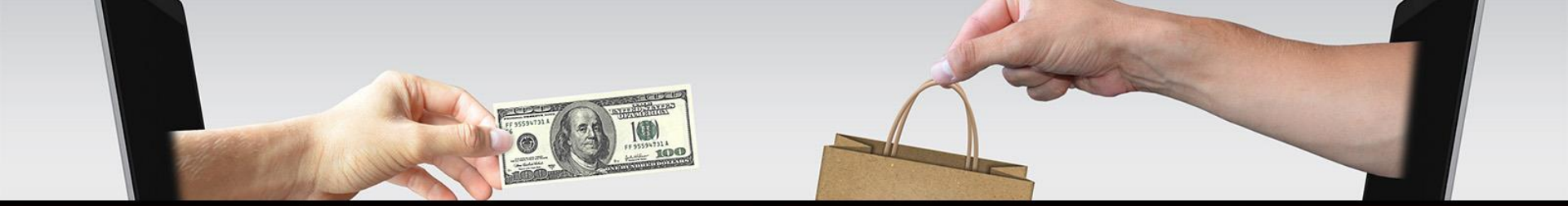


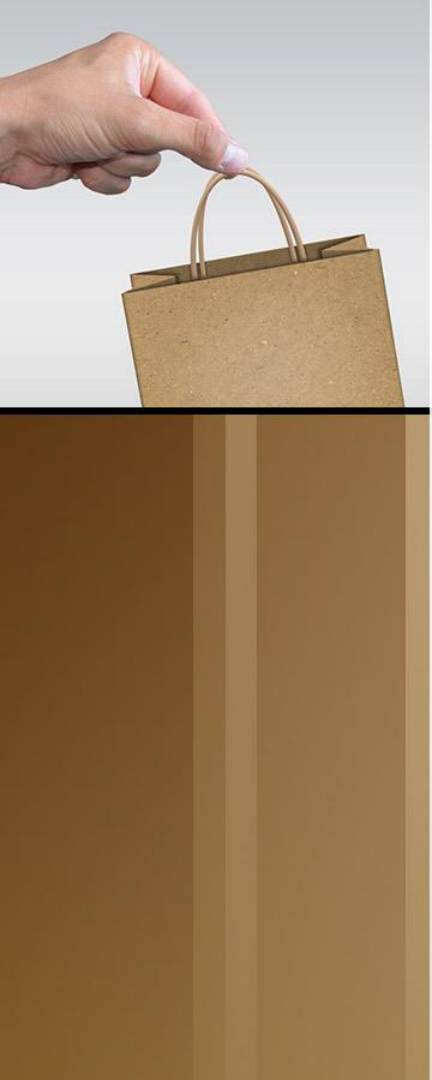


E-Commerce Implementation, Management and Security ICT 2152

**Akila Brahmana
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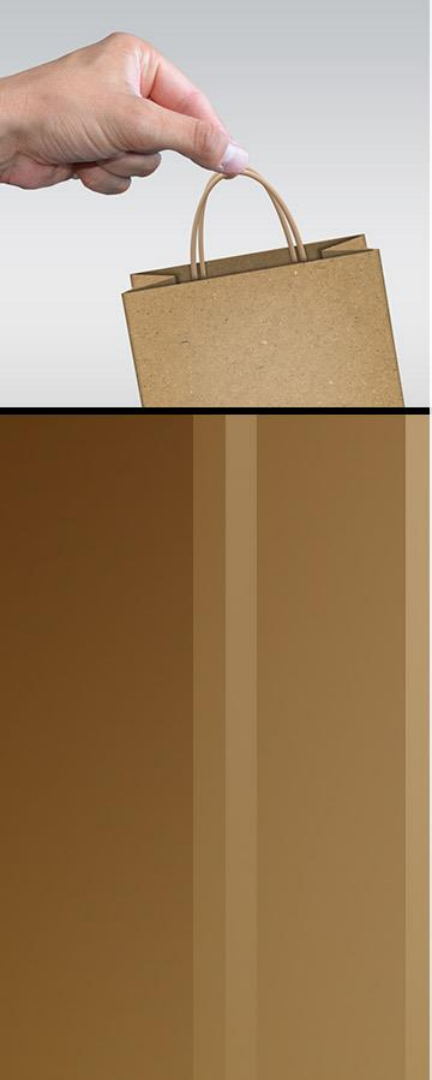


Lecture 03 : Selling on the Web: Revenue Models and Building a Web Presence



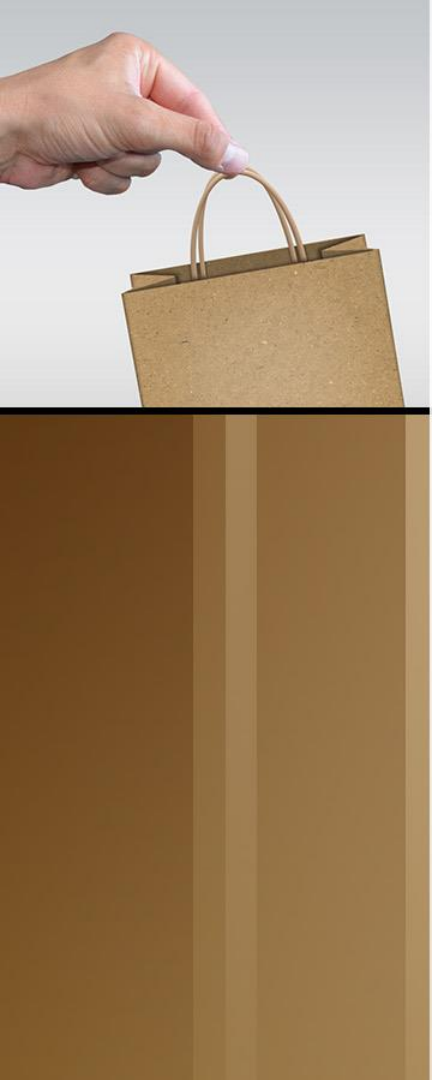
Objectives

- Revenue models.
- How some companies move from one revenue model to another to achieve success.
- Revenue strategy issues that companies face when selling on the Web.



Objectives

- Creating an effective business presence on the Web.
- Web site usability.
- Communicating effectively with customers on the Web.



