Synopsis

Business Cases for using the Web based technology

There is an increasing rate of natural convergence between people and technology that together is laying the foundations for fundamental change. The Web has already changed the behaviours of a large proportion of the population in terms of their ways of getting information, entertainment, or even social interaction, but there is still a disconnect in the way that Business views the use of IT inside the business and the web outside.

Fortunately there are an increasing number of examples that show the way to CEOs to build new businesses using different models to create shareholder value, and an increasing number of departmental business managers are seeing ways to combine internet connectivity with web information to trade with external customers and suppliers more effectively. This presentation examines what business managers at different levels can, and are gaining, from using the Web to create successful new business cases.

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Business Cases for using ‘the’ Web-based Technology

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What's this presentation about?

It's not about the goals of Web 2.0
Nor the exciting new technologies
But the way 'business' sees the Web

- What has really happened in business usage?
- Why does enterprise use still seem low?
- Is there going to be a a change?
- If so what is it and why?
- Technology plus points that business sees as negatives
- Why Web 2.0 is frightening!

The puzzling disconnect between home and work

The Home Internet User

- Finding possible choices
- Comparing the options
- Listing favourites and registering
- Checking out news
- Getting better value and wider benefits

The Business User ???

The differences reflect the different approaches

The Web

- Open shared information model
- A Global contribution based model
- Everyone can and is connected
- Everyone unknowingly contributes
- Based on common formats and standards
- Open Source software
- Massive global scale
- Always changing to meet new ideas
- Low cost and common products
- PGP and other security forms used
- Supports anything from phone to computer
- **BUT is limited by being human-centric**

The Computers

- Mostly closed and process-oriented
- Limited contributions
- Limited computer / department connections
- Best information is kept back
- Everyone has different systems / standards
- Proprietary with expensive licenses
- Difficult to scale to support what is needed
- Difficult to change
- Expensive to implement anything
- Security paramount with private schemes
- Support limited
- **BUT is machine-centric**

Too Much Data: Not enough Information

Too much Information: Not specific enough

Must be controlled

The Internet: What really happened after the hype went away?

Did the Internet really change things?

A quiet commercial success around established commercial values

Perception	Reality
1. Profitable Internet companies are rare	40% of the 200+ listed companies made a profit in Q4 of 2002 and the trend is for the number to be increasing
2. Companies have stopped Web spending	27% of all IT spending is now on some form of Web service, or Internet-based project and the % has risen and is rising every quarter
3. Productivity improvements are low	More than 80% of post-1995 Web-based productivity gains have been in non-technology related industries; in industries that use a lot of IT such as automotive the gain has been generally a doubling of productivity
4. B2B commerce never really happened	In 2002 $3.9 trillion of e-commerce based business was attributed to inter-company trading, and the number continues to accelerate
5. IPO investors never realised any value	If $1,000 had been invested in every e-tailer IPO without making any choices then today you would have $1,350 approx, a 35% gain
6. Online advertising went away	It has risen, continues to rise and is expected to be around $6.6 billion in 2003. It is no longer generic banners, it is focused on search results

Above Information courtesy of Business Week, May 12th 2003 – 'e' business the net impact

The ‘killer app’ for business is process not content

Industry model has been changed probably PERMANENTLY

Travel

Expedia: The biggest leisure travel agency in the world with higher profit margins than even American Express 13% of traditional travel agency locations closed in 2002

Computers

Dell: Contesting for market leadership and taking prices down whilst increasing its own profit margins from 7.3 to 8% by pioneering a Web based sales and supply model

Financial Services

Lending Tree: Growing at 70% pa and has 40% lower processing costs than traditional competitors. All traditional banks have been forced to adopt multi-channel

Automotive

eBay: Become the leading used car seller in the USA. Buyers use the Web to establish their choices and make informed decisions whatever method they use to buy new cars

Industry model still adjusting to the impact but change is APPARENT

Retail

eBay: Now in the USA top 15 retailers with **Amazon** in the top 40. In 2002 5% of retail sales were made on line – the overall sum is massive and still growing fast.

Media

Google and Yahoo!: Proved the money lay in search engines rather than content whilst **AOL** still struggles to prove the original content model can be successful

Healthcare

WebMD: Delivers new ways of providing services (content) but the productivity change lies in claim processing with 44% of insurers claims now processed on line

Music

Napster: Started the revolution and it won’t stop. US music sales are down 20% since 2000 as ‘downloading’ blossoms. The picture industry feels the threat as digital content rules

