

Chapter 15

E-Commerce Strategy and Global EC

Learning Objectives

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

1. Describe the strategic planning process.
2. Understand how e-commerce impacts the strategic planning process.
3. Understand how EC applications are formulated, justified, and prioritized.
4. Describe strategy implementation and assessment, including the use of metrics.
5. Understand the causes of EC failures and lessons for success.
6. Evaluate the issues involved in global EC.
7. Analyze the impact of EC on small businesses.

Content

Lonely Planet Travels from Place to Space

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Answers to Pause/Break Section Review Questions

Section 15.1 Review Questions

1. *What is strategy? What is e-commerce strategy?*

A strategy is a broad-based formula for how a business is going to compete, what its goal should be, and what plans and policies will be needed to carry out those goals. The elements of a strategy include forecasting, resource allocation, core competency, environmental analysis, company analysis, and business planning.

2. *Which is more important, a plan or a planning process? Why?*

Student answers will vary. It can be argued that a process is more important because it can lead to a plan and revisions.

3. *Describe the four phases of strategic planning.*

The four phases include strategy initiation, strategy formulation, strategy implementation, and strategy assessment.

4. *Why is a cyclic approach to strategic planning required?*

It allows business decision makers to evaluate and react to the success of past decisions.

5. *Describe five tools that can be used for strategic planning.*

SWOT analysis

Competitor analysis grid

Scenario planning

Return on investment

Balanced scorecard

Section 15.2 Review Questions

1. *What factors make the “e-difference” in EC strategic planning?*

These include reach/richness, decreased barriers to entry, virtual partnerships, and market niches.

2. *What assets and liabilities do born-on-the-Net organizations have in developing an e-strategy?*

These firms generally have the ability to be agile and adapt to changing conditions quickly. Their liabilities are in their lack of developed processes and channels.

3. *What assets and liabilities do move-to-the-Net organizations have in developing an e-strategy?*

These firms generally have developed processes and channels, but may be less agile.

Section 15.3 Review Questions

1. *Describe the advantages, risks and success factors that first movers face.*

The first mover in an industry has the advantage of being the first to offer a good or service to the market. This can help create an impression of them as the original or the initiator in the customers' mind. Additionally, this firm will be able to capitalize on the demand for this good or service until another firm enters the market. First movers take

the risk that new goods and services may not be accepted by the market.

2. *What are the advantages and disadvantages of creating a separate online company?*

Student responses will vary. Separate companies have the advantage of being free from existing procedures and bureaucracy. Separate companies can more easily be entrepreneurial and fast-moving. However, separate companies may not enjoy the support services provided by the parent firm and may lack the name recognition and respect that the parent firm may hold.

3. *Why would an existing company want to create a new brand for its e-commerce initiative?*

This is usually to differentiate the new initiative, and to separate it from the existing company (to protect the company's image or to protect the new initiative's image).

Section 15.4 Review Questions

1. *Describe how a company should not select EC applications.*

Some methods would include over-diversification, heavy investments, trend-surfing and greed.

2. *Explain Tjan's Internet portfolio map.*

This model evaluates a project's company fit as well as its viability. These dimensions are mapped to a matrix and the project with the highest combination of fit and viability is chosen.

3. *Describe some of the difficulties in cost-benefit analysis in an EC application.*

The major difficult is the lack of tangible benefit or the difficulty in forecasting revenue/benefits.

4. *List four sources of business risk in EC. What questions exemplify each source of risk?*

- Competitive risk: Can a strategy intended to introduce competitive advantage have negative, unanticipated consequences? What is the competitive threat posed by new entrants?
- Transition risk: What are the consequences for current customers, distribution channels, and business processes if an organization adopts e-commerce as a new growth strategy?
- Customer-induced risk: How can an organization manage customer relations in an online world that is different from the traditional marketplace?

- Business partner risk: How can increasing dependence on business partnerships be managed?

5. *Discuss three strategies for smarter pricing online.*

Some examples include price comparison, setting the price socially (auctions) and differentiating pricing based on location (online or off-line) and by customer group.

Section 15.5 Review Questions

1. *Describe a Web (project) team and its purpose.*

A project team is composed of both technical and business individuals, with one individual having a clear leadership role. The purpose of such a team is to implement a successful project based on the varied competencies of the team members within the original charter of the project.

2. *What is the role of a project champion?*

A project champion directs a project and ensures that it is kept in mind. Additionally they may guide it through organizational hurdles.

3. *What is the purpose of a pilot project?*

A pilot project helps to uncover problems early, thus allowing for small, quick changes before the overall (and often expensive) project begins.

