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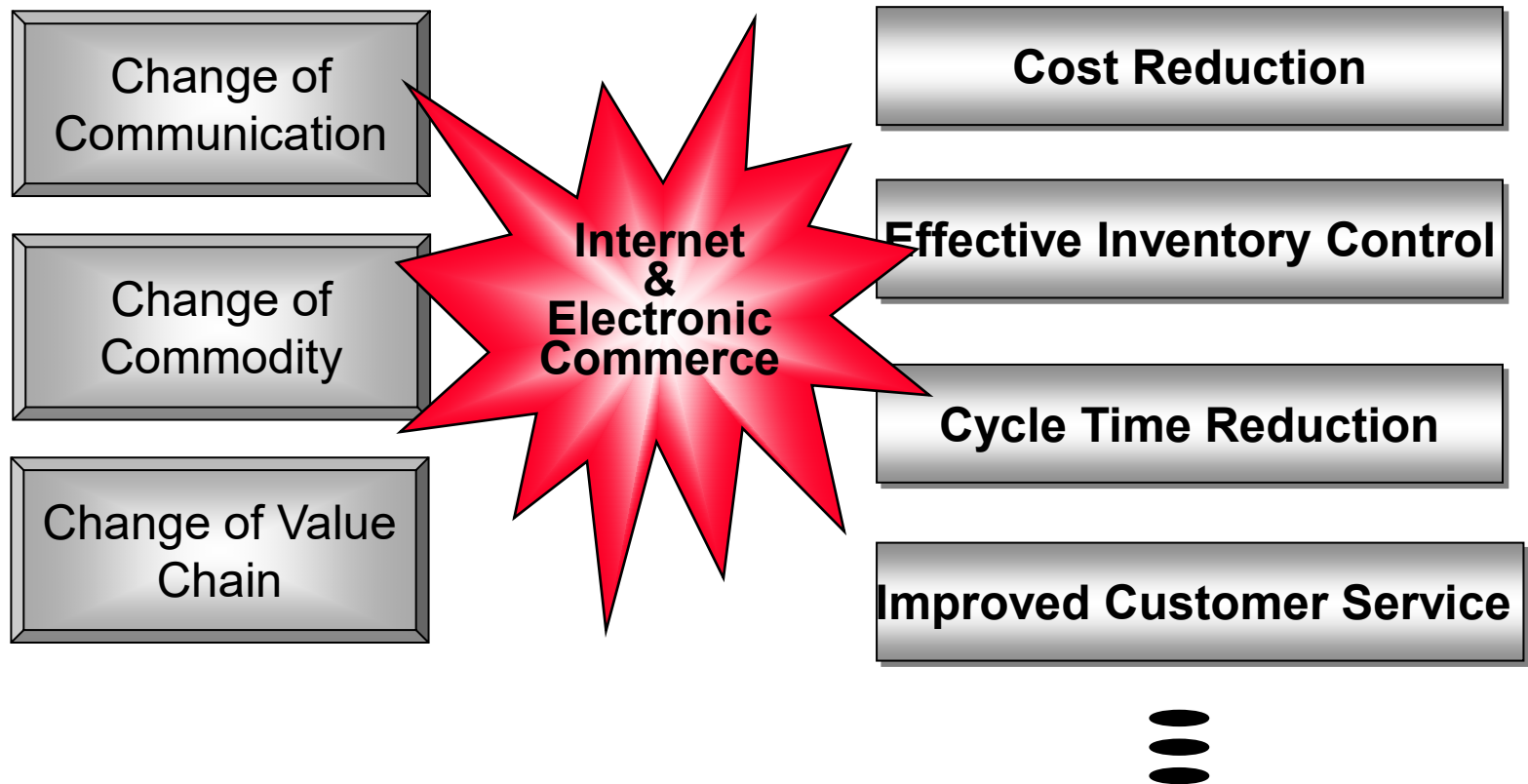
IS Planning and Strategy

Lecture 9 –eBusiness Models and Strategies & Cases

References

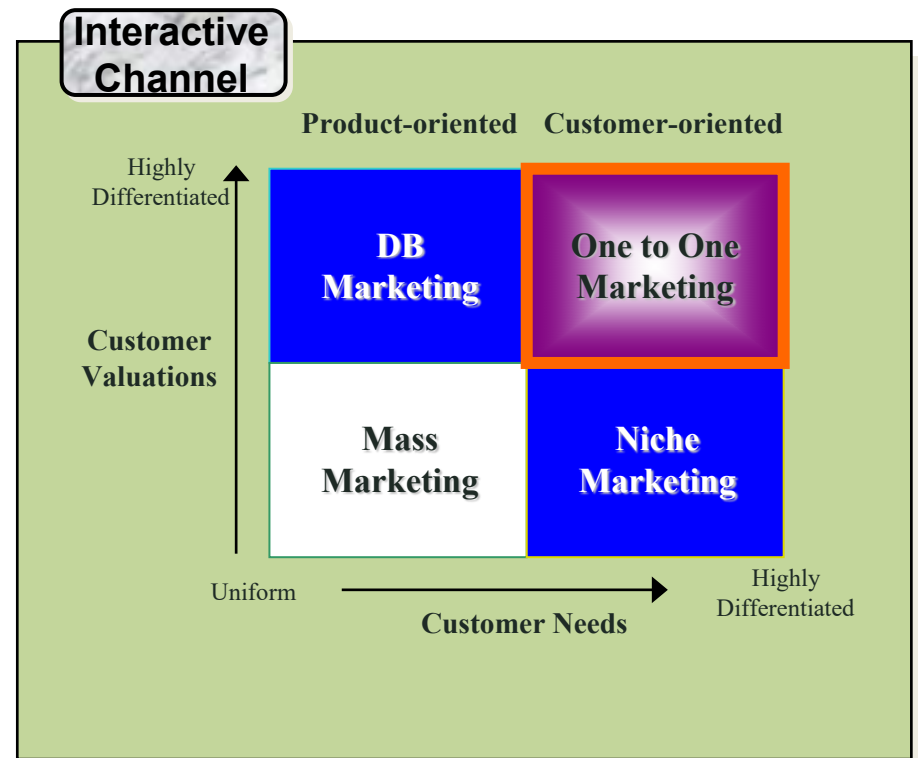
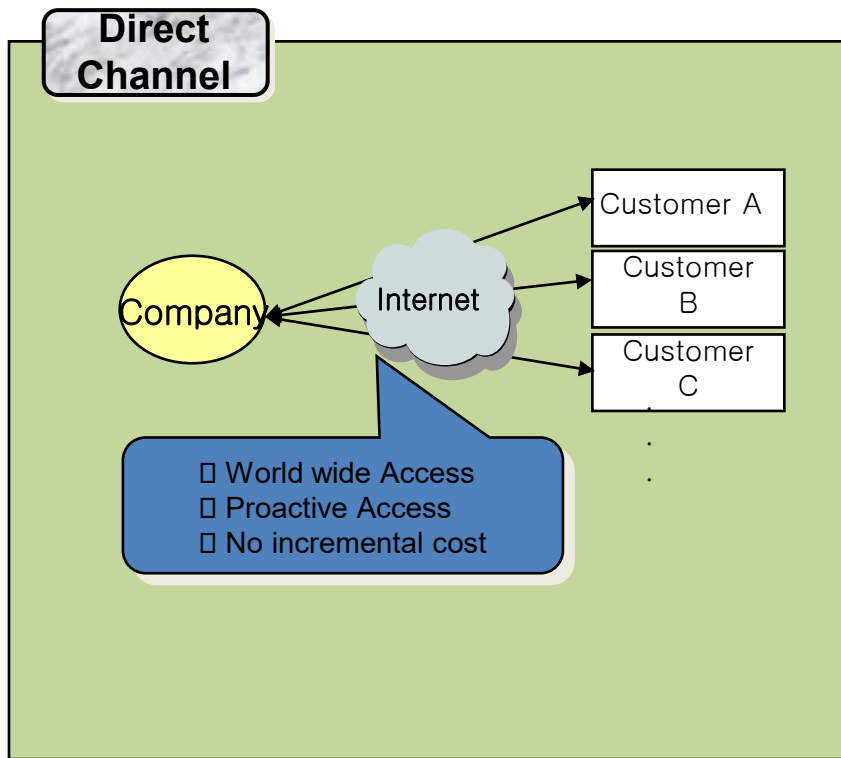
- [1] Turban, E., Leidner, D., McLean, E., Wetherbe, J. Information Technology for Management: Transforming Organizations in the Digital Economy, 6th Edition, John Wiley & Sons, 2008.
- [2] Turban E., King, D., Viehland, D., and Lee, J. *Electronic Commerce 2006: A Managerial Perspective*, Prentice Hall, 2006.
- [3] Rayport J. F. and Jaworski, B. J. Introduction to e-Commerce, 2nd Edition, McGraw-Hill, 2003

