

Week 2 (Tue):
e-Business
Semester 2, 2025

- **Today's Goal**

- **Basic Principles of e-Business**
 - **Introducing McKinsey & Company articles**

The Role of Learning Principle

Goodbye B-School

Two years ago, Jonathan Seelig left business school to cofound Akamai Technologies. Today, the company is worth \$20 billion.

Building a business in the new economy is a little like sailing to the New World: if you can get on board a seaworthy vessel and you've got desire, tenacity, and skill, there's no telling how far you can go. The promise of adventure and the possibility of fortune have enticed more than a few MBA students to abandon the classroom and join e-business start-

ups. HBR's Dana Lissy recently talked with one of them: Jonathan Seelig. In 1998, Seelig took a leave from MIT's Sloan School of Management to cofound Akamai Technologies, a high-flying Internet company based in Cambridge, Massachusetts. He is currently Akamai's vice president of strategy and corporate development.

The Role of Learning Principle

**Do you see yourself as a trendsetter?
Will we see more students leaving
B-school to join start-ups?**

I'm not comfortable calling myself a trendsetter. But I think it's clear that for young people today, there are business opportunities unlike any that have existed before. A lot of new industries and new business models are being pioneered, and you don't necessarily have to have a lot of business experience to play a key role in developing them. Experience is invaluable for some positions – I couldn't be the CEO of this company, for example, and I couldn't be our liaison with Wall Street. But when it comes to thinking about how Akamai should evolve, I'm in as good a position as anybody because the industry has only existed for two years, and I was there in week one.

So you can see why business school students would be interested in doing what I'm doing. There are big opportunities, you don't necessarily need a lot of experience to capitalize on them, and those who act fast will tend to get the biggest rewards. Is it a trend? I don't know. Is it going to continue to happen? Yes.

**Are there things business schools
can do to prevent students from
leaving?**

I don't think that's the right question. If anything, I think schools should encourage students who have opportunities like the one I had to go ahead and pursue them. If the students fail, then they'll go back to school with important lessons to share with other students and professors. If they succeed, they'll become important resources for the school to draw

on – direct links into the business world. It used to be that a B-school student only had one exit point: at graduation, after the second year. I think now schools and students alike have to start to think about multiple exit points. I'm sure I would have learned useful things during a second year at Sloan, but I'm not sure it would have prepared me any better for what I'm doing now.

Sloan, to its credit, didn't try to stop me from leaving. They supported what I and the other cofounders were doing. They said, "Yeah, if there's cool stuff for you to do, great. Take off and give it a shot. Come back if it doesn't work – and come back if it does." I've heard that some other schools are less encouraging, and I think that's a mistake.

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The Role of Learning Principle

In 30 short years, e-commerce has revolutionized the way we shop. Shopping no longer refers only to going to a store, picking out and paying for goods, then bringing them home. Shopping trips that used to take hours can now take seconds and can be done from anywhere with an internet signal. The thrill of the purchase is now stretched out, starting with the customer's initial product comparisons and culminating with the "unboxing" (which has become an industry in itself) and, maybe, writing an online review.

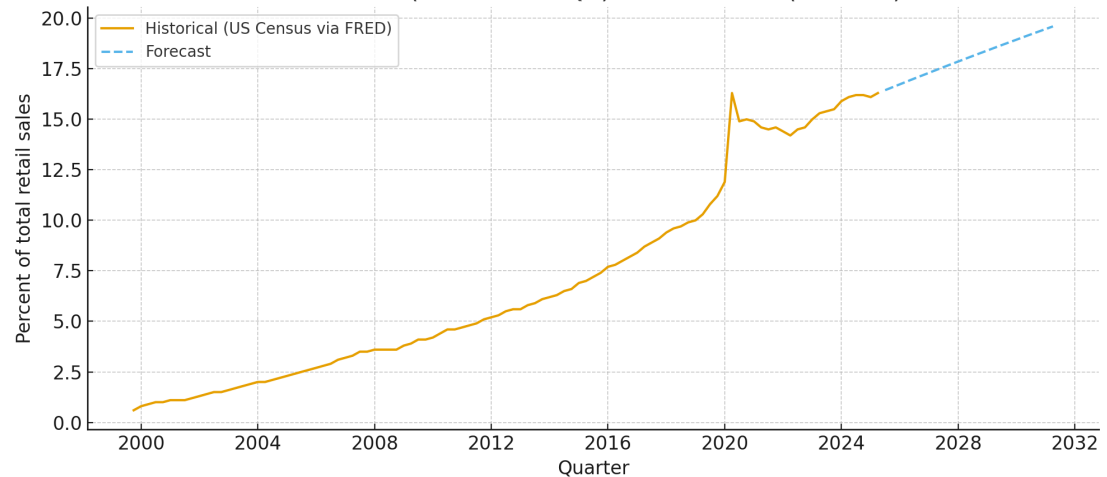
Simply put, e-commerce is anything—goods or services—bought or sold on the internet (see sidebar, "What are the different types of e-commerce?" for a description of e-commerce categories). E-commerce has been growing consistently ever since the first online transaction in 1994, when [someone sold his friend a Sting CD](#) for

