it
is a highly fragmented and specialized retail outlets market. A market where there is little emphasis on customer service, and extreme lack of distribution and logistics capabilities, since there was no desire for investment by any of the parties from the supply side that represented a huge market as from the buyer side, it was divided mainly among SMEs, corporate and public sector and tendering. It is important to note that the procurement solution in the context of Speedsend.com was all about amending business process, logistics and workflows rather than a state-of-the-art technology solution (Ghiya and Powers, 2005). Therefore, it was apparent from the outset that senior management within the different stakeholders were invaluable factors in creating a vision and setting the stage for change and deployment of electronic procurement (Avery, 2005).

SPEEDSEND.COM: FROM VISION TO REALITY

Idea Generation
The idea of Speedsend.com originated in July 2000, when its cofounder, Mohamed Hussein while working in the marketing department of MobiNil, one of Egypt leading mobile services operators. The idea came to him when he started receiving memorandums from top management requesting all departments to reduce their spending and consumption of stationary since the company was spending approximately 45,000 US dollars per month on these consumable goods. The above-mentioned scenario was a typical situation found in many other firms operating in Egypt. Hussein hence realized that an opportunity resided, since there was a need to establish a more controlled procurement purchase system. It was then that he felt he could realize his ambitions to become an entrepreneur. Moreover, with the growth of the Internet and the growing number of people utilizing web services, he visualized the idea of an online B2B eProcurement platform that would serve companies and benefit them in terms of time and money savings, simplicity, ease of use and eliminate the hassle those companies went through when procuring consumable items each and every time. It was a case of providing web-enabled B2B eCommerce that enhances inter-organizational coordination resulting in transaction cost savings (Croom and Johnston, 2003; Davila et al, 2003; Lin and Hsieh 2000; Radovilsky and Hegde, 2004) and competitive sourcing opportunities for the buyer organization (Subramaniam and Shaw, 2002). Moreover, it could have positive implications on the company’s financial performance (Carr and Pearson, 1999).

At the same time, Hussein’s best friend El-Sherif had just returned from Canada. At that time, he was working in “IT Investments” a leading investment firm in Egypt, and was thinking of starting his own business. Hussein met up with El-Sherif in “Bassata”, a local recreational resort, and on the beach, they discussed the merit of Hussein’s idea. After agreeing on the concept, they decided to sit together upon their return to Cairo to go over what was exactly needed to start their business given the conditions in the local marketplace. The key issue was how to blend state-of-the-art IT with local culture, values and habits to be able to render the venture a success in the digital economy.

Business Model
In August 2000, Hussein and El-Sherif met to develop the business plan for the new venture, a process that took over a month of hard work. Their idea started with having a web-based application that would serve companies by allowing them to buy all their consumable goods and office supplies that was needed online, while the payment would be made offline based on cash upon delivery. The whole idea behind the business was to use electronic business technology as a means of gaining competitive advantage. Consumables goods were especially chosen due to their high turnover, regular consumption and relative ease of shipping and
handling. They knew that the eProcurement process is somewhat different from classical procurement (Podlogar, 2007).

Taking into consideration the novelty of such an idea in Egypt, they came up with a business model that was flexible to change. The plan was to develop a model that is capable to adapt to change and market shifts as well as decentralized allowing staff to respond quickly to customer needs (Neilson et al, 2000). Moreover, the processes constituting the business model were to be very simple, which involved online ordering through Speedsend.com by identified individuals from the client’s side (through a username and password) and the online transmission of the order to Speedsend.com. The order would then be transferred to Speedsend.com employees responsible for order fulfillment either from the firm warehouses or from its suppliers. The next day the order would be delivered to the exact destination by the firm van. Payment was to be made offline after a specific agreed upon number of days as per the contract signed between Speedsend.com and the buying party. The offline payment was important for the success of the model due to the local market conditions related to online payment and the current slow penetration rate in the community. Exhibit 2a demonstrates Speedsend.com eBusiness model and exhibit 2b shows a simplified illustration of Speedsend.com business process.

The business model of Speedsend.com offered ease of use and control for the client, creating value through expected costs savings, simple process, control over cost and procedures, and improving quality of decision-making. The speed of service and the huge number of different stock keeping units (SKU), along with the insufficient technology acceptance of the market were the main constraints of the business model. The main revenue stream was created through the selection, ordering, and final fulfillment of service. Additionally, cost streams were created through warehousing, product purchase, delivery process, and resources development. Resources were mainly concentrated in warehousing, human resources development, and technology platform development. Through the development of the resources operating the business, the dynamics of the business model were defined. One particular important dynamic was the mix between online and offline activities capitalizing on the benefits of a blended model. Online activities were concentrated in the online ordering process, product display, automated approvals, reporting module, and internal communications. While offline operations were composed of supplier operations and selling operations. Blending and mixing both operations and keeping a certain service level were considered the main risks involved in the model. However, such blend was utilized as attempt to adapt technology to serve the local market.

