



## **e-Whatever Business Framework: a cunning plan to find winning e-services**

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Each day more and more electronic services appear, some will blossom many will fade and die. We see much talk in the press and almost boundless enthusiasm in the stock markets for these offerings. Individually and as companies, entrepreneurs and intrapreneurs, develop ideas that could become part of this e-whatever<sup>1</sup> economy but how can we develop these ideas as businesses? How can we say that we understand them? What ones are well founded? How can we convince sponsors to provide the necessary finance? What is worthy of investment? What ones might succeed in today's competitive environments?

In this area simple financial metrics are not very illuminating with many highly innovative start-up companies making significant losses. Sceptics would argue the game is about building up an 'interesting' e-whatever company with a long list of registered customers. This company is then sold to a major player in the industry creating a huge income for the originators, their backers and venture capitalists. The long list of registered customers is the valuable part of the company and therefore it is often valued as such. How, many of these new businesses will produce a conventional return on investment remains a mystery.

This paper draws upon a number of business modelling techniques and utilises them together to create a framework for analysing ebusiness proposals. This framework can be used for analysing opportunities, directing discussion, and for creating a better understanding of the business case.

<sup>1</sup> e-whatever is a term invented to describe all types of e-services whatever they may be. It is derived from the tendency of more laid-back Californians to say "whatever" in almost any place and at almost any time. Whatever.

\* Internal Accession Date Only

# e-Whatever Businesses Framework

a cunning plan to find winning e-services

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## Summary

Each day more and more electronic services appear, some will blossom many will fade and die. We see much talk in the press and almost boundless enthusiasm in the stock markets for these offerings. Individually and as companies, entrepreneurs and intrapreneurs, develop ideas that could become part of this e-whatever<sup>1</sup> economy but how can we develop these ideas as businesses? How can we say that we understand them? What ones are well founded? How can we convince sponsors to provide the necessary finance? What is worthy of investment? What ones might succeed in today's competitive environments?

In this area simple financial metrics are not very illuminating with many highly innovative start-up companies making significant losses. Sceptics would argue the game is about building up an 'interesting' e-whatever company with a long list of registered customers. This company is then sold to a major player in the industry creating a huge income for the originators, their backers and venture capitalists. The long list of registered customers is the valuable part of the company and therefore it is often valued as such. How, many of these new businesses will produce a conventional return on investment remains a mystery.

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## Introduction

Big companies may have deep pockets to invest in emerging e-market opportunities but their need to see returns on investment in a reasonable time often deters investment. They quickly need to identify good ideas from the bad ones. The purpose of this paper is to propose an e-whatever business framework by which emerging e-whatever businesses opportunities can be better understood and thereby judged. We want to know what idea might succeed and why. Hence the framework is designed to guide the discussion from which candidate strategies are developed. For a big company the framework can guide the discussion on investment decisions. It will not make the decisions; they remain the domain of good judgement.

Should a company fail to create a potentially winning opportunity there is always the opportunity to buy-into a start-up. The framework helps in the analysis behind the decision about investing in what start-up. Equally, for start-ups the framework is a useful tool. It provides a set of questions, ones that backers and venture capitalists will certainly want answered.

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This framework was created as the author and various colleagues attempted to study what it meant to 'get into the service business' from a position where we were already selling information appliances. Our goal was to understand how we could improve the income of the product line with a service-based offering. We knew how to develop the strategy for the hardware product and had good measures to judge success. We were capable of analysing the potential market and despite the emergent market characteristic had built up a strategic understanding that could adapt the strategy as the market emerged. A service offering business was a relatively new area for those of us involved.

When we came to look at service businesses, the metrics and methodologies, we had grown-up with and understood for hardware products, were useful but they did not produce the insights we required to make major business decisions. There had to be something more. We set about reading books and articles on the e-services world looking for business modelling tools. We talked to our colleagues who were developing 'pure' electronic-services. We even spoke to expensive consultancies to see if they could provide a framework we could use. After much study we were forced to conclude that there was no generic framework that we could use. Nevertheless in our investigations we had discovered a variety of disconnected modelling techniques that contained many useful and usable concepts.

In each case we studied we saw that the act of creating the business was more a craft activity than a process we could replicate, an art rather than a science. While we could find experts who could tell us what was wrong with our proposals none could give us insights into what we should consider to greatly improve our chances of winning. This is not surprising. If such a 'formula for success' existed then everybody could be a winner. Notably the author of the book!

In our investigation one common view we encountered was that e-services were about the delivery of information. This felt like selling encyclopaedia entries and relied on the ownership or control of content. It implied you had to have access to valuable material that others could not offer at a price lower than yours. We found brokering systems that would facilitate a user to get the information they required at the lowest price. Since this was tending towards zero and we were not content owners we did not pursue this avenue of investigation. Our interests lie in personally created material from scanners and digital cameras and how this might be used. This implied a rich set of services around communications, content format conversion, storage, editing and web publishing. This wide scope for e-whatever services was perplexing and led us to hunt for measures, metrics, the industry normal practices, etc., we could use. This resulted in the creation of the e-whatever business framework.

