

# E-Business Evolution 2009

Past, present and future e-business strategies discussed by:  
J.P. Morgan, PricewaterhouseCoopers, Cancer Research UK,  
Linden Lab and John Lewis



# Welcome to E-Business Evolution 2009

Foreword by Deborah Collier, managing director of Echo E-Business

From the biggest multinational corporations down to start-up sole traders, the possibilities of e-business and e-commerce have had a momentous effect. There used to be a clear definition between companies of different sizes, but the opportunities afforded by the Internet have blurred this line – allowing quicker growth and an ever-increasing pool of customers and stakeholders.

The gap between business and technology is becoming just as hazy. Online strategies are now an absolute necessity, even for the smallest or most traditional of traders. In fact, 80 per cent of SMEs now have their own website, according to a recent study.<sup>1</sup> Quite simply, the world is turning to face the web. Companies that fail to follow will find themselves left behind.

However, each e-business strategy needs to evolve to align itself with advances in technology, business and consumerism. We're not just talking about websites and e-commerce: online strategies need to look at everything from multi-channel and cross-channel tactics to social networks and beyond. The scope and possibilities of e-business have already changed significantly since the birth of the web. So where is e-business now, and how will it develop?

Echo E-Business has brought together senior figures from a variety of high-profile organisations – PricewaterhouseCoopers, John Lewis, J.P. Morgan, Cancer Research UK and Linden Lab (creators of Second Life) – to discuss how e-business has affected their industry, and how it's set to change in years to come.

<sup>1</sup> Figures from BT's Voice of the SME report, 2009

# Branding the web and the art of online shop-keeping

David Walmsley, head of web selling at John Lewis Direct, discusses how online strategy can deliver a uniquely personalised approach

Online and in-store experiences will always provide different experiences for consumers. Shopping on the web may well be quick and convenient – but it's a world away from the sights and sounds of the store. However, as brands are built on customer loyalty, it's vital that the web experience can complement real-life shopping. Successful e-commerce should offer all the choices, personalisation and price promises you'd get in store – while capturing the right look and feel to suit your brand.

Setting up a brand online is much more than creating a homogenous user experience. While online tactics need to be closely aligned with your business strategy, they also need to take into account the individuality of each and every customer. Naturally, customers want to be treated as individuals – whether they're on your shop floor or browsing your website. So just as you'd treat them in real life, so you should on the web.

So the biggest challenge here is personalising the impersonal. In stores, you can achieve the ultimate personalisation simply through dialogue between our customers and our shop-floor partners. The online experience is by definition more generic, but must appeal to the same sense of customer loyalty. How?

- 1. Understand.** As always, success begins with knowing your audience. At John Lewis, for example, nine out of ten of our online customers also shop in our stores. They choose to shop with us because they trust our brand – so we in turn must understand how our online experience fits in with their behaviour.
- 2. Create.** Your editorial and functional choices make up your online language. Instead of friendly and helpful staff to show your customers around, your choice of words, pictures and design are there to do their work. (In fact, one tiny change to our website's formatting led to an extra £1 million in revenue over the course of a year – so details really do make the difference!)
- 3. Challenge.** Personalising the online experience as much as possible can only really be achieved by challenging e-business orthodoxy. There should be no set-in-stone strategies. Instead, gradual and small experimental changes can achieve huge results – both in terms of brand value and in terms of revenue.
- 4. Reach out.** One advantage of personalising the impersonal is the enhancement of your marketing techniques. But e-marketing is more than just remembering who bought what and knowing that this customer also bought that. Web 2.0 technologies – such as company blogs and social network outreach – can boost consumers' engagement with your brand.
- 5. Drill down.** Through analytical measurement and multivariate testing, we can get a really good understanding of individual customer behaviour. For example, technology can tell us exactly where and when a particular customer abandoned their online shopping, and give us a view of the frequency and specific times of visiting, browsing and buying.

