

BUSINESS IN THE

# Big Room

A SURVEY OF E - COMMERCE



Nigel Barham

UNIVERSITY OF WATERLOO

# **Business in the Big Room**

A Survey of E-Commerce

By Nigel Barham

Submitted to Larry Smith and Geoff Malleck

University of Waterloo

May 2003

# Table of Contents

<b>INTRODUCTION .....</b>	<b>8</b>
<i>The Big Room</i> .....	9
<i>Survey Introduction</i> .....	10
The Author's Motivations.....	10
Objectives.....	14
Research.....	14
Layout.....	15
Key Definitions.....	17
<b>KEY OBSERVATIONS.....</b>	<b>19</b>
<i>The Metamorphosis of American Selling</i> .....	20
<i>The History of e-Commerce</i> .....	25
<i>Quotes on the Internet as a Whole</i> .....	29
<i>The Nature of the Internet</i> .....	31
The Internet's Traits.....	31
<i>The Corporate Structure of Online Businesses</i> .....	33
Management.....	33
Employees.....	35
Process Change.....	36
<i>The e-Business of e-Commerce</i> .....	38
The Value of e-Business.....	38
Technical Infrastructure.....	41
Automation.....	42
<i>B2B e-Commerce &amp; e-Procurement</i> .....	43
B2B exchanges.....	44
<i>North American B2C e-Commerce Statistics</i> .....	46
Internet Usage.....	46
B2C e-Commerce Statistics.....	47
<i>Online Communities</i> .....	50
<i>B2C e-Commerce Business Models</i> .....	52
<i>e-Retail Statistics</i> .....	55
<i>Examples of e-Retail</i> .....	57
<i>One-Time Purchase Online Services</i> .....	60

<i>Subscription-Based Online Services</i> .....	64
<i>Bricks &amp; Clicks</i> .....	71
<i>Bricks &amp; Outsourced Clicks</i> .....	76
<i>Consumer Trust</i> .....	79
Security.....	81
Privacy.....	82
Reliability and Credibility .....	83
<i>Brand and the Internet</i> .....	84
e-Commerce Company Brand Online.....	84
Product Brand & e-Commerce Brand in Relation to It.....	86
<i>Web Presentation &amp; Usability</i> .....	89
Product Representation Online .....	90
<i>Price</i> .....	91
Tax.....	92
<i>Payment</i> .....	93
Fraud.....	94
Piracy.....	95
Returns.....	95
<i>Shipping &amp; Logistics</i> .....	97
Consumer Options .....	97
Shipping Efficiency .....	98
<i>Customer Service</i> .....	101
<i>Online Advertising</i> .....	103
<i>Online Advertising Media</i> .....	106
Email .....	106
Search Engines .....	109
<i>Customer Loyalty</i> .....	112
<i>Global e-Commerce</i> .....	115
Worldwide .....	115
Europe .....	117
South America .....	121
Asia & Australia .....	122
<i>Competitive Advantage in the Big Room</i> .....	125
<b>ANALYSIS</b> .....	<b>129</b>

<i>Lessons From History</i> .....	130
The Catalog Era.....	130
<i>Lessons From the Dot-Boom and –Bomb</i> .....	132
<i>Thoughts on the Internet as a Whole</i> .....	136
<i>The Nature of the Internet</i> .....	138
Location, Location, Location.....	138
The Internet’s Digital Nature.....	139
But We Live in a Real World... ..	140
<i>The Corporate Structure of Online Businesses</i> .....	141
IT Outsourcing.....	142
Employees.....	142
<i>The e-Business of e-Commerce</i> .....	144
<i>B2C e-Commerce</i> .....	146
<i>Online Communities</i> .....	149
The Impact of Online Communities on Business.....	149
<i>Online B2C Business</i> .....	151
<i>Bricks &amp; Clicks</i> .....	153
<i>Consumer Trust</i> .....	154
<i>Brands</i> .....	155
Product Brands.....	155
E-commerce Brands.....	156
<i>Web Presentation &amp; Usability</i> .....	158
<i>Price</i> .....	159
<i>Payment</i> .....	161
<i>Shipping &amp; Logistics</i> .....	163
<i>Customer Service</i> .....	165
<i>Online Advertising</i> .....	167
<i>Customer Loyalty</i> .....	170
<i>Search Engines</i> .....	172
<i>Global Competition</i> .....	177
Europe.....	177
The Third World.....	178

<i>Competitive Advantage in the Big Room</i> .....	180
<b>CONCLUSIONS</b> .....	<b>182</b>
The Future .....	183
Internet Adoption.....	183
Internet Corporate Structure .....	184
Location .....	184
Automation .....	185
Online Communities.....	185
B2C e-Commerce .....	185
Bricks & Clicks .....	186
Trust.....	186
Brands.....	186
Price.....	187
Payment .....	187
Shipping.....	187
Customer Service.....	188
Advertising .....	188
Loyalty.....	189
Search Engines .....	189
Global Competition .....	190
Competitive Advantage .....	191
<b>BIBLIOGRAPHY</b> .....	<b>192</b>

*The author would like to thank Larry Smith and Geoff Malleck for the gracious provision of their valuable guidance throughout this project. It would not have been possible without them.*

# **Introduction**

## The Big Room

Somewhere in the middle of the Atlantic Ocean, on an island a little closer to North America than Europe, there is a room. Outside, this room looks like an enormous, gray building with no windows or doors. Inside, its ceiling and walls are white, and literally miles apart. This room is called the Big Room.

