

Week 4 (Tue):
e-Business
Semester 2, 2025

■ Today's Goal

- Basic Framework to Understand eBusiness
- Introducing articles

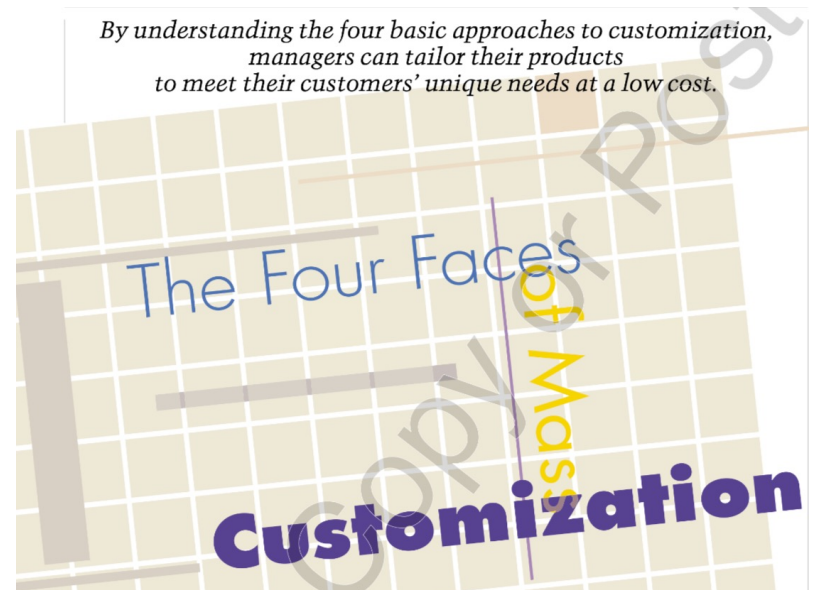
“Amazon vs. Walmart: Clash of Business Models”

“The Four Faces of Mass Customization”

AMAZON VS WALMART: CLASH OF BUSINESS MODELS

With sales of US\$567.7 billion in 2021, Walmart continued its dominance as the world's largest company by revenue, a position that it first achieved in 2002. In contrast, the ecommerce pioneer Amazon, founded only in 1997, but with revenues of US\$469.8 billion in 2021 became for the first time the world's second largest corporation.¹ The surge in online shopping over 2020-2021 on account of the Covid-19 pandemic had enabled the e-retailer to considerably shrink the gap between itself and Walmart. Despite Walmart's lead in revenues, on 1 March 2022, Amazon's US\$1539 billion valuation dwarfed the US\$382 billion market capitalisation of Walmart (refer to **Exhibit 1** for a comparison of the retailers' performances).

By understanding the four basic approaches to customization, managers can tailor their products to meet their customers' unique needs at a low cost.



The Typical Questions of Business Strategies

- **Key Strategic Questions for Business Strategy**

- Business strategy defines how a company positions itself and competes within a market.

- **Business strategy revolves around three essential decisions**

- **Where to Compete: Industry and Product Scope**

- i) Determine the markets, industries, or product categories in which the company will participate.

- ii) Example: Choosing between entering e-commerce, SaaS, or physical retail.

- **When to Compete: Timing of Entry and Exit**

- i) Decide the optimal moment to enter a new market or withdraw from an existing one.

- ii) Example: Launching a new platform early to capture first-mover advantages or waiting until technology matures to reduce risk.

- **How to Compete: Competitive Approach**

- i) Define the unique value offered to customers and the basis for differentiation

- (e.g., cost leadership, innovation, customer intimacy).

- ii) Example: Competing on superior user experience, price efficiency, or exclusive content.

