

Chapter 12

EC Strategy, Globalization, and SMEs

Learning Objectives

1. Describe the strategic planning process.
2. Describe the purpose and content of a business plan and a business case.
3. Understand how e-commerce impacts the strategic planning process.
4. Understand how to formulate, justify, and prioritize EC applications.

Learning Objectives

5. Describe strategy implementation and assessment, including the use of metrics.
6. Evaluate the issues involved in global EC.
7. Analyze the impact of EC on small and medium-sized business.

Organizational Strategy: Concepts and Overview

- **STRATEGY IN THE WEB ENVIRONMENT**

- **Porter's Competitive Forces Model and Strategies**
- **The Impact of the Internet**
 - **e-commerce strategy (e-strategy)**

The formulation and execution of a vision of how a new or existing company intends to do business electronically

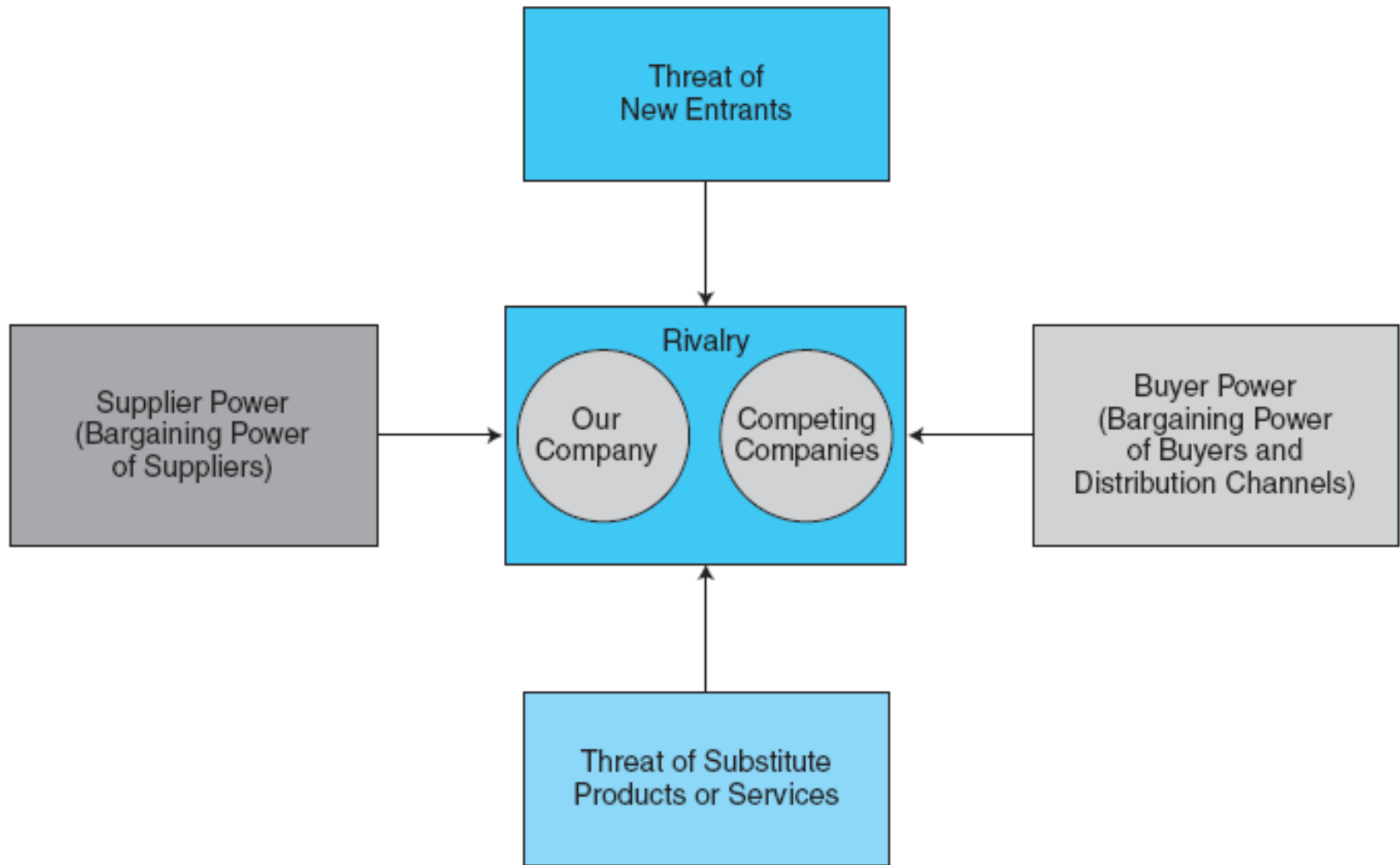
Organizational Strategy: Concepts and Overview

