

Research Summary

The proposal for this research project was written and submitted in 2000 a year that, in retrospect, signalled an important turning point in what was then being described as the 'new economy'. During the 1990s a set of favourable global macroeconomic conditions and a boom in stock market prices, particularly for the shares of high technology companies had encouraged many commentators to herald the dawning of a new economic era. The capacity of the Internet to transform business and society had begun to enter popular discourse from the early 1990s, along with the predictions of the coming of the 'information superhighway'. However, it was from 1995, with the Netscape IPO, that the idea of the new economy began to circulate more widely as part of accounts of profound economic and social transformation. It was also from this moment that it became accepted that companies might be worth large amounts of money on paper despite the fact that they had yet to make any profits, and that their plans for cost recovery remained obscure in many cases. Strong claims began to emerge among a range of commentators about the capacity of the Internet in general, and e-commerce in particular, to bring about fundamental change. E-commerce was to bring about a 'weightless world' or a 'weightless economy', or even 'the death of distance'. Thus, in the language of the time, the Internet and e-commerce promised to usher in an era of discontinuous change. Accordingly, a new language and a set of new concepts began to emerge about the organisational changes that were taking place. Claims were made about the impact that the Internet would have upon transaction costs and the role of information in market exchange. It was anticipated that the advent of e-commerce would bring about the fragmentation of production networks and value chains, and the Internet and software devices such as search engines would make it possible for potential buyers to search electronic markets at speed and at low cost for supplier and product information that was both rich in content and geographically extensive. The research project set out to investigate these claims and to examine the impacts that e-commerce was having upon specific industries. A range of research methods were employed, including the analysis of texts and a desk based surveys, qualitative interviews with key informants, in-depth observational studies of organisations, and participant observation within e-commerce event spaces.

There were six main objectives. First, to examine the concept of 'virtualism' and to identify what we described as an e-commerce knowledge community (EKC), which was responsible for the evolution and circulation of ideas and concepts underpinning the development of e-commerce. 'Virtualism' refers to the process whereby abstract ideas and concepts are translated into material form. The project revealed that e-commerce was not a straightforward translation of abstract ideas into practice, but was also build 'from the ground up', so to speak, with many practical applications and solutions developed in specific contexts being lifted out and then transformed into broader conventions. In consequence, our *a priori* assumption that the EKC would be made up predominately of management consultancies, business schools, business gurus and the media, was expanded to include a range of actors and institutions involved in more practical activities, such as software engineers, technology providers, and so on.

Second, to analyse the ways in which ideas and concepts were translated into actual practices. During the 1990s there was an inflated anticipation that e-commerce would usher in new regimes of audit and adjudication within the economy, through the use of 'metrics' such as page impressions, hits, etc. These referred to the frequency that web sites were being accessed, and it was the failure to translate such metrics into income that was largely in large part for the dot.com bust at the end of the decade. However, the ideas and concepts that surround e-commerce have infiltrated widely within the economy, because it is now a normative expectation that successful organisations of all kinds will have some degree of Internet or e-commerce capability.

Third, to produce an audit of the EKC. This was accomplished, although as indicated above, it was a much more diverse grouping of actors and institutions than was originally anticipated. Moreover, it also a highly dynamic grouping, with ever shifting boundaries. As e-commerce has become ubiquitous, mundane and less remarkable, defining the boundaries of this community is far more difficult than it was even five years ago.

Fourth, to consider the take-up of ideas and concepts among managers within companies in the music, fashion and retail financial services industries. We chose these industries because the four Principal Investigators had previously undertaken research in these sectors and their familiarity with long-term trends would enable them to more readily identify changes brought about by the introduction

of e-commerce. As a result of detailed research in each of the three sectors, we produced a number of significant findings. We identified what we have described as 'organisational refrains', which are used as shorthand exemplars to indicate the success or failure of e-commerce models. These are rhetorically powerful devices, and include Napster (and more recently, iPod) in the case of the music industry, Wingspan in the case of the US retail financial services industry, and Boo.com in the case of the fashion industry. Key 'facts', concepts and even individuals play similar roles. In addition, the take-up of abstract ideas and concepts about how to 'do' e-commerce varied according to the size of company, with the backgrounds and career histories of managers, and level of contact with the venture capital industry. Thus, abstract ideas and concepts found a more receptive audience in larger organisations, in organisations where managers possessed formal educational qualifications, and where companies had benefited from venture capital.

Fifth, to map the material impacts of e-commerce through an examination of the impacts made on the organisation and value chains of the retail financial services, music and fashion industries. There were clear differences in the extent to which e-commerce had transformed organisation and value chains within the three sectors. In retail financial services, e-commerce has been relatively unproblematically absorbed by established firms as an additional distribution network. This was due to the long experience firms in the sector have had in successfully adopting technology and the problems new start-ups had in displacing incumbents due to the importance consumers place in matters of trust, reputation and brands when it comes to their personal finances. In the fashion industry, meanwhile, e-commerce has had relatively little impact beyond specialist providers, due to the continued importance of co-presence and matters of fit, feel and direct interaction with the body in the act of clothes purchase. Within the music industry, meanwhile, e-commerce has had a radical effect by completely destabilising the industry's value chains. As we have revealed in a number of publications, Internet piracy pioneered a model for e-commerce within the music industry via peer-to-peer networks which has acted as a tipping point for wider restructuring within the industry which has been extensive and wide-ranging.

Sixth, and finally, to consider the ways in which e-commerce has forged new kinds of interactions between companies and consumers. E-commerce has been responsible for the development of new kinds of consumer behaviour. Devices such as 'recommendation engines' ('if you like this, then you might like that', for example.) have broadened, deepened and accelerated consumer knowledges, while firms are able to better monitor sales in real-time enabling firms to adapt more quickly to consumer trends.

In conclusion, since the collapse in the value of 'tech stocks' and the end of the macroeconomic conditions that had fostered the 'new economy', there has been a tendency to dismiss e-commerce as a 1990s fad. However, although much of the rhetoric surrounding e-commerce was often hyperbolic many of its ideas and practices have proved to be highly influential but in mundane ways that it is very difficult to 'brand' as particularly novel or particularly earth-shattering. This is because most of these practices have proved to be logistical frameworks that, by their very definition, *should* sink into the background if they are working successfully. Moreover, as our research indicates, the most conducive environment for such ideas and practices to thrive is probably not the small, 'edgy' start-up, but rather the larger, and much more conventional corporation. Indeed, we would argue that the effects of e-commerce will persist and become more pervasive precisely because they are, in many ways, becoming less remarkable within the contemporary business environment.