Strategic Elements of a Successful IT Company



- First mover advantage
- Technology superiority
- Competences in core business
- Appropriate business expansion



- Revenue structure
- Customer Relationship

Strategic Perspective: Competitive Advantage

- **Why Do Some Companies Become Industry Leaders?**
 - Examples: Amazon, Walmart, Apple, Samsung
 - These companies hold sustainable and strong competitive advantages compared to their rivals.
- **Definition of Competitive Advantage**
 - Competitive advantage is the ability of a firm to create and capture value in ways that allow it to outperform competitors.
- **To gain such an advantage, a company must**
 - Provide greater value to customers, or
 - Offer similar value at a lower cost,
 - Ideally, achieve both.
- **Key Drivers of Competitive Advantage**
 - Better – Deliver superior quality or performance
 - Faster – Enter markets quickly; provide faster delivery or service
 - Cheaper – Lower costs and improve price competitiveness
 - More Unique – Provide differentiated experiences, design, or ecosystems that cannot be easily replicated

Strategic Perspective: Competitive Advantage

- **Two Approaches to Securing Competitive Advantage**

- 1) **Strategic Positioning:** Performing different activities from competitors or performing similar activities in a different way

- Example: Designing a unique value chain, introducing innovative customer experiences, or offering differentiated products/services.

- 2) **Operational Effectiveness:** Performing the same activities more efficiently than competitors

- Achieved through methods such as

- i) Outsourcing key processes

- ii) Automation of operations

- iii) Benchmarking best practices to improve productivity and reduce costs

- **Strategic Positioning vs. Operational Effectiveness**

- Strategic positioning focuses on uniqueness and differentiation to create long-term value.

- Operational effectiveness focuses on efficiency and productivity to achieve superior performance in the short to medium term.

Strategic Perspective: Competitive Advantage

- **Sustainable Competitive Advantage Stems from the Nature of Certain Resources**

- Rarity (Rare)

Is the supply of a particular resource limited or difficult to obtain?

- Value (Valuable)

Does the resource provide unique value to customers or to the company itself?

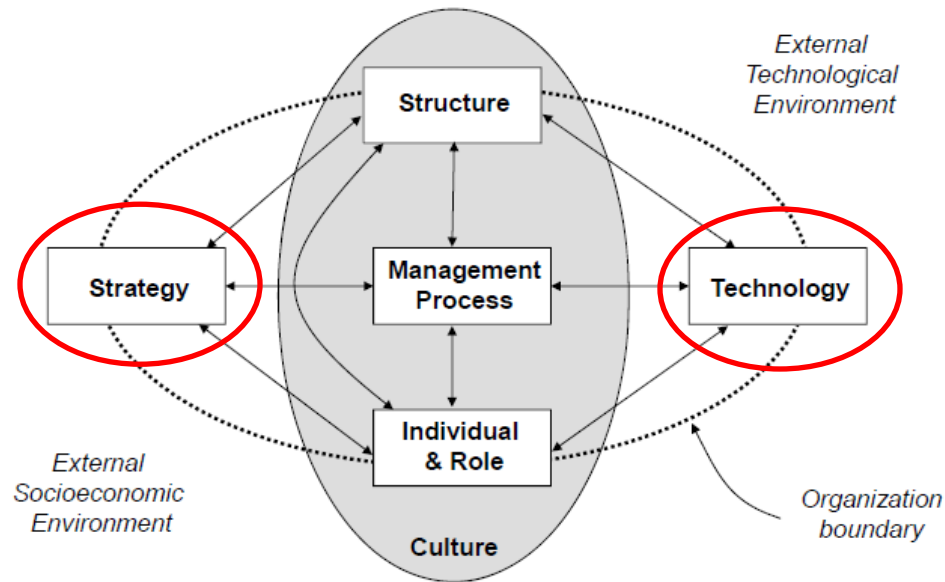
- Imperfect Imitability (Imperfectly Imitable)

Is the resource difficult for competitors to imitate or copy?

- Non-Substitutability (Non-Substitutable)

Is the resource impossible to replace with other resources?

