

BTM 387 - Midterm Study notes

Challenges & Opportunities

A framework for E-Business

A. Types

B. Applications

C. Infrastructures

- Common business services (security, payment systems, catalogs, ...)
- Communication (EDI, e-mail, instant messaging, ...)
- Multimedia content & publishing (protocols, languages, ...)
- Networks (access, types, components, ...)
- Interfacing (databases, business partners, CRM, ...)

D. Support Services:

- People (buyers, suppliers, intermediaries, employees, ...)
- Public policy (taxes, regulations, compliance, standards, ...)
- Marketing (promotions, web content, advertising, ...)
- Back office processes (order fulfillment, logistics, ...)
- Partnerships (joint ventures, affiliates programs, ...)

Goal of E-Business Strategy:

To achieve **long-term success** by building up one more sources of **competitive advantage**.

Key challenges in e-business strategy formulation:

Strategy:

- is concerned with the **long-term direction** of the firm.
- deals with the overall plan for **deploying the resources that a firm possesses**.
- entails the willingness to make trade-offs, to chose between different directions and between different ways of deploying resources.

- is about achieving unique positioning vis-a-vis competitors.
- the central goal of strategy is to achieve sustainable competitive advantage over rivals and thereby to ensure lasting profitability.

A systematic approach to e-business strategy formulation:

1. Strategic analysis;

External analysis:

- Socio-technological environment
- Economic environment
- Market environment
- Political / Legal environment

Internal analysis:

- Key resources and capabilities

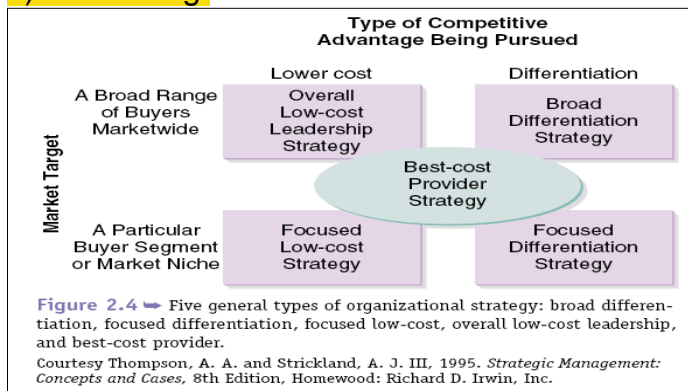
SWOT Analysis

Porter's Five Forces

The Value Chain

2. Strategy formulation;

a) Positioning:



b) The internal organization

c) Relationships with suppliers

d) Relationships with customers

3. Strategy implementation.

- Align strategic goals with actions to be taken in chronological order and with deadlines
- Review, Assess, Revise: a never ending process

E-Business Plan & Model

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Business Model

- A set of planned activities designed to result in a profit in a marketplace

Business Plan

- A document that describes (among others) a firm's business model

E-Business Model

- A business model that aims to use and leverage the unique qualities of the Internet and the WWW

Key Elements of a Business Model

1. Value Proposition
2. Revenue Model
3. Market Segment / Opportunity
4. Competitive Environment
5. Competitive Advantage
6. Market Strategy
7. Organizational Development / Value Chain

1. Value Proposition: Defines how a company's product or service fulfills the needs of customers

- Why should the customer buy from this firm?
- Why will the customers choose to do business with this firm instead of with another?
- What does this firm provide that other firms do not or cannot?

2. Revenue model: Describes how the firm earns revenue, generate profits, and produces return or invested capital

- How does this e-business make \$?
- Most e-businesses rely on a combination of basic revenue models
- Basic E-Business Revenue Models:
 - Advertising
 - Sales
 - Affiliate
 - Transaction
 - Subscription

3. Market Segment: refers to the company's intended marketplace and potential financial opportunities available in that marketplace

- Marketspaces are composed of many market segments. An e-business market opportunity typically focuses on one or a few market segments.

4. Competitive Environment: refers to the other companies operating in the same marketplace, the presence of substitutes and potential new entrants.

5. Competitive advantage: is achieved by a firm when it can produce a superior product/service and/or bring it to the market at a lower price than its competitors.

