Ecommerce: In The Market or In The Marketplace?

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Today, 44% of North American companies are selling on-line. Thirty-six per cent more expect to do so by next summer, according to Lucent Technologies. By 2003, International Data estimates that the 159 million people online world-wide will have mushroomed to 510 million. This community is made up of your usual mixed bag of surfers and legitimate customers. Exactly the sort of people that pass through your average retail outlet. Just how do you get passers-by to do more than kick the tires?

To start with one needs to be more than a little "Internet savvy": you need to be fully aware of the virtual community, how it is reached and how its dollars are captured. You need to understand the consequences of business operations and service delivery in a near light speed environment. But the chances are you may be one of the 75% of CEOs that PriceWaterhouseCoopers say don’t regularly log on to the Net. Nevertheless, you could be approving large sums to establish an on-line presence.

Robert D. Hof wrote a whimsical piece on ecommerce in the March 10, 1999 *Business Week*. It was in the form of a memo to senior management on the implications of doing business electronically. In part he said, "We have to get off our butts and get wired. Not just E-mail. Not just Web browsers or a Web site. I mean the big kahuna: electronic commerce. Our future depends on nothing less than transforming our company into a full-fledged e-business. Now. Or else we're roadkill." His shock language was directed at that 75%.

But Hof’s "roadkill" can also be experienced by those who *do* plunge in. Audits of system development exercises almost invariably discover that, even when project scope *was* defined, it seemed to become longer and wider as the project advanced. But often scope is not defined. Scope uncertainty is a principal reason why IT projects far too often end up costing more than anticipated, generating products that don’t exactly reflect what senior management originally had in mind. The risks can be considerable.

The problem is requirements definition. Senior management may have a sound, and profound conceptual understanding of what it wants. The IT team may be highly proficient. Failure occurs in bridging business concepts, technical planning and development. Sometimes no one is all that clear on just what is trying to be achieved. In such cases, all parties struggle to convert a mix of needs, wants, ideas and options into a
workable tool or utility, often under the guns of business expediency and other pressures. These pressures may be so great that the team leaps into development before sufficient time has been spent on the necessary preliminaries. The problem may be compounded when technical novices push their IS department to deliver before the business homework is done.

We need to know globally, conceptually and tactically just what it is we are dealing with here. Few would disagree that Amazon.com practices e-commerce. Airline on-line ticket reservations and purchasing are evidently candidates, as are eBay, Mbank and a host of others. But what of promotional Websites? What of ATMs? What about call centres that use telephony? And has all the Internet and Web hype really displaced the key functions of EDI? Telephones, FAX machines and dedicated data lines are very much a part of today’s business delivery infrastructure, and will continue to be so for the foreseeable future. Clearly "ecommerce" is a whole lot more than one technology and one user community. It is about the use of many technologies by many different individuals and organizations. The challenge is matching technology to need.

Let’s start with some basic definitional issues. To begin with we are not all that clear about what "electronic" means. "Electronic" is not a synonym for "Internet". And we should not equate "ecommerce" with the World Wide Web. What is "commerce" in the electronic domain? Is it mere "presence"? Is it a transaction, or is it an event that by definition includes funds transfer? In my view "ecommerce" is an electronically facilitated business event. These events may use technology in whole or in part. Importantly, activity on electronic channels must serve the corporate bottom line. But serving the bottom line does not necessarily translate into immediate profit. For what could be a very long time, ecommerce involvement could be a loss leader. In effect, it may cost you to be there with no, or little, revenue assurance. In such cases, your corporate ecommerce strategy ought to be written around positioning yourself for future on-line business effectiveness. Either you, or your market, may not be sufficiently developed to make digital money.

There are many questions here but there is no denying that whatever ecommerce is exactly, it is big, and getting bigger. CIO Canada in August 1999 predicted that 1999 on-line retail revenue would be 145% over 1998. The Boston Consulting Group, in its State of Online Retailing 2.0 said that "online retailers in Canada and the US will collect US$36.6 billion during 1999". Amazon.com is said to be the third largest book retailer in Canada, having achieved this status without any apparent promotion. Their 1998 sales were a reported $600 million plus. AutoByTel is the second largest auto dealer in the US. (There are related initiatives under development in Canada by Microforum Inc., Tim Dealer Services and National Bank called "e-FINCOM").

Business Week notes that "e-commerce (activity) between businesses is five times as much as consumer ecommerce, or about $43 billion last year. And by 2003, Forrester Research Inc. figures it will balloon to US$1.3 trillion. That's 10 times consumer ecommerce, constituting 9% of all U.S. business trade--and more than the gross domestic product of either Britain or Italy. Around 2006 or so, it might reach up to 40% of all U.S. business." Further, Business Week notes that "the on-line superstore Buy.com undersells rivals, sometimes at or below cost, hoping to make profits off advertising. It hit $125 million in sales its first full year in 1998--more than any company in history."(Read the Business Week quote again. In the ecommerce world, business rules vary more than a little from the traditional).

