

ECnow.com's Top 10 2002 E-Commerce Trends

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By Mitchell Levy

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Since 1998, we have made annual predictions of the top ten trends in e-commerce. To review the predictions from the last four years and see how close to reality they were, go to www.ecnow.com/top10trendsYYYY.htm where YYYY is 1998, 1999, 2000 and 2001. This may help you gauge how much credence to put into the 2002 predictions.

The top 2002 predictions are heavily influenced by two key events in 2001: the September 11 terrorist attack and the dot.com bust. Even with these two negative events, the predictions are still primarily positive as society continues to make the transition from the industrial age to the Internet age, creating plenty of opportunity for continued growth and e-evolution.

Here's a summary of ECnow.com's top trends:

1. **Increased Security and Safety Focus**
2. **Revenue (not at the Expense of Margin) will be the Primary Driver**
3. **Companies will Start Dropping the "E"**
4. **Late 2002 Recovery**
5. **Major Industry Consolidation**
6. **Customer Experience will Become Vogue**
7. **Functions vs. Features**
8. **Collaborative Commerce Grows and Meets P2P**
9. **"Blended Solutions" is the Major New Buzzphrase**
10. **"Transparent Commerce" is another New Buzzphrase**

Bonus Trend 1: Prediction of key technology/classes of applications that will experience growth

Bonus Trend 2: The Value Equation Helps Companies Succeed

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Here is the more detailed description of ECnow.com's top trends with quotes from notable industry speakers and luminaries.

- 1. Increased Security and Safety Focus:** Security through smart chips and retinal identification will find increased acceptance. Additionally, the call for a national (and ultimately a worldwide) Smart Card based identification system will gain significant momentum.

"September 11, 2001 affects everything"
Mark Resch, CEO, CommerceNet

"Increased attacks by hackers will require new security standards through Smart Cards that will make the virtual world more secure than the physical world in which we live."
James Biorge, Chairman/CEO, 1stTech

"There will be legislation to prevent certain anonymous purchases, such as airline tickets, for cash. Cash will still be accepted as payment, but not without verification of identity."
Raymond A. Kowalski, Director of Technology Policy, United States Chamber of Commerce

"Web and email traffic will continue to flourish, especially as the US public realizes that "snail mail" can be used by terrorists."
Dave Asprey, Director, Strategic Planning, Exodus Communications

"There will be greater spending in security software and data storage, as well as other e-commerce/technologies that can help companies operate in various areas efficiently, but are very cost-effective."
Ed Moed, Managing Partner, Peppercom

- 2. Revenue (not at the Expense of Margin) will be the Primary Driver:** In addition to traditional and Internet-based revenue, the metrics of Web-assisted and Web-shifted revenue will come into vogue.

"Without a focus on "e-profit", there will be very little interest in e-business"
Darlene K. Mann, General Partner, ONSET Ventures

"e-commerce/e-business will be a major force in corporations returning to profitable growth"
Chuck DeVita, President, Growth process Group

"I'm seeing a shift from personalization and one-to-one marketing and Web analytics over to e-metrics. The fascination with the possible is wearing off and the need to focus on actual ROI is growing."
Jim Sterne, President, Target Marketing

"Big companies will further specialize by outsourcing to partners and third-parties as Toys R Us and Circuit City have recently done with Amazon. Companies will take a hard look at their core values and capabilities, and throw many other operations over the wall"

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to a third party. Logistics/Fulfillment outsourcing is old news, but now it's moving to the demand side, with e-commerce and direct marketing leading the way for some companies."

Kevin Tate, Vice President, Global Markets - Fort Point Partners

- 3. Companies will Start Dropping the "E":** The holistic corporation will realize that business is business, regardless of the medium used to conduct it. E-Commerce implementations will focus on delivering the total end-to-end solution.

"e-Business will become better integrated with core business"

Mark Hogan, Group Vice President, GM, President, e-GM, General Motors

"We don't talk about the telephone enable-economy"

Mark Resch, CEO, CommerceNet

"eBusiness = business"

Punita Pandey, President & CEO, netCustomer

"Global and enterprise-wide: Solutions will become not just a division or departmental selection, but organizations will be challenged to take the solution and go global with it, extending it beyond employees and vendors. This will accelerate as you gain more momentum within your organization."

Brandon Hall, Lead Researcher, brandon-hall.com

- 4. Late 2002 Recovery:** After the overall corporate purge of excess and obsolete inventory in mid-to-late 2001, companies will start reinvesting in the goods and services it needs to survive and create profitable entities. This, coupled with the money spent on the US war efforts, will bring a slight US recovery in late Q3, 2002.

"The economy will pick up, and it's all about consumer confidence. After the debacle of the dot-com belly-ups, we were wallowing in the hangover. After September 11, we've realized that there are more important things in life than stock options and we're getting tired of sitting on our duffs moaning about how slow everything is. As a nation, our attitude is changing into: 'If it's to be, it's up to me'."

Jim Sterne, President, Target Marketing

"In 2002, every tech company is a potential defense contractor. They just need to figure out a way to apply their technology to security or the war effort."