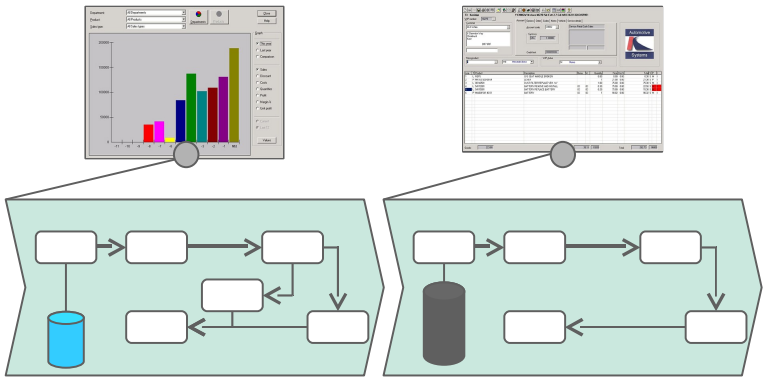
Above Information courtesy of Business Week, May 12th 2003 – ‘e’ business the net impact

The Internet, Web & Open Standards are a new wave

But it's packaged as Services Oriented Architecture (SOA), for Business

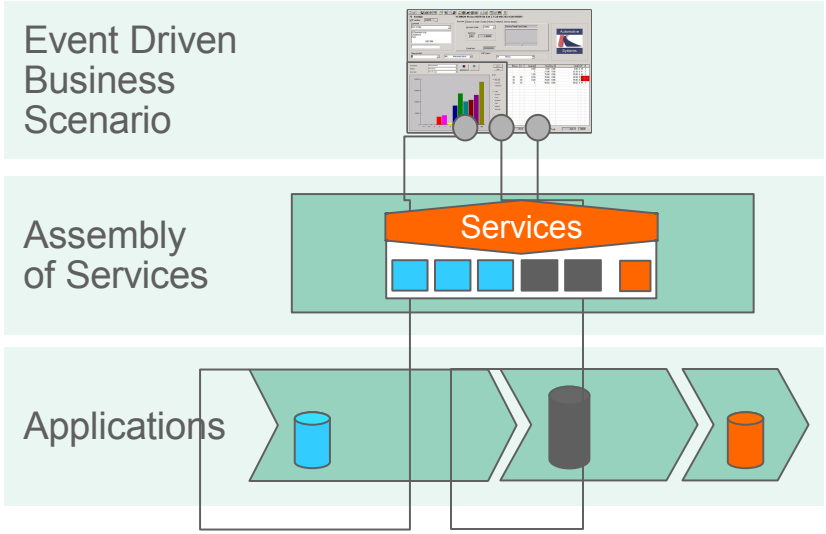
Today's world

Business scenarios defined within applications



- Processes and business scenarios "hard-wired" within applications
- Hard to make business connections necessary to change and improve processes
- IT's speed of change is limiting factor on business speed of change

Service Oriented Enterprise



- Extraction of business scenarios and processes from application landscape
- Clear focus on defined services, which are reusable through an assebly of services
- Internal and external users get better access to data in different systems

The enthusiasm for SOA and standards is rising

1. **Open Standards**
   - a reality, developing faster, supported of by technology industry and users
2. **Open Source**
   - a mainstream method for sharing common software and software licence reform
3. **Open Convergence**
   - of technology vendors and users to design new types of interactive process flows

