WEEKLY INSIGHT

European Commission could take legal action against eleven member states that have been slow to liberalize the "local loop"
The European commission threatened yesterday to take a large number of countries to court next month for failing to liberalize their telecoms sectors. It did not name the countries. A report by the commission yesterday showed that 137 such lines have been thrown open to rivals in the UK compared to more than half a million in Germany and 40,000 in relatively small countries such as Denmark and Finland. The EC will decide which countries to sue at a meeting on December 20. [Full Story]

Highlights
- In its latest report on telecommunications liberalization, the commission said shared access is operational only in Belgium, Denmark, Finland and Sweden.
- Germany, Greece, Italy, Luxembourg and Portugal are in the worst situation because they don't have any regulation. There are no lines unbundled at all in Ireland and Luxembourg and Spain has only seven.
- According to the Commission report, broadband users could grow 75% next year thanks to local loop liberalization.
- The report by the commission shows revenues in the European Union telecoms industry had grown by an average of 10% a year since the sector was liberalized in 1998, and the cost of a three-minute call had almost halved. He expected revenues to increase by 9.5% more this year, with growth of more than 20 per cent in the mobile sector. [Full Story]

Press Review

From Expansión
"Local loop liberalization is vital to cheapen local telecom services in Europe, especially Internet access, and to impulse the competence". [Full Story]

From El Mundo
"As far as Spain is concerned, the report highlights the existence of a reference offer both to completely open the local loop to competition and to permit shared access. In reality, however, and in accordance with available data (to 15 October), only around seven lines had been opened to competition in Spain, which is one of the countries where least progress has been made since the process began on 1 January. (...) Moreover, Liikanen was worried because traditional operators offer broadband services, which allows a speed access to Internet, without any real competence. According to Brussels, there is no room for competence in local telephony". [Full Story]
**From Financial Times**
"Liikanen [European commissioner] said the commission identified bottlenecks in local access, particularly for broadband, call termination charges in **mobile networks**, flat rate interconnection charges for **internet access**, leased **lines pricing**, **tariff and cost-accounting** principles and the roll out of third generation mobile networks ".

[Full Story]

**Commentary by...**
Jordi Gual, IESE Professor

**The problems of the "last mile"**
The liberalisation of the local loop - the last stretch of the network that connects the operator with each user - is a difficult task. The slow pace and controversy are assured because the process includes multiple parts with often conflicting interests. Moreover, the system of local loop liberalisation that is put forward by the European Union is corrupted from the very beginning. It is based on flexible directives as far as the implementation process in different countries is concerned. For instance, the legislation constitutes that price for the access should be set in an way that considers the cost, an aspect that is difficult to quantify in telecom as such and even more in different countries. The result is that the regulation for loop liberalisation from users to distinct market parts boosts, in theory, a large frame for the liberalisation of the local telecommunications but, in fact, does not solve the problem. There is a need for a political agreement that would allow different countries of the Union achieve liberalisation of the so called "last mile" of the network in a co-ordinated way.

**EBCENTER ARTICLE**

**New business opportunities for a market in crisis**
By Juan Luis Segurado.
IESE Associated Researcher.

Although it has become difficult to find financing in times of crisis, the solid projects with competent market teams continue to have opportunities. [Full Story]

**REPORTS**

**CLICKS AND MORTARS" IN EUROPE**
**Source:** Institute Taylor Nelson Sofres for the Mazars Group
**Date:** November, 2001
**Abstract:** 21% of businesses in France and Spain are planning to make between 1% and 5% of sales on-line within the next two years, while the United Kingdom and the Netherlands regard that they will make more than 20% of their sales in e-commerce over the same period. Furthermore, for more than 61% of interviewed companies, **sales volume on the Web corresponds to a transfer of total sales.** 31% of business leaders surveyed have developed an e-commerce site and only 14% have invested in funds for the new economy. [Full Story]

**Next Generation CRM**
**Source:** Deloitte Consulting
**Date:** November 20, 2001
**Abstract:** The term "Customer Relationship Management" came into vogue in the mid-1990s and, since
then, companies' needs have evolved. The survey shows competitive advantages of Next Generation CRM: 
*Customer-based complex configuration; On-demand provisioning; Leveraging communities of interest; Familiarity through personalization; Opportunity management excellence; Order management;* 
and **Targeted customer service.**

**J.D. Power and Associates 2001 New Autoshopper.com Study**
*Source:* J.D. Power and Associates  
*Date:* November, 2001  
*Abstract:* 62% of new vehicles buyers look for information on the Internet and the majority does so before visiting their dealers. According to the study, each buyer visits an average of **6.8 automotive sites before making a purchase.** The study shows an 8 % point growth in automotive Internet usage this year- rise from 54% in 2000. [Full Story]

