

Under the Buzz

“B2B x2” – *Back to Basics* in B2B Markets

January 2001 - Vol. 2, Number 1

Under the Buzz is an electronic “viewletter” authored by Philip Lay, managing director at the Chasm Group, a Silicon Valley strategy consulting firm. It is published each month, and delivered free to subscribers via e-mail. It is also posted on the Chasm Group website at: <http://www.chasmgroup.com>. Back issues can be downloaded from the site at: http://www.chasmgroup.com/underthebuzz_archives.htm.

In this month’s issue:

- 1. Ten Events that Marked the Twentieth Century**
- 2. Lessons Learned - from a B2B CEO**
- 3. “Back to Basics” - Strategic Theme for 2001**
- 4. Chasm Group Update: Expansion of the Firm’s Practice into Communications and Networking**

By receiving this issue directly from me, you are already on the distribution list. To unsubscribe, send a blank e-mail to: unsubscribebuzz@chasmgroup.com

Please feel free to send this to your colleagues and associates. They can get on the distribution list by entering their email address at <http://www.chasmgroup.com/subscribe.htm>

Editor's note: Since the inception of *Under the Buzz* nine months ago, my main editorial thrust has been to help executives and professionals in B2B markets to balance the prevailing hype with common sense and sound business practices. Continuing this emphasis, *Under the Buzz* will explicitly support the Chasm Group's strategic theme for 2001, "Back to Basics". This will become clear in coverage of key Back to Basics topics in each edition. In this initial 2001 issue, you will see that I am more editor than writer. The first three sections contain ideas and content originated by or with others that I want to bring to your attention - accompanied by my own comments where appropriate.

1. Ten Events that Marked the Twentieth Century

The turn of a century is not a bad time for contemplative reflection about the world we now live in, as many end-of-year newspaper and magazine articles have borne witness. One in particular got my attention. It was written by Frei Betto, a respected Brazilian author and thinker, and published in one of Brazil's two main national dailies, "O Estado de Sao Paulo"*.

Betto's article enumerates and briefly outlines ten key "events" that from his point of view marked the twentieth century. One implication of reading this list is that, for all of us IT industry professionals, the impact of our industry is placed in a healthy perspective in relation to other major developments and events - particularly so, in view of our sometimes excessive preoccupation with computer-related innovations. Here is Frei Betto's list of the ten key events, in more or less chronological order:

1. The Invention of the Airplane
2. The First World War
3. The New Physics
4. The Russian Revolution
5. The Second World War
6. The Introduction of Television
7. The Universal Declaration of Human Rights
8. The Second Vatican Conciliation
9. The Liberation of Women
10. The Internet

To justify his selection, Betto offers a brief and fascinating rationale for each one (the translation from Portuguese is mine, and in advance I beg your forgiveness for any errors):

The Invention of the Airplane: What Leonardo da Vinci dreamed about in the 15th Century and others attempted after him, was only to happen at the beginning of the 20th Century. In 1900 the Brazilian inventor Santos Dumont managed to get his "14-Bis" craft to rise to three feet and fly 100 yards, and in 1903 the Wright Brothers got theirs to cover almost three hundred yards in the air. Thanks to this invention, the transport of people and products became much faster, and Man went on to conquer space, and set foot on the Moon.

The First World War: Until this first global armed conflict, the world belonged to anyone; frontiers were geographical accidents. Afterwards, when each country had politically delineated boundaries, neighbors became enemies, and friends became spies. And, as Lenin had foreseen, industrialized nations that had been colonial in nature, became imperialist.

The New Physics: Planck, Bohr and Heisenberg penetrated the intimacy of the atom and made us see that all material is simultaneously particle and wave, and that the entire universe, from our bodies to the galaxies, is nothing more than condensed energy. Einstein followed up by revealing to us in his Theory of Relativity that light travels at 180,000 miles per hour, space is curved, and many other important insights.