The framework that is being proposed here is a general purpose tool that can be used to analyse a new business, or an opportunity to extend a business, into e-whatever services. Mindless application will probably lead to failure but it is hoped that the framework will provide the structure and discipline for constructive dialogue, analysis and understanding in the development of strategy. In each instance parts of the framework will be more useful, more appropriate, and more revealing than others. Nevertheless the all parts of the business must be scrutinised and the business proposal as a whole must be studied, not just selected parts. This has implications on who must be involved in the execution of the analysis.

The framework is based on five specific insights:

- The requirement for a distinct, differentiated offering.

- An offering that meets real user needs.
- The application of that offering to the market in a manner that will win against competitors.
- A requirement to retain customers with an offering that delivers a deep experiential value.
- Use of continual feedback from users to refine the offering.

While service offerings typically have many of these elements, it is the systemic combination of all the insights that can lead to a potentially winning e-whatever service business. The challenge of the framework is to examine each area and then assess how the areas work together to produce a stronger result.

The framework draws on original thinking and the ideas expressed in a number of well-known texts; Van der Huijden - Scenarios, The Art of Strategic Conversation, Moore - Crossing the Chasm, Normann & Ramirez - Designing Interactive Strategy, Leadbeater - Living on Thin Air, Shapiro & Varian - Information Rules, Pine & Gilmore - The Experience Economy.

### Ideas the Framework Utilises

#### "The Business Idea"

The starting point for the framework lies in the work of Kees van der Huijden in scenario planning and "The Business Idea". Formalised creation of scenarios allows a business to analyse various futures and the strategies they may subsequently need. Working with the scenarios gives a management team a rehearsal of what might happen in the future. While none of the scenarios will be an accurate prediction of the future, the rehearsals prepare managers for the unknown future they face. Hopefully, the rehearsals make their future decision-making processes easier.

Even so, while scenarios help managers think about their responses to an uncertain external environment it does not guide them about what decisions they must consider making inside their business. This leads to disappointment with more formalised scenario planning exercises and much criticism and frustration with what is a powerful technique. "The Business Idea" addresses this by focussing on what you do inside your own business to deliver the strategic goals.

In its most abstract form "The Business Idea" is very simple to understand. See figure 1. Based on a reinforcing loop, rewards appear as a result of both a great offering, created through a unique system of competencies, and an excellent, even exceptional, application of that

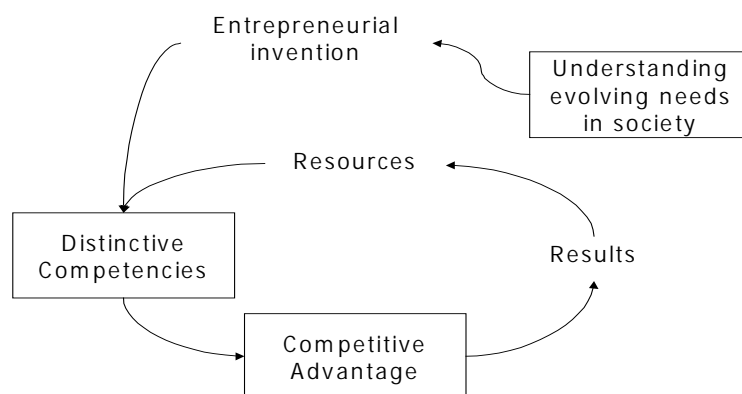


Figure 1: The generic Business Idea

offering to the market place. The rewards provide the resources that are re-invested in improvements to the offering and so the cycle operates in a virtuous manner. The loop is started by a knowledge of human needs and how these might be met by entrepreneurial innovation.

The practical importance of the model lies in the detailed analysis of a business proposal. Specifically, the deep understanding of the unique qualities of the offering and its application to the market place are critical. Van der Huijden speaks of a distinctive competence, which is made up of various elements including skills, designs, assets, process knowledge, reputation and patents. It is the individual excellence and the working combination of these elements that makes a unique offering for the market. Their systemic combination makes a distinctive competence something far stronger than a set of core competencies. Furthermore the application of competitive advantage is taken one step further. Rather than a good marketing plan it is seen as an aggressive battle plan. It is the scheme by which your product will win in the market place or more crudely put how it places your competitors at a disadvantage.

The value gained in using "The Business Idea" lies in its application as you investigate how the various elements of a business are designed and how they fit in the context of an entire business. How each part creates and delivers its own results, which are then fed onto the next, creates an argument that shows how the business can work well and can prosper. The learning from the tool comes in the struggle you must go through to create a complete believable story; one that reinforces rather than just goes round.

### Environment and Position

"The Business Idea" lays out the foundations of a strategy but critical elements must be added before a full business plan can be derived. It can be argued that these elements get drawn into the Business Idea during the analysis and do not need to be made explicit. Nevertheless we will follow the viewpoint that certain critical elements should be made more explicit. Specifically, the interaction of the business with the environment and its customers needs to be drawn out and also the impact of more intangible items in business, notably position, also must be taken into account. Bill Sharpe of the Appliance Studio formalised these ideas in a discussion session at a GBN workshop on "The Business Idea". See figure 2.