Organizational Model & Our Goal



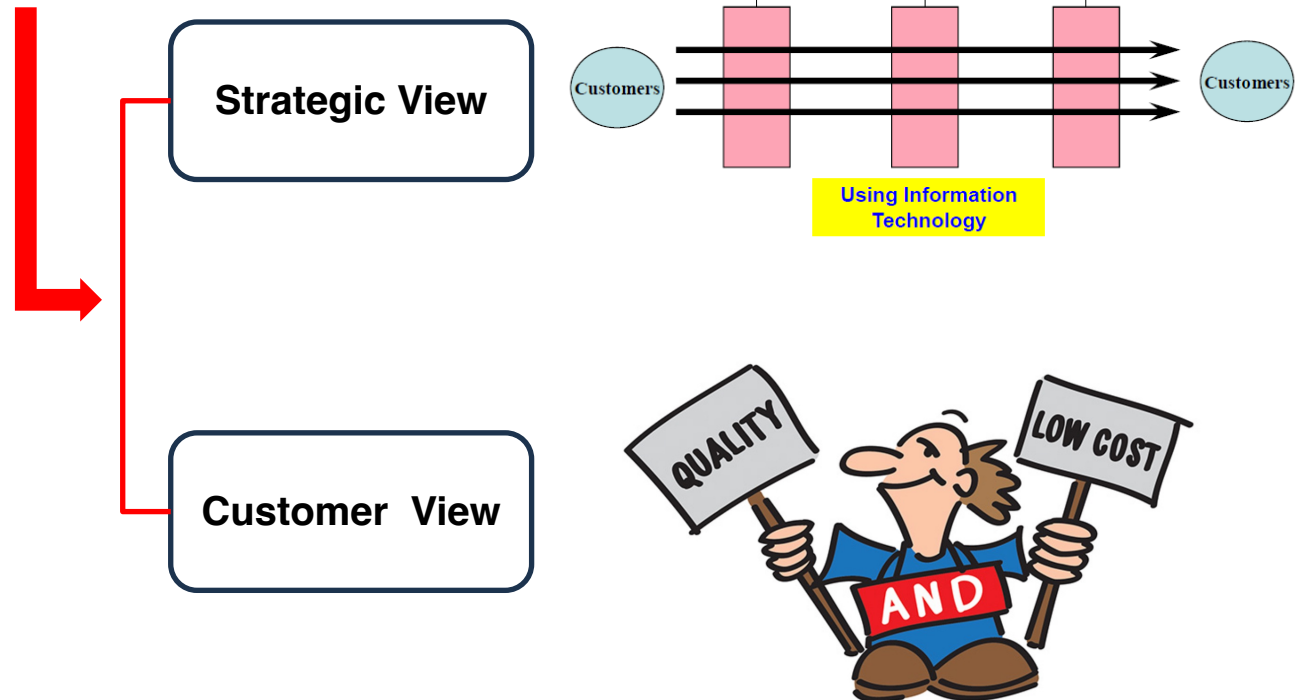
- What does this figure actually represent?
- Even if one understands each element individually, how does the overall model function in practice?
- Could you explain how the different components interact so that the model works as an integrated system?

$$\text{Performance} = f(\text{Business X IT})$$

The Framework of eBusiness Model

- Out analytic approach will be always as follows.

$$\text{Performance} = f(\text{Business} \times \text{IT})$$



Unique E-Business Perspective: Competitive Advantage

- **Low-Cost Leadership**

- Supply products at a lower price than competitors while maintaining equal or superior quality and service.
- Walmart: Uses its large-scale, real-time supply chain system RetailLink to locate and contract with business partners worldwide, ensuring cost efficiency.
- Priceline.com: Employs a reverse auction system where suppliers (flights, hotels, car rentals) bid to match the customer's proposed price, lowering costs and increasing value.

- **Product Differentiation**

- Introduce new products or services that transform customer convenience and experience.
- Google: Revolutionized information access through its search engine, providing fast and accurate search results unmatched by competitors.
- Netflix: Changed media consumption habits with streaming video-on-demand (VOD), offering on-demand entertainment globally.

Unique E-Business Perspective: Competitive Advantage

- **Mass Customization**

- Definition

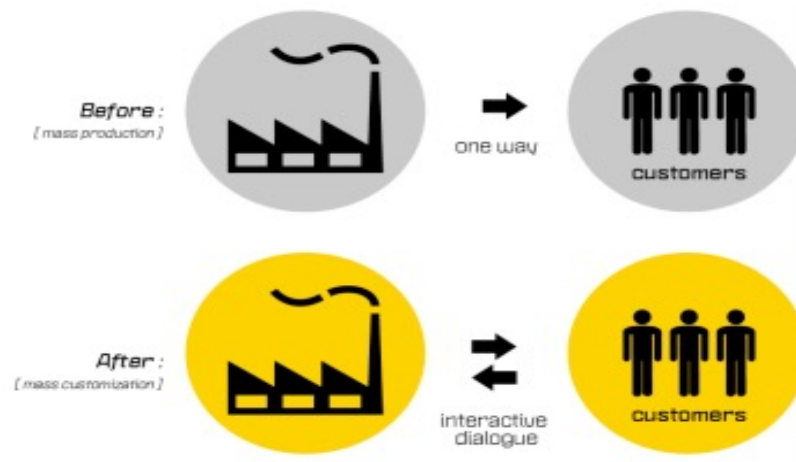
A marketing and manufacturing technique that combines personalization (custom-made) with mass production.

