

## Net Success or Gross Failure?

By

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There are many very smart minds out there all figuring how to make a buck on the Net. So far, the success rate is 0; zero, zilch, nada, nothing. There are many companies with high stock values where investors are betting a bucket-load of money on several companies who still have not made a dime. There is no reason why e-commerce ventures should be given more time than any other business to 'prove' themselves. Bad business is bad business.

Before looking at the keys to success, one should answer the big picture question first, and that is whether the question is worth asking and answer is worth seeking? That is:

***Is the Internet really worth pursuing as a business opportunity, or is just another piece of technology that is basically like VCRs or mobile phones merely another new business segment that will create a new industry segment, but does not substantially alter the way we do business in other industries?***

In order to answer this question about the future, we can only go back to the past to attempt to answer the question. What are the definitive events that revolutionised an era and changed the fabric of society fundamentally, unequivocally and eternally.

### **1. The chimney**

The defining moment of the pre-historic era was the ability of man to control fire. Many people would argue that it was actually man's quest for fire that distinguished it from other pre-historic creatures, but it was our ancestor's ability to control fire that changed the dynamics of the world forever.

Previously, all of mankind had to rely on themselves (in little tribal structures) for protection, food and heat. Even with the discovery of fire, the tribal family still would huddle around the open fire for heat, looking out for wild animals whilst they were eating or entertaining themselves.

With the advent of the chimney, they had the ability to control fire indoors on a long-term basis. That changed the architecture of their accommodation, and the way in which they worked. Members of the tribe could wander off further from the fires looking for food, opening them up to new dangers and new opportunities. It also enabled smaller groups – and eventually individuals to

survive- on their own without the heat and protection of other members of the tribe. I would guess that it was not long after this that they experienced for the first time loneliness and eventually depression.

And in the end it was the furnace at which the steel was forged that fuelled the industrial revolution. The modern high-rise block of units is a symbol of what has happened to mankind because of the invention of the humble chimney<sup>1</sup>.

## **2. The wheel and automobile**

Because man suddenly had endless mobility, it eventually led to us to live and work in different places. Because of the automobile, this became feasible to do and it resulted in the creation of suburbs, which led to the demand for shopping centres. It changed whom we dated, where we dated and what we did when we dated. It created whole new industries like drive-in theatres and fuelled the petroleum industry so to speak. It created new types of sport that employed millions and entertained billions of people in the space of a 100 years.

The automobile enabled the creation of new classes of work: From the country salesmen to the ice-cream van and courier company. These new ways of work changed almost all other industries indirectly and many others directly by allowing different organisational structures and different geographical boundaries than were previously possible. And all of these change who we are and who we became in countless ways. Fortune magazine voted Henry Ford businessman of the Millenium – and not without reason.

## **3. Copper cable**

Similarly innocuous but equally profound was the discovery of copper cable as a perfect conduit for energy. The electrical cable is in a way just a refinement of our ability to control fire. Similarly the invention of the copper cable enabled transmission of analogue waves and digital signals. It led to the creation of the Broadcasting industry, the Telecommunications industry and the Computer industry. Imagine a world without computers, telephones, faxes, phones and indeed electricity itself. Without the humble copper wire, space travel would not have been possible.

Copper cable connects cultures. It is the principle piece of technology that enabled communication across all geographic boundaries. It also changed the way we worked, how we worked and whom we worked with. When Alexander Bell first asked 'Can you hear me?' over a piece of telephone line, it was the beginning of a revolution in the way the world worked that could not be imagined.

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<sup>1</sup> Charles Handy the British management philosopher was the first to highlight this idea.

#### **4. The Router**

The router is a simple 'switch' that makes the Internet possible, and the Internet is a force that will shape our lives over the next century in ways that are hard, if not impossible to imagine.

