



# Chapter 4. E-Business Strategy

# What is e-business strategy?

## Corporate Strategy:

Definition of the future direction and actions of a company defined as approaches to achieve specific objectives

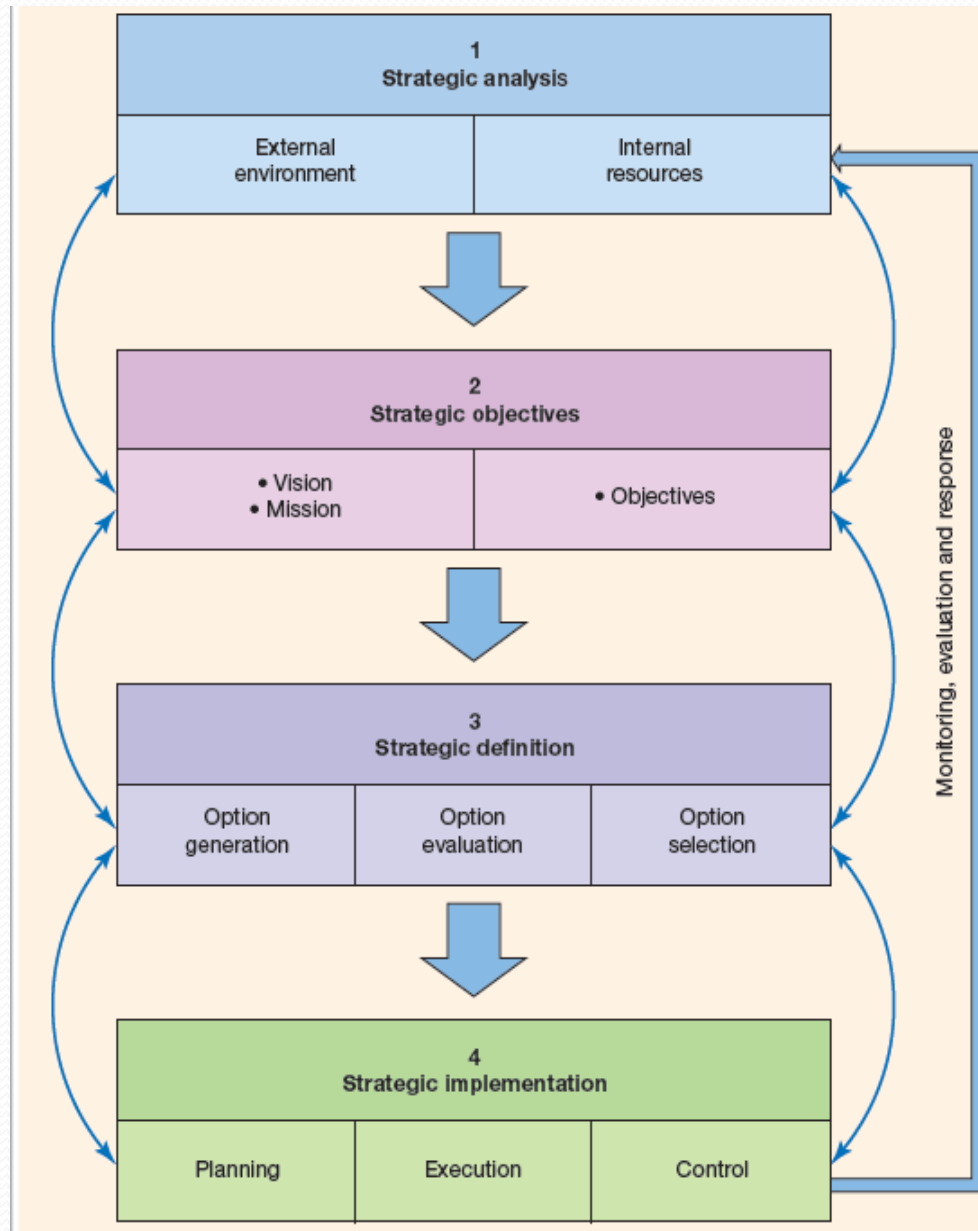
## e-business strategy:

Definition of the approach by which applications of internal and external electronic communications can support and influence corporate strategy.