Opportunities of Digital Society



The Change of Communication

Direct and Interactive Channel Connection with Customers





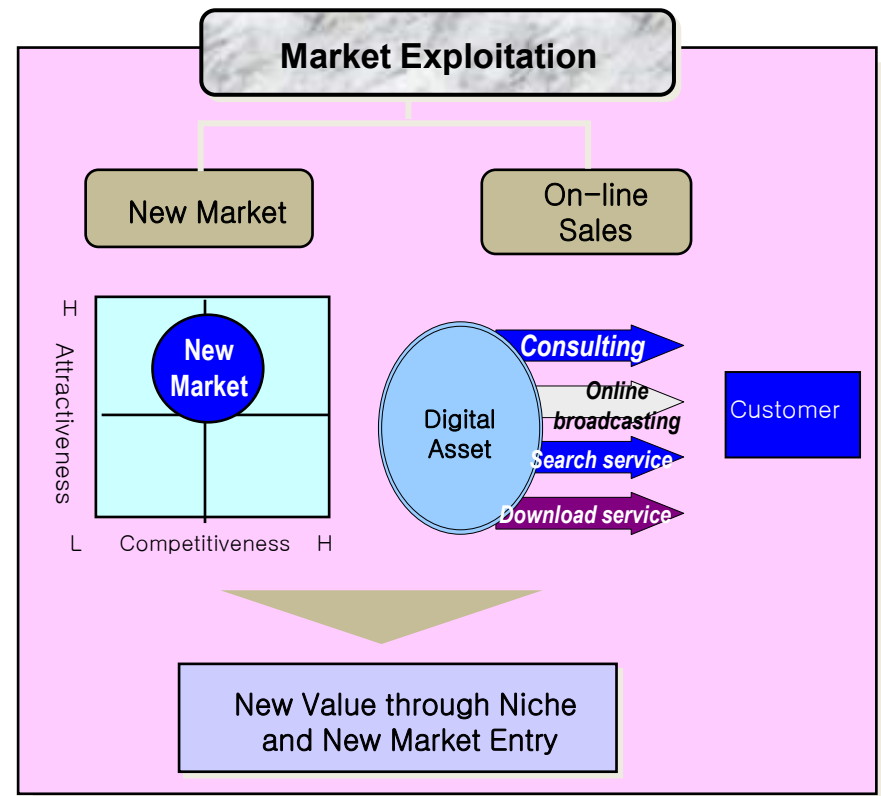
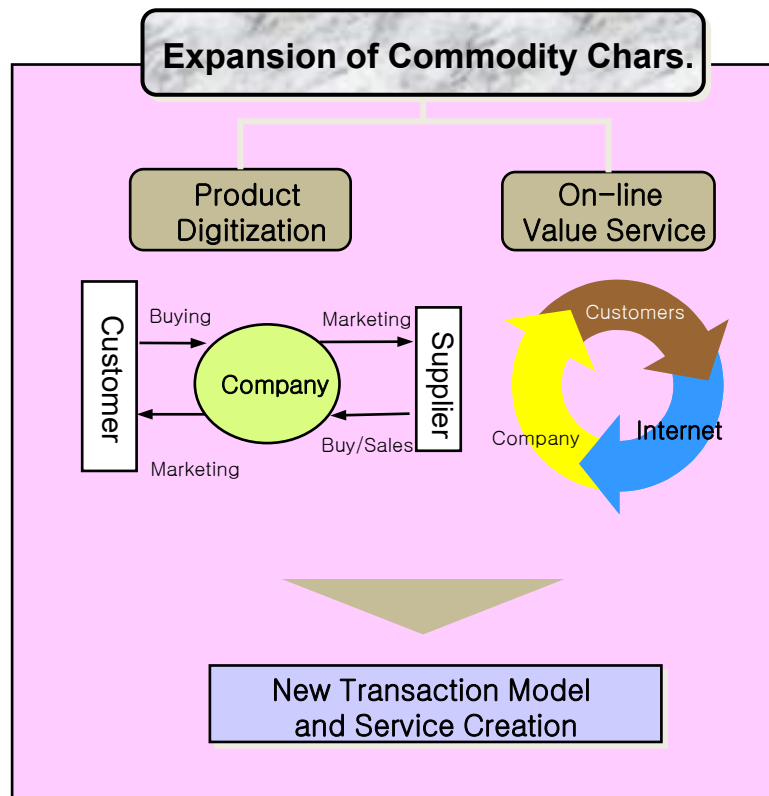
Best Practice: Dell Computer



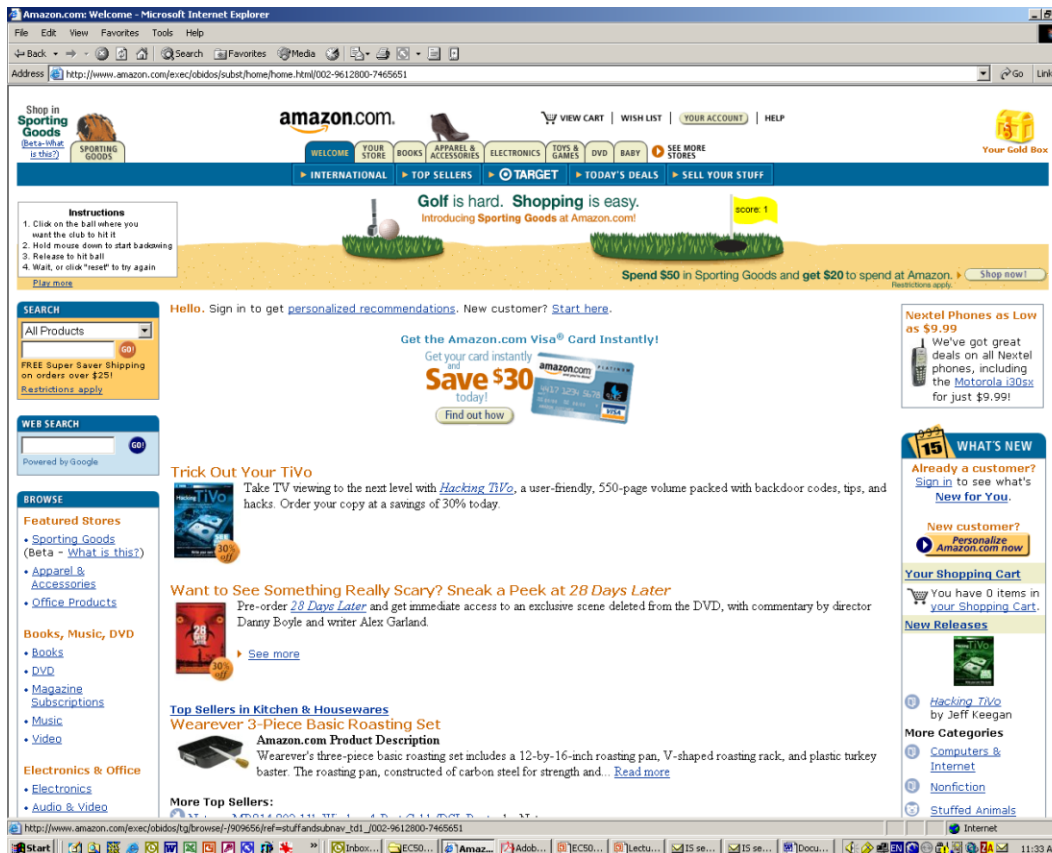
- Build-To-Order
- Direct Sales
- Target Marketing
- More than 80% individual customers
- More than 50% firm customer
- 7 days inventory turnover

The Change of Commodity

The Creation of New Transaction Models and Services



Best Practice: AMAZON.com



- On-line Book Store (more than 250 millions)
- Diverse search
- Book review
- High sales policy (more than 40%)

• Example of Digital platform and Platform Economy – characterized by network effects. Others include Google, Airbnb, Facebook, Uber, Microsoft etc. Additional references: TechTarget, Financial Times.