4. *Discuss the major strategy implementation issues of application construction, partners' strategy, virtual corporations, alliances, and BPR.*

Some of the major strategy implementation issues include evaluating outsourcing, working with the partners' strategy, and coordination of business-to-business and business-to-consumer applications.

Section 15.6 Review Questions

1. *Describe the need for assessment.*

Assessment is required so that the success or failure of a project or strategy can be measured.

2. *Define metrics and their contribution to strategic planning.*

Metrics are measurable standards or targets against which actual performance is compared. Examples of metrics include response time, quality, availability, effectiveness

and profitability.

3. *Describe the performance dashboard approach to strategy assessment.*

The performance dashboard is a structured methodology for measuring EC performance using desired outcomes, corresponding metrics, and leading and lagging indicators of performance.

Section 15.7 Review Questions

1. *Why are EC failures so likely?*

Student answers will vary. In many cases sound business/economic practices were not followed.

2. *List some reasons why B2C (e-tailing) companies fail.*

The two reasons would include lack of funding and incorrect revenue models.

3. *What are some EC CSFs?*

Some examples would include the creation of new partnerships and alliances and staying with core competencies, delivering high-value service offerings that encompass products, optimizing natural scale and scope of business, and looking at mass customization.

Section 15.8 Review Questions

1. *Describe globalization in EC and the advantages it presents.*

Globalization provides the opportunity for EC businesses to serve not only their traditional geographic markets, but potentially the entire world.

2. *Describe the major barriers to global EC in each dimension of the CAGE framework.*

Cultural – language and cultural differences, preferences
 Administrative – legal issues, trade barriers, privacy protection
 Geographical – logistics, bandwidth
 Economic – taxation, regulation, payment systems

3. *What can companies practicing global EC do to overcome the barriers to global EC?*

There are several possible ways to remove barriers to global EC some of them include: valuing human touch, being strategic, knowing your audience, being a perfectionist, using Web advantages, proper integration, flexible site design, and synchronized content.

Section 15.9 Review Questions

1. *What are the advantages/benefits of EC for small businesses?*

There are several potential advantages, the largest being flexibility and mobility.

2. *What are the disadvantages/risks of EC for small businesses?*

There are several potential disadvantages, the largest being the inability to compete at a large scale, and potential high entry costs.

3. *What are the CSFs for small businesses online?*

Some of the critical success factors include appropriate capital investment, low inventory levels, secure electronic payments, flexible payment methods, appropriate logistical services, search engine placement, membership in online mall, and proper Web site design.

Answers to EC Application Case Questions

EC Application Case 15.1: BankDirect: New Zealand's Virtual Bank

1. *Why did ASB Bank launch BankDirect as a separate company rather than within ASB Bank itself?*

This strategy allowed the new bank to differentiate itself.

2. *Describe BankDirect's value proposition to its customers.*

The bank offers unique services and low rates to compensate for the lack of face-to-face interaction.

3. *How has ASB Bank benefited from creating a separate online company at its virtual bank brand?*

It has allowed both banks to specialize in their niches.

EC Application Case 15.2: Mr. Seegers Puts GE on the E-Business Track

1. *Describe GE's position as a move-to-the-Net business. What specific assets and liabilities did it have on its e-strategy balance sheet?*

The firm had its existing background in EDI, the positive brand name and capital support of GE.

2. *In what ways did Harvey Seegers reflect the characteristics of a project champion?*

He had the vision of the possible outcome and the ability (both technical and personal) to get it done.

EC Application Case 15.3: A Small Business Goes Global

1. *What are Cardiac's critical success factors?*

The firm appeared to have both a good product and an understanding how to sell it internationally.

2. *Visit the sources of data suggested in the case and describe their usefulness.*

Student responses will vary.

Answers to Discussion Questions

1. *How would you identify competitors for a small business that wants to launch an EC project?*

The business would have to define the industry it is currently in and then begin to evaluate other firms that are part of that industry.

2. *How would you apply the SWOT approach to a small, local bank evaluating its e-banking services?*

The bank would have to examine the four points of the model including its strengths, weaknesses, opportunities, and threats in the e-banking area.

3. *Explain the logic of Tjan's Internet portfolio map.*

Different EC projects are rated on both their applicability for the company (fit) and their potential for success (viability). Several projects are compared in a matrix using these two metrics. The project with the best overall metric (fit X viability) should be the project selected. This is because this project has the best combination of potential success and applicability to the firm that will try to implement it.

