

# 21<sup>st</sup> Century E-Commerce: How the Rules have changed for Second-Movers



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## Revision History

Name	Date	Reason For Changes	Version
Christian Reina, CISSP	11/22/2009	Final version	1

# **1. The Tortoise and the Hare Story: From Metaphor to Revolution**

The tortoise and the hare is a comical story that I remember reading when I was a child. The tortoise may be slower physically, but with knowledge and wisdom he is able to gain control of the race, since he is blessed with such endowments. If you take your time and not rush to the next goal is less stressful and perhaps more successful. The hare's approach is different where speed and agility promotes success mentally, but could result in a sloppy end result.

Brian Halligan & Dharmesh Shah were promoting their book, "Inbound Marketing", during a webinar and said that we're living in a revolution in the way people communicate. Understanding this revolution and harnessing the power of the Web to communicate effectively with the masses resulted in our president's success. We're living a revolution in the way people find products and choose companies to do business with. Today, people turn to search engines like Google to find anything from what's the best e-book reader to which SaaS provider to hire for your business. We're living in a revolution where success is not based on budgets spent on fancy TV ads. It is becoming more about valuable web content and services like the multi-million dollar shoe retailer, Zappos.

It is clear that during this revolution, the rules have changed for e-commerce and businesses must align long-term goals to new strategies in order to remain competitive in the second-mover arena. In these pages, I will provide five basic principles for second-movers in search of a competitive edge in this revolution. The second-movers in E-Commerce must have the knowledge and wisdom to break thru the white ribbon, becoming the champions in the 21<sup>st</sup> century e-commerce.

## **2. Principle One: Innovation - Learn not to reinvent the wheel**

Barnes & Noble is filled with books with titles about innovation and most of them are about companies that come up with cool new ideas. Innovation is a competitive advantage for many businesses, but it is an important principle to understand for second-movers. Although some second-movers have enormous R&D budgets, a business can leverage an innovation for a competitive edge without reinventing the wheel.

Bill Gross is the CEO of Idealab in Pasadena, California. Idealab is nothing more than a tech company innovator, but this company recently received \$130 million in funding from Google philanthropic arm as well as other investors. eSolar developed a way to dramatically drive down the cost of producing solar energy on a large scale by replacing entire coal or natural gas power plants with solar plants. Rather than using large mirrors, eSolar developed thousands of smaller mirrors, digital cameras to track the sun, and computer systems to produce cheaper electricity than a coal plant. As a second-mover in the solar technology landscape, eSolar understood that there were many players providing solar technology for home owners, but there are many more consumers that continue to buy electricity. Since electricity has not other features or benefits, eSolar discovered a competitive edge in providing solar technology to utility companies who know consumers will think better of the electricity that comes from a solar plant.

eSolar's technical advantage is their innovative solution that makes them pioneers in this arena. Even though they are second-movers in adopting a technology, their innovation makes them the first to introduce a new business idea. In a revolution where communication, collaboration, and brand are essential, second-movers must have an innovative product or service first.

### **3. Principle Two: You need a Strategy, make it Remarkable!**

An innovative product or service will provide a competitive edge, but you need a brilliant strategy. According to Arnold Hax, professor at MIT, a business should watch their competitors, but avoid following them. Mr. Hax is not saying that as a second-mover a business should always wait to make a move, but rather create a strategy that makes the business adaptable to change. In an era where remarkable ideas spread virally like the H1N1, a second-mover needs a remarkable strategy. This remarkable strategy involves two methods to create a champion that will break thru the white ribbon.

MP3 players were the gadget for many geeks for a long time, but that's only because they were the only people who could figure out how to set them up and play music. The MP3

marketplace was exclusive and MP3 makers kept introducing products with rich features to satisfy techies. This was the rule in this techie marketplace. However, Apple came along and created their version of the MP3 player which was a lot simpler to use and ignored the previous rule. Apple began to view their market across market boundaries. This first method of thinking across the traditional boundaries is what I call a "borderless marketplace".

The second method for creating a remarkable strategy is to be the world's best at what you do within your existing market rules. Take the case of the only security event management solution with active response. In the market for Security Incident and Event Management (SIEM) there are many competitors and a number of companies have been market leaders for a number of years. TriGeo is a company that provides a SIEM solution, but as a business that knew they had to become the world's best at what they do, they needed a remarkable strategy. TriGeo realized that in order to remain competitive and innovative, they had to define the market more narrowly before one of the competitors took that position. As a second-mover in the SIEM world, TriGeo began to offer a product that was designed for companies under 2,000 employees. They offered extensive reporting capabilities, and the only integrated network intrusion prevention providing active response. All other SIEM products have detective capabilities and send alerts in real-time, but none have the ability to stop an event from happening like TriGeo does. If your business cannot rethink your boundaries to get yourself a broad untapped market the way Apple did, then you have to narrow your boundaries within your existing market to become the world's best.

