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CHAPTER 2
Internet Business Models and Strategies

LEARNING OBJECTIVES

When you complete this chapter you should be able to:

1. Describe the key elements of an internet business model.
2. Explain the similarities and differences between B2C and B2B models.
3. Explain the similarities and differences between models based on "bricks," "bricks and clicks," "clicks and bricks," and "clicks."
4. Describe key revenue-generating approaches used by internet business models.
5. Define and explain the importance of ebusiness strategy.
6. Describe the relationship between internet business models and business strategy.
7. Identify the key areas addressed by a strategic plan.

KEY TERMS

asynchronous (p. 36)
banner ad (p. 31)
brokerage site (p. 33)
business model (p. 23)
channel conflict (p. 30)
clickthrough count (p. 31)
internet business model (p. 23)
reverse auction (p. 26)
strategy (p. 23)

TEACHING OVERVIEW

Chapter 2 focuses on three key elements of all ebusinesses: how business strategy can impact the success of an ebusiness venture, how identifying the core values of an ebusiness through classification can help define its revenue model, and the necessity to define steps that help align strategic planning between the corporate and ebusiness goals. Quick reference to dot com failures such as pets.com and Napster.com clarify how losing track of basic accounting principles (like revenue – expenses = profit), or infringing on copyright laws, can lead to business disaster.

No strategic business discussion today is complete without an acknowledgement to Michael E. Porter, and this chapter introduces students to a selection of his ideas. For the instructor, emphasize why strategic objectives are important within an ebusiness environment, with particular importance given to an organization's core products and revenue models. There is a perception that strategic planning locks a company in to a particular plan, but in reality strategic planning (when done properly) is an exercise that can increase flexibility and allow companies to be prepared for change well in advance of market conditions.

This chapter also introduces students to the numerous types and classifications of internet business models. By adapting the ebusiness models of Michael Rappa, instuctors are given a broad base of models to discuss and debate with students. Rappa's classifications provide a number of examples—brokerage, advertising, merchant, subscription—but additional examples can also be discussed since companies often fall into several of the categories described.

Strategic planning "involves a process of developing a broad vision, considering the constraints and assumptions that constrict or guide that vision, and defining strategic objectives for the business that come as close as possible to the vision." This chapter describes some of the methods to align those visions, but also stresses that strategy for an ebusiness is more susceptible to changes than traditional business models. Still, the strategic planning processes described in this chapter lend themselves well as in-class discussion frameworks. For example students could be assigned a particular company (existing or startup) and discuss the use of the framework for that company. Two tools that are identified in the chapter to guide strategic analysis are Porter's Five Forces and SWOT.

MEDIA GUIDE

Internet Exercises

1. Pure Plays

Advanced Book Exchange (www.abebooks.com)

Many new business models have evolved with the introduction of the Internet. Review the AbeBooks.com website to gain an understanding of the business.

Questions:

A. What type of ebusiness model has this site adopted?
B. In what countries does the company do business?
C. To what markets does the company appeal?
D. Who are the company's customers?

2. Brokerage Business Models

Match the sites listed below to the appropriate business model.

1. Buy/Sell Fulfillment	A. eeProductCenter (http://www.eeproductcenter.com/)
2. Market Exchange	B. Match.com (http://www.match.com/)
3. Distributor	C. CarsDirect.com (http://www.carsdirect.com/home)
4. Virtual Mall	D. mySimon (http://www.mysimon.com/)
5. Metamediary	E. Edmunds.com

(http://www.edmunds.com/help/about/index.html)

6. Auction Broker
7. Reverse Auction
8. Classifieds
9. Search Agent

F. ChemConnect (http://www.chemconnect.com/)
G. Choice Mall (http://mall.choicemall.com/)
H. Yahoo! Auctions Singapore (http://sg.auctions.yahoo.com/)
I. Respond.com (http://www.respond.com/)

3. Mixed Business Model

Go to the Three Square Feet website at www.threesquarefeet.org. Review the site to answer the following questions.

Questions:

What combination of ebusiness models has this site adopted? How do the for-profit and not-for-profit objectives merge?

Site is clearly a merchant model because of the sale of physical products. It also has elements of the community model because it seeks to foster user participation and identification with a social-awareness community.

The stylized products are sold from the website with a portion of the revenue being directed to charitable organizations. Additionally, participants are encouraged to share their efforts to promote random acts of kindness.

How has this business model design encouraged international participation?

Site takes advantage of social media sites like Facebook and Twitter to increase awareness and spread awareness.

Site displays a map of the countries of origin of its participants, reinforcing a global perspective.

Donations revenue will be distributed to a charity in the purchaser's country.

What logical partnerships could Three Square Feet pursue that would be consistent with its mission?

This business is similar in concept to the cancer awareness "think pink" product marketing or the rubber wristband for a cause concept that was popular in the early 2000s.

The concept has a identifying product logo (stylized number three in a square), a philanthropic objective (donation of a portion of the revenue), and a social participation directive (spread local acts of everyday kindness)

Small, charitable organizations who don't have the infrastructure to create a product, setup a website to handle sales, and promote its activities could benefit from partnering with Three Square Feet.

4. Subscription Model

Newspapers are struggling with maintaining their long-run viability in the face of new media channels and changing consumer preferences. Access *The New York Times* website at www.nytimes.com to review their business model.

Questions:

In addition to a paper-based subscription, identify the several options that consumers may use to access *New York Times* content.
with a paid paper-based subscription, a consumer may request unlimited access to digital content. (Note: some companies will charge a premium for online access.)

website access plus smartphone app ($15 for 4 weeks at time of review)

website access plus tablet app ($20 for 4 weeks at time of review)

website access on all configured devices ($35 for 4 weeks at time of review. Note: that site is not configured for all devices in the marketplace)

the website has some publicly accessible content available without charge or subscription

Identify examples of differences in content across the various options.
Premium content is restricted to paid subscribers.

Blog entries and user-generated commentary are website-based and not presented on the traditional paper-based offering.

Online content allows use of typical online tools (search capability in classifieds).

Weblinks

Expedia
www.expedia.ca

President's Choice Financial
www.pcfinancial.ca

Staples Business Services
www.staples.ca

Workopolis
www.workopolis.com

Salesforce
www.salesforce.com

Government On-Line
www.tpsgc-pwgsc.gc.ca/apropos-about/fi-fs/ged-gol-eng.html

Ariba
www.ariba.com

Canada Revenue Agency
www.cra-arc.gc.ca

Government of Canada
www.canada.gc.ca

Business Access Canada
www.canadabusiness.mb.ca/home_page/guides/guides_by_department/public_works_and_government_services_canada/business_access_canada/

Rogers' Chocolates
www.rogerschocolates.com

Indigo Books & Music
www.chapters.indigo.ca

McDonald's
www.mcdonalds.ca

Shoppers Drug Mart
www.shoppersdrugmart.ca

Canadian Tire
www.canadiantire.ca

Sears
www.sears.ca

Future Shop
www.futureshop.ca

Royal Bank of Canada
www.royalbank.com

Netflix
www.netflix.com

1-800-FLOWERS.COM
www.1800flowers.com

Grocery Gateway
www.grocerygateway.com

iTunes
www.apple.com/itunes

Kindle
www.amazon.com/kindle

Blackberry App World
http://appworld.blackberry.com/webstore/

Nike
www.nike.com

Cisco Systems
www.cisco.com

AOL
http://aol.ca

Globe and Mail
www.theglobeandmail.com

BusinessWeek
www.businessweek.com

Skype
www.skype.com

BizRate.com
www.bizrate.com

Perfect Commerce
www.perfect.com

JDA Software
www.jda.com

Cornerstone OnDemand
www.cornerstoneondemand.com

Grooveshark
www.grooveshark.com

Spotify
www.spotify.com

Affiliates World
www.affiliates-world.com

MyPoints.com
www.mypoints.com

Workopolis
workopolis.com

Yahoo! Canada shopping
http://yahoo.shoptoit.ca

ChemConnect
www.chemconnect.com

TD Waterhouse WebBroker
https://webbroker.tdwaterhouse.ca

CarsDirect.com
www.carsdirect.com

Expedia
www.expedia.ca

Hotels.ca
www.hotels.ca

Groupon
www.groupon.ca

Guru.com
www.guru.com

PayPal
www.paypal.com

Edmunds.com
www.edmunds.com

OneSpout
http://onespout.com

RoboShopper
www.roboshopper.com

mySimon

www.mysimon.com

Shopbot.ca
www.shopbot.ca

Priceline.com
www.priceline.com

Business Models on the Web
www.digitalenterprise.org/models/models.html
Professor Michael Rappa's site is the best for ebusiness models and forms the foundation for some of the material in the text on this subject.