The future changes in the business model were expected to be many and diversified as the acceptance level of technology in Egypt was projected to improve and entrance of new market segments was projected. Accordingly, the components of Speedsend.com business model had to be built with an expansion plan to offer enough flexibility for management to change or transform the original business model if needed. Finally, the technology platform that was considered the building block of the business model, required major financial investments that were not expected to be regained quickly. Consequently, a delayed effect had to be taken into consideration while planning the financial aspect of the model.

**Value Proposition**

Hussein and El-Sherif were perceptive enough to comprehend that before even going through with their business idea, the value clients would gain from doing business with their company had to be clearly outlined. After a series of mentally consuming meetings, they came up with
the benefits companies would realize if they chose to eProcure their consumable goods through their potential company. These benefits are demonstrated in Table 1.

<table>
<thead>
<tr>
<th>Cost Savings</th>
<th>Productivity Improvements</th>
<th>Efficiency Increases</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Elimination of unplanned buying</td>
<td>• Reduction of paperwork and freeing up of purchasing agents for more important work</td>
<td>• Electronic catalogs and online contracts reduce human errors, inaccuracies and reworks dramatically</td>
</tr>
<tr>
<td>• Reducing the need to stockpile inventory, thus lowering overall inventory carrying costs</td>
<td>• Reduction of the time necessary for completing a purchase order leading to shortening the cycle time between order and fulfillment</td>
<td>• Built-in auditing and reporting tools make managing the purchasing function more professional and predictable</td>
</tr>
<tr>
<td>• Using Speedsend.com to consolidate, track and aggregate corporate spending on indirect goods, thus garnering greater leverage to negotiate more favorable contract terms</td>
<td></td>
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</tbody>
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Table 1 – Speedsend.com Partner Benefits

**Initial Financing**
After developing the business plan, the business model, and agreeing on the customer benefits, the next step involved financing the firm that was to be established. After a thorough financial analysis, it was evident that in order to finance the project, 175,000 US dollars was needed in capital to be paid over a one-year period. During that time (December 2000), Egypt was going through a depression and no investor was willing to invest in an Internet startup, as it was perceived as a risky business with great uncertainty. Hussein and El-Sherif went to LinkdotNet and met with its CEO Khaled Bishara, presented their business idea and invited him to become their partner in their promising business venture. After exhaustively analyzing the merit of the business opportunity presented, LinkdotNet signed a memorandum of understanding with Speedsend.com. In January 2001, a shareholders agreement was signed where LinkdotNet share amounted to 51% and it was to provide both financial support and technology expertise. The remaining 49% of the shares were divided equally between Speedsend.com cofounders. Hussein and El-Sherif were responsible for managing the business altogether. Speedsend.com was established as a legal entity with 175,000 US dollars in capital in June 2001 and in September of the same year, Speedsend.com website was completed and the company was ready to start its operations (www.speedsend.com).

**Speedsend.com Growth**
In October 2001, Speedsend.com successfully finalized its first online sale to LinkdotNet and gradually the company started to build its reputation in the local market trying to sell the business idea and service to various clients. The business was growing slowly, and although Speedsend.com increased its capital by 175,000 US dollars in 2003, the business growth rate remained slow. From September 2004 until August 2005, Speedsend.com was a company that was merely surviving with minimal progress and no significant profits. This problem had its roots in the partnership that was between Speedsend.com and LinkdotNet. Hence, an agreement was made to terminate the partnership between both companies and Speedsend.com cofounders started their search for another partner and/or venture capitalist. They successfully

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2 LinkdotNet is one of the largest Internet Service Providers in Egypt. The company was formed as a merger between In-Touch Communications, the first ISP in Egypt established in 1992 and Link Egypt, a company established in 1995 to provide turnkey Internet services and solutions. In June 2000, the two joined forces to become LinkdotNet
managed to attract three Egyptian prominent businesspersons, to become partners and members of the board of directors, along with the initial cofounders. Hussein and El-Sherif were the only board members active in Speedsend.com management. The new board members had a diversified collection of expertise in financial management, organizational development, and project management. To lift Speedsend.com from the stagnant state it dwindled into, an additional influx of 350,000 US dollars were injected into the company, thus increasing the company capital to 700,000 US dollars. Speedsend.com was divided among the five board members equally, with each one owning 20% of the company shares. Speedsend.com new management structure led the company to great success and the company started acquiring new major clients, opening new branches and investing in more warehouses to meet the increasing clients’ requests. With this expansion, they started recruiting more employees. Furthermore, as sales grew and clients’ demands increased, the company started establishing new departments including contracts and supplier management, which was established to overcome the challenges faced with suppliers concerning the availability of products and fluctuation of prices. Exhibit 3 demonstrates Speedsend.com organizational structure in 2006.