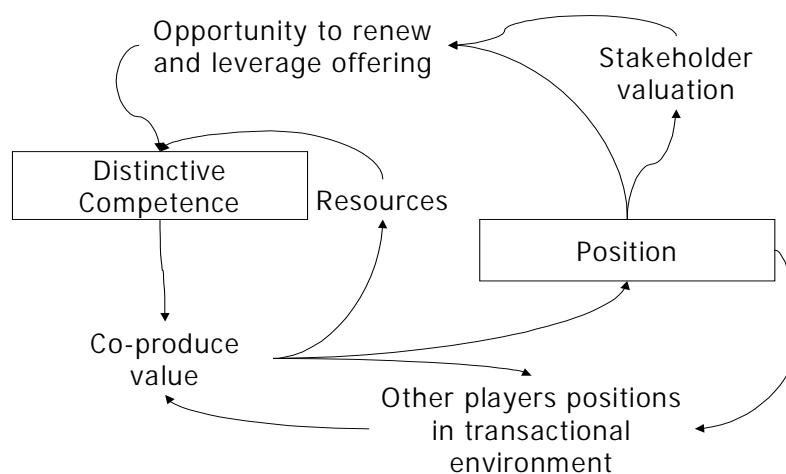


Figure 2: The Business Idea, Position and Environment

The refinement of the model retains the principles of the basic loop in The Business Idea but also draws in the importance of the environment in which the product exists and the overall market position<sup>2</sup> of the company making the offering. These are important refinements to the model as they bring in competitive forces, allies, equity investors and the impact of brand. All are key elements in the construction of a business and are not explicitly covered in the simple generic model.

The refinement also introduces the concepts of co-production of value based on the ideas of Normann and Ramirez. This is a critical addition to the thinking as it produces a better analysis of the human behaviours, use, and purchasing motives central to a business that meets user needs rather than obliges the user to accept a compromise solution. They argue a user creates, from various received offerings, *value* that is then used in a variety of ways. Hence rather than a simple value chain there is what they call a more complex *value* constellation i.e. a mesh of interactions. Their approach enriches the idea of a simple value chain and provides concepts that we can helpfully use to discuss the creation of deep user value in a marketplace.

### Value and the creation of *value*

Normann and Ramirez create a model where *value* must be seen as 'a currency' that is defined in more than just financial terms. A value chain is often seen as an increase in financial value as you move from left to right. This can be rephrased not as a value chain but as an increase in costs chain! *Value* is different and must be seen in both tangible and intangible forms. Yes, financial considerations are included but also more intangible items like image, ability to do job, realization of fashion, and impacts of the offering on individuals and the environment are included.

Secondly, the creation of *value* is not seen as a simple linear progression since, for an individual, *value* is created from the contributions of a number of parties. To illustrate let us consider day-to-day activities. In my work I do not simply take something from a single supplier, add my value and pass it on to my customer. Rather I take things from many suppliers and integrate them together. My contribution or output is the combination of the parts as well as my own efforts. For example, in writing this paper I am integrating together the work of many authors and adding my own piece to deliver to you a better understanding.

This has a strong parallel to ideas of Geoffrey Moore (Crossing the Chasm) who argues that new products, and thereby markets, cannot take off until all of the parts that are required for the solution to work are in place. A more extensive example of integrating parts together and adding your own value lies in my use of a personal computer to write this paper. My personal computer relies on an operating system from Microsoft, a word processor also from Microsoft, hardware and a printer from Hewlett Packard and a network from another set of vendors. If any were missing I would not have a complete personal computing solution upon which I could integrate my part.

Pulling together all the parts of a solution is an example of integrating the offerings of all the other parties to achieve a new offering. Moore uses a metaphor of going into battle and

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<sup>2</sup> Position can be seen as the place we occupy within two interrelated systems; the system of purchase choices available to the customer and the system of companies interacting to make up a market (Moore, Inside the Tornado)

specifically "assembling the invasion force". The goal is to ensure that your part and the contribution of your partners and allies, required to ensure a product will succeed, are ALL present as the product goes into the market. This is an exercise in "whole product marketing" and requires the promoting company to organise the market place to provide a complete product offering.

The warning is clear. While early adopters of technology might well put up with an incomplete offering, those in the mainstream market, the pragmatists, require whole complete products. Any gaps will be where customer sacrifice occurs and are the opportunity for others to acquire a customer or, by Moore's argument, are where the market for your new offering fails to form.

### Customers and Value Creation

In a value chain, money passes in one direction but in a value constellation *value* is exchanged in both directions. In the simplest case I pay for the goods I receive but with more intangible values in the system this becomes more interesting. The argument is that the flow of intangibles, typically information, can create a greater overall financial value. Hence the importance of owning customers (the essence of most service industries), dialoguing with them after purchase, and knowing about their creation of intangibles, becomes more and more critical. I might 'sell' a person some goods and accept back information or access to them rather than money. This knowledge I can then trade or use elsewhere for greater financial gains than simply the price of the goods. Clearly owning the customer yourself is critical. Letting others into the rich stream of information gives them potential advantages. Perhaps you will give them the right to acquire most of the revenue or the ability to reconfigure the solution without you. Also it may well be their brand that is being promoted by your efforts.