Key Standards for SOA

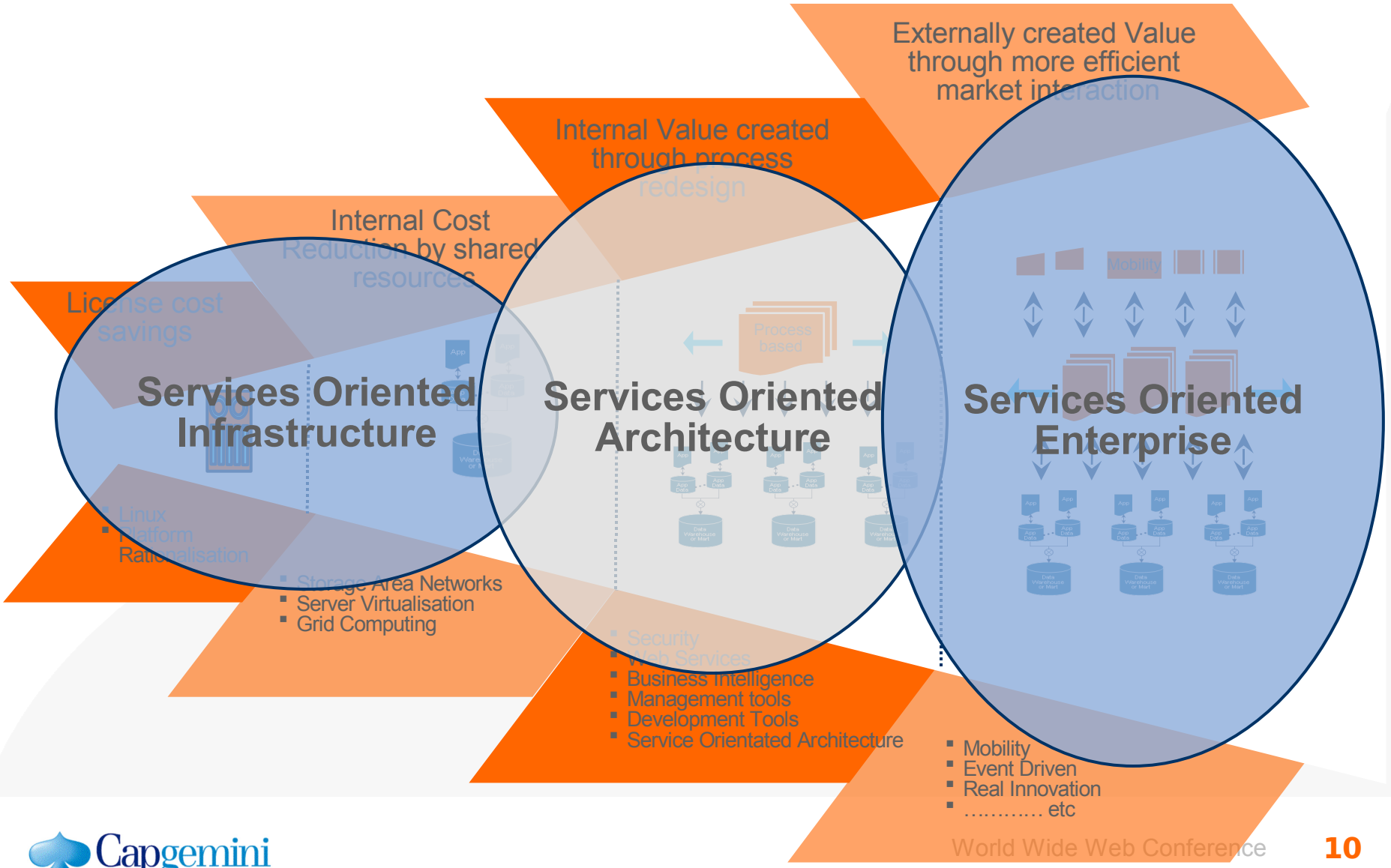
- Web Services Definition Language (WSDL)
- Simple Object Access Protocol (SOAP)
- Business Process Execution Language (BEPL)
- Universal Description Discovery & Integration (UDDI)
- Web Service Choreography Interface (WSCI)
- Blocks Extensible Exchange Protocol (BEEP)
- Web Services Addressing (WS-Addressing)
- Security Assertion Markup Language (SAML)
- Web Services Distributed Management (WSDM)
- Web Services Trust Language (WS-Trust)

Five of the Ten Most Influential Players in Open Source

Microsoft · Sun · hp invent · IBM · ORACLE

Source; Information Age Summer 2005

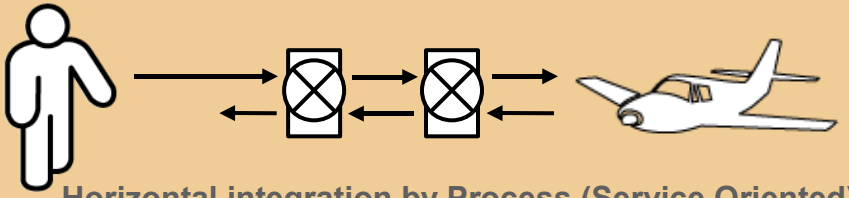
Enterprise adoption of the new capabilities



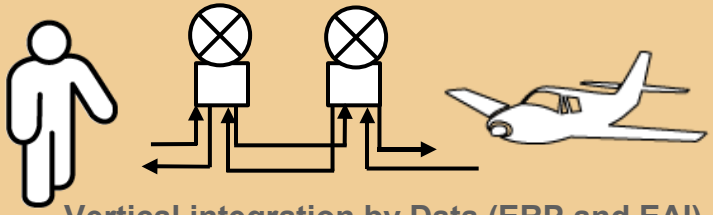
Service Oriented Architecture (Web?) is changing business

Think of the Low Cost Airline vs. Traditional Airline

The connection of external market for seats and demand
to internal fulfilment with dynamic pricing



Horizontal integration by Process (Service Oriented)

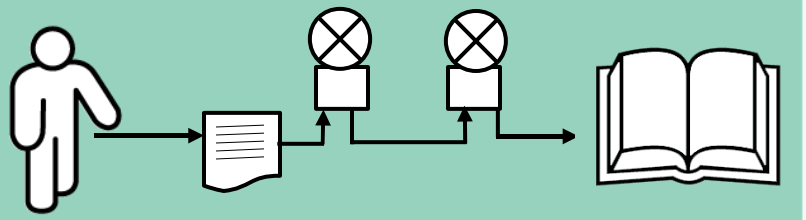


Vertical integration by Data (ERP and EAI)

Think of Choosing on Amazon vs. a Mail Order Bookshop

The ability to view pages in any order to make the process
of choice and to read market comments on topics

Choose your own Process (Service Oriented)