Essentially, a successful online strategy is led by central business strategy. In most cases, the technology is secondary to its actual application in practice – and for this to deliver the best possible return on investment, it needs to match with customers' real-life expectations. Already, we're making small and gradual changes to maximise online sales. In future, we may even come to understand the discrepancies between a customer's actions and their actual preferences or personality.

And in this way, online strategists will be able to brand experience – as well as simply branding the web.

## The view from Echo E-Business

We've already seen how the lines between small and large companies – and between business and technology – are blurring as a result of e-business. For the retail sector, however, e-business has also blurred the line between the in-store and online shopping experience. Where once they were viewed as separate, the most successful e-retail strategies of the future will be those that offer as consistent an experience as possible.

Personalisation is therefore an essential component of any web strategy. A successful store-based brand can only transfer that profitability by replicating those values and experience to the online channel. That 'shopkeeper' approach – knowing your customer, their preferences and behaviours – will be key to the online shopping experience. Features like John Lewis Direct's click-to-collect service indicate a more combined approach based around individual preference.

Essentially, the retail brands that thrive online are those who understand consumer psychology and recognise the intersection of e-commerce and in-store principles. As web and real-life strategies becomes more aligned, and as measurement technologies become more sophisticated, the retail sector will be able to sell and market to specific customer through increasingly personalised (and more successful) methods.

## Parts of the process

J.P. Morgan's Simon Maisey, head of global e-commerce for rates and markets, and Michael Davie, CFO of global sales and marketing, look at how the application of e-business in finance has shifted towards automation

It's no secret that the financial sector is going through massive changes. The credit crunch has resulted in tough times for trading, as liquidity has been withdrawn from the system and new legislation is brought in to ensure watertight reporting and liability.

As a result, the use of technology has shifted. For the past few years, technological innovation has been represented by the desire for speed – faster trades, higher volume and the electronification of the front-office execution point. But now things are changing.

While acceleration has been the order of the day for so long, we're now entering a period of transparency and measurement. A more cautious global market has driven the development of new regulations, pushing the availability and reliability of information to the centre of the conversation. Pre-empting the legislative agenda is also key – and is being done at an unprecedented level of transactional scale and complexity.

To get a good idea of the level of reporting that the financial institutions need to support at the moment, imagine you're the CEO of a supermarket chain. You need to know that when you hit a button on your PC you'll be able to see every product on every shelf in every store in the country. Sounds impossible? It's a tough assignment, but it's the standard that our sector has reached.

Instead of transaction speed, technology is now moving into a new phase. With less transactions happening across the markets and the need to drive out risk now bigger than ever, it would be fair to say that technological innovation is now focusing on three main areas: Automation, accuracy and analysis. Let's look at those in more detail.

**Automation.** As the pace of trading accelerated during the market growth, the desire for automation was driven by the need for speed. Algorithmic trading, for example, relied on automated trading based on decisions taken by machines thousands of times every second. Now, the need for efficient reporting is also driving automation, particularly as the regulators continue to encourage standardisation of financial processes.

**Real-time information.** With fewer trades happening across the markets and new exchanges closing, each trade needs to be visible, traceable and efficiently managed. At the same time, the information used by traders and the back office teams needs to be up-to-date, so everyone has the same view. This also means reporting is easier and firms remain compliant in the face of new legislation.

**Analysis.** As each individual trade becomes more important, historical data is becoming even more critical to decision making. With so much information being created across the financial markets, those that are able to use it to predict trading outcomes are going to have an advantage. The quicker that can happen, the more effective decision-making becomes. Technology has made analytics happen in real time – and we're already seeing how that groundwork can pay off through reduced risk and more effective dealing.

Overall, the change to the financial markets has been as broad as it has been fast. When technology was once an enabler of growth, it is now the protector of stability. New trading platforms do not appear every day. There are no longer more and more products being traded. The markets are quieter, and more heavily tracked and regulated than they have ever been.

But tighter processes mean the need for greater control. With e-business and transactional technology redeployed to drive that control, we are set to see a significant 'bedding down' of financial systems and processes.

And once the crunch releases its bite, our markets will emerge stronger than ever.

