Weekly Insight:
Instant messaging turns professional
Commentary by... Brian Subirana, IESE professor

Reports
Internet, the most powerful advertising medium for reaching executives
Online sales fall for the first time in ecommerce history
30% of the global population uses government online

Companies
Hewlett-Packard chairman resigns
Innovator companies wanted

We Recommend
Set top box killed the video star
How to measure productivity?

WEEKLY INSIGHT
Instant messaging turns professional
Microsoft, AOL and Yahoo!, the three Instant messaging (IM) giants, have released enterprise versions of their programmes. The success and versatility of this technology, which was created to notify internauts when their buddies were connected to the Internet, has turned it into a real killer app, in which everybody wants a share.

Yahoo!, who announced fifteen days ago that its enterprise Messenger is available, has looked for the support of software vendors, such as Bea Systems or Oracle, to come into the business market. This week, AOL and Microsoft have announced new product launches, emphasizing the security improvements and their abilities to watch how employees use this work tool.

As we said in our last newsletter, the Internet Task Force is working to create a standard to allow compatibility between these systems. [Full Story]

Highlights
- IDC estimates that, between 2000 and 2004, the number of enterprise instant messaging users will increase from 5.5 million to 180 million and that they will be sending about two billion messages per year.
- Traditionally, instant messaging systems have been free. It is still unknown how the new services will be priced, but analysts forecast that a license model for every worker will be used. According to some experts, the price could vary between $34 and $40 per user.
- According to Gartner Group, in 2003, 70% of companies will have some sort of IM client running within the organization, whether they know it or not, although it will be free. By 2005, 50% of companies will be using enterprise-level IM clients, surpassing the use of e-mails.
- The battle between Yahoo!, AOL and Microsoft to control instant messaging began years ago. In June 1998, AOL bought the software ICQ. Then, Yahoo! released its Yahoo! Pager. But Microsoft made the most important move when, in July 1999, it integrated its MSN Messenger Service into its web mail system Hotmail.
- There are many alternative IM systems from large vendors such as IBM –which owns Lotus Sametime- and from...
small start-ups, such as Bantu or Ikimbo. Gartner analysts forecast that by **2006**, **75%** of these systems will have been bought up or will have **disappeared** from the market.

**Press Review**

**From CIO**

"Many enterprises that have adopted IM are beginning to appreciate the technology's potential to actually **boost productivity**. Adopting a formal IM strategy also lowers the likelihood that employees will sneak in less secure consumer-grade products.

(…)

As IM becomes a deeply ingrained technology, messaging functions are likely to begin popping up inside all sorts of business-oriented applications, ranging from word processors to accounting applications.

(…)

Ultimately, enterprise IM will span an array of platforms, allowing users to conveniently **contact people anytime, anywhere**: on a desktop PC, PDA, mobile phone or other connected device". [Full Story]

**From Gartner**

"AOL’s heavy penetration could help overcome the IM market’s two **hugest hurdles**: **interoperability** and **cross-domain identity management**.

Enterprise AIM users can communicate with consumer AIM users, thereby messaging with most of the world’s IM users. In addition, AOL will continue to host presence (or “availability”) for its consumer and enterprise IM services, thereby forming one source for screen name (“buddy name”) resolution. The AIM Enterprise Gateway, the core of the for-fee product, sits behind the enterprise’s firewall and performs such services as IM message routing, permission setting, reporting and content filtering". [Full Story]

**From News.com**

“For the three Internet giants, corporate IM is a means to **generate revenue** from the technology. Instant messaging has flourished as a free service that online consumers use religiously to exchange real-time text messages. Aside from attaching advertising and promotions onto the software, companies have avoided forcing people to pay. IM providers hope that adding network security and other features to these products will convince companies to pay.