We have already covered the idea that the combination of *values* from a number of sources and the contribution of the actor create *value* that is delivered onwards. We have also seen that *value* flows in both directions. We can infer that in building up *value* there is a collaboration of the supplier and customer, which if taken beyond the simple case, of a one-off sale of tangible goods for financial reward, can yield greater effect. While the offering is designed to deliver *value* to the consumer, it must also be designed so that the customer can enhance *value*. This reminds us of the importance of the customer's customer but the implications are deeper if the supplier figures out how they and the customer can interact more deeply to create more *value*. Excellence is required in knowing how and where the offering creates further *value*.

### Value creating Actors

Finally in the Normann and Ramirez ideas, individuals or even companies are described as 'actors' who work at each stage in *value* creation. Interestingly a company or individual may appear more than once in the *value* creation system as an actor. The purpose of this definition is to keep the discrete roles simplified and clear at all times. Hence as a company or individual appears multiple times in the value constellation each role is clearly spelt out. This allows us to stand back and see exactly what is going on especially where the offerings of others are combined with ours to complete the 'package'. Also this shows where and perhaps why a company with multiple involvements in the creation of *value* operates.

At each stage *value*, in a value constellation, is created for a purpose; the delivery of an experience to others that they can further use to deliver to others. In a production line manufacturing system this is obvious. More interesting is when you get to the 'consumer' end

of the line when it moves from highly tangible *value* to more intangible. Understanding of the intangible nature allows you to see the buying motivations and gives clues as to whether the product can be pervasive. This whole area tends to be a blind spot for technology driven individuals and companies.

A detailed analysis of the development of *value* by an actor has further impact. It can be used to explore the existence of the complete *value* creation network for a successful offering, exactly as discussed earlier. Furthermore the process or mechanisms used by an actor to create *value* from the various inputs is important. Hence the ability to broadly model the value creation system is seen as critical in the refinement of "The Business Idea" and these ideas form another element in the e-whatever framework.

Example: Simple Hardware and Services Offerings

Application of the refined model led to a first fundamentals-only model of a hardware product and service offering business. The following simple example has been created around a business selling personal computer printer peripherals. The basic hardware-product model is shown in figure 3. Notice in the example that position has been drawn out as a direct consequence of the experience of the user of the hardware offering. For simplicity the deeper details of the distinguished competence have been omitted since they would simply complicate the example. Similarly the handling of the environment in this example has been simplified. Rather than introduce its uncertainties, the environment is simply shown underlying the areas where it has impact.

Notice in this model the manufacturer of the printer gets very little contact with the purchaser of the printer. While there are occasional purchases of consumables there is very little direct feedback to the manufacturer. The only time they get real feedback is when, or if, the user purchases a further printer. This may occur years later and in information terms is a bit late! It is even possible that the manufacturer does not know it is a repeat or subsequent purchase. Certainly the manufacturer has no idea who is buying the consumables and how many they buy. There is very little opportunity for the manufacturer of the printer to proactively retain the user beyond the annuity of consumable purchases.

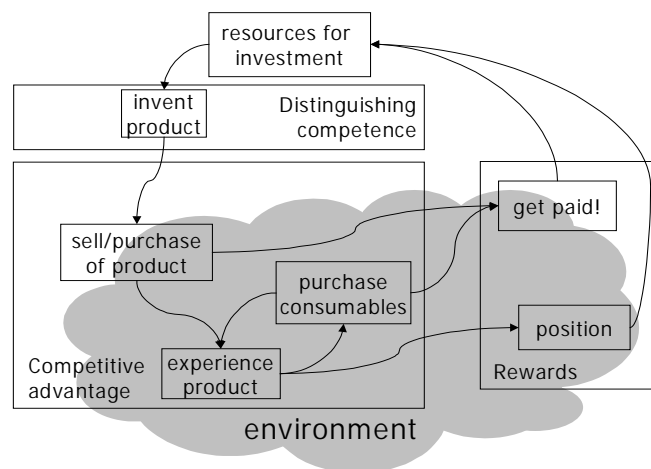


Figure 3: Product Business



In figure 4, an e-whatever service business is added to the hardware product business.