Mark Grossman, Attorney and Chair of the Technology Law Department, Becker & Poliakoff, P.A.

"There will be a recovery in the financial markets in 2002 that will reopen the IPO market. At least ten B2B organizations will file and go public. Those that are at (or closest to profitability) will be the first."

Peter M. Ostrow, President and CEO, TestMart

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- 5. Major Industry Consolidation:** With the capital markets remaining difficult to raise money, there'll be a continued consolidation in the business world as both traditional and dot.com companies continue to be acquired or run out of money and go out of business.

"There will be a major market shakeout and consolidation of e-commerce vendors."
Sheridan Tatsuno, Principal, Dreamscape Global

"There will be fewer players in the market through either consolidation, lack of cash to sustain their business, or their inability to manage through these tough economic times."
Bill Lipsin, President & CEO, Ironside Technologies, Inc.

"More Vendor Consolidations: In the coming year, we will see more vendor consolidations, which is a good thing. Some companies may disappear altogether, while other companies will merge - which we've already seen happening. Using the learning management system category as an example, with over 120 different products on the market, the industry does not need - and cannot support - this many products. More consolidations will be an advantage for overall growth in this category."
Brandon Hall, Lead Researcher, brandon-hall.com

- 6. Customer Experience will Become Vogue:** Although companies have talked about the customer being king, this philosophy is paid only lip service in a majority of companies. In 2002, we'll see the position of CCEO "Chief Customer Experience Officer" starts to proliferate among companies. The lifetime value of the customer will be a key focus of the CCEO.

"Customer Relationship Management (CRM) will emerge as THE single most important key strategic initiative for e-business and e-commerce companies in 2002. As the market becomes more and more commoditized, the only way for these companies to differentiate themselves will be through superior customer service. The e-commerce/e-business companies that truly know and understand their customers and offer the ability to order and get information anytime, from anywhere, using any device will ultimately win the battle for customers and profits."
Paul Robinson, Co-Founder and President, NetByTel

"I see the emergence of Experience as a service differentiator. The way that commodity markets differentiate their products predicts how economies evolve in the future. Commodity manufactured goods (e.g., IBM mainframes) are differentiated by service. The US Gross Domestic Product is no longer dominated by raw materials or manufacturing - it is now a service economy. IBM gets most of its revenue from service. But how do you differentiate service when it becomes a commodity? The answer is to deliver a superior customer experience."
Tom Rearick, VP of Product Strategy, eGain Communications, Inc.

"Customers will take center stage"
Punita Pandey, President & CEO, netCustomer

- 7. Functions vs. Features:** The user community will pay more attention to the functions that products deliver as opposed to the features (bells and whistles) they have. Web services are well positioned to help make this trend a reality.

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"Simplification. It's just too damn difficult to perform even the simplest procedural, process, and cognitive tasks. Too many variables. Too much interpretation and transformation required. We'll focus on stripping out irrelevant features, functions, content, and tools and filter them to provide just what's needed at the moment of need."

Gloria Gery, Principal, Gery Associates

"If the technology enhances human understanding it will be valuable; otherwise new functionality will be likely to go unvalued"

Andrew J. Birol, Business Development Expert and President, PACER Associates, Inc.

"A web site (or other Internet communications channel) either offers greater convenience over existing forms of media – including picking up the phone – or it has no reason to exist."

Tom Rearick, VP of Product Strategy, eGain Communications, Inc.

- 8. Collaborative Commerce Grows and Meets P2P:** Companies will continue to grow their value Web relationships and strive to increase efficiency among the participants. Peer to peer technology and processes find their way in the B2B space helping improve the efficiency of many collaborative efforts. Additionally, there will be an increased focus on sharing useful "confidential" data among participants of the value Web.

"P2P will emerge as the power platform for group collaboration applications and early entrants will be the darlings of the VC and IPO crowds"

Marty Gruhn, Vice President and Practice Director, Summit Strategies

"Trading partners on both sides of the transaction (i.e. buyers and sellers) will begin to REALLY connect so that it is a win-win for all involved."

Bill Lipsin, President & CEO, Ironside Technologies, Inc.

"A focus on collaboration for operational excellence. Higher returns for all trading partners come from collaborating across the operational order management life cycle. This includes everything from requisition through payments and all of the business documents that must be exchanged to complete a trade."

Steve Rabin, CTO, eB2B, Commerce, Inc.

- 9. "Blended Solutions" is the Major New Buzzphrase:** Making the transition from the on-line learning space, blended solutions become vogue as product and service companies deliver blended (integrated on-line and on-ground) solutions to their customers.

"The number of pure-play e-commerce companies will rapidly decline in 2002, making their numbers almost extinct, as they realize the need to implement a multi-channel sales strategy and to offer customers telephone ordering capability and other outlets to increase sales."

