



Excerpts from "INNOVATION"

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These items are from Innovation, a NewScan Service, written by John Gehl and Suzanne Douglas. They report on trends, strategies, and innovations in business and technology to give their readers an executive briefing on the future. For free trial subscription send mail to innovation-trial@newsscan.com with the word "subscribe.pl" in the Subject line.

Y2K: Trend, End, or Beginning?

These are, of course, the nervous months before the year 2000 -- and the anticipated (yet unknown) problems resulting from programs unable to calculate dates correctly because they were coded with 2-digit year-fields and will act as though 00 means 1900 rather than 2000. In a Harvard Business Review roundup of the problem, two executives of Chase Manhattan Bank say that the most difficult part of the problem is that you can't just watch out for yourself, because you're not alone: "The level of interdependency among organizations is probably the most vexing issue for professionals in Y2K... You must extend your thinking to your company's entire supply chain. For financial institutions, for example, that chain could include funds providers, sub custodians, correspondent banks, and the major clearing organizations that make up the global settlement system." The good news is that crisis brings opportunities, and smart managers are using Y2K activities as a way to enhance their post-2000 technology environment -- such as by incorporating into future business practices the testing and quality assurance disciplines put in place to handle Y2K. (Steve Sheinheit & Brian Robbins, in: "Connectivity And Control In The Year 2000," Harvard Business Review Jul/Aug 98)

Employee Self-Service

Self-pump gas stations, ATM machines, and other modern inventions have taught consumers how to live in a self-service society, so it's not too surprising to see self-service spilling over into the corporate world. The consulting firm Watson-Wyatt says that some form of Web-based employee self-service (ESS) is now being used by about 60% of all organizations, for such things as personnel records, banking information, benefits enrollment, 401(k) account balances, vacation requests, etc. Advantages include timeliness/accuracy (because employees are the first to know about address and other status changes) and productivity (because it eliminates the redundancy of traditional human resources updates). (Samuel Greengard, "Building A Self-Service Culture That Works," Workforce Jul 98)

<http://www.workforceonline.com/trends/ess>

The Future of Banking

Atlanta Federal Reserve CEO Jack Guynn says that in the future, there will be four kinds of financial institutions: megabanks; electronic and online disintermediaries; specialized financial boutiques; and small and community banks, with technology playing a large role in all of them. The megabanks are expected to pioneer the use of technology for functions such as credit scoring and securitization, and electronic disintermediaries will focus on the Internet as "the ultimate matchmaker" that will lead the way to do-it-yourself banking. Meanwhile, financial boutiques will offer many of the same services as megabanks and online banks, but they will also originate and manage products that are then repackaged by the megabanks. Finally, small and community banks will help their customers negotiate their way

through an abundance of technological innovations, becoming "the AAA of the financial services industry. The financial system of the 21st century... will be a massive, interlocking network of technology and financial resources. And for the average customer, it could be easy to get lost. Small and community banks know their passengers, they know their destination, and they know how to get there." (Financial Update Jul-Sep98)<http://www.frbatlanta.org/>

Build a Web Site and They will Come and Buy or Will They Leave

So you think you're going to sell stuff on the Web and reap huge savings in distribution costs. Think again. "The new virtual distribution system has become as expensive and difficult to navigate as the physical distribution network it is replacing." But how did that happen? Can't anyone just setup a Web site and quickly reach millions of potential customers? Not unless the Web site is called something like AOL, Yahoo, or Excite. "Launching an e-commerce site without a portal partner is like opening a retail store in the desert. Sure, it's cheap, but does anyone shop there?" Unfortunately, costs of selling over such "portal" sites are escalating, to the point where customer acquisition costs are so high they may not make sense for too many vendors. Consider a new deal struck between AOL and three brokerage houses, which will cost those financial institutions \$25 million for "prime real-estate" in the finance area of AOL's service. Assuming the deal brings 50,000 customers, the per-customer acquisition cost will average \$250. Compare that to other traditional customer acquisition costs: \$50-75 for credit card companies, \$100 for long-distance phone service providers, \$100-250 for mortgage lenders. So what should you do? First do the math, so you know what your own real acquisition costs are; consider whether offline and highly targeted methods are not a better way for you to reach new customers; and, most important of all, focus on brand and services, because "if you are not truly locking in customers with a strong brand or differentiated services, then you are not acquiring customers -- you are renting them. When the dust settles, you will lose the market share you thought you had acquired." (J. William Gurley, "The Soaring Cost Of E-Commerce," Fortune 3 Aug 98) <http://www.fortune.com>

The Future of the E-Business Community

Author Don Tapscott says, "There is a growing amount of evidence that the firm is being replaced as the traditional model of wealth creation." To bolster his argument, he cites mounting evidence that new forms of doing business on the Net are emerging, the most important of which is the e-business community (EBC). "EBCs are networks of suppliers, distributors, commerce providers and customers that execute substantial business communications and transactions via the Internet and other electronic media. They enable the creation and marketing of unique new values for customers in ways that dramatically reduce time, share risk and trim cost." Tapscott says that electronic business communities differentiate themselves along two dimensions -- control and value integration -- resulting in four distinct types of EBC: the Open Market, which exercises very little control over the process (like some online auction sites) and adds very little value; the Aggregator, where a company positions itself between the producer and the customer for a product or service, but offers little value integration (like America Online or E*Trade); the Value Network, where a primary company leads in a more or less hierarchical fashion, with the objective of maximizing value integration through operational efficiencies (like the Firefly Network); and the Alliance, which aims to achieve high-value integration in the absence of hierarchical control (like the Java alliance between IBM, Netscape, Oracle and Sun Microsystems). (Internet Week 14 Sep98) <http://internetwork.com/>