



**Using Websites to Create Electronic
Enterprises that Transform Customer
Relationships**

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E-Commerce and the web are following an adoption curve that is rippling through the minds and habits of customers and businesses' employees.

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Summary

The growth of e-commerce is nothing short of phenomenal, and it shows no signs of abating. In fact, it only entered into the "Tornado Stage" only during the 1998 holiday season. Most websites have grown steadily since they were launched, both in size and in importance within their respective firms' overall strategies. At the same time, most companies' experiences with their sites have been quite mixed: while most sites have produced marketing value in that they have reflected that their owners have been a "part of the phenomenon," the sites' track record for producing measurable business value has been spotty, a growing number of success stories notwithstanding.

E-Commerce Drives Changing Customer Expectations

Adopting an e-commerce model requires, at a minimum, a significant rethink of most enterprises' business processes. As an example, the one-way "producer/consumer" model, in which producers make something and push it out to customers, has been turned upside down by e-commerce. In the most general sense, e-commerce demands real-time, interactive relationships between "producers" and their "consumers," who are increasingly termed "prosumers" because the web's spontaneous, asynchronous interactivity increasingly enables them to help design the products and services that they want. E-Commerce holds tremendous potential for producers and prosumers: each benefits by sharing information with the other because both win when the customer is delighted with the product.

This stands in sharp contrast to the old push model, which was often characterized by an element of mistrust because producers were internally focused on producing, not on providing what customers wanted, which in turn led to the latter's having to accept simply what was available at the hands of the supply chain. This revolutionary change forces enterprises to revisit all their assumptions about their businesses, even the ones they have had so long that they forgot about them!

The Web Technology Adoption Curve: What It Means

Although web applications are the visible "interface" of e-commerce, focusing on the applications themselves misses the point and leads plenty of e-commerce efforts astray. Rather, the profound proposition posed by e-commerce is the metamorphosis of the producer/customer relationship. That said, web applications are clearly an integral enabler of e-commerce, and their technology component is closely linked to technology market development model. *As with most new technology and business phenomena, the web is following an "adoption curve" as it ripples through the minds and habits of customers and businesses' employees.*



The profound proposition posed by e-commerce is the metamorphosis of the producer/customer relationship.

Although the adoption curve is a general model, it merits some reflection. In 1999, the baseline, on average, is somewhere in Stage Three, using the 1999 Adoption Curve (see pp. 3). Most companies have made some investments in web development and have begun to see the web as an important vehicle for communicating with customers. They have hired web-specific staff, and their websites often have several interactive features. *Less clear, however, is their vision for using a systematic approach for capturing knowledge to drive organizational learning and their websites' business value.*

Never before has the opportunity to use intelligent digital (web) processes to transform customer relationships been so great. In fact, an enterprise's grasp of the impact of e-commerce and e-business, and its consequent willingness to transform itself, will play a major role in how well it survives. The companies that are first and most adept at maximizing the electronic model stand to win substantial market share while others will fall by the wayside.

Gains in Stage Four, Breakaway in Stage Five

There is a chasm of sorts between third and fourth stages (again, see 1999 curve). Stage Three has not demanded a rethink of the business, which begins to happen in Stage Four. Companies that seek to transition from Stage Three to Stage Four do well to focus on attaining Stage IV while using Stage V as a strategy horizon. Stages IV and V are only attained by companies that learn how to employ a strategic approach to their web initiatives, which includes using the information captured by Stage Four websites to begin driving strategic business decisions throughout the enterprise.

Stage Five is usually achieved when the real-time customer information has flowed throughout the organization for a period of time, during Stage Four. This direct, real-time customer feedback and information educates the company's processes and often affords the company the chance to set a new standard within its industry. One other aspect about Stage Five: the customer and company interact constantly and tend to adopt a partnership attitude because each wins when it cooperates to produce and implement more effective products and services.

Using the Web Adoption Curve and Life Cycle Model

Web adoption curves are useful models to chart a client's state of readiness and development with respect to implementing an e-commerce strategy. They are also an effective tool for comparative (competitive) website studies, which are very useful for identifying key issues in preparation for management decisions. The curve also lends itself to plotting websites on it by simplifying the table format. One caveat: these curves are highly dependent on the state of the industry, so each industry would have a different curve.



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Discussion and Highlights, 1999

Very few enterprises will reach breakaway this year, but there will be some spectacular success stories, mostly from e-commerce companies that do not have legacy business models and processes to retool.

Table One: The 1999 Web Adoption Curve and Life Cycle Model

Stage	II- Experimentation	III- Early Specialization	IV- Integration	V- Transformation	VI- Breakaway
Activity					
Approach	Tinkerers begin to accumulate knowledge	Knowledge begins to be recognized within organization	People within organization begin to think seriously about the web as a communication vehicle	Website seen as primary tool to develop/maintain customer relationships	Website no longer distinguishable from enterprise core systems
Mindset	"I didn't know you could do that"	"Okay, let's hire a webmaster and let them handle it"	"Hey, why don't we try this promotion on the web first?"	"Let's use a portal strategy to establish ourselves as the market leader"	"How can we give every customer what they want?"
Action	Facilitate knowledge exchange among experimenters	Capture knowledge	Apply knowledge to business processes; focus on capturing and using customer information to drive business decisions	Use knowledge to change business processes and redefine the business; define a clear strategy that's integrated into overall business strategy and that drives development planning	Customers interface directly with brand managers, engineers, service people
Web inter-action	Gadgets like frames and automated server pages	Some interactive features; self-service applications like profile management/change of address forms	Real-time, dynamic site that enables customers some degree of individualized experiences	Offers customers ability to manage key aspects of relationship using website (billing, services, products)	High value, knowledge-rich customers invited to on-line, real-time "focus groups" or Communities of Interest; advise on designing, developing and terminating products, interact with each other independent of company



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Discussion and Highlights, 1998

For many companies, remembering Stage I is difficult because it seems like so long ago. However, others are just now embarking on Stage I, while will not until next year. Since e-commerce is so customer-driven, an industry's stage of e-commerce development is largely impacted by its customers' expectations.

Table Two: The 1998 Web Adoption Curve and Life Cycle Model

Stage	I- Dawn of Consciousness	II- Experimentation	III- Early Specialization	IV- Integration	V- Transformation
Activity					
Approach	Early adopters, people tinker	Tinkerers begin to accumulate knowledge	Knowledge begins to be recognized within organization	People within organization begin to think seriously about the web as a communication vehicle	Website seen as primary tool to develop/maintain customer relationships
Mindset	"Gee Whiz, isn't that cool?"	"I didn't know you could do that"	"Okay, let's hire a webmaster and let them handle it"	"Hey, why don't we try this promotion on the web first?"	"Let's use a portal strategy to establish ourselves as the market leader"
Action	Encourage people in many company areas to explore	Facilitate knowledge exchange among experimenters	Capture knowledge	Apply knowledge to business processes; focus on capturing and using customer information to drive business decisions	Use knowledge to change business processes and redefine the business; define a clear strategy that's integrated into overall business strategy and that drives development planning
Website features	Brochureware	Gadgets like frames and automated server pages	Some interactive features; self-service applications like profile management/change of address forms	Real-time, dynamic site that enables customers some degree of individualized experiences	Offers customers ability to manage key aspects of relationship using website (billing, services, products)



For More Information

Should you have questions about any of these topics or if you are interested to learn more about how we apply these concepts to client engagements, I invite your inquiry here:

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Thank you for your interest.