

MGT 415H5 S

Electronic Commerce

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Week#11 – Success & Failure

Agenda

- ◆ Individual Assignments
- ◆ Review
 - ◆ Project Management
- ◆ This Week
 - ◆ Success & Failure
- ◆ Speaker
 - ◆ Dell
- ◆ Next Week
 - ◆ Strategy

Last Week

Project Management

Why Project Management?

◆ Failures

- ◆ 70% fail on one or more of the following
 - ◆ Cost
 - ◆ Delivery Date
 - ◆ 63% in 2002
 - ◆ 82% in 2003
 - ◆ Functionality
- ◆ >40% are CANCELLED

◆ Success by Industry

- ◆ Retail = 59%
- ◆ HealthCare = 36%
- ◆
- ◆ Government = 18%

◆ So Why Do IT?

Why Project Management?

◆ Best Companies

◆ What they Do

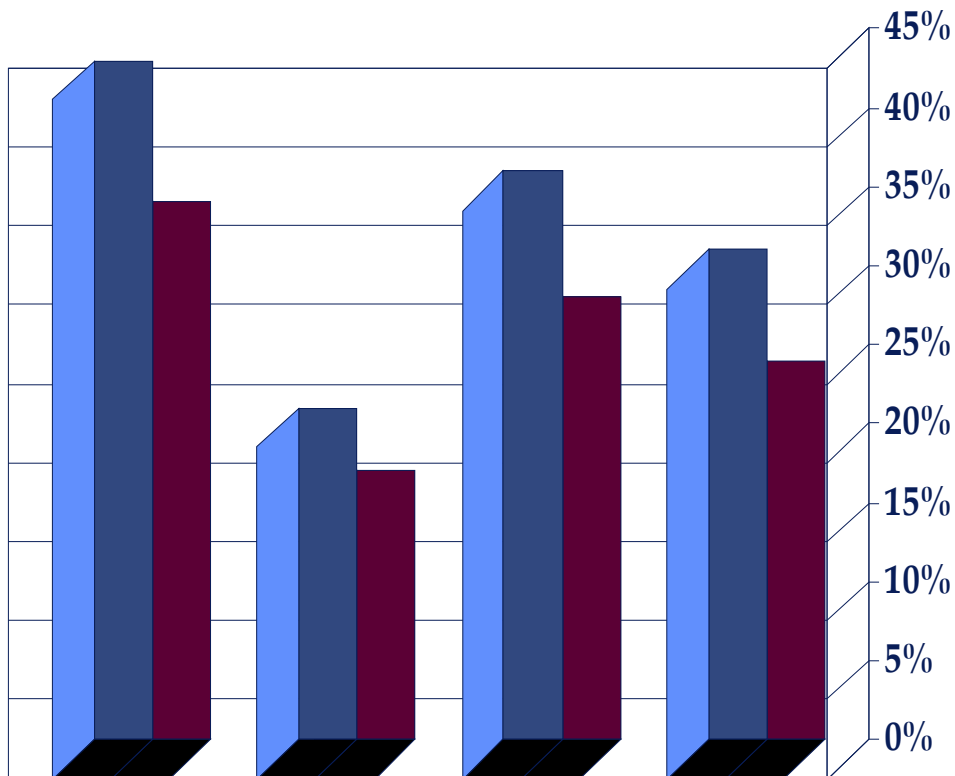
- ◆ Inventory & Ownership
- ◆ Measure & Benchmark: Time & Cost
- ◆ Project Management & Tracking
- ◆ Version Control/Configuration Management
- ◆ Systematic Testing

Outsourcing

◆ Why do this?

◆ Average Pay (US\$)

- ◆ #1 - \$81,553 = UK
- ◆ #2 - \$56,599 = Canada
- ◆ #9 - \$8,593 = India
- ◆ #12 - \$1,762 = Thailand



■ Outsource
■ Get Results

Outsourcing – When Does it Work?