The Change of Value Chain

The Reduction of Value Chain from Company to Customer

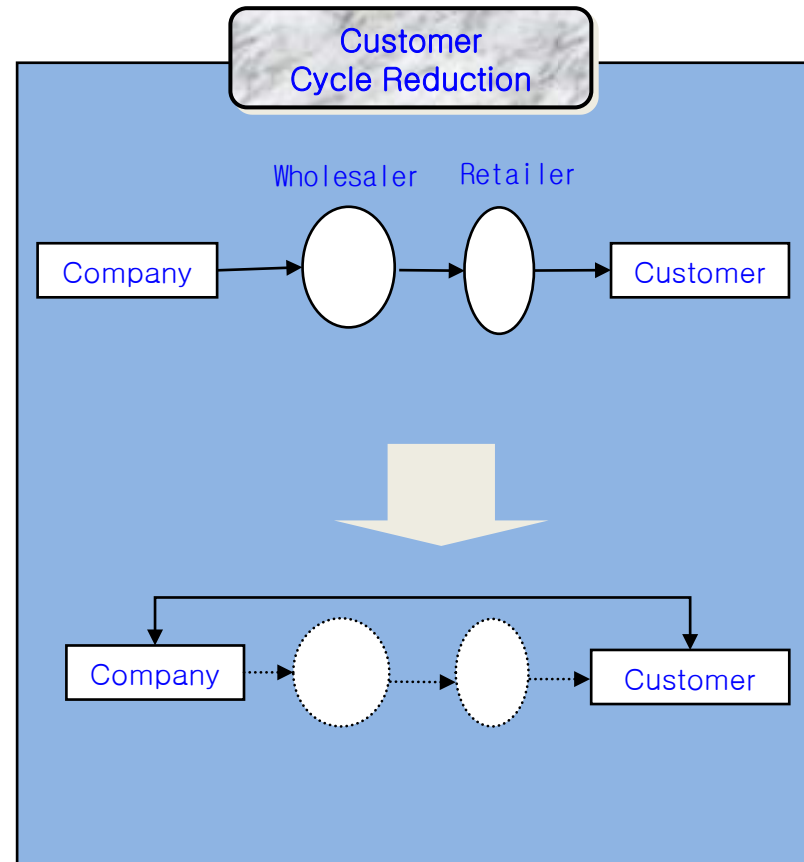
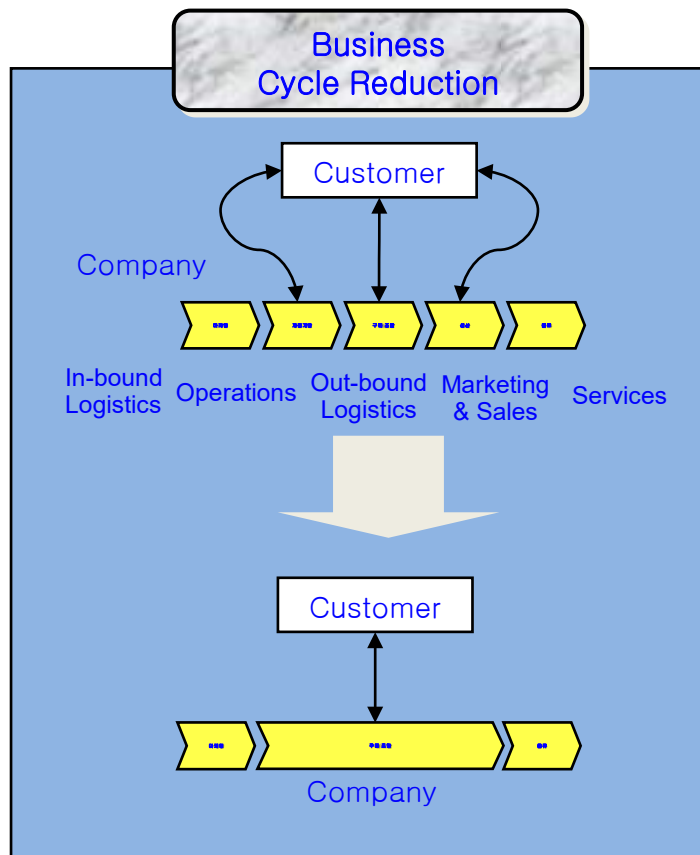
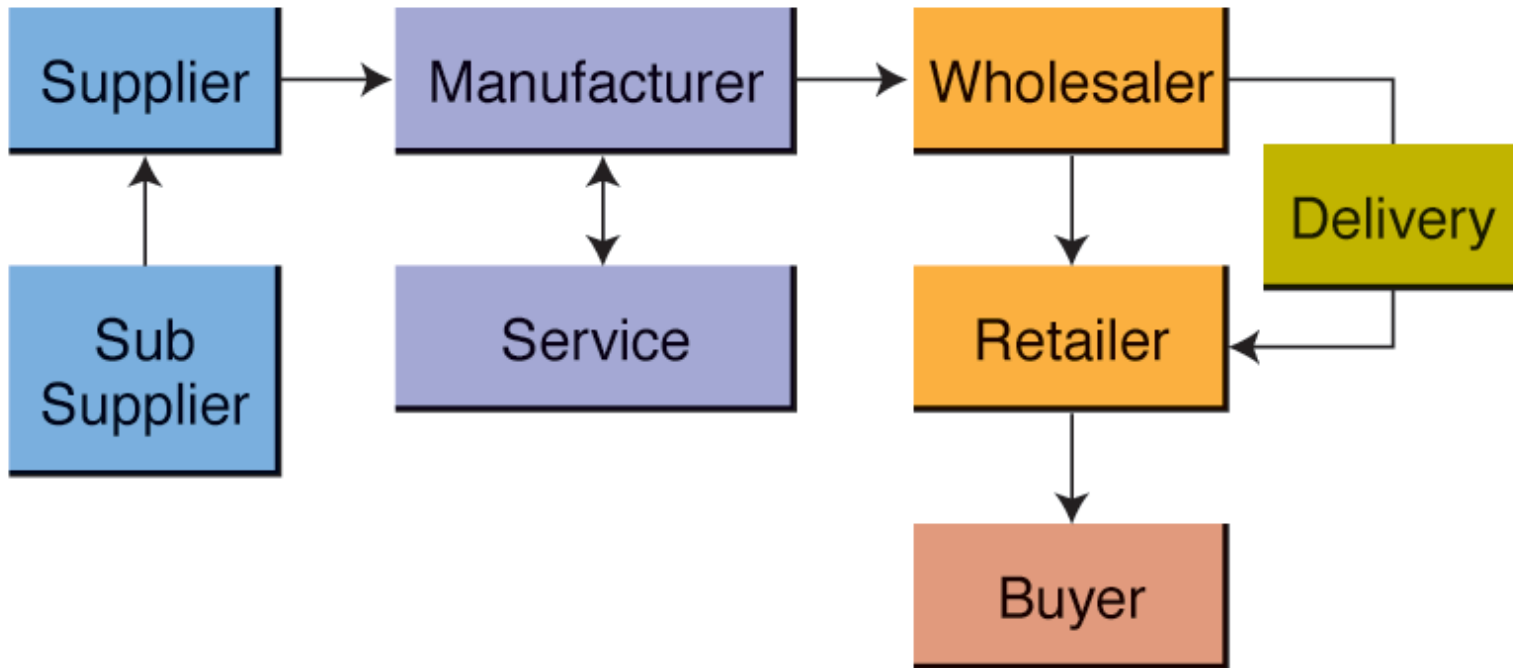