All of the above inventions had a truly profound impact on society and culture and the destiny of mankind as we know it, and the Internet will do the same. It has already enabled asynchronous communication that has given us freedom to communicate when we want to and not when a bell rings and someone else wants to. Because it changes the way we communicate, it will also change whom we communicate with and what we communicate about. The Global Village was a theoretical concept until the Internet made it interactive and 'live'. In an increasingly dehumanising world where we are paying the price of taking individualism to the extreme, the Internet offers an opportunity for people to build new tribes. It will change the way people shop for everything, what they buy, when they buy and where they buy for a very simple reason: It offers people what it has always wanted:

***Quick & easy convenient value-for-money shopping.***

This sentence should come as no surprise to anyone in the shopping centre industry because that is exactly our own raison 'd etre –and the fact is that it is not going to change.

If you believe that this is what customers want, then you have to believe that the Internet is going to change shopping forever. And that means the question we ask is one worth answering.

#### **The keys to success in developing a successful e-commerce strategy.**

##### ***1. Give up control***

This is the first and most important shift that must be made and is probably the hardest for established, successful companies to make because it always has been such an integral part of their success until now. But it is vital.

The basis of power & wealth in previous era were first Land, then Resources from the Land, and most recently Capital. All of these resources could be controlled by and amassed by individuals. It could be controlled and taxed by Governments, and even redistributed to the poor or those in favour. In the New World where the critical resource is intellectual capital, there is absolutely and definitively NO control over it. Intelligence cannot be amassed, it cannot be controlled, censored or taxed or redistributed. The mind is the freest thing in the world. Attempts at Knowledge Management will fail dismally if it continues along its current paradigm of attempting to control information. Most current attempts at KM are nothing but glorified databases, and will remain so until its proponents learn to let go.

The Internet as a medium connects minds. It has its roots in spirit of freedom and its total freedom is what attracts people to it. Any business model that is based on the premise that it is going to control a user or a customer is bound to fail. The very existence of hackers demonstrates the evil end of this desire people have not be ruled or controlled. A business model that enables this freedom, values it and enhances it - will succeed. This may sound naïve, but the Internet is a result of people's search for freedom and they will not give up that newly found freedom. In practice this approach merely means that one should allow a community to dictate the content and the nature of the business of that community. This is Marketing 101 – give the customer what it wants.

## **2. The key resource: People**

It is easily verifiable that the technical skills required to run such an e-commerce venture are in very scarce supply. But they can still be bought. It is even harder to find people who understand the culture of the Net **and** have the business savvy to make it work both ways. Any venture that is not staffed with the right people is doomed to failure. It will require people with the heart and the guts to want to make it work. Don't underestimate the difficulty in finding people to staff a venture like this. And not only the number of people, but also the right quality of people will hard to find because they are in world-wide demand and command salaries that are beyond its true economic value.

## **3. The same rules apply**

The more things change the more they stay the same. People don't and won't change their personalities and values overnight.

On a corporate level, the same things that make businesses successful today will make them succesful in the future. Good strategy, sufficient capital, sound decision making, responsiveness to customer needs, good marketing and controlling the money are the things that make business go round now and always will.

On an individual level, customers want to be treated with respect, be able to buy the products and services they want when they want and pay a reasonable price for it. That is something that is not unique to any part of the world but a fundamental human trait. The Internet does not change the fundamentals, but indeed takes it to a new level of possibility. The Net gives people freedom to shop when they want and where they want on a scale not imagined before – a perfect opportunity that gives them complete freedom and perfect control.

## **4. Connect, converse, convert**

The Internet is about empowerment and 'enablement'. The Net is about communicating. Create a conversation stream with the customer – in fact all the

stakeholders – and keep it going. Don't patronise, don't try to sell – allow people to buy. Build trust and guarantee confidentiality, privacy and ultimately freedom.

One of the biggest misnomers today is the term ***relationship management***. It is the most patronising piece of jargon to be coined in recent times – if not ever - that I can think of. Just like relationship management may technically be the same as love, no person on the receiving end will ever confuse the two. A true relationship just is, and is not subject to 'management'. This is a universal truth and the same applies on the Internet. Consumers want to be 'loved' (treated with respect for whom they are) and they do not want to be data that can be managed. Loyalty is earned – not manipulated.