- **Strategic Planning for IT and EC**

- **strategic information systems planning (SISP)**

A process for developing a strategy and plans for aligning information systems (including e-commerce applications) with the organization's business strategies

EXHIBIT 12.1 Porter's Competitive Forces Model



Organizational Strategy: Concepts and Overview

- **strategy**

A broad-based formula for how a business is going to accomplish its mission, what its goals should be, and what plans and policies will be needed to carry out those goals

Organizational Strategy: Concepts and Overview

- **THE STRATEGIC PLANNING PROCESS**

- **strategy initiation**

The initial phase of strategic planning in which the organization examines itself and its environment

- **strategy formulation**

The development of strategies to exploit opportunities and manage threats in the business environment in light of corporate strengths and weaknesses

Organizational Strategy: Concepts and Overview

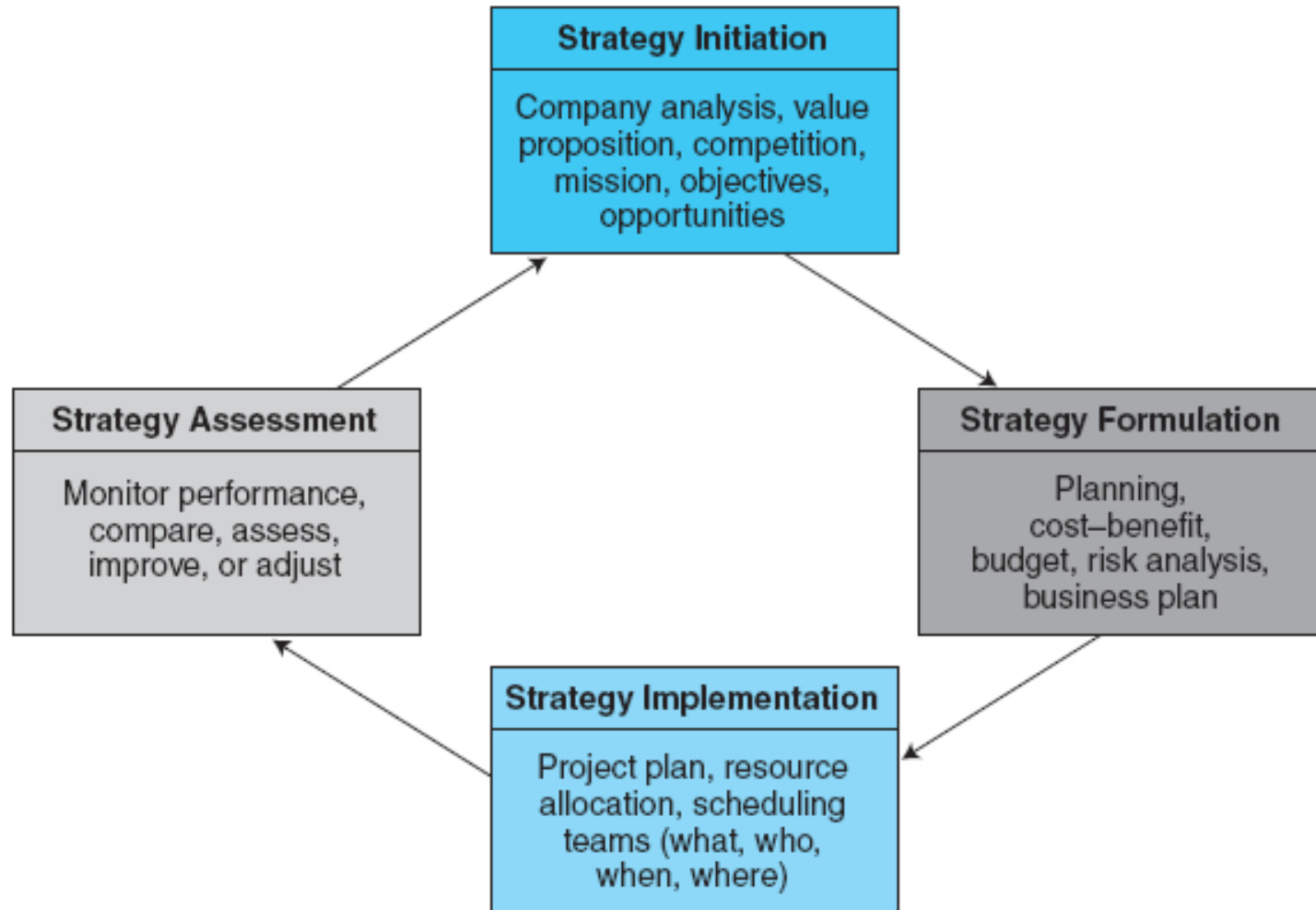
- **strategy implementation**

The development of detailed, short-term plans for carrying out the projects agreed on in strategy formulation

- **strategy assessment**

The continuous evaluation of progress toward the organization's strategic goals, resulting in corrective action and, if necessary, strategy reformulation

EXHIBIT 12.5 The Strategic Planning Process



Organizational Strategy: Concepts and Overview

- **STRATEGIC PLANNING TOOLS**

- **Representative Strategic Planning Tools**

- **strategy map**

- A tool that delineates the relationships among the key organizational objectives for all four BSC perspectives

- **SWOT analysis**

- A methodology that surveys external opportunities and threats and relates them to internal strengths and weaknesses

Organizational Strategy: Concepts and Overview

- **competitor analysis grid**

A strategic planning tool that highlights points of differentiation between competitors and the target firm

- **scenario planning**

A strategic planning methodology that generates plausible alternative futures to help decision makers identify actions that can be taken today to ensure success in the future

- **balanced scorecard**

A management tool that assesses organizational progress toward strategic goals by measuring performance in a number of different areas

