
Chapter 14

E-Commerce Strategy and Global EC



Learning Objectives



1. Describe the strategic planning process.
2. Describe the purpose and content of a business plan.
3. Understand how e-commerce impacts the strategic planning process.
4. Understand how EC applications are formulated, justified, and prioritized.

Learning Objectives



5. Describe strategy implementation and assessment, including the use of metrics.
6. Evaluate the issues involved in global EC.
7. Analyze the impact of EC on small and medium-sized businesses.

Organizational Strategy: Concepts and Overview



strategy

A broad-based formula for how a business is going to compete, what its goals should be, and what plans and policies will be needed to carry out those goals

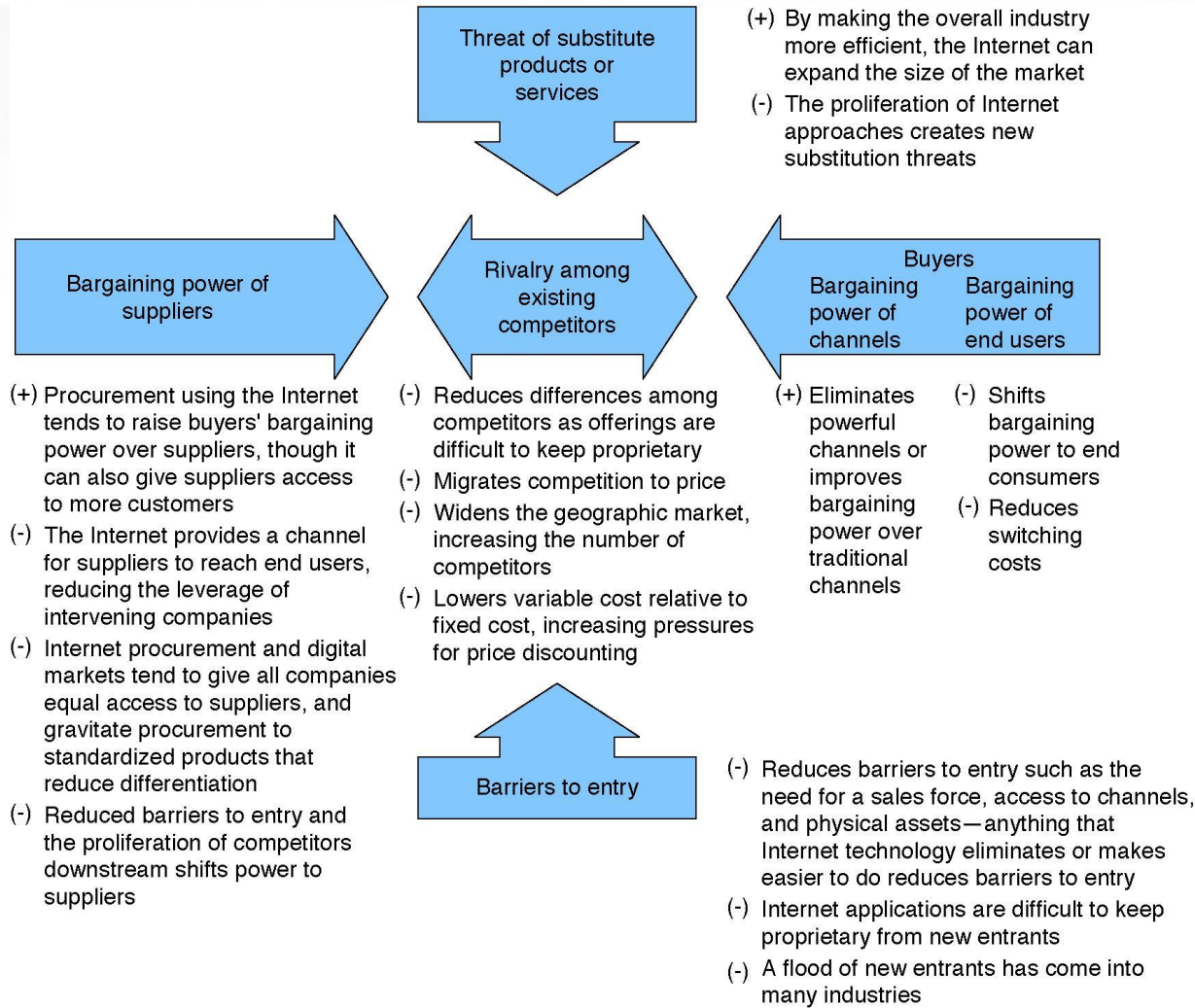
Organizational Strategy: Concepts and Overview



