

Chapter 16

Launching a Successful Online Business

Learning Objectives

Upon completion of this chapter, you will be able to:

1. Understand the fundamental requirements for initiating an online business.
2. Describe the funding options available to start-up businesses.
3. Evaluate the options for hosting Web sites.
4. Understand the processes and business decisions associated with managing Web site development.
5. Understand the importance of providing content that meets the needs and expectations of the intended audience.
6. Evaluate Web sites on design criteria such as appearance, navigation, consistency, and performance.
7. Know the techniques of search engine optimization to obtain high placement in search engines.
8. Understand the benefits of customer relationship management through customer self-service, listening to customers, and increasing trust.

Content

OBO Sets its Goals for Success

- 16.1 Doing Business Online: Getting Started
- 16.2 Doing Business Online: Building the Web Site
- 16.3 Web Site Hosting
- 16.4 Content Creation and Management
- 16.5 Web Site Design
- 16.6 Web Site Construction
- 16.7 Web Site Promotion
- 16.8 Customer Relationship Management

Managerial Issues

Real-World Case: Making E-Newsletters Pay

Answers to Pause/Break Section Review Questions

Section 16.1 Review Questions

1. *Describe the formation process of a typical business.*
 - Identify customer or business need
 - Investigate
 - Determine ability to meet the need

2. *What special requirements must an online business consider in its formation? In e-business planning?*

Online business formation must consider the unique online aspects of the business as well as appropriate products and services. In e-business planning the major difference is the understanding of the unique aspects of the Internet and the sales channel.

3. *What is a business plan and how does it contribute to business success? What is a business case and how does it contribute to business success?*

Business plan – a written document that identifies a company's goals and outlines how the company intends to achieve those goals.

Business case – a document that is used to justify the investment of internal, organizational resources in a specific application or project.

4. *Describe three funding options available to a start-up business.*

- Venture capital
- Angel investors
- Incubators

Section 16.2 Review Questions

1. *Distinguish between an informational, interactive, and transactional Web site.*

Informational Web site – a Web site that does little more than provide information about the business and its products and services

Interactive Web site – a Web site that provides opportunities for the customers and the business to communicate and share information.

Transactional Web site – a Web site that sells products or services

2. *List the six steps necessary to build a Web site.*

- Select a host
- Register a domain name
- Create/manage content
- Design the site
- Construct and test
- Market and promote

3. *Describe five criteria that Web site visitors use to evaluate Web site content. Describe four criteria that visitors use to evaluate Web site design.*

See figure 16.1.

Section 16.3 Review Questions

1. *What are the advantages and disadvantages offered by the different Web hosting options?*

Storebuilder services are quick and inexpensive, but generally lack customization and strong branding. ISP hosted sites can offer customization and strong branding, but may be more expensive and difficult to deploy.

2. *What is a mirror site? Why would a company use a mirror site?*

A mirror site is an exact duplicate of the original Web site that is hosted at another location. They are used to create redundancy and balance loads.

3. *What criteria should an online business consider in choosing a Web hosting service?*

- Service quality
- Services offered
- Price

4. *What is a domain name? Why is selecting a domain name an important step for going online?*

A domain name is a named-based address that identifies an Internet-connected server. It is the “address” that potential customers will use to access the site.

5. *List 10 suggestions for selecting a good domain name.*

See page 606.

Section 16.4 Review Questions

1. *What is content? Commodity content? Premium content? Personalized content?*

Content – the text, images, sound and video that make up a Web page.

Commodity Content – information that is widely available and generally free to access on the Web.

Premium Content – content not available elsewhere on the Web.

Personalized Content – Web content that is prepared to match the needs and expectations of the individual visitor.

2. *How can content be used for cross selling? For up selling? For promotion?*

Content can be used to persuade customers to buy similar or enhanced products. It can also be used to promote a site or an item for sale.

3. *What are the two key requirements for creating effective content?*

- In line with business goals
- Filling information needs

4. *Where does content come from? Identify four sources of Web site content.*

Content can be created locally, purchased or automatically generated. Student answers will vary on sources of content.

5. *What e-newsletter content does a subscriber value most?*

It varies based on the user and industry.

6. *List 7 to 10 suggestions for writing effective content.*

See page 610.

7. *What is the purpose of content management?*

It is keeping content fresh, accurate, compelling and credible.

8. *What are the driving forces behind the growth of content management software?*

It allows non-technical staff to manage content.

Section 16.5 Review Questions

1. *Describe eight criteria used to judge Web site design.*

See Exhibit 16.2.

2. *What is deep linking? Why is it a problem for site designers? What should they do about it?*

Deep linking – entry into a Web site via the site's interior pages, not the homepage, typically through search engines or external links. It is an issue because the main homepage is bypassed, decreasing the chance of advertising/selling to the user.