◆ Best

- ◆ All In-house, or Some Outsourced
- ◆ Snr Mgmt & IT Mgmt joint decision
- ◆ Solicit In-house and Out-Sourcing bids
- ◆ Short-term Contracts
- ◆ Detailed Fee-for-Service
- ◆ 1999-2000 contracts

◆ Worst

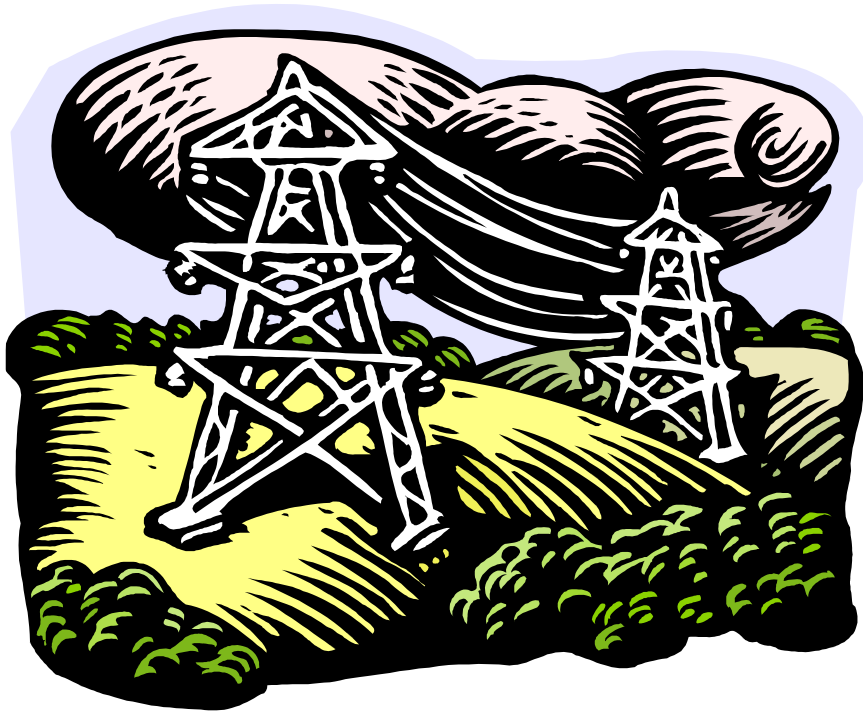
- ◆ All Outsourced
- ◆ Snr Mgmt or IT Mgmt act alone
- ◆ Solicit Out-sourcing bids only
- ◆ Long-term Contracts
- ◆ Other types of contracts eg: flat fee
- ◆ Pre 1999 contracts

Typical Setup



- ◆ Steering Committee
 - ◆ Project Director
- ◆ Business Sponsor
- ◆ Project Manager
 - ◆ Business
 - ◆ IT
 - ◆ Development
 - ◆ Support
- ◆ Business Analyst
 - ◆ SME
 - ◆ IT
- ◆ System Architect
- ◆ Technical Teams

Management - Power & Control



- ◆ Project Environments
 - ◆ Direct Report
 - ◆ Matrix Environment
 - ◆ Out-Sourced

Methodology- Why?

- ◆ Cost of fixing
 - ◆ Magnitude of 10 per phase
 - ◆ so a \$1 saved at Analysis will cost
 - ◆ \$10 after Design
 - ◆ \$100 after Build
 - ◆ \$1,000 after Test
 - ◆ \$10,000 after Implementation
 - ◆ NOTE:
 - ◆ If you get it wrong at Project Definition, it will cost \$100,000 to fix!!
 - ◆ High numbers?
 - ◆ Not if consider the MILLIONS spent to implement ERP systems such as SAP or PeopleSoft
 - ◆ Or a brokerage firm can loose MILLIONS of dollars for EVERY HOUR the system is down
 - ◆ So get the requirements right (during Analysis)

CMM

- ◆ Capability Maturity Model for Software
- ◆ 2001/2002
 - ◆ Newer model
 - ◆ CMMI
 - ◆ Carnegie Mellon
 - ◆ SEI

