

E-Commerce 2001

A GLOBAL VIEW OF E-COMMERCE

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e-commerce

2000 – a catastrophe?

- It goes without saying that 2000 was a turbulent year for e-businesses.
- Studies indicate that over 200 internet companies went out of business.
- E-commerce companies accounted for more than half of the closures.
- 60% of those failed in Q4.
- European Internet companies halved in value in Q4
- 40 start-up failures alone cost \$1.5bn.
- 10% of these failures were in Europe.

Source Webmergers.com



Effect on the markets

- NASDAQ Composite index fell a record-setting 39%
- London's Techmark fell almost 60% from its March high
- Even the more balanced S&P 500 declined 9%
- although 62% of the stocks outperformed 1999 and 55% produced positive returns
- Such drama has led to many forecasters running for cover

Why do some fail and some succeed?

- Failure is easy to spot – debt and lack of funding > collapse
- Lessons from the high profile failures point to
 - Inexperienced managers
 - Poor business plans
 - Low sales volumes

No Business Model? It's your Funeral

"A professionally produced business model needs to address two issues

First A successful web site needs to have a compelling and preferably unique reason for attracting people to it

Second It needs to be able to charge a fee that will cover the business costs and make a profit for its investors

If these two questions cannot be answered then perhaps the e-business will not succeed"

Dan Remenyi – Computer Weekly, 18 January 2001



Why do some fail and some succeed?

- Success is less easy – the ‘new’ economy has yet to prove its durability or define success but indicators include
 - User base
 - Market profile
 - Visit rates
 - Brand recognition

Cont'd

Why do some fail and some succeed?

- Many successes like bestbuy.com, macys.com, sears.com, walmart.com, travelocity.com, officedepot.com, tesco.com and easyjet.com
- Key differentiator is existing corporate presence.

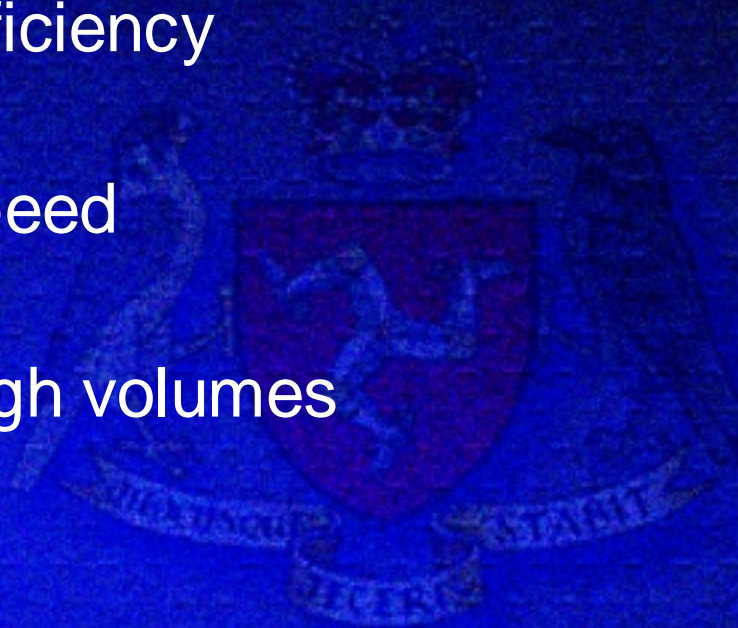


Security

- Lack of security threatens to hold back growth in B2B and B2C
- Problems include
 - Identification of participants
 - Certainty of content
 - Repudiation
- Responses include
 - Electronic Transactions Legislation
 - PKI technologies
 - Digital certificates
 - Encryption
 - Issuing authorities