e-commerce strategy (e-strategy)

The formulation and execution of a vision of how a new or existing company intends to do business electronically

Exhibit 14.1 How the Internet Influences Industry Structure

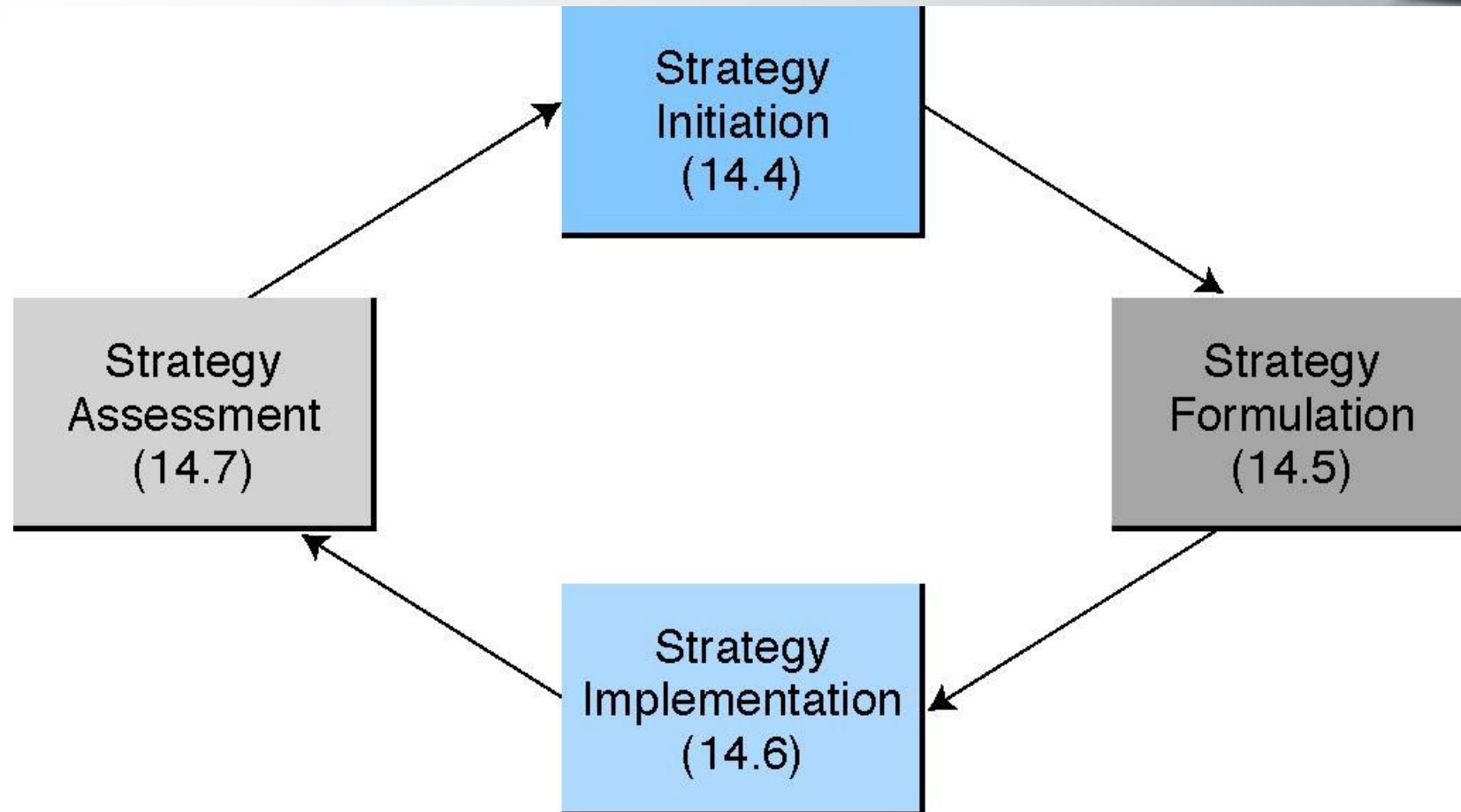


Organizational Strategy: Concepts and Overview



- The Strategic Planning Process
 - Strategy initiation
 - Strategy formulation
 - Strategy implementation
 - Strategy assessment

Exhibit 14.2 The Strategic Planning Process



Organizational Strategy: Concepts and Overview



- The Strategic Planning Process
strategy initiation

The initial phase of strategic planning in which the organization examines itself and its environment

Organizational Strategy: Concepts and Overview



- Specific outcomes from the strategy initiation phase include:

- Company analysis

- value proposition**

- The benefit that a company's products or services provide to customers; the consumer need that is being fulfilled

- Core competencies
 - Forecasts
 - Competitor (industry) analysis

Organizational Strategy: Concepts and Overview



strategy formulation

The development of strategies to exploit opportunities and manage threats in the business environment in light of corporate strengths and weaknesses

Organizational Strategy: Concepts and Overview



- Specific activities and outcomes from the strategy formulation phase include:
 - Business opportunities
 - Cost-benefit analysis
 - Risk analysis, assessment, and management
 - Business plan

Organizational Strategy: Concepts and Overview



- The Strategic Planning Process

strategy implementation

The development of detailed, short-term plans for carrying out the projects agreed on in strategy formulation

Organizational Strategy: Concepts and Overview



- Specific activities and outcomes from strategy implementation phase include:
 - Project planning
 - Resource allocation
 - Project management

Organizational Strategy: Concepts and Overview



- The Strategic Planning Process

strategy assessment

The continuous evaluation of progress toward the organization's strategic goals, resulting in corrective action and, if necessary, strategy reformulation

Organizational Strategy: Concepts and Overview



- **Strategic Planning Tools**

- **SWOT analysis**

- A methodology that surveys external opportunities and threats and relates them to internal strengths and weaknesses

- **competitor analysis grid**

- A strategic planning tool that highlights points of differentiation between competitors and the target firm

Organizational Strategy: Concepts and Overview



- Strategic Planning Tools

- scenario planning**

- A strategic planning methodology that generates plausible alternative futures to help decision makers identify actions that can be taken today to ensure success in the future

Business Planning



business plan

A written document that identifies the company's goals and outlines how the company intends to achieve those goals

Business Planning



- **Business Plan Fundamentals**
 - Businesses need a business plan to:
 - Acquire funding
 - Acquire nonfinancial resources
 - Obtain a realistic approach to the business