**Internal Operations and Capabilities**

**Ordering Cycle**

Speedsend.com clients were offered a unique solution for their ordering process. The management of the company recognized the different modes, procedures, and regulations that each client had. Some clients assigned a specific person, department, or purchase panel for the ordering of the needed requirements. As for other clients and companies, they preferred to centralize purchasing through one department (gateway) and consequently, that department managed and distributed other departments’ requirements. Accordingly, Speedsend.com set up its online modules to respond to each client-purchasing mode or way that was a challenge but the only way to cater to clients needs. When dealing with Speedsend.com, every ordering process passed through general steps that could be described as follows: a) clients log onto Speedsend.com website through a user name and password, b) clients select the products, quantities, and other variables of the orders, c) clients send the orders through the website and d) Speedsend.com receives orders and act accordingly.

Clients could set different options through the initial service agreement with Speedsend.com. They could permit direct ordering for all employees or for a selected few, set approvals rules, or blend both ways into a unique ordering process that was aligned with the client’s specific internal purchase policy and organization rules. Speedsend.com electronic ordering module had many features that complemented the customer ordering process. It had an electronic approval system where approvals were automated, online reporting module that allowed customers to track their purchasing pattern and generated purchasing reports, an integration with the customer’s ERP solution (if available) which allowed a smooth ordering process within the customer’s IT environment, and customized webpages for each client for easy product selection and order development. Once a customer order was placed, the order and its specification were transmitted to Speedsend.com and stored in its database. The order took its route within the internal IT platform of Speedsend.com for approvals and regular checks. The order was then sent to inventory for dispatching the required products and the delivery cycle started. The process of internal ordering processing was fully automated and the ordering management system was totally linked to the logistics system to ensure smooth and quick flow of information leading to decreasing cycle time for the entire procurement process (Poirier and Bauer, 2001).
**Purchase Cycle**

Speedsend.com developed a supplier management system to streamline the process of purchasing; however, there were multiple processes involved in the purchasing cycle. The two most important aspects were demand forecasting and cash-to-cash management cycle. In the startup of Speedsend.com, suppliers were very reluctant to give stock on credit to Speedsend.com, as they were skeptical of the success of the business model coupled with the low ordering quantities. As the quantities increased and the model proved successful, this resulted in building suppliers trust; Speedsend.com was able to leverage better credit limits (45 days) which improved its cash-to-cash cycle dramatically. The type of suppliers Speedsend.com dealt with was non-IT oriented and distant from adopting an online IT-based environment, which set a huge challenge for Speedsend.com business model. Therefore, it was important for them to understand the impact of technology and gain competency in making a business case for eProcurement (Presutti, 2003). Suppliers did not only have a slow paper oriented system, they refused to change it.

Accordingly, the electronic cycle was broken and products were purchased using a non-digital mode. Although Speedsend.com team entered the newly purchased product into their computing environment, which re-linked the entire system, yet they purchased it from suppliers in a non-electronic manner, which added to the processing time and increased costs. The final and most challenging aspect of purchase management was demand forecasting which was regularly fluctuating. Over purchasing would result in overstock and cash flow problems, and under purchasing would result in understock, which consequently would decrease Speedsend.com service level from the clients’ point of view. Speedsend.com relied heavily on historical data of purchases done by their clients, hence developing a purchasing pattern for each client and combining all patterns to come up with the demand estimate or the purchasing pattern that would help Speedsend.com stock accurately according to real demand. Management also put around 10-15% overstock for unplanned or sudden demand fluctuations. The electronic nature of the buying (ordering) cycle of Speedsend.com clients, gave Speedsend.com and its clients an edge in having on-time accurate information on the purchasing pattern and demand based on the reduction in purchasing cycle time enabled (Davila et al, 2003; Lin and Hsieh 2000; Radovilsky and Hegde, 2004).