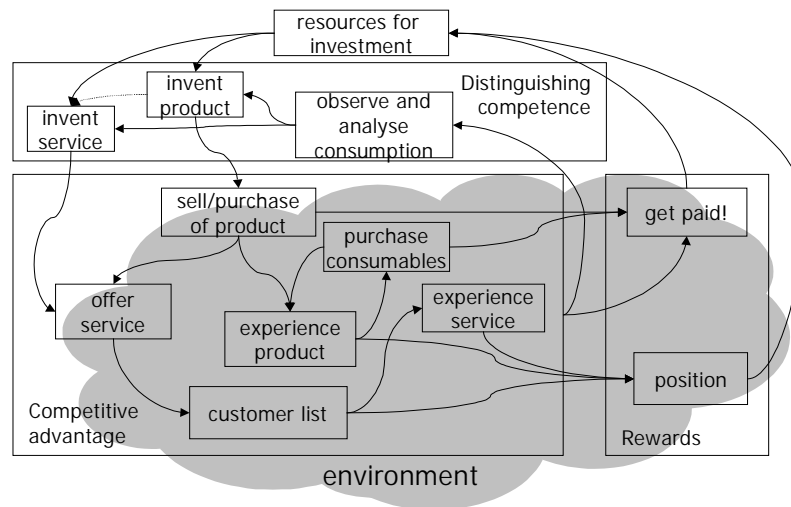


Figure 4: Product and Service Business

Immediately obvious in the diagram is the ability to acquire a list of customers. The profound impact of this list, as introduced earlier, will be further demonstrated as it configures the business. It will clearly illustrate why so many electronic services companies are keen to sign up customers even if they are doing it at a loss (apart from any capital related gains).

Customers, as they utilise the service element, can provide direct feedback to the supplier of the service. This permits the service operator to observe and analyse their consumption. This rapid and hopefully continual feedback permits the refinement of the whole offering, and exists as a direct consequence of the service element. In particular, regular contact with the customers will provide the input to dynamically refine and quickly improve the e-whatever element of the service.

### Customer Relations

Having identified the importance of getting a list of customers two related things, retention<sup>3</sup> and ownership of the customer, become critical. In many electronic and telecommunication services there is a difficulty in retaining the customer caused by the relatively low switching cost to other suppliers. The cost to the customer of changing service provider is often so small that they readily migrate. This is well illustrated by the churn that occurs in cellular telephone offerings and the difficulties that ISP's in the UK who offer 'free' Internet access will experience in keeping revenue-earning customers. (In this example, revenue is earned from both advertising and from a proportion of the telephone call charges. This form of financing is possible in the UK as even local calls are charged by the minute.)

The most common approach to retain customers is to increase the effective switching costs. While these may be monetary in nature there is a whole range of intangible 'costs' that can be

<sup>3</sup> Retention is the polite way of saying lock-in

used. There may well be an investment in training, or a lack of willingness to learn, that prevents a user switching. This is seen in the choice between an Apple iMac personal computer and personal computers based on the various Microsoft operating systems (Windows 95, Windows98, NT, etc) where the user has already made an investment in how to use the software. This might be hard to get over when a new purchase is made since there is an effective education and experience lock-in. With a cellular phone it might be the need for new accessories that will deter a customer from buying a different model - the hassle involved in getting a new hands-free kit fitted in my car might be too much. These knowledge, training and accessory retention tactics increase the switching costs and are certainly ones that motor manufacturers would like. Regrettably for them car driving is a more generic skill and switching costs are effectively negative once a motorist has chosen to buy a new car.

Motor manufacturers need to use other tactics to retain customers. These might be through information the supplier knows about the customer. While poor and indiscreet use will horrify and repulse a customer, careful usage of the information will impress the customer. For example, it may be convenient to me to buy at the same place, as I do not need to fill in endless forms with the same details. Amazon.com recognise me as a customer and fills in the forms for me. This saves time and causes me to return. Indeed until they deliver a poor customer experience I am unlikely to switch to another on-line supplier of books. (While Amazon.com might be doing a memorable job retaining customers they have bigger business challenges elsewhere.)

As well as information about me, the supplier of the service may supply me with information that I specially value. This is the essence of many e-whatever services but as described earlier we were seeking services that were not simply encyclopaedia pages. Nevertheless customer retention on the basis of specialised content, easier access to the content or simply cost could be built into the offering.

In a product plus service offering, information on the performance or via management of a whole offering are an obvious feedback mechanisms. For example, telling me when I might run out of printer supplies like toner or paper and telling me the exact part number I need to order, (and from where). There are more significant pieces of information given to me by the service provider that, in a strange way, I value greatly, like my telephone number or e-mail address. The cost of going through all my contacts to tell them I have new contact information is tedious and error prone. While friends may be interested to hear that I have moved to a new house they will not rejoice at just a change of telephone number! Clearly this is one of the bigger issues behind the recent debates over number portability in fixed and cellular telephone services.

The flip side of this argument is about capturing customers rather than retention. Others will use similar tactics, reducing effective switching costs, to improve the attractiveness of an offering to gain your customer. To win customers in a highly competitive e-whatever service world requires the new potential service supplier to decrease the switching cost low enough to tempt the user. This is often done with sweeteners. Various discounts and special offers are used to cause churn - possibly at a cost of offending existing customers who don't get offered the deal! Hence the tactics to winning customers might also lose some.

## Retention through Memorable Experiences

It can be argued that all these attempts to achieve customer retention are well known. Every company is using these approaches and some further form of differentiation is required. This will lead to the same argument that applies to distinguished competencies and application of the offering to the market - excel at doing it. In this case with a higher intangible element the need to excite the user and make the experience of the offering memorable is vital.