The numbers are impressive, but they are no more dramatic than are the pitfalls. The ecommerce playing field is really more a minefield than a sportsfield. Many enter it without taking time to put on the proper gear or learn the rules well. Some appear to forget that in business the bottom line pervades all: there has to be a business case behind every initiative, even if that initiative is putting free cereal samples in 10,000
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mail boxes. Consequently the Internet is full of commercial and institutional Web sites that do not support the enterprise; in fact, some sites are so poorly put together and infrequently updated that they telegraph negative impressions.

Ecommerce is rarely all or nothing. It is rare that one is either fully into it or not in it at all. Likely the "not at all" scenario is no longer an option. Even independently owned bed and breakfasts now understand that they at least need an e-mail address, if not a full on-line reservation system. But it is infrequently "all" as well, unless you are a dedicated "virtual company" selling insurance, banking services or books to connected customers. What this means is that the enterprise of the present is, indeed must be, ecommerce active. The challenge for business managers is in defining what ecommerce is for them. Importantly, they need to define what elements of their operation will be on-line, in whole or in part. They need to determine where the value-add is in providing speed over person-to-person contact and vice versa. They need good development and management tools, and they need techniques for measuring results.

Companies frequently assign their ecommerce development activity to their IS shop, to communications or marketing with little or no direction. There is the assumption that this is a new vehicle, yes, but the rules are the same. Nothing could be further from the truth. Example: your very attractive corporate logo may look real good on a print publication, but the colours could come out frightful on a Web page. Also, staff who is not given quality direction will err on the side of quantity. Many managers believe that high volumes of on-line information are a success measure. Rather, it may send messages about your lack of focus.

More than a few organizations who have established a Web presence brag about the "hits" they are realizing. But these huge numbers don’t seem to translate into business activity and revenue. Why would that be? The answer is that an Internet "hit" is no more than a customer glancing in your shop window as he walks by. Something may or may not register with this person but you have no easy way of finding that out. Effective on-line firms track very carefully what their electronic visitors do – where they go, how long they ponder a page, whether they go back and re-visit a site. Software is now available to allow you to measure just exactly what impression your site is making. This is equivalent, to a degree, to a shop owner being able to reach out of his store and sift through the short-term memory of a passer-by.

Far too little time is given to the client issue. The Internet, the Web and on-line services put the enterprise in a global community. A lot of that community is looking for something for nothing. Many of your enquiries and contacts will be, really, a waste of your time. But one never knows: your vision may have been firmly fixed on product vending in a 50 square kilometre area. You may be surprised to discover enquiries and orders coming in from other continents, many time zones away. Ecommerce will present you with a number of pretty serious risks and decisions. Do you re-engineer your operation to operate globally – as you must; or do you ignore those opportunities coming across your desktop and risk being panned by the on-line community?

Are you even emotionally ready to consider working in several languages and over 24 time zones? Do you have a reliable and current currency converter at hand? Are you licensed to vend in other countries? What happens if your customer is not satisfied with your product, or if you deliver and you do not get paid? If you offer "Excellent Customer Service", can you provide it at 4 AM on Sunday morning?

Imagine becoming selective about your customers. "Yes, I will deal with that person, organization, country, but not this one". I reckon few companies have established customer selection criteria that will serve to guide their front office workforce.
Here is the opportunity, and the challenge. Can you afford to ignore a global phenomenon that offers exposure to millions of potential customers and that enables transactions that could cost you less than a penny to process? If nothing else, on-line exposure can help you convey an image of progressive, informed, responsive enterprise. The challenge is in not losing sight of why you are there.

A useful checklist has been provided by John Sandala, Director of Internet and Electronic Commerce at AT&T Canada. He summarizes his "successful IP business plan" as based on:

- A senior management decision on a clear definition of objectives
- Application development initiatives that meet the needs of the new objectives while involving the input of end-users
- Technology implementation efforts that identify the important technical considerations
- User engagement programs to provide both inside and outside customers with the excellent service needed to keep them coming back to the site.
- The gathering of feedback and constant measurement to develop continuous improvement plans.

The message for each of us is quite simply this: whether you are already there, that is in the market, or seriously considering going there – to the marketplace, you need to be very certain indeed that you want to be there, that you know what you want to do, and that you are architecting your presence so that you can get the very most out of it. And back home, you want to be sure that you are taking a fresh look at your business organization…..is it ready for on-line, real time activity in the global market? Have you automated as far as you can on-line help, database updating and order taking? Some of this will be necessary effectiveness conditions.

It’s your choice whether you embrace electronic commerce. It is also your choice whether you make money at it now, later or never.