This aspect is the most uniquely identifying trait of the cyberworld – not because it is new (it is in fact eternal)- but because it is now possible. It is the key to coming to grips with the new laws of doing business and failure to understand this is a guarantee for failure.

## **5. Forget research**

Now this is radical coming from a researcher, but there are times when research is inappropriate. The 'line' in this instance is discontinuous – there is a paradigm shift and this means by definition that what held in the past will not hold true in the future. If mere research could have guaranteed success, Microsoft would have bought it and owned the future. Research is the worst predictor of success when it comes investigate a paradigm shift. Trust your instincts on this one. The digerati talk of Internet-time as different to normal time. Business models of the dot com companies change radically from month to month. There are no certainties other than basic human values.

### **How will shopping centres change?**

- It will continue to exist, but its income will be derived from different sources.
- It will increasingly become entertainment destinations & showrooms making money by charging admissions rather than selling goods. That is, it will sell a 'service' and not necessarily the goods.
- The shape of the stores will change as the function that the stores fulfil change.
- Back-of-house activities like delivery logistics will become a more important function.

- The dumb-bell effect where the smallest convenience centres and the largest regionals flourish and grow, and the mid-sized community centres are squeezed out of existence except for speciality/themed centres that have some niche or novelty value.

### **Summary of an 'ideal' E-Commerce positioning strategy**

- Our business is the business of facilitating retail trade and the Internet is a key element in this process and not much different from what we do already.
- It will be extremely difficult for current bricks-and-mortar retailers to make the transition in isolation. They have the wrong culture, the wrong infrastructure and will not understand the new business model. Their capital structures will not bear the type of investment strategy required by such a new business model.
- The WWW adds another dimension to the retail infrastructure that we (already) provide. Like parking or air conditioning it is just another facility – albeit a highly technical one.
- As a shopping centre is a focal point of the community, that website should be a place where people meet, where they trade and where they entertain themselves. It is not about pushing content down a consumer's throat.
- The best and most immediate benefit of an e-commerce strategy is the business to business benefits between manager and tenant. From collecting rent to weekly communiqués, these benefits should be first on the priority list.
- This strategy allows current retail models to co-exist and gradually merge with an e-tailing model as the latter becomes commercially more viable.
- The success of this strategy relies on emphasising regional/local differences, which distinguish one community from another, **and absolutely not on having strong national (Westfield-like) brand**. The Internet paradoxically allows and encourages uniqueness and not a 'global' similarity. The quickest way for something to become 'uncool' is for it to be corporotised. A brand or identity will emerge – it cannot be applied like a heated branding iron to the rump of the communal cow.

### **Implementation of a success strategy:**

- Buy (part of) an existing ISP/E-Commerce venture that has already 'invented the wheel' and importantly, has all the people in place.

- Make sure they understand the culture of the Net and are in it for the long haul.
- Apply the strenuous business management principles to the business processes without killing the critical ingredient of 'responsiveness'.
- Create a community by allowing the community to dictate what they want and how they want it. In fact, allow a community to create itself.
- Utilise the existing relationships with retailers and tenants to set up a transactive infrastructure on the Net which gives everybody economies of scale, and carry those economies of scale through to the end of the logistics chain – the deliveries. And most importantly, give the customer the benefit of those economies of scale in lower prices. You will have to compete with the global e-tailing category killers and mega-malls on price & variety.
- Provide free internet access (every centre a POP) without restrictions other than the start-up page (portal) being the community homepage. And then respond to the 'community's' demands by offering them the products and services that they want.
- Guarantee (and absolutely deliver) customer service.
- Be ready to change, adapt, and re-invent the model constantly.

This little piece is of course a matter of opinion; but it is deeply held. Lend Lease is uniquely positioned to capitalise on such an idea, but it does not have many chances of doing it right. These opinions are not backed by pseudo-research and fancy graphics, because it is meant to convey a philosophy. And Lend Lease itself is proof that the most important thing is the 'philosophy' and the 'culture' which ultimately drives the business more securely than the best laid strategic plans or fancy research. Take your pick.