



# Winners and Losers in an Internet Enabled Economy

Timothy Devinney & David Midgley  
With Tim Coltman

Copyright © The Centre for Corporate Change. All rights reserved. No part of this presentation may be reproduced, stored, transmitted, or disseminated in any form or by any means without prior written permission from the Centre for Corporate Change.



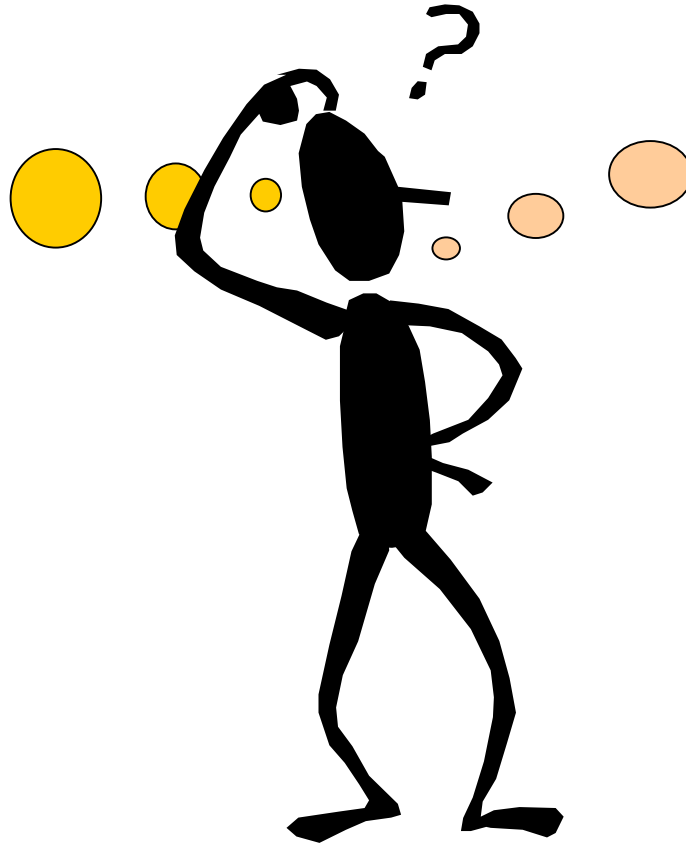
## A Teaser

*“It appears that yesterday a great many German scoundrels sold French railway shares in London with the telegraph. ... Since the telegraph became available, people work much more. Everyday at 12 they send a dispatch, even for trivial deals, and realize their profit before the bourse closes the same day. ... [Now] anyone can get the news ... It is a crying shame that the telegraph has been established ... and ... [t]here is no alternative but that we [Rothschild] do the same. ... It creates no respite from the business ... One has too much to think about when one is bathing, which is not good.”*

# The Big Question

What are the  
relevant  
models of  
the e-world?

What  
really  
matters?



# The Radicality of the Required Change

- ✦ The key to understanding the revolutionary or evolutionary nature of e-business depends on the magnitude and degree to which it effects the value chain (or value network) of any business (actual or potential)



## ✦ B2B

- Most changes are evolutionary competence enhancing development because they represent substitutions from existing business processes

## ✦ B2C

- Some changes may be revolutionary because they represent potential changes in the relationship between the customer and the producer



# There are Many Options for Adding Intelligence into Internet Operations

## Smarter Market Structures

- ✦ Deeper markets (eBay, Gatetrade)
- ✦ More transactionally complete markets (Agribuys, BHP)
  - ▣ More accurate prices
  - ▣ Fewer errors/better matching

## Smarter Product Offerings

- ✦ Tailored offerings (Amazon)
- ✦ More specific customer relationships (Maconomy)

## More Knowledgeable Organizations

- ✦ Better application of data
- ✦ Development of new organizational forms
  - ▣ De-intermediation/ re-intermediation
  - ▣ Wider range of alliance structures



# The e-Intelligence Project

- ✦ Investigation of the intelligent use of internet data and systems
  - ✦ ~400 survey respondents
  - ✦ ~50 firm interviews
- ✦ Part of a larger e-business agenda surrounding
  - ✦ e-Procurement—Gatetrade, Mondus, Agribuys
  - ✦ e-Banking—SEB, CommDirect, DirecktAnlage, Consors, Advance, Teletrade, Nordnet, Cahoot, Evolvebank, Alliance & Leicester, Barclays, Intelligent Finance
  - ✦ e-Start-ups—Chateau Online, Maconomy, Haburi
  - ✦ e-Death—a pathological study of failure
  - ✦ e-Performance—a survey study of global performance



# What is e-Intelligence?

*e-Intelligence is the adding of intelligence to electronic data. It represents the creation of knowledge from the information flowing into the firm from its web-based and traditional systems. e-Intelligence is an overarching concept that allows companies to customize and enhance personalized relationships with customers and suppliers and improve the effectiveness and profitability of business processes and operations via the Internet and traditional channels.*

- ✿ e-Intelligence includes but is not limited to:
  - ✿ Testing: Data mining and analysis—both interactively and passively
  - ✿ Relationships: CRM/eCRM—both interactively and traditionally
  - ✿ Process Application: ERP—across process and operations
  - ✿ Tailored System Design: Personalized applications, use of email, web design, etc.

