

Mind the Gap

Europe is gaining fast in e-business—and a more multilingual Web is on the way.

by Rose Lockwood

Electronic business is the crossing point for network and information technologies. Business-to-business (B2B) electronic supply-chain administration, particularly EDI, was originally built on proprietary networks. EDI started life as an acronym for Electronic Document Interchange (reflecting the fact that accounting documents such as purchase orders and invoices were being exchanged), but is now generally assumed to be *data exchange*—since the *document-ness* of the process has become less relevant. By contrast, business-to-consumer (B2C) Internet retail, or e-commerce, was born with the Web. Now, EDI and its successor standards for exchanging a wide range



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of administrative information are moving onto the Web; a new business-to-administration (B2A) form of e-business, enabling companies to interact electronically with public tax and regulatory bodies, is being added as well. The Web has spawned entirely new protocols for B2B processes, such as those used in financial accounting for online transactions, or vertical industry procurement chains.

In its early incarnation, B2B was often international e-business by default, since companies, which could afford to implement EDI systems, were usually large and multinational. As the processes and protocols for all three forms of e-business move onto the Web—the anywhere, anytime medium—all e-business is potentially international. This is what makes the Internet such a powerful influence in the language industries, which exist to support and promote international communication. But if e-business is international, are some markets more international than others?

What about the Lag?

Conventional wisdom has it that Europe—often not differentiated by country—suffers a technology lag, with trends established in North America arriving one, two, or three years (pick your technology, pick your pundit) later. Recent evidence suggests that in Internet time, that lag is diminishing—and may, for some technologies such as mobile communications and ERP software, be disappearing altogether. Moreover, Europe is gradually

achieving economic integration that both demands and supports the development of international e-business. Europe is a multi-lingual and multicultural business region; as e-business takes root, language support will increasingly be built into the fabric of the European network economy.

But what about the Internet lag in Europe? The Jupiter Global Sophistication Index and Global Opportunity Index are tools developed by New York-based Jupiter Communications, Inc. (www.jup.com) to identify the world's top Internet markets. Countries are ranked according to a set of key drivers including overall online usage, home Internet access, GNP per capita, and potential for growth. According to these indicators, Europe is currently home to more than half of the world's most sophisticated Web markets. In the most recent survey, European countries secured 12 of the top 20 spots for Internet sophistication, and 10 of the top 20 spots for future Internet market potential.

According to Jupiter, however, Web ventures in Europe are too oriented toward low-value, high-volume relationships with consumers. In all the key elements of the Internet market—access, commerce, and content—Europe is still at the stage of acquiring customer relationships. To succeed, European Web ventures must move quickly to retaining those customers, and eventually to owning them. European Internet access has been opened up significantly in the last year, due to the introduction of free services from ISPs (many are start-ups), first in the UK but now spreading to other members of the EU. These are often bundled with limited free access, which helps overcome the greatest hurdle to Internet development in Europe: metered charging for local tele-

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phone calls. While some standardization of access service elements is emerging, it is still a free-for-all, with many competitors chasing local markets; few major players have achieved significant market share.

Conditions on the content side are similar, where most new content offerings are generic portals rather than industry, interest-group, or domain-oriented sites. This is largely due to the linguistic and cultural diversity of the European market, where localization of content means providing content relevant to local markets, and not just translation of content from elsewhere. Given the many different ways to aggregate content for generic portals, it is likely that there will always be more variety in Europe than, for example, in the US. But more sophisticated European Internet communities of interest will be developed, and the first signs are visible in the news and technology domains. UK-based SiliconNews (www.silicom.com) approaches the European technology news domain much as Wired News (www.wired.com) does for the US.

European-based e-commerce is taking root as well. While the number of consumer retail sites (books, household goods, food, flowers, etc.) has been steadily increasing, more advanced consumer services such as banking and finance are also beginning to make an impact, both with customers and with the investment community. Banco Popolare di Milano, one of Italy's top five cooperative banks, recently entered the Internet banking business, targeting their ordinary customer base, and aims to have 50,000 new customers online by 2001. This announcement gave BPM's share value a 10 percent share boost overnight (see Bloomberg Italia and www.bpm.it). Yahoo! Germany and Deutsche Bank 24 started online banking on the Yahoo-DE portal early in 2000. Deutsche Bank 24 claims that the first cooperation between a bank and an Internet media company will

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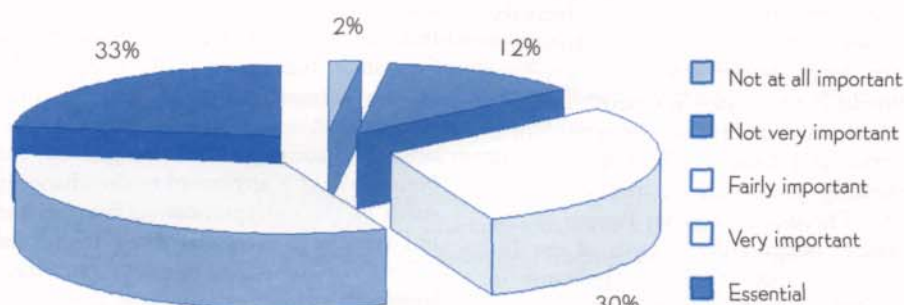
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lead to new standards in the market for online banking (Yahoo! Germany is at www.yahoo.de; Deutsche Bank 24 is at www.deutsche-bank-24.de). And the Belgian online broker Keytrade offered the first online IPO in 1999, for direct-marketing software vendor Fidelity Net Marketing (www.fidelity.be; www.keytrade.be).