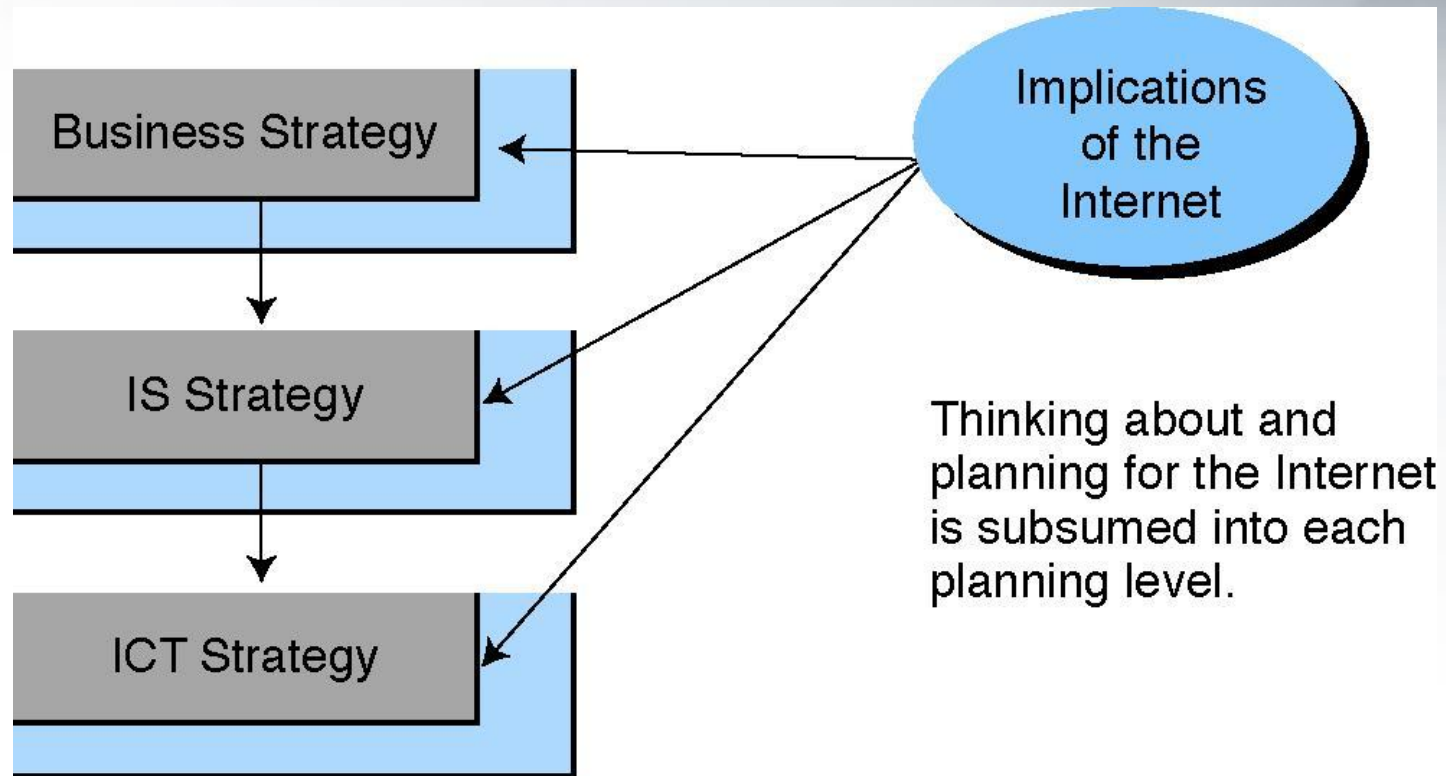
Business Planning



business case

A business plan for a new initiative or project inside an existing organization

Exhibit 14.5 The Role of the Internet in Strategy in Strategy



E-Strategy Initiation



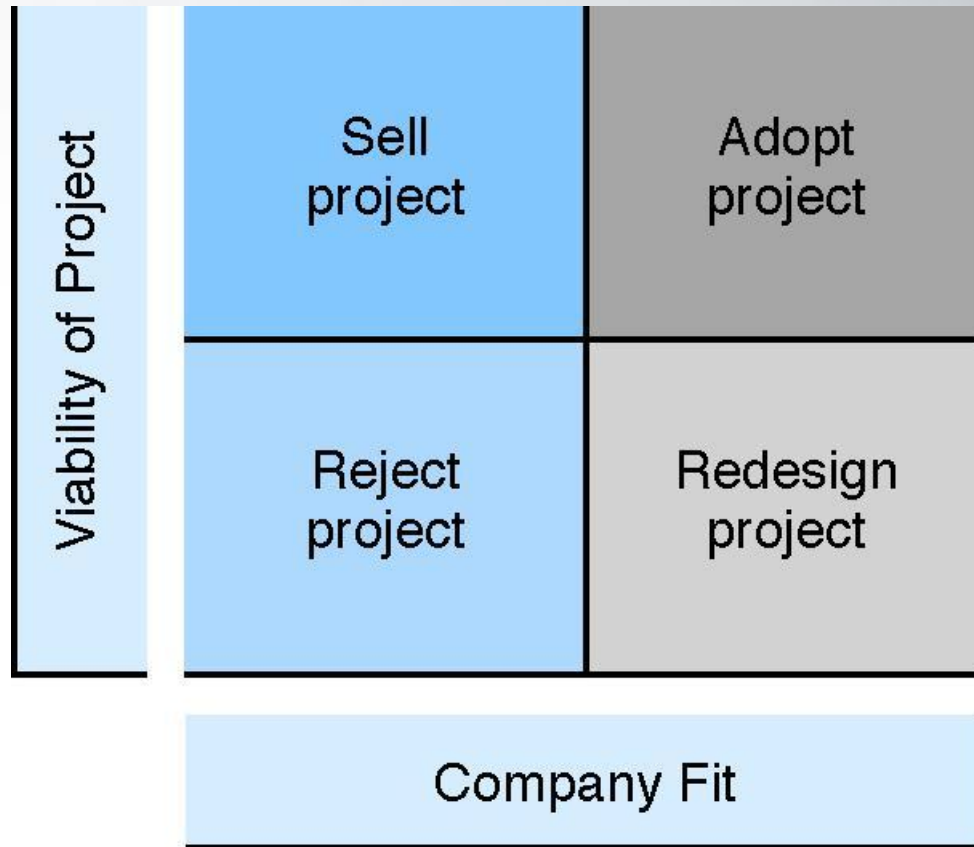
- Issues in E-Strategy Initiation
 - Be a first mover or a follower?
 - Born-on-the-net or move-to-the-net?
 - How to determining scope?
 - Have a separate online company?
 - Have a separate online brand?

E-Strategy Formulation



- Selecting EC Opportunities
 - *A problem-driven strategy* may be best when an organization has a specific problem that can be solved with an EC application
- Determining an Appropriate EC Application Portfolio
 - An Internet Portfolio Map for Selecting Applications
 - Instead of trading off market potential and market share, the Internet portfolio map is based on *company fit* and *project viability*

Exhibit 14.7 Internet Portfolio Map



E-Strategy Formulation



- Risk Analysis and Management

- e-commerce (EC) risk**

- The likelihood that a negative outcome will occur in the course of developing and operating an electronic commerce strategy

E-Strategy Formulation



- **Issues in Strategy Formulation**
 - How to Handle Channel Conflict
 - Let the established distributors handle e-business fulfillment
 - Provide online services to intermediaries (e.g., by building portals for them) and encourage them to reintermediate themselves in other ways
 - Sell some products only online
 - Avoid channel conflict entirely by not selling online.

E-Strategy Formulation



- Issues in Strategy Formulation

- How to Handle Conflict Between the Off-Line and Online Businesses

Clear support by top management for both the off-line and online operations and a clear strategy of “what and how” each unit will operate are essential

E-Strategy Formulation



- Issues in Strategy Formulation
 - Pricing Strategy
 - Price comparison is easier
 - Buyers sometimes set the price
 - Online and off-line goods are priced differently
 - Differentiated pricing can be a pricing strategy

E-Strategy Implementation



- Create a Web Team
project champion

The person who ensures the EC project gets the time, attention, and resources required and defends the project from detractors at all times

- Start with a Pilot Project
- Allocate Resources
- Manage the Project

E-Strategy Implementation



- Strategy Implementation Issues
 - Application Development
 - Should site development be done internally, externally, or by a combination of internal and external development?
 - Should the software application be built or will commercially available software be satisfactory?
 - If a commercial package will suit, should it be purchased from the vendor or rented from an ASP?
 - Will the company or an external ISP host the Web site?
 - If hosted externally, who will be responsible for monitoring and maintaining the information and system?