Paul Robinson, Co-Founder and President, NetByTel

"Meta Applications, that permit end users to control the interaction between elements from different sources' will gain a foothold in businesses"

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Ted Henson, Chief Learning Strategist, Global Knowledge

- 10. "Transparent Commerce" is Another New Buzzphrase:** Also being bantered around as u-commerce (Ubiquitous Commerce), this is where commerce occurs automatically without getting in the way of our lives. Automatic bridge tolls and stop light violations, as well as product recommendations from trusted sources that automatically turn into sales, are good examples of what we'll see.

"... beginning of location-based wireless business services (sales, logistics, fleet management, taxis, etc.)"

Sheridan Tatsuno, Principal, Dreamscape Global

"... dawn of the usable PDA phone. Fear is a great driver of innovation. The phone/PDA mix is still floundering, but the benefits are there to drive the PDA market to the next level. Look for the breakthrough product to hit late in 2002."

Brad Peppard, President, CinemaScore Online, Inc.

"Currency barriers will come crashing down. Right now it continues to be difficult for consumers to shop internationally and for e-tailers to accept payment from international consumers, but companies like Promisant, FEDS, E4X and Fexco, will begin to get recognition and critical mass. This will enable e-tailers to have a 'Pick Your Currency' option at their checkout"

Leland Harden, President, Web-Runner Networks

Bonus Trend 1: Prediction of key technology/classes of applications that will experience growth:

- a. **The Killer Apps:** Blended Customer Service Solutions, P2P for both Consumers and Businesses (Collaborative Commerce), Self-Service for both Consumers and Businesses
- b. **Other Areas of Growth:** Security, Instant Messaging Video Conferencing, Smart Card Identification, IP Telephony Location-based Commerce, Mobile Applications, Collaborative Commerce, 1x1 Marketing Tied to Metrics, Pay-Per-View Content

"Peer-to-peer will emerge as 'the next killer app'. Only email has enjoyed the adoption rate and sense of inevitability that instant messaging and file -swapping are showing now in business and social communities. It's only going to get bigger."

Kevin Tate, Vice President, Global Markets - Fort Point Partners

"e-Commerce Integration in Instant Messaging will occur"

Chris Pirillo, Chief Executive Ding-Dong, Lockergnome.com

"Economic pressures will be the catalyst for every leading company to mandate employee use of self-service intranets for booking business trips, filing expense reports, etc."

Peter Harrison, VP Adoption Consulting, GetThere, A Sabre Company

"IP Telephony will get a solid foothold. AT&T has already said that long distance is not a viable business model. They see the handwriting on the wall. More and more"

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companies will begin implementing IP telephony in earnest in '02, thus making PBX's obsolete."

Leland Harden, President, Web-Runner Networks

"M-commerce will gain in importance and value, but 2002 is not the breakout year. M-commerce does, however, remain the 'killer app' for wireless data."

Craig J. Mathias, Title: Principal, Farpoint Group

"Location-based services likewise will gain interest and some subscribers, but real traction won't occur before 2004."

Craig J. Mathias, Title: Principal, Farpoint Group

"The e-commerce business model will quickly shift from the 'broadcasting' model of free content supported by site advertising, to a 'pay-per-view' model, where the customer pays for content in the form of subscriptions."

Raymond A. Kowalski, Director of Technology Policy, United States Chamber of Commerce

"Web services will take off but hit some of the hurdles that EDI originally ran into; namely, differing standards."

Dave Asprey, Director, Strategic Planning, Exodus Communications

"The e-business application will be I-conferencing (internet based video). The cost, hassles and nervousness of travel will bring back this long promised communications medium to reality."

Ken Campbell, Entrepreneur

"J2ME will become the dominant development environment for wireless handheld devices (RIM Blackberrys, Phones, PDAs), and the 'killer application' will still be messaging (SMS, email)"

Michael Abbott, Founder, Code Metamorphosis

Bonus Trend 2: The Value Equation Helps Companies Succeed: Companies will start using the Value Equation to ensure they are creating value today and will continue to do so well into the future (okay, this one is self-promotion).

"Entrepreneurship won't die"

Guy Kawasaki, CEO, Garage Technology Ventures

About the Author:

Mitchell Levy, is President and CEO of ECnow.com (<http://ecnow.com>), an e-commerce management consulting company helping start-up, medium and large enterprises transition its employees, partners and customers to the Internet age through strategy, marketing, and off-the-shelf and customized on-line and on-ground training. The latest info on the value equation can be obtained at <http://ecnow.com/value>. He is the author of E-Volve-or-Die.com (<http://e-volve-or-die.com>), Executive Producer of ECMgt.com (<http://ecmgt.com>), an on-line E-Commerce

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Management (ECM) e-zine, Chair of comdex.biz at Comdex Fall and the Founder and Program Consultant of the premier San Jose State E-Commerce Management Certificate Program (<http://ecmtraining.com/sjsu>). Mitchell was at Sun Microsystems for 9 years, the last 4 of which he managed the e-commerce component of Sun's \$3.5 billion supply chain. Mitchell is a popular speaker, lecturing on ECM issues throughout the U.S. and around the world.

Read more about Mr. Levy: http://ecnow.com/ml_bio.htm