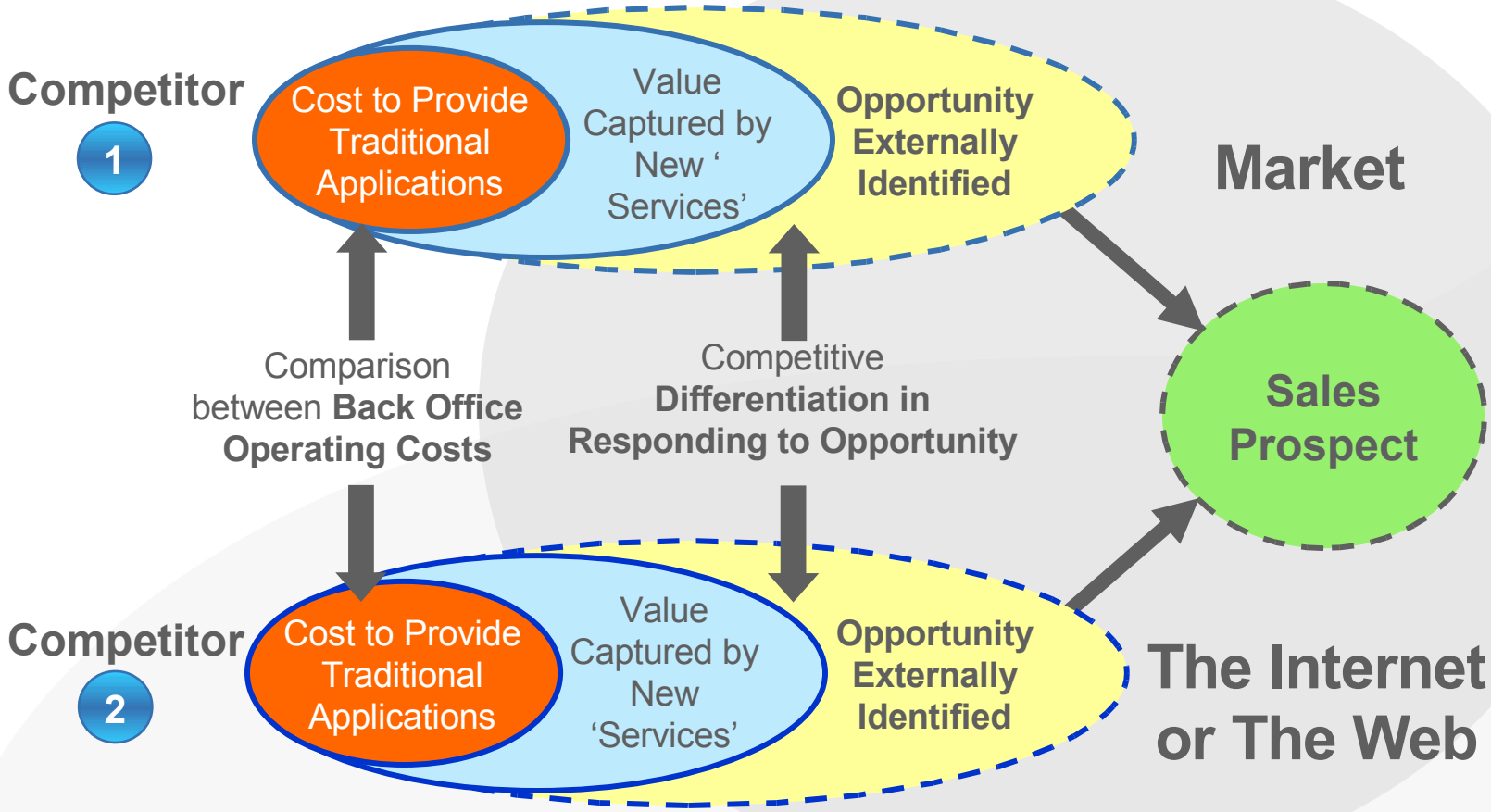
Be driven by their requirements (Application)

