

Postcards from the Net

Chris Gledhill, Managing Director of PDMS Advanced Systems Group

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November has been a busy month in the world of e-commerce. PDMS Advanced Systems had stands at two major trade shows in London on the subject of e-commerce, one of which included two speaking engagements. The first talk was at the eBusiness Expo '99 event at Olympia, the subject, Offshore E-Commerce. A somewhat dry topic and rather peripheral to the main business of the show I thought. However the scene when I walked in clutching my faithful laptop was somewhat disconcerting. The room was packed with a sea of suits all clearly expecting some great revelations. An hour later having delivered my simple message and fielded a barrage of questions, I left feeling that maybe I had myself underestimated the significance of what I had set out to say.

The fundamental message of the talk was very simple. E-commerce frees a business from any strong dependence on location. And if you can move a business easily it is possible to regard tax in the same light as any other payment to a service provider. In other words a truly portable business can shop around for a jurisdiction which provides the services it needs at the right price. Large multinational companies have of course known this for years. Witness the way in which the UK government seeks to attract Japanese manufacturing investment through a combination of subsidy, low tax, cost effective labour markets and unfettered access to the single European market.

The important question we need to ask ourselves as Isle of Man PLC is how does our product stack up in the market? Is cost or quality more important, and how is quality going to be defined? Why this matters is quite clear in that it is not just new e-commerce ventures that are shopping around for the best jurisdictions. The finance sector already has a highly portable product that is migrating rapidly onto the Internet. In the offshore sector in particular the Internet offers huge potential to reduce cost and improve service once the right legal framework has been established for electronic transactions.

On a slightly different note it has been interesting to see the gradual change in the flavour of e-business trade shows over the last couple of years. One show we attend regularly is the European Catalogue and Mail Order Days in London. The subject of e-commerce has been debated hotly here for some years but this year for the first time there was a sense that this was part of the mainstream of mail order. This evolution appears to coincide with a mass extinction of small web design companies that have been replaced by a few larger multidisciplinary IT companies in a similar mould to ourselves.

It seems obvious that one of the major beneficiaries of the e-commerce boom will be distribution companies, particularly large organisations able to offer a comprehensive door to door delivery service with local points of presence all over the country. Any organisation in the enviable

position to offer such a service would you might expect be focusing on its core business to ensure that it makes the best use of the expected boom in home deliveries as people go shopping on-line. With this in mind it was particularly odd to find the Royal Mail touting its skills as a web design company at the mail order trade show. Why waste time on such a peripheral matter when competition is following opportunity into your core business?

It is widely believed that this Christmas will be make or break time for many of the Internet start-ups that have been setting the stock markets alight. An unprecedented number of people are expected to go shopping on line this year and if you do not get your slice of the action then it will be very difficult to attract further investment into a loss making venture, so the logic goes. A recent article in the Financial Times pointed out the huge and escalating cost of establishing an e-brand. In other words Amazon has become a household name for a fraction of what it would cost a new Internet business to be heard above the clamour today. The point is a good one and it only serves to highlight the value of established brands.

My prediction is that the next couple of years will see a number of huge high street names migrate their business to the Internet to exploit the competitive advantages of an established brand combined with the cost savings and diversification opportunities of cyberspace. Other companies will specialise in providing wholesaling or distribution services or perhaps even in providing a physical showroom in the high street for products we will actually buy on line.

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