

INLS 210-96

Electronic Business for
Information Professionals



Business Models

Retailing

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Today's Readings

- Strategy & Business - [REI Climbs to the Top](#)
- Knowledge@Wharton - [Who's Buying on the Internet](#) (subscription required)
- Managing the Digital Enterprise – [Models](#)
- McKinsey Quarterly - [From retailing to e-tailing](#) (subscription required)



Motivations for Online Shopping

- Saving money
- Convenience
- Selection



Psychology of Online Shopping

- Provides people with an organized method of acquiring goods
- Able to avoid personal confrontations
- Extraverts are much less likely to shop online than introverts
- Appeals to those with shorter attention spans
- Provides instant gratification



Characteristics of Online Shoppers

- Immerse themselves in the experience – lose track of time
- Compulsion to comparison shop
- Prefer to pay with credit cards
- Obsessed with uniqueness
- Enjoy receiving packages
- Advocate online shopping
- Constantly craving new experiences



Concerns about Online Shopping

- Quality
 - (describe quality control measures, return policies)
- Security
 - (Information on credit card security, privacy policies, SSL)
- Convenience
 - (Shortcuts for experienced shoppers, Short pages, Few pages)
- Control
 - (Provide FAQ, Live help, Customization, Personalization)



Market Leaders in Online Retailing

- IBM

- Start to finish solution had one-third of all retail sales on the Internet in 1998
- Has www.macys.com, www.nordstrom.com, www.llbean.com
- Offers software, hardware, networks, professional services - including Web site design, managing and storing data, project advice (consulting services)

- AOL

- Hosts Jcrew.com and Computer World in addition to shopping through the Netscape portal



Pioneers in Electronic Commerce

- America Online
 - Hosting commerce web sites, providing links to affiliates, offer software and consulting services
- Dell Computers
 - Lets consumers direct the process
- Amazon.com
 - Offers a wide variety of products at discounted prices
- Ebay
 - Auction web sites
- Broadcast.com
 - Bringing live events (now part of Yahoo!)
- Imall.com
 - Shopping mall metaphor



Seven Business Plan Elements

- Take a long-range view - no profit for years
- Sell products that are easy to identify - sell what you don't need to touch or feel
- Capitalize on the value of brand names
- Provide services that are understandable - sell services that can be described in words
- Recognize the potential in niche markets - gain a large market share in underserved segments
- Acquire prominent listing in the big-scale portals - Advertise on portals high traffic sites
- Install high-profile security systems - protect consumer information will yield trust



Keys for Success

- Make innovation a high priority
- Make business decisions led by strategy - know what business you are in
- Produce an excellent product or service



Leadership

- Making the shopping experience a good one
- Be perceived as an experienced online retailer
- Become an innovator
- Use online and traditional media to build awareness
- Form alliances with other online and onland companies
- Make certain the web site helps consumers



Economic Issues

- Stock Market Activity
- Calculation of the return on investment
 - Can count expenses on hardware/software
 - Difficult to quantify investments on staff, savings on efficiencies
- Taxation
- Marketing costs
- Production costs
 - Inventory
 - Site Development
 - Electronic payment systems
 - Security
 - Business alliances
 - System Maintenance and Enhancements
 - Staff – need to hire experts