E-Strategy Implementation



- Strategy Implementation Issues
 - Partners' Strategy

outsourcing

The use of an external vendor to provide all or part of the products and services that could be provided internally

E-Strategy Implementation



- Strategy Implementation Issues
 - Business Alliances

virtual corporation (VC)

An organization composed of several business partners sharing costs and resources for the production or utilization of a product or service

co-opetition

Two or more companies cooperate together on some activities for their mutual benefit, even while competing against each other in the marketplace

E-Strategy Implementation



- Strategy Implementation Issues

business process reengineering (BPR)

A methodology for conducting a comprehensive redesign of an enterprise's processes

E-Strategy Implementation



- Decisions in Redesigning Business Processes
 - To fix poorly designed processes
 - To change processes so that they will fit commercially available software
 - To produce a fit between systems and processes of different companies that are partnering in e-commerce
 - To align procedures and processes with e-services such as logistics, payments, or security

E-Strategy and Project Assessment



- The Objectives of Assessment
 - Measure the extent to which the EC strategy and ensuing projects are delivering what they were supposed to deliver
 - If they are not delivering, apply corrective actions to ensure that the projects are able to meet their objectives

E-Strategy and Project Assessment



- The Objectives of Assessment
 - Determine if the EC strategy and projects are still viable in the current environment
 - Reassess the initial strategy in order to learn from mistakes and improve future planning
 - Identify failing projects as soon as possible and determine why they failed to avoid the same problems on subsequent projects

E-Strategy and Project Assessment



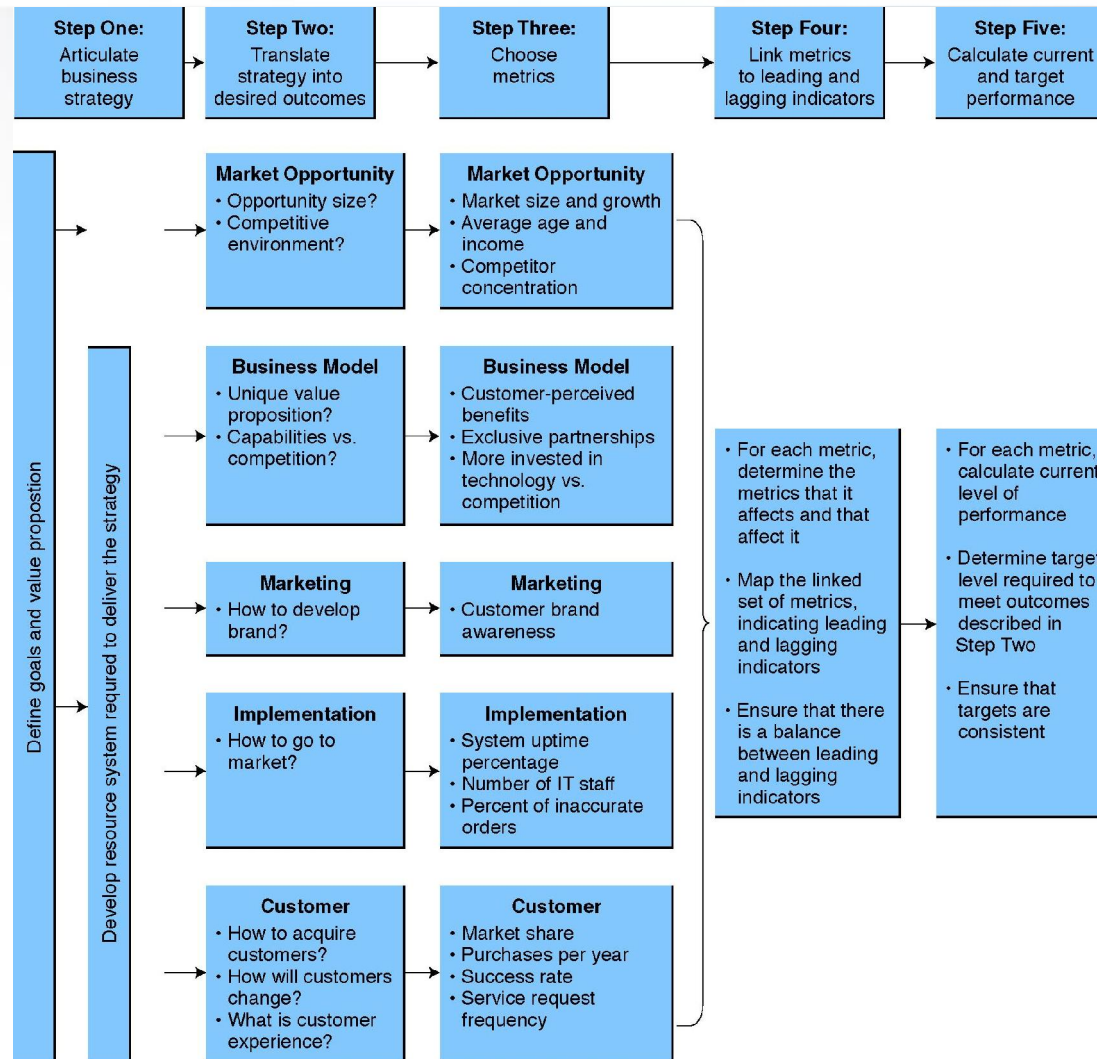
- Measuring Results and Using Metrics
metric

