



JIBC Editorial

The Journal of Internet Banking and Commerce has earned superb press from Unisys Corporation as a byproduct of that company's E-commerce initiative. Specifically, here is the announcement routed to me:

We are pleased to inform you that your Web site has been reviewed by Exec, the online journal for senior managers. You can read the review in the October 1999 issue at: <http://corp2.unisys.com/execmag/framesets/topsites-month.htm>

Published by Unisys Corporation at <http://www.execmag.com>, Exec combines original editorial material with regularly updated links to articles, reports and other resources across the Web. This online journal attracts more than 50,000 hits per month and has been cited for excellence by publications such as CFO, The Economist and PC Week.

Readers, you should see this announcement as a tribute to the longstanding commitment of the JIBC editorial staff and JIBC's expert contributors. Readers should also interpret this accolade as confirmation of their personal discernment in reading JIBC, and the very bright point of light JIBC provides to the entire Ecommerce community. Kudos to all in the JIBC community.

I recently met with the secretary of U.S. Department of Commerce (USDOC), John McGlaughlin. I suspect we will see some JIBC articles and information from this agency, an agency with reduced budgets and the compensating mandate to charge businesses on a fee for service basis. While I question this new for-profit direction, political and business reality compels me to mention only the interesting conclusions. After all, the USDOC is one of the world's largest collectors of business information. The interesting conclusions are summarized here with three main points.

First, an infrastructure for ecommerce simply does not exist. This explains the obvious need for partnerships to create the necessary channels and momentum to enable ecommerce and build a structure. The **American Model** for ecommerce, an online Internet-enabled catalog sales process typified by Amazon.com and Ebay, is the exception rather than rule. In fact, this model is not particularly useful even for American companies who would hope to follow these leaders. This model is even less useful for non-American companies, and distinctly misplaced in many foreign markets, particularly in Latin America. The culture for business, the infrastructures, and low levels of trust (not to be confused with e-mail security or delivery authentication and confirmation) preclude direct success in ecommerce. However, a more compelling model for ecommerce (at least in my opinion) is based on viewing ecommerce as a communication and delivery conduit. It is both instantaneous but it also caches information within an organized hierarchy; creating profound improvement over the traditional physical mail system, courier services, telephony, and messaging (text or voice) services.

Second, even the USDOC understands the need for Ecommerce partnerships, calling partnerships a "quid pro quo arraignment." The USDOC also states how rare true ecommerce expertise really is. How many of you have personally paid your bills with ecommerce? While statistics from survey firms such as International Data Group, meta Group, Forrester Research, Boston Consulting Group, and others might politely stretch belief, their statistics still show the order of magnitude of successful e-ventures to failures is about 100 to 1. If you are the one, would I like to talk to you! If you are in the hundred, do we have a lot to learn by pooling our resources, experiences, and dreams.

Third, even a bureaucratic organization like the USDOC with a response time that it admits is greater than 4 weeks, is beginning to see that ecommerce is about speed and that commerce will morph into ecommerce. In other words, Ecommerce is faster commerce, whatever the infrastructure and platform. Few of the USDOC people I met have a clue what that even means. I ask you, do we really understand ecommerce exclusive of this American Model? The savants at the USDOC talk about business models for ecommerce in terms of Amazon and Ebay, but speak to an audience primarily focused on business-to-business transactions, in complex import/export operations where sales are represented in lots of millions and besieged by cultural complexities. There is a big difference between catalog sales and Ecommerce. Note that Internet consumer sales ticket averages \$38 while telephone-based consumer catalog sales tickets average \$362. Not only does ecommerce represent a small fraction of retail sales but also a smaller per sale ticket forcing merchants to review how to optimize transaction costs. Furthermore, a \$38, or \$362 ticket is a far cry from 3,874,999,892 \$Peso container shipment.

My opinion and suggestion is that E-commerce is about building infrastructure, creating alliances where infrastructure is lacking, and reassessing realistic ecommerce opportunities that transcend the American Model. Consider, within that context, that the Ecommerce field is filled with burly construction engineers (technical geniuses) lacking for qualified architects and overseers. These few architects are points of light so bright but still useless without an evident business and cultural infrastructure. Amazon is just scrabbling at the surface, and Ebay has many problems with its model undermining its success, despite the monopolistic benefits inherent in these two leadership positions. Nevertheless, there is a massive paradigm shift coming, probably driven by the wireless access anywhere with unlimited bandwidth (so they say) for virtual communications in voice, fax, data, video, files, etc. It is these points of light, these architects who see the future so clearly, who are most valuable in this new age of Ecommerce.

However, while the venture capital communication puts a premium on architects chasing dreams of their own stars, the political and business reality requires implementation and integration of these points of light into a functional matrix. The message is that businesses are pursuing partnerships based on an instinctive understanding. Namely, that the infrastructure is sorely lacking, that the costs and access to bright stars on this earth prohibits the success of exclusive ventures, and that each business has its own agenda whether physical, logical, virtual, or invigorated with ecommerce abstractions.

It is clear that ecommerce is bringing unification to business, that business is global, that business is very local even on a global level, that special cultural and logistical limitations represent massive opportunities for ecommerce, though perhaps not with the American Model typified by Amazon and Ebay. If the medium is the message, that message must be localized, marketed one-to-one, focused to each customer, extended flexibly for the disparate needs of each customer, and transactional process not only optimized but also linked into backend systems. The ecommerce model is not about catalog sales, but access to information, creation of trust, and perhaps as the USDOC states so simply, about speed.

It is also clear that ecommerce is not understood, perhaps less understood than last year, if that is at all possible. Consultants and other for-profit organizations are capitalizing on the scant resources for ecommerce expertise and think that everyone with some track record in ecommerce or web construction represents salvation. However, the new ecommerce expertise in the trade literature is presented as an aggregate of opinions from people who are not in the know or experienced. Such statistical reports and survey results, even when gathered from 200 IT and business managers, only amalgamate what people do not know into something that they still do not know, but do not know in the company of a crowd. Opinion polls are surpassing surveys based on reality for ecommerce issues.

I am not saying that CAP Ventures, Forrester Research, Giga Consulting, meta Group, and IDC opinion polls provide little direction; rather, realize that there is a difference from opinions from actual results. Why an amalgamation of what is at best marginal opinions, even assuming the statistical law of large numbers, would be any better than a singular opinion or even a simple market analysis from a careful and experienced person? If we look at the official ecommerce numbers, 99% of all companies and teams fail, while 1% somehow do it right. And we want to believe in the opinions of this 99%? Success with ecommerce is not about checking crystal balls, but rather about reviewing business requirements, market opportunities, and applying innovative and risky technological implementations.

If you think that most of the lemmings are right, you too can run with the crowd into ROI ruin. Instead, stake out a smart path in some other direction. Some smarter companies are forging tighter management focus on ecommerce directives by putting sales, marketing, or customer support people into what has been a mostly technically controlled

playground. The really hard job in ecommerce today is taking a courageous position and selling that concept to decision makers, boards of overseers and directors, and your own conscious.

December 1, 1999 Martin Nemzow Chief Editor