**E-commerce**

A freight forwarder is a company that arranges shipping and insurance for international transactions

A customs broker is a company that arranges the payment of tariffs and compliance with customs laws for international shipments.

A bonded warehouse is a secure location where incoming international shipments can be held until customs requirements are satisfied or until payment arrangements are completed.

Electronic funds transfers (EFTs, also called wire transfers), which are electronic transmissions of account exchange information over private communications’ networks.

Electronic data interchange (EDI) occurs when one business transmits computer-readable data in a standard format to another business.

A value-added network (VAN) is an independent firm that offers connection and transaction-forwarding services to buyers and sellers engaged in EDI.

**Network**

A public network is any computer network or telecommunications network that is available to the public. The Internet is one example of a public network

A private network is a leased-line connection between two companies that physically connects their computers and/or networks to one another.

A leased line is a permanent telephone connection between two points.

A virtual private network (VPN) is a connection that uses public networks and their protocols to send data in a way that protects the data as well as a private network would, but at a lower cost.

IP tunneling creates a private passageway through the public Internet that provides secure transmission from one computer to another.

Plain old telephone service (POTS) uses existing telephone lines and an analog modem to provide a bandwidth of between 28 and 56 Kbps.

Today, most people use other connection methods, including a higher grade of telephone service called Digital Subscriber Line (DSL) protocol.

Bluetooth is useful for tasks such as wireless synchronization of laptop computers with desktop computers and wireless printing from laptops or mobile phones. These small Bluetooth networks are called personal area networks (PANs) or piconets.

The personal shopper is an intelligent agent program that learns the customer’s preferences and makes suggestions. The virtual model is a graphic image built from customer measurements and descriptions on which customers can try clothes

REVENUE STRATEGY ISSUES FOR ONLINE BUSINESSES

**Channel Conflict and Cannibalization**

Levi Strauss & Company sells its Levi’s jeans and other clothing products through department stores and other retail outlets. The company began selling jeans to consumers on its Web site in mid-1998. Many of the department stores and retail outlets that had been selling Levi’s products for many years complained to the company that the Web site was now competing with them. In January 2000, Levi Strauss announced it would stop selling its clothing products on its own Web site. Such a channel conflict can occur whenever sales activities on a company’s Web site interfere with its existing sales outlets. The problem is also called cannibalization because the Web site’s sales consume sales that would be made in the company’s other sales channels.

In recent years, the Levi’s Web site resumed selling products directly to consumers, but it includes a Store Locator link that helps customers find a nearby store if they want to buy in person.

Eddie Bauer, a retailer of clothing and outdoor gear, was selling through a catalog and retail stores located primarily in major shopping malls when it started selling products on its Web site. In a retail store operation, managing labor costs and inventory are very important in achieving store profitability. The managers at the company’s catalog division were also worried. They feared that sales through the Web site would cannibalize sales through the catalog.

Eddie Bauer was able to convince all of the managers to support the Web site. The retail store managers were credited with an inventory and labor cost allowance for each Web site return they handled. The catalog division managers were given a credit for existing catalog customers who purchased goods from the Web site. By giving their customers access to the company’s products through a coordinated presence in all three distribution channels, Eddie Bauer was able to increase overall sales to those customers. This type of solution is called channel cooperation.

**Strategic Alliances**

Affiliate marketing, shopping and payment.

**Luxury Goods Strategies**

Some types of products can be difficult to sell online. This is particularly true for expensive luxury goods and high-fashion clothing items that customers generally want to see in person or touch. Many luxury brands hesitated to offer their products online for fear of alienating the upscale physical stores that sold their products. For example, clothier Lilly Pulitzer launched its Web site in 2000, but did not sell on the site until 2008, fearing that it would lose some of the luxury cachet it derived from limiting its sales outlets.