Survivor III, by Stephanie Overby, CIO Magazine, May 1, 2001.
www.cio.com/archive/050101/survivor.html
This is a profile of six businesses and how their business models have changed.

Ebusiness Models, Richard Trombly, computerworld, Dec 4, 2000
www.computerworld.com/industrytopics/retail/story/0,10801,54589,00.html
This article contains a short analysis of why business models rose and failed during the dot com rage.

Quick MBA: Strategic Management
www.quickmba.com/strategy
This article contains short summaries of key strategic planning concepts such as PEST, Porter 5 Forces Analysis, and SWOT.

SUGGESTED SOLUTIONS

IN-CHAPTER BOXES

Estrategy—Web Strategy at Digg

1. What are the main components of Digg's business model? What are their strengths and weaknesses?

Business model components	Digg's components	Strengths	Weaknesses
External forces	The internet and social networks provide impetus for Digg's value proposition.	This major trend contributes to growth of Digg's business.	Competition from other social networks will threaten Digg's value proposition.
Markets/formats	Revenues are based on advertising to large user base.	Advertising enables Digg to offer services to its users for free.	Advertising is driven by size and segmentation of the social network. If Digg starts losing users it can lose proportionately more of its revenue if advertisers abandon it in favour of growing sites.
Customers	Users are both customers and suppliers of social news and rankings. Advertisers are also customers who buy advertising.	Users are both customers and suppliers of social news and rankings.	Users don't pay any fees. Advertiser payments are driven by the number of users as well as their characteristics.
Core business processes	Website receives social news that is posted and ranked by users.	Users can identify and rank social news and browse other users' postings and rankings.	Others like Reddit, TweeMeme and Yahoo Buzz can easily produce similar processes.
Core products and services	Content in the form of social news and rankings is donated by users for	Vrtually no cost associated with user postings.	Users may have limited appetite for social news. Users are fickle and can easily

	consumption by other users.		abandon the site if it stops being cool or interesting.
Alliances	Various network sites have links to Digg.	Easy to "Digg" items on the internet and thereby help to grow Digg's social network.	The alliances are not enforced by contract and are therefore easily lost.
Resource management processes	Advertising, posting and user tracking need to be managed. Segmentation of users is needed to enable advertisers to target users.	Ability to segment users is attractive to advertisers.	Power users are a key resource but also need to be controlled so as not to take control of the site.
Strategic management process	Obtain user consent to share their personal information. Power user relationships are important. Advertiser relationships are critical.	Users want others to use their postings and rankings so are inclined to share their personal information.	If there are privacy abuses they could lead users to deny Digg access to their personal information and undermine the value proposition for advertisers.

2. Are there alternative revenue models that Digg could/should consider?

Voluntary donations (like
Wikipedia) One time registration fee
Monthly subscription fee
Brokerage fees for directing traffic to article sites
Commissions on purchases by users directed to article sites that also sell products and services
Sales of items associated with postings or direct traffic to sales sites for a fee
Sell swag (t-shirts, mugs, etc.)

3. Is Digg's business model sustainable?

Probably not. Why?

Its business can be easily copied by other social network sites.

It will be difficult to retain advertisers if traffic on its site keeps dropping. A small drop in users can lead to a large drop in advertising revenues if advertisers lose confidence in Digg's attractiveness to users.

With Facebook's "Like" button, it is difficult to see what added value Digg brings.

New Business Models—Digital Distribution of Music: An Evolving Business Model

1. How do the three business models (download, subscription based streaming, and advertising supported streaming) described in this case respond to the realities of purchasing music in the age of the internet?

Model	
Download to own iTunes	Permits purchase of small units of music like a track instead of a full CD/DVD. Enables owner to transfer music from device to device.
Subscription (like renting) Napster	Permits continuous access to music at much lower cost since listener doesn't need to own a copy of the music. With many devices to manage, users may prefer subscription to owning because they can easily switch between devices such as smartphone, tablet, notebook, etc.
Advertising supported (free) Grooveshark	Similar to subscription, but permits access to music for free. Users prefer to get music for free. A free legal model can compete with free illegal downloading.

2. What aspects of these business models are likely to be viable, and what do you think will still need to be done to improve them and keep pace with changes in customer demand for music, videos, and movies?

	Model		
	Download to own	Subscription (like renting)	Advertising supported (free)
What's viable?	Legal ownership of digital copies of music files is appealing to many users.	Subscription is appealing to many who want legal access to music but don't want to own digital copies of music files.	Free legal access to music is appealing to a majority of internet users and can compete with free illegal downloading, especially in jurisdictions where enforcement is strict. Ubiquitous, fast and wireless access to the internet through mobile devices makes it unnecessary to have personal copies of digital media files.
What needs to improve?	Need access to more music and need to track, anticipate and keep up with changing tastes of users to keep a large enough user base to earn downloading fees. Need contracts with content suppliers to ensure access to supply of content that will appeal to users. Need to provide services to users that will encourage them to pay for downloads rather than simple subscribe to a	Need access to more music and need to track, anticipate and keep up with changing tastes of users to keep a large enough user base to earn subscription renewals. Need to maintain speed of streaming and to keep costs of operating down so that subscription fees don't have to increase to cover costs and potentially lose a portion of the customer base.	Need access to more music and need to track, anticipate and keep up with changing tastes of users to keep a large enough user base to attract advertisers. Need to protect users' privacy to win their trust and sharing of personal information with advertisers.

	streaming service. Need to make sharing across devices simple and convenient while also protecting "ownership" value through digital rights management.		

Canadian Snapshots—Daily Deals at OneSpout

1. What are the pros and cons of sites like OneSpout?

Pros	Cons
Convenience of having one email covering many deals. Personalization feature helps keep email streamlined and focused on users' preferences. Personalization enables segmentation of users by attributes chosen for personalization. Multiple channels enable users to obtain deal postings in multi-locations through multi-devices. Free access makes the service attractive to users.	Adds a layer of complexity through aggregation that can frustrate users. No barrier to entry; therefore easy for competitors to develop alternatives. Difficult and costly to keep up with all the deal sites that are available. Deal sites have to be screened if they are across borders to determine if the deals are valid in local area. Dissatisfaction with an advertised deal or reneging by one supplier on a paid for offer can lead users to abandon the deal aggregator altogether.

2. If these sites are free to users, how will they make money?

Commissions on sales
Advertising
Brokerage fees for directing traffic to supplier websites

3. Is there room for more than one deal aggregator on the internet? Which sites will survive?

There are opportunities for differentiation by geographical region, language, luxury goods vs. standard goods and services vs. low priced goods and services, and category (e.g., services such as SPAs, restaurants, fashion, etc.)