## The view from Echo E-Business

Almost every sector has been affected by the credit crunch and ensuing recession, and unsurprisingly, financial markets have suffered more than most. Inevitably, these worries have knocked both consumer and stakeholder confidence. For both the investment and retail banking sectors, therefore, the imperative for speed has been replaced with a need for clear reporting and real-time transparency.

User trust has to be at the forefront of any e-business strategy, and this is particularly pertinent for the financial industry. While real-time information and greater transparency fulfil FSA obligations – and pre-empt future legislative agendas – they also demonstrate a better understanding of web users. As the financial climate has changed, so have the priorities of consumers and stakeholders.

The next few years will be crucial for financial institutions' e-business strategies. More than ever, users will demand a greater level of transparency and accessibility, as well as their increasing security requirements. They will need real-time access to crucial information – such as interest rates – to allay their fears over the economy and ensure their trust is sustained. By using a trust-based e-business model, and by improving customer and stakeholder relationships, financial companies will be better placed to survive the economic turmoil.

# How online content leads with speed

Genie Lutz, partner of PricewaterhouseCoopers' online presence programme, discusses how e-business responds to cultural change

Ten years ago, large companies were eager to embrace e-business. They knew the technology was important, and that it would revolutionise the way they interacted with both clients and stakeholders. They knew they needed to explore any new channels that could improve their information delivery and service. But crucially, many failed to ask not only how – but also why.

As a professional services company, PricewaterhouseCoopers' intellectual property and consultative expertise are pivotal to its business model. Our information and consultation, therefore, provide the backbone to our online business strategy. Content and its consumption, from a stakeholder's perspective, is absolutely critical. And this indicates how businesses are not just strategising what they put on the web, but also the reasons behind it.

## A quickening pace

As well as providing first-class expertise, consultancy businesses need to ensure they are unbeatably quick to market. And this is where the world of e-business has had the biggest effect for us. We are now able to gather the data and materials we need faster than ever before. However, we are also able to respond to the ways in which the web has fundamentally changed our clients' market, delivering information at speed and with laser-like targeted precision.

Strategists need to understand not only that this is now possible – but also why it's absolutely necessary. In almost every industry, the way that people consume information has changed almost beyond recognition. Ten years ago, people still waited for their morning papers to read the news. Now, they need the instantaneous information that comes with a more globalised, 24-hour business culture.

Similarly, back in the late 90s, the technology available simply wasn't up to the job. Slow connections and firewalls prevented information being sent at speed to a wide audience online. Now, however, our e-business strategy would be unthinkable without a multichannel, multimedia approach that's constantly expanding to explore new possibilities. And the key to success is this: knowing how people need their information, delivering it quickly in the way they need – and understanding why.

## Recession and reaction

Now that the global recession has gripped the markets, it's interesting to note its effect on business clients' needs. While information delivery has always been at the centre of our off- and online strategies, the economic downturn has raised the bar even higher. And while financial conditions remain volatile, guidance and information will act as points of refuge – so it's no surprise that our site traffic has increased by between 20 and 25 per cent in the last quarter.

Our reaction to the Pre-Budget Report of November 2008 is a great example of how multimedia can be used to deliver information with speed and precision. We delivered pre- and post-speech analysis through a wide range of channels, including video podcasts and email alerts through our Newsletter Management System. Similarly, when a large financial services company was forced to seek bankruptcy protection, we hosted an online Q&A session to ensure the right information got to the right people right away.

The last decade has seen huge advances in web technologies and the way they affect big business. However, this is – and will continue to be – a two-way process: while technology has enabled people to digest information more quickly and more easily, it has also created a culture that is reliant on instant, distilled knowledge. People will use whatever channel is available to them in the appropriate time frame to achieve this – and that's why multimedia is so important. And at the moment, this ultra-responsive and super-quick approach will ensure our clients get what they need in an increasingly tumultuous economy.

## The view from Echo E-Business

PricewaterhouseCoopers' online strategy is a good case study of how to stay ahead of the game when it comes to e-business. It's also a useful example of how a large, international matrix organisation has adapted to fulfil the needs of its clients and stakeholders online. Such organisations are faced with a real challenge when it comes to information sharing between vast numbers of people dispersed around the globe.

