MGT 415H5 S
Electronic Commerce

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Week#12 - Strategy

Agenda

- ◆ This Week
  - ◆ Strategy
- ◆ Next Week
  - ◆ Last Class
    - ◆ Review

Strategy

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

The Basics

- ◆ Think about what you want to do
- ◆ Research
  - ◆ What others are doing
  - ◆ Technology trends
- ◆ Plan a Pilot
- ◆ Run the Pilot
- ◆ Re-evaluate
- ◆ Plan the next Step

Definition - Electronic Commerce

◆ "Commercial activity over a network, involving data exchange."

- ◆ Commercial Activity
  - ◆ "Service or product for payment, directly or indirectly."
- ◆ Network
  - ◆ Typically the Internet
- ◆ Data Exchange
  - ◆ Sharing of information

e-Commerce Strengths

◆ Communications

◆ Global Access

◆ Integration

◆ So all we need are customers......
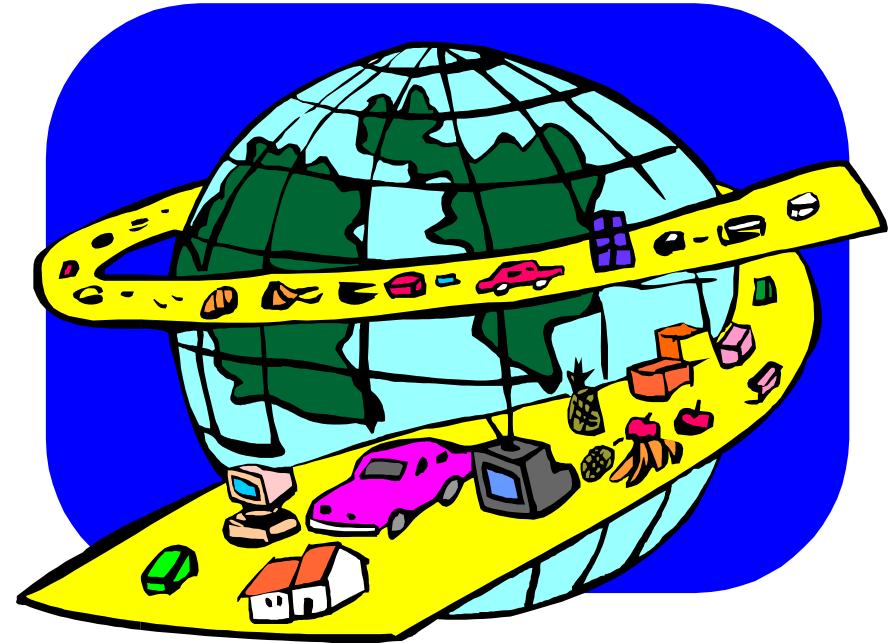
Willing to Pay?

- ◆ Locate Customers
  - ◆ Lists
    - ◆ Good
      - ◆ Register & Permission
    - ◆ So-So
      - ◆ Public information
    - ◆ Bad
      - ◆ Spam
      - ◆ Site steal your info
  - ◆ Bots / Spiders
  - ◆ Channels
    - ◆ X-sell
- ◆ Advertise
  - ◆ Portals
  - ◆ Zines
  - ◆ Search
  - ◆ Site

Willing to Pay?

- ◆ Stealth
  - ◆ Blogs
  - ◆ Pay for search placement
    - ◆ Indirectly
  - ◆ Sponsor
- ◆ Web-Site
  - ◆ Visual
  - ◆ Speed
  - ◆ Content

Willing to Pay for Regular Media?

- X-ref
  - Product
    - Packaging
  - Channels
- Advertise
  - Media
    - Print
    - Radio
    - TV
- Stealth
  - Blogs
  - Chat
  - Comment on Articles

Willing to Pay Big Bucks?

◆ Buy a company
  ◆ Buy bankrupt?

No Money?