\$12.48, plus shipping. But when the COVID-19 pandemic hit, triggering lockdowns all over the world, [customers went all in](#): Year-over-year growth of e-commerce as a share of total retail sales grew 1.6 times in China, 3.3 times in the United States, and 4.5 times in the United Kingdom. E-commerce sales penetration in the United States [more than doubled](#) to about 35 percent in 2020 from about 16 percent the previous year, roughly the equivalent of [ten years of growth](#). [6](#) [total global sales](#) are made from online purchases.

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U.S. Retail E-commerce Share of Total Sales
Historical (1999–2025 Q2) and Forecast (to 2031)



Let's start from here...

The Case of Hilton I

- Hilton Hotels, via Hilton.com, has one of the fastest reservation services in the world: The average time to complete a reservation is less than two minutes.
- Frequent guests have services automatically tailored to their last visit, and meeting planners access the website for group reservations and floor plans of venues.
- Hilton's e-business initiatives required information from multiple business units, interactivity among customers, their history with us, and what they like and don't like, accessible no matter where they touch us in the world.
- Hilton has excellent profiles of members of Hhonorers for the tens of millions of customers that only occasionally stay with Hilton.
- The web will enable us to reach them cost-effectively and develop a deeper relationship.

The screenshot shows the Hilton website interface. At the top, the Hilton logo is on the left, and navigation links for Language, English, Your Stays, Join, and Sign In are on the right. Below this is a horizontal menu with links for Hotels & Resorts, Hilton Honors, Offers, Meetings & Events, Credit Cards, Hilton Grand Vacations, and Hilton for Business. The main content area features a search bar with the placeholder text 'Where to? (Required)' and a search button. To the right of the search bar are buttons for 'Check-in', 'Check-out', '1 room, 1 guest', 'Special rates', and 'Find a hotel'. Below the search bar, there is a large section titled 'Welcome to Hilton for Business'. This section contains text describing the program: 'Hilton for Business is an exciting new travel program designed to give small and medium sized businesses access to exclusive discounted rates, travel management tools, and loyalty benefits. Owners and travel admins, register your business for free today using your existing Hilton Honors account. Then, invite all of your employees and start saving on travel costs and earning loyalty rewards for your company.' It also includes the note 'No minimum spend required.' and a link 'Already a member? Manage your program.' At the bottom of this section is a 'Join for Free' button.

Hilton
FOR THE STAY™

Language English ▾ Your Stays Join | Sign In

Hotels & Resorts ▾ Hilton Honors ▾ Offers ▾ Meetings & Events ▾ Credit Cards Hilton Grand Vacations Hilton for Business

Where to? (Required)
Search for a destination

When?

Check-in
Add dates

Check-out
Add dates

1 room, 1 guest

Special rates

Find a hotel

Welcome to Hilton for Business

Hilton for Business is an exciting new travel program designed to give small and medium sized businesses access to exclusive discounted rates, travel management tools, and loyalty benefits. Owners and travel admins, register your business for free today using your existing Hilton Honors account. Then, invite all of your employees and start saving on travel costs and earning loyalty rewards for your company.

No minimum spend required.

Already a member? [Manage your program.](#)

Join for Free

What a Business Requires Information on

- Business strategy

A business is an organized entity of people, resources, and processes whose primary goal is to create, deliver, and capture value in a way that sustains its operations and growth.

- Its performance is measured by how effectively it achieves the goals in financial, operational, and societal dimensions.