Organizational Strategy: Concepts and Overview

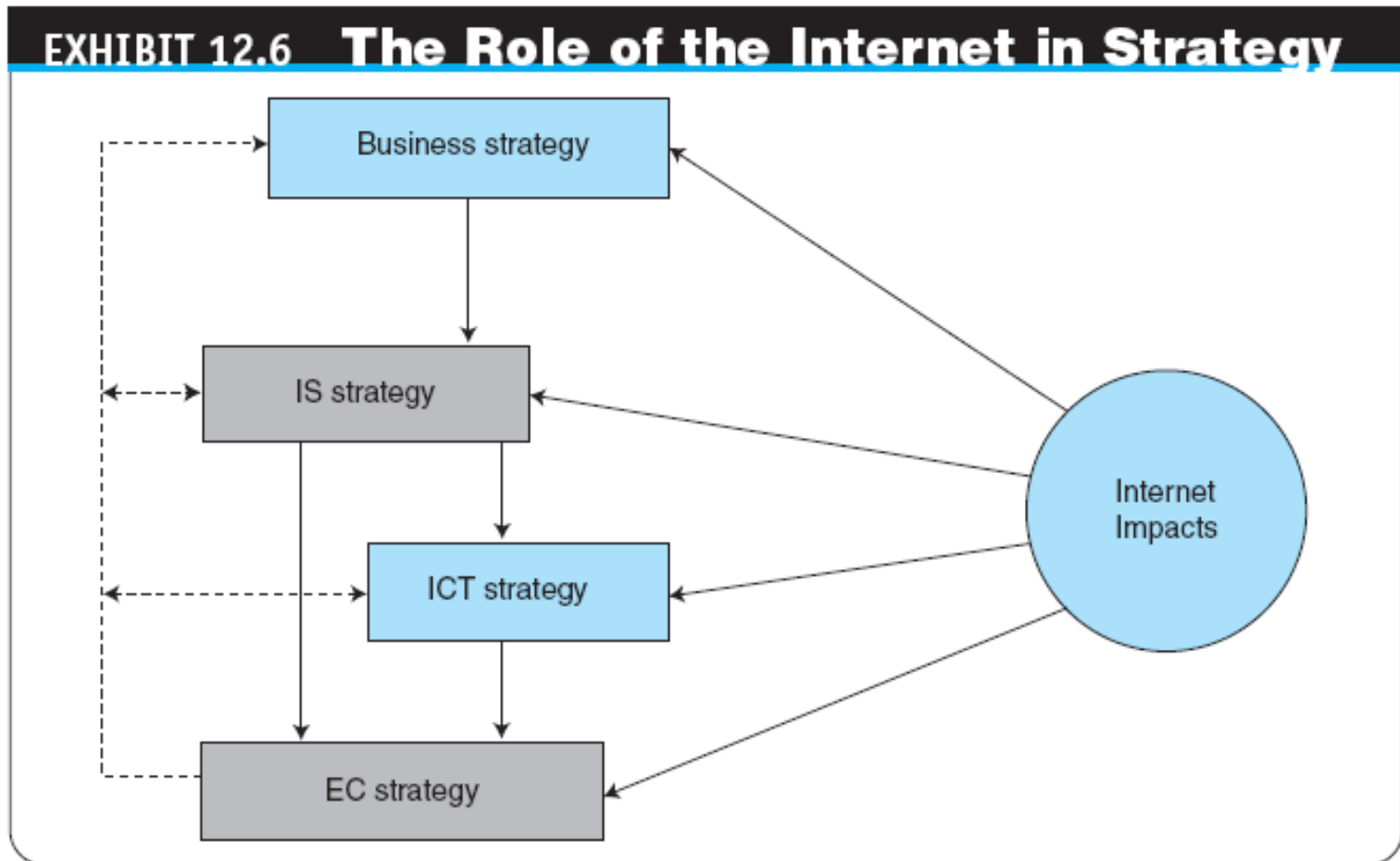
- **business plan**

A written document that identifies a company's goals and outlines how the company intends to achieve the goals and at what cost

- **business case**

A business plan for a new initiative or large, new project inside an existing organization

E-Commerce Strategy: Concepts And Overview



E-Commerce Strategy Initiation

- **REPRESENTATIVE ISSUES IN E-STRATEGY INITIATION**

- **First-Mover Advantage**
- **Managing Channel Conflict**
 - **disintermediation**

The process by which the consumer bypasses the services of an intermediary or intermediaries in the chain of distribution to purchase products directly from those who supply or produce them

- **Separating Online and Offline Operations**
- **Brand Independence**

E-Commerce Strategy Initiation

- **STRATEGY IN THE WEB 2.0 ENVIRONMENT AND IN SOCIAL NETWORKING**

- Develop an overall e-commerce strategy with clearly defined business goals.
- Effectively market to existing customers.
- Sell globally as well as locally.
- Develop a consistent online and offline brand strategy.
- Create business profiles and allow customers to post reviews by leveraging free resources available to merchants on sites such as Yahoo!, Bing, Google Places, Facebook, Twitter, YellowPages.com, etc.
- Create surveys and two-way communication mechanisms to solicit feedback from customers.