Exhibit 2.12a

Changes in the Supply Chain

Exhibit 2.12a Changes in the Supply Chain

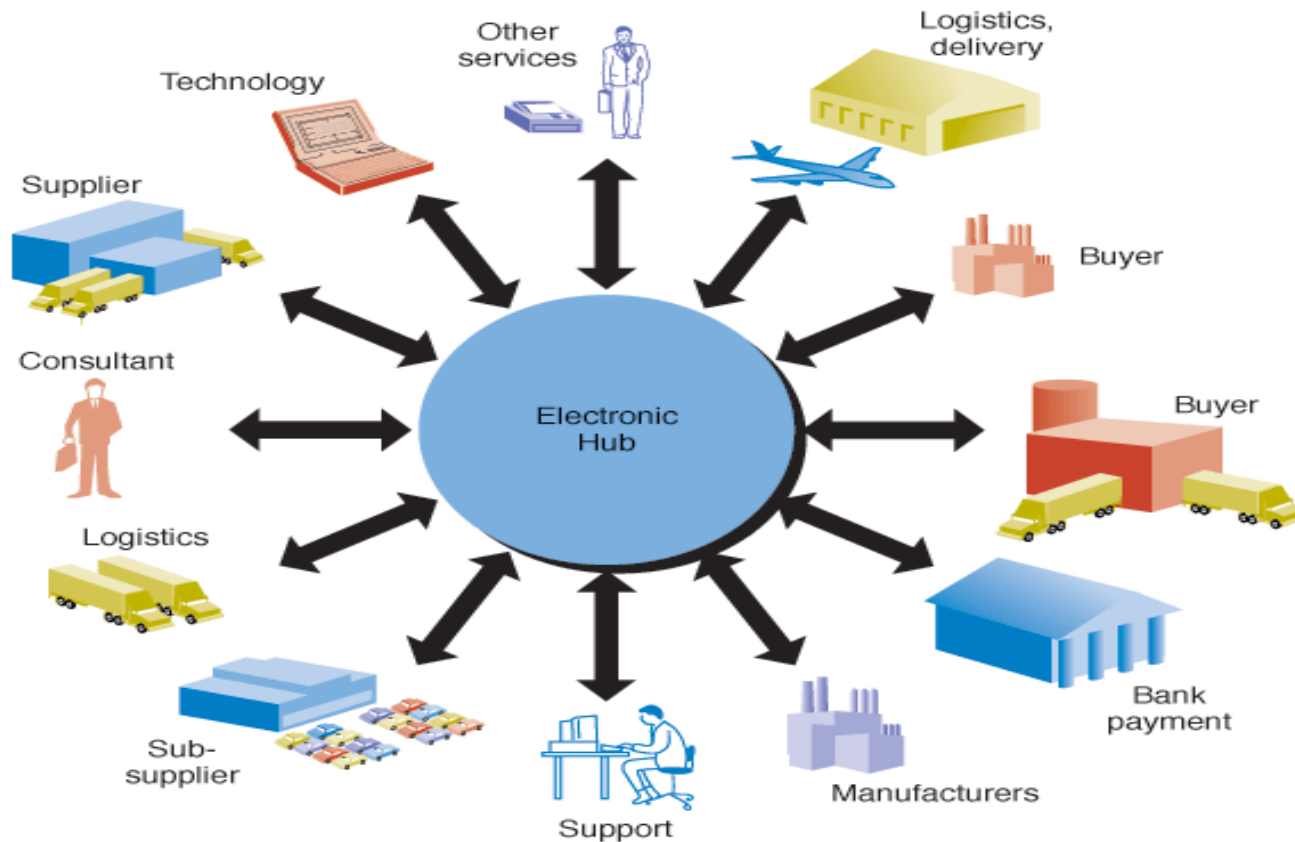


a. Traditional Intermediaries

Exhibit 2.12b

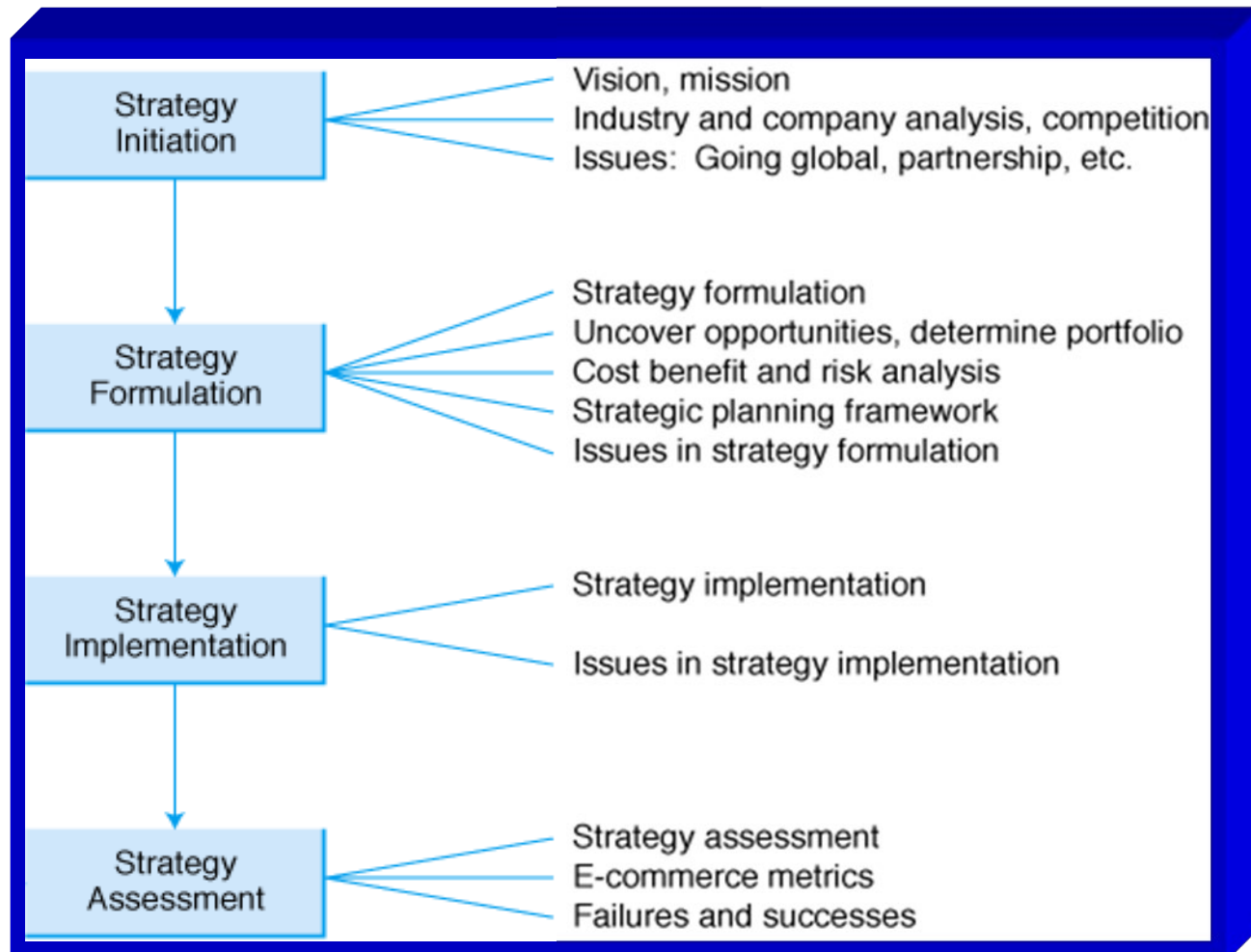
Changes in the Supply Chain

Exhibit 2.12b Changes in the Supply Chain



b. Hub-Based Chain

EC Strategy



Constructing the Business Model

- The method of doing business by which a company can sustain itself
 - Value proposition for target customers
 - An online offering – product, service, and/or information
 - A unique, defensible resource system
 - A revenue model


Business Model: Value Proposition

- Most critical level of benefits offered to customers
 - Depends on (e.g. www.1800Flowers.com)
 - Target segment (e.g. mid- to high-end)
 - Focal customer benefits (e.g. gift assortment, fresh flowers, easy access)
 - Key resource (why can the firm provide benefits better than competitors)
 - e.g. strong distribution network, product and media partnerships, multiple contact points

Business Model: Value Proposition (cont'd)

- Introduce New-to-the-World Value
 - Create new offerings
 - Personalization, e.g. igoogole, dell
 - Radically extend reach and access, e.g. Airline alliances – OneWorld, Star Alliance, SkyTeam
 - Build community, e.g. Facebook;
www.ancestry.com
 - Introduce novel functionality or experience
 - e.g. [Augmented Reality examples](#): Nintendo's Pokemon Go App; IKEA Mobile App; US Army, ...