Thus, performance can be formally noted as a function of business activities as follows.

$$Performance = f(Business)$$

What a Business Requires Information on

- Business strategy
 - 1) Who are the targeted customers?
 - 2) What are the products and service offerings?
 - 3) What does the firm target in the unique and valuable position?
 - 4) What choices and trade-offs has the firm made?
- Organizational form or structure
 - 1) What is the arrangement of organizational subunits and the accompanying hierarchy of authority?
 - 2) What are the reporting relationships for each manager, the shape of the organization, and the division of labor across the organization, the network of organizations?
 - 3) How do managers balance this collection of rights and responsibilities through incentives, conflict, and conflict resolution?

What a Business Requires Information on

- Business process

- 1) What is the key set of activities designed to produce a specified output for a particular customer or market?
- 2) How do these activities cut across tasks, roles, departments, and functions to provide a customer with a product or service?
- 3) How do managers design, operate, improve, and evaluate the performance of these processes?
- 4) What intellectual property or competitive advantage is embedded in the firm's processes?

- Value chain

- 1) How does the firm add value to its inputs?
- 2) How do the firm's value-adding activities fit with those of the other players?
- 3) What information is necessary to manage the boundaries between the firm and other participants?
- 4) How does the value chain fit with the competitive landscape?

What a Business Requires Information on

- Core competence

1) Core competencies are the relatively few sources of intellectual and service strength that are distinctive and creative long-term competitive advantage.

2) Core competencies are the collective learnings of firms, especially how to integrate multiple streams of skills, technologies, and processes to adapt to quickly changing opportunities.

3) Although core competencies cannot be consumed, disciplined leadership must envision, invest, protect, and nurture core competencies in-house , and outsource noncore activities to firms for whom they are core?

Performance can be noted as a function of business activities as follows.

Performance = f(Strategy, structure, Process, Value chain, Competence)

What's Different about e-Business?

- Convergence

1) One of the distinguishing features of e-business is the importance of convergence.

2) E-business requires two forms of convergence:

- convergence of the technical platform
- convergence of business capabilities

Performance can be noted as a function of business activities and IT as follows.

Here, the operator 'x' does not represent a simple addition but rather the integration of the two domains.

$$Performance = f(Business X IT)$$

What's Different about e-Business?

- Convergence of the technical platform
 - 1) At a technical level, e-business uses the convergence of multiple technologies into an integrated electronic infrastructure to conduct business.
 - 2) Existing IT infrastructure in firms, governments, and homes, which can be connected via the Internet with little further investment.
 - 3) No one sat down and designed e-business; rather, it emerged once the convergence of the technologies made it feasible.
 - 4) Three important developments that contributed to this convergence were
 - the opening of the Internet
 - the creation of naming conventions for URLs
 - the development of an interface that was user-friendly and free.

What's Different about e-Business?

- The convergence of business capabilities
 - 1) Convergence is required within and among firms, the integration of business processes, workflows, IT infrastructures, knowledge, and data assets.
 - 2) E-business will drive the organization to present a single point of contact to customers via electronic integration and to become nodes in a network of firms.
 - 3) This integration will occur across previously autonomous business units as well as between firms and their customers, suppliers, and allies.

The Case of Hilton II

- Hilton is implementing a direct-to-customer business model via the Web channel, targeting the frequent-travel segment and providing a single point of contact.
- All customer segments can use the Web channel, including both individuals and travel agents-with some travel agents bypassed when individuals contact Hilton directly.
- To implement this e-business initiative, Hilton integrates workflows, reservation systems, call centers, and business processes with the common goal of obtaining more finely segmented customer data.
- The initiative required a strong vision to evolve to an e-business, many negotiations across business units within Hilton, alliances with other firms, investment in IT infrastructure, and integration of Internet-based application with a large database of segmented customer profiles and various existing reservation systems.