E-Commerce Strategy Formulation

- **SELECTING E-COMMERCE OPPORTUNITIES**
- **DETERMINING AN APPROPRIATE EC APPLICATION PORTFOLIO MIX**
 - **The BCG Model and an Internet Portfolio Map**

EXHIBIT 12.7 The Internet Portfolio Map

		Company Fit with EC Project	
		Low	High
Viability of Projects	High	Do not consider new project, sell if possible	Accept project, infuse cash
	Low	Reject the project	Redesign project for higher viability

E-Commerce Strategy Formulation

- **e-commerce (EC) risk**

The likelihood that a negative outcome will occur in the course of developing and operating an electronic commerce strategy

- **SECURITY ISSUES TO CONSIDER DURING STRATEGY FORMULATION**

E-Commerce Strategy Formulation

- **OTHER ISSUES IN E-COMMERCE STRATEGY FORMULATION**
 - **Managing Conflict Between the Offline and Online Businesses**
 - **Pricing Strategy**
 - **cost-plus**

Adding up all the costs involved, such as material, labor, rent, overhead, etc., and adding a percentage mark-up as profit

E-Commerce Strategy Formulation

- Pricing products and services for online sales changes these pricing strategies in subtle ways:
 - Price comparison is easier
 - Buyers sometimes set the price
 - Online and offline goods are priced differently
 - Differentiated pricing can be a pricing strategy
 - **versioning**
Selling the same good, but with different selection and delivery characteristics

E-Commerce Strategy Implementation

- **E-COMMERCE STRATEGY IMPLEMENTATION PROCESS**

- **Find a Champion**

- **project champion**

The person who ensures the EC project gets the time, attention, and resources required and defends the project from detractors at all times

- **Start with a Pilot Project**

- **Allocate Resources**

- **Manage the Project**

E-Commerce Strategy Implementation

- **E-COMMERCE STRATEGY IMPLEMENTATION ISSUES**

- **Build, Buy, or Rent EC Elements**
- **Outsource: What? When? To Whom?**
 - **outsourcing**

The use of an external vendor to provide all or part of the products and services that could be provided internally

E-Commerce Strategy Implementation

- **business process reengineering (BPR)**

A methodology for conducting a comprehensive redesign of an enterprise's processes

- **business process management (BPM)**

Method for business restructuring that combines workflow systems and redesign methods; covers three process categories—people-to-people, systems-to-systems, and systems-to-people interactions

E-Commerce Strategy and Project Performance Assessment

- **THE OBJECTIVES OF ASSESSMENT**
- **MEASURING RESULTS AND USING METRICS**

- **key performance indicator (KPI)**

A quantifiable measurement, agreed to beforehand, that reflects the critical success factors of a company, department or project

- **metric**

A specific, measurable standard against which actual performance is compared

E-Commerce Strategy and Project Performance Assessment

- **corporate (business) performance management (CPM, BPM)**

Advanced performance measuring and analysis approach that embraces planning and strategy

- Balanced Scorecards
- Balanced Scorecards and Metrics
- Aligning Strategies and Actions

- **Web analytics**

The analysis of clickstream data to understand visitor behavior on a website

A Strategy For Global E-Commerce

- **BENEFITS AND EXTENT OF GLOBAL OPERATIONS**
- **BARRIERS TO GLOBAL E-COMMERCE**
 - Cultural Differences
 - Language Translation
 - Legal Issues
 - Geographic Issues and Localization
 - Economic Issues

A Strategy For Global E-Commerce

- **BREAKING DOWN THE BARRIERS TO GLOBAL E-COMMERCE**
 - Be strategic.
 - Know your audience.
 - Localize.
 - Think globally, act consistently.
 - Value the human touch.
 - Clarify, document, explain.
 - Offer services that reduce barriers.