The Russian Revolution: Contradicting Marx's predictions, Russia - a semi-feudal country - introduced socialism, aiming to achieve the utopian vision of an egalitarian state. As such, it became the second most powerful nation on earth, eliminated hunger and illiteracy, but failed to construct a new type of man and woman. It changed structures, but not hearts. Now it is rediscovering freedom as a synonym for inequality and democracy, based on harsh commercial and economic realities.

The Second World War: The threat of communism and the failure of capitalism to promote social justice prompted Hitler's Germany, Mussolini's Italy, Franco's Spain, and Hirohito's Japan to attempt to impose racist fascism-nazism on the world. This in turn caused Stalin to join with the western allies, resulting in the expansion of the Soviet Union after the war was won. The millions exterminated in concentration camps were countered by the atomic explosions in Hiroshima and Nagasaki. But, significantly, the sense of national independence fomented

the de-colonization of Africa and Asia, helped provoke the Chinese revolution and, eventually, the fall of the Berlin Wall.

The Introduction of Television: Radio and the telephone had already amplified our voices, and the automobile, our legs. TV came along, from the 1930s on, to amplify our eyes, our curiosity, our sedentariness, and our capacity for supporting a monologue that shows the world through one optic, as if it were the only one. When political and economical interests do not prevail, live TV informs us, but when it sees us more as consumers than citizens, it misinforms us - at times dangerously.

The Universal Declaration of Human Rights: Approved by the UN in 1948, this still-incomplete document needs to be expanded to address economic, gender, ecological, and planetary rights and obligations.

The Second Vatican Conciliation: Realized between 1962 and 1965, this meeting of all the Catholic bishops in the world called by Pope John 23rd, renewed the Church, producing at last a positive view of the modern world, and a more pastoral form of communication with followers (as has been exemplified in the approach adopted by the current Pope).

Women's Rights: Subverting the patriarchal society, women became responsible for their own sexuality and spirituality, conquering full citizen's rights. Inserted into the workforce, many now perform the role of head of the family, though in many parts of the world there is still much to do to complete this revolution.

The Internet: The worldwide computer network opens up the potential for "virtual socialism". Everyone has the right to all information, provided that ethics are respected. The receiver becomes a transmitter, echoing the dream of the German playwright, Bertolt Brecht. The risk of misusing information, or creating new levels of ignorance among disadvantaged peoples - the digital divide, and so on - exists to remind us that this revolution still has far to go.

Whether or not you agree with Frei Betto's selection of key 20th Century events, isn't it salutary to see the latest high-tech innovation, the Internet, placed within a larger perspective? You might also argue that the transistor, the microprocessor, the development of DNA analysis, and/or other innovations, deserve a ranking among the top ten. Nonetheless, I hope you find the rationales for these choices both stimulating and valid.

** This article is an excerpt from Frei Betto's new book, titled "Contraversions - Civilization and Savagery at the Turn of the Century", written in collaboration with Emir Sader.*

2. Lessons Learned - from a B2B CEO

In today's somewhat chastened business environment, I believe that humble pie is one of the main dishes on everyone's menu - everyone, that is, who has been even remotely associated with the development of B2B during the past few years. Everyone now recognizes that the 1999-2000 B2B bubble represented a temporary suspension of sane business practice. This was when Silicon Valley, in particular, decided that gravity itself had officially been suspended, as a force required

to keep us chained to earth. Therefore, I am pleased to present my readers with one person's view of the key lessons we must keep in mind, as we build our new B2B businesses.