(…)

In positioning MSN for the enterprise, Microsoft not only adds capabilities missing at the server but also at the client. The majority of businesses run Windows 2000, which does not include Windows Messenger. MSN Messenger running on Windows 2000 right now does not support more sophisticated collaborative, archiving and security features. **MSN Messenger Connect for Enterprises** could **help level the playing field** with competing products". [Full Story]

**From IT Director**

(…)”The aim of these developments is to **capitalise on the dominant position** that Yahoo, AOL and MSN have achieved with their IM services but to counter some of the arguments that they face when the technology is applied to the business environment.

Notably, the criticisms are based around the fact that nobody is ever truly authenticated on the free services, the conversation is not recorded (which makes it unusable in regulated industries) and there is no way to keep a meaningful, searchable copy. The information is managed within a public server and many businesses can not allow that to happen".

(…)

This is **not going to be good news for** those **providers of commercial solutions** that have been selling on their security and management features. They will have foreseen that the free services would be looking to capitalise on the position they have created for themselves, but they might have expected a slightly larger window within which to establish themselves”. [Full Story]

**From Tech Republic**

“The ‘next big thing’ for these users, who devour technology as quickly as it appears, is the use of carrier-grade instant messaging (IM) solutions from Microsoft, Yahoo, and AOL.

(…)

It’s catching on in the corporate environment as technology planners recognize the potential for enabling **faster communication** and creating more opportunities for **ad hoc discussions between employees and external**
partners. The application becomes even more powerful when combined with features like document sharing, whiteboarding, and graphics. [Full Story]

Commentary by...
Brian Subirana, IESE professor

Instant messaging: the story recurs
Instant messaging’s benefits are clear. They are due to the possibility of being notified what buddies are connected to the Internet and their availability, in addition to instant communication, non intrusive and low cost. In order for the system to work, it is necessary to have a common repository and access to everyone.
If the model is built on the incompatibility of the systems, the battle to dominate the market and the standard is understandable – there are networks externalities, scale economies and an important lock-in effect.
In fact, compatibility between users is essential to many applications. From the point of view of the client, we can think of the success of 'Microsoft Word' –with one provider- or GSM telephony –with a clear standard.
The current situation is not beneficial for anybody and it could become more serious as the service becomes more sophisticated and offers access from different devices –phone, PDA, TV- and channels, and advanced customized services –using privacy preferences P3P and other related standards.
In the meantime, a limited use of the instant messaging possibilities will bring many advantages to users.
Consumers are used to the lack of clear standards, and partly for this reason, most people only use their mobile phone to talk and send SMS messages.
The lack of standards is impeding the success of the many possibilities that technology offers, among them instant messaging via the mobile phone. In Finland, the SMS message ‘Where are you?’ is frequently in the top 5. Why not instant messaging via the mobile phone when there is a proven need? The story recurs… with nuances.

REPORTS

Internet, the most powerful advertising medium for reaching executives
Tittle: Business Decision Makers Online
Source: Washingtonpost.com
Date: September 2002
Abstract: According to a poll carried out by the digital edition of the Washington Post newspaper among 999 executives, 60% of business decision managers consider the Internet to be the best media to include in an advertising campaign aimed at reaching them.
The study reveals that 77% of executives use the Web to find out about new products and companies. Moreover, most professionals think that advertising on the Web gives products and services a more modern and up-to-date image than advertising on traditional media.
On the other hand, 47% of business decision makers say that the Web has influenced them to make a purchase or obtain a service for their business, compared to 35% for magazines, 24% for newspapers, and only 20% for television.
According to the report, 17% of the executives use the Web at least 5 hours per weekday, while only 9% listen to radio and 7% watch TV.
40% of business decision makers expect their Web usage to increase over the next 12 months, and 55% have increased their Web usage over the past 12 months. As a result of this increased Web usage, 50% have experienced a decrease in the amount of TV they watch, 47% in time spent reading newspapers, 45% in reading magazines and 18% in listening to the radio.
[Full Story]

Online sales fall for the first time in ecommerce history
Tittle: Q3 2002 Online Sales
Source: Forrester
Date: October 2002
Abstract: The sagging economy finally took its toll on consumer spending in Q3 and online retail falls for the first time in ecommerce history. Forrester calculates Q3 online sales at $17 billion, compared with 2002’s consecutive $20 billion quarters.
However, there are some positive indicators for Q4. Forrester forecasts that during the 27-day shopping period between
Thanksgiving and Christmas, online retail will hit $9.5 billion, and Q4 sales will clear the $20 billion bar to be the largest quarter of the year.