E-Commerce Strategy for Small and Medium-Sized Enterprises

- E-commerce can be one of the most effective business tactics for SMEs.
- The potential for SMEs to expand their markets and compete with larger firms through EC is enormous.
- **GLOBALIZATION AND SMES**
- **RESOURCES TO SUPPORT SMES**

E-Commerce Strategy for Small and Medium-Sized Enterprises

- **SMES AND SOCIAL NETWORKS**

EXHIBIT 12.13 **10 Steps to a Successful Social Media Strategy**

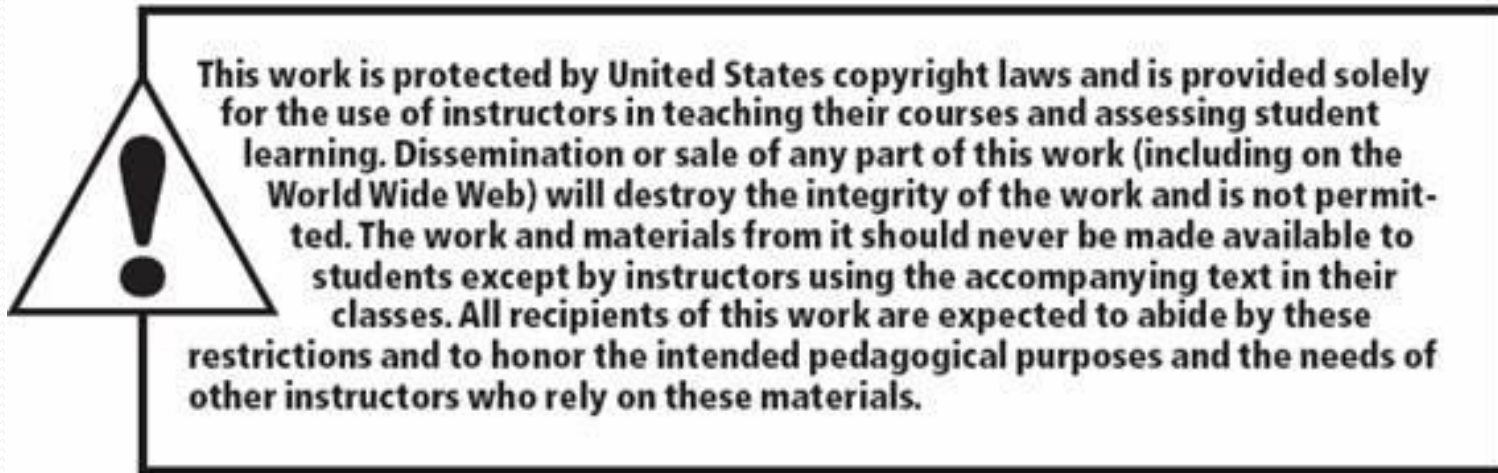
Step	Description
1	Understand what social media is and the benefits of using it.
2	Identify the audience you want to reach.
3	Identify the resources you currently have available.
4	Identify most appropriate technologies to use.
5	Start a blog to foster a sense of community around your business.
6	Build social media profiles on Facebook, LinkedIn, Twitter, and You Tube.
7	Make your blog social-media friendly—include buttons, widgets, badges, RSS icon, good share-friendly content.
8	Build relationships with your target market—it's all about the people!
9	Turn friends and followers into clients and customers—build an e-mail list.
10	Decide how you will monitor and measure the success of your social media initiative.

Managerial Issues

1. What is the strategic value of EC to the organization?
2. How do you relate the EC activities with business objectives and metrics?
3. Should the EC activities be spun off as a separate company?
4. How should the e-business scope evolve?
5. What are the benefits and risks of EC?
6. Why do we need an EC planning process?
7. How can EC go global?
8. How do you manage the EC project?

Summary

1. The strategic planning process
2. Writing a business plan and a business case
3. The EC strategic process
4. E-strategy initiation and formulation
5. E-strategy implementation and assessment
6. Issues in global EC
7. Small and medium-sized businesses and EC



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