**Enterprise Content Management**

Speedsend.com relied on its website for processing customer orders and delivering a major portion of their services. Customer service representatives were very active and participated in developing customer satisfaction, yet the website was the main customer interface, which put a huge importance on the performance of the website. One important component that Speedsend.com management focused on in the company’s website was the ease of use and information provision. The more the website was easy and provided useful information for customers the more it delivered customer satisfaction. Internal communication was critical to service processes. The speed of information flow as well as accuracy was an essential ingredient to service excellence. Accordingly, Speedsend.com used an advanced enterprise content management system that enabled the company to manage its electronic catalog, customer online customization process, and internal communication applications.

**Customer Service**

Speedsend.com operations focused on customer service more than observers could expect. Customer service was considered a customer retention point at Speedsend.com. Management believed that by servicing customers before, during and after the purchase, the company’s value to customers increased and hence improved customer retention rate and built a shield
against current and future competition. By 2006, Speedsend.com was employing seven customer service representatives to service its 2000 users covering 35 major clients. Speedsend.com customer service executives performed multiple tasks such as following-up customer orders to ensure fulfillment at the optimum service level, solving customer problems, answering customers questions, processing special request for customers, gathering post purchase satisfaction data, and developing relationship with clients. For each client dealing with Speedsend.com, there was a dedicated customer service agent catering to his/her daily needs. Such customer service agent in turns reported to an account manager. As the customer base grew, the number of customer service agents increased to ensure service level achievement and customer satisfaction. Moreover, account managers played a more superior role by performed prices negotiations, product line sales, understood customer needs, found new ways to integrate more with clients, and maintained the overall account status of customers. Such modality in dealing with clients and the development of such partnerships leads to closer and longer connections with business partners (Komp Leonard, 1999).

Training
Speedsend.com had a complete training and orientation program for the sales, customer service, and marketing and personnel departments. The training covered the basic requirements to understand the business model, operations, and customer interaction processes. However, due to the importance of employees’ quality and the company’s internal knowledge, management was always developing new training areas for almost all functions within the organizational structure. A cycle of three weeks was needed to prepare a new hire for flawless job functioning. Human capacity development was perceived as a vital building block for the success of Speedsend.com. This related to technology and non-technology related elements such as customer service, non-technology bound customer handling technology-based processes as well as operating a hybrid model of online and offline logistics.

Warehousing and Delivery
Warehousing and inventory management system were key components for effective operations of Speedsend.com. Warehousing represented a valve for Speedsend.com operations as well its contribution to the operational cost structure. Speedsend.com owned two warehouses of 1,000m² in space located in Cairo; an additional warehouse of 3,000m² was added in 2006. Inventory management operated through the Speedsend.com ERP system, which linked the ordering, delivery, and purchasing processes together.

To deliver its promises to its clients, Speedsend.com had to maintain a strong delivery arm in order to fulfill customer orders on time. Two important elements were involved in Speedsend.com delivery process; a) on-time delivery that was critical in building customer satisfaction through a second day delivery model and b) delivery cost that represented an important element within Speedsend.com business model. By 2006, Speedsend.com operated 10 delivery trucks to cover its annual 14400 orders to its 35 corporate clients with an average of 300 orders per week. Speedsend.com integrated a delivery system module within its ERP system to enable management of the complex delivery process to achieve customer requirements and at the same time keep costs level at minimum.

Online Information Dissemination
Online product catalog was vital for customer interaction. It helped Speedsend.com sell its current products, new products, and learn about customer preferences. The product catalog was the only interface Speedsend.com had with its customers. Accordingly, updating and
managing the catalog was critical to customer satisfaction and service level. Speedsend.com updated its online catalog twice a year. The product selection process took about 6 months to complete. It involved dialog with both international brand owners such as HP, 3M, Imation and Stabilo, etc, as well as Speedsend.com local agents or distributors. The update process was seen as being slow due to the pace of the negotiation process having different offline and online channels in dealing with vendors. The operation took place inside and outside of Egypt. All the above-mentioned steps and communications slowed the operations of updating the catalogs. However, the clients’ needs were changing in a slower pace, which balanced the scenario for Speedsend.com.