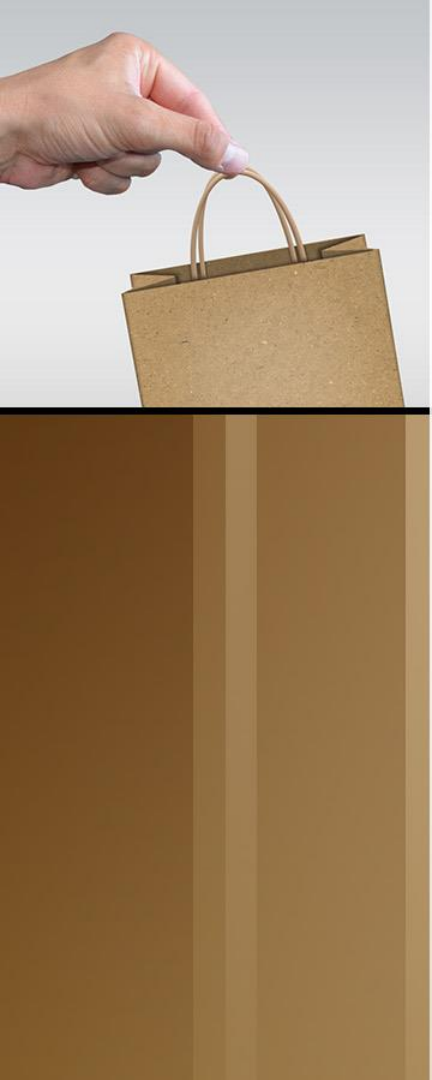
Revenue Models

- A **revenue model** is a framework for generating financial income.
- *A revenue model is how a business makes money.*
- It identifies which **revenue** source to pursue, what value to offer, how to price the value, and who pays for the value.
- Various revenue models
 - Web catalog
 - Digital content
 - Advertising-supported
 - Subscription-supported
 - Fee-based
 - Mix of different models



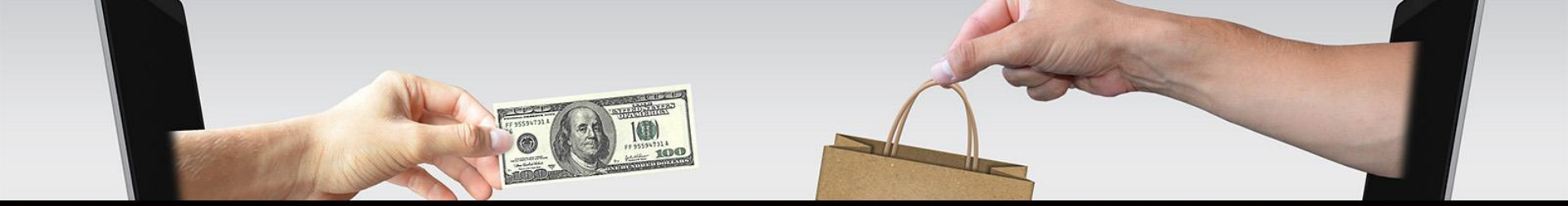
1) Web Catalog Revenue Models

- Revenue model of selling goods and services on the Web
 - ✓ A Web business based on product sales involves selling a physical, shippable product online.
 - ✓ Based on mail order catalog revenue model that predates the Web.
- Mail order or catalog model
 - ✓ Proven to be successful for wide variety of consumer items.
- Web catalog revenue model
 - ✓ Taking the catalog model to the Web.



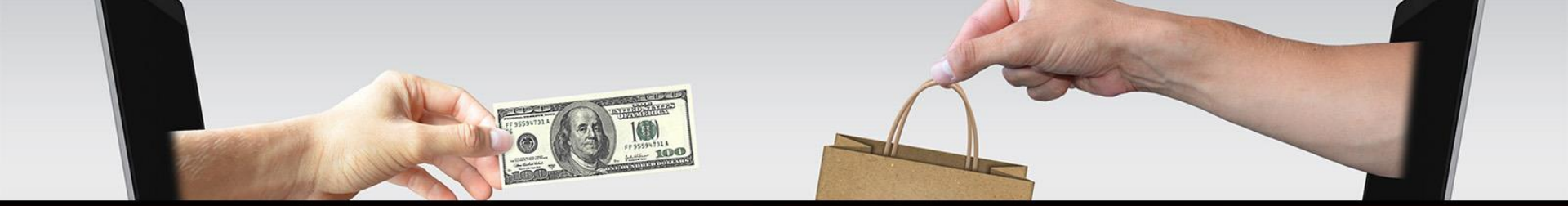
Computers and Consumer Electronics

- **Apple, Dell, Gateway, and Sun Microsystems**
 - ✓ Have had great success selling on the Web.
 - ✓ All above companies sell a full range of products to individuals, businesses and other organizations through their Web sites.
- **Dell**
 - ✓ Created value by designing entire business around offering high degree of configuration flexibility to its customers.



Books, Music, and Videos

- Retailers use the Web catalog model to sell books, music, and videos
 - ✓ Among the most visible examples of electronic commerce
- Jeff Bezos
 - ✓ Formed Amazon.com in 1994
- Jason and Matthew Olim
 - ✓ Formed online music store called Cdnw in 1994
 - ✓ Used the Web catalog revenue model



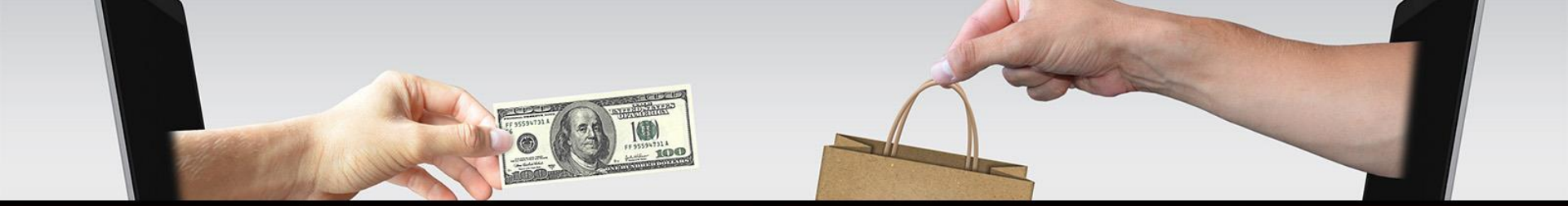
Luxury Goods

- People are still reluctant to buy luxury goods and high-fashion items through a Web site.
- Web sites of Vera Wang and Versace
 - ✓ Constructed to provide information to shoppers, not to generate revenue
- Web site of Evian
 - ✓ Designed for a select, affluent group of customers



Clothing Retailers

- Allow customers to examine the clothing and place order on the Web site.
 - Display casual and business clothing
- Lands' End
 - Pioneered idea of online Web shopping assistance with its Lands' End Live feature in 1999.
 - The customer can chat with a service representative or have him/her call back.
- Personal shopper
 - Intelligent agent program that learns customer's preferences and makes suggestions.
- Virtual model
 - Graphic image built from customer measurements.