Think of the Scalability of eBay

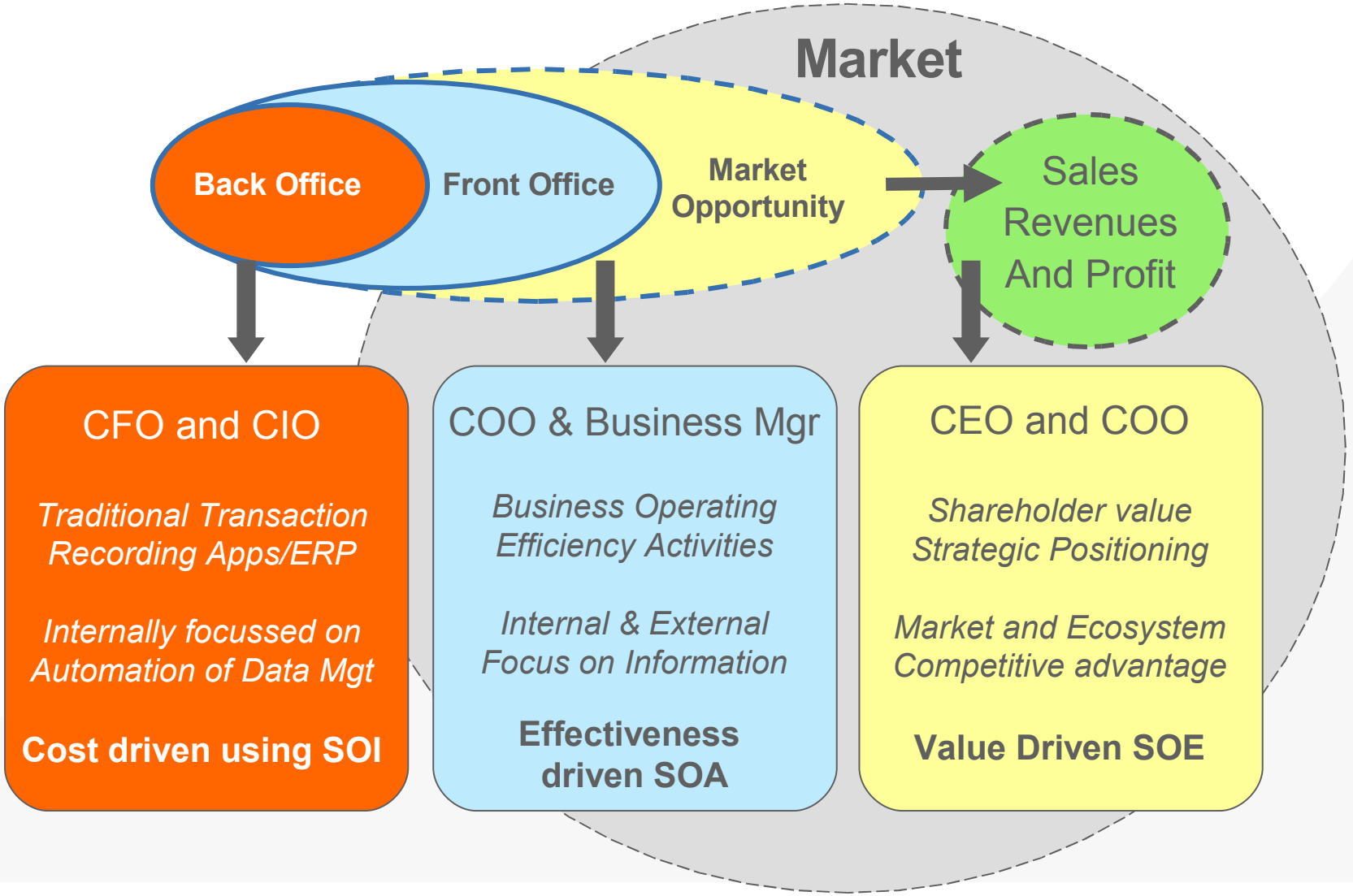
120 million users sharing, building and changing processes
as and when required with no centralised dependencies

IT does matter: new areas of value and differentiation

Back-Office Applications for 'Cost'-based automation
versus Front-Office 'Services' for accessing Business 'Value'



Different people and reasons for adopting services



Thought leadership: "THE KEYSTONE ADVANTAGE"

"Services" are at the heart of this model

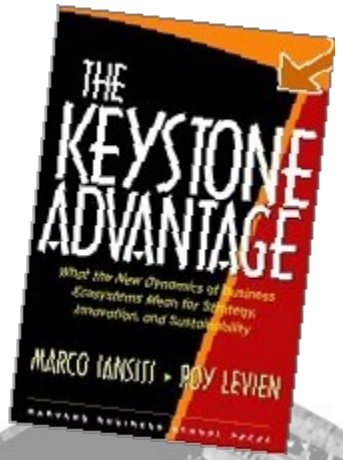
Harvard Press Book – recommended reading

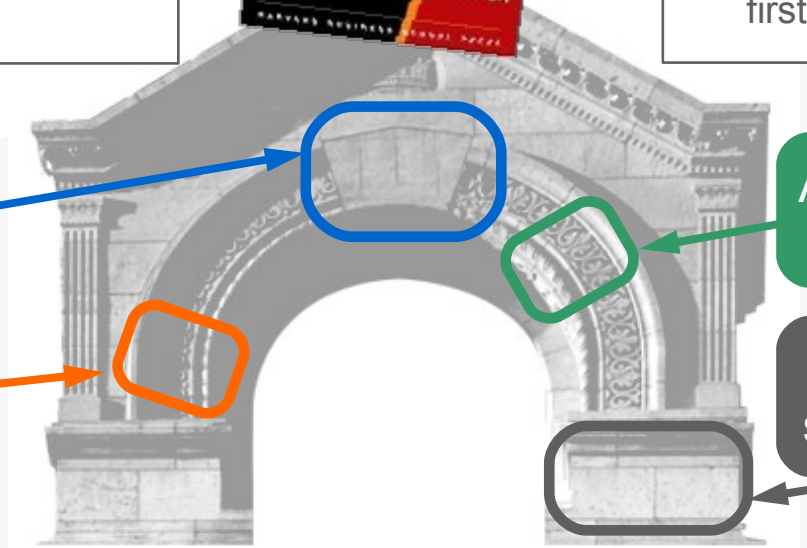
Strategic Advantage

- First mover builds market advantage ("Keystone") – at the center of an ecosystem
- **Inside-out:** Efficient internal procedures connect to outside companies & require adaptation from others

Tactical Advantage

- Responding to a first mover & being element of an ecosystem
- **Outside-in:** Build internal procedures to meet requirements of ecosystem & first mover





The Keystone supports the arch

A Feature stone attracts attention to the arch

A Niche stone is valued for uniquely fitting

The Foundation stone supports multiple arches

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Current Business Views of the Web

The ‘try it to see if it works’ approach is frightening!

