

Report:

Trends in E-commerce 2013

The Next Generation: Client-centric E-commerce

Next Three Years:

Survey respondents expecting to conduct almost all business via 'e':

54%

88%

Survey respondents who believe share of 'e' against 'voice' in the marketplace will increase:



Coverage

Single-dealer Platform



A direct interaction between a bank and its clients through a bank's desktop or a Web application.

Multi-dealer Platform



Gathers buy-side and sell-side participants where multiple dealers are pooled for access to the best price.

FIX-APIs



Connects buy-side order and execution management systems with sell-side trading infrastructure for low latency and low-touch trading.

Sellside Challenges

Overcapacity

Since 2007 the number of trading venues, and therefore market capacity, has increased. Volumes and the revenue pool shrank and has not fully recovered yet, leading to an overcapacity of trading destinations.



Regulations

Although regulators are seeking to transfer 90% of the overall market's voice business and associated manual interactions onto electronic platforms, they favor multi-participant trading venues over SDPs.



Budget

Over the years, the cost of building an SDP has increased, with leading banks spending three times more that they did five years ago. The multitude of features needed to create a competitive platform makes projects to build an SDP months-long at a cost of millions of pounds.



No Strategic Alignment



Management of e-commerce business and technology decisions are scattered in most banks. Although 52% of the leading

banks run an internal e-commerce discussion forum, decision-making and funding for e-commerce are still driven by individual teams rather than by a central group.

Digital Investment Banking

Current SDPs are Insufficient

SDPs are built by adding user interfaces on top of existing sellside technology that supports regular trading processes in banks. This has led to the creation of a multitude of client interfaces, at different stages of maturity, quality and breadth of service offering.



Right Portfolio of Services is Needed



SDPs can use their range of comprehensive services to compete successfully with both MDPs and with direct connectivity offerings to capture buy-side flow. Specialisation in pre-trade and post-trade services is a source of strength for SDPs.

Banks Need to Get to the Basics of E-commerce

Banks need to get back to the basics of e-commerce and rethink their offerings. Adding new features to the existing multitude of systems is counterproductive – a holistic and fresh look at e-commerce is needed.



Possible Directions

1 Flow Leadership



Large volume of trades allows low costs through the scale effect.

2 Leadership in Value Added Services

Profits are generated by fees from value added services, such as risk, execution advisory, clearing.



3 Focus on Specific Product

Unique product offering based on in-depth product knowledge.



4 Focus on Specific Client Type

Comprehensive portfolio of services tailored for a specific client type.



5 Focus on Specific Region



Specialisation in a given region, with focus on specific trading patterns, regulations and clients' behaviour.

About the report

This report summarises GreySpark's observations of the trends impacting e-commerce and electronic trading within capital markets and the international investment banking industry.

As part of a 2013 series looking at trends in e-commerce and e-trading, it is the third of four reports, each of which examines current trends in the markets for fixed income, FX and equities e-trading.

All the views in this report are based on GreySpark's hands-on experience working with a variety of capital markets trading firms, advising them on e-commerce and e-trading technology, business models and strategies. The experience is combined with the 2013 edition of e-commerce survey of over 100 participants globally, as well as through a series of qualitative interviews with markets experts.