The Feature of e-Business

- A description of the roles and relationships among a firm's consumers, customers, allies, and suppliers that identify the major flows of product, information, and money, and the major benefits to participants.
- Firms can analyze an e-business model to deduce:
 - 1) Whether the model has any major contradictions that may lead to conflict.
 - 2) The core competencies and key business processes necessary to implement.
 - 3) The position of each player in the industry value chain.
 - 4) The organizational form for implementation.
 - 5) The type of IT infrastructure capability required,
 - 6) Which entity owns the customer relationship, data, and transaction.
- Please refer to the following article.
<https://www.mckinsey.com/capabilities/operations/our-insights/converge-it-and-ot-to-turbocharge-business-operations-scaling-power>

The Typical e-Business Model

- Direct-to-consumer e-business model schematic

1) Participants

Blocks identify the major participants involved in the business model:

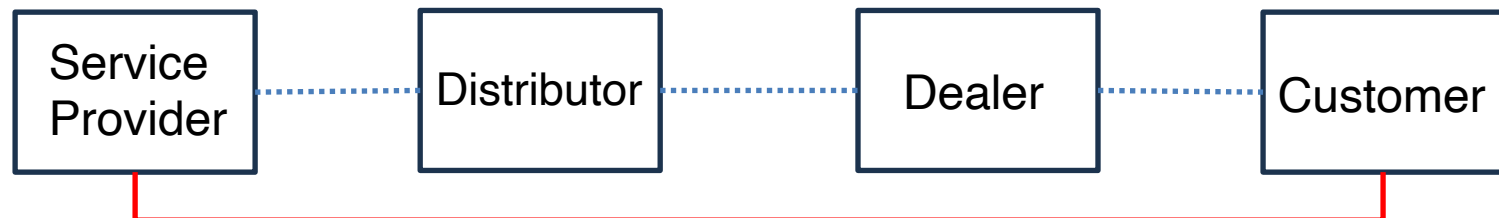
2) Relationships

- Lines linking the participants represent the major relationships in the model.
- All of these relationships are electronic, and many use the Internet.
- A solid line represents the participant owning the customer relationship, where the participant knows more about the customer than any other participant.



The Case of Dell

- Dell Computer Corporation pioneered the direct-to-customer e-business model, manufacturing and delivering computer systems directly on the customer. Dell entered the PC market with the direct-to-customer model at a time when existing firms like Compaq and Hewlett-Packard do business exclusively through intermediaries such as distributors or dealers. At the time of Dell's entry into the market, distributor or dealer intermediaries absorbed between 15 percent and 28 percent of the retail price.
- Using the direct-to-customer model, Dell can sell at lower prices, build to order, receive payment earlier, and speed up new product release cycles- without the need to empty and fill the distribution channel. Dell can also build on owning the customer relationship using the customer data collected to provide more tailored and valued services.



$$Performance = f(Business \times IT)$$

The Case of e-Business Market Growth

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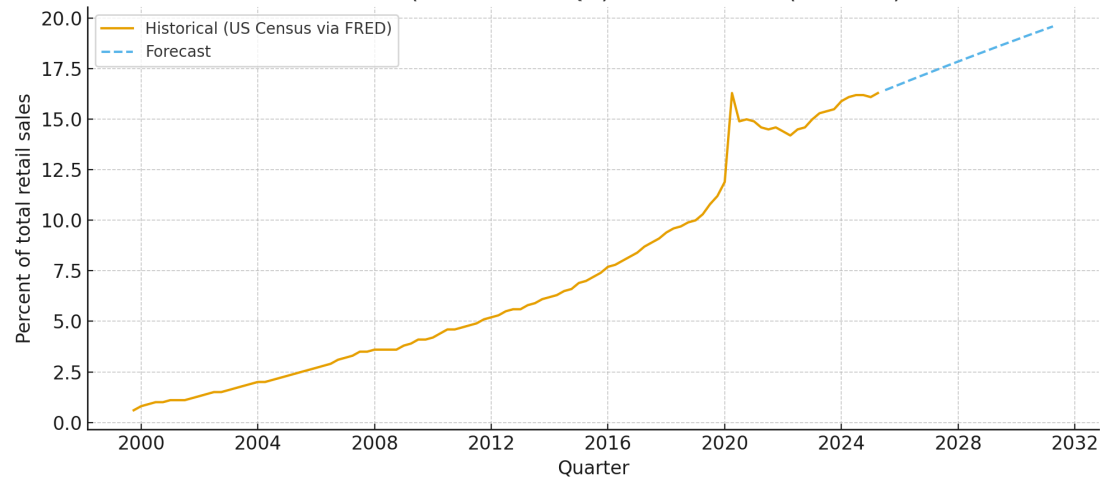
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