- **The Web and Web 2.0**
  - Uncertainty
  - Ill defined
  - Lack of consensus
  - Grow it to see what happens
- **The positives of ‘Services’**
  - Supported by major Technology Vendors
  - Products, Support and Backward Compatibility
- **The Open Group approach – www.opengroup.org**
  - Consensus approach to ‘architecture’ and ‘services’
  - Business trading focussed

Information versus data is an issue too!

- **Search Engines and the Web**
  - Dynamically updated
  - Different every time
  - Unpredictable!
- **Browsing/Discovery**
  - the overall context, or relationship, is known, but the answer is not known so help is required to find the answer that feels right.
- **Searching/Locating**
  - Know the answer in outline, but more information relating to this answer is required;
- **Knowledge Management**
  - The involvement of people to define experience

Collaboration and compliance are real issues

- **Compliance and roles**
  - Who did what, with whom and why
  - Open Collaboration and transaction is very worrying
- **Categorisation and Tagging**
  - Increasingly thought to be a solution
- **Wikipedia more than Google**
  - A people structured approach that appeals to Business
- **Define people / process / role**
  - The biggest driver for action!

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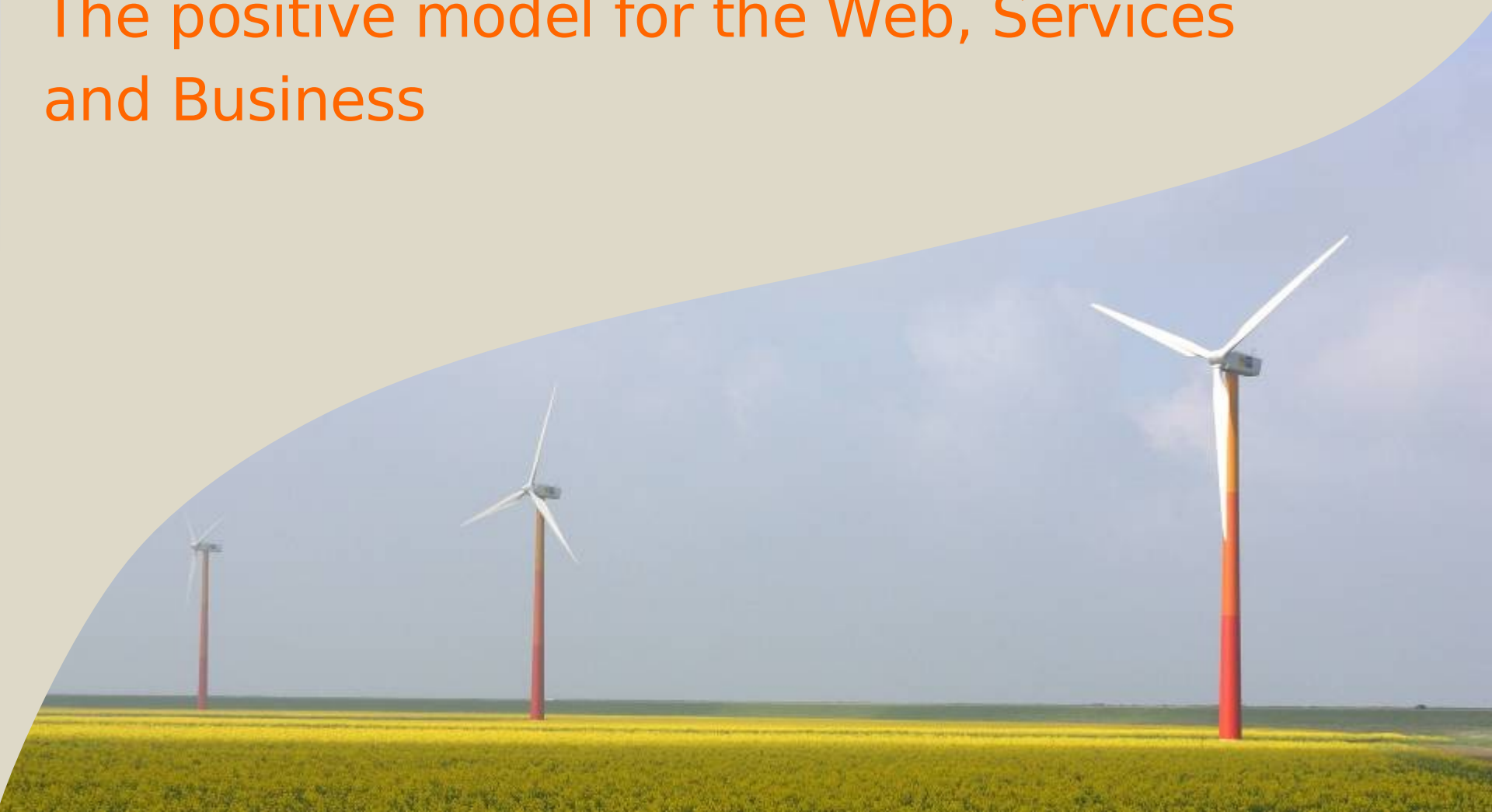
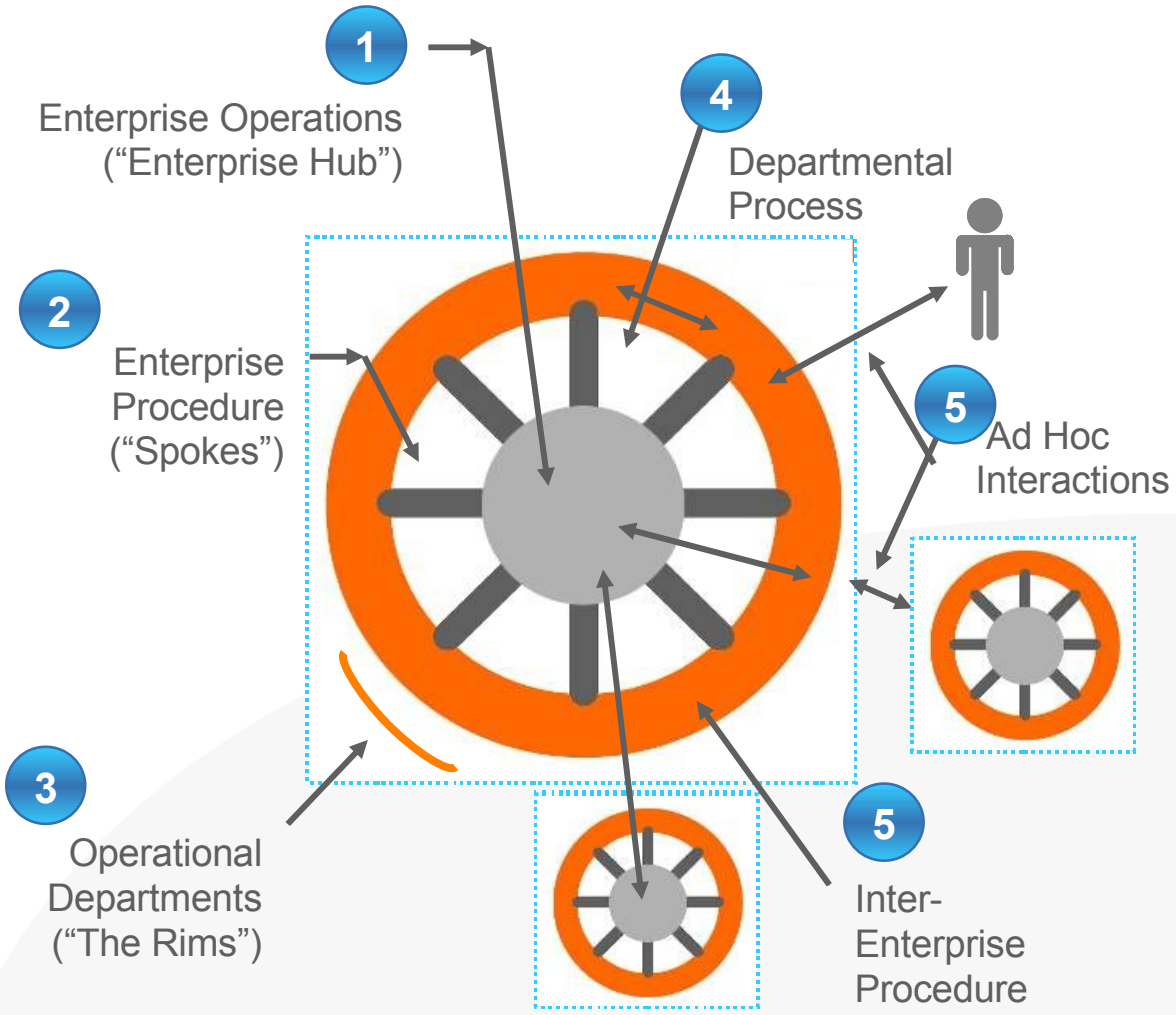
The positive model for the Web, Services and Business