The sites that survive will be those that can:

collect the most and best deals with the highest margins (lock in suppliers, forge alliances, etc.)
maintain the lowest operating cost (getting deals requires effective staffing and effective supply chain management)
understanding the customer base (effective customer relationship management)
watch and respond to environmental change and competitors' strategies

Ebusiness in Global Perspective—Emodel at ELong

1. Discuss the business model eLong is using. What are its strengths and weaknesses?

Business model components	Elong's components	Strengths	Weaknesses
External forces	The internet and social networks provide impetus for Elong's value proposition. The growth of China's middle class and the growth of foreign tourism in China are economic forces that enable Elong to grow the scope and volume of	This major trend contributes to growth of Elong's online business. This force enables Elong to grow the scope and volume of its services.	These external forces invite competition from other Chinese internet-based sites (such as Ctrip) and will threaten the uniqueness of Elong's value proposition.

	its services.		
Markets/formats	Revenues are based on brokering travel reservations to large user base and possibly merchandising clusters of hotel rooms/airplane seats/etc. bought up from hotel chains and airlines.	Brokerage model enables Elong to offer services to its users for free and collect commissions from suppliers on sales to customers.	Brokerage fees are driven by size and segmentation of Elong's "inventory" of potential reservations and its user base. If Elong starts losing users it can lose proportionately more of its revenue if its suppliers abandon it in favour of sites such as Ctrip.
Customers	Customers purchase reservations through Elong's network.	Providing both English and Chinese websites enables Elong to compete with Ctrip which also has same features.	Beijing location may not appeal to Shanghai based business travelers.
Core business processes	Travel companies such as hotel chains and airlines provide the reservation inventory. Website attracts and receives users who search for hotel and flight reservations. Supply chain management is a critical business process due to the fact that reservation inventory is a "perishable" product that perishes as time passes.	Extensive inventory of reservations. Online and offline channels. Tourist information, map functionality, 24/7 call center reservation support, and online booking.	Ctrip has a larger employee base so it can produce similar processes. Offline channels may be less efficient than online.
Core products	Reservation	Both domestic and	May have smaller

and services	inventory is the core product. Key services are online bookings, payments and call center.	foreign bookings make it possible to serve both foreign and Chinese users making trips within China and abroad.	inventory than Ctrip.
Alliances	Various network sites have links to Elong.	Affiliated with Expedia which is the leading global online travel site. Enables sharing of resources.	Some of the alliances may not be enforced by contract. Expedia's partial ownership may be viewed negatively by some domestic users.
Resource management processes	Website design and integration with supplier websites is critical. Supply chain management ranging from acquiring reservation inventories to processing bookings and sending vouchers to users is a key resource management process.	Has successful online presence.	Must expand internationally to expand its business.
Strategic management process	Supplier relationships are critical since comprehensive inventory of reservations helps to attract users to the site.	Has domestic and foreign networks in place.	Needs trained personnel with foreign language capabilities.

2. What forces protect eLong? What forces threaten it?

Protecting forces:

It is affiliated with Expedia.

It is located in Beijing, which is the capital of China; hence, may be able to attract government business.

Threatening forces:
Competition from Ctrip which is much larger.
Government regulators may interfere with Elong's business plans. Shanghai, where Ctrip is located, is an economic power house for China and Shanghainese may prefer to direct business to a local firm instead of a Beijing firm.

REVIEW QUESTIONS
The Review questions and answers are also available in the Companion Website at www.pearsoncanada.ca/trites.

1. What is an ebusiness model, and what does it mean to traditional and to pure "new economy companies"?

   An ebusiness model is a specific business model that uses the internet as a central tool for doing business online. In other words, the ebusiness model describes how a company uses (or wants to use) the internet to conduct its daily online business. In the case of traditional companies, an ebusiness model may mean an addition to the existing business model. In the case of pure "new economy companies," the ebusiness model would be the business model or type that the company adopts.
2. What is meant by an ebusiness strategy?

   An ebusiness strategy refers to the steps a company takes to construct its ebusiness model. For example, The Digg.com estrategy describes how a topical pre-social media company must be able to anticipate advancing competitive technologies and online user loyalties. Digg.com's ebusiness model was based on amassing a core base of users to create a community niche market. The more users who visited their site, the more Digg.com could make from advertising. Posting and ranking social news stories was a strategy designed to make the site attractive to users through interaction and a sense of influence. The estrategy was a combination of electronic and business models, and how Digg.com used the services it offered to attract users to the site (and keep them there).

3. How are ebusiness models and strategies related?

   Business models and strategies are closely interrelated as the strategies that a business constructs to be competitive are based on the models it has adopted. Models themselves represent a strategy in that they are designed to position a company strategically in a marketplace. In general terms, however, an ebusiness model describes where the company currently stands and where it wants to be, in relation to use of electronic technologies. The ebusiness strategy refers to the steps a company takes in order to achieve its desired ebusiness model.

4. What are the characteristics of the 11 ebusiness revenue models discussed in this chapter?

   A. Brokerage: Brokerage sites make money by charging a fee for transactions they enable on their sites.
   B. Advertising: These sites offer free content and support themselves through the sale of banner advertisements. Banner ads are small icons that contain a message and a link to the site of the advertiser.

C. Infomediary: Infomediary sites make content available in exchange for personal information. This data is used to analyze purchasing habits and to create customer profiles, which are then sold to other companies for marketing purposes.
D. Merchant: Merchant sites are usually traditional wholesalers or retailers who use the internet to offer their products.
E. Manufacturer Model: Manufacturers use the internet to sell directly to the end customers, therefore bypassing existing distribution channels such as distributors or wholesalers. This can lead to channel conflict.
F. Affiliate Model: In the affiliate model, sites become partners for their mutual benefit. This can be done through the exchange of banner ads or through a commission paid for sales that originated on a participating site. Amazon is an example of a site that pays a commission for sales that were referred from partner sites.
G. Community Model: Volunteers very often maintain community sites with free content. An example of a community site could be a portal that contains local information and offers a platform for local businesses.
H. Subscription Model: In this model, content or information is made available for a subscription fee. Examples are a subscription for the online edition of the *Wall Street Journal* or a subscription to a service that provides real-time financial information.
I. Marketplace Model: This is an emerging model that is suitable in the event that companies wish to leave the web marketing to a third party (possibly as an add-on to their other channels). Several features, such as branding, payment, logistics, ordering, and ultimately the full scale of secure transactions, are added to third party marketplaces. Revenues can be generated on the basis of one-off membership fee, service fee, transaction fee, or percentage on transaction value. An example of a third party marketplace provider is TradeZone (www.tradezone.com).
J. Value Chain Service Provider: These specialize in a specific function for the value chain, such as electronic payments or logistics, with the intention of making that function their distinct competitive advantage. A fee- or percentage-based scheme is the basis for revenues. An example of a value chain service provider is UPS (www.ups.com), which offers web-based package shipping support.
K. Utility Model: The utility model is a pay-per-use model (as opposed to the subscription model). Examples are sites with archives such as economist.com (www.economist.com), who charge a small fee for each query. Google's 2011 announcement of the opening of its BigQuery cloud-based data analysis service for companies with large data-sets will also be modeled as a utility pay-per-use service. Utility models also include SaaS offerings and cloud-based storage models.

5. What is the relationship between corporate, ebusiness, and IT strategic planning?

   Corporate strategic plans contain the vision of the company as a whole and outline the strategic objectives to achieve them. The corporate strategic plan considers all major stakeholders and is reviewed periodically. In the case of traditional business, the ebusiness strategy is a sub-component of the corporate strategic plan. It outlines how the internet will assist the company in achieving its goals and objectives. If the company is a "new economy" company, the corporate strategy and the ebusiness strategy are often identical. Since information technology (IT) is an essential and critical component of ebusiness, the IT strategic plan lays out how technologies (and people) are to be used to achieve the ebusiness objectives of the company. The key is in making corporate, ebusiness, and IT strategies align.