Inside, the Big Room is a vast bazaar comprised of hundreds of thousands of stalls—all on the one floor level. Each stall is different. Some are small and dull. Others are big and exciting. The stalls in the middle of the room are the most popular. These are usually very big, and there is a high density of people among them. Because of the vast number of stalls in the Big Room, many of the stalls at the center of the Big Room help people find *other* stalls.

In the Big Room, there are stalls providing visitors with up-to-date news, as well as sports stalls, games stalls, and farther from the core of the Big Room, stalls where visitors can view family photo albums and learn about individual people. Personal stalls are harder to find, but many of them are open to the public. The Big Room is also home to thousands of restricted stalls, hate-based stalls and stalls that provide stolen goods to their visitors. There is virtually no policing in the Big Room, so illegal activity is difficult to stop.

Many people use the Big Room to sell products and services. There are not many things you can bring into or take out of the Big Room, so most buyers simply provide customers with information or make sales that will be fulfilled outside of the Big Room. The biggest store stalls sell over US\$10,000,000-worth of products every day.

The cost of renting stall space in the Big Room usually depends on the number of visitors a stall receives. The real expense for most stall owners, though, is building the stall in the first place, and improving and maintaining it. Almost all new stalls start out near the walls of the Big Room alongside the millions of shabby, ill-maintained stalls. However, you can sometimes buy your way closer to the center of the Big Room by advertising in other stalls or paying for recognition in the search stalls. Business stalls, of which there are thousands, are the most inclined to do this. Unfortunately, if stalls like these don't know what they're doing and what they're up against, they won't be in business for long. After all, their competitors share the same, big room.

# Survey Introduction

## The Author's Motivations

This is a survey about e-commerce. Written for credit as part of an undergraduate degree from the University of Waterloo, it is ultimately the result of the author's fascination with Internet business. The author's desire to study Internet business grew out of his interest in business strategy, his belief in the potential of computer technology, and his own online experiences. Having lived in Zambia, Kenya and Pakistan, as well as Canada, the opportunity to conduct business from anywhere in the world using the Internet also appeals to him.

Living in Zambia as the son of missionaries, the author sent his first email at fourteen. Because his access to the world wide web was limited in Africa, he was only able to begin "surfing" online in 1999 when he graduated from high school and came to Canada to pursue a post-secondary education at the University of Waterloo. The following year he started a website, and, due to the nature of its content, received widespread media attention. The website received 20,000 page views daily, but due, ultimately, to poor business strategy, he failed to earn any substantial income from it.

Nonetheless, the author's website was to him a source of invaluable e-commerce learning. He learned much from designing web software, hiring programmers and graphic designers, and running a sizable online community. More importantly, however, he learned that profit should be a business' bottom-line and motivation, and that hits, clicks and "cool pix" do not mean success.

The author's website continues, but it is now run by 30 volunteers—two managers, six writers (some with degrees), a cartoonist, a graphic designer, and 20 message board moderators. The author need not spend even five minutes on the site per week for it to run smoothly. With 130,000 posts in the message board, several weekly articles, tri-weekly comics and over 70,000 weekly page views, it even turns a small profit.

As well as selling close to six million advertising impressions and approximately one thousand products on the Internet, the author has made about 120 purchases from online sources including Amazon, eBay, GroceryGateway.com, Travelocity, eTrade.ca and several, small American web companies and online individuals. He has also been a member of online bank PayPal since 2000, paid web hosting fees as a subscriber of Pair.com, and even sent \$50 to two German developers (who didn't know much English) for some simple software. (See the following tables.)

Since 1999, the author has spent perhaps 8,000 hours online, 6,000 hours conducting Internet business, and 3,000 hours studying Internet business formally. It is from this perspective of personal experiences that this survey, the product of months of research and study, was written and is presented to you.

**The Author's Online Purchasing Experiences (September 1999 – April 2003)**

<b>Source</b>	<b>Purchase(s)</b>	<b>Notes</b>
Amazon	Approximately eight orders and 60 books	Overall good buying experiences; some unpleasant experiences with delays and a poor communication
PayPal	Paying fees since 2000	Good communication; excellent services
Small Canadian Sites (or individuals found online)	Three domain names (\$1500), video camera accessory, Pentium 4 computer system with speakers and other accessories, graphic design services for 1 advertising banner, graphic services for 10 designs	Excellent, personal customer service
Small U.S. Sites	Rare book, rare light bulb, rare vacuum cleaner bags, computer power supply, Bible	Excellent experiences
eBay	Video camera power cord, two sunlamps, one heat lamp, hernia belt, 75 sheets T-shirt transfer paper, 120 sheets glossy photo paper, double capacity HP color ink cartridge, new VCR, generic black and white Epson ink cartridge	Excellent, personal customer service
Grocery Gateway (i.e., online grocer in Toronto)	Approximate 10 grocery orders over two years averaging about \$100 each	Convenient when need to shop for more than one person; excellent customer service
Pair.com	Website hosting for SurvivorFire.com for approximately one year	Excellent services; good customer service; found a cheaper option
Travelocity.com	Two plane tickets: Johannesburg, South Africa to Victoria Falls, Zimbabwe (purchased in Canada)	Convenient

**The Author's Online Selling Experiences (September 1999 – April 2003)**

<b>Products &amp; Services</b>	<b>Buyers</b>	<b>Notes</b>
T-shirts (approximately 800) and posters (approximately 200)	Dozens of satisfied buyers, mostly middle-aged women all over the United States	Sold approximately 50 T-shirts through shopping cart on own site; sold most T-shirts and all posters through eBay; many leads for large sales originated from eBay; used UPS, DHL and FedEx to ship express and had mixed experiences with all three
Approximately 100 African curios	Dozens of satisfied buyers of all ages, mostly in the United States	Had a few shipping difficulties, but resolved; eBay feedback rating: 125 positive, 0 neutral, 0 negative
Advertising impressions (approximately six million) at SurvivorFire.com	DoubleClick (several months; approximately two million impressions), VISA (direct Survivor deal, several hundred thousand impressions), Fastclick (several million impressions)	Found Doubleclick customer service to be poor; published advertising for a VISA Survivor campaign; found Fastclick to pay promptly and communicate well

## Objectives

The purpose of this survey is to look at the facts of e-commerce and draw conclusions—not to draw conclusions and attempt to back them up with facts. The focus of this survey is e-commerce in North America and, more specifically, despite the country's minimal global influence, in Canada (the author's place of residence). In order to provide a fuller context and because of the author's interest in global competition, some attention is also given to international e-commerce.