# The State of Play I

- ✦ Although virtually all firms are expanding their e-intelligence activity, most are still in developmental stages
  - ✦ 68 per cent feel e-intelligence activities will have a dramatic effect on their near term business
    - Less than 10 per cent of total business activity is online but for 25 per cent of businesses more than 50 per cent is online
  - ✦ 20 per cent have successfully implemented their e-intelligence plans, with 75 per cent in implementation stages or running pilot programs
    - Over 80 per cent will be increasing their investment next year
    - Over 80 per cent feel they are under very strong commercial pressure to move activities online



## State of Play II

- ✎ The jury is out on whether firms competitive standing is improved by this activity
  - 🌸 Most feel positively (though not strongly) with those the most advanced in development being the most satisfied
  - 🌸 About half feel their expectations have been met but few are wildly enthusiastic about the results and many have seen dramatic failure
  - 🌸 The big gains are in transaction cost reduction

*“In terms of our e-intelligence activity success, I would say we’re in a maturity curve where we’ve gone from the crawling stage and where we’ve stumbling around is the best way to describe it. I don’t think anyone’s really got it down pat.”*

# Critical Benefits of Intelligent Applications

## 🐝 Operational (56 per cent)

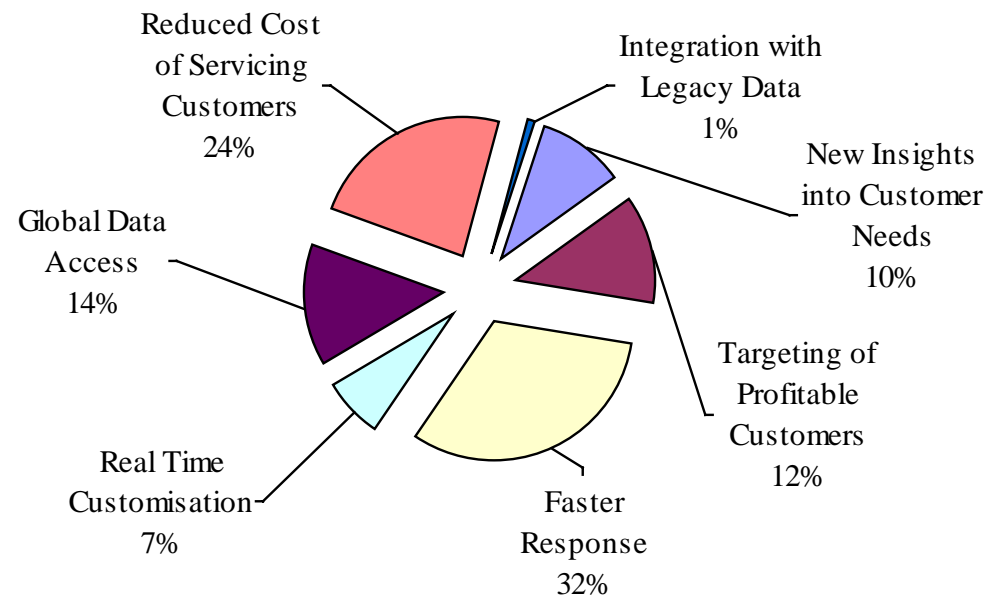
- 🌸 Faster response
- 🌸 Reduced service cost

## 🐝 Marketing (29 per cent)

- 🌸 Targeting
- 🌸 Insights
- 🌸 Customization







## 🐝 Data access (15 per cent)

- 🌸 Global access
- 🌸 Integration



# What are the Tools?

## Dominant Tools

-  ~50 per cent interface with static web sites
-  ~25 per cent interface with call centres
  -  This is skewed toward larger firms
  -  Most call centres deflect action onto others
-  Virtually all use email but response to customers is slow
  -  Around half do not respond to customer inquiries in a 24-hour period

*“We did a trial with a client of ours in Canada using a control group where certain business rules were triggered but no intervention from a live agent was made. We had another group where, similarly, the business rules were triggered and a live intervention was made: can I give you assistance? do you need more product information? yes, we have it in green, etc. In the case where no intervention was made, no sales were affected. In the case where intervention was made, 70 per cent of interventions resulted in sales. So it’s a small example, but if you devote more to personalizing the customer interface customers are happier and profits will go up.”*