6. What are the elements of IT strategic planning?

The elements of IT strategic planning are:

business model data
architecture application
architecture technology
architecture migration
plan
tactical plan

(Canadian Institute of Chartered Accountants: Information Technology Control Guidelines)

7. Many businesses that began as "pure play" dot com companies had identical corporate strategic and ebusiness plans. Explain how a company like Amazon.com has since separated its corporate strategic plan from its ebusiness plan?

Amazon.com was originally an online bookstore; both its corporate and ebusiness plans would have been identical to support its revenue model and to differentiate the business from traditional bricks and mortar operations. However, over time Amazon has greatly expanded its offerings. The corporate strategy now includes selling thousands of items online (not just books) and offering web services and cloud-based services (EC2) to startup and existing companies through a utility model. Their corporate strategy now includes selling their own business services.

8. Name a business that had an established corporate strategic plan and developed an ebusiness strategy to support the strategic plan. Describe how the ebusiness plan supports the strategic plan.

Many companies could be named. Sears, Walmart, and Staples come to mind. A good example would be barnesandnoble.com. Barnes & Noble was a bricks-and-mortar company, but has embraced an ebusiness strategy to transform itself into a "clicks-and-bricks" business. Barnes & Noble saw the emergence of amazon.com as a threat to its core business and decided to compete by adding an ebusiness strategy to its corporate strategy. The result was that all of Barnes &Noble's books are now also available online. The online bookstore, however, is not simply a list of books that are available for mail order. Rather it is a comprehensive website that not only sells books but also offers additional services, such as customer reviews. Accordingly, the ebusiness extends the traditional business of Barnes &Noble but also extends and compliments it. However, the recent failure of the Borders bookseller chain raises issues around online competition, and how difficult it is to extend physical store loyalty to online loyalty.

PROBLEMS

Outline of chapter problems:

Problem Number	Topic	Companies
1	Adopting ebusiness, strategy	General Electric…
2	Wireless, pizza sales, delivery service	Pizzacast, Motorola
3	Catalogue companies online	Land’s End
4	Airline Travel and discount sites	Amazon.com, Google
5	Ebook business strategy	Orbitz
6	Auto Industry Online	DaimlerChrysler

SHORT DISCUSSION QUESTIONS

As an alternative to the longer, more involved Discussion Problems below, we have made available Short Discussions Questions in the Companion Website at www.pearsoncanada.ca/trites. These questions can be used for self-study or in class to facilitate classroom discussion.

PROBLEMS FOR DISCUSSION

The Discussion Problems (without answers) are also available in the Companion Website at www.pearsoncaada.ca/trites.

Problem 1

Some chief executive officers believe that it might be several more years before successful ebusiness models have been firmly established and can be easily implemented by their companies. Even companies that have ventured into ebusiness still need to find viable models.

An example of such a company is General Electric Capital Corp. whose vice-chair and chief financial officer said the firm has faced challenges in dealing with old legacy systems that worked well previously but need to be web-enabled to be useful in the world of ebusiness.

He also pointed to for many process and cultural changes that are necessary before GE Capital can conduct business online. He said that the company is heavily involved in such changes.

One example is the verification system of one of their companies, Home Depot Inc., which was used to gather data from various credit cards that GE Capital supported. Home Depot had invested US $1.5 million to web-enable this system, and felt that they had achieved a positive return within six months, but acknowledged that it was hard to determine exactly how much this was contributing to GE Capital's bottom line. He pointed out that the industries they were in had yet not been transformed by ebusiness, so there was no true system to measure the financial impact of ebusiness change.

Another conference attendee, the CEO of Hoover's Inc. of Austin, Texas, who provides research services to companies, said that his company was now generating 98 percent of its sales online and had only been online for a few years. The big challenge they faced was to get their writers and researchers to conceptualize their work from an online point of view.

"The laws of economics have not been repealed, [and] the basic methods for making money have not really changed," said Thomas W. Malone, professor of information systems at the MIT Sloan School of Management.

But what is changing, Malone added, is that CFOs are being asked to act as "process architects" for their companies. That emerging role focuses on internal processes that cut across different departments in an attempt to ensure that customers, suppliers, and other business partners are linked together.

Questions:

a. Why would a company have to concern itself with process change in adopting a new business strategy?

   Since ebusiness requires a new way of doing business—using technology and highly integrated systems—new processes are often required. Process change can affect both the physical way that companies perform their business processes and, in many cases, the flow of information when an ebusiness strategy is put in place. An example of this would be Home Depot's legacy system for credit card transactions, which was built on a physical store front-end and was not capable of handling web transactions. The system had to be modified in order to include a web interface. This is an example of a process (getting credit card information) that needed to be modified in order to make it suitable for the company's ebusiness strategy. Today, many companies opt to subscribe or license programs (web services) that can handle such requirements from existing web-enabled vendors like Amazon.com.

b. Why is it difficult to determine whether a strategic or procedural change is contributing positively to the bottom line? What is the implication of this issue for strategy formulation?

It is difficult to estimate whether some changes result in additional business for the company, or whether they simply result in a process substitution or swap. With Home

Depot there was no method to measure whether the web interface generated additional business, or whether existing customers simply substituted the new method of business for the old. Although a reformulation of strategy may not show up in the bottom line, it may still be demanded by suppliers or customers, or it could become necessary due to competitive pressures. Today, CRM (customer relationship management) applications can track new and repeating online customers, and assist companies analyze and respond to buying trends quickly and accurately.

Problem 2

Pizzacast, a division of Motorola, initiated a service in collaboration with Domino's Pizza through which customers could use their cellphones to order a pizza over the web. Pizzacast hoped to capitalize on the popularity of web- enabled cellphones. The general manager of Motorola's Internet Solutions and Content group said that ordering pizza from a web-enabled mobile phone has potential by adding a new sales channel. He said the industry loses from 5 to 12 percent of its sales annually during peak hours, when landline customers encounter a busy signal or are put on hold. When you consider that the industry sells US $20 billion a year in the United States alone, that amounts to a lot of money.

However, whether the pizzerias can tolerate another sales channel, especially during peak hours, remains to be seen. Already many of them have trouble dealing with the orders they have coming in the door and over the phone.

There are other practical issues. Many cellphone carriers charge by the minute rather than on a flat-fee basis, adding to the cost of the pizza. Critics also argue that some additional value must be gained by using the wireless internet—some sort of incentive or giveaway—to encourage a culture shift in the way people purchase items like pizza. There are also issues like network reliability and cellphone availability.

Pizzacast, however, was not successful in this new venture and the website was finally sold to a company that offers online food ordering website development services.

Questions:

a. Do you think that, in spite of the failure of Pizzacast, the potential exists for such a product offering?

Potential benefits:

An automated sales channel such as a WAP phone may decrease the costs for other channels (phone, over the counter) and speed up service for existing channels.

WAP services can be combined with location-based services. Out-of-town customers could be made aware of the pizzeria through the WAP phone (if offered by the wireless provider).

Since orders are entered by the customer, there is no risk of confusion about the order; however, the order process must be simple to request and process.

Potential costs:

Additional hardware and telecommunications links would be needed to provide the service for mobile customers.
At peak times, the additional WAP sales channel may be too much to handle, and mobile customers might experience the same issues as land-line customers.
Customers might not return if the new sales channel is not reliable or too hard or too slow to use.

b. How does the use of wireless web ordering compare to the use of traditional wired web access?

A cellphone is always on; there is no need to start up the computer.
WAP service is available (almost) everywhere.
Since the display and graphics capability on WAP phones are limited, the company might find it difficult to present itself in the way it would like to.
In many cases, WAP access is charged by the minute as opposed to flat fees for internet access.
Traditional computer keyboards are considerably easier to use than cell phones for entering information.
Customers might not be willing to enter very much information for order processing, since doing so is complicated on cellphones.