# The imperative for e-business strategy

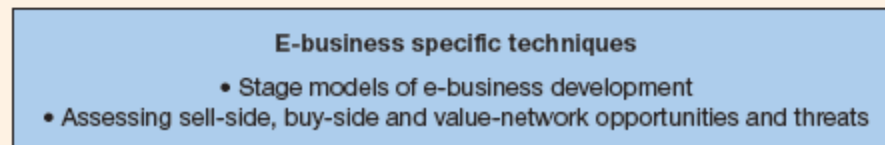
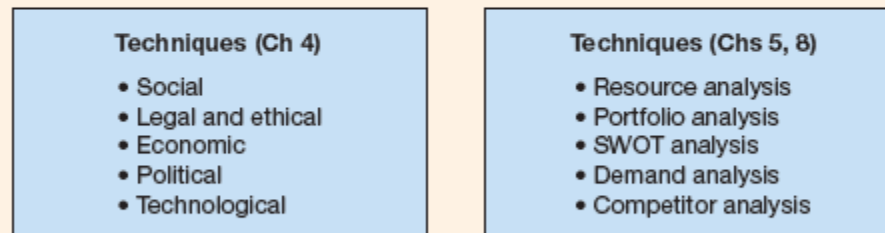
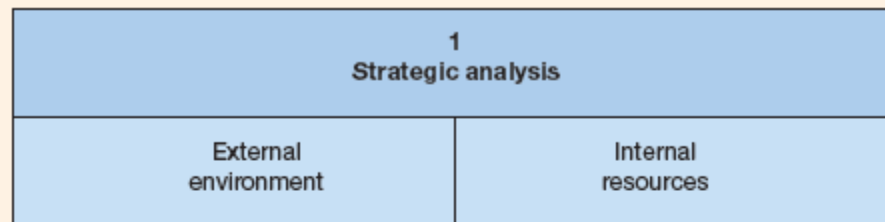
- Missed opportunities from lack of evaluation of opportunities or insufficient resourcing of e-business initiatives. These will result in more savvy competitors gaining a competitive advantage;
- Inappropriate direction of e-business strategy (poorly defined objectives, for example, with the wrong emphasis on buy-side, sell-side or internal process support);
- Limited integration of e-business at a technical level resulting in separation of organizational team with distinct responsibilities which does not work in an integrated manner with other teams;
- Resource wastage through duplication of e-business development in different functions and limited sharing of best practice. For instance, each business unit or region may develop a separate web site with different suppliers without achieving economies of scale.

# Strategy process models for e-business



# Strategic analysis or situation analysis

- **involves review of:**
  - the internal resources and processes of the company to assess its e-business capabilities and results to date in the context of a review of its activity in the marketplace;
  - the immediate competitive environment (micro-environment), including customer demand and behaviour, competitor activity, marketplace structure and relationships with suppliers, partners and intermediaries as described in;
  - the wider environment (macro-environment) in which a company operates; this includes economic development and regulation by governments in the form of law and taxes together with social and ethical constraints such as the demand for privacy. These macro environment factors, including the social, legal, economic and political factors.

