

E-Business Market Development and Dynamics DePaul University | October 28, 1999

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Agenda

- If I were entering the e-business job market in 2000, I'd want to know...
 - What's under the hood, steering this transformation
- E-Business trends and market mechanisms
 - Developments within the e-business market
 - Current state
 - Underlying economics
- E-Business: what will happen to employers?
 - The rise of the extended enterprise
 - Four-stage development model
 - Contrast legacy v. e-business trading structures
- The vision of the future: the extended, knowledge enterprise
- What to make of all this
 - The job environment
 - E-Business consulting market

Market and Key Drivers

E-Business Market Development, Fall 1999: Early Stage and Multidisciplinary

In 1999, e-business is in the innovator and early adopter stage, and e-business solutions are usually custom built. The larger Big Five have a significant opportunity to take the lead in e-business with the breadth of skill sets available from within the firm in all functional areas of business in an enterprise.

- Up to now, e-commerce activities have been relatively isolated from core business processes
 - Experimentation approach
- Knowledge of digital, asynchronous communications is spreading
 - User experience, integration with existing environment and strategy
- Assuming validity of digital, asynchronous communications models for widespread use, demand is set to expand quickly within the next 1-3 years
- E-Commerce entered the tornado in 1999
- E-Business lags e-Commerce due to necessity to overcome drag of legacy ideas, processes and systems
- The e-business consultancies that can meet tornado demand will likely dominate the market throughout the cycle if they can manage the growth



Why an E-Business Tornado? Underlying Economics and Challenges

E-Business delivers persistent, scalable, specific communications at a fraction of the cost of today's legacy communications. Extensive learning and rethinking are required to take advantage of the benefits

- An optimal mix of communications yields superior satisfaction, lower cost or *both*
 - The networked enterprise with electronic knowledge, processes and systems is persistent and flexible in its customer facing
 - Customers begin to feel that the enterprise "knows" them due to its integration of their information, history, preferences and actions
 - As customers get accustomed to this, organizations without these processes will be at a major disadvantage
 - E-Business drives down transaction costs significantly
 - Leads to faster, better performance and the ability to shrink life cycles
 - Major ramifications for competitive advantage
- But... enterprises cannot "buy" e-business
 - The model and processes require coordination, time and effort
 - Major threat to lagging adopters
 - Better service, lower costs and lower transaction costs can bury an established company
 - Enable an electronic enterprise to accelerate its lead

E-Business Adoption

Organizations can't stop the world from changing; the best they can do is adapt

- The smart ones change before they have to
- The lucky ones manage to scramble and adjust when push comes to shove
- The rest become history

Source: Price Pritchett, New Work Habits for a Radically Changing World

The Journey of the Extended Enterprise

The Extending Enterprise: Stage I

E-Commerce focuses primarily on engaging customers. Organizational learning is high, and the key challenge is integrating core processes into e-commerce, where this can enhance customer experience



The Extending Enterprise: Stage II

The value chain is integrated electronically in Stage II. This coordination gives the enterprise power to expand because transaction costs begin to drop while cycle time diminishes.



The Extending Enterprise: Stage III

Industry transformation occurs when the enterprise splits off processes that used to be considered core, increasing its focus on core competencies. This is possible due to e-business robustness and flexibility.



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The Extending Enterprise: Stage IV

In Stage IV, the "industry" transforms to encompass other industries. The extended auto enterprise now offers industry leading, integrated travel and entertainment products and services, in this example.



E-Business: What's Different

Traditional Business

- •Creates product/service, then sells to broad segments (mass market approach)
 - Controls product information
 - Gets market information 2nd hand, through "market research"
- High transaction costs
 - Often has expensive value chain
- Business processes often siloed
- Long product life cycles
- No knowledge strategy
 - No concept of enterprise knowledge sharing

E-Business

•Creates products/services for customers (one to one mentality)

- Customers control product information
- Gets information continuously, directly from customers

Low transaction costs

- E-Business processes vastly diminish cost of communication
- Transforms communications from discrete/ occasional to continuous

Business processes networked

- Short, continuous product life cycles
- Defined knowledge strategy key to corporate strategy
 - Key to corporate value proposition

E-Business: What's Different

Supply--or value--chains are supremely linear while networks are interconnected. Networks can afford to be interconnected due to diminished communications costs.

Traditional Supply Chain... Linear and Limited



Future State: Realities, Choices, Opportunities

Future State: The E-Business Environment

The E-Business Environment

- Connectivity between highly diverse companies (and their systems) at a very low cost and on an unprecedented scale
 - Provides the opportunity to coordinate heretofore disparate activities with increasing ease
- Asynchronous communications (those not requiring real-time communications among two or more people; for example, websites and email)
 - Enable communications to take place at a time that is of the lowest cost to each participant
- Hyperavailability of information to anyone who has access to the "web" of activity
 - Enables a large number of people to make decisions based on the same information (for example, the end consumer's demand signal)
- Connectivity and asynchronicity combine to drive down the cost of interaction and transactions, among customers as well as members of the enterprise and its partners