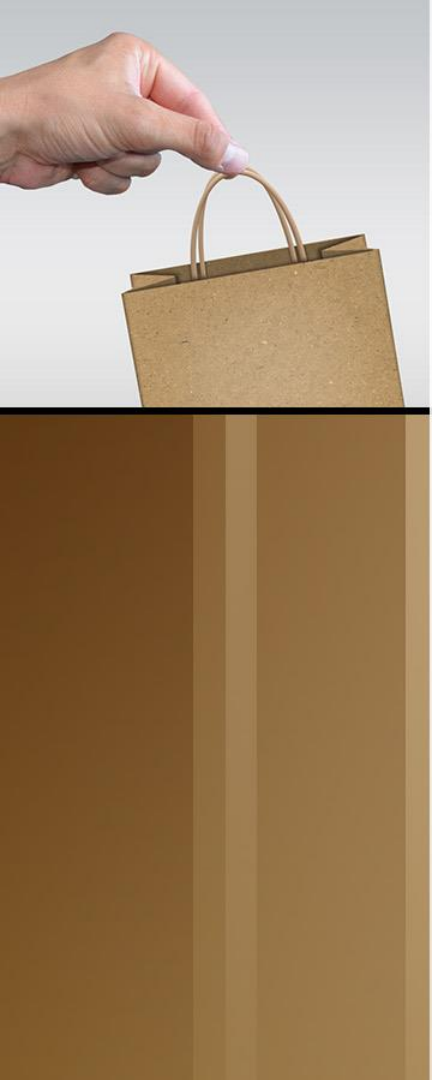
Flowers and Gifts

- 1.800-Flowers
 - ✓ Created online extension to its telephone order business.
- Chocolatier Godiva
 - ✓ Offers gifts and business gift plans on its site.
- These Web sites can be very useful when you need to order gifts and have them sent to your friends and families.



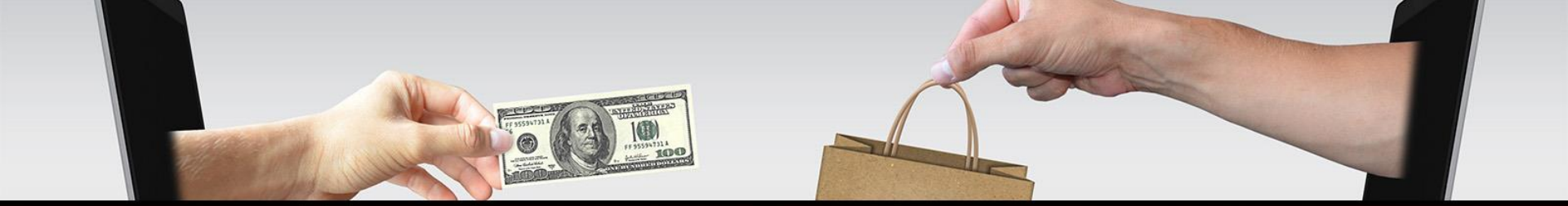
2) Digital Content Revenue Models

- Firms that own intellectual property have used the Web to sell information to customers .
 - Internet is a new and highly efficient distribution channel for information (fast and inexpensive).
- Lexis.com
 - Provides full-text search of court cases, laws, patent databases, and tax regulations.
- ProQuest
 - Sells digital copies of published documents



3) Advertising-Supported Revenue Models

- TV Broadcasters provide free programming to an audience along with advertising messages.
 - The advertising revenue is sufficient to cover other costs.
- Web advertising is less optimistic in generating enough revenue.
 - Successful sites tend to provide pages that attract specific groups of visitors with highly focused interests (About.com).
 - No consensus on how to measure and charge for site visitor views (# of visitors, # of unique visitors, # of click-through, stickiness).
 - *Stickiness of a Web site*: ability to keep visitors and attract repeat visitors.
 - Very few Web sites have sufficient visitors to interest large advertisers.



General-Interest Sites

- Many general-interest sites act as Web portals and provide other services such as Web directory to attract more visitors.
- Web directory
 - ✓ A listing of hyperlinks to Web Pages.
- Portal or Web portal
 - ✓ Site used as a launching point to enter the Web.
 - ✓ Almost always includes a Web directory and search engine.

Example: Yahoo, AOL, Altavista



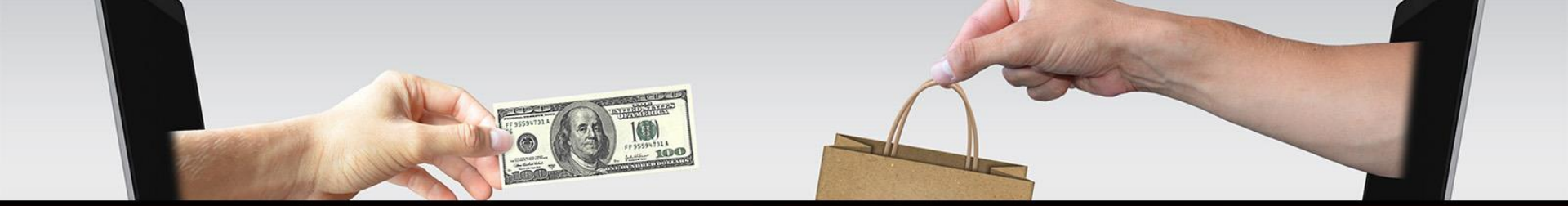
4) Advertising-Subscription Mixed Revenue Models

- Subscribers pay a fee and accept some level of advertising.
 - Used by traditional print newspapers and magazines and also used by them today in their Web sites.
 - Typically subjected to much less advertising than advertising supported sites.
- This model is used by *The New York Times* and *The Wall Street Journal*.
 - *New York Times* (www.nytimes.com) is mostly advertising supported while *The Wall Street Journal* (online.wsj.com) is weighted more heavily to subscription revenue.