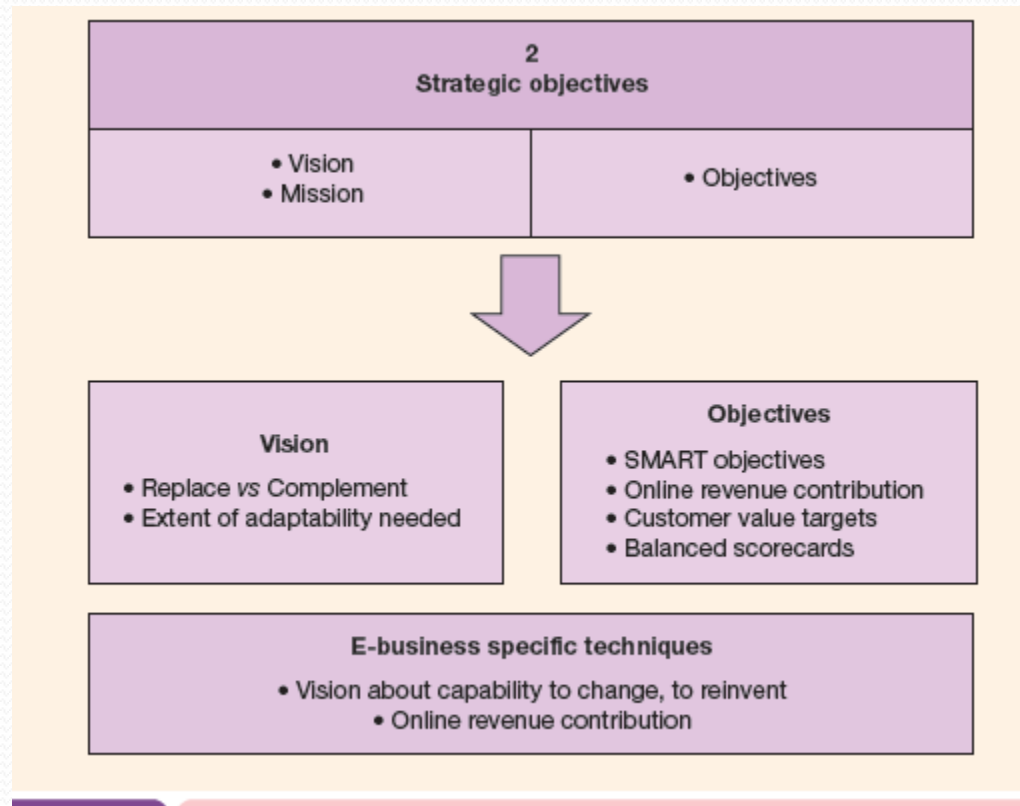


# SWOT analysis

<b>The organisation</b>	<b>Strengths – S</b> 1. Existing brand 2. Existing customer base 3. Existing distribution	<b>Weaknesses – W</b> 1. Brand perception 2. Intermediary use 3. Technology/skills 4. Cross-channel support
<b>Opportunities – O</b> 1. Cross-selling 2. New markets 3. New services 4. Alliances/co-branding	<b>SO strategies</b> Leverage strengths to maximise opportunities = <b>Attacking strategy</b>	<b>WO strategies</b> Counter weaknesses through exploiting opportunities = <b>Build strengths for attacking strategy</b>
<b>Threats – T</b> 1. Customer choice 2. New entrants 3. New competitive products 4. Channel conflicts	<b>ST strategies</b> Leverage strengths to minimise threats = <b>Defensive strategy</b>	<b>WT strategies</b> Counter weaknesses and threats = <b>Build strengths for defensive strategy</b>

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- **Competitive threats**
    - 1 Threat of new e-commerce entrants
    - 2 Threat of new digital products
    - 3 Threat of new business models
  - **Sell-side threats**
    - 1 Customer power and knowledge
    - 2 Power of intermediaries
  - **Buy-side threats**
    - 1. Power of suppliers
    - 2. Power of intermediaries





You have probably heard before that successful objectives and measures to assess performance are SMART. SMART is used to assess the suitability of objectives set to drive different strategies or the improvement of the full range of business processes.

- (i) *Specific*. Is the objective sufficiently detailed to measure real-world problems and opportunities?
- (ii) *Measurable*. Can a quantitative or qualitative attribute be applied to create a metric?
- (iii) *Actionable*. Can the information be used to improve performance? If the objective doesn't change behaviour in staff to help them improve performance, there is little point in it!
- (iv) *Relevant*. Can the information be applied to the specific problem faced by the manager?
- (v) *Time-related*. Does the measure or goal relate to a defined timeframe?

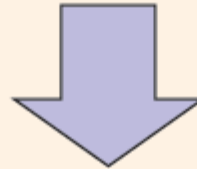
The Key performance indicators column in *Table 5.6* gives examples of SMART e-business objectives.

### 3. Strategy definition

Option  
generation

Option  
evaluation

Option  
selection



#### **Eight key e-business strategic decisions**

- Decision 1: E-business channel priorities
- Decision 2: Market and product development
- Decision 3: Positioning and differentiation strategies
- Decision 4: Business and revenue models
- Decision 5: Marketplace restructuring
- Decision 6: Supply-chain management capabilities
- Decision 7: Internal knowledge management capabilities
- Decision 8: Organizational resourcing and capabilities

# ● Right-channelling

- *The Right Person*
- *At the Right Time*
- *Using the Right Communications Channel*
- *With a Relevant Offer, Product or Message*

Right-channelling strategy example	Application and tactics to achieve channel adoption	Typical sector and company examples
Sell to and serve SMEs through online channels.	Using the Internet for sales and service through an extranet to lower-sales-volume SME customers who cannot be serviced direct through account managers. Customer channel adoption encouraged by convenience and lack of other options.	B2B. Hardware: Dell, software services such as MessageLabs Antivirus; anti-spam and e-mail management services. Commercial banks such as HSBC.
Account-managed relationships with larger companies offline, either direct or through partner companies.	The converse of strategy 1. Using face-to-face and phone meetings with large, high-sales-volume clients through account managers. Customer channel adoption encouraged by personal service and capability to negotiate service levels and buying options.	B2B. Account managers at Dell for larger clients. Bank 'relationship managers' who discuss financial management with 'higher-wealth' individuals.