For the ensuing list of alerts, lessons and implied mea culpas, I am indebted to Matt Tucker, President of RightFreight.com, who participated in the supply chain logistics and transportation management panel moderated by myself at Ground Zero 4 in Los Angeles in early December. Pursuing the theme of how e-markets and e-infrastructure companies (RightFreight is one of the latter group) should aim to build a viable, long-term business, Matt provides a summary of "Lessons learned from the U.S. B2B market", which had recently formed the basis of his contribution on another panel at a Conference in London, England. Below is his list of eighteen Do's and Don'ts, slightly paraphrased to ensure clarity and followed by my brief comments:

Lessons Learned from the U.S. B2B Market

1. Provide real value to your customers, and effectively communicate what it is.
2. Don't let the financial markets dictate how to sell products. Wall Street likes predictability-recurring revenue streams-but don't try and force this business model down the throats of your customers, who may not have bought like this before. If traditional software purchasing-license, maintenance, etc.-are what your clients are used to, give that to them.
3. Be skeptical of so-called "business development" deals and partnerships. Every deal should have a definable cost, clear revenue path and shared responsibility. If you can't negotiate a deal from a position of strength, or perceived strength, avoid the deal, as the burden of managing the deal and the majority of the costs will fall in your lap.
4. Fiscally conservative companies will survive-and have the ability to thrive.
5. Integration, common standards (whether XML or EDI) and extensibility are critical technology needs.
6. People will always be your most important assets. Recruit them effectively and honestly, retain and consistently motivate the good ones and get rid of the non-committed "free-riders" as soon as they are identified.
7. If you have a "marketplace" product, you will need solutions for all players, buyers, suppliers and even distributors.
8. Spot markets, excess inventory sites and auction-based sites do not work for the Global 2000, but could work for SMEs.
9. Most consortium exchanges will not work for the following reasons:
 - Politics between member companies
 - Lack of machine-to-machine integration
 - Inability to agree on standards
 - Lack of integration platforms

- Pressure on suppliers
- Antitrust issues

10. Lack of a common standard among verticals and horizontals is limiting adoption of XML as a standard.

11. EDI is not going away any time soon.

12. Marketplaces have failed for the following reasons:

- Lack of understanding of the processes and dynamics of the industries they were trying to serve
- Attempt to be all things to all people and in turn put out weak products that were not focused on anyone
- Lack of tangible, demonstrated savings; much of the savings was predicated on achieving "critical mass" in the marketplaces and that was rarely achieved

13. B2B markets tried to replicate B2C models where mistakes are tolerated-for example, eBay's occasional bloopers. Unfortunately, such mistakes are not tolerated in the B2B world.

14. Critical mass is very hard to achieve and will be significantly harder in places like Europe and Asia, where multiple languages, over-reaching governments and low internet penetration are common obstacles.

15. Marketplaces will succeed by limiting participants and using a common platform; the more constituents and systems involved, the less the chance of success.

16. B2B companies need a BTF - Behind the Firewall - strategy; integration with companies' legacy software is critical, and "sneakerware" is not tolerated.

17. Many promises of cost savings and other change across the enterprise can not be achieved by the software alone, but requires change in corporate policies, behavior, etc., therefore, the successful B2B company will include in their solutions training and consulting services to address this need.

18. Make sure product and process are core to the needs of your customers. I would even question the need for MRO (indirect) procurement software (Ariba). Who needs to control rogue purchasing of toilet paper?

Among the points here, you may or may not agree with every one. Nonetheless, readers of this publication will not be surprised to learn that I heartily concur with many of them, especially numbers 1, 3, 7, 11, 12, 13, 15, 16, and 17. Please feel free to comment on any of these points by emailing your thoughts and reactions to me at philiplay@chasmgroup.com.

3. "Back to Basics" - Strategic Theme for 2001

This section outlines the strategic theme toward which the Chasm Group will be working during the coming twelve months. Having registered clearly that the market appears to be demanding a return to sound business practices and measurements, we have decided to take this hint quite seriously and literally. Therefore, we are returning to the original materials of our consulting practice, updating our methodology to provide our clients with more detailed assistance in such areas as go-to-market programs. We shall also allocate less thought and energy to speculating (along with everyone else in the industry) on evolving B2B business models, and even more energy than usual on how to implement the building blocks for a viable and sustainable business.