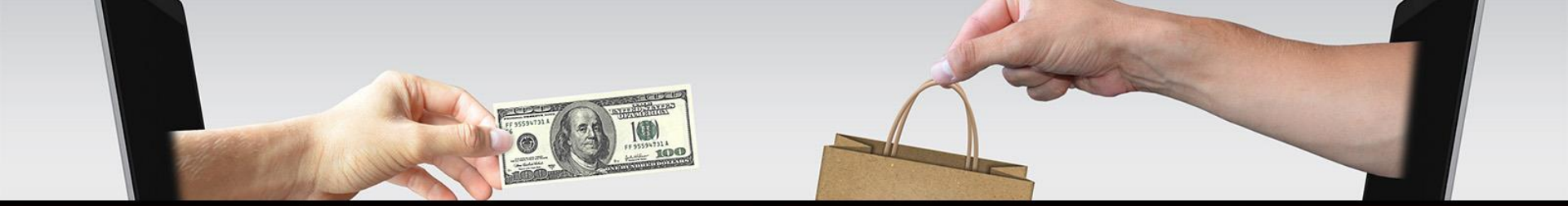
5) Fee-for-Transaction Revenue Models

- Businesses offer services and charge a fee based on number or size of transactions processed.
- Web sites can provide much of the personal services formerly provided by human agents at much lower costs.
 - Disintermediation
 - Removal of an intermediary from value chain
 - Reintermediation
 - Introduction of a new intermediary



6) Fee-for-Service Revenue Models

- Companies offer services on the Web for which they charge a fee based on the value of the service provided.
- Services range from games and entertainment to financial advice.
 - ✓ Growing number of sites include premium games in their offerings
 - ✓ Site visitors must pay to play these premium games



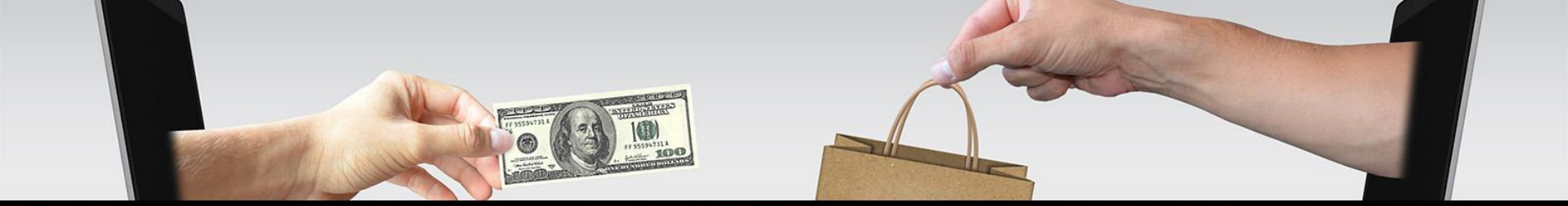
Fee-for-Service Revenue Models Continued

- Concerts and films
 - ✓ As more households obtain broadband access to the Internet, companies are providing streaming video of concerts and films to paying subscribers.
- Professional Services
 - ✓ State laws are one of the main forces preventing U.S. professionals (physicians, lawyers, etc...) from practicing their professions on the Web because their patients or clients may be located in other states.



7) Revenue Models in Transition

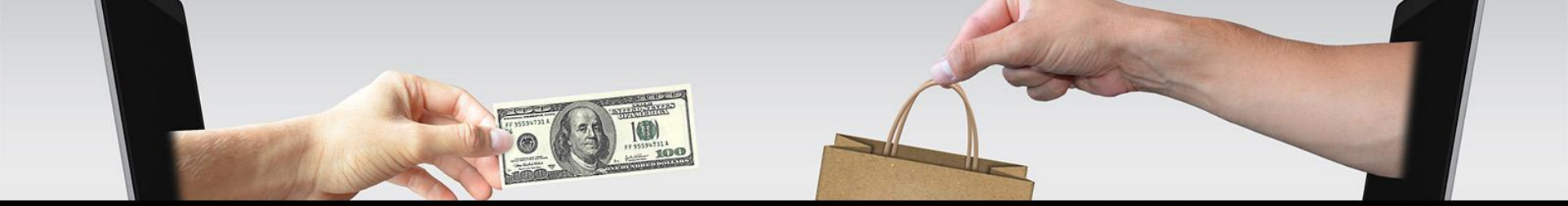
- Many companies have gone through transitions in their revenue models in order to be successful or to adapt to the changes of customers or the economy.
- Subscription to Advertising-Supported Model
 - ✓ Microsoft founded its *Slate* magazine Web site
 - An upscale news and current events publication.
 - Charged annual subscription fee after a limited free introductory period.
 - Was unable to draw sufficient number of paid subscribers.
 - Now operated as an advertising-supported site.



Advertising-Supported to Advertising-Subscription Mixed Model

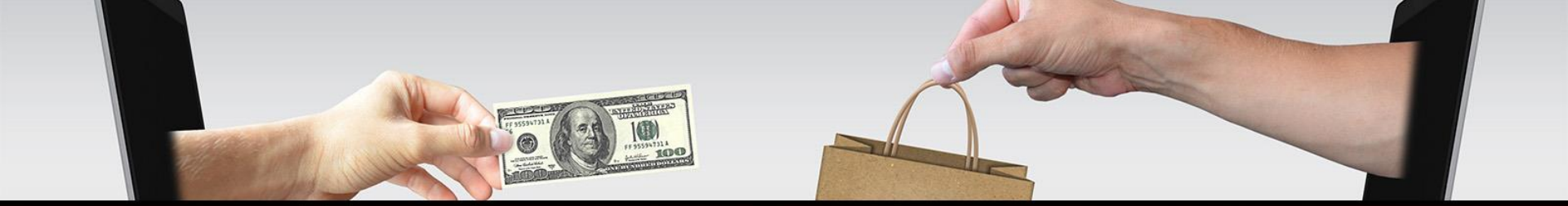
Salon.com

- ✓ Another upscale online magazine
- ✓ Operated for several years as an advertising-supported site
- ✓ Now offers optional subscription version of its site which is free of ads and can be downloaded for offline reading
- ✓ Subscription offering was Motivated by company's inability to raise additional money from investors



Advertising-Supported to Fee-for-Services Model

- Xdrive Technologies
 - ✓ Opened its original advertising-supported Web site in 1999.
 - ✓ Offered free disk storage space online to users who had large files and wanted to access them from several computers at different locations
 - ✓ After two years, was unable to pay costs of providing the service with the advertising revenue it generated.
 - ✓ Later switched to a subscription-supported model.



Advertising-Supported to Subscription Model

- Northern Light
 - ✓ Founded in August 1997 as a academic and business research search engine with a twist (searching both the Web and its own database of journal articles and other publications).
- January 2002
 - ✓ Stopped public access to its search engine and converted to a new revenue model that was primarily subscription supported (annual subscriptions to large corporate clients and individual account option).