- ◆ X-ref
  - ◆ Product
    - ◆ Packaging
  - ◆ Channels
    - ◆ Partner
    - ◆ Links
- ◆ Advertise
  - ◆ Media
    - ◆ Give them a story
  - ◆ Associations/Conferences
    - ◆ Lecture & Promo
- ◆ Stealth
  - ◆ Word of Mouth
  - ◆ Blogs
  - ◆ Chat
  - ◆ Comment on Articles

What's the Competition Doing?

- ◆ Interactive
  - ◆ Web
  - ◆ Cell
  - ◆ Special Events
    - ◆ Conferences
    - ◆ Trade Shows

- ◆ Money
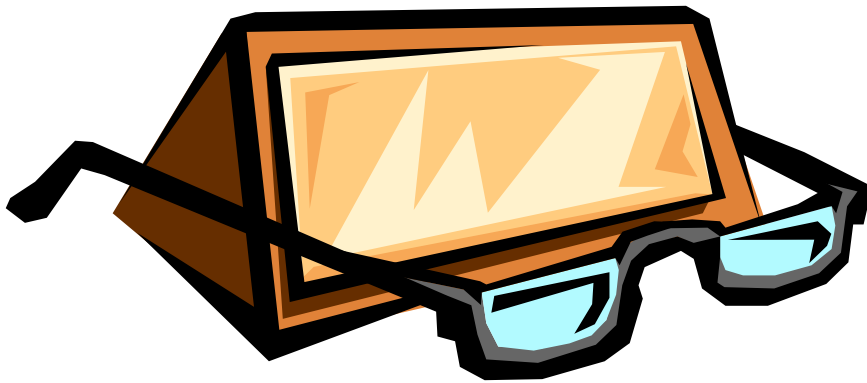 - ◆ Saturate
  - ◆ "Hit & Run"

Bricks&Clicks

◆ Bricks&Clicks
- ◆ Wal-mart
- ◆ Zellers
- ◆ Tesco

◆ Bricks TO Clicks
- ◆ The Long Tall Clothing Company

In the beginning.......

Claiming Your Name

- ◆ Need a name
  - ◆ Search
    - ◆ minimum hits
    - ◆ maximum relevance
  - ◆ Example
    - ◆ Just looking in the Heading
      - ◆ Google
    - ◆ "e-Commerce"
      - ◆ 668,000 Results
    - ◆ "super e-Commerce"
      - ◆ 2 Results
- ◆ Registrars
  - ◆ Many of them
    - ◆ TA
    - ◆ Sympatico has a partner
  - ◆ Annual fees

Deciding Upon a Name

- Pick
  - a country:
    - http://www.iana.org/cctld/cctld-whois.htm
      - yourname.type.country
        - eg: www.bcs.org.uk
  - a highlevel qualifier:
    - http://www.iana.org/gtld/gtld.htm
      - USA (and therefore Canada)
        - .com, .net, .biz, .org, .name
        - .aero, .coop, .info, .museum
      - USA
        - .edu, .gov, .mil

What Do you Want to Do?