#### **4. Principle Three: Branding and Creating a Sustainable Advantage by Building Relationships**

According to the brilliant and dynamic e-marketer Marlon Sanders, the internet is custom-tailored and custom-made for the smaller marketer, but if you want to reach everyone with your message, it's not like direct mail. Your main concern should be customer loyalty and to continue building this bond with your customers and prospects, you have to build a relationship with them. Branding is about

communication that leads to loyalty. This customer loyalty allows second-movers to maintain price value and keep out price-oriented competitive tactics.

If you are a business that has an innovative product and your strategy is to narrow your market scope to become the world's best, you may think you have unique selling proposition. However, have you thought about how fast the unique selling proposition can be knocked off by your competitors? You may be in business only for a few months because your strategy and innovative product has a brand that lacks sustainable advantage. According to Mitch Meyerson, you have to be thinking about how you can create a competitive advantage with a unique benefit and value to your customers that is not easily knocked off; something that you can sustain over time.

Once you have found a group of people with a common problem that you can solve and researched what it is they want, you only have to supply it to them with a competitive advantage. The final step is to brand yourself by building your relationship with your customers and creating a sustainable competitive advantage that's going to keep you in business a year from now or maybe more.

## **5. Principle Four: Adaptability - Put Yourself in Your Customer's Shoes**

Second-movers need to adapt or risk extinction. The Internet allows people to shop and learn in a whole new way and businesses need to break down these behaviors. Put yourself in your customer's shoes before you ask yourself, "Who moved my customers?"

People primarily shop and gather information through search engines and the average customer conducts numerous online searches rather than listening to a sales representative, watch a TV ad, or read some spam email. Another place people use to gather information is the blogosphere with over 100 million blogs. In virtually every industry, your target audience is no longer reading the trade publication, but rather subscribing to blogs written by online pontificators. The third place people learn is in the social mediasphere. What started as techie sites is becoming mainstream.

The International Information Systems Security Certification Consortium, Inc., (ISC)<sup>2</sup>®, is the global, not-for-profit leader in educating and certifying information security professionals throughout their careers, but even as a global leader they understand that in the professional certification marketplace, they compete with large non-for-profits like the Project Management Institute (PMI). In order to maintain a sustainable competitive advantage while providing a benefit to its members, (ISC)<sup>2</sup>® has learned to adapt with the times. Professional certifications are important, but if in the real world, a security certification holds less value to me than one that provides a bigger scope of opportunities like a Project Management Professional (PMP), I would rather spend my membership money and time studying for the PMP designation. However, (ISC)<sup>2</sup>® has made a commitment to expand their strategy in a borderless marketplace, building stronger relationships with all its active members, developing new security certifications, and entering the mediasphere by learning from their members and potential candidates. In the last few years, (ISC)<sup>2</sup>® has created a LinkedIn group, an online blog, a lot more webinars, and their new professional networking community called, "InterSec". To be successful and grow your business and revenues, you must put yourself in your customer's shoes and change the way to market your products and services.

## **6. Principle Five: Socialnomics - Transforming the Way We do Business today**

Patience is a virtue, the tortoise may say, but the reality is that knowledge and wisdom makes better second-movers. Although patience makes us better people by having self control and learning to tolerate delay, a business must balance self control with strategies that lead to sustainable competitive advantage.

To be successful in the 21<sup>st</sup> century e-commerce, a business needs a remarkable strategy, an innovative product, a brand promise, the ability to cope with unexpected changes, and an understanding of online word of mouth. In the book, "Socialnomics", Erik Qualman writes that social media platforms are fundamentally changing the

way businesses and consumers behave. This is a massive world that is changing the way consumers and businesses communicate and interact with each other; a world where consumers and the societies they create online have a profound influence on the economy and the businesses that operate within it.

The online word of mouth means that a second-mover must create a remarkable value proposition that gets found by prospects and learn to profitably navigate this new landscape. Ben Franklin said, "Either write something worth reading about or do something worth writing about." A remarkable value proposition goes hand in hand with remarkable content that attracts links from other websites pointing to your e-commerce site. Remarkable content also travels quickly in the socialnomics landscape. Blog articles, white papers, webinars, podcasts, and webcasts are effective methods to spread your remarkable content.

Starting a blog makes sense for many types of businesses for many reasons. Blogs will change your e-commerce site from an online brochure to a living hub for your borderless marketplace. Blogs also provide potential customers a way to engage and this helps build customer relationships.

Social media as defined by Brian Halligan and Dharmesh Shah, is about people connecting, interacting, and sharing online. Why should second-movers care about it? This is because it provides a great way to reach and engage potential as well as existing customers. Social media includes social networking sites like LinkedIn, Social news sites, and social bookmarking sites. Each of them has different uses, but all provide the ability to interact and share information with the network's community of people. Whether it is by creating LinkedIn connections, Facebook fans, or gathering followers using Twitter, your business brand can now be strengthened or destroyed by the use of social media. It is clear that advertising is less effective at influencing consumers than are the opinions of their peers, which is why making direct-to-consumer marketing messages less valuable today. However, a savvy second-mover is using online social media sites as massive focus groups and as an efficient means of communication with existing and potential customers. The rules have changed for second-movers and as stated by Erik Qualman, "if social media isn't a part of your business strategy,

you've already fallen behind the curve - and your competition."

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