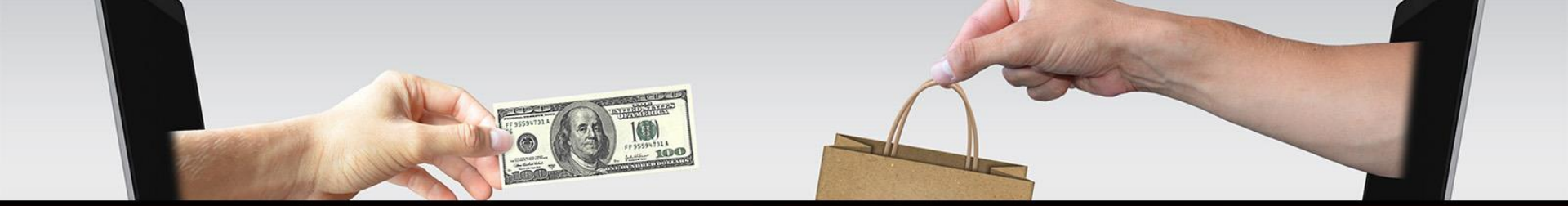
Multiple Transitions

- Encyclopædia Britannica
 - Original offerings included:
 - ✓ The Britannica Internet Guide
 - Free Web navigation aid, a Web directory service, that classified and rated Web sites.
 - Used to attract users to the paid subscription site.
 - ✓ Encyclopædia Britannica Online
 - Available for a subscription fee or as part of a CD package
- 1999
 - ✓ Converted to a free, advertising-supported site because of low subscription sales.
- 2001
 - ✓ Returned to a mixed model because of declining ads.



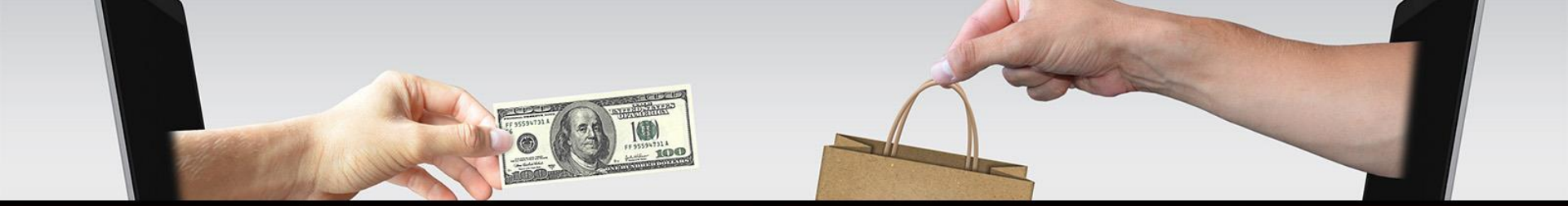
Revenue Strategy Issues

- Channel conflict
 - ✓ Occurs whenever sales activities on a company's Website interfere with existing sales outlets.
 - ✓ Also called cannibalization.
- Channel cooperation
 - ✓ Giving customers access to the company's products through a coordinated presence in all distribution channels.
 - ✓ Eddie Bauer sold clothing on its Web site and allowed customers to return unwanted products at the retail store locations.



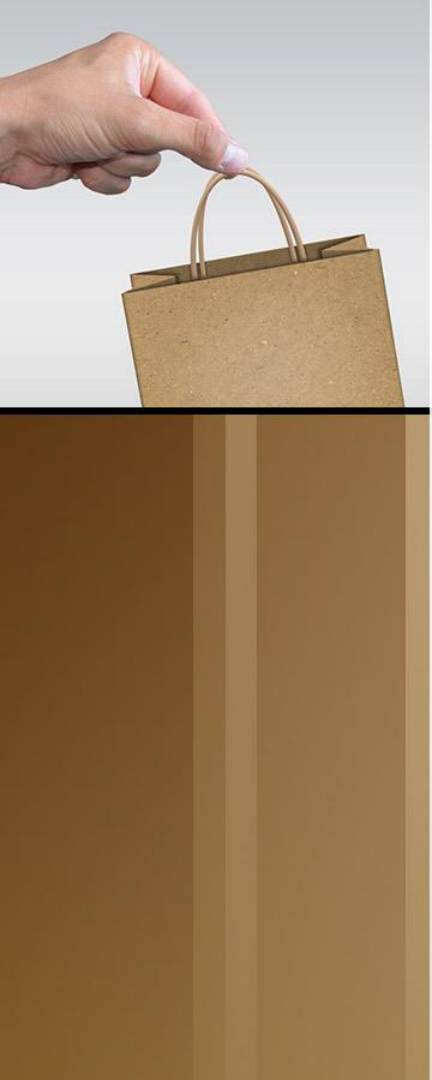
Strategic Alliances and Channel Distribution Management

- Strategic alliance
 - ✓ When two or more companies join forces to undertake an activity over a long period of time.
- Account aggregation services
 - ✓ The service provider provides technologies and services which increase the likelihood of customers to return to a site (add stickiness to Web site).
 - ✓ Amazon forged strategic alliance with many existing firms to sell their products in its Web site.



Strategic Alliances and Channel Distribution Management

- Channel distribution managers
 - ✓ Companies that take over the responsibility for a particular product line within a retail store.
 - ✓ Monitor inventory levels, order products, maintain in-store product displays, and coordinate marketing and advertising of the products.
 - ✓ The channel distribution manager is more knowledgeable about the specific product line.



Creating an Effective Web Presence

- An organization's presence is the public image it conveys to its stakeholders.
- Stakeholders of a firm
 - Include its customers, suppliers, employees, stockholders, neighbors, and the general public.
- On the Web presence is more important because people know the company only through its Web presence.