- Key Feature

Through computer-based production, customers can add or modify specific product features according to their personal preferences.

- Example

Dell Computers: Offers an online order system that allows customers to configure and purchase customized computers, combining efficiency of mass production with individualized design.



Unique E-Business Perspective: Competitive Advantage

- **Focus on Market Niche**

- Definition

Launch products or services targeting the specific needs, price range, or product quality of a particular market segment.

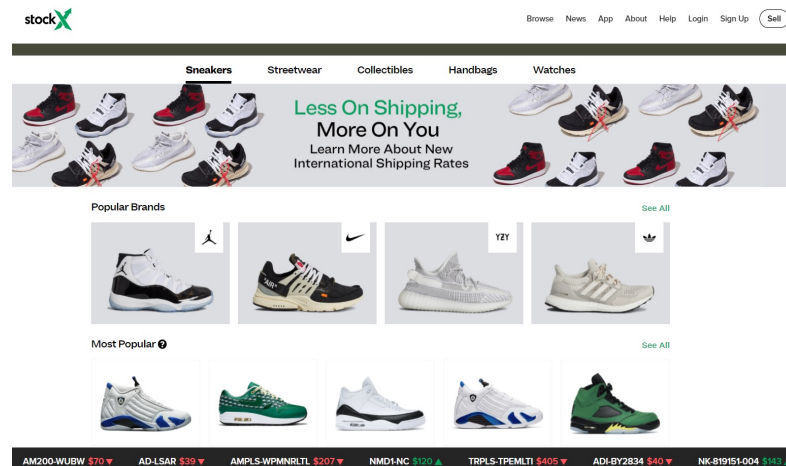
- Examples

Stitch Fix: Offers an online personal styling service, tailoring clothing selections to individual customer preferences.

StockX, Sold Out, Kream: Sneaker and apparel resale marketplaces, serving a niche community of collectors and fashion enthusiasts.

- **Potential Risk**

- A poorly chosen niche market strategy may lead to **cannibalization** between a company's own products.



Unique E-Business Perspective: Competitive Advantage

- **Strengthen Customer and Supplier Intimacy**
 - Use e-business to increase customer and supplier loyalty and engagement, thereby raising switching costs.
 - Integration with Partner Information Systems
 - Example: Walmart's RetailLink
 - Connects suppliers directly to Walmart's internal information systems.
 - Enables real-time inventory management and collaborative planning.
- **Personalized Recommendation Systems**
 - Example: Amazon.com
 - Employs AI-driven personalization to recommend products based on each customer's browsing and purchasing history.
 - Enhances customer satisfaction and encourages repeat purchases.
 - CRM-Based Loyalty Programs
 - Example: Harrah's Hotels & Casinos "Total Rewards" Program
- Uses **Customer Relationship Management (CRM)** systems to track guest behavior and reward loyalty
 - Offers tailored promotions and personalized services to deepen customer relationships.

The Basic Framework

- **Revenue Structure**

- No matter how compelling or innovative a business strategy may be, a company cannot survive without a reliable stream of income. Generating revenue is what transforms a great idea into a sustainable business.

- **Purpose of the Revenue Model**

- The revenue model explains clearly how the business will earn money—whether through direct sales, subscriptions, advertising, licensing, or other mechanisms. It provides the financial logic that supports the value proposition.

- **Example: Uber**

- Revenue Model: Uber collects a service fee on every trip—typically 20–30% of each fare—while also expanding into related areas such as Uber Eats for food delivery and Uber Freight for logistics.

- Early on, Uber used promotional subsidies and discounts to attract drivers and riders, proving that network growth could translate into revenue.