In large part, luxury retailers limit their sales online out of concern that some or all of their products’ features must be experienced in person and cannot be adequately represented online. One industry that has overcome this obstacle, however, is the retail jewelry business. After years of slow online sales, jewelry sales have grown rapidly in recent years. Retailers such as Blue Nile and Ice.com operate highly successful online jewelry stores. Even general retailers such as Costco offer $50,000 diamond rings online. Helping these stores overcome resistance is the general availability of independent appraisal certificates for diamonds and other high-priced jewelry items. Another important factor is the stores’ well-advertised “no questions asked” return policies.

**Overstock Sales Strategies**

In the fast-changing clothing business, retailers have always had to deal with the problem of overstocks—products that did not sell as well as hoped. Many retailers use outlet stores to sell their overstocks. Lands’ End found that selling overstock items as clearance specials on its Web site worked so well that it was able to close some of its physical outlet stores. Many other retailer Web sites include a link to separate sections for overstocks or clearance sales of end-of-season merchandise.

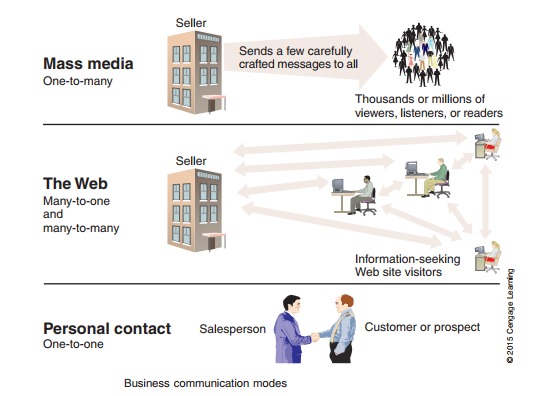
**CREATING AN EFFECTIVE BUSINESS PRESENCE ONLINE**

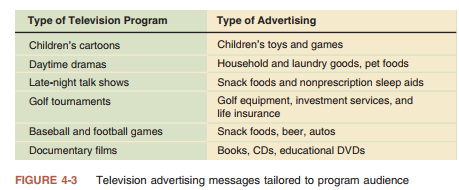
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| --- | --- |
| **Objective** | **Strategies** |
| **Attracting visitors to the website** | Include links to the Web site (or specific pages) in marketing e-mails |
| Making the site interesting enough that visitors stay and explore | Product reviews, comparison features, advice on how to use a product or service |
| Convincing visitors to follow the site’s links to obtain information | Clearly labeled links that include a hint of the information to be obtained by following them |
| Creating an impression consistent with the organization’s desired image | Using established branding elements such as logos, characters used in other advertising media, slogans, or catchphrases |
| Building a trusting relationship with visitors | Ensuring the validity and objectivity of information presented on the site |
| Reinforcing positive images that the visitor might already have about the organization | Presenting testimonials, information about awards, links to external reviews or articles about the organization or its products and services |
| Encouraging visitors to return to the site | Featuring current information about the organization or its products and services that is regularly updated via email or sms. |

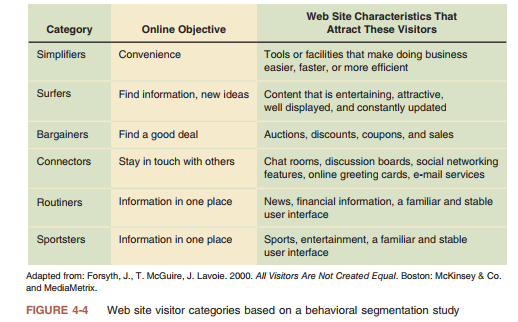
**USING THE WEB TO CONNECT WITH CUSTOMERS**

The Nature of Communication on the Web

Most businesses are familiar with two general ways of identifying and reaching customers: personal contact and mass media. These two approaches are often called communication modes because they each involve a characteristic way (or mode) of conveying information from one person to another (or communicating). In the personal contact model, the firm’s employees individually search for, qualify, and contact potential customers. This personal contact approach to identifying and reaching customers is sometimes called prospecting. In the mass media approach, firms prepare advertising and promotional materials about the firm and its products or services. They then deliver these messages to potential customers by broadcasting them on television or radio, printing them in newspapers or magazines, posting them on highway billboards, or mailing them.

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