By evaluating why each online strategy is put into place – whether it's posting new information or using new channels to deliver it – larger organisations are more likely to reap the rewards. At the same time, by predicting future user behaviour, businesses of all sizes can tailor the way they share information. For an organisation like PricewaterhouseCoopers, whose information is the crux of its business model, this has been absolutely crucial.

Five years ago, the company was already offering personalised content to its clients and employees – that's even before the BBC. Employee portals and multilingual functionality, for example, allow a hugely dispersed group of employees, clients and stakeholders to access the information they need through the quickest, most targeted and most relevant channels. This kind of outreach has been able to sustain relationships across both international and cultural borders – and has been key to the ongoing success of PricewaterhouseCoopers.

# Putting people at the heart of online strategy

Roseann Wilson, Internet and new media director at Cancer Research UK, looks at how the web can help the charity sector

Charities occupy a unique space within the world of e-business. They have a number of online objectives aside from simply raising money – and at Cancer Research UK, these range from providing information to those affected by or concerned about cancer to attracting some of the world's top scientific talent. For this reason, people have to be at the heart of our online strategy, which is driven by our purpose and goals, and designed to respond to changes in both technology and user behaviour.

Providing information is an integral part of improving cancer services and outcomes. The accessibility and convenience of the web have revolutionised the way we can disseminate information to an increasingly high volume of people, as hundreds of thousands of people access our patient information site every month. Similarly, the interactivity offered online is very beneficial – so now, people can use services such as our discussion forum to talk to others affected by cancer, share experiences and find information.

## Harnessing the power of the web

The web has become an increasingly powerful muscle, one that charities can flex to enhance their existing activities. Now, we can harness the immediacy and responsiveness of the web to get information out to the public quicker than ever before. And through RSS feeds, people can keep track of cancer-related news on our site or stay up to date with our response to stories in the media through our blog.

Advances in web technology and the rise of user-generated content have also meant that charities can be much more ambitious and wide reaching in their online activity. From collaborative forums and donation pages to downloadable widgets, e-campaigning, polls and online advocacy, charity web outreach can foster a stronger stakeholder community to meet its objectives. However, taking a 'media-neutral' approach is crucial – it's important to consider how an activity can most effectively be delivered through the optimum mix of on and off-line activities.

Recently, Cancer Research UK launched its 'Alcohol Tracker' – a gadget that allows people to keep tabs on their drinking. The widget can be downloaded directly to a user's personalised Google homepage so that it can be viewed and updated every time they go online. This is a great example of how new channels and technologies are allowing charities to make information more personalised and practical. So now, people can track how much alcohol they drink over time, compare their drinking to recommended levels and even get feedback on their drinking habits.

## Supporting community strength

The effects of online and email marketing – particularly in contrast with traditional, paper-based methods – have been well documented in recent years. Using the web to encourage charity support has proven to be very valuable and for some activities can offer a more personalised and convenient experience than traditional methods. But the uptake of social networking may prove to be even more significant for donor and community outreach in the not-for-profit sector.

Sites like Facebook and MySpace have given supporters not only a meeting place, but also the ability to send out relevant information about fundraising events or campaigns to a potentially unlimited network of friends. And best of all, this kind of outreach happens organically. Charities are particularly well placed to benefit from this activity because of the widespread support they engender.

Essentially, online activity can be at the heart of helping charities to deliver their goals and can strengthen the mutually beneficial relationship between an organisation and its supporters. And in years to come, further advances in web technology will allow us to become even more responsive and proactive. Our supporters will find even more ways of fundraising and self-expression. And most importantly, we'll be able to distribute more and more crucial information and services to those who need them most.

## The view from Echo E-Business

Advocates and supporters are critical to any organisation. For charities, the mutual relationship between the supporters and the supported has been enhanced by the powers of online strategy. Just like Cancer Research UK, large charities are taking advantage of e-business to help the people who need them most – but also to let those people help them in return.