Europe Poised for e-Business Take-Off

In late 1999, Market Opinion and Research International (MORI) surveyed more than 700 "Tier 2" companies (i.e., with annual revenues of US\$50-\$1,000 million) in the US and Europe to test Internet readiness. Using interviews with board-level directors responsible for e-business or business-development strategy, the study looked at 200 Tier-2 companies in the US and 100 each in the UK, France, Germany, Sweden, and Spain. Native-language researchers covered a representative sample in the manufacturing, wholesale, and retail sectors (www.mori.com).

Importance of the Internet to US and European Business (in 1-2 years)



Source: MORI poll, 1999

The results have surprised some analysts by showing that the transatlantic Internet gap is narrowing more quickly than expected. UK companies are ahead of their American counterparts in preparing to exploit the Internet, according to this study. More than half of all directors interviewed believe the Internet will be either essential or very important to their business within two years. But directors of UK companies predict a higher proportion of their sales will move to the Internet than do their US competitors. In the UK, the survey showed that directors believe the Web will bring in 15 percent of all sales by 2001, equivalent to more than \$65 billion. This is a higher proportion than in the US (14 percent) and the other European countries surveyed (12 percent), but the differences are not dramatic.

The survey also showed that UK companies are well prepared for e-commerce, as 95 percent have nominated a director to be responsible for e-commerce compared with 91 percent in the US, and only 68 percent in the other European countries. US companies do currently use the Internet more than their European competitors, but the gap, particularly with the UK, is not wide. In the US, 53 percent of companies use the Web for buying products and 37 percent for selling, while in the UK the figures are 50 percent and 29 percent.

Companies in Northern Europe are, in fact, much closer to the US in their Internet take-up profiles, and the UK and Sweden have expectations for e-business equivalent to those in the US, and much higher than their equivalents in France or Spain. Insofar as there is a lag in the adoption of e-commerce, it may be more north/south than transatlantic.

According to studies published by the European Commission, European B2B Internet spending is doubling every three to four months, and Europe is catching up with North America in this area. With 50 million consumers, Europe's B2C potential is huge, particularly if language barriers can be overcome; a KPMG study showed that 30 percent of German e-commerce businesses are already profitable. Internet-driven revenues for US vendors selling online in Europe (such as Cisco) show that there is little difference between North America and Europe when it comes to converting customers to the e-business model. The World Internet Forum (a UK initiative) believes the growth of the Internet will prove to be a facilitator in integrating the European market.

Dot-Coms Hit Europe

E-business grows as ideas and investment are available for innovative offerings, and in the past this has been severely deficient in Europe, where risk-taking and innovation have been less enthusiastically embraced by the business community than in the US. It looks as if the tide is turning on this front as well, and a genuinely entrepreneurial community is emerging, focused on Web business. First Tuesday, for example, is an organization that started as a gathering of 50 friends and contacts for a casual get-together for UK Web entrepreneurs and venture capitalists. It has grown into a network of resources for the Internet entrepreneur in Europe, and sponsors over 30 events a month, in nearly as many European cities, providing meeting places for people, money, and ideas in new media. (The meetings are held on the first Tuesday of each month.) Both First Tuesday and Red Herring's

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Venture Market Europe events show a real revolution in European thinking about e-business start-ups.

There are new equity markets for floating Internet IPOs in Europe, beyond EASDAQ (which was set up to provide a European incarnation of NASDAQ), and including the Neuer Markt in Germany and the Nuovo Mercato in Italy. The Italian Mibtel index is growing at double-digit rates, driven by enthusiasm for Internet stocks. An IPO for software house Finmatica, for example (floated on the Nuovo Mercato), saw demand 75 times greater than supply (See *Il Sole* 24 Ore; www.finmatica.it). The strength of the Neuer Markt is attributed to the changing status of the entrepreneur in Europe, and in Germany in particular where traditional efforts to increase employment have largely failed, and e-business is seen as the future for economic growth. The launch of

Internet pure-play companies such as the UK's freerserve.com and lastminute.com, and the French iBazar, have proved to be the beginning of a flood of new companies playing the e-business card.

European venture-capital funds are also changing tack, with more Silicon-Valley-style emphasis on specialization—such as Amsterdam-based Prime Technology Ventures, which specializes in data and wireless communications and Internet e-commerce investments. The overall volume of private-equity investment in Europe (\$30 billion in 1998, as registered by the British Venture Capital Association and the European Venture Capital Association) is still much lower than in the US (\$85 billion), but as with other aspects of the networked economy, the gap is narrowing. More companies went public in Europe in 1998 than in the US; of the 500,000 new companies formed in Germany in that year, more than 300 are currently in the IPO pipeline.

Europe has also built on its strong track record in creating and supporting science parks (where public subsidies play a significant role) to create new incubator environments for e-business start-ups. Some, such as St. Johns Innovation Centre at Cambridge University in the UK, have been active for years. Others, such as Flanders Language Valley, initiated by Lernout & Hauspie to develop language technology in Ypres, Belgium, have grown out of local venture successes. New incubators are now being created from scratch, such as Protégé's iCocoon, which will incubate four to six start-ups a year in the European consumer and B2B e-commerce space. This will add to Protégé's existing business, helping US companies enter European markets.

All in all, the future of entrepreneurship in Europe has never been brighter; and the future for e-business will be built on that trend. Opportunities for language-support services in this thriving environment couldn't be better.

Equipe is a consortium of analysts and consultants specializing in the language industries. Based in Cambridge (UK), Equipe has associates throughout Europe, and regularly tracks markets, applications, and opportunities for language technology and information engineering. Contact Rose Lockwood at rose.lockwood@equipe.co.uk