The survey was written primarily for the betterment of the author himself. He hopes, however, that the facts and theories presented herein will be of use to others, particularly those who seek to compete and thrive on the web.

## Research

In order to study the most relevant and useful e-commerce information available, the author focused his research on recently published resources. About 20% of the resources used were published in 2003, 50% in 2002, 25% in 2001, and fewer than 5% prior to 2001. It is worth noting that resources published prior to early 2000 are likely to be of less value because they do not take the IT meltdown of and following April 2000 into consideration.

### Articles

Because they tend to provide succinctly stated discoveries or theories, and to avoid research overlap, the author chose to focus his research on articles. These were taken from high-quality magazines (e.g., *Business Week*), newspapers (e.g., *Wall Street Journal*), websites (e.g., *Cyber Atlas*) and other reliable sources spanning a broad range of perspectives.

Although the author focused on North American sources (e.g., *Forbes*, *Canadian Business*), his research also extended to various international sources (e.g., *EuropeMedia*, *Country ViewsWire*). Many of the articles researched were written from the perspectives of the departments of finance (e.g., *Financial Executive*), advertising (e.g., *Advertising Today*), and retailing (e.g., *DSN Retailing Today*). While some analyze e-commerce as a whole (e.g., *InternetWeek*), others focus on local e-commerce activity (e.g., *Alaska Business Monthly*).

### Research Papers

Some of the author's most valuable material came from research papers and reports primarily written within the university framework. Two sources that stand out are *Penn State eBusiness Research Center*

(e.g., "The E-Marketing Mix: A Contribution of the E-Tailing Wars") and *MIT Sloan Management Review* (e.g., "Winning the Last Mile of E-Commerce").

### **Books**

Of the several books the author read on e-commerce, two of them were of particular value. *Beyond the Internet: How Expert Systems Will Truly Transform Business*, by University of Waterloo Professor and independent consultant Larry Smith, contains perhaps the most insightful analysis of the early years of e-commerce of the author's research. *Selling Online* by Jim Carroll and Rick Broadhead is also very much worth reading. This book's greatest value is its high content of facts and practical advice for Canadian e-commerce competitors.

### **Layout**

Besides the Introduction, Appendix and Bibliography, the survey is broken up into three main sections. The two largest, Key Observations and Analysis, are discussed in detail below. The third and final section, Conclusions, summarizes the author's main discoveries and hypotheses, and includes advice for online competitors.

### **Key Observations**

The largest section of the survey, Key Observations is composed of the author's main e-commerce research findings. It is comprised of two main forms of information: (1) research, and (2) various experts' opinions, analyses and forecasts.

The author considers the high fact content to be critical to the credibility of the Analysis. He believes it to be of paramount importance to look closely at what *has* happened (i.e., facts) and *is* happening (i.e., trends) in order to predict what *will* happen in e-commerce.

The author understands that in order to use facts, conclusions must be drawn from them. Thus, in order to draw more educated and thoughtful conclusions of his own, the author analyzed his factual findings in light of the conclusions of other people and includes these in the Key Observations section. While many of these third-party conclusions are forecasts based on current trends and other relevant factors, others are simply opinions. The author seeks to make it clear that he does not necessarily agree with all of these third-party conclusions. However, he included them because he deemed them all worthy, at least, of consideration.

The Key Observations section is devoid of the author's own thoughts. These are reserved for the Analysis, which is described below. The author sought to present his key observations in the least-biased light.

Furthermore, due to their volume and density, and because readers' interests will vary, he also endeavored to provide readers with a greater degree of control in their reading of the Key Observations. As a result, they are presented as succinctly as possible in small, ordered sections. The result is a reference-like makeup.

### **How the Key Observations and Analysis Interrelate**

The Key Observations are separated from the Analysis for two reasons. First, this setup enables the reader to think about the facts and third-party thoughts presented in Key Observations without being immediately biased by the author's own views and analysis. Secondly, thinking about the Key Observations independently will enable the reader not only to see where the author is coming from, but to judge the author's conclusions from a broader, more-informed point of view.

In order to have a greater impact, the Analysis is designed to be read in sequence as one unit. However, so as to give the reader more flexibility, particularly if he or she chooses to use this survey as a reference, and because the content is relatively dense, the reader may also choose to read the corresponding Analysis directly after reading a Key Observations section.

### **Analysis**

The Analysis section of this survey includes the author's conclusions of the facts. The author's objective is to point out trends and present principles or theories that will be useful to the online competitor or to anyone who wishes to have a positive impact in the world of e-commerce. The author sought to be succinct and to state facts only to provide the reader with necessary background.

Many of the author's views changed as a result of his research. The author hopes that the reasons for his findings and theories, as outlined in the analysis, will cause the readers to think and ponder independently.

## **Key Definitions**

e-Business and e-commerce are two terms that are frequently used in the survey, so it is important to definitively define what these terms mean.

