The Internet provides an opportunity to create markets, and serve customers in ways hitherto unimaginable. A couple of years ago many viewed electronic commerce as simply trading using online networks and EDI (Electronic Data Interchange). For them, the Internet was "totally irrelevant and unsuitable for electronic commerce". Their views have changed! Many large companies and retailers are now flocking to the Internet. Many have suffered set-backs through rishing into this new medium carrying over baggage from established practices, This briefing sets out the scope of Internet commerce, indicates the opportunities and challenges, and gives insights into the strategies of the entrepreneurs who are succeeding.

**[What is Internet Commerce?](https://www.skyrme.com/insights/23intc.htm" \l "whatis)**

Internet Commerce is the use of the Internet for all phases of creating and completing business transactions. Various surveys suggest that the amount of business conducted online will increase ten-fold over the next few years, from around $500 million in 1996 to over $6 billion in 2000. However, this still represents less than 10 per cent of the business conducted by mail order.

In our view too much focus of electronic commerce to date has been put on carrying out the final transactional phases - the ordering and payment. While such a perspective is all right when there are established supply chains for regular and routine purposes, this overlooks the wider perspective. It is often said, that the formal placement of an order is preceded by as many as 30 previous information exchanges. Thus, in its broadest sense we view Internet Commerce as also including:

* **The full sales and marketing cycle** - for example, by analysing online feedback to ascertain customer's needs
* **Identifying new markets** - through exposure to a global audience through the World Wide Web
* **Developing ongoing customer relationships** - achieving loyalty through ongoing email interaction
* **Assisting potential customers with their purchasing decision** - for example by guiding them through product choices in an intelligent way
* **Providing round-the-clock points of sale** - making it easy for buyers to order online, irrespective of location
* **Supply Chain Management** - supporting those in the supply chain, such as dealers and distributors, through online interaction
* **Ongoing Customer Support** - providing extensive after-sales support to customers by online methods; thus increasing satisfaction, deepening the customer relationship and closing the selling loop through repeat and onging purchases.

This wider perspective of Internet Commerce - as an ongoing iterative relationship that uses email, discussion lists, and other Internet facilities as well as the World Wide Web - is the strategy of most successful 'Netrepreneurs'. As in other marketing, the main categories of Internet Commerce are business-to-business and business-to-consumer.

**[Evolution and Status Today](https://www.skyrme.com/insights/23intc.htm" \l "evol)**

Over 80 per cent of large companies have their own Web sites and make use of electronic mail. Our analysis suggests that companies evolve their Internet Commerce activities through six stages:

1. The World-Wide Web as an online product catalogue - this has the advantage (or should!) of being up-to-date and readily accessible. The best have guided interaction (e.g. <http://www.xerox.com/products.html>)
2. Pre-sales support through electronic mail - providing prompt and informed repsonse to the queries of potential buyers (this means going beyond simply emailing the Webmaster, but having the active involvement of many staff)
3. Full transaction processing for placing orders - ideally through a 'secure server'
4. Delivery of product or product update information - some products (e.g. software, documents) can be delivered online. For others, customers can be kept informed of new developments
5. Collecting details of prospective customers' interests - typically through forms. This stage is more fully developed when these are handled in a database and targetted offers can be sent to those registered *Note: those sites that demand that users complete lengthy registration forms****before****you can enter them do not fulfil this criteria*
6. Provision of interactive discussion facilities for customers with shared interest - developing online 'communities' will be a key way of engendering ongoing loyalty.

Our analysis shows that certain products and markets have characteristics that lend themselves more readily to Internet commerce. These include:

* Information-intensive products
* Medium to high value
* Global in applicability
* May require sourcing or delivering at a distance
* Often highly specialised
* Dispersed potential customer base
* Are attractive to Internet early adopters

Hence the markets that have actively used Internet Commerce since its inceptions have included been - computers, software, specialist cars, flowers, books, music, travel

**[Opportunities and Benefits](https://www.skyrme.com/insights/23intc.htm" \l "benefits)**

Those who trade via the Internet cite the following benefits:

* **Timeliness** - Your Web site is accessible round the clock. Email queries can be handled more expeditiously and completely than is often possible by mail or phone.
* **Reduced Marketing Costs** - Online catalogues are cheapre to produce and maintain that paper catalogues.
* **Better Targetting** - Internet communities are self selecting. People with particular interests tend to visit particaulr places in Cyberspace. Customers find you, rather than vice versa.
* **Greater Market Reach** - Distance is no object. Sending information or exchanging messages costs virtually the same as someone locally. You don't need to pay expensive courier bills.
* **Reduced communications costs** - With electronic networking it cost virtually the same to send a message to 100 people as to one.
* **Improved After Sales Service** - By providing online support, customers can serve themselves for many of the common post-sales information needs.