Achieving Web Presence Goals

- An effective Web site creates an attractive presence that meets the objectives of the business or organization.
- Objectives of the business
 - Attracting visitors to the Web site
 - Making the site interesting enough that visitors stay and explore
 - Convincing visitors to follow the site's links to obtain information



Achieving Web Presence Goals (Continued)

- Objectives of the business
 - Creating an impression consistent with the organization's desired image
 - Building a trusting relationship with visitors
 - Reinforcing positive images that the visitor might already have about the organization
 - Encouraging visitors to return to the site



Profit-Driven Organizations

- Toyota site
 - A good example of an effective Web presence
 - Provides links to
 - Detailed information about each vehicle model
 - A dealer locator page
 - Information about the company and the financing services it offers



Toyota Home page

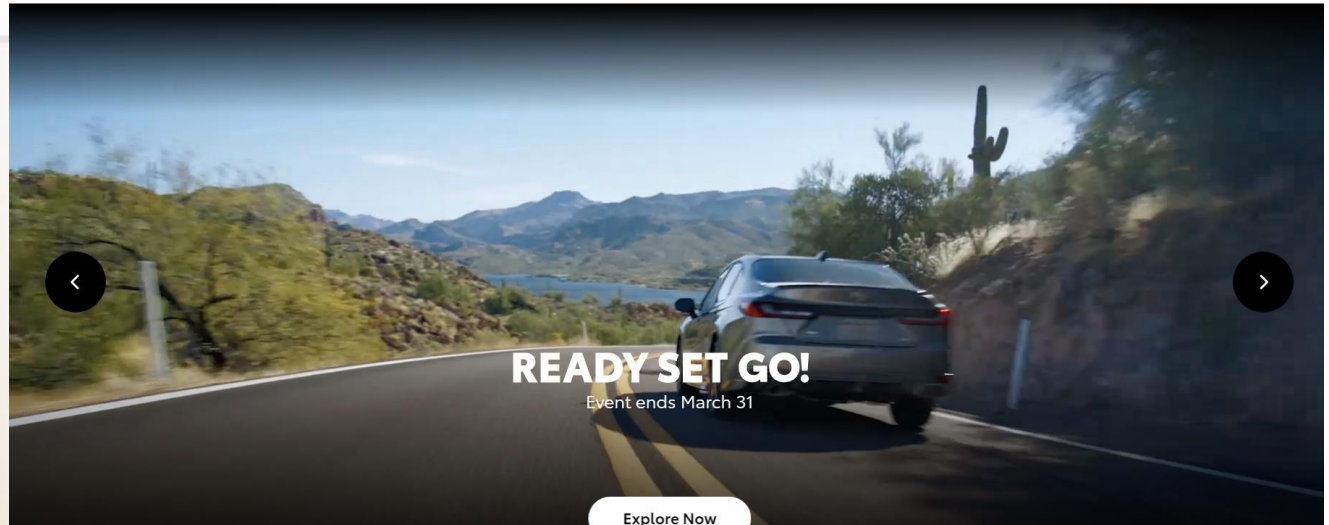


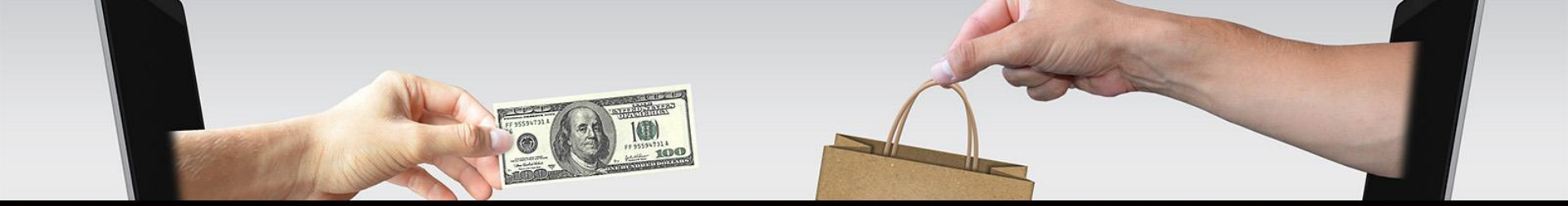
Vehicles ▾

Shopping Tools ▾

Owners ▾

Search Inventory





Profit-Driven Organizations (Continued)

- Quaker Oats
 - ✓ Web site does not offer a particularly strong sense of corporate presence
 - ✓ Site is a straightforward presentation of links to information about the firm
 - ✓ Redesigned site
 - Offers essentially the same information as the previous version but is more colorful and interesting.

Quaker Oats old Home Page




"Quaker man" logo

hyperlink to financial information

hyperlink to employment information

hyperlinks to telephone contact information



The Quaker Oats Company

Site Index

- [Annual Report for 1998](#)
- [Aunt Jemima® Brands Presents: "Tribute to Black Women Community Leaders"](#)
- [This Is Quaker](#)
 - [Quaker's Key Value-Driving Businesses](#)
 - [Financial Objective](#)
 - [Quaker's Vision/Mission Statement](#)
 - [Diversity at The Quaker Oats Company](#)
- [Brief History](#)
- [Corporate Social Responsibility](#)
- [Employment Opportunities](#)
- [General Information](#)
- [Information Numbers](#)
 - [General Information Numbers](#)
 - [Product Specific 1-800 Numbers](#)
- [Meet Our CEO - Robert S. Morrison](#)
- [Other Quaker Web Sites](#)
- [Privacy Policy](#)
- [Recent Management Presentations](#)
- [Shareholder Information](#)
 - [Order The Quaker Oats Company's Annual Reports or Other Financial Reports](#)
- [Supplier Diversity and Small Business Opportunity](#)

Media Relations/Financials

If you would like to get immediate access to financial reports or press releases, you can use the following links:

- For 10K, Proxy, and 10Q reports at the U.S. Securities And Exchange Commission (www.sec.gov):
 - [Open on this screen](#)
 - [Open on a new screen](#)
- For current press releases at PR News Wire (www.prnewswire.com):
 - [Open on this screen](#)
 - [Open on a new screen](#)

© 1999 The Quaker Oats Company. All rights reserved. This site was developed for the U.S. marketplace, unless otherwise specified.
Address: <http://www.quakeroats.com/>
Revised: 4-16-1999