In an August 2001 report entitled “Measuring Electronic Business,” Thomas Messenbourg of the U.S. Department of Commerce found that some of the more common e-commerce-related terms were subject to misconceptions due to misuse. Two such terms are e-business and e-commerce. Messenbourg proceeded to define these and other terms directly related to them. These are stated below.

### **e-Business Infrastructure**

“E-business infrastructure is the share of total economic infrastructure used to support e-business processes and conduct electronic commerce.” Messenbourg cites the following as examples of e-business infrastructure: computers, routers, and other hardware; satellite, wire, and optical communications and network channels; system and applications software; support services, such as web site development and hosting, consulting, electronic payment and certification services, and; human capital, such as programmers.<sup>1</sup>

### **e-Business**

“E-business is any process that a business organization conducts over computer-mediated networks.” According to Messenbourg, examples include online purchasing, selling, production management, logistics, as well as internal communication and support services.<sup>1</sup>

### **Electronic Commerce (e-Commerce)**

“Electronic commerce (e-commerce) is the value of the goods and services sold over computer-mediated networks.”<sup>1</sup>

### **Computer-Mediated Networks**

“Computer-mediated networks are electronically linked devices that communicate interactively over networks.” Messenbourg lists the following as electronic devices that can be linked: computers, Internet-enabled cellular phones, personal digital assistants, WebTV, and telephones linked through interactive telephone systems. Examples of networks include the Internet, intranets (internal network within an enterprise’s or organization’s firewall), extranets (networks using Internet/intranet technology that permit

businesses to securely share information with selected suppliers, paying customers, or other businesses), Electronic Data Exchange (EDI – a proprietary electronic system used for exchanging business data over networks) networks, and telecommunication networks.<sup>1</sup>

The author of this survey bases his use of these terms on Messenbourg's definitions.

It should be noted that e-business is different from business in that e-business *must* involve the Internet.

Not all successful business involves the Internet. However, all e-business *should* be driven by the same fundamental principles as business. Likewise, all e-commerce must be commerce; it should involve buying and selling.<sup>1</sup>

---

<sup>1</sup> Messenbourg, Thomas L. "Measuring Electronic Business." U.S. Bureau of the Census, August 2001. URL: <http://www.census.gov/eos/www/papers/ebusasa.pdf>

## **Key Observations**

# The Metamorphosis of American Selling

Corresponding Analysis: Lessons From History

## Rural America

In 1880, 71.8% of America's population of 36 million was classified as rural. Country life was tedious, most of the population had few neighbours, and there were limited amusements. Economic conditions improved, however, with the growing population, increased wealth on farms, and the completion of transportation and communication facilities.<sup>2</sup>

In the late 1800s, much of the American railroad infrastructure was built. In 1900, there were almost 200,000 miles of track, and this jumped 25% the following decade. The railroad opened up commerce country-wide. The postal system grew, and mail-order houses became its biggest individual users.<sup>3</sup>

## Rural Merchants

In the late 1800s, farmers had less time to make products and preferred to buy them. Most could only shop at small, ill-supplied local general stores.<sup>3</sup>

The local merchant often served as a business advisor to local farmers. He was also likely to be a church pillar, local postmaster and a source of news. Local merchants had considerable power, but this power was dependent on the farmers, so merchants had to judge wisely in their extension of credit to farmers. Some credit risks turned out poorly, so good risks had to absorb the bad. The result, ultimately, was high prices.<sup>3</sup>

Having to buy from local merchants was often dissatisfying for farmers. Some had to travel a great distance to get to the nearest merchant. Many were dissatisfied with the merchants' hefty mark-ups and high interest charges.<sup>3</sup>

## The Catalog Era

In the late 1800s, the universal discontent over middlemen and local merchants fuelled the acceptance of the mail-order catalog system.<sup>7</sup>

---

<sup>2</sup> Emmet, Boris, and John E. Jeuck. *Catalogues and Counters: A History of Sears, Roebuck and Company*. Chicago: University of Chicago Press, 1950: 10-15.

<sup>3</sup> Emmet, Boris, and John E. Jeuck. *Catalogues and Counters: A History of Sears, Roebuck and Company*. Chicago: University of Chicago Press, 1950: 15-17.

In 1874, a businessman in Chicago by the name of Montgomery Ward began the first wide-scale mail-order business in America. Ward had lived among farmers for many years and knew all about them—their living habits, likes and dislikes, and complaints against middlemen. Ward's idea was to buy from manufacturers for cash and sell to farmers for cash.

Ward's mail-order business began with one-page flyers targeting the rural American population. By 1887, this catalog had grown to 540 pages containing 24,000 different items. Inside was printed: "Satisfaction Guaranteed—Or Your Money Back."<sup>6</sup> Customers only paid for goods and services if they were satisfied.<sup>4</sup>

### **Sears Catalogs**

Although Ward entered the mail-order catalog business first, his market share was surpassed several years later by that of an entrepreneur named Richard Sears.

In 1886, Richard Sears was a telegraph operator on the railroad. After a successful experience re-selling watches while in this position, Sears moved to Chicago to start a watch business. Before long, Sears expanded his business to sell more than just watches. By 1893, he had a large mail-order catalog and was very successful.<sup>6</sup>

In 1906, Sears' catalog sales reached \$49 million; In 1925, Sears made \$244 in net sales; and by 1948, Sears had become the largest US retailer. Sears was unequalled for years as the most successful mail-order seller in America. It should be noted, though, that Sears accounted for only 2% of retail sales.<sup>3</sup>

The following are some of the practices Sears employed:

- Sears encouraged consumers to compare prices. His policy was to make conservative claims on the products in his catalog.<sup>6</sup>
- At one point, Sears introduced a grocery line, but this was a failure, and it was soon dropped.<sup>6</sup>
- Sears may have been America's largest advertiser. In 1898, Sears spent \$400,000 on advertising. Three years later, his advertising budget had increased to \$3.5 million.<sup>6</sup>

---

<sup>4</sup> Emmet, Boris, and John E. Jeuck. *Catalogues and Counters: A History of Sears, Roebuck and Company*. Chicago: University of Chicago Press, 1950: 20.