Problem 3

Land's End is a Wisconsin-based retailer that has been successfully selling clothes on the internet since July 1995. Prior to going online, the company ran a very large and successful catalogue operation. One of the senior executives of Land's End feels that if a company is a catalogue company and is not making money on the web, then it's doing something wrong. Indeed, some surveys show that as many as 72 percent of catalogue companies are successful online, compared to 43 percent of store-based retailers.

Land's End is doing something right—it is the U.S.'s largest catalogue clothing store and the biggest online clothing store in business today. Being an established catalogue company does offer certain advantages when a company decides to make the move online. They have distribution systems in place that can handle internet sales, customer service representatives positioned to handle customer calls, and established brands that consumers have learned to trust. Land's End traditionally has extended their branding advantage by selling proprietary products with consumer appeal and by working directly with mills and manufacturers.

Land's End has done market research as well, and claims that its customers are twice as likely as the rest of the population to live in an online household. Feeling that these customers may be quite technologically literate, in 1998 Land's End added a feature to their site that allows customers to create virtual models of themselves online in order to try on clothes. This too has been profitable. Sales analyses showed that customers who used the modelling technology were 19 percent more likely to purchase items than other shoppers. Catalogue etailers find that they can attract completely new customers through the web channel, with as many as 40 percent of their online customers being new to the company.

Questions:

a. Are there reasons, other than those mentioned, why catalogue companies are successful selling on the web?

    The transition to web-based selling is not that far removed from their existing business models. The web adds a new channel, but sales are made in a similar way to the catalogue business: order product-pay for product-ship product.
    Catalogue companies can use the web to make their existing customer base more profitable by offering purchase incentives that they would not be able to do in a strictly catalogue style of shopping.
    New customers have more trust because it is an established business with a brand name.
    Even if customers continue to use the "old" method of ordering, they may use the web to search for new products. The two methods go hand in hand.

b. How would the web strategy of a store-based retailer differ from that of a catalogue company?

    Store-based retailers must first establish a mail-order distribution or logistics system.
    A product catalogue must be created. If it already exists then it must be ported to the web.
    A store-based retailer may add online features such as lay away and incentives for the customers to come to the physical store and shop.
    A store-based retailer may add the online capability to check whether an item is in stock and at which store.

For a store-based retailer, committing to a web strategy is much more difficult than for a catalogue company. If a catalogue company sells online, it simply offers an additional sales channel for its customers, which uses the existing distribution system. If a store-based retailer decides to sell its goods online, it not only needs an additional sales channel but also an additional distribution channel. This can be very costly and requires a substantial financial commitment from the company. It may also cause additional problems such as problems with employees who fear for their jobs.

Problem 4

Consumers have been swarming to internet travel and airline websites in recent years, searching for bargain airfares, rental cars, hotel rooms, and vacation packages. Three of the top ebusiness sites selling travel are travelocity.com (www.travelocity.com), expedia.com (www.expedia.com), and hotels.com (www.hotels.ca). There are also many startups in the online travel business. But as in most ebusiness areas, the established giants are making their move.

It may be too early to say whether the entry of the giants will be good or bad for competition and consumers. But the controversy highlights the issues that arise when dominant businesses in the bricks -and-mortar world form partnerships to create massive internet marketplaces to compete with independent internet startups. It also shows how their web strategies differ.

The giants involved in this case are five of the largest U.S. airlines—American, Continental, Delta, Northwest, and United—who entered into a consortium called Orbitz, powered by Worldspan's travel technology and a staggering 800+ production servers (usually commodity PCs), 3.9 million lines of code on its website, and 110,000 lines of code being added or deleted on a weekly basis.

The service was announced in 1999, and immediately drew the regulatory scrutiny of the U.S. Department of Transportation for potential antitrust violations, notably the opportunity of the big carriers to collude on prices and drive competitors out of business. This is a concern similar to those held regarding the new trading exchange set up by the automobile manufacturers, called Covisint, which endured a similar lengthy investigation by the U.S. Department of Labor.

Ultimately, after ten months, the department cleared Orbitz with a compliment, saying its discounted fares and cutting-edge technology would allow customers to search massive amounts of flight information, which could enhance consumer choice. They added their view that new competition in the online travel agency business is inherently desirable.

Jonathan Zuck, president of the Association for Competitive Technology, added a note of approval: "To compete, you must continue to improve your technology and services, instead of trying to delay or block new competitors from the markets," he said.

Questions:

a. Why are the regulatory authorities concerned about online collaboration among large competitors?

The airlines could use Orbitz to drive other low-fare competitors out of business by only offering "deals" on the Orbitz site.

The website could be used for price-fixing, thus driving up prices.

Since Orbitz is operated by the airlines themselves, the pricing structure might become even less transparent.
Orbitz might not be dependent on commissions for ticket sales, whereas independent competitors need to rely on commissions to stay in business.
Other travel agents might not be able to offer the same fares as Orbitz does, thus driving them out of business.

b. How might Orbitz change the business models of the participating airlines?

There is no more need to sell leftover seats to low-cost travel agents (the business remains with the airlines).
Airlines have much more flexibility in deciding when to offer low fares and can reverse the decision if demand picks up.
Orbitz may eliminate the need to deal with travel agents or other online travel sites, thus reducing or eliminating costs for commissions.

Problem 5

In the 2009 holiday season Amazon.com announced that it sold more ebooks in one day than physical books. Since Amazon.com has sold, on average, 180 ebooks for every 100 hardcovers sold, beginning in July 2010. A reason for this increase in ebook sales can be attributed to Amazon's successful Kindle ebook reader. However, Amazon has not simply made ebook purchases an all-or-nothing purchase tied to the Kindle. They offer an ebook reader application free to download for Windows, Mac, Linux, smart phones, tablets—most of the products and platforms available today.

While Amazon was perfecting its ebook strategy, Google was scanning books from major libraries worldwide, for search-based access in their Google Books tool. At the same time, Google was also building its own ebook store to compete with Amazon. Open since December 2010, the Google ebook store is integrated with its browser-based Google books tool so that users researching a book can easily click on a link to purchase and download it as an ebook from the same screen. Google, however, has not released a reader to compete with Kindle; instead they compete by offering their books for mobile devices and as browser-based reading—whereas an ebook application must be downloaded to read Amazon's ebooks. Google also stores all ebook purchases and selections in their digital cloud, something that Amazon has yet to do. Google has also announced their intent to include ebooks from colleges and universities in the ebook store.

An important statistic in the ebook vs. print book war though is expected sales. In 2009, ebook sales were a mere $81 million—less than 1 percent of their print equivalents—where hardcover books reached $ 4.4 billion in sales. Audiobooks reported sales of $218 million in the same period.

Questions:

a. Whom do you think has the better strategy? Why?

Amazon has pushed the experience of ebook reading to their Kindle. They are hoping to convince readers that another mobile device (specifically for reading) is necessary and worth the additional cost. Although they provide downloadable applications for desktop and other mobile devices, their business strategy is to link ebooks with their Kindle reader first, and offer platform reading second.

Google has opted not to compete with Amazon on the device front, instead focusing on a browser-based reading experience—a platform that is more in line with their other tools. Also offering to store ebook purchases in the cloud gives the purchases device mobility, needing only an internet connection and a browser.