Website
Both the cofounders of Speedsend.com were focused on ensuring that the company’s website and interface that clients interacted with when dealing with Speedsend.com evoked feelings of simplicity, ease of use and at the same time exuded attractiveness and professionalism. Speedsend.com chose live and vivid colors, mainly red, light blue and shaded light grey, to represent their corporate identity, which made the site appear very attractive, professional and visually appealing. The graphics used on the website were simple and slightly animated. The color scheme was easy to the eye and the icons used were innovative and attractive. On the home page, Speedsend.com highlighted its slogan “Simplifying Life at Work” to emphasize their competitive advantage in facilitating and simplifying the process of indirect goods procurement and management. Speedsend.com divided the website into two types of interfaces, an interface accessible by all visitors and another accessible only by a username and password unique for each client doing business with Speedsend.com. The first interface, which could be accessed by all visitors, only displayed information about Speedsend.com. This interface did not allow visitors to purchase anything from Speedsend.com; however, it offered them the option to request a demo of the actual eProcurement site in order to experience the online buying process and to view the products and services offered by Speedsend.com and their prices. The main aim of this interface was to disseminate information about the company, help build Speedsend.com brand image and identity as well as attract potential clients. The interface was very simple, informative, attractive and easy to navigate. Moreover, the interface featured very cohesive and organized page content. It addressed most of the questions and concerns that Speedsend.com target customers could have and enticed interested companies to start using Speedsend.com. Finally, the site offered customer support through email and telephone to respond to any visitor’s inquiries or requests.

The second interface, which is the actual eProcurement site, could only be accessed by Speedsend.com clients. This section displayed all Speedsend.com products and services, allowing clients to navigate through them, choose the products that they would like to order, and then finally set their order. The site was very comprehensive, visually appealing in a professional context, well organized, as well as easy to navigate with a user-friendly interface. It also facilitated the purchasing process for clients by offering them a variety of search options for items such as searching by the brand, by the type of e-catalogue or by the category of product. Moreover, the website offered clients a number of options such as the ability to create a favorites list of the items that were regularly purchased; receive reports of their consumption figures and patterns; view promotions on various items and allowed senior personnel within a client’s organization to modify and approve their employees’ orders before being processed by Speedsend.com. Exhibit 4 shows sample snapshots of Speedsend.com

SpeedSend Strategies
Sales Strategy
An integral part of Speedsend.com sales strategy was to go after the premium leaders of select industries, and use its partnership and close alliance to lure in other prominent companies within the same industry. For example, in the banking industry, Speedsend.com successfully signing with Citibank resulted in eventually acquiring HSBC as a customer. Similarly, establishing a very close relationship with British Gas helped Speedsend.com acquire BP and ExxonMobil as customers. Exhibit 5 demonstrates a sample of Speedsend.com customers. “Acquiring industry leaders is our gateway to others in the industry”, said El-Sherif. After carefully studying the local culture, the cofounders of Speedsend.com learnt that one of the key factors of success is building on interpersonal relationships and networking. Based on this fact, Speedsend.com management decided to use a direct sales approach to enable them to build strong business relationships and acquire new customers. Exhibit 6 demonstrates Speedsend.com achievements to date.

Speedsend.com sales strategy was divided into 3 components that addressed the company’s target market, their products and their value proposition.

Retention and Client Growth Strategy
Through a dedicated customer service representatives’ force, Speedsend.com aimed at growing its customers' sales from 1,050,000 million US dollars to 1,400,000 US dollars.

Product Development Strategy
Through an innovative marketing department, Speedsend.com planned to grow its current existing product range, which will lead to sales of 500,000 US dollars from its current product range and sales mounting to 150,000 US dollars from new product developments.

New Client Acquisition
Utilizing an aggressive sales strategy, Speedsend.com aimed at generating sales of 650,000 US dollars from new corporate sales and sales mounting to 1,120,000 US dollars from SME sales.

Although Speedsend.com above-mentioned future growth and sales strategies were based upon sound analysis of the situation on hand and the company’s capabilities, the question still remain unanswered on whether Speedsend.com will be able to deliver on its objective or not? How the company is planning to grow? Should it offer new channels? Should it develop a backward integration activity? Should it expand into new products in Egypt, go regionally or aim for a global outreach? There are multiple scenarios for the future and choosing the appropriate strategic direction will be the biggest challenge facing Speedsend.com.

Challenges

Demand Forecasting
Up until 2006, this remained the biggest challenge facing Speedsend.com as the company promised its clients next business day delivery. In Egypt, product availability and distribution systems were chaotic. In order to deal with this obstacle, Speedsend.com had to carry 25 days on hand stock to ensure order fulfillment deadlines were met. Carrying such levels of inventory imposed a big drain and constraint on the company.

Internal Communication
Communication remained a major challenge for Speedsend.com and the larger the company got, the larger this challenge became. For Speedsend.com, internal communication was
important to their success as their departments coordinated and communicated with each other in the fastest and most efficient way to fulfill their “next business day delivery” promise. There was no room for communication gaps or lags. Thus, the business model needed to support consistently the efficiency of internal communication amongst the different departments.