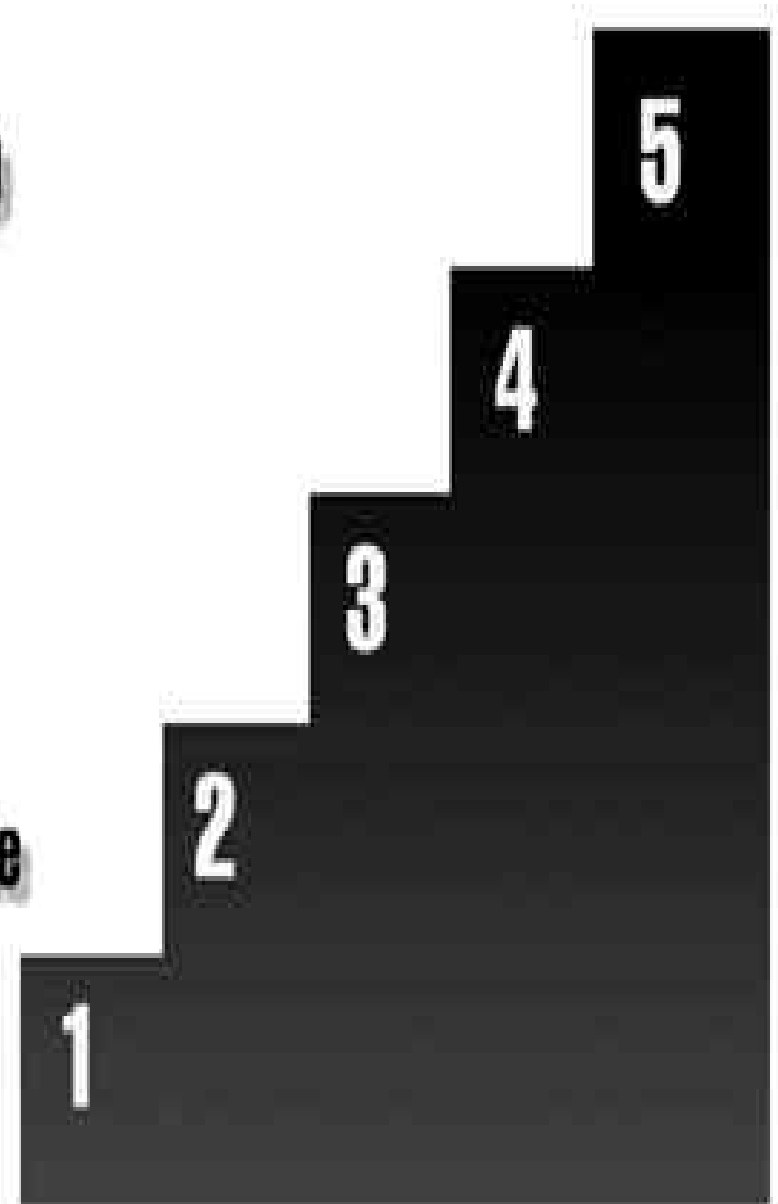
Optimizing

Managed

Defined

Repeatable

Initial



Measure Risk?

◆ Project

- ◆ Size
- ◆ Complexity
- ◆ Scope
- ◆ Time to Completion

◆ Business Involvement

- ◆ Sponsor
- ◆ Buy-in

Estimating?



- ◆ Top-down
- ◆ Bottom Up
 - ◆ WBS
- ◆ Combine
- ◆ Add Risk Factor

Keeping On-Track - HOW?

- ◆ Project Plan
 - ◆ Tracking Tasks
- ◆ Example of Earned Value Chart, using the overhead projector.
 - ◆ Earned Value is calculated by measuring only completed tasks
 - ◆ Using “% Complete” vs “Earned Value”

Rubric (Scoring Model)

%	Measure	Weight: 5	3	1
40%	Improve Responsiveness	Cycle-time 30% less	Cycle-time 20% less	Cycle-time as before
40%	Improve Quality	Zero compaints	80% less than before	40% less than before
20%	Reduce Costs	Save > \$10,000 per year	Break-even (+/- 10%)	Spend more than save