- Sustainable vs Temporary

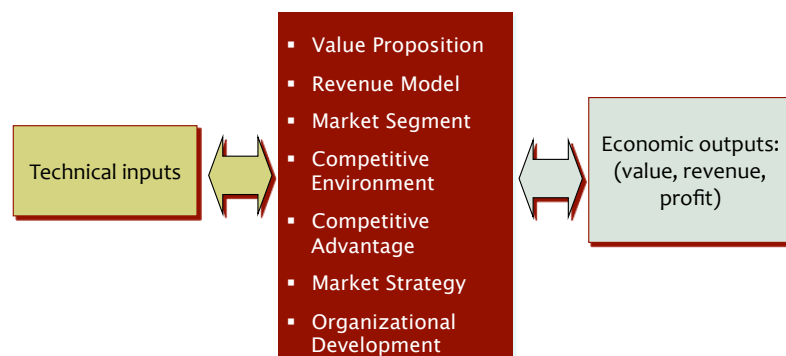
6. Market Strategy: is the plan put together that details exactly how a firm intends to enter a new market and attract new customers.

7. Organizational Development / Value chain: describes how the company organizes the work that needs to be accomplished (internally).

- Functional Departments
- Core and Support Functions
- Cost Structure

Business Model

Mediates between the technical and economic domains:



Generic B2C Business Models

1. Portal
2. E-Tailer
3. Content Provider
4. Transaction Broker
5. Market Creator
6. Service Provider
7. Community Provider

1. **Portal:** offer users web search tools as well as integrated package of content and services all in one place

- Horizontal portals
- Vertical portals
- Web portals are sometimes classified as *horizontal or vertical*. A *horizontal portal is used as a platform to several companies in the same economic sector* or to the same type of manufacturers or distributors. A vertical portal (also known as a "vortal") is a specialized entry point to a specific market or industry niche, subject area, or interest. *Some vertical portals are known as "vertical information portals" (VIPs). VIPs provide news, editorial content, digital publications, and e-commerce capabilities.* In contrast to traditional vertical portals, VIPs also provide dynamic multimedia applications including social networking, video posting, and blogging.

2. E-Tailer: online retail store

- Brick-and-click
- Click only
- Manufacturer-direct online sales

3. Content provider: distribute information content, such as digital news, music, photos, video, and artwork, over the web

- Include all forms of intellectual property
- Owners
- Aggregators

4. Transaction Broker: process transactions for consumers that are normally handled in person, by phone, or by mail

- Largest industries using this model are financial services, travel, and job placement services

5. Market Creator: build a digital environment where buyers and sellers can meet, display products, search for products, and establish a price for products

- Auction mechanism

6. Service Provider: offer services online

- General public services
- Personal services
- Free services vs services for a fee

7. Community Provider: create an online environment where people with similar interests can transact, share interests, communicate, and receive information

- Social networks vs interest based

Other Business Models

E-Government:

E-Business model in which a government entity buys or provides good, services, or information to businesses or individual citizens

- G2B
- G2C
- G2E
- G2G

E-Learning:

The online delivery of information for purposes of education, training, or knowledge management

- Distance learning
- Virtual universities
- Online corporate training

Web 2.0 & M-Commerce

Web 2.0:

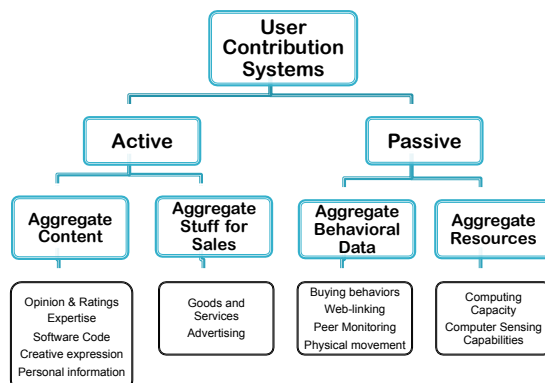
- Refers to an interactive web. A web that moved from a site that displays information to a site that permits interaction with users
- Interactive sites are supported by audio and video capabilities combined with user-generated content (UGC) such as blogs and conversation threads