- Business Card?
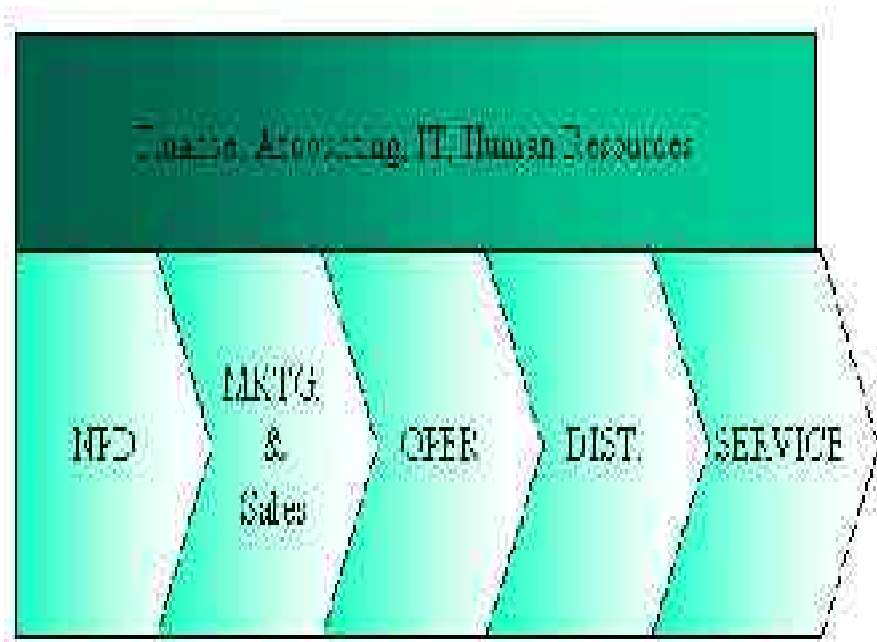- B2B? (or B2G)
- B2C?

Business Model

- ◆ Product
  - ◆ Life-cycle

- ◆ Service
  - ◆ Reputation

- ◆ Product & Service

How are you Going to Deliver?

- ◆ Dell
  - ◆ Fully integrated
    - ◆ Orders to Delivery
      - ◆ UofT
- ◆ Optimized
  - ◆ 10min build
  - ◆ 5hr inventory
- ◆ IMPORTANT
  - ◆ Product or Service?

Constraints

- ◆ Not everyone has access

- ◆ Pipeline
  - ◆ Network speed

- ◆ Delivery Process
  - ◆ Server side
  - ◆ Client Side

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

Usability

- ◆ Objective
  - ◆ Why
- ◆ Task
  - ◆ What
- ◆ Context
  - ◆ Who
  - ◆ When
  - ◆ Where

So How?

Standard Approaches

- ◆ Grow
  - ◆ In-house
  - ◆ Out-source
- ◆ Buy
  - ◆ Add-on
  - ◆ Complete business

e-Bay

◆ Business Grown
  ◆ Add-on PayPal

Amazon

- ◆ Out-Source
  - ◆ Selling their
    - ◆ software
      - ◆ eg: Apple
    - ◆ service
      - ◆ eg: Gap

Ameritrade

- ◆ www.ameritrade.com
  - ◆ Merger = More Customers
  - ◆ Success
    - ◆ 18mths
      - ◆ $15million
      - ◆ $30million
      - ◆ $35million
    - ◆ Revenue
      - ◆ $713million
    - ◆ Net Income
      - ◆ $137million
    - ◆ Break-even
      - ◆ 29,000 trades per day
        - ◆ 158,000

Fresh Direct

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

So What will you Pay?

- ◆ New from
  - ◆ $5,000

- ◆ Upgrades to
  - ◆ $100million

- ◆ Spam
  - ◆ $150,000 - $250,000

Final Thoughts

Web-sites Dedicated to Failures

◆ http://www.disobey.com/ghostsites/

◆ http://www.itworks.be/dotcomfailures/

◆ Top 10 Reasons

- ◆ Nothing Changes Overnight – Takes Time
- ◆ New Stuff Doesn't Replace Old Stuff – Adds on
- ◆ Timing is Everything
- ◆ ....

Need for Action

- ◆ Plan
  - ◆ Work the Plan
    - ◆ Review the Plan
      - ◆ Work the New Plan
        - ◆ Review.....

Right Action

SWOT

- ◆ Vaughan-Bassett
  - ◆ US furniture maker
  - ◆ Competition = China
- ◆ EDI?
  - ◆ Manufacturing
  - ◆ Inventory
  - ◆ Technology
    - ◆ "We have no programmers, because they can only talk to other programmers"
    - ◆ "They're like rabbits; they multiply."

Question: Where can you get a Shopping Basket?