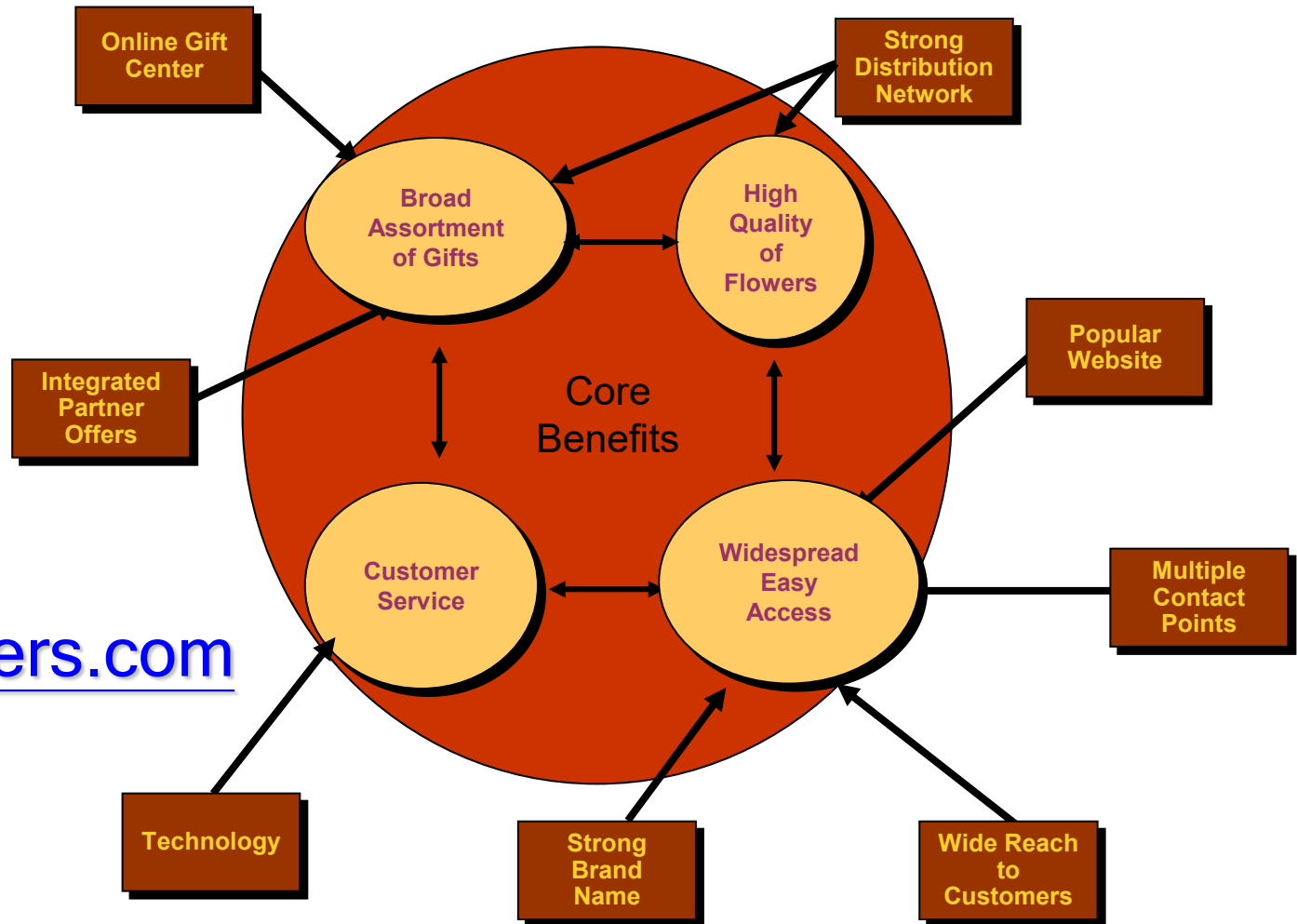
Business Model: Online Offering

- e.g. 1-800-Flowers.com
 - Flowers, of course
 - Ideas and Information
 - Home ideas, recommendations by budget, best-sellers
 - Gift Recommendations
 - Gift by occasion, by price, corporate gift services
 - Perks
 - Miles earned, free gifts, discounts with other sites
 - Postsales Support
 - Q&A chat, FAQ, customer service inquiry

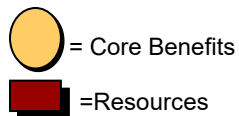
Assess Company Resources to Deliver

- Company resources
 - Customer facing
 - e.g. brand name, distribution channels
 - Internal
 - e.g. technology, product dev., experienced staff
 - Upstream
 - e.g. partnerships with suppliers
- Partners

Resource System: Relate Resource to Benefits



1800-Flowers.com



Business Model: Revenue Models

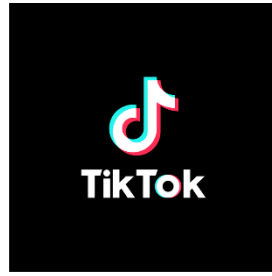
- Advertising, e.g. Youtube
- Product, service or information sales, e.g. [HKTVMall](#), [Price.com.hk](#)
- Transaction fee or commission, e.g. online stock buying, AirBnB, FoodPanda, ...
- Subscription, e.g. Spotify, VPNs, ...
- License fees, e.g. [Amazon Prime Video](#), [iTune Movies](#)

Online Business Models

Business Models	Metamarkets Switchboard	Auction	Freshest Information	Highest Quality	Widest Assortment	Lowest Prices	Most Personalized
Core Benefits and Proposition	<ul style="list-style-type: none"> • Single point of access for all needs 	<ul style="list-style-type: none"> • Depth and breadth of product assortment • Number of active buyers 	<ul style="list-style-type: none"> • Timely and accurate information 	<ul style="list-style-type: none"> • High-quality products with exclusivity 	<ul style="list-style-type: none"> • Broadest inventory possible • Can lead to best prices 	<ul style="list-style-type: none"> • Lowest prices 	<ul style="list-style-type: none"> • Unique product, service, or experience
Online Offering	<ul style="list-style-type: none"> • Either category specific or across categories 	<ul style="list-style-type: none"> • Usually a large number of products 	<ul style="list-style-type: none"> • Broad or targeted audience 	<ul style="list-style-type: none"> • Concentrates on smaller offerings for smaller markets 	<ul style="list-style-type: none"> • Can be either category killer in one category or widest assortment across many categories 	<ul style="list-style-type: none"> • Niche category or across wide variety of categories 	<ul style="list-style-type: none"> • Geared toward a single buyer
Key Resources	<ul style="list-style-type: none"> • Large, active customer base • Commitment to building customer base 	<ul style="list-style-type: none"> • Large base of buyers and sellers • Good, reliable technology • Strong brand name 	<ul style="list-style-type: none"> • Hiring best personnel 	<ul style="list-style-type: none"> • Ability to source products • Outstanding customer service • Strong brand 	<ul style="list-style-type: none"> • Significant brand name • Strong logistics to manage brand name 	<ul style="list-style-type: none"> • Ability to build strong back-office systems and leverage scale economies 	<ul style="list-style-type: none"> • Ability to generate exceptional customer knowledge
Revenue Model	<ul style="list-style-type: none"> • Transaction fees • Product sales • Advertising • Affiliate deals 	<ul style="list-style-type: none"> • Transaction fees 	<ul style="list-style-type: none"> • Product and service sales • Subscription • Advertising 	<ul style="list-style-type: none"> • Product, service, and information sales • Advertising 	<ul style="list-style-type: none"> • Product sales 	<ul style="list-style-type: none"> • Product sales 	<ul style="list-style-type: none"> • Product sales • Subscriptions
Examples ***	<ul style="list-style-type: none"> • BabyCenter.com • autos.msn.com • FashionMall.com 	<ul style="list-style-type: none"> • eBay • red-dots 	<ul style="list-style-type: none"> • NYTimes.com • Salon.com • Business 2.0 • Zagat.com 	<ul style="list-style-type: none"> • FAO.com • Ashford.com 	<ul style="list-style-type: none"> • Amazon.com • CDNow • Sephora.com • EBags.com 	<ul style="list-style-type: none"> • All-books4less.com • Frys.com • Overstock.com 	<ul style="list-style-type: none"> • Sevencycles.com • eDiets.com

*** Some links are no longer active

TikTok's Rise to Global Markets



- Tik Tok is a short-video sharing app from China.
In China, it is called Douyin.
- Short videos of 15-seconds.
- Parent Company: Beijing ByteDance Technology Co. (ByteDance).
- Strategic acquisition of Musical.ly by TikTok in Nov, 2017, signaling the international expansion into North American markets.

Case Description Extracted from Reference: Mengmeng Wang, Noman Shaheer, Sali Li, Liang Chen, and Jingtao Yi, "TikTok's Rise to Global Markets", Ivey Publishing, W19666, 2019.

Case from Harvard Business Publishing

Copyright acknowledgement: Ivey Business School Foundation

Airbnb Inc.



- Brian Chesky, Joe Gebbia and Nathan Blecharczyk founded Airbnb on a shoestring budget in 2008
- Mission is to build an end-to-end travel app for a global travel community.
- In 2019, Airbnb is the largest global hospitality platform. It had 5 million listings in over 81000 cities in 190 countries. These listings include spare rooms, to castle villas, or even entire islands.

EC Strategy Initiation Issues

- Have a Separate Online Company?
 - Advantages of creating a separate company?
 - Disadvantages?
- Have a separate online brand?
 - Companies with strong, mature, international brands will want to retain and promote that brand online
 - Firms with a weak brand or a brand that does not reflect the intent of the online effort may decide to create a new brand

Issues in Strategy Formulation (cont.)

- How to handle conflict between the off-line and online businesses
 - The allocation of resources between off-line and online activities can create difficulties
 - It is essential that top management support both off-line and online operations
 - Sell some products only online, other products may be advertised online but sold exclusively off-line?

Channel Conflict Issues

- If not properly managed, the conflict can be quite detrimental to the company:
 - GM was forced to give up plan to launch own Internet distribution channel due to substantial lobbying from auto dealers.
 - Ford was forced to give up a similar plan
 - Sony and Matsushita Electric launched major websites early 2000, but had to keep product prices the same as in dealer channel

Source: McKinsey & Company, August 8, 2000

Issues in Strategy Formulation (cont.)

- Pricing strategy
 - Price comparison is easier
 - Buyers sometimes set the price
 - Online and off-line goods are priced differently?
 - differentiated pricing can be a pricing strategy
 - versioning: selling the same good, but with different selection and delivery characteristics

EC Strategy

Implementation Issues

- Partnering strategy
 - Outsourcing: The use of a third-party vendor to provide all or part of the products and services that could be provided internally
- Alliances in e-commerce
 - Partners in different locations communicate and collaborate online
 - When EC initiatives are too large and complex for one company to undertake
 - A strategic partner should be one that has the ability to deliver and is willing to collaborate to provide a service

CRM & E-commerce

Customer Relationship Management:

The hub of an excellent E-commerce strategy

A Channel for Service

- E-commerce website:
 - more than just buying and selling
 - means of delivering service to your customers and building a relationship with those customers
- The point of service:
 - Differentiate your core offering
 - Your competitor is just a click away!