- At one point, Sears sent two dozen catalogs to his best customers and encouraged them to pass the catalogs on to friends. In return, Sears would give them premiums based on the purchases of their friends.<sup>6</sup>
- Sears segmented his catalogs by geographical territory. For example, catalogs shipped to colder regions might include snow boots and tire chains.<sup>6</sup>
- Sears eventually developed a scheduling system that could handle 100,000 orders per day.<sup>6</sup> The company always shipped promptly—usually within 24 hours.<sup>6</sup>
- Sears never bought all of a supplier's inventory. His intent in this was to keep suppliers competitive outside of his purchases.<sup>6</sup>
- In the early 1900s, Sears began to sell houses by mail. Houses would often be shipped in 30,000 pieces and with a lengthy instruction booklet. Sears promised to save customers 25-50% on the cost of a new home. House sales peaked in 1929 at \$12 million.<sup>5</sup>

### **Fierce Rivalry**

Sears' main competitors were local merchants. In fact, local merchants were known to disguise Sears' catalogs in plain brown paper. At one point, local merchants tried to deface Sears and Roebuck by spreading rumours about them, and even defaced catalog customers with names such as "gulls," "credulous fools" and "dupes." They also encouraged people to burn catalogs, and would offer prizes for the people who destroyed the most. Some paid 10 cents/copy to fuel fires. They claimed that the catalog companies didn't do anything for local communities or churches. Sears retaliated with long, written pieces in his catalogs. Some had nothing better to do than to read them.<sup>6</sup>

### **The Catalog Era Ends**

Around 1920, mail-order business was threatened by three things: improving firms, the relative decrease in the rural population, and the rise of chain stores.

Sears did not have any interest in retail outlets. A visionary from Sears' long-time rival Montgomery Ward, however, felt differently and expressed his vision as follows: "I feel that if we are so inclined, we can beat the chain stores at their own game—that we have certain advantages which they do not possess and that we can easily and profitably engage in the chain store business ourselves with a relatively small

amount of capital. We have four splendid distributing points; we have an organized purchasing system; we have a wonderful name, if we choose to take advantage of it, and we ought to be able to build up our organization as good as or better than the chain stores themselves and without harming our mail order business. ... We should experiment carefully and just as soon as we feel sure enough of our ground to go ahead, we should go ahead as rapidly as possible.”<sup>6</sup>

Montgomery Ward fired Robert Wood. In 1928, Wood was hired by Sears and became a key player. That year, Sears’ sales were \$206 million. When Wood retired in 1954, sales were \$3 billion.<sup>6</sup>

The Sears catalog ended in 1993 after 105 years.

### **Catalogs Today**

Today in North America, more than 8,000 catalog titles are published, and North American households receive an average of 100 catalogs in their mailboxes each year.<sup>7</sup> Some of the largest catalogers, including L.L. Bean, J. Crew, and Victoria’s Secret, have successfully opened retail stores.

### **Great Inventions**

In early 2000, the National Academic of Engineering (NAE) released a list of the “Greatest Engineering Achievements of the 20<sup>th</sup> Century.” Only two post-war inventions made the top ten: computers, and electronics. The Internet is thirteenth on the list. In terms of productivity growth, most of the great inventions were developed in and around the period of 1860-1900. These include electricity, the electric motor, the internal combustion engine, motion pictures, the telephone, the radio, the indoor flush toilet, and television. These inventions had an immense impact on living standards and the American economy, and led to the golden years of productivity growth of 1913-1972.<sup>19</sup>

### **Overinvestment in Electricity**

“After all, new technologies have created bubbles in the market before. In the 1880s companies built upon the harnessing of a new technology, electricity, saw their stock prices explode 1000%. But it soon became evident to investors that the promise of electricity would take years or decades to offer a return to these companies. Within two years of reaching their peak, electric company share prices fell to between 5% and 15% of their former values.”<sup>202</sup> – John M. de Figueiredo, MIT Sloan School of Management

---

<sup>5</sup> Hicks, Wayne L. “The House is in the Mail.” *American History* v35 i1 (April 2000): 38.

<sup>6</sup> Wren, Daniel. A, and Ronald G. Greenwood. “Business Leaders: A Historical Sketch of Richard W. Sears.” *Journal of Leadership Studies* v5 i2 (Spring 1998): 40.

<sup>7</sup> “The Metamorphosis of American Retailing.” *WWD* v175 n193 (Sept. 28, 1998): 154.

### **American Malls**

In the late 1920s, city traffic fuelled the rise of neighborhood strip malls. Following the war in the 1940s-60s, department stores expanded rapidly in shopping centers throughout suburbia. There were about 1,000 in 1900 and more than 4,000 in 1950. Malls were places to shop, be entertained, and socialize.

The first fully enclosed mall was Southdale Center, which opened in Edina, Minnesota in 1956. Southdale Center was built with climate control, department store anchors, and a center court.

In the 1980s, vertical malls, super-regional centers, and power centers began.