**Personnel Challenges**
In many cases, what could make or break a company are the people working in that company. The quality of employees is very important. For Speedsend.com to succeed, management always had to be on the lookout for the right type of employees. Speedsend.com was always on the lookout for people who could take the initiative, be creative and carry the business forward with a vision similar to the owners’ vision. On the other hand, the trade off was the high cost that was involved in recruiting and hiring those people. The higher the quality of employees a company wants to hire, the more one must be willing to pay.

**Technological Challenges**
The speed of developing new technology to match the business needs was becoming critical for both, the customer interface and the internal efficiency of the model. From a customer perspective, Speedsend.com was introducing technological changes to meet customer needs. However, Speedsend.com had to keep the balance between this business requirement and keeping the technology simple and not too complicated. From the internal system perspective, technological changes should be continuously offered to overcome system breakdowns, but unfortunately, this required huge financing. Some of the technological challenges could be obviously handled by providing good financing to support the model. Nevertheless, there were other challenges imposed that could not be handled by the company. For example, the broadband of the country was a problem. Some clients had low broadband levels so doing business with them was hard. Some clients were uneducated customers (i.e. no English, computer and internet literacy). Thus, conducting business with them was even harder. Consequently, Speedsend.com was evaluating the idea of “Arabizing” their portal.

**Business Model Divide**
The breakdown of Speedsend.com business model into offline and online operations represented a challenge for management in order to keep service level as promised to customers while making profits. Offline operations were presented in the heart of the supply chain (Suppliers). The search, evaluation, and actual operations with any given supplier were done offline, except of abroad vendors. However, operations were still done offline with local distributors, which disabled or slowed the model’s operations, hence potentially increasing costs and disrupting the flawless flow of operations. The sales cycle and the initial contact with potential clients were done offline as the internet awareness, technology acceptance, and trust of online operations in Egypt was still too low. Balancing the fast-paced technology platform of Speedsend.com business model with the slow paced offline process without affecting the service level and cost structure was and remained to be a great challenge for Speedsend.com.
SWOT ANALYSIS
Table 2 demonstrates SpeedSend SWOT analysis as envisioned by the management of the company.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Utilizing technology to create a truly sustainable company</td>
<td>• Resource limitation (lack of asset and a human resource base for expansion)</td>
</tr>
<tr>
<td>• Dedicated platform for customer service</td>
<td>• Under funded operation</td>
</tr>
<tr>
<td>• Next business day delivery</td>
<td>• Low technological platforms from the suppliers side as well as in some clients segments</td>
</tr>
<tr>
<td>• Easy ordering through the company website</td>
<td></td>
</tr>
<tr>
<td>• Diversity and product mix</td>
<td></td>
</tr>
<tr>
<td>• Operating based on one-stop-shop</td>
<td></td>
</tr>
<tr>
<td>• High inventory turnover (inventory management)</td>
<td></td>
</tr>
<tr>
<td>• Innovative process and product management</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Exceptional opportunity for marketshare growth</td>
<td>• Copy cat market</td>
</tr>
<tr>
<td>• Expanding product width</td>
<td>• Product availability</td>
</tr>
<tr>
<td>• Expanding into SMEs companies</td>
<td>• Supplier alienation</td>
</tr>
<tr>
<td>• Language specific catalogs (paper and electronic to reach government and public service institutions)</td>
<td></td>
</tr>
</tbody>
</table>

Table 2 – SWOT Analysis

COMPETITION
Competition for Speedsend.com took mainly the form of traditional competition models. It ranged from large to small distributors, agents and stationary retailers, varying in sizes and number of branches. Big customers were served through monthly contracts, yet the majority of the market was using retail shopping to satisfy their consumables and office supplies needs. However, by 2006, some retailers, big importers, and distributors had started to adapt basic brochure internet models to promote their business. Branasouse and Kassem store in Egypt ([www.kassemstore.com](http://www.kassemstore.com)) was an example of such a player. Although in 2006, the Branasouse website was a primitive website used to display products and price (which were mostly outdated); the store is an example of a market player who should be considered as a future competitor for Speedsend.com.
SPEEDSEND FINANCIALS

Speedsend.com financials give an insight on how the company was performing. As shown in exhibit 7 (Figure 1), in 2006 Speedsend.com was experiencing growing revenues that reached 3.8 million US dollars. Their revenue streams were solely coming from the sales of products and services; however, in 2006 Speedsend.com management was planning to offer advertising spaces on their website. Thus, a new revenue stream was expected. Moreover, Speedsend.com management was planning to request rebates from mother companies of international brands, such as HP and Xerox, when they reached a specific volume of sales for their products. It is noteworthy here to highlight how suppliers were increasingly trusting Speedsend.com and how the company was gaining weight in the market. When Speedsend.com started, back in the year 2000, they had to pay their suppliers in cash. No supplier trusted them enough to give them favorable payment terms as they the company’s success was doubted. This mistrust lasted until 2003. After that, the company started getting some credit terms from some suppliers and by time, Speedsend.com was able to establish itself in the local market and achieve high volume of sales.