A Channel for Service

- Service is an added value proposition to the customer beyond what the core offering is
 - A website can be a decision support system for customers before purchase and a service representative after purchase.



Market Research for EC

- Aim of marketing research is to:
 - discover marketing opportunities and issues
 - establish marketing plans
 - better understand the purchasing process
 - evaluate marketing performance
 - develop the advertising strategy

Market Research for EC (cont.)

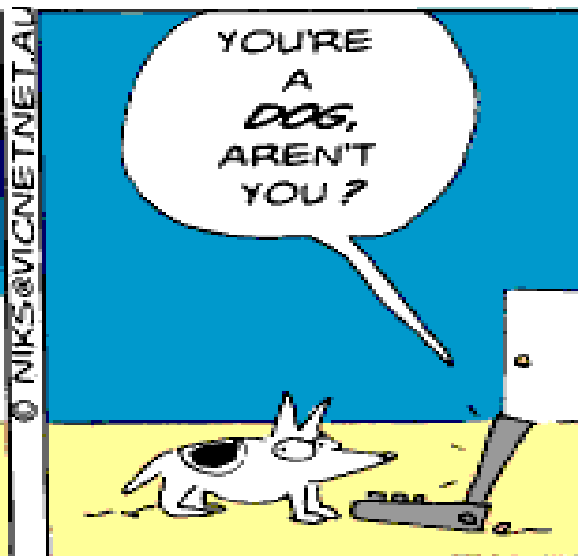
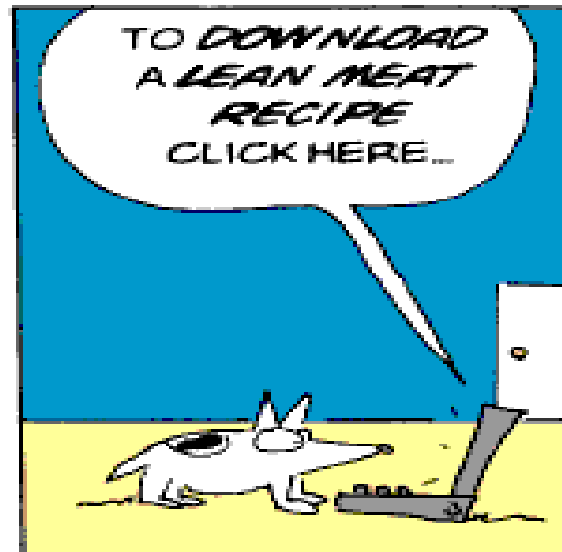
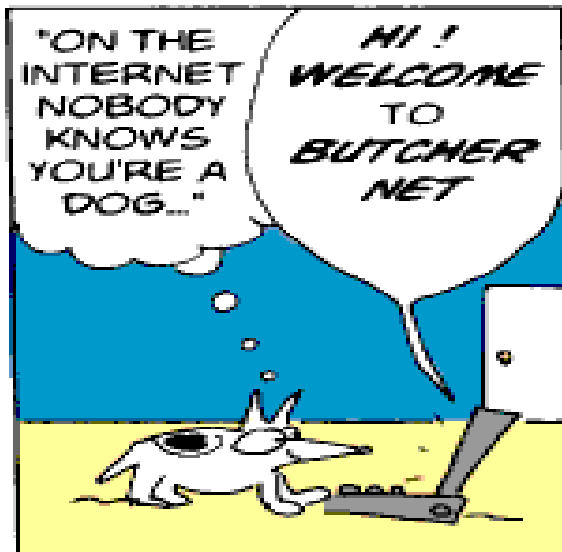
- *Market segmentation*: The process of dividing a consumer market into logical groups for conducting marketing research, advertising, and sales
- Market research tools
 - data modeling
 - data warehousing

Market Research for EC (cont.)

- Market Research Companies
 - <http://www.marketresearch.com/>
 - [AC Nielsen](#)
- Online market research methods: [KnowThis](#)
 - Web-based surveys ([Nielsen//Digital Ad Ratings](#))
 - Online focus groups ([EMI Research Solutions](#); [Drive Research](#))
 - Hearing directly from customers
 - Customer scenarios
 - Tracking customer movements ([Nielsen//Ad Intel Digital](#))



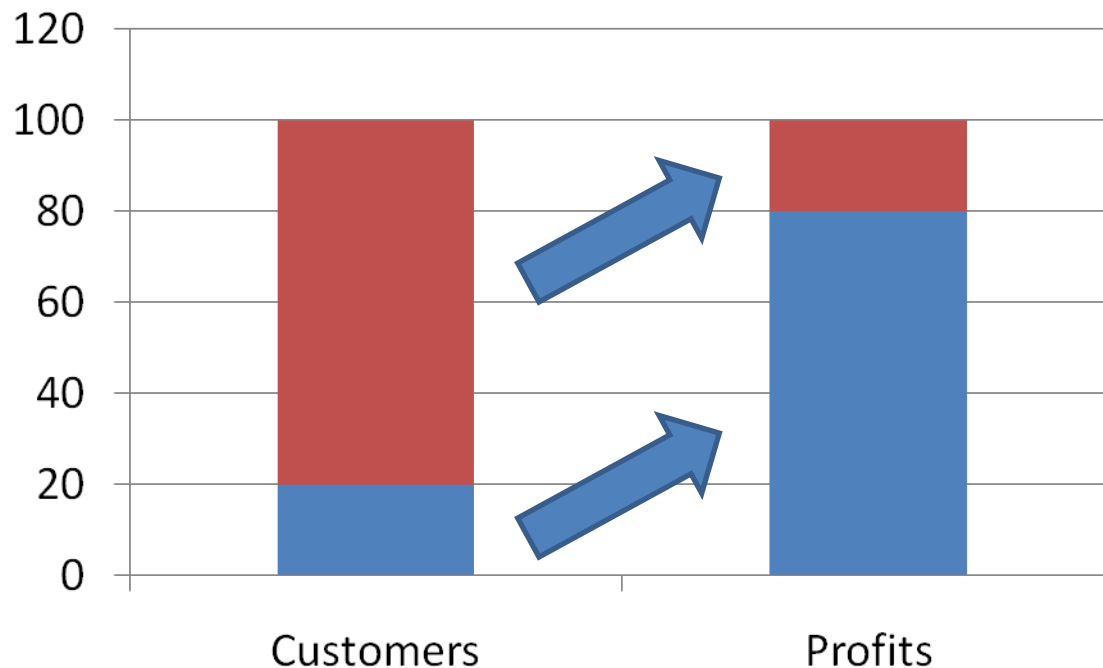
"On the Internet, nobody knows you're a dog."