At the end of each calendar year we gather in a suitable offsite location to spend two days of introspection on the business environment and prospects for the coming year, as well as how our firm should respond to changing market requirements. This is a time for us to look for new ideas. It's also a time to look back and figure out just what the heck is happening in the marketplace, based on our individual practices and interactions with clients and partners. The high points of what we discussed during our December's meeting are summarized in a white paper by my colleague Geoffrey Moore, soon to be published on the Chasm Group web site at www.chasmgroup.com.

Excerpt from White Paper on "Back to Basics" by Geoffrey Moore

Using a "what's hot / what's not" format, Geoffrey makes several key points regarding the recommended approach to running a B2B-focused business in 2001. Reproduced below is an excerpt from that document:

In spirit, 2001 is a year for letting go of *tornado illusions* and embracing *chasm truths*. The most important chasm truth, we believe, is that Darwin selects for companies that can accumulate their own power, granting them more power as partners and customers are attracted to their success. In this process the most universally recognized form of marketplace power is dominant market share. Therefore the core chasm prescription is to find a market you can dominate and then dominate it as fast as you possibly can.

To guide this effort we intend to dust off something we call *The Playbook*, a binder-oriented framework that leads management teams to address the key issues in this process. The playbook is organized around three major sections, the first devoted to life-cycle placement, the second to specifying market development strategy, the third to planning go-to-market programs. It is, in effect a product marketing manager's blueprint for getting new offerings into the marketplace. It is all about blocking and tackling. There are no trick plays anywhere.

This is the back-to-basics focus that executive management needs to empower in the coming year. To bullet it out, the prescription is as follows:

- focus the entire company on the product (or service) marketing plan, to ensure that it
- executes flawlessly on basic go-to-market capabilities, directed toward
- dominating a target market, in order to
- increase market share power for the company, and
- create a platform for increasing shareholder value for investors.

That in our view is the agenda for 2001.

4. Expansion of the Firm's Practice into Communications and Networking

Until now the Chasm Group has not had a focused practice in the communications and networking sectors. We are now introducing that practice area. After a three-year period of working collaboratively with The Chasm Group, Jonathan Dippert has joined our firm as Chief Technology Officer. Jonathan has specialized in the communications and networking space for the last 17 years, and has worked with clients on when best to adopt emerging technologies based on the client's adoption profile. He has worked at the forefront of WAN and Internet technologies for the last decade, deploying many early projects, and speaking on these technologies to many organizations including Ameritech, Southwestern Bell, Compaq Computer, ITT Automotive, the Frame Relay Forum, the US National Institute of Standards and Technology (NIST), and numerous mid-size and startup firms.

In his role as Chasm Group CTO, Jonathan will focus on the communications and networking space, which includes wireless, optical, and next-generation Internet infrastructure. He will work in three key areas:

- Analyze communications/networking trends and speak to audiences about these trends and the chasm-crossing/market adoption challenges of specific technologies
- Participate on advisory boards of communications/networking companies
- Work with companies to analyze their business strategies and translate these into an IT strategy, including when to adopt enabling communications technologies

His email address is jdippert@chasmgroup.com, and his telephone number is 650.312.1948.

In upcoming issues:

- Enterprise Sales: Strategies for Selling to Early Market Visionaries
- Beyond the Exchange - Latest Trends in B2B
- More Net Market Maker Case Studies
- Key Fulfillment Areas for B2B Commerce: Finance, Supply Chain/Logistics, CRM
- International Operations for Fast-Growing Startups: When and How to Expand Overseas

Under the Buzz offers a monthly commentary on the business-to-business e-commerce sector. The goal is to provide provocative and accurate insights into the latest events and thinking shaping the rapidly evolving business-to-business marketplace. *Under the Buzz* will focus on strategies for building sustainable competitive differentiation.

© 2001, Philip Lay