This consequently enabled them to gain the confidence of suppliers, and thus gaining more favorable payment terms. Successfully, in 2006 Speedsend.com was able to reach an agreement with its suppliers. This agreement entailed dealing with all suppliers on credit basis. (See Exhibit 7, Figure 2). Further illustrating the increasing trust and confidence factor in Speedsend.com is the comparison shown in Exhibit 7 (Figure 3). When comparing the company payables in the year 2002 to those of year 2006, a tremendous increase is seen, as Speedsend.com were allowed 55 days for their payables compared to 0 days in the year 2002. This reflects the great credibility that Speedsend.com had gained along those years. When looking at the company receivables, the graph shows that the number of days decreased from 47 days in the year 2002 to 38 days in 2006. This further proves the increasing power and control that Speedsend.com was getting in the market. (See also Exhibit 8a and 8b for Speedsend.com historical and projected income statement)

WHAT IS NEXT?

In 2006, Hussein and El-Sherif were contemplating how they would be able to achieve their growth objectives. Together, they came up with several strategies that they believed were suitable in helping achieve Speedsend.com ambitions. Those strategies relate to a number of organizational elements that could be demonstrated as follows:

- **Customer acquisition**: Setting up a specialized sales force that could acquire customers from different market segments
- **Ordering mediums**: Facilitating different ordering mediums for clients by utilizing the web, creating a call centre and distributing paper catalogues
- **Business communities**: Branding Speedsend.com as the premium partner for the business community through unique customer service, customization and technology deployment
- **Expanding local market coverage**: Establishing a sales vehicle in different cities in Egypt including, but not limited to, Alexandria, Ismailia, Hurghada, Sharm El-Sheikh
- **Product line expansion**: Increasing the average order value per client by increasing the number of products that are offered to customers such as furniture, giveaways, printing, accounting forms and unique industry products
- **Introducing branded products**: Capitalizing on Speedsend.com branded paper by increasing the number of Speedsend.com branded products that can lead to higher margins
- **Warehousing and distribution facility**: Introducing state-of-the-art warehousing facility that can accommodate customer needs and product growth as well as increasing the number of vehicles required to cover a wider geographic market
• **Human resources**: Hiring and training qualified professionals who can grow all aspects of the business

• **Technology**: Investing in technology to support logistics, customer service and inventory management thus allowing Speedsend.com to maintain and grow its competitive edge

**REFERENCES**

American Chamber of Commerce in Egypt (2002) Information Technology in Egypt, Business Studies and Analysis Center, April


Exhibit 1 – Local Market Dynamics

Local Market Dynamics

- Origin of Brands 15%
- Origin of Brands 25%
- Origin of Brands 50%
- Local Brands 10%
- SME Market is neglected and serviced through neighborhood retail outlets, with little or no emphasis on service or brand loyalty
- 10%-20% Margin
- B2B represents 60% of the Market. Mostly addressed through agents, retail outlets and few key resellers
- 20% Markup
- 30% Markup
- 40% Markup

Agents represent the brands

SME and End User

Corporate Client

Agents sell to Retail Outlets & Corporate Resellers

Agents Sell directly to corporate customer

There are a handful of key Agents and most of them own retail outlets. The emphasis is on retail activity and NOT service quality & required business needs.
Exhibit 2a – SpeedSend eBusiness Model

E-Business Enabled Company

HUMAN RESOURCES
TECHNOLOGY
FINANCE
SALES & MARKETING
OPERATIONS &

LOGISTICS, WAREHOUSING,
ORDER MANAGEMENT & FULFILLMENT

Buy Side Information
Supplier & Product Sourcing of Indirect Goods & Services using various Web-based platforms

Sell Side Information
CRM – Automating & streamlining marketing, sales, and service process.