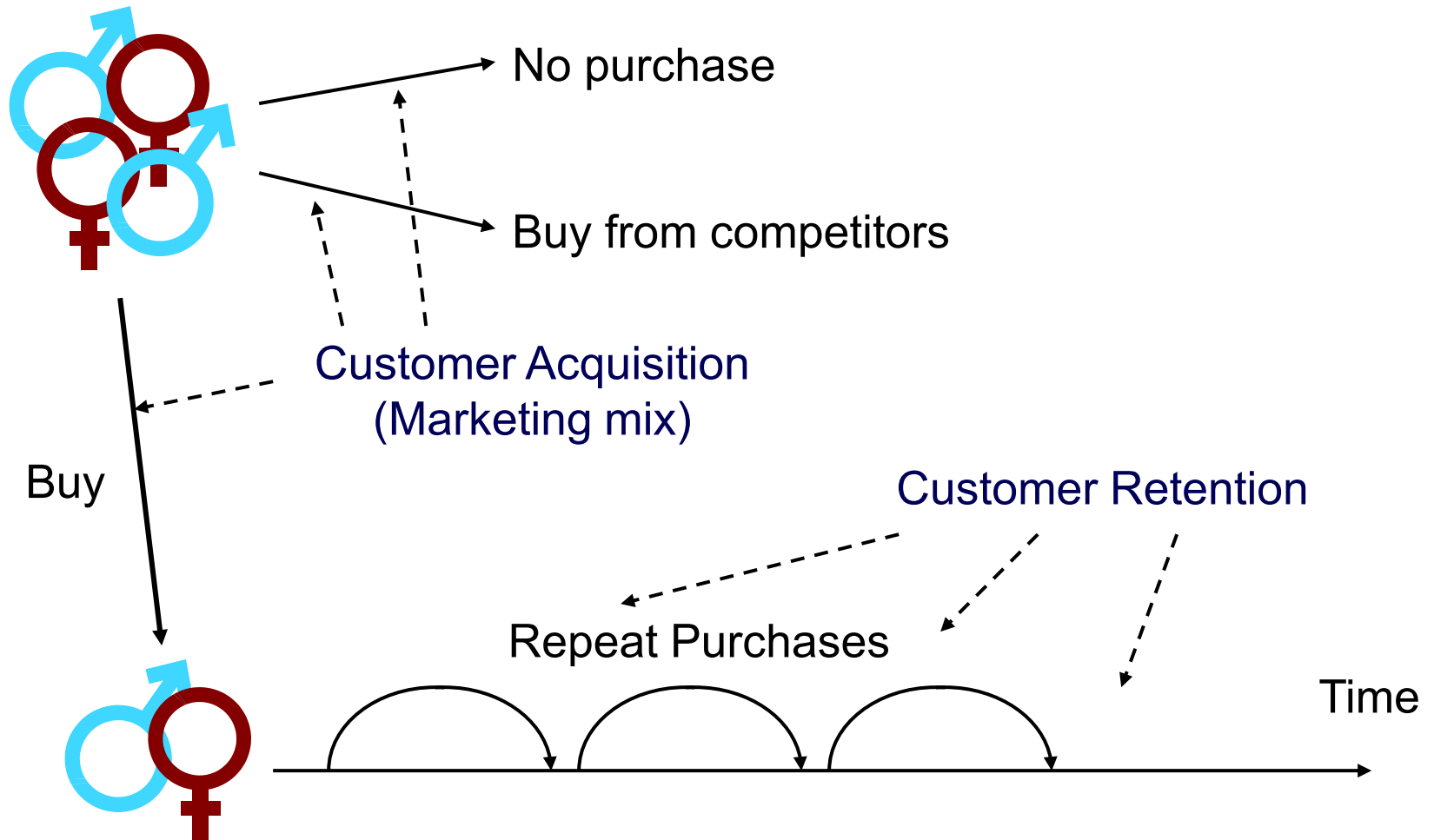
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Profit Distribution

- 80/20 rule – most revenues come from small number of customers
- Not all customers are equally profitable!



Managing Profit

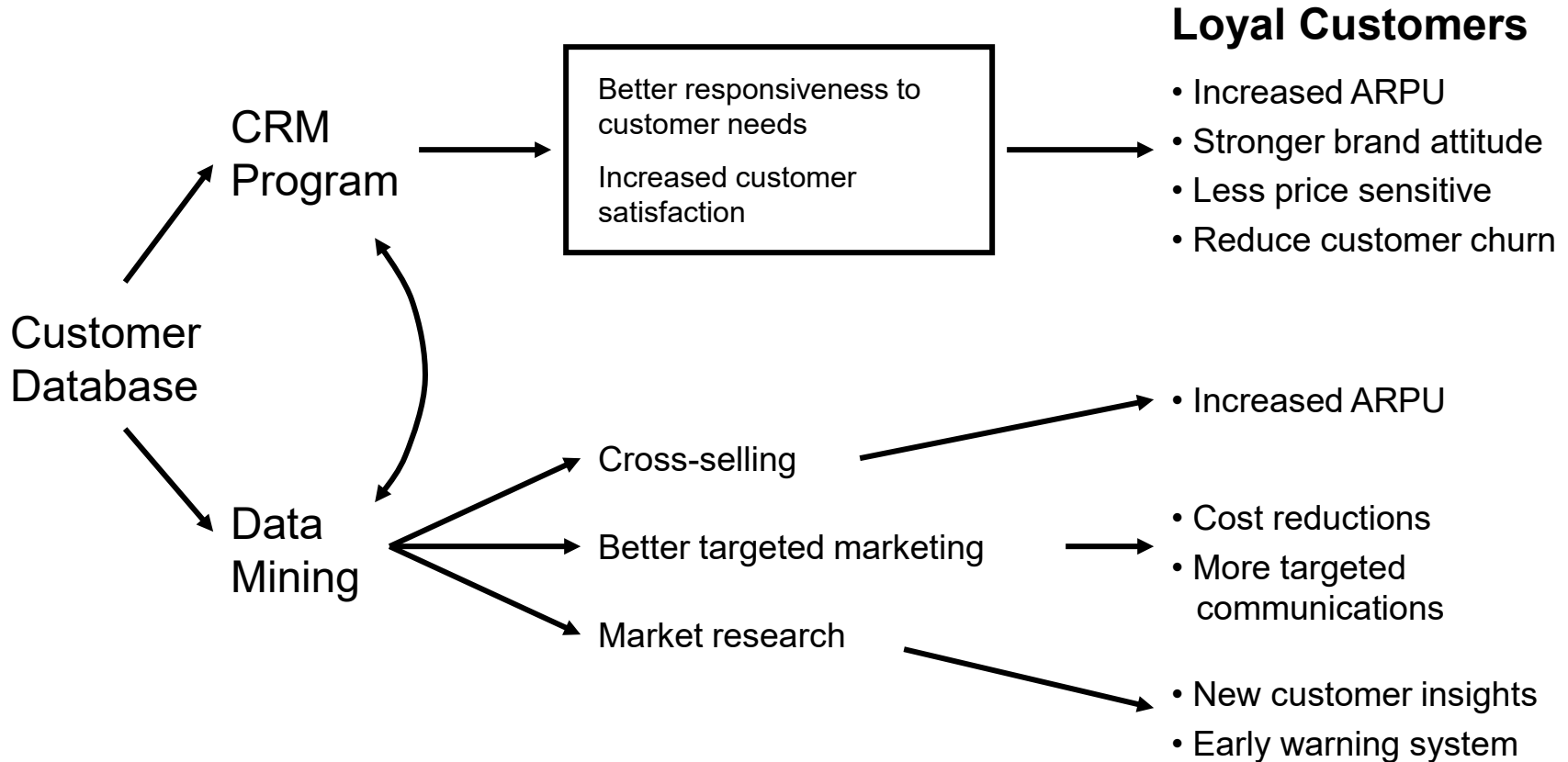


Cost of Business

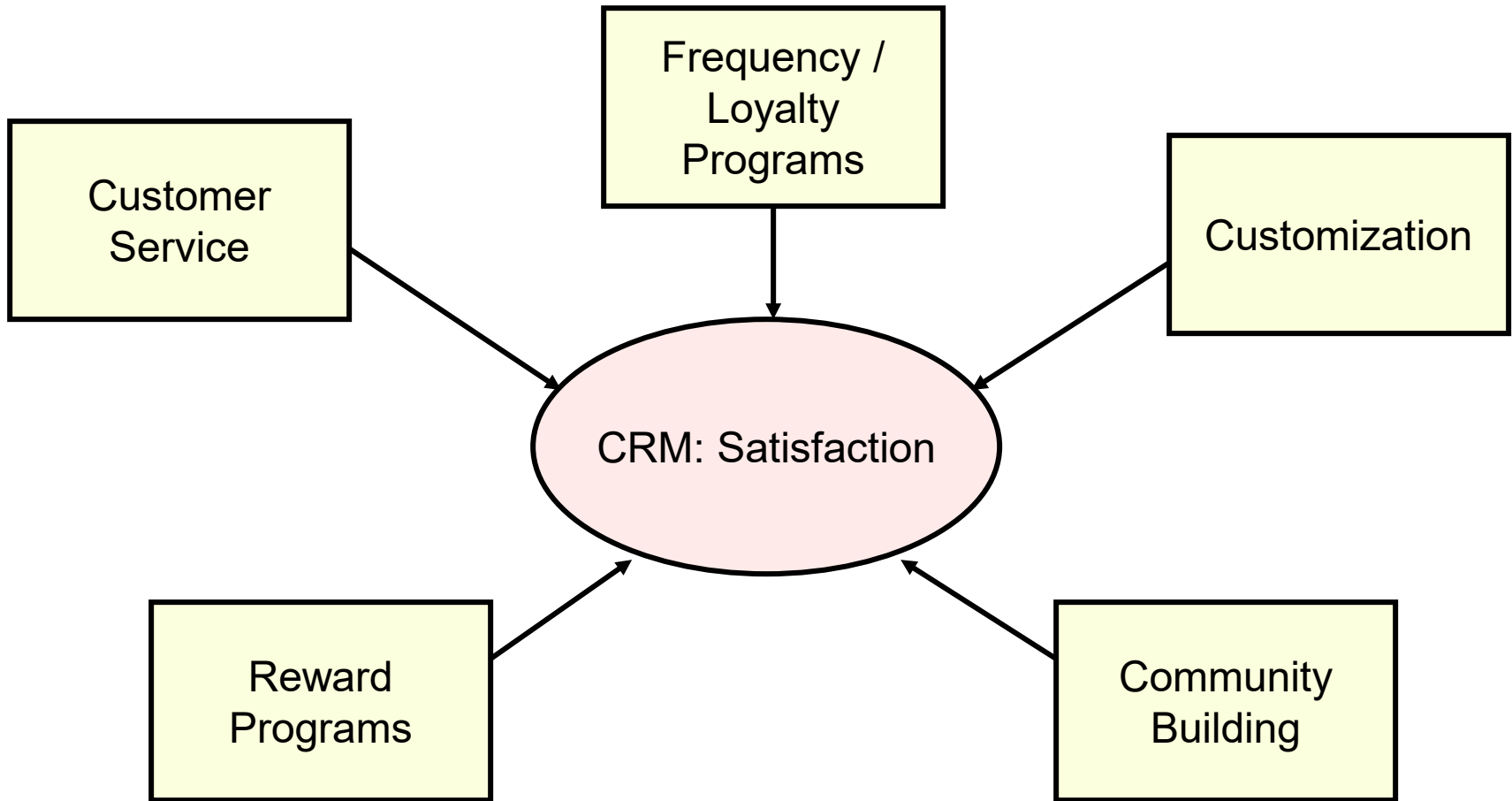
	Customer Acquisition			Customer Retention	
	Direct Mail to Rented List	Banner Advertising	Email to Rented List	Direct Mail to "House" List	Email to "House" List
Cost Per 1,000	\$850	\$16	\$200	\$686	\$5
Click-Through Rate	N/A	0.8%	3.5%	N/A	10%
Purchase Rate	1.2%	2.0%	2.0%	3.9%	2.5%
Cost Per Sale	\$71	\$100	\$286	\$18	\$2