As to who has the better strategy, sales of Amazon's Kindle have exceeded their expectations and continue to rise. When Apple announced the iPad 2, industry analysts proclaimed the death of the Kindle – which did not happen. However, the number of new Kindle "Fire" models is expected to surpass iPad 2 tablet sales. There are still more Internet browser users than Kindle owners, however, the Kindle seems to have struck a nerve with book readers who want their digital books with them, and not simply available online. Amazon's strategy to link ebooks to their Kindle reader appears to be working.

b. With the ebook market growing fast but still a small percentage of total book sales, are Amazon and Google catering to a potential miniature market as opposed to the next revolution in books?

The natural progression from digital music, to movies, to books, has been disruptive to all players in the traditional media versions of these entertainment categories. Music distributions systems missed coordinating how to distribute digital music, and Apple through iTunes took it from them. Booksellers seem intent on not making the same mistake. Although the ebook market is relatively small, Amazon and Google are investing in the early stages to make sure that when the medium from print to digital completely switches, they are there to manage the transition and enjoy the profits.

Problem 6

After watching for over a year while the other automakers moved to the web, DaimlerChrysler launched its own web strategy in the form of a series of consumer-oriented websites. While rivals General Motors Corp. and Ford Motor Co. had embarked on aggressive web strategies during 2000, DaimlerChrysler said it had been laying the groundwork for a major upgrade to its U.S. consumer websites.

It launched websites referred to as Five Star Dealer websites, first in Portland, Oregon, and then in other cities. On these websites, car shoppers could search the dealer's inventory for vehicles, configure them with the options they want, obtain suggested pricing, and apply for financing, all online.

DaimlerChrysler executives said that the new web initiative would save consumers time before they even stepped into a dealership because they could search for specific vehicles and find out the suggested retail price. The websites would not provide the final buying price, but they would include messaging boards that consumers could use to negotiate the final prices with dealers. For information on making their pricing decisions, the websites offered the consumers, in addition to the suggested retail price, the dealer's invoice price.

Out of DaimlerChrysler's 4500 U.S. dealers, 2400 had Five Star status. They earned this status by meeting certain criteria of the manufacturer, such as a guarantee that they would answer internet leads and respond to electronic requests for pricing within 24 hours. To meet these criteria, they needed to change their processes.

Critics said DaimlerChrysler's efforts were only symbolic and failed to meet the needs of car buyers. They felt consumers wanted and expected more than a consumer-friendly process that is online. DaimlerChrysler were still using dealers, so the online process simply complemented the shopping process on the internet. Others felt that DaimlerChrysler's new web presence was a good first step to stay on par with rivals.

Questions:

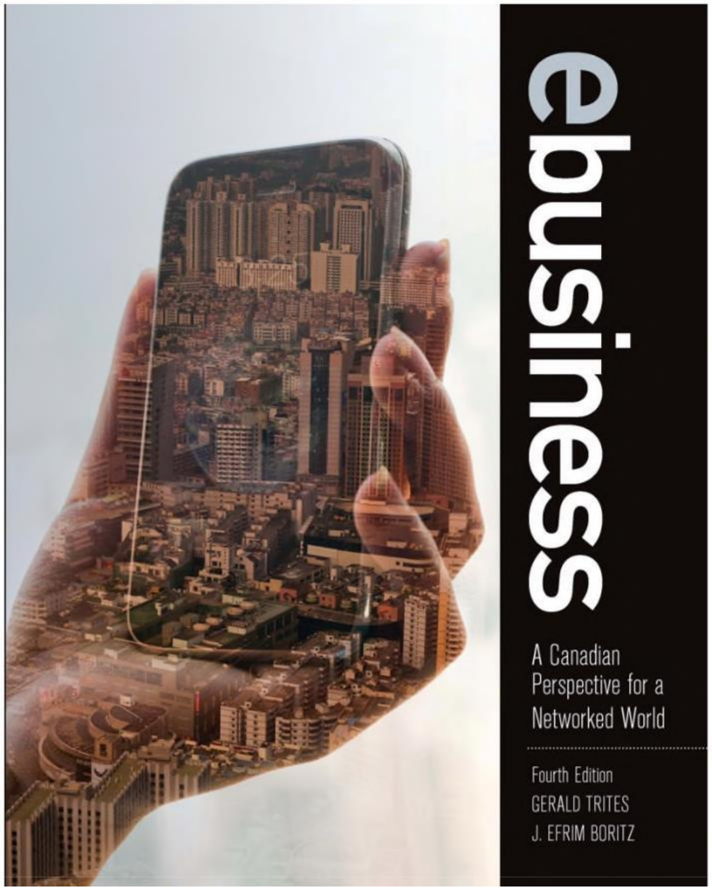
a. What was DaimlerChrysler's plan for making money on its web venture?

> DaimlerChrysler tried to use its web presence as a complement to its existing dealer network. Instead of trying to sell cars online and bypassing the dealers, the company offered its website as a tool that refers customers to its dealerships, but also offered additional information that was of value to its customers. DaimlerChrysler did not intend to make any money directly from its web venture, but rather tried to use it to support and enhance its existing method of selling cars.

b. What should they do next?

> The next step is to include all dealerships in its web venture. It might not be wise to bypass its network of dealerships by selling cars online (possibly at a discount) since this would cannibalize its own business and possibly violate territory agreements with dealerships. DaimlerChrysler should, however, try to expand its web offerings in conjunction with the dealers. This could include additional services such as making appointments for service or repairs online or using the customer databases of the dealerships to offer new products or services. These additions are natural, one-step progressions from what they offer today. To completely change the car -buying experience they could offer competitor car comparisons, and process the whole car purchase online without being forced to

meet the sales rep until delivery of the vehicle. The dealership could then track the purchase and service schedules online, and make recommendations as to when a service visit is suggested.