E-Business Enabled Company

Major Local & Regional Suppliers

PURCHASING CYCLE

Supplier Management

Supply-Chain Planning

Decision Support

Demand Forecasting

ERP
Direct link between Sales, Inventory, Purchasing, Accounting, and Finance Activities

Enterprise Content Manager
Managing E-Catalogue, Customer Online Customization, and Internal Information & Communication Applications

Order Management System
Managing the Optimal Way to Receive, Pack, Ship, and Deliver the Final Product as promised to Customer

Logistics Management
A single Platform to Direct, Plan, and Control Inventory Movement
Optimal Management of Warehouses, Transportation & Distribution Networks

EAI
Links All the Diverse Applications within the Enterprise

DISTRIBUTION
Single Interface to Customer

www.speedsend.com
Online ordering through Speedsend.com website by specific individuals from the client’s side (through username and password)
- Online transmission of order to Speedsend.com
- Order is transferred to Speedsend.com employees responsible for order fulfillment
- Order is fulfilled from either
  1. Speedsend.com warehouses
  2. Speedsend.com suppliers
- Next day delivery where Speedsend.com van delivers the order to the exact destination
- Payment is after a specific number of days (as agreed upon in the contract)
Exhibit 3 – Speedsend.com Organizational Structure in 2006
Exhibit 5 – Some of Speedsend.com Major Corporate Clients

- Al-Ahram Beverages Company
- Amiral
- BP
- British Gas
- Citibank
- DHL
- Egyptian Cement Company
- Exxon Mobil
- General Motors Corp.
- GlaxoSmithKline
- HC Securities and Investments
- HP
- HSBC
- LinkdotNet
- Master Foods
- McDonald’s
- Mentor Graphics
- Microsoft
- Nile City Investments
- NSGB Bank
- Orascom Construction Industries
- Orascom Telecom
- Procter & Gamble
- Schlumberger
- Shell
- Travco
Exhibit 6 – Speedsend.com Achievements Reached by 2006

- Over 2000 users from over 35 corporate clients
- Over 300 orders fulfilled weekly (next business day delivery)
- Over 2000 products
- 35 primary source suppliers
- 10 delivery vehicles covering a city of 18 million
- 3 warehouse facilities

Award Winning Technology

Strategic Partnerships with Leading Business Communities in Egypt
Speedsend.com collaborated with Nile City Business Community, a premiere business community in Cairo, and the Smart-Village Business Community, Egypt’s technology business park

HP Business Partner
SpeedSend signed a Select Business Partner Agreement with HP to be the first official ePartner selling HP Supplies in the Middle East

Certified Xerox Corporate Business Re-seller

Strategic Alliances
Speedsend.com underwent a strategic alliance with “Lyreco”, a French company ranked amongst the first worldwide business2business distributors of office supplies. Moreover, Speedsend.com signed another strategic alliance with Sahara Press in 2005
Exhibit 7 – Speedsend.com Financials

Chart A

SpeedSend Revenue Growth

Chart B

SpeedSend Suppliers Payment Method
Cash Vs Credit
SpeedSend Payables Vs Receivables Cycle
(In Days)

SpeedSend Cost Structure
(A Percentage of Total Expenses)

Chart C

Chart D
Exhibit 8a – Speedsend.com Financial History

<table>
<thead>
<tr>
<th></th>
<th>Jan 2001-Dec 2002</th>
<th>Jan-Dec 2003</th>
<th>Jan-Dec 2004</th>
<th>Jan-Dec 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>763,985.71</td>
<td>2,656,655.75</td>
<td>6,050,870.00</td>
<td>6,550,424.21</td>
</tr>
<tr>
<td><strong>Total Cost of Goods Sold</strong></td>
<td>664,886.15</td>
<td>2,382,914.85</td>
<td>5,360,666.71</td>
<td>5,420,946.24</td>
</tr>
<tr>
<td><strong>Gross Profit On Sales</strong></td>
<td>99,099.56</td>
<td>273,740.90</td>
<td>690,203.29</td>
<td>1,129,477.97</td>
</tr>
<tr>
<td><strong>Gross Profit Margin</strong></td>
<td>13.0%</td>
<td>10.3%</td>
<td>11.4%</td>
<td>17.2%</td>
</tr>
</tbody>
</table>

Exhibit 8b – Speedsend.com Financial Projection

<table>
<thead>
<tr>
<th>Projections 2006 – 2007 (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income Statement</strong></td>
</tr>
<tr>
<td>Revenues</td>
</tr>
<tr>
<td>Other revenues</td>
</tr>
<tr>
<td>COGS</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
</tr>
<tr>
<td><strong>Gross Profit Margin</strong></td>
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<td></td>
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