Today, malls house both department stores and category killers. Resistance to inflation, technology, and the willingness to buy on credit have driven down prices and created a bargain hunter market.<sup>7</sup>

# The History of e-Commerce

Corresponding Analysis: Lessons From the Dot-Boom and –Bomb

## The Demise of Prodigy Communications

Founded in 1984, Prodigy Communications was a joint venture between Sears, IBM and CBS. The intent was to offer services through personal computers such as news, shopping, and communication. In 1994, Prodigy had 2M subscribers. In 1993, Prodigy started charging 25 cents per email above the 30 email per month limit. 18,000 customers expressed their dissatisfaction by joining the “Cooperative Defense Committee.” Prodigy responded by closing some accounts without any explanation.

By 1996, Prodigy had fallen behind AOL and CompuServe. There were major conflicts between its executives, intrapreneurs, and owners. Soon CBS dropped out, and it was then sold to a group of investors. IBM and Sears had invested perhaps \$1.2 billion in the company. Prodigy played a big role in creating demand for online services and interest in the Internet. Today, Prodigy is nothing but history.<sup>8</sup>

## The Internet Boom

“’97 to 2000, I refer to as the exuberant phase of technology. ... we had five years of innovation jammed into a two, two-and-half year period and I think that’s great.”<sup>9</sup> – John McKinley, CTO of Merrill Lynch

“The investors collectively did something fantastic for the wrong reason. They financed an unprecedented, thorough exploration of the possible business models, an explosion of infrastructure and technological advancement—both hardware and software. Look at glass fiber and optical switching! Look at the lines laid! Look at the search engines, the browsers, the land rush to URLs, the mass quantities of goods and services online both highbrow and lowbrow!”<sup>350</sup> – Charles Simonyi, Chief Architect at Microsoft

According to Larry Smith, business plans always reflect the latest fad. This is why venture capitalists had no problem funding dot-coms. Their intent was to take them to IPO and make fast cash.<sup>10</sup>

“Pets.com spent \$460 on ads in 1999 for every \$100 in sales generated, and eToys plowed 37% of sales back into advertising. Both companies are now defunct. And the hyped but ill-fated health care Web site DrKoop.com paid \$145 million to AOL and the Go Network for the right to provide health care content on these portals.”<sup>160</sup> – Katherine Hobson, writer of U.S. News & World Report

<sup>8</sup> Finkelstein, Sydney. “Internet Startups: So Why Can’t They Win?” *Journal of Business Strategy* v22 i4 (July 2001): 16.

<sup>9</sup> Guerra, Anthony. “Tech Talk: E-Business Insight From Merrill Lynch’s CTO.” *Wall Street & Technology* v19 i9 (Sept. 2001): 16.

### Survival of the Fastest?

“If you’re first, then you achieve vital recognition as you become identified with whatever you’re selling.”<sup>11</sup> –Ernst Malmsten, founder of failed dot-com Boo.com

According to Larry Smith, during the dot-com boom, people thought the Internet would increase switching costs. They assumed that first-movers and profitability went hand-in-hand, and that this would be reinforced by brand.<sup>12</sup>

### The Crash

In 2001, Robertson Stephens Inc. downgraded the stocks of several IT-related companies. Dane Lewis, an analyst of the company, said: “Recent industry checks indicate IT purchases will fall off sharply in Q1 ’01 ... Reasons cited include macroeconomic issues and reduced threat from failing dot-coms that will slow aggressive IT initiatives at Old Economy companies.” Soon afterwards, the Nasdaq tumbled.<sup>13</sup>

“In the 5-year period beginning about April 1995 and ending April 2000, an era known as the dot-com boom, hundreds of businesses that used the internet as a primary means of transacting with consumers (e-tailers) were taken to IPO. In what is referred to as the dot-com bust, from April 2000 to December 2001, the common stock issued by these companies, in virtually all cases, was trading below its issue price. Subsequently, many of these companies terminated operations or ceased to exist as an independent entity.”<sup>14</sup> –Graham Sharman, writer of Supply Chain Management Review

According to Jac Fitz-Enz, author of *The E-Aligned Enterprise*, on April 14, 2000 “literally overnight, \$1 trillion in market capitalization was wiped out.”<sup>15</sup> – Cohan, Peter S. “E-Commerce equals empowerment.” *Financial Executive*

According to Peter S. Cohan, author of *E-Profit*, \$6 trillion of dot-com stock market money evaporated. For the 12 months ending November 2001, dot-coms had negative average returns of minus 32. In 2001, personal and business bankruptcies jumped 19% to 1.5 million, a record-high level.<sup>31</sup>

---

<sup>10</sup> Smith, Larry. *Beyond the Internet: How Expert Systems Will Truly Transform Business*. Stoddart Publishing Co. Limited: Toronto, 2001: 24.

<sup>11</sup> Malmsten, Ernst, Erick Portanger, and Charles Drazin. *Boo Hoo: A Dot.com Story from Concept to Catastrophe*. London: Random House Business Books, 2001.

<sup>12</sup> Porter, Michael E. “Strategy and the Internet.” *Harvard Business Review* v79 i03 (March 2001): 63-78.

<sup>13</sup> Hayes, Frank. “The Real Threat.” *Computerworld* (Jan. 8, 2001): 70.

<sup>14</sup> Sharman, Graham. “How the internet is accelerating supply chain trends: the Internet did not create supply chain innovation.” *Supply Chain Management Review* v6 i2 (March-April 2002): 18(8).

<sup>15</sup> Fitz-Enz, Jac. *The E-Aligned Enterprise: How to Map and Measure Your Company's Course in the New Economy*. New York: AMACOM, 2001: 77.