A specific, measurable standard against which actual performance is compared

Web analytics

The analysis of click-stream data to understand visitor behavior on a Web site

Exhibit 14.9 Three Strategies for Pricing on the Internet



Global E-Commerce



- **Benefits and Extent of Operations**
 - The drivers behind global EC are the ability to do business at any time, from anywhere, and at a reasonable cost
- **Barriers to Global EC**
 - Cultural Issues
 - Administrative Issues
 - Geographic Issues
 - Economic Issues

Global E-Commerce



- Breaking Down the Barriers to Global EC
 - Be strategic
 - Know your audience
 - Localize
 - Think globally, act consistently
 - Value the human touch
 - Clarify, document, explain
 - Offer services that reduce barriers

EC in Small and Medium-Sized Enterprises



- **Critical Success Factors for SMES**
 - Product is critical
 - Payment methods must be flexible
 - Electronic payments must be secure
 - Capital investment should be kept to a minimum
 - Inventory control is crucial

EC in Small and Medium-Sized Enterprises



- **Critical Success Factors for SMEs**
 - Logistics services must be quick and reliable
 - Owner support
 - High visibility on the Internet
 - Join an online community
 - A Web site should provide all of the services needed by consumers

EC in Small and Medium-Sized Enterprises



- Supporting SMEs
 - Almost every country in the world has a government agency devoted to helping SMEs become more aware of and able to participate in EC
 - Many vendors have set up a variety of service centers that typically offer a combination of free information and fee-based support

Managerial Issues



1. What is the strategic value of EC to the organization?
2. Who determines EC strategy?
3. What are the benefits and risks of EC?
4. Why do we need a plan?
5. What metrics should we use?

Managerial Issues



6. What staffing is required?
7. How can we go global?
8. Can we learn to love smallness?
9. Is e-business always beneficial?

Summary



1. The strategic planning process.
2. Writing a business plan.
3. The EC strategic process.
4. E-strategy initiation and formulation.
5. E-strategy implementation and assessment.
6. Issues in global EC
7. Small businesses and EC.