Multimedia tools are enabling charities to get their information out to people who need it in ever more innovative and multifarious ways. Widgets, forums and portals aren't just gimmicks; they're developed to allow people to access information in the easiest, most convenient and most fulfilling way. For those affected by or worried about cancer, for example, they could really make a difference.

However, the online activities led by a charity's community itself have also flourished as a result of Web 2.0, particularly through user forums, blogs and social networking sites. Unlike other big organisations, charities can be comfortable in the knowledge that organically created content will almost always be in the interests of progressing their work. And for charities, this is where the real e-business revolution has begun.

# A parallel universe

Tom Hale, chief product officer at Linden Lab, the company behind Second Life, explores how virtual worlds will affect e-business

Since virtual worlds exploded onto the scene early in the new millennium, they have presented novel ways for consumers and businesses to make money from e-business. And as online consumers become more and more driven by engagement, and as their comfort with virtual goods and representations of their online selves (their avatar) increases, virtual world platforms like Second Life have the potential to rewrite the rules of how we work, buy, shop, communicate, and play online.

Today, virtual worlds support e-businesses – from e-commerce (buying and selling virtual goods) to in-world e-business initiatives that support real-world companies (training, meetings, virtual sales, customer support) to marketing (providing an immersive and rich interaction with brands and products). And while virtual worlds are still very much in the early adopter phase, some innovative companies and entrepreneurs are showing the path to productive uses of this new platform.

## E-business in Second Life

Much of the press around Second Life has focused on the innovative risk-takers who built e-businesses around virtual goods and virtual land. Many Second Life residents have built seven-digit incomes (in real US dollars) from creating and selling virtual items (such as clothes for avatars) or virtual land development. Consumers like to purchase virtual items (as gifts or for themselves) to customise their experience, and Linden Lab recently acquired an eBay-like web marketplace to help consumers find their key items and to expand the reach of merchants.

Digital agencies and brands entered the virtual world space in force in 2007, but the need for brands to control their context and reach a broad audience proved a challenge in the world of user-generated content. Still, the active user base for Second Life has grown steadily, and the engagement of active users of Second Life (at 16 hours a week) is head and shoulders above any other user-generated content platform. This degree of engagement is rare, so it is an opportune platform for companies looking to deeply engage with their customers.

Virtual training is a huge area of development for real-world businesses in Second Life, and an example of the way that e-business can support companies in new and innovative ways. High quality Voice over IP and immersive spaces create a uniquely rich model for meeting and learning. Cisco, for example, conducts in-world sales training for disparate teams spanning continents and time zones – eliminating all the costs and fuel emissions associated with travel. With the recession deepening and green initiatives a priority, online meetings will flourish.

For large-scale simulations, virtual worlds offer opportunities for organisations to interact, in real time, in situations that would be cost-prohibitive to recreate. For example, a municipality could simulate and stress-test emergency responses to a major crisis by simulating the flow of events, the physical environment, and the communication pathways between fire, police, medical, and other first responders.

## Deeper engagement

Gartner predicts that almost two thirds of Fortune 1000 companies will have a customer-facing online community by 2010. Some of this community is company-to-customer, but as any e-business pro will point out, it is the customer-to-customer interactions that make for a rich community. Virtual worlds provide a mutually engaging way for people to socialise (and to determine the clothes they wear, or the shape they take), enabling connections to form as they do in the real world.

As Second Life, along with Nintendo Wii, MTV, and Disney's Club Penguin continue to popularise virtual worlds, the models for online engagement will expand from mostly asynchronous mediums – like web community via blogs, forums and postings – to synchronous ones, which allow real-time engagement. For e-businesses looking to tap into the spending power of a younger, more tech-savvy group of consumers, virtual worlds offer a level of engagement unmatched by traditional media.

### **Virtual e-business goes mainstream**

Today, even the most traditional institutions are exploring virtual worlds. Oxford University has its own presence in Second Life, along with IBM, BT, Phillips and Kelly Services just to name a few.