**Surveying the Digital Future**
*Source:* Ucla Center for Communication Policy  
*Date:* November, 2001  
*Abstract:* The second UCLA Internet Report continues to explore how the Internet influences the social, political, and economic behavior of American users and non-users. According to the survey, 18,7 % online shoppers spent more than $175 in 2000 compared to 8,4% in 2001. This year, **1,2 % made more than 100 purchases online** and 76,8% made 1-10 purchases. Books (40,8%) and clothes (36,6%) are the most purchased products. It is estimated that in 2001, after customers started to use Internet they took 14-23 month to make their first online purchase. One of the major reasons for this hesitance is the fear of giving out a credit card number, a reason mentioned by 28.4% of Internet purchasers. [Full Story]

**eBanking Strategies in Europe 2002**
*Source:* Datamonitor  
*Date:* November, 2001  
*Abstract:* According to the survey, any suggestion that the bank branch had had its day is unfounded. 79% of European consumers state that a personal visit is their preferred method for dealing with banking products whilst only 4% favor the Internet. Datamonitor predicts that in **2002 attention will shift to integrating delivery channels** rather than adding new ones and to increasing the number of customers who transact online rather than only searching for information and, after a slow start, the growth of new electronic channels will accelerate: it's estimated that there will be 3.60 million mobile banking customers and 1.33 million digital TV banking customers in Europe in 2002 . [Full Story]

**Beyond the Blur: Correcting the Vision of the Internet Brands**
*Source:* Accenture  
*Date:* November, 2001  
*Abstract:* Accenture points out the values for online shoppers. They identify characteristics and attitudes of five online segments. *Cherry Pickers* (26%) is the largest segment identified in this study and price is their highest priority. *Brand Reliants* (22%) value competitive pricing, but they are equally concerned about brand reputation and privacy of personal information. *Time Savers* (21%) value factors such as speed and convenience even more and *Variety Seekers* (16%) seek a comprehensive selection of reputable brands, along with broad products and customized offerings. Finally, single most important need for *Netizens* (15%) is security of personal information. [Full Story]
COMPANIES

Halcón Viajes launches a new web site
Globalia, proprietor of travel agency Halcón Viajes has invested €2 million in a new online portal. They expect to get more than 7 million in revenues next year. Users will be able to use halconviajes.com services from any device with Internet connection such as PDA or mobile phones. From La Gaceta de los negocios. [Full Story]

Agreement between OpenTV and Amadeus
Interactive television (iTV) company OpenTV and travel industry technology provider Amadeus will work together in the development and marketing of a travel t-commerce application (television commerce). This application will offer information and booking services in partnership with leading travel agents and airlines. They expect to reach 40 million viewers in more than 50 countries. From Europamedia.net. [Full Story]

Bankrupt ExciteAtHome
Tens of thousands of US Internet users are losing their high-speed Internet connections this weekend as the result of an impasse between bankrupt ExciteAtHome and telecommunications giant AT and T. AT and T, which owns about 72% of the voting stock in Excite, tried to buy the company for $307 million, but Excite's creditors said the price was too low for North America's largest high-speed Internet service provider. Excite provides service to some 4.1 million users in North America, including about 250,000 AT and T customers. Excite racked up one billion dollars in debt before it filed for bankruptcy. Analysts say the financial woes of Excite and other high-speed Internet services could worsen the Internet industry's lagging status. From France Presse. [Full Story]

WE RECOMMEND

eBay, a company managed by costumers
Even among the 7 million ongoing auctions, this popular online auction web site is one of the few companies with revenues. eBay has a delicious business model that does not require carrying any inventory but the real secret of eBay is to track each of their movements so new products and services are tailored to adjust to customers needs. eBay customers, the 38 million buyers and sellers who trade on its site, wield the kind of influence over the online auction site, which is run like a "democracy". This article reviews some of the most interesting chapters of the eBay and its customers relation since it was born. From Business Week. [Full Story]

The Best Business Books of the Millennium
Strategy+business magazine identifies and assess the most important business books in strategy, management, and their subcategories, chosen by twelve opinionated, acclaimed strategists, scholars, and writers. The books are about New Economy areas and Internet. From strategy+business. [Full Story]

IT takes two
The CIO role is often too big for one person; running a tight IT outfit and leading corporate IT strategy at the same time is extremely difficult. According to the author, companies are deciding on dividing responsibilities and evaluating the possibility of having two Chief Operating Officer. From CIO. [Full Story]

Chips industry changes
Smaller, more powerful and more economic. Consumers have been benefiting from the chip market reality although manufacturers have not. The price is reducing while manufacture's cost rise as the product is more
complex and new models have to be introduced. McKinsey experts review challenges and opportunities of this sector, which moves $226.000 million every year. From McKinsey Quarterly. [Full Story]