Figure 3-15

Quaker Oats old home page

Quaker Oats Home Page: 1999 Redesign

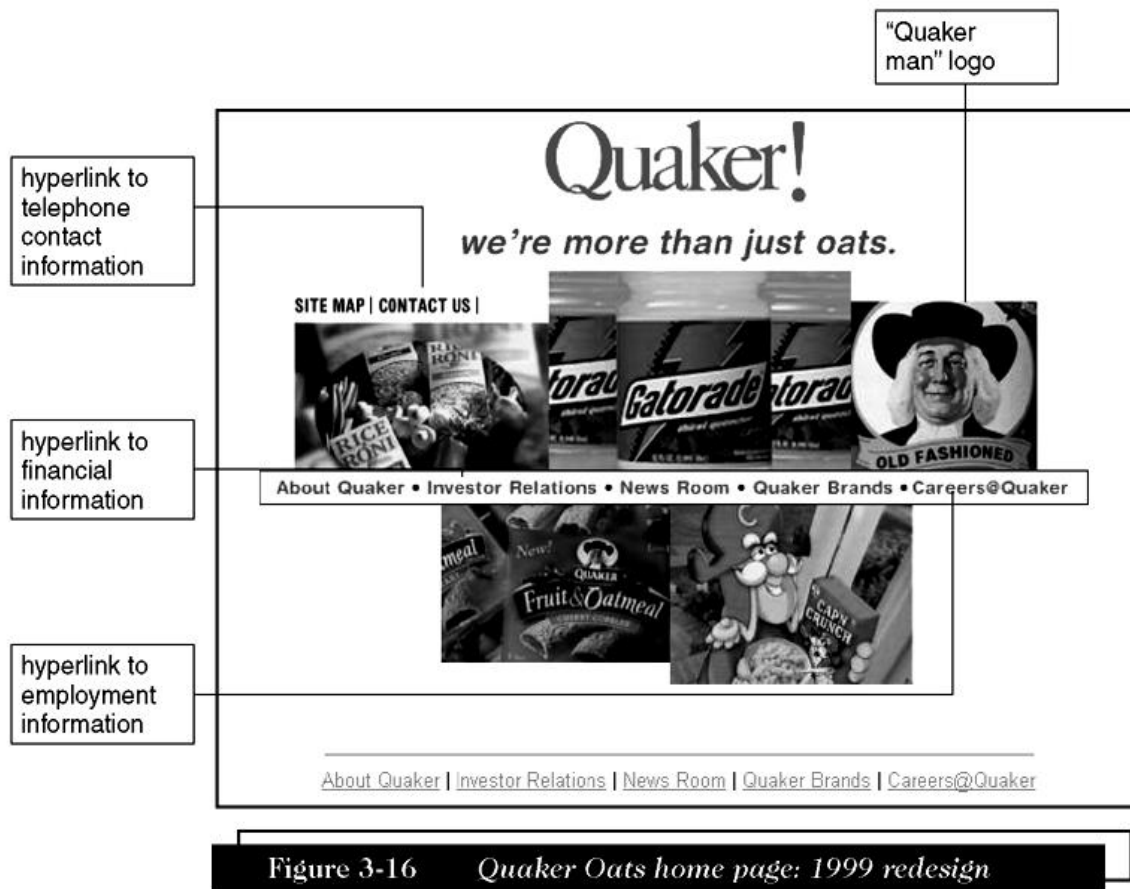


Figure 3-16

Quaker Oats home page: 1999 redesign



Not-for-Profit Organization

- Key goal for the Web sites
 - Information dissemination.
- Key element on any successful electronic commerce Web site.
 - Combination of information dissemination and a two-way contact channel.
- Two-way contact channel is also provided so people can be involved in the organization's efforts.



Web Site Usability

- Web site usability is a term used to denote the ease with which people use the Web site to achieve their goals.
- A good Web site should try to meet the needs of various Web site visitors with different motivations.
- Motivations of Web site visitors
 - Learning about products or services that the company offers
 - Buying products or services that the company offers
 - Obtaining information about warranty, service, or repair policies for products they purchased



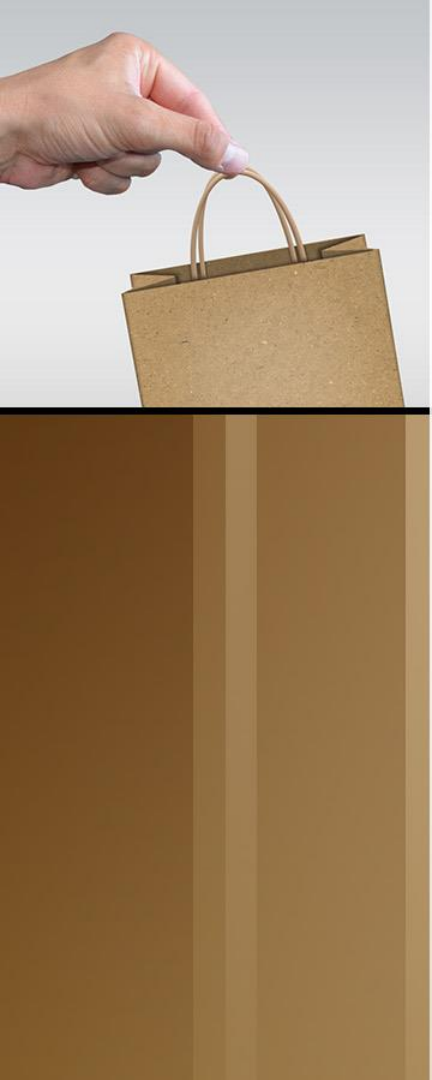
Web Site Usability (Continued)

- Motivations of Web site visitors
 - Obtaining financial information for making an investment or credit granting decision
 - Identifying the people who manage the company or organization
 - Obtaining contact information for a person or department in the organization



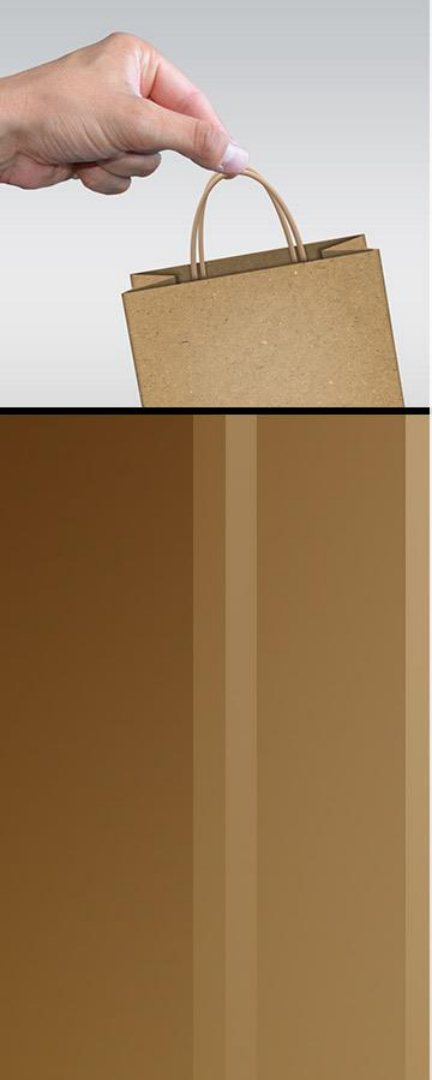
Making Web Sites Accessible

- One of the best ways to accommodate a broad range of visitor needs is to build flexibility into the Web site's interface.
- Good site design lets visitors choose among information attributes.
- Web sites can offer visitors multiple information formats by including links to files in those formats.
 - E.g. choose between HTML, PDF and Excel format.