The next few years will be exciting for virtual worlds – for their founders, their users, and for the businesses that use them as an e-business tool. Despite the constraints imposed by the recession, consumers will still seek gratification and entrepreneurs will still innovate. Instead of succumbing to economic pressure like traditional businesses, those in virtual worlds can explore an alternative, dynamic universe in which to sell their wares. Driven by these innovators, platforms like Second Life will continue to challenge the norms of the e-business world.

#### **The view from Echo E-Business**

While marketing, training and even operating in virtual worlds might seem futuristic, some of the world's oldest and most traditional organisations are already taking advantage of the opportunities they offer. The fact that some businesses in platforms like Second Life operate completely virtually is definitely a sign of our e-business times.

For real-world companies, the branding and advertising opportunities of virtual worlds are multiple. Not only can marketers reach out to a young and tech-savvy audience – who are often impervious to traditional marketing techniques – but they can also engage with them more deeply to inspire brand loyalty. This is indicative of a wider online brand shift, with virtual world presence, multimedia outreach and apps on social networks.

At the moment, most conventional businesses can use virtual worlds as an add-on, to support their real-world activity through schemes such as virtual training or brand presence and advertising. But as the recession deepens in the next few years, virtual worlds might become more integrated into core e-business strategies – as expenses like international travel and large-scale training schemes become sidelined. As ever, though, the success of any virtual e-business strategy will depend on the accessibility, availability and relevance of the platform it uses.

# Where will e-business go from here?

Deborah Collier makes her own predictions for the future of e-business

As we have seen, e-business has taken a number of paths since companies first started using the web, and since they began to take advantage of e-commerce opportunities. As technology advances and web users become more immersed in it, e-business will inevitably have to evolve and adapt to the change in web culture.

Each article represented in this white paper represents a different sector, a different audience and a host of different objectives in terms of e-business strategy. What each has in common, however, is an emphasis on the importance of understanding one's demographic; being objective-driven; and exploring new media opportunities as each individual market dictates.

Each article also has predictions for the future of e-business within sector- and company-specific frameworks. But each writer agrees that in the coming years, e-business will continue to disrupt the status quo – particularly as the recession takes hold of global markets.

Overall, we can expect to see the following e-business movements in 2009 and beyond:

## **1. Renewed SME entrepreneurialism**

Economic drivers will catalyse the resurgence of entrepreneurialism, as disenfranchised employees look to the web for new opportunities. Small businesses in particular will also be able to offer lower costs to their customers, so 2009 will be an interesting time for small businesses with a little capital to play with.

## **2. A social media slowdown**

Despite the movement towards new media and multichannel e-business, many organisations are already feeling saturated by social media tools. However, while the social media phenomenon continues, savvy businesses may look to tools to help consolidate their use of social platforms – perhaps through one port of entry or single sign on.

## **3. An online advertising revolution**

Downloadable widgets (tools that allow chunks of code to be distributed through third-party sites) will continue to have far-reaching possibilities – especially to drive online sales and further marketing and PR. So instead of static banner ads, companies will increasingly put interactive content in their place.

## **4. Greater customer-centricity**

Leaders in e-business already allow users to choose what content they see, and e-commerce sites in particular can target products and services to those most likely to make a purchase. However, sites that allow customers to choose what they see (as well as buy) will strengthen trust and increase their sales.

## **5. The dawn of the e-commerce price wars**

As the recession persists, price wars will continue to break out between both store and online rivals. However, as retailers drop their prices further, they risk devaluing some of the brands they represent. Therefore, many manufacturers – dependent on their product type – may choose only to work with more established 'bricks & mortar' outlets with an e-commerce channel – or simply sell directly to their customers online.

## Acknowledgements and thanks to:

John Lewis [www.johnlewis.com](http://www.johnlewis.com)

J.P. Morgan [www.jpmorgan.com](http://www.jpmorgan.com)

PricewaterhouseCoopers [www.pwc.com](http://www.pwc.com)

Cancer Research UK [www.cancerresearchuk.org](http://www.cancerresearchuk.org)

Linden Lab [www.lindenlab.com](http://www.lindenlab.com)

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