Source: Forrester Research (2000)

Conceptual CRM



Relationship Program

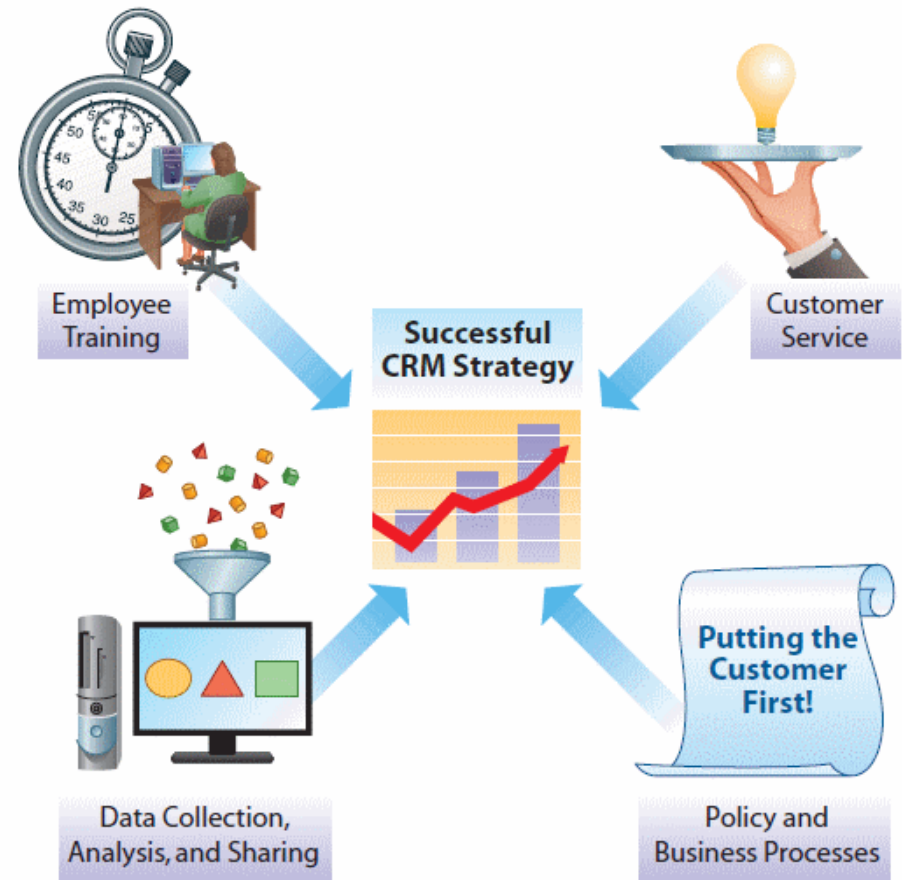


Examples of Superb CRM

- **1800-FLOWERS**
 - Buy by telephone, retail shops, and online
 - Online and offline promotions
 - E-mail order confirmation
- **Amazon.com**
 - Convenience, selection, value, special services
 - E-mail order confirmation
 - Personalized services
- **Blackstar (music retailer)**
 - Thanks customers by e-mail
 - Provides toll-free telephone number
 - Provides tracking system
- **Federal Express (FedEx)**
 - Package tracking service
 - Ability to calculate delivery costs, online shipping forms, arrange pickup, find local drop box

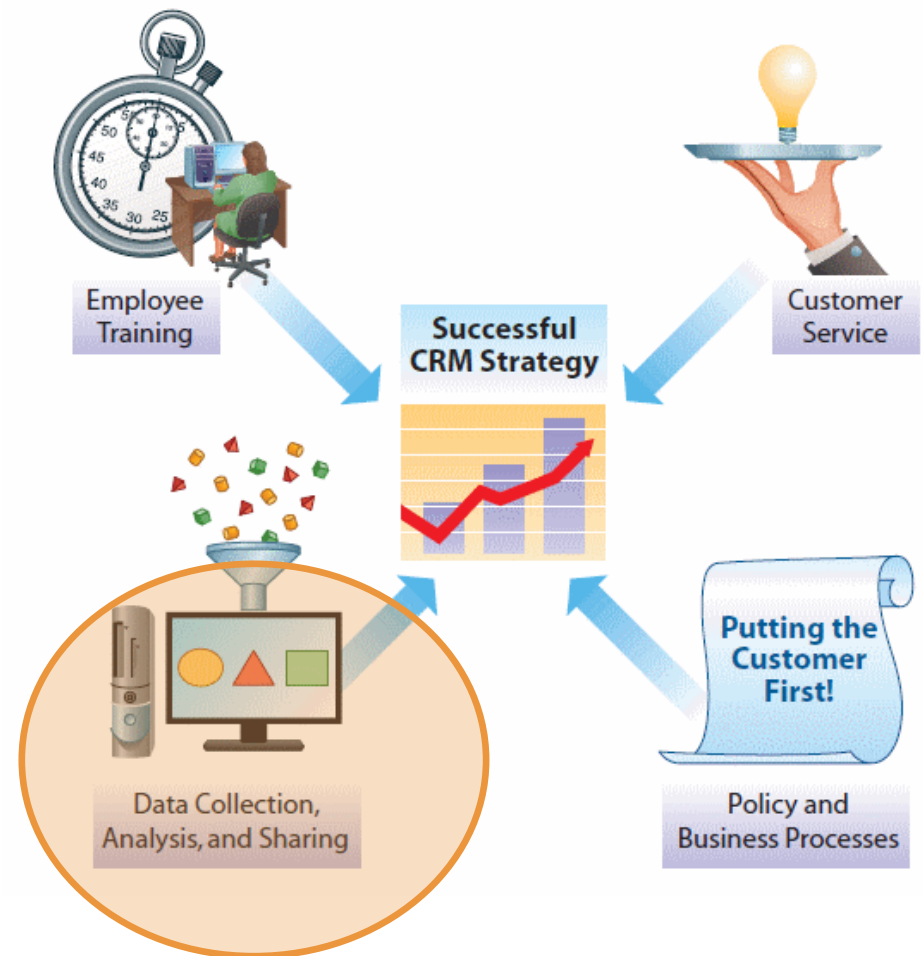
Developing a CRM Strategy

- More than just software purchase and installation
- E.g., local tailor shop
- Enterprise-wide changes



Data Collection, Analysis, and Sharing Changes

- All aspects of customer experience can be tracked, analyzed, and shared
- From Mad Men to Math Men (Long – 19mins):
<https://www.youtube.com/watch?v=L6PWrsr-44E>
- Revolutionizing Marketing with AI: The Future is Here:
https://www.youtube.com/watch?v=I_U4aQTj6Mg



Getting a 360° View of Your Customer



Customer Data Platforms

Digital Marketing Trends

- 5 Brand New Digital Marketing Strategies for 2025
<https://www.youtube.com/watch?v=4bZUZeeiacU>
- Top Marketing Trends for 2025
<https://www.youtube.com/watch?v=CJf81slpxsk>
- What will Happen to Marketing in the Age of AI?:
<https://www.youtube.com/watch?v=3MwMII8n1qM>