4. *Amazon.com decided not to open physical stores, whereas First Network Security Bank (FNSB), which was the first online bank, opened its first physical bank in 1999. Compare and discuss the two strategies.*

Student answers will vary. Answers may center on the benefits of purer electronic commerce and the benefits of click-and-mortar operations. Additionally, the expectations of these two different industries may be considered.

5. *Discuss the pros and cons of going global with a physical product.*

The major advantage of global sales is the expanded potential market. The disadvantages include global logistics and potential localization of the product.

6. *Find some SME EC success stories and identify the common elements in them.*

Student answers will vary.

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. *Survey several online travel agencies (e.g., **travelocity.com**, **orbitz.com**, **cheaptickets.com**, **priceline.com**, **expedia.com**, **bestfares.com**, and so on) and compare their business strategies. How do they compete against physical travel agencies?*

Student reports will vary.

2. *Enter **digitalenterprise.org** and find Web metrics. Read the material on metrics and prepare a report on the use of metrics for measuring advertising success.*

Student reports will vary.

3. *Check the music CD companies on the Internet (e.g., **cdnow.com**). Do any focus on specialized niche markets as a strategy?*

Student reports will vary.

4. *Enter **ibm.com/procurement** and go to the e-procurement section. Read IBM's e-procurement strategy and the "Consultant's Report—Best Practices." Prepare a report on the best lessons you learned.*

Student reports will vary.

5. Compare the following recording industry associations: **aria.com.au** (Australia), **bpi.co.uk** (United Kingdom), and **riaa.com** (United States). Consider the services offered: functionality of the site, use of multimedia, search capabilities, timeliness, range, links, customization (languages), product information, EC activities, and so forth. Prepare a report based on your findings.

Student reports will vary.

6. One of the most global companies is Amazon.com (**amazon.com**). Find stories about its global strategies and activities (try **fortune.com**, **forbes.com**, and **smallbusiness.com**). What are the most important lessons you learned?

Student reports will vary.

7. Visit **abcsmallbiz.com** and find some of the EC opportunities available for small businesses. Also, visit the Web site of the SBA (Small Business Administration) office in your area. Finally, check **abcsmallbiz.com** on a Saturday and look for Applegate's column on small businesses. Summarize recent EC-related topics.

Student reports will vary.

8. Enter **alloy.com** and **bolt.com**. Compare the sites on functionality, ease of use, message boards, homepage layout and so on. Prepare a report based on your findings.

Student reports will vary.

9. Find out how Web sites such as **tradecard.com** facilitate the conduct of international trade over the Internet. Prepare a report on your findings.

Student reports will vary.

10. Use a currency conversion table (e.g., **xe.com/ucc**) to find out the exchange rate of \$100 (U.S.) with the currencies of Brazil, Canada, China, India, Sweden, the European Union, and South Africa.

Student reports will vary.

11. Conduct research on small businesses and their use of the Internet for EC. Visit sites such as **success.com**, **webcom.com**, and **uschamber.org**. Also, enter **google.com** or **yahoo.com** and type "small businesses + electronic commerce." Use your findings to write a report on current small business EC issues.

Student reports will vary.

Team Assignments and Role Playing

1. *Have three teams represent the following units of one click-and-mortar company: (1) an off-line division, (2) an online division, and (3) top management. Each team member represents a different functional area within the division. The teams will develop a strategy in a specific industry (a group of three teams will represent a company in one industry). Teams will present their strategies to the class.*

Student reports will vary.

2. *The relationship between manufacturers and their distributors regarding sales on the Web can be very strained. Direct sales may cut into the distributors' business. Review some of the strategies available to handle such channel conflicts. Each team member should be assigned to a company in a different industry. Study the strategies, compare and contrast them, and derive a proposed generic strategy.*

Student reports will vary.

3. *Each team must find the latest information on one global EC issue (e.g., cultural, administrative, geographical, economical). Each team will offer a report based on their findings.*

Student reports will vary.

4. *Survey **google.com**, **electronicmarkets.org**, and **isworld.org** to find out about EC efforts in different countries. Assign a country or two to each team. Relate the developments to each country's level of economic development and to its culture.*

Student reports will vary.

End-of-Chapter Real-World Case Questions: IBM's E-Business Strategy

1. *Why was it necessary to do simplification before doing EC?*

The simplification allowed an easier transition to new systems. It may have also eliminated redundant systems.

2. *Relate this case to strategy initiation, formulation, and implementation.*

Student responses will vary.

3. *Review section 15.7. Which factors contributed the IBM's success?*

IBM succeeded due to clear planning, management support and financial ability.

4. *Do you think that IBM is becoming an e-business? Why or why not?*

Student responses will vary.

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