On the other hand, while 4 million more households will shop online this holiday season compared with 2001, the **overall spending per person will be less - $433 versus $463 last year** - because they feel more adversely affected by the economy.

[Full Story]

### 30% of the global population uses government online

**Title:** Government Online  
**Source:** Taylor Nelson Sofres  
**Date:** November 2002

**Abstract:** Global government online usage has increased by 4% since it was first measured in 2001, according to a Taylor Nelson Sofres survey.

The report reveals that 30% of the adult population surveyed had used e-government in the last twelve months, compared with 26% in 2001. Only one country fell back (Japan dropping from 17% to 13%). The major gain in government online usage have been in Australia (15%); Turkey (10%); USA, India, and Spain (9%); and France and Germany (7%). In spite of everything, Spain, where the use of e-government is 26%, is far from the countries with high government online use: Sweden (57%); Norway (56%), Singapore (53%) and Denmark (53%). Lastly, information seeking continues to be the major use made of e-government (24% of adults) and this has risen significantly from 20% in 2001.

Downloading (forms, etc) is the second major use made of government online (11%) and this application has risen since 2001(9%).

[Full Story]

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### COMPANIES

**Hewlett-Packard chairman resigns**

Hewlett-Packard President Michael Capellas is leaving the company. He could be the new WorldCom CEO. HP shares fell on the news, down $1.83, or more than 10 percent, to $14.85.

From News.com [Full Story]

**Innovator companies wanted**

The World Economic Forum picks up to 100 pioneers based on criteria of innovation, the potential long-term impact on business and society, growth and sustainability, proof of concept and leadership, However, the lack of candidates has reduced the list to 40 companies this year, among them Montser.com and chips vendor Nvidia.

From Infoworld.com [Full Story]

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### WE RECOMMEND

**Set top box killed the video star**

Over the last few months, Hollywood has announced that it will offer a selection of its movies to users, who will be able to download them from a web site paying for a limited period of time. For The Economist, this possibility means goodbye to the video store, the transformation of the video industry and the beginning of a battle between different agents to get a dominant position in the new scene.

First, it is not clear what standard will prevail, neither what video-playing product will be favourite. Major programmes belong to RealNetworks, Microsoft and Apple, and have 29, 13 and 8 million users, respectively.

According to the article, RealNetworks and Microsoft will lead the way on the PC. However, consumers prefer the movie experience in their living room. The first step will be the evolution of the set-top box—the device that decodes cable or satellite feed for displaying on TV—into a competitive consumer-electronics product. Currently, the design of set-top boxes is largely in the hands of the cable-TV operators. Eventually, however, the cable providers will find themselves ceding control over the set-top box to content creators, on the one hand, and, on the other, to consumer-electronics manufacturers such as Matsushita, Sony and Philips, which cannot afford to lose the battle for the set-top box, because it will replace the VCR.
How to measure productivity?
For many companies, productivity has become a leading indicator of business success and, when they do make new purchases, decisions are almost always based on the potential for productivity gains. However, for *Optimize* magazine, in some cases, companies rely on IT to develop formulas and tools to measure productivity. Moreover, companies are likely to use their own formulas to measure productivity because there’s no clear consensus on how best to measure it. Some measures that business managers use are the creation of new ideas or opportunities, sales per employee, production per employee, operating costs, and customer satisfaction.
Lastly, the article reminds us that some work experts and IT managers have a tip for boosting productivity: Don’t force people to work long hours, because the resulting burnout could hurt productivity in the long run.
From *Optimize* [Full Story]