There are particular opportunities for those who have specialised markets, or wish to expand their market base without the cost of opening new offices. There are also opportunities created by the medium itself - for example for Internet intermediaries (directory and trading services), and novel ways of providing access e.g. kiosks in public areas.

**[Enabling Mechanisms](https://www.skyrme.com/insights/23intc.htm" \l "en)**

Several mechanisms are needed for there to be an effective electronic marketplace for a particular product or service. In particular prospective buyers must be able to find your site. Although traditional directories like [Yahoo!](http://www.yahoo.com/)have a role to play, trade directories (such as [TradenetUK](http://www.tradeuk.com/)) or shopping malls may fit the bill, but many are too general or localised to be effective. There is a role and opportunity for specialised intermediaries. Or simply becoming the best known in your field (c.f. [Amazon.com](http://www.amazon.com/exec/obidos/redirect-home/davidskyrmeassoc) for books).

Additionally, an individual supplier will need:

* World Wide Web site - with appropriate transaction and database software
* Payment facilities - to accept credit card information or online electronic cash
* Secure interfaces - to prevent unauthorised access to critical systems
* Redesigned Business Processes - to accomodate online interaction via email and online transactions.

Above all they will need to develop the appropriate skills and strategies to adapt their marketing and business to the new medium.

**[Successful Strategies](https://www.skyrme.com/insights/23intc.htm" \l "strat)**

Many commentators have focussed on ways of "making money on the Web". Their models include advertising, subscription services, site sponsorship etc. Unless your business is advertising, information services or Internet related, this should **not** be your strategic focus. Your focus should be

*"How can the Internet enhance my existing key market process cycles?"*

Key processes to consider are:

* **New product-to-market** - e.g. by wider use of testers across the world; use of interactive test panels
* **Market awareness-to-buying decision** - e.g. by better provision of information and access to expertise
* **Sales order-to-fulfilment** - e.g. by simplifying the order process

**[Challenges](https://www.skyrme.com/insights/23intc.htm" \l "issues)**

Those who have focussed on electronic transactions cite a number of issues. Some challenges and potential solutions are:

* **Bandwidth** - There is concern that as usage of the Internet grows exponentially, that there will be insufficent bandwidth and it will grind to a halt. However, various analysts have shown that, in general, market forces will enable capacity to keep up with demand, though it may be patchy in places. *Solutions: Some suppliers are talking of multi-tiered services with premium pricing guanteeing faster levels of service.*
* **Authentification** - When orders are placed over a network the buyer needs reassurance that it was an authorized transaction and actually comes from who it purports. *Solutions: Electronic signatures, trusted third party validation* .
* **Security** - Both parties want assurance that their confidential transaction details have not been intercepted. *Solutions: Encryption, secure servers*.
* **Legislation Harmonisation** - Under which jurisdiction does a transaction take place- the location of buyer, seller or server? Issues like these are the subject of policy debate.
* **Payment** - How can someone set up simple, reliable and risk free mechanisms for payment, in multiple currencies and without hefty bank charges? *Solutions: Electronic cash mechanisms, new Internet protocols such as SET (Secure Electronic Transactions), virtual banks*.

In our own experience, even without new mechanisms such as SET it is probably no less secure sending your credit card number over the Internet than by phone or fax. In any case, solutions to most of these challenges are in sight. If one takes the wider view of Internet Comerce the main challegnes is that of **attitude and skills**. Conducting business and trading online has different expectations, patterns of work and needs new skills for customer dialogue and interaction. Long-term success in Internet Commerce does not come through mass merchandising techniques. It requires the nurturing and developing of customer relationships through a new interactive medium, using automatation in the bast way. Most suppliers have yet to develop these skills.