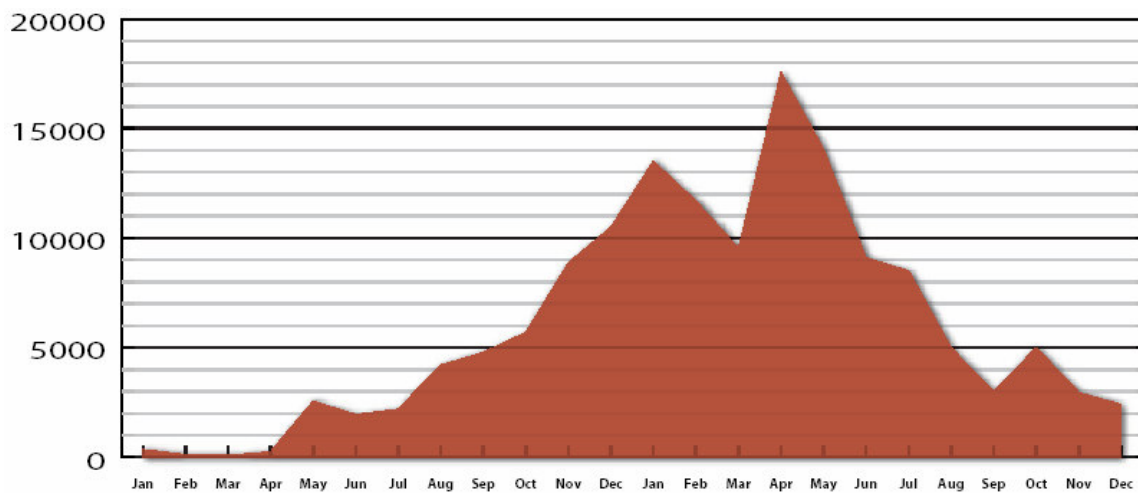
Names associated with Internet failure include Pets.com, ToySmart.com, Chipshot.com, Eve.com, Furniture.com, Kibu.com, and Productopia.com.<sup>115</sup>

### High-Tech Job Cuts

Dot-com companies cut 41,515 jobs in 2000. The number of dot-com job cuts peaked in April 2001 with 17,554 in one month. A total of 100,925 dot-com jobs were eliminated in 2001.<sup>16</sup>

### Dot-Com Job Cuts 2000-2001<sup>16</sup>

Source: Sandlot Corporation



### The Aftermath

According to the U.S. Department of Commerce, total online retail sales dropped for the first time in the first quarter of 2001.<sup>17</sup>

In July 2001, PC sales in the U.S. declined for the first time in 20 years.<sup>18</sup>

“Before the crash, dot-coms were scaring traditional companies into moving into e-commerce without much thought ... many large companies perceived e-commerce as a fad they had to engage in. ... Now, we’re moving into what I hope is a more mature phase, one in which companies look at e-commerce in a more rational and less emotional way.”<sup>37</sup> – Peter S. Cohan, *E-Profit*

<sup>16</sup> “Subscription-Based e-Commerce: An Introduction to Selling Subscriptions on the Internet.” *Sandlot Corporation* (no specific author), Sep. 4, 2001. URL: <http://www.sandlot.com/media/eBusinessProfitability.pdf>

<sup>17</sup> Blackwell, Roger, and Kristina Stephan. “The E-Commerce Honeymoon is Over: Now What?” *Retail Merchandise* v41 i9 (Sept. 2001): 38.

<sup>18</sup> Blackwell, Roger, and Kristina Stephan. “The E-Commerce Honeymoon is Over: Now What?” *Retail Merchandise* v41 i9 (Sept. 2001): 38.

“Under current conditions, there’s little likelihood that fear will motivate behavior [as it once did]. Now the new fear, and also the new danger, is a mass loss of confidence, along with a drop-off in technology investment.”<sup>37</sup> – Peter S. Cohan

# Quotes on the Internet as a Whole

Corresponding Analysis: Thoughts on the Internet as a Whole

## The Internet as an Invention

“The Internet does not match up to the great inventions of the past. ... Society had cured most of the ills of late nineteenth century living conditions by the 1950s without any help from computers. ... Internet surfing may be fun, but it represents a far smaller increment in the standard of living than achieved by the extension of day into night achieved by electric light, the revolution in factory efficiency achieved by the electric motor, the flexibility and freedom achieved by the airplane, the new materials achieved by the chemical industry, the first sense of live two-way communication achieved by the telephone, the arrival of live news and entertainment into the family parlor achieved by radio and then television, and the enormous improvements in life expectancy, health, and comfort achieved by urban sanitation and indoor plumbing.”<sup>19</sup>

– Robert J. Gordon, Northwestern University (April 28, 2000)

“The chip has transformed us at least as pervasively as the internal-combustion engine or electric motor.” – Fortune Magazine (June 8, 1998)<sup>19</sup>

“The Internet’s impact, especially on the way we do business, will be as profound as that of the semiconductor. How do I know this? By looking at the rocky road the PC took to become a staple on every desk. I think the Internet will continue to follow in the footsteps of the PC and revolutionize how consumers and businesses interact. ... The Internet is going to play a fascinating role over the next 5, 10, 15 years. I think the best days are yet to come.”<sup>350</sup> – Marc Andreessen, Cofounder of Netscape

## The Value of the Internet

“I believe people are looking at e-commerce as a “fraud,” and that vision of e-commerce is just kind of perpetuating the fraud. What’s needed to turn this around are results – results built on a project-by-project basis, until it builds a sense of enthusiasm and confidence that this technology actually can generate positive payoffs and positive benefits.”<sup>37</sup> – Ellen M. Heffes, Financial Executive

“[The Internet is] a powerful set of tools that can be used, wisely or unwisely, in almost any industry and as part of almost any strategy.” – Michael E. Porter, Harvard Business School