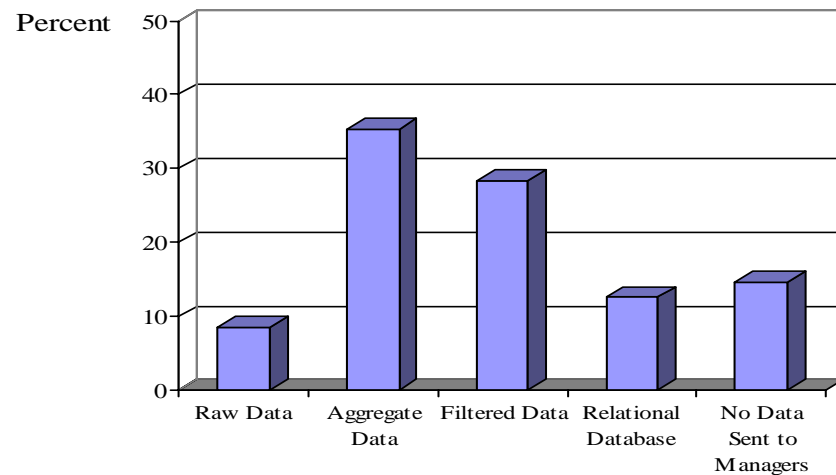
CEO, IT & Communication Sector

## How is the Data Used?

✚ Manager's receive data in a somewhat 'sealed' form

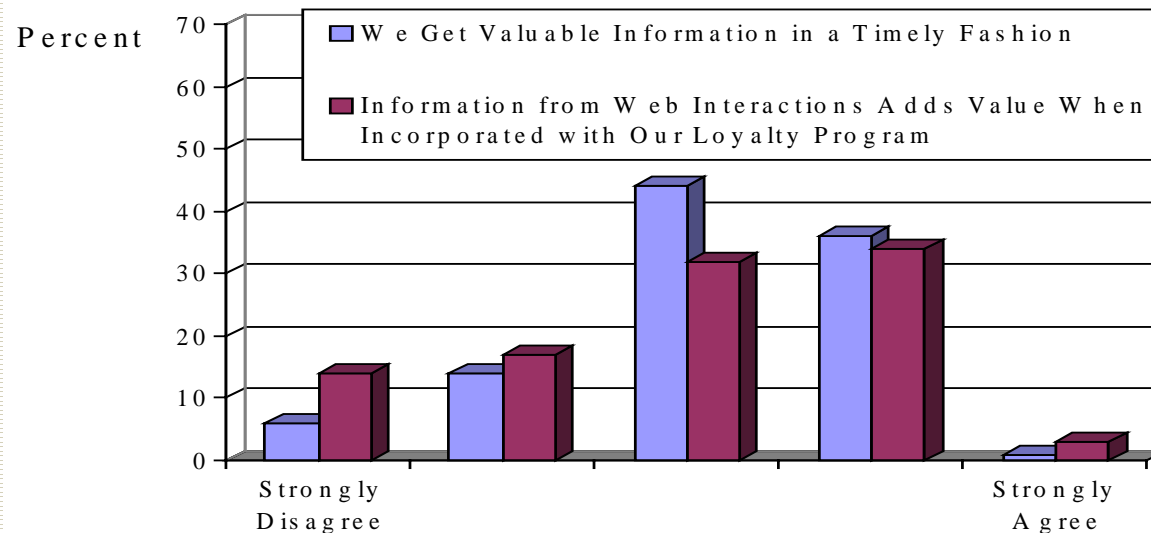
✚ *"Our managers have been fed data for years and years and years and it has largely just been closeted. Now for the first time they are able to get it in an accurate real time format, I think it's become a very powerful tool."* Director, Legal Services

✚ A large portion of customer data is not updated in real time by customers/agents