3. *What is the three-click rule? What are its implications for information architecture?*

Users can find what they need in three clicks. It requires careful design of Web sites to aid navigation.

4. *Describe four site navigation aids.*

- Navigation bar
- Navigation column
- Site map
- Searchable Web site

5. *Why is performance a key design criterion? What causes slow performance? What can be done to decrease download time?*

It affects the amount of time a user may stay on the site. Slow performance can come from many sources including incorrect code and excessive images/media. Download time can be decreased by streamlining code and media used.

6. *List eight suggestions for proper use of color and graphics on a Web site.*

See pages 618 and 619.

7. *What are some actions Web site owners should take to ensure a quality Web site?*

The biggest action is detailed and frequent testing.

Section 16.6 Review Questions

1. *Define the three options for Web site construction.*

- Internal development
- External development
- Partnering

2. *What factors favor internal development of a Web site? What factors favor external development?*

Internal development provides absolute control while external development can rely on experts.

3. *When is internal development most likely to be used in the Web site development process? When are external development or partnering most likely to be used?*

Internal is most often used when the firm has internal experience, is protecting

proprietary information or needs exact control. External development is used when there is no internal experience and when experts are needed.

4. *Describe the process required for an online business to accept credit cards over the Internet.*

- Open a merchant account
- Purchase credit card processing software
- Integrate the software into the transaction system

Section 16.7 Review Questions

1. *List four types of Web site content that can promote the Web site internally.*

- Purchasing
- Compelling content
- Useful links
- Useful features

2. *What is search engine optimization? Why is it important?*

SEO – the application of strategies intended to position a Web site at the top of Web search engines. It is important because search engines can be a marketing tool.

3. *What is the key factor for understanding search engine optimization?*

The key is understanding the algorithms used to rank sites.

4. *List factors for optimizing keyword occurrence and placement.*

See pages 625-26.

5. *List factors for optimizing link popularity.*

See page 626.

Section 16.8 Review Questions

1. *List ways Web sites can use content to manage customer relationships.*

See Exhibit 16.8.

2. *What are some of the characteristics of an effective FAQ page?*

- Easy to find
- Loads fast
- Easy to find questions
- Answers are from a customer perspective
- Answers do not repeat information
- Users can ask new questions
- Constant updates

3. *Describe three electronic discussion groups with an emphasis on similarities and differences.*

E-mail discussion list – a group of people who share a common interest and who communicate with each other via e-mail messages managed by e-mail list software.

Electronic discussion forum – a portion of the Web site where visitors can post questions, comments and answers.

Chat group – a portion of the Web site where visitors can communicate synchronously.

4. *List ways Web sites can increase trust to build a sustained relationship with a customer.*

- Tell the customer about the company
- Include testimonials
- Provide feedback opportunities
- Answer e-mail quickly
- Provide order information

Answers to EC Application Case Questions

EC Application Case 16.1: A Brilliant Idea

1. *What was the gap in the consumer market that inspired Jeff Bezos to create Amazon.com?*

Traditional bookstores could only hold a limited selection of books.

2. *What factors, at both personal and business levels, led Jeff Bezos to his brilliant idea?*

Student answers will vary, but may include IT understanding, Internet understanding and entrepreneurship.

Answers to Discussion Questions

1. *Compare and contrast setting up a traditional, brick-and-mortar business and an*

online business. Consider factors such as entrepreneurial skills, facilities and equipment, and business processes.

Both processes are similar in the planning phases with the exception of understanding unique online aspects. Internet understanding is critical in the online business. An off-line business obtains physical settings (storefront, fixtures, etc) whereas an online business creates Web sites and systems.

2. *Compare and contrast the creation of a new online business and the establishment of an online initiative in an existing company. Consider factors such as resource acquisition, start-up processes, and competitor analysis.*

New businesses generally have greater risks due to financial issues and the possible lack of support. New ventures within existing companies may have to deal with bureaucracy.

3. *How is an e-business plan different from a traditional business plan?*

In e-business planning the major difference is the understanding of the unique aspects of the Internet and the sales channel.

4. *How would you decide which Web site hosting option an online business should use? List and briefly explain factors to include in your decision.*

Student answers will vary. Criteria would include:

- Service quality
- Services offered
- Price

5. *What is the relationship between information architecture, site navigation, and consistency in Web site design?*

All of these concepts relate back to good site design that is easy and quick for the user to navigate.

6. *What are the trade-offs in giving the customer everything possible (e.g., personalized content, high-resolution graphics, a feature-full site) and the fundamental rules of Web design?*

Increased options can make navigation difficult, but sparse Web sites draw fewer customers.