Defining Social Technologies and Utility:

- Developers replicate paradigms of human social interactions online by linking form to function
- The primary purpose of social websites is to connect us with friends, family, partners, colleagues
- *Social utility* suggests people spend time on sites that provide social value, contributing to social satisfaction
- The Three Pillars of Sociability apply to both real life and the online world
- People's needs to:
 - affiliate,
 - participate,
 - be validated by others
- Social networking sites allow users to do this online

Business Utility:

- Translating online social utility into business utility helps drive value for companies and organizations
- Consumers and clients will share information if they get something back in return that they want, e.g. products and services, information, access to other buyers



Myths about use of Social Media in Business:

- Loss of time
- It's really simple / easy
- It's free
- It's not important / no business value

How can Organizations use Social Media?

- Build better customer relationships
- Improve knowledge management
- Facilitate recruiting
- Increase business opportunities
- Build a community
- Improve communication and collaboration
- Promoting, Branding, Advertising
- Design and development
- Community / Fun raisers

Kietzmann et al's 4 Cs:

- How firms should develop strategies for monitoring, understanding, and responding to various social media activities:
 - Cognize
 - Congruity
 - Curate
 - Chase
 - socialmention
 - hashtags

Web 2.0 and Social Media Related Costs:

- Storage
- Maintenance
- 4 C's
- Indexing content
- Management of user ids and passwords
- Security
- Time

What's next?:

- Mobile Social Networking
- Web 3.0
- Web 4.0

M-Commerce:

- Any commercial transaction conducted using a mobile device
- 1997: First Coca Cola mobile-phone enabled vending machine (Helsinki)
- 1998: First digital content sale (Finland)
- First iPhone allowed to move away from SMS to actual applications (but SMS is still alive)

Key Attributes of M-Commerce:

- Ubiquity
- Convenience
- Personalization
- Localization

Drivers of M-Commerce:

- Widespread availability of more powerful mobile devices
- The “handset” culture
- The service economy
- Vendor’s push
- The mobile workforce / Increased mobility
- Declining prices & improving performance
- Improving bandwidth

Products & Service Available:

- Tickets
- Vouchers, coupons, loyalty cards
- Digital content
- Location-based services
- Information services
- Banking
- Storefront / Purchases
- Brokerage
- Auctions
- Marketing and advertising

Current Trends (on the rise):

- Bargain hunting
- Ticketing
- Banking
- Tangible Goods
- Marketing
- Payments
- TV (broadcasting)
- Games and Gambling

M-Commerce Challenges:

- Compatibility
- Usability & Functionality
- Portability
- Monitoring
- Less Tolerant Users
- Mobile (not Desktop) site
- QR Codes Black Hole
- Spam SMS

Physical Retail Challenges:

- Power Shift to Customers (Showrooming)
- Some Physical Goods Sales Declining
- Expensive Physical Premises
- Need for Innovativeness
- Customers want Mobile POS
- Right Strategy for each Device
- Value-Added Apps

Planning & Building M-Presence:

- Business Objectives?
- Functionality?
- Design
 - Mobile web site
 - Mobile web app
 - Native app

Security

Common Security Threats:

- Malware
- Phishing and identity theft
- Spoofing
- Sniffing
- Data alteration
- Denial of Service attacks
- Intrusion
- Theft (physical and electronic)
- Fraud

E-Commerce Security Requirements:

- Confidentiality
- Integrity (you need to make sure that data you receive or that you sent has not been changed in any way.)
- Availability
- Legitimate use
 - identification
 - authentication
 - authorization
- Traceability
- Non-Repudiation

Risk Reduction Mechanisms:

- Redundant firewall protection
- Web application protection
- DoS mitigation system
- SSL / VPN
- Vulnerability monitoring
- Antivirus protection
- Two factor authentication
- Access Control (logical and physical)
- Encrypted backup
- Digital signature and certificate
- CAPTCHA

Practical Consequences:

- The merchant is always responsible for security and privacy
- Security is quantifiable
- Tension between security and “doing business”
- Trust is a “perception” that customers have that may be “really” related to security
- Disaster Recovery Plan
- Public Safety Canada