The single descriptor of 'service' for the vast diversity of electronic offerings there might be is rather coarse and unhelpful. The separation of service offerings into basic services and experiences provides a useful distinction. It is through the use of experiences that the delivery of a service will become memorable and the ability to retain the customer for emotive reasons grows. This implies that the fit of the offering with the expectations of the customer must be good and any compromises made, emotively called customer sacrifice, are as insignificant as possible. Since it is in the area of compromises that other vendors can get in these must be a minimum or even reversed where the supplier exceeds the expectations of the customer - customer satisfaction, even tending to surprise. If they excel possibly shock!

Experiences require a supplier to identify where additional value can be realised in, and possibly throughout, an offering. This provides scope for competitive advantage. Failure to do so leads to commoditization of the offering.

*"All too often some manager claims a company is in the "commodity business" when in fact the product sold is not a true commodity. The perception results in part from a self-fulfilling commoditization that occurs whenever an organization fails to fully recognize the distinctions between higher-value offering and pure commodities." (Pine & Gilmore)*

The addition in financial value in moving from a basic service to an experience can be significant. Take for example drinking coffee. As a raw commodity freshly picked from the bushes the financial value of the coffee is relatively low and even after processing and packaging in a jar or vacuum wrapped the cost per cup remains relatively small. Only when it is made up with hot water and sold as a beverage does the value notably increase. Even so, MacDonalds will supply one experience, the Ritz something totally different! MacDonalds supply a hot beverage service using the coffee for about a dollar but for many dollars the Ritz provides a notably memorable experience that I can treasure. Indeed I will probably forget the coffee and remember other things! It is this difference in basic service provision and richness of an experience-based offering that counts. The man who comes to repair my washing machine and protects the floor coverings before he starts work impresses me. I remember his care and call him out next time. Of course there is a negative side of experiences - a bad one will equally be remembered and will not lead to further business unless there is suitable, memorable, remedial action.

A basic service and an experience are not discrete types of offering but more two points on a continuum. In making a basic service into an experience two things happen. Firstly the competitive position of the supplier is more fully differentiated. Secondly the relevance to my needs is greatly enhanced. In practice this asks for customisation where the offering is adapted to better meet my needs. Even so, it is only an edifying experience if it really meets my needs.

Customisation must be carefully done since its provision can add significant extra cost eroding the benefits of a higher selling price. Low cost customisation approaches are key. For example,

simply placing a set of stickers in the box helps with personalising products. Just as simple is to change the packaging of the standard product to make it appeal to different groups of users. Equally allowing users to select their own look and feel for an e-whatever service interface can work. Whatever the approach, customisation makes the product more suitable for the customer and implies it should meet their needs better. This leads to an upward/downward escalator of *value* with customisation taking things up to a more experiential level and commoditization pulling down towards basic service. This happens fast!

### Timely Feedback and Action

*"In today's world of time starved consumers and speed-obsessed business, the Internet increasingly turns transactions for goods and services into a virtual commodity pit." (Davis & Meyer)*

The pace of the industry is huge and businesses that cannot keep up will face problems. Daily activity on the Web moves at this huge speed *"A Web surfer in motion tends to stay in motion - and a Web reader standing still has probably gone for a snack."* (Shapiro & Varian) This furious pace directly impacts how we might renew the offering. It is a pace that is well known in the newspaper industry where a new offering is produced every day. So, fast feedback from consumers of the product or the service is critical in directing timely changes to the customisation or perhaps deeper in the offering. Furthermore we could speculate that the addition of feedback from an e-whatever service to a simple hardware product might be key getting repeat sales or enhancing brand loyalty.

### Meeting Real Needs

Feedback from customers and an excellent experience of the offering underline the importance of thinking about real people; the users and consumers of the offering. "The Business Idea" starts from an understanding of evolving needs in society. Don Norman repeatedly emphasises the importance of the user and an understanding of their needs. He sees this as a first class competence for any successful product. The framework outlined here is in total agreement.

*"... we tend to place emphasis on the technologies themselves, when it is really the social impact and cultural change that will be most dramatic."*

*"When the technology matures, customers seek convenience, high quality experience, low cost and remarkable technology. A successful product sits on the foundation of a solid business case with three supporting legs: technology, marketing and user experience. Weaken the foundation or any of the legs and the product fails." (Norman)*

Clearly looking forward to new potentially successful e-whatever services requires an understanding of people; how they think and how they behave. Firstly, any offering must meet a need that actually exists, one that people can see existing and one that people want met. While I could easily propose a highly innovative product that gets rave reviews in the technology press it is likely it would never be bought in volume. There is a clear warning here on user acceptance. Similarly there are warnings on the subsequent adoption times for major technological innovations. They are invariably much longer than expected.

Secondly any offering must fit well with the day-to-day tasks, cultural norms and modes of working of a person in their environment. I use a personal computer every day but in meetings if

I open the lid I give the others in the meeting a social signal. I have formed a barrier in front of me which can give a very negative impression. A ubiquitously portable personal computer is interesting, and although I use personal computers throughout the day I would not want to utilise them everywhere. In fact my use of a portable personal computer is very specific - in my office, at home or in a hotel room, and nowhere else. Expect me to use it elsewhere and I will resist. An e-whatever offering that fits well with my life style will be appreciated. I expect it will deliver a positive, beneficial experience. My cellular phone (and my wallet) go everywhere with me and are in continuous use. My portable personal computer moves between my home, office desk and various hotel rooms but is only used at the destinations, not in-transit. My regular use of technology must fit with my lifestyle.