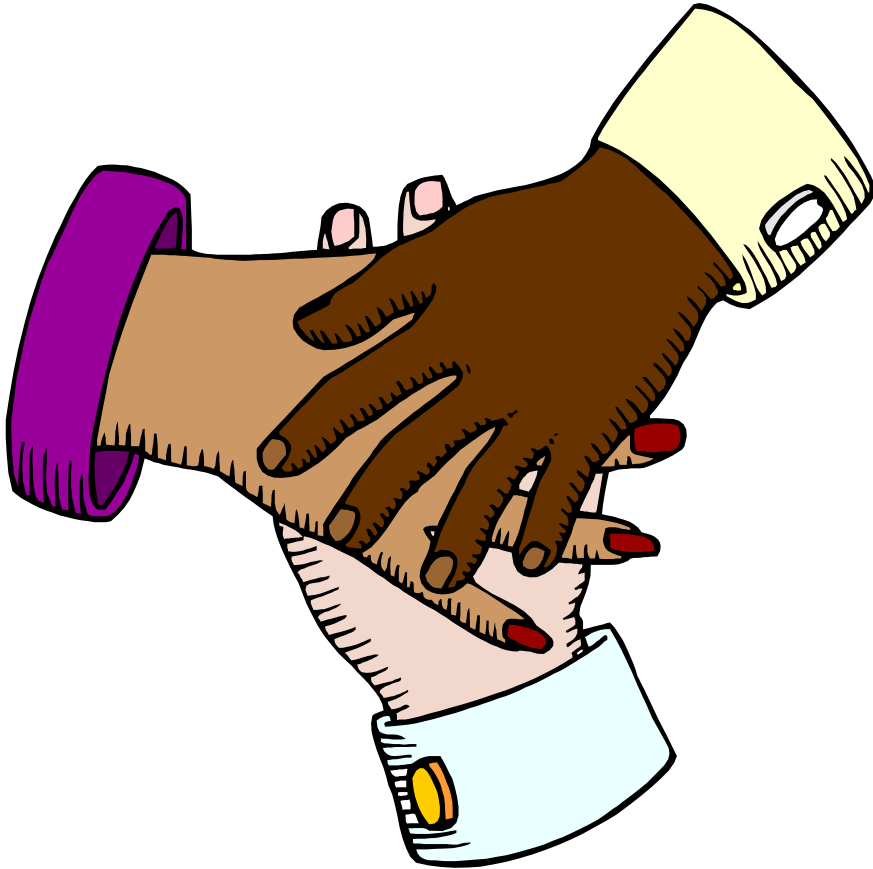
User Satisfaction with the System

- ◆ Mgrs attitude on information needs are met
- ◆ Users on how this enhances their performance
- ◆ Opinion of IS staff
 - ◆ treatment during the project
 - ◆ after the project goes live

Rules to Live By - Duration

- ◆ If it is longer than 6mths, it will be late and over-budget and not meet requirements
 - ◆ Why
 - ◆ Change
 - ◆ business (process and/or people) can change within 6 mths
 - ◆ technology WILL change within 6 mths
 - ◆ How
 - ◆ Deliver
 - ◆ small part of the change
 - ◆ to a small group

Rules to Live By - People



- ◆ People to Duration:
 - ◆ Square Root rule
 - ◆ if project is 36 person months, then you need around 6 people
 - ◆ if less, then run risk of key person dropping out, or overwork
 - ◆ if more, then confusion, as too many people trying to do too little work

Rules to Live By - Prototype

◆ Use

- ◆ Paper
- ◆ CASE
- ◆ Partial system
 - ◆ Risk
 - ◆ 80/20
 - ◆ Next 10% = 80% of the time
 - ◆ Last 10% NEVER gets done

Hints - Along the Way

- ◆ Project Management
 - ◆ Be on target - time & costs
- ◆ How it Looks
 - ◆ User Interface
- ◆ Data
 - ◆ Focus on point of entry
- ◆ Operations
 - ◆ Meet the needs
 - ◆ Business Hours
 - ◆ Housekeeping
 - ◆ System
 - ◆ Records Retention

Success & Failures

Dot Com Bust



- ◆ 2001
- ◆ Example
 - ◆ Webvan (US-dollars)
 - ◆ \$830million
 - ◆ 5yrs
 - ◆ \$454million
 - ◆ Annual revenue
 - ◆ \$178million
 - ◆ Avg order size
 - ◆ \$114
 - ◆ Employees
 - ◆ 4,476
 - ◆ Revenue per employee
 - ◆ \$39,767

Web-sites Dedicated to Failures

- ◆ <http://www.disobey.com/ghostsites/>
- ◆ <http://www.itworks.be/dotcomfailures/>