7. *Who should be on a Web site development team for a small business? For a large business?*

Both teams should include involved stakeholders and experts in design/development.

External consultants may or may not be included.

8. *Should a small business build its own Web site? Why or why not? Should a large business build its own Web site? Why or why not?*

Student answers will vary. See the advantages and disadvantages listed in the chapter.

9. *Should a small business maintain its own Web site? Why or why not? Should a large business maintain its own Web site? Why or why not?*

Student answers will vary. See the advantages and disadvantages listed in the chapter.

10. *How do the CRM techniques discussed in Section 16.8 add value for the customer and the company?*

See Exhibit 16.8. These tactics allow for better communication and reliance.

11. *Several times in this chapter online business owners are advised to gather competitive intelligence from competitors (e.g., in SEO, what sites link to competitor sites). Is this ethical? Why or why not?*

Student answers will vary. In almost all cases this information is in the public domain and it is generally considered ethical to use it.

Internet Exercises

(Note: URLs may change over time; please check the Internet Exercises on the Turban Web site for possible updates: www.prenhall.com/turban.)

1. *Go to the vFinance Capital (vfinance.com) and National Venture Capital Association (nvca.com) sites and identify any trends or opportunities in acquiring start-up funding.*

Student reports will vary.

2. *Go to a Yahoo category such as tourist agencies or insurance companies and pick 10 sites. Rate them in the informational, interactive, or transactional Web sites. Make a list of informational, interactive, or transactional features.*

Student reports will vary.

3. *Many individuals attempt to make a living simply by buying and selling goods on eBay. Visit ebay.com and make a list of the ways in which these entrepreneurs use cross selling and up selling in their sales activities.*

Student reports will vary.

4. Visit Webmaster Forums (**webmaster-forums.net**), register (for free), and visit the Web site critique area. Compare the design rules offered in this chapter with some of the Web sites being offered for critique here. Offer at least one design suggestion to a Webmaster who is soliciting feedback.

Student reports will vary. Most rules are very similar.

5. Visit the “Sixty Ticks for a Good Website” (**waller.co.uk/eval.htm**) or “Web Site Scorecard” (**newentrepreneur.com/Resources/Articles/Rate_a_Web_Site/rate_a_web_site.html**). Then go to a Web site you visit regularly and critique its design according to these tools.

Student reports will vary.

6. Visit “Safe Web Colors for Color-Deficient Vision” (**more.btexact.com/people/ridgence/colours**) to learn what colors work and do not work for people with color blindness. Visit at least five Web sites and rate them on their use of colors for Web users with color blindness.

Student reports will vary.

7. Explore the Web to find five dedicated Web site hosting services. Compare them on the criteria listed in this chapter. Write a report that explains your findings.

Student reports will vary.

8. Select five firms from an industry such as banking, stock trading, or ISPs. Go to **google.com** and enter link:URL for each of the five firms where URL is the firm’s homepage. Which firms have higher numbers of incoming links? Examine their Web sites and try to determine why this is so.

Student reports will vary.

Team Assignments and Role Playing

1. Pretend your team has been asked to make a 20-minute presentation to a local business group about how to launch an online business. Prepare the presentation by highlighting the most important considerations you learned in this chapter.

Student reports will vary.

2. *Write a RFQ for a fictitious company following the example provided on the book's Web site (at Chapter 16). Submit the RFQ to several local ISPs. (Be honest and tell them this is a student assignment; most ISPs will be happy to assist if you volunteer to send them a copy of your report.) Write a report that compares the responses, selects a winning ISP, and justifies your decision.*

Student reports will vary.

3. *Assume that a commercial or not-for-profit organization in your community has asked for your assistance in selecting and registering a domain name. Write a report that identifies several appropriate available domain names, explain the pros and cons of each name, make a recommendation, and justify your recommendation.*

Student reports will vary.

4. *Form two teams, the client team and the Web design team. After suitable preparation, both teams meet for their first Web site planning meeting. Afterwards, both teams critique their own and the other team's performance in the meeting.*

Student reports will vary.

5. *Form two debating teams. One team supports the proposition that using a number of images and colors on a Web site is okay because "soon everyone will have a high-speed connection to the Internet." The other team disagrees with this statement and its justification.*

Student reports will vary.

End-of-Chapter Real-World Case Questions: Making E-Newsletters Pay

1. *What distinguishes LangaList Plus from LangaList? How do these differences add value so that subscribers are willing to pay for LangaList Plus?*

The difference is additional content with not ads in a variety of formats.

2. *How has Fred Langa used interactive features to attract and retain newsletter readers?*

The features represent value to his customers.

3. *Do you agree that "some people will pay for some content"? Explain.*

Student answers will vary.