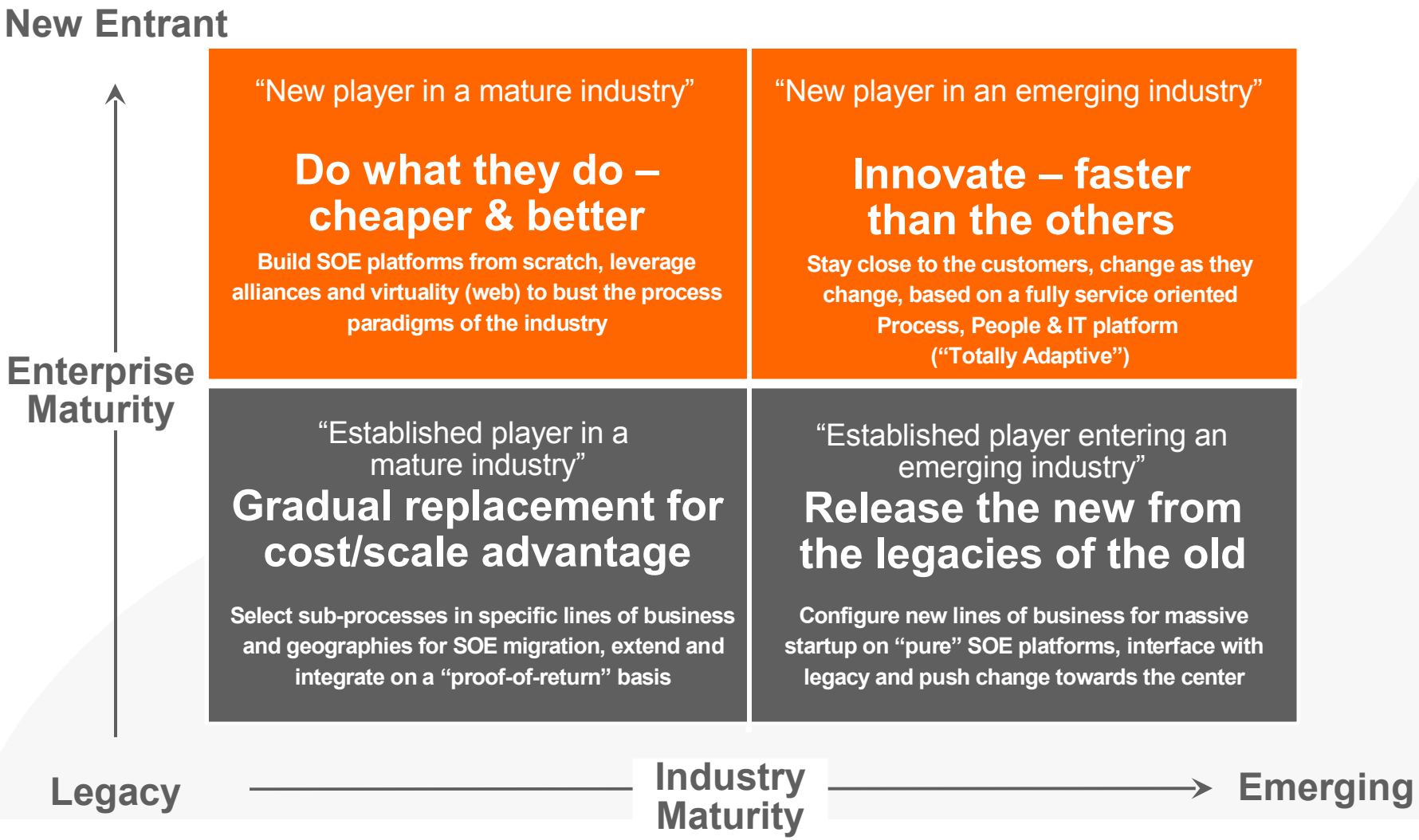
Rethinking the role of IT in your enterprise



Understanding the Hubs and Spokes

1. **Enterprise Operations**: The "Hub" of critical corporate data management and maintenance for CxO level use, auditors, etc…
2. **Enterprise Procedures**: The "spokes" serve as vehicles for delivering data across the company, typically already exist via current ERP systems
3. **Operational Departments**: The "rim" sees many new department specific processes defined by day-to-day activities
4. **Departmental Process**: Essential to individual departments, they provide more value to business owners than to the Enterprise
5. **Inter-Enterprise Procedures / Ad Hoc Interactions**: Additional processes developed to manage daily interactions/ requirements

Business transformation possibilities to create new business value



Summary

- The combination of the Internet and the Web is an explosive new capability
- It is driving rapid innovation in many technologies and capabilities
- The non business world is changed forever by the open informational model
- People ‘outside’ have become better informed than people ‘inside’
- Enterprises struggle to relate to their closed and process centric world
- Ultimately the difference in capabilities dictates a ‘tipping point’ of change
- Redefining the edge of an Enterprise around ‘collaboration’ versus the centre around process provides the right focus for change
- Start with a simple areas where sharing has obvious benefits
- Move towards more complex controlled use of the shared
- Remember information has no value until its is shared, at which point execution becomes the differentiator
- Retain independence in execution for maximising effectiveness!

Questions or Comments