Future State: The E-Business Environment

Conclusions

- Adoption of many customer segments will undoubtedly follow the tornado model
 - "The jury" will return a positive verdict after which hordes of customers will interact and transact online
- "Opening up" the enterprise to an unprecedented level of scrutiny will be a difficult reality for some business leaders to accept
 - The true value delivered by the enterprise's products and services will be discussed openly everywhere
- This will be inevitable, and enterprises that resist it will be seriously disadvantaged

Future State: The E-Business Customer

- Enterprises are becoming increasingly transparent to their customers
 - Customers have the unprecedented ability to learn in-depth information about the enterprise's products, processes, problems and competitors
- Customers of all types have a far lower cost and increased scope of interaction
 - Increasingly able to share their experiences with almost infinitely many other customers
 - This is a key element of the power shift to the customer, away from the enterprise
- Customers will demand increasing satisfaction from enterprises, once they know that they can deliver it with e-business processes
 - The market will not forgive companies that ignore this phenomenon
- Customers will demand that enterprises think of their needs first and allow them to design products and services to fit their needs
 - This contrasts sharply with the enterprise-focused model of today in which enterprises to design products and sell them to a mass market
- Customers will take the lead in dictating what kinds of products and services they
 use, and they will reward enterprises that enable them to do this most easily

Future State: The E-Business Customer

Conclusions

- The rise of the power of the customer will upset many traditional enterprises that are accustomed to pushing product to customers
- Due to their pain, many companies will turn inward, forgetting that customers are going through significant changes
 - Companies that have the foresight to help customers make the transition will gain huge benefits
- The enterprise that creates the capacity (knowledge) to engage customers to help it to satisfy them will be far better off in the satisfaction game

Future State: The Extended Enterprise Is a Knowledge Enterprise

The foundation and driver of it all...

- The extended enterprise is one with valid core competencies operating within a web of complementary companies that is coordinated to present one face to customers
- Hyperavailability of information, low interaction cost and the need to satisfy customers drive the ascendancy of knowledge
 - Knowledge is defined as information applied to performing an action
- The cornerstone of creating value in the e-business environment will be creating, organizing and leveraging knowledge
 - Focus on how the enterprise satisfies customers and knowledge about how the enterprise interacts within its web to deliver unique value to its customers and its partners

Future State: The Extended Enterprise Is a Knowledge Enterprise/2

The foundation and driver of it all...

- The leading extended enterprises will drive strategic planning into their organizations
 - The focus on core competencies will drive the creation of opportunities that create and deliver value
 - Opportunities will be more short-lived and more numerous than they are today
- The leading enterprises will be those that have confidence in their ability to create and deliver unique value propositions
 - Confidence will be necessary to take the risk of adopting the new model and sharing knowledge with their customers and partners at a level unheard of today
- Confidence will stem from building a cadre of knowledge workers
 - This will have to be pursued organically, via an individual and organizational learning process
 - Workers that are conscious of knowledge and how to apply it to customers in the new ebusiness environment do not exist yet
 - They have to learn on the job

Future State: The Extended Enterprise Is a Knowledge Enterprise

Conclusions

- Knowledge is an accelerator because it increases the enterprise's ability to learn and create more knowledge
- There will be no extended enterprise that is not first a knowledge enterprise
- Enterprises that fail to act and ignore the knowledge component of e-business put themselves at significant risk

The E-Business Market: Approaching as a Candidate

- E-Business and knowledge will break down established ideas about how value gets created and delivered
 - Just think about what that means... it's the entire business, up for grabs!!
 - The map of risks and rewards is phenomenal and undeniable
 - One of the most exciting times imaginable to be in business
- A few words about the consulting market

The E-Business Consulting Market



Demand for E-Business Consulting: Current State (1999-2000)

The e-business consulting market requires multidisciplinary solutions.

- Paradigm-shifting e-business consulting solutions demand management consulting ("Strategy"), Technology consulting and "Internet" expertise. Therefore, each group of specialists is drawn to the middle, where the Big Five are.
- Current state market movements
 - Technology market move to strategy
 - Strategy market move to technology
 - "Internet" market move to technology
- Big Five
 - Vis à vis e-business consulting market, covers slightly more area than other 3 players
 - Primarily technology
 - Some strategy
 - "Internet" coverage limited to human factors, aspects of navigation/site design



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Demand for E-Business Consulting: Future State (2000-2001)

By 2000, the "Technology" players will make inroads to the e-business consulting market, led by the technology product vendors, with their aggressive ad campaigns and hiring.

- The Big Five will pursue leading edge strategy work that is referenceable and promotable to drive its mindshare
- "Internet" players also move into strategy, and the Big Five will look to partner with or buy "Internet" strategy boutiques
- Future state market movements
 - Technology market move to strategy
 - 2nd largest area gainer
 - Some move also to "internet"/design
 - Strategy market move to technology
 - Too conservative to address "Internet"
 - "Internet"/design market move to technology
 - Portals attempt to do strategy
 - Larger Big Five
 - Can dominate e-business market more easily than other 3 players
 - Aggressive move to strategy
 - Strong move to technology
 - "Internet" moves specific and limited
 - Look to partnerships



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