Offerings must also allow for and prepare for the inevitable changes in society. This is a subject in its own right but consider just one example, leisure time in the UK.

*"An important feature of the past 25 years has been the emergence of free time as an economic force. Although the amount of free time available to people in the UK has risen by very little over this period, private spending on goods and services for use in this time has doubled in real terms. By 1996 nearly 40% of all consumer spending was motivated by free time activities." (Martin and Mason)*

This creates new segments for the marketing of leisure products. See figure 5.

	Time Poor	Time Rich
Money Rich	Full time core workers Executive mothers	Affluent retired
Money Poor	Working mothers in poor families Single parents with large families	Many part time workers Unemployed & enforced early retired Some single parents Retired on state benefit

Figure 5: New Segments in UK Society

Here the suppliers in the leisure industry must choose their focus and deliver appropriate offerings. For some consumers, these must be high intensity, great experience, short duration and hopefully highly relaxing offerings. A high price can be charged for this type of service. For others, experiences that can last a longer time for limited cash, and perhaps free donations of time, are required. And while the affluent retired are a wonderful market opportunity, what will the leisure industry choose to do for those who are both time and/or money poor? It is this type of insight into evolving needs in our society that can guide us to back potentially winning e-whatever offerings as well as more tangible offerings. It is also important to ponder the moral challenge to the industry to ensure we do not worsen the divides in our society.

### Building up the Framework

The core elements of any business as outlined by "The Business Idea" are common to any investment proposal. While it could be argued that they are very abstract or basic, their value is to ensure a good foundation and therefore they must be seen as fundamentals. So far, we

have discussed how the offering of the business must address the perceived needs of potential customers. Similarly, to win, we have considered how the offering must be special and the exceptional execution of the application of the offering to the market. Therefore the e-whatever framework places strong emphasis on the excellence of execution of each fundamental stage as well as the importance of completing all the elements. Neglect of any part can lead to failure to deliver the entire offering and receive the benefits.

This framework is more than a simple must-do argument. Deeper than just a tick list, it is a tool to cause a series of conversations that develop an understanding of the parts of a business and to see how the parts work together. So far, the context and background to the framework has been explained. Now, the framework will be systematically laid out and the critical elements described.

Stage 1: Invent something special that addresses real human needs, something that works, something that people will understand, buy and use.

This is very fundamental but many offerings fail this simple test. Technology led companies regularly introduce new products that fail to properly address user needs. Such companies might argue that they are testing in the market place but in many cases the offering is inadequate technically and fails to excite users into spending their own money. Some successfully manage to test and develop a product in the market, many fail<sup>4</sup>. To succeed, the offering must be well-designed, usable, work for the purpose intended and address the real human need. This requires a truly holistic approach to design where every aspect of the product has been considered.

A new e-whatever business typically brings to the market a new offering. While the framework was not designed for me-too offerings, they too can be included if there is something distinguished about their design or delivery. In either case the overall construction of the offering must bring together the constituent elements in a new and innovative manner. Distinguishing competence is a more exacting discipline than simply arguing ownership of core competencies. Claiming that the offering is created out of core competencies is no longer enough. Others can grow these competencies and replicate the offering hence for a distinguishing competence the combination of unique elements and traditional core competencies in a systemic manner is critical.

Stage 2: The application of the offering to the market must be done in a manner that will win against competitors.

A good offering deserves to have a chance to win and while there are many randomising elements in the market their impact on the outcome must be reduced by a deliberate marketing approach. Specifically this means that your offering is well connected to the customers, the whole offering must exist, the offering must enable the customer to create their own *value* and that all the other parts of the solution are available. This covers both your own part of the offering and also all the parts from other sources. Without exception every piece that the customer requires to realise their value must be easily accessible. You must be able to buy or get everything. In addition, the offering

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<sup>4</sup> "Developing the product in the marketplace" is often used as an in-hindsight excuse for an offering that is not ready for sale. The need to learn continually from the market is critical but the starting place must be viable.

must be presented in the market such that potential customers can see how the complete solution offers value to them. They need to see the fit of the offering with their daily lives.

Stage 3: Find a way to retain customers with an offering that delivers a deep experiential *value* to the consumer. Be sure you know they are realising the *value*.

Your offering must create *valuable value* in the hands of the customer. The experience of using the offering must be great. Even little inadequacies must not be allowed to ruin the experience. Think about an almost theatrical impact of the offering. It must create good memories. Furthermore with the offering deployed you must know exactly who the customers are and how much they are using your offering. If you can see good usage and the user's experience is good then you can expect position results like word-of-mouth recommendations to provide momentum.

With an offering that is distinguished, complete, meeting human needs, well applied to the market, and creating a memorable experience you get the fundamental loop of the framework. See figure 6. Each element provides the foundation for the next element and if the impact of each stage is positive a virtuous reinforcing loop appears.