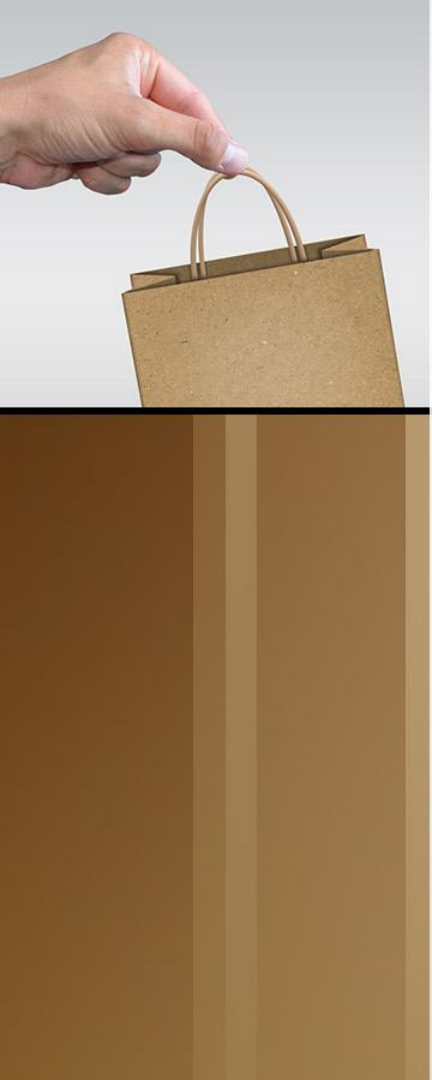
Making Web Sites Accessible (Continued)

- Goals that should be met when constructing Web sites
 - Offer easily accessible facts about the organization
 - Allow visitors to experience the site in different ways and at different levels
 - Sustain visitor attention and encourage return visits
 - Offer easily accessible information



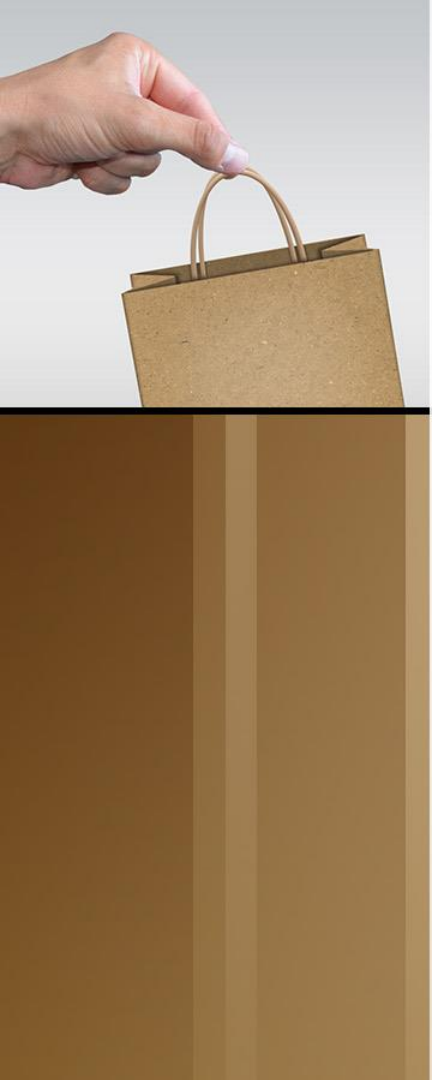
Trust and Loyalty

- A satisfactory customer service leads customers to develop trust in and loyalty to the firm.
- A 5% increase in customer loyalty can yield profit increases between 25% and 80%.
- Good service wins customer trust and repetition of good services can build customer loyalty and prevent customer from seeking other sellers who offer lower prices.



Usability Testing

- Companies that have done usability tests can learn a great deal about meeting visitor needs.
- Usability testing puts Web site in front of customers and gives company the opportunity to watch how customers navigate and use it
- Cost of usability testing is low compared to the total cost of a Web site design.



Customer-Centric Web Site Design

- Putting the customer at the center of all site designs.
- Be focused on customer's buying process rather than company's perspective and organization.
- Guidelines
 - Design site around how visitors will navigate the links.
 - Allow visitors to access information quickly.
 - Avoid using inflated marketing statements.



Customer-Centric Web Site Design (Continued)

- Guidelines
 - Avoid using business jargon and terms that visitors might not understand.
 - Be consistent in use of design features and colors.
 - Make sure navigation controls are clearly labeled.
 - Test text visibility on smaller monitors.
 - Conduct usability tests.



Connecting With Customers

- Knowing how Web site communicate with site visitors help firms to identify and reach out to customers.
- Personal contact model
 - Firm's employees individually search for, qualify, and contact potential customers
- Prospecting
 - Personal contact approach to identifying and reaching customers
- Mass media approach
 - Firms prepare advertising and promotional materials about the firm and its products



Connecting With Customers (Continued)

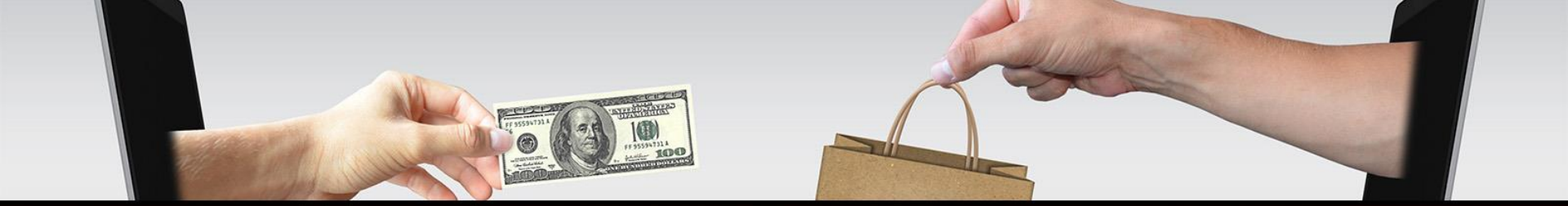
Addressable media

- Advertising efforts are directed to a known addressee and include direct mail, telephone calls and emails.
- Many businesses use combination of mass media, personal contact and addressable media to identify and reach customers.
- One-to-many communication model
 - Communication flows from one advertiser to many potential buyers
 - Eg: Mass media



Connecting With Customers (Continued)

- One-to-one communication model
 - Both buyer and seller participate in information exchange
 - Eg:- Personal contact
- The Web offers many communication channels
 - The buyer actively search for product information and controls the length, depth and scope of the search
 - E.g. many-to-one and many-to-many communication models



Thank you