Ameritrade



◆ www.ameritrade.com

- ◆ New business
- ◆ Mergers
- ◆ Success
 - ◆ 18mths
 - ◆ \$15million
 - ◆ \$30million
 - ◆ \$35million
 - ◆ Revenue
 - ◆ \$713million
 - ◆ Net Income
 - ◆ \$137million
 - ◆ Break-even
 - ◆ 29,000 trades per day
 - ◆ Currently 158,000

Air Canada



- ◆ www.aircanada.ca
- ◆ Commissions
 - ◆ 8.25% to 10%
 - ◆ None
 - ◆ 5% for Canada
 - ◆ 2003Q3 revenue
 - ◆ \$517 million
 - ◆ New Web-site
 - ◆ \$5million
 - ◆ Interim
 - ◆ Mercury Interactive
 - ◆ \$500,000
 - ◆ 25% of bookings

Amazon



- ◆ www.amazon.com
- ◆ Success
 - ◆ Regarded as the best
 - ◆ on-line retailing
 - ◆ Department Store?
 - ◆ 2003Q3 Revenue
 - ◆ US\$1.1 Billion
 - ◆ Operating profit
 - ◆ US\$22million

e-Bay



◆ Perfect Model?

◆ Insertion Fees

- ◆ \$0.30-\$150

◆ Final Value Fees

- ◆ \$0.05 - \$1,400+++

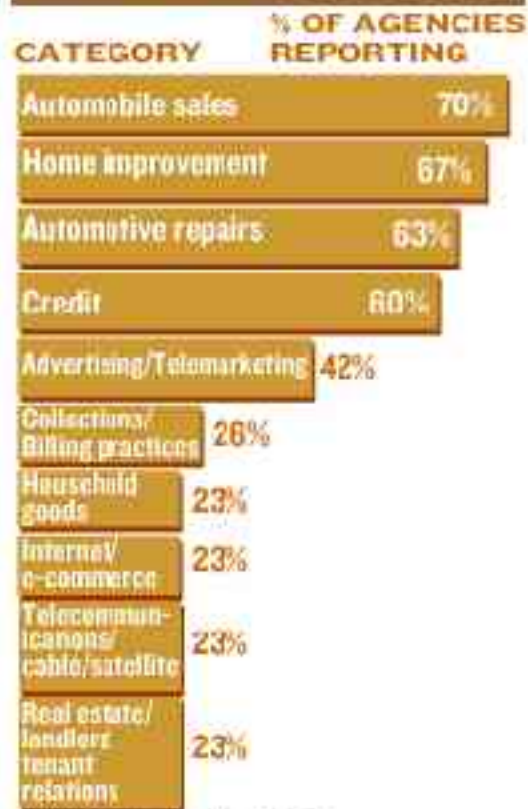
◆ Promotional Fees

- ◆ Approx \$50
- ◆ Optional

◆ PayPal Fees

- ◆ Free
- ◆ \$0.50 per withdrawal

CNN – Reporting on US Consumers



SOURCE: NACAA/CFA SURVEY

◆ E-Commerce & Internet

◆ Up from #13 in 2001

◆ CBC radio

◆ Today

◆ Internet purchases

◆ #1 complaint

Bricks&Clicks



- ◆ Wal-mart
- ◆ Zellers
- ◆ Tesco

Sales Rankings

Company	Monthly Sales	Household Income	Household Quarterly Purchases
MSN	\$ 84,500,000	\$ 61,709	\$ 179
Yahoo!	\$ 83,600,000	\$ 64,503	\$ 183
AOL	\$ 58,900,000	\$ 61,709	\$ 179
Google	\$ 46,500,000	\$ 69,893	\$ 222
eBay	\$ 43,600,000	\$ 68,338	\$ 296
Amazon	\$ 37,000,000	\$ 79,007	\$ 339
Wal-Mart	\$ 9,900,000	\$ 49,637	\$ 94

Neilsen/NetRatings

Forrester Research Inc, 'The Future of Amazon.com', 2003Sep

Speaker - Dell



◆ Anwar Sumar

◆ Dell Canada

◆ E-business

◆ Home

◆ Small Business

◆ Corporate.

Individual Assignment



- ◆ Any issues?
- ◆ Comment
 - ◆ Password

Next Week

◆ Class = Strategy