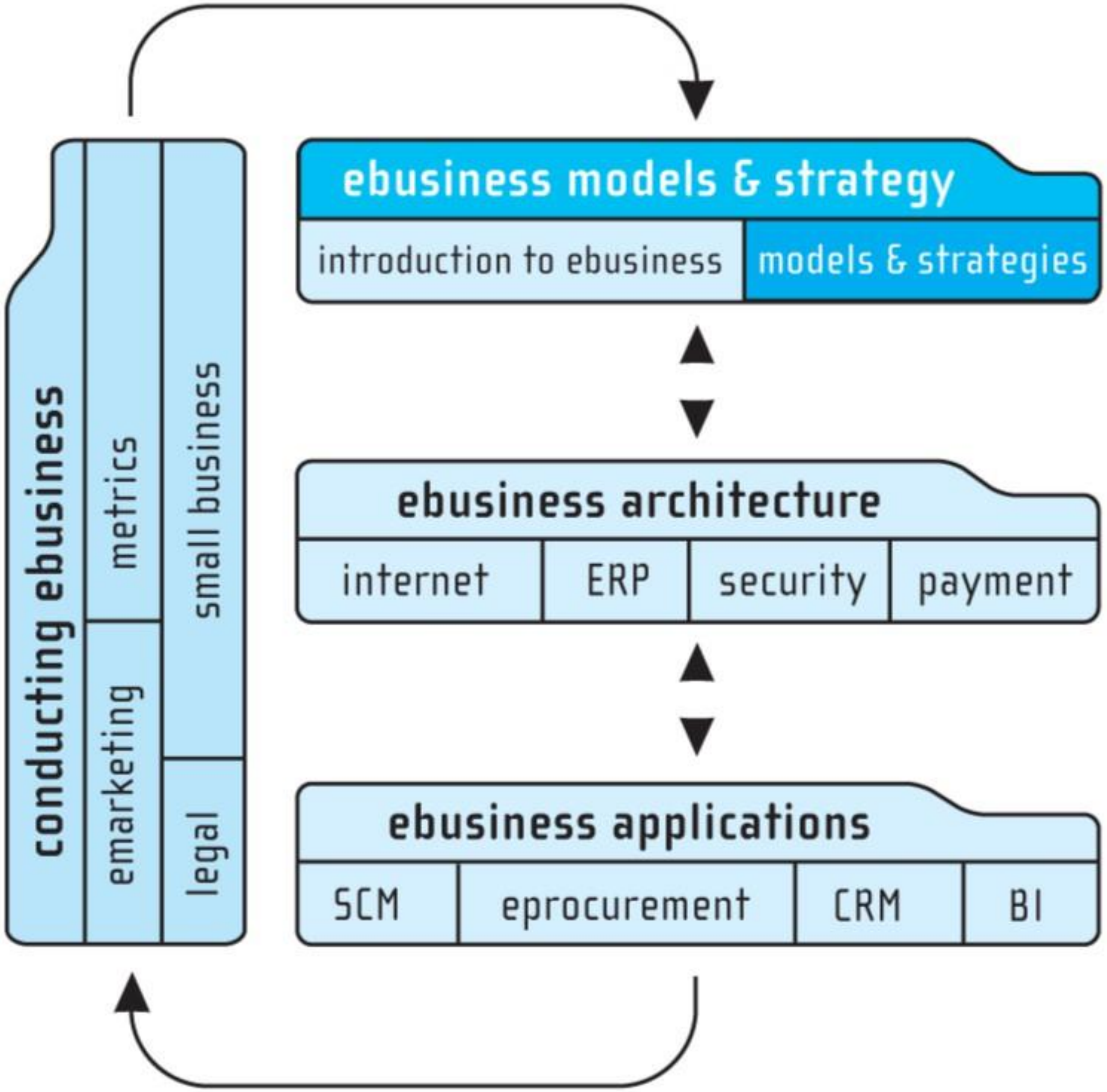
PART 1

- Ebusiness Models and Strategies

PART 1

Chapter 1: Introduction to Ebusiness

Chapter 2: Internet Business Models and Strategies



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Learning Objectives

1. Describe the key elements of an internet business model.
2. Explain the similarities and differences between B2C and B2B models.
3. Explain the similarities and differences between models based on “bricks”, “bricks and clicks” and “clicks”.
4. Describe key revenue-generating approaches used by internet business models.

Learning Objectives

5. Define and explain the importance of ebusiness strategy.
6. Describe the relationship between internet business models and business strategy.
7. Identify the key areas addressed by a strategic plan.

Introduction

- A business model may be defined as the manner in which a business organizes itself to achieve its objectives which normally involve the generation of profits.
- Although there are various views about what components should make up a business model, eight components are addressed here (slide 13).

Introduction

- An internet business model represents the manner in which a business uses the internet to support, amplify or develop its overall business model. This is an integral part of a business' strategy.

Introduction

- An ebusiness strategy is the sum of all the choices that a business makes to offer unique value to its customers that differentiates its business model from those of its competitors.

Introduction

- The term “business model” denotes a general description of how a business structures its activities to earn profits, while the term “strategy” focuses on the specific choices in that set of activities that are aimed at giving the entity a unique position in its industry and, thereby, a competitive advantage.

Introduction

- According to Michael E. Porter, “the essence of strategy is choosing to perform activities differently than rivals do….Competitive Strategy is about being different. It means deliberately choosing a different set of activities to deliver a mix of value”.

Introduction

- The Internet is a very competitive environment that can lead to relentless price reductions, to the point where most entities will find it difficult to earn a profit. Michael Porter recommends competing on quality, features and service.

Introduction

- With changing environments, businesses continue to focus their efforts on a service or related package of services, hired people with the skills to provide these services and sold their time and skills to their clients at a price in excess of the costs they had to pay.

Business model

- Although there are various views about what components should make up a business model, the following eight components of a business model are discussed:
  - External forces
  - Markets and forces
  - Customers
  - Core business processes
  - Core products and services
  - Alliances
  - Strategic management process
  - Resource management processes.

External forces

- Political, economic, social and technological factors; pressures and forces from outside the entity that create opportunities for the entity or threaten its business objectives.

- During the tech boom from August 1995 to March 2000, numerous media reports and articles by influential business executives suggested that the internet “changes everything”, so that “old economy” business models no longer apply.

External forces

- This view gained widespread acceptance as companies like Amazon.com and E*TRADE Financial raised huge amounts of capital in the stock market without making profit. These ventures were praised for helping to raise huge capital.

Markets/formats & Customers

- Markets refer to the domains in which the entity may choose to operate, and the design and location of the facilities. Customers include the individuals and organizations that purchase the entity's output.

Markets/formats & Customers

- Markets are often defined based on the business model.
  - These include B2C models e.g. auctions by eBay, travel reservations by expedia, and financial services by president's choice.
  - B2B models represent a higher proportion of ebusiness activity. Examples include Ariba's reverse auction, Dell's computer sales and Workopolis' job listings.
  - Other categories include B2E (Business to Everyone), G2C (Government to Consumer), G2B (Government to Business)

Core Business Processes

- Most businesses today have some degree of internet presence.
  - The “bricks vs. clicks” label is used to distinguish the degree to which core business processes depend on the internet. Examples include Sears, Canadian Tire and Shoppers Drug Mart.
  - The “clicks” label is applied to business models that are solely or predominantly based on the internet (also called pure plays). Examples include Windows Live Hotmail, Yahoo! And E*TRADE
  - The “bricks” label is applied to business models that are solely or predominantly based on provision of goods and services through physical outlets such as stores or branch offices. Examples include bakkaphoenixbooks.com.

Core Business Processes

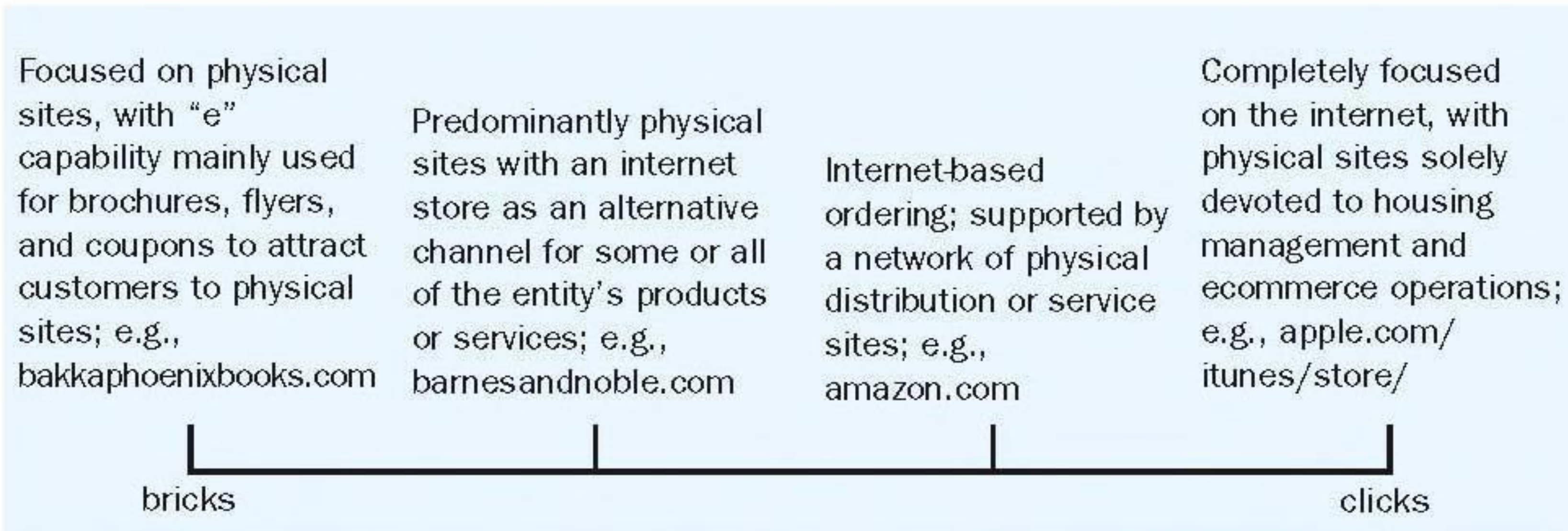

Figure 2.2 Continuum of internet business models

Internet business models range from "bricks" to "clicks," with many variations between these two endpoints, even within the same product or service sector.