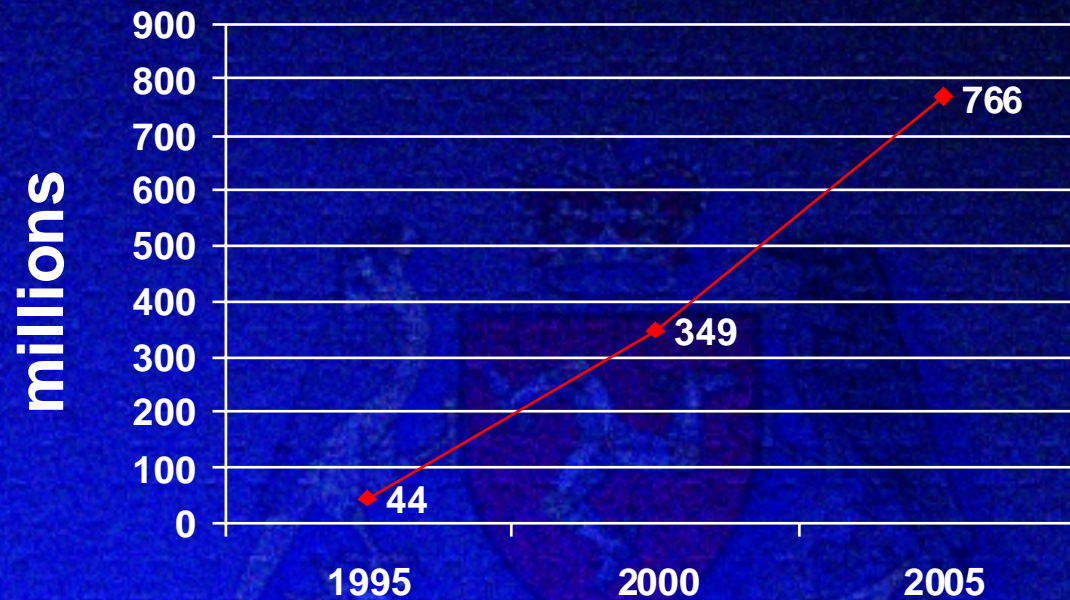
B2B

- Business to business systems promote
 - Efficiency
 - Speed
 - High volumes



Internet User Projections

Worldwide Internet Users



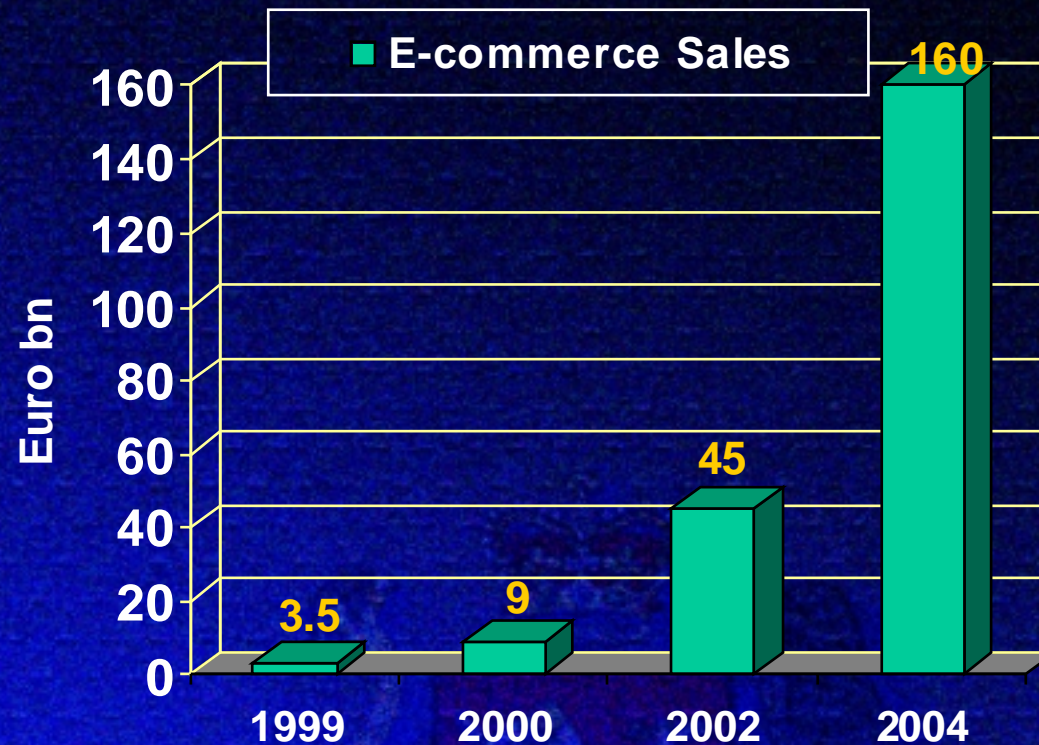
Source: Computer industry almanac



Growth in internet sales

Who	Consumers	Business
Gartner Group 2000 2004	\$30bn \$143bn	\$237 bn \$2,900bn
Average 15 firms Growth 2001	42% - 116%	25% - 191%
PWC – 4 th quarter1999 4 th quarter 2000	\$5.2bn \$10.2bn	

European e-commerce sales



Source: Forrester Research and Boston Consulting

Even in 2004 predicted to be only 6.3% total commerce.

Conclusions for e-commerce

- Significant increase in internet use.
- Significant and increasing share of commerce, but only one of a number of routes to market.
- There may be many high profile failures but many companies are realising the benefits.
- The growth in profitable companies is good news for offshore jurisdictions.

E-commerce and Offshore: A Natural Fit

- Resource requirements.
- Legislative speed.
- Ideal opportunity to diversify narrow economies.
- Finance sector business.
- Location independence and tax benefits.
- Multiple jurisdiction benefits.
- Low risk for an e-business.
- Natural extension for traditional cross border traders

The Isle of Man

- Onshore standard telecommunications with excellent bandwidth capacity.
- High quality competitive e-commerce service providers.
- Key natural resources of space and skilled labour.
- Free trade zone for Europe.
- Financial incentives from DTI and low tax corporate vehicles.
- Committed and focussed government.

Believe in the Future

“Anyone who refuses to believe that the future lies in technology enabled business, in internet enabled efficiencies and in digitally enabled consumers truly is living in the past”

Jonathan Steel – Chairman, the Bathwick (Research) Group