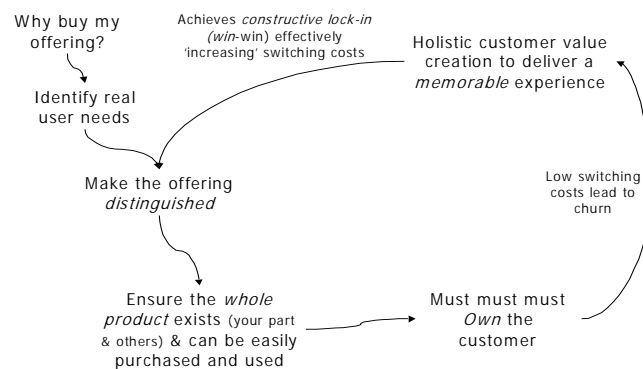


Figure 6: Fundamental Loop

The loop starts from an understanding of real user needs and the realisation of those needs through a holistic design process. This leads to the offering which is itself unique/distinguished, and made up of special elements. This distinguished offering is then applied to the market ensuring all parts of the solution required to meet the human need are available.

With the offering in the market it is important to own the customer and specifically to ensure you own the customer yourself i.e. not indirect allowing others to own them. Furthermore, initial acquisition is not enough if you cannot retain the customer. Therefore you must ensure that the delivery of the value of your offering to the customer continually delivers that memorable experience. Get that right and a constructive lock-in appears, one that is maintained for emotive reasons and not one that relies on more conventional customer retention methods.

With the fundamental loop in place we can look at the refinements that build out a broader picture; firstly to add position and describe the flow of funding, figure 7, and secondly to build in user feedback, figure 8.

## Position and Financial Extension

Customers produce two inputs into the economic part of the framework. Directly they contribute toward the price of the offerings and thereby provide the fundamental rewards for being in business. In addition they have a more intangible value in promoting the position of the business by their patronage. Simply being a customer on the list is valuable but also there are benefits from their reaction to the offering, notably in personal recommendations and brand loyalty.

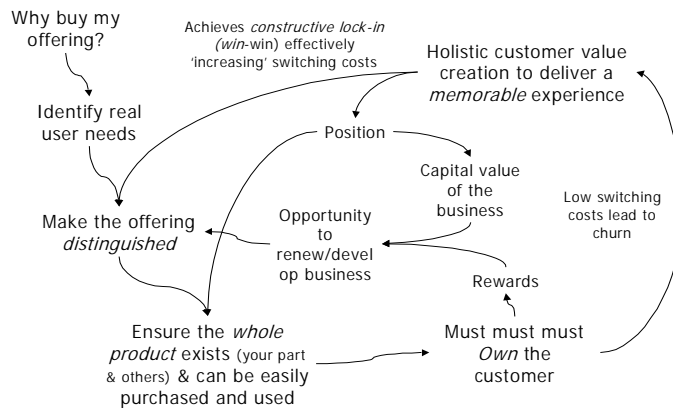


Figure 7: Position and Funding

In the framework position has two impacts. Firstly, it improves the impressions of the stakeholders and increases their willingness to invest further in the business. Secondly, it has impact on others in the market, notably allies, competitors and potential customers. Therefore position helps the company configure the market place to their benefit.

## User Extension

There are two distinct forms of user feedback, direct feedback and observation of consumption. These are used in different manners. The framework requires the offering to be complete and this must be tested with users. Shortfalls must be dealt with early to refine the offering. Observation of real use will help over time refine the user understanding that lies

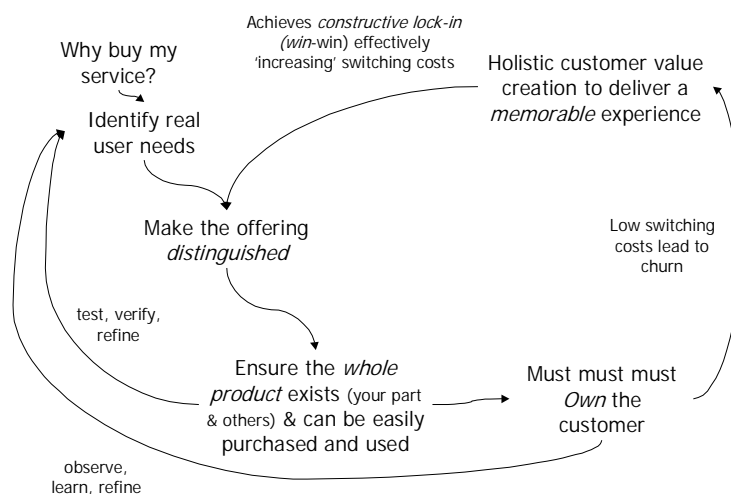


Figure 8: User Feedback





## **Afterthought**

Any successful business will have a capital value that is not properly represented by physical assets. The value of the business, and its ability to generate future income depends on the know-how or what is more formally called intellectual capital. While there have been attempts to codify intellectual capital (Edvinson) in more financial terms perhaps this framework offers a model for decomposing the various elements of the intellectual capital.

Whatever.

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