Core Products/Services

Core products and services often define ebusiness revenue models. 11 Revenue models are considered:

- Merchant model
  - Sales of non-digital and digital products (per unit or volume price). Merchant models could be a pure-play e-tailer (e.g. Apple iTunes) or surf-and-turf site (e.g. Sears).
- Direct sales by manufacturer model: Non-digital and digital products (per unit or volume price).
  - Product manufacturers sell products online to customers directly. Sometimes various sales channels are used by the same manufacturer and they end up competing with each other. This is called channel conflict. Examples include Dell and Levis.

Core Products/Services

11 Revenue models are considered:

- Manufacturer service model: Indirect revenue.
  - Product manufacturers use the web to provide customer service support for their products. Example: Cisco systems
- Subscription model:
  - Some businesses have users subscribe to their site, paying a monthly fee, in order to view some or all of the content or obtain other services. Examples include Encyclopaedia Britannica, Inc., Globe and Mail, and Business Week.
- Utility model: Service fee.
  - This is a user “pay as you go” site. It offers specific services “on demand” for a fee. An example is CompuServe.

Core Products/Services

11 Revenue models are considered:

- Infomediary model:
  - Sites that build on the economic value of information about people's purchasing habits are referred to as infomediaries. These sites offer something free to users and in return ask users for information e.g. fill out forms on their spending habits. An example is BizRate.com.

- Licensing model: Licensing fee.
  - These are often applied to long-lived intellectual property such as software. The customer pays a one-time licensing fee to be able to use or resell the software. Examples include Perfect Commerce and i2 Technologies.

Core Products/Services

11 Revenue models are considered:

- Advertising model:
  - The site makes it profit from advertising content or messages e.g. through banner ads and click-through counts. Examples include Google and Altavista.
- Affiliate model:
  - Payment of commissions to sites hosting banner ads when sales are made to customers using them to enter the site. It is a way of building sales by the organizations that own the banner ads.
- Community model:
  - Community sites depend on user loyalty and community identification for their viability. An example is Second Life .

Core Products/Services

11 Revenue models are considered:

- Brokerage model:
  - Brokers bring buyers and sellers together and facilitate transactions between them. Revenues are generated through a variety of transaction fees and commission charges for the transactions they facilitate.
  - Brokerage sites take on a variety of forms including:
    - Classifieds: e.g. Workopolis; Virtual malls; market exchanges
    - Buy/sell fulfillment sites e.g. E*TRADE Canada;
    - Auction brokers e.g. eBay; reverse auctions e.g. Priceline.com;
    - Transaction brokers e.g. PayPal;
    - Metamediaries e.g. Edmunds.com;

Internet Business Models and Business Strategy

- Business models can be combined in various ways to achieve business goals.

- The specific model or combination of models that a business uses helps to define its internet or ebusiness strategy.

Internet Business Models and Business Strategy

- The ebusiness strategy defines the organization's value proposition which differentiates it's business offerings from those of its competitors.

- It is vital that organizations fit their ebusiness strategy into the corporate strategy in order to achieve success.

Fitting the Ebusiness Strategy into the Corporate Strategy

- Strategic planning exercises involve developing a broad vision, considering constraints and assumptions that guide the vision, and defining strategic objectives for the business.

Fitting the Ebusiness Strategy into the Corporate Strategy

- Strategic plans would often address 5 key areas:
  - Arenas where the entity will be active e.g. markets, products etc.
  - Vehicles for moving towards goal achievement e.g. acquisitions
  - Differentiators that represent competitive advantages e.g. image
  - Staging the speed and sequence of moves e.g. expansion speed
  - Economic logic for obtaining returns on investment e.g. low cost producer.

The Strategic Planning Process

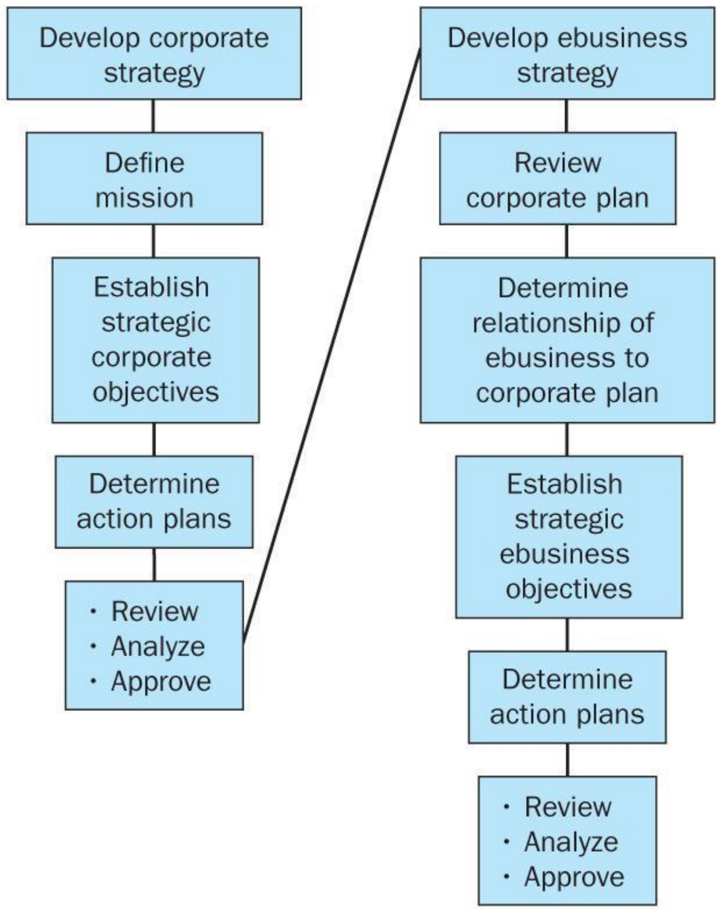

Figure 2.4 The strategic planning process

Strategic planning for ebusiness must fit with the strategic planning for an enterprise as a whole.

Fitting the Ebusiness Strategy into the Corporate Strategy

- Ebusiness strategy planning must be consistent with the organization’s IT strategy and overall corporate strategy.
- Ebusiness planning involves:
  - Defining how ebusiness can help achieve the firm’s overall objectives.
  - Assessing gaps between current IT resources and performance capabilities and desired strategic objectives.
  - Formulating strategies to fill gaps e.g. (1) competitive, (2) defensive and (3) cooperative strategies
  - Performing a risk assessment to identify weaknesses and controls
  - Defining IT policies, infrastructures, applications and processes
  - Defining a tactical plan
  - Measuring ebusiness performance

Part 1 case study:

Google – Searching the World

- Read the Google case study – Page 44. Then answer the following questions.
  1. Comment on the interplay between Google's business strategy and its business model
  2. How has Google's company acquisition program supported its business model and business strategy?
  3. Which Google products have moved beyond the company's original strategic focus on searching information? What do these products indicate about the strategic direction of Google?
  4. Does Facebook represent a threat to Google? Why?

Summary

- Business models often have a number of components which influence organization’s business strategies.
- Internet business models shape ebusiness strategies.
- To achieve success, organizations need to ensure that there is a fit between ebusiness strategy and the corporate strategy
- The strategic planning process for ebusiness needs to be carefully crafted and consistent with IT strategy and overall corporate strategy.
- Ebusiness planning involves a number of activities.