- Over time, Uber diversified its services (e.g., Uber for Business) and refined its pricing algorithms, illustrating how a revenue model can evolve while reinforcing the original firm value.

The Basic Framework

- **Defining Customers and Distribution Channels**

- Defining who your customer is and designing an appropriate distribution channel are fundamental steps in shaping a business model. Traditionally, business and marketing textbooks framed this through the classic STP framework:

- 1) Segmentation – Divide the market into meaningful customer groups.

- 2) Targeting – Select the most promising segment(s) to serve.

- **Key Functions of IT Devices in Modern Business Models**

- Apps enable personalized engagement through data collection, analytics, and real-time feedback.

- Example: Starbucks uses its app to track customer preferences and tailor promotions.

- Communication Hub: Apps provide direct, instant communication with customers via push notifications, in-app messaging, and chat support.

- Example: Banking apps send instant fraud alerts and transaction confirmations.

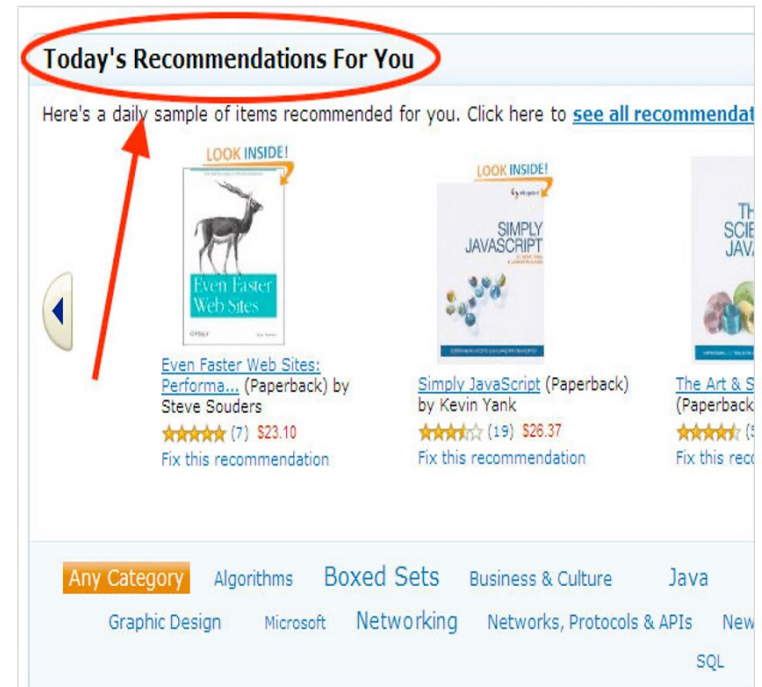
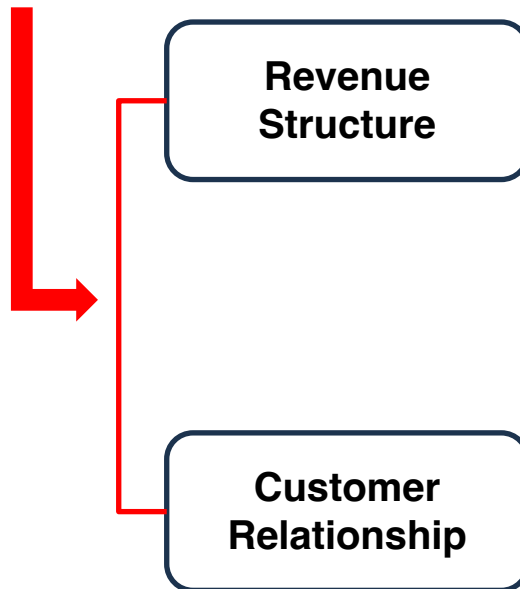
- Membership & Loyalty Programs: Mobile apps are ideal for implementing and managing membership programs that strengthen loyalty and increase switching costs.

- Example: Amazon Prime and airline mileage programs provide exclusive perks through apps.

The Basic Framework

- Out analytic approach will be always as follows.

$$\text{Performance} = f(\text{Business} \times \text{IT})$$



- **Example:** Performance = f (Commission, advertising, usage fee)

Grouping

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