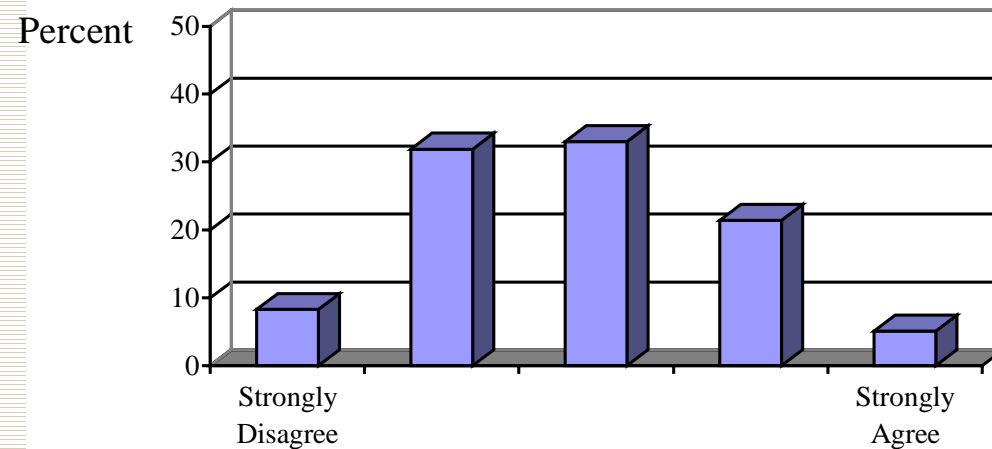
# Integration with Loyalty Programs

- ✿ 26 per cent of firms surveyed had a customer loyalty program of some type
  - 🌸 Most companies are happy but not wildly happy with its operational and strategic success
- ✿ The main problem is figuring out how to use the web in relationship to the program



## Integrating the Information

- ✦ A major problem with many firms is getting the organization's staff to understand and utilize the mass of data effectively because of limitations is the understanding of the potential value of interactive media



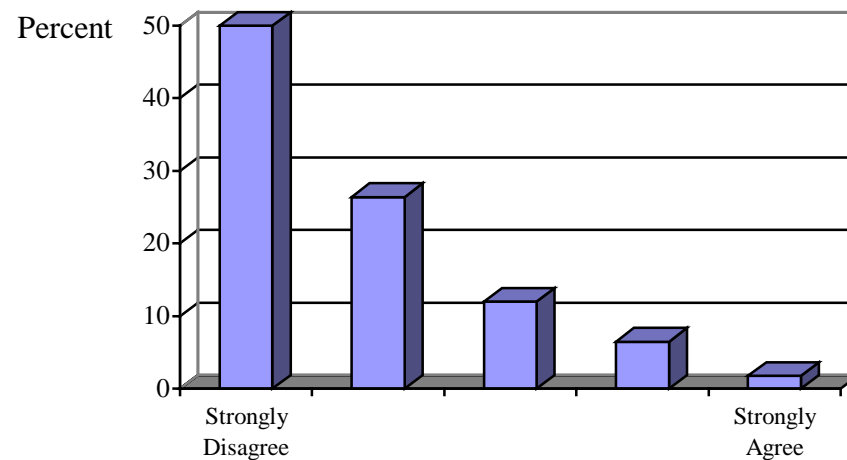
Customer relationship staff in my organisation understand the nature of interactive media

# Incentivizing the System

✿ In addition to understanding the value, few organizations provide incentives for effective sharing

✿ *“A weakness in my view is that we do not have in place data coverage that is as good as I would like, each sales channel tends to operate as a separate business unit and as a result they wouldn’t necessarily share the same information.”*

Executive Program Manager, IT Sector



Incentive schemes exist to reward customer/partner information sharing across several departments in my firm

# Building the e-Intelligent Organization

## ✦ Strategic understanding of the potentialities

✦ Of the organization

✦ Of the partners (and knowing who these need to be)

✦ Of the technology

*“If you’re going to have a business strategy based on virtual customer relationships, where most of your customers interact remotely, then you’re going to need all of the necessary technological capabilities that support the customer relationship.”*

Ron Bunker, Citibank

*“Probably the biggest impediment to e-intelligence so far has been serious doubts by the Managing Director in particular and other senior managers about the value of e-business. Some of them think this is really a flash in the pan, they spend a lot of money then find out it’s just a passing phase and then why did we bother to spend all that money and waste all that time with it.”*

Managing Director, Retail Sector



# Building the e-Intelligent Organization

- ✦ A tactical ability to negate constraints
  - ✦ Integration of existing managerial structures with new realities so as to gain general consensus
  - ✦ Mobilization of organizational resources for endeavors with unclear cash flow and profit implications
    - The direct cost of systems and people
    - The potential unlimited future cost of systems that are constantly evolving
  - ✦ Upgrading and acquiring of staff and managerial skills to meet the new challenge
  - ✦ The ability to get systems to talk to one another and integrating disparate and legacy systems in an organizationally friendly manner



# Intelligence First, 'e' second

## 🔦 The most successful firms

- 🌸 Had an existing strategy for integrating knowledge about customers into tactical (day-to-day) and strategic (long term) decision making
- 🌸 Had an understanding of the basics of the technology
- 🌸 They did not ask the technology to do much beyond build and enhance their existing understanding

*“We committed very substantial funds right up front to fund e-technology—this is what there is to be spent. We succeeded in gaining consensus or a common understanding of where we wanted to go and the beauty of this is that we did not prevent some places from going ahead faster than others. The model then is really to help the bank evolve into the next generation of investment banks, to be able to meet the demands of here and now.”*

HR Director, Investment Banking