- One of the Simplest is PayPal
  - Creates HTML that you copy into your code
  - Takes multiple forms of payments
    - Drops into your US or Cdn account
      - For a percentage
    - Benefit of not trying to convince the credit card companies that you are a valid company. This takes time, and money
  - Not everyone likes PayPal
    - DNS issue, and Chinese Furniture
- Fully featured from Amazon.com

Questions: How Can You Build a Site?

- Build your Own
  - eg: Korax
    - $200 for hosting – you need to build everything
      - +$200 for secure transactions via https
- Full Service
  - Microsoft's bCentral
    - US $250 per year +++
    - Gets you e- commerce services, such as shopping cart, product management and interactive catalog
    - $++ for payment services through PayPal (or Card Service International)
    - Uses MSN MarketPlace or US$450 for own site
  - Similar
    - net10 – own site, processes payments through net10, US$400++
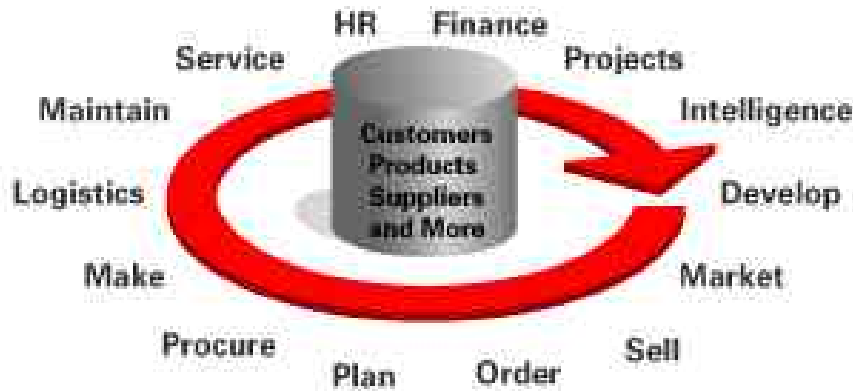   - Yahoo! Small Business – US$240++

Questions: How Can You Build a Site?

- ◆ Oracle
  - ◆ Full service or modules
    - ◆ US$4,000+++
      - ◆ Includes ERP

Questions: How Can You Build a Site?

- ◆ Portal
  - ◆ eg: SlashDot.org
    - ◆ Open Source code from www.slashcode.com
  - ◆ Generate traffic

Questions: How to Select a Host?

- References
  - Who's using what, and is happy
    - Need: (SLA) Up-time, real support and BCM
- Hosting types
  - Shared – many on one box
    - Issues due to traffic slowing/crashing your site
  - Collocated – many boxes, each have a different site
    - Expense
- Blacklists
  - Check
    - May be on a list due to Open Ports
    - Could be hosting porn or spammers
- Size not a Predictor for Future Performance
  - But remember "Get what you Pay For"

Questions: What is a "Box"?

◆ Slang term for Server

Questions: Other Business Opportunities?

- ◆ Ancillary Services
  - ◆ 'Dispute Resolution'
    - ◆ Working with new business area
    - ◆ Comment from student
      - ◆ Cannot resolve, only mediate

Questions: Opportunities?

◆ Old business models have won out

◆ Dot Coms gave rise to a general impression that mentioning e-Commerce and new technology was all required to gain funding

◆ Now require business plan to show positive cash-flow

Questions: Opportunities?

- Giving stuff away, for free, still works
  - Hotmail & Yahoo accounts
    - Portals that generate sales

- Class discussion
  - Tucows.com
    - Freeware/Shareware

Questions: Managing for Success?

- ◆ Balanced Scorecard
  - ◆ Align business objectives
    - ◆ Throughout the business areas
    - ◆ NOTE: Class aware of this concept
  - ◆ Ensure payments based upon the same measures
    - ◆ People do what they are paid to.

Questions: Security?

- When capturing personal information such as credit card numbers
  - https
  - Encryption for storage
    - Credit card information should not be stored
      - Only the Authorization code

Next Week

- ◆ Class = Review