---

<sup>19</sup> Gordon, Robert J. “Does the ‘New Economy’ Measure up to the Great Inventions of the Past?” *Northwestern University and National Science Foundation*, April 28, 2000. URL: [http://faculty-web.at.nwu.edu/economics/gordon/\\_text.pdf](http://faculty-web.at.nwu.edu/economics/gordon/_text.pdf)

“Computing [is] humanity’s most flexible tool”.<sup>20</sup> – Larry Smith, *Beyond the Internet*

“Our reportorial inquiries to financial executives found that attitudes toward e-commerce often range from blasé to hostile.”<sup>218</sup> – Gregory J. Millman, Financial Executive

“The Internet is not necessarily a blessing.”<sup>21</sup> – Michael E. Porter, Harvard Business School

“A perceptible quickening in the pace at which technological innovations are applied argues for the hypothesis that the recent acceleration in labor productivity is not just a cyclical phenomenon or a statistical aberration, but reflects, at least in part, a more deep-seated, still developing, shift in our economic landscape.” – Alan Greenspan (May 6, 1999)

“It is hard to come to any firm understanding of the impact of the Internet on business by looking at the results to date.”<sup>22</sup> – Michael E. Porter, Harvard Business Review

“ Launching a website is not even close to good enough now.”<sup>23</sup> – Larry Smith, *Beyond the Internet*

“The dot com era is over. The Internet era, by contrast, is just getting started.”<sup>153</sup> – Fortune Magazine

---

<sup>20</sup> Smith, Larry. *Beyond the Internet: How Expert Systems Will Truly Transform Business*. Stoddart Publishing Co. Limited: Toronto, 2001: 34.

<sup>21</sup> Porter, Michael E. “Strategy and the Internet.” *Harvard Business Review* v79 i03 (March 2001): 63-78.

<sup>22</sup> Porter, Michael E. “Strategy and the Internet.” *Harvard Business Review* v79 i03 (March 2001): 63-78.

<sup>23</sup> Smith, Larry. *Beyond the Internet: How Expert Systems Will Truly Transform Business*. Stoddart Publishing Co. Limited: Toronto, 2001: 9.

# The Nature of the Internet

Corresponding Analysis: The Nature of the Internet

## The Internet's Traits

The following chart was compiled from observations listed in *Profitability on the Web: Business Models and Revenue Streams* by Thomas Novak and Donna Hoffman, *The E-Aligned Enterprise* by Jac Fitz-Enz and “E-tailing: an analysis of Web impacts on the retail market” by Fang Wang, Milena Head and Norm Archer.

Traits	Implications for Consumers & Businesses
Location-less	<ul style="list-style-type: none"> <li>● Erases geographic distance between buyer and seller; facilitates worldwide business</li> <li>● Access to more goods and services; greater availability of hard-to-find products</li> <li>● Extra effort needed to assemble, pack and ship to individual customers</li> <li>● Lower real-estate related expenses</li> </ul>
Digital (only)	<ul style="list-style-type: none"> <li>● Content restricted to what can be digitized (e.g., text, audio, video)</li> <li>● Users must have the equipment and understanding necessary to use</li> <li>● Can't directly see, touch or examine products</li> <li>● In-person communication is lost</li> </ul>
Software-based	<ul style="list-style-type: none"> <li>● Copies are essentially free</li> <li>● Software agents can be used to process content</li> <li>● User-specific personalization/customization possible (marketing can be consumer-specific)</li> <li>● Automation is possible</li> </ul>
Hyperlinked	<ul style="list-style-type: none"> <li>● Consumers can easily compare different competitors</li> <li>● Businesses have less control over consumers</li> <li>● Consumers and businesses have access to vast amounts of information</li> </ul>
Decentralized	<ul style="list-style-type: none"> <li>● Anonymity is possible</li> </ul>
Hyper Time	<ul style="list-style-type: none"> <li>● Almost everything that can be done on the Internet can be done <i>quickly</i></li> </ul>
Scalable	<ul style="list-style-type: none"> <li>● Consumers are often subject to information overload</li> <li>● Can be hard to find information</li> </ul>
24/7 Availability	<ul style="list-style-type: none"> <li>● Websites can run without human support</li> </ul>
Two-way Communication	<ul style="list-style-type: none"> <li>● Enables person-to-person communication</li> <li>● Online communities form</li> </ul>

The entertainment value of shopping at malls and community centers remains. Some of the things the Internet won't replace include trips to the laundry, restaurants, beauty and hair salons, the dentist and other service retailers. "People still want to pick their own peaches and check the date on the milk container before purchase."<sup>24</sup> – Joseph W. Karp, *Boston Business Journal*

According to Larry Smith, increased communication has usually resulted in increased economic activity in the past. There is now too much communication, and this will impede growth. Now, communication such as email and Internet usage must be filtered.<sup>25</sup>

---

<sup>24</sup> Karp, Joseph W. "Internet sales will climb, but we'll still hit the malls." *Boston Business Journal* v21 i12 (April 27, 2001): 12.

<sup>25</sup> Smith, Larry. *Beyond the Internet: How Expert Systems Will Truly Transform Business*. Stoddart Publishing Co. Limited: Toronto, 2001: 74.

# The Corporate Structure of Online Businesses

Corresponding Analysis: The Corporate Structure of Online Businesses

## Management

### Senior Management vs. IT Management

“A lot of the decision-making about e-business initiatives has moved away from the pure technologists and over to the CFO, the CEO and, in some cases, even the board. Senior management wants to make sure that the return on investment is appropriate and they aren’t just playing follow-the-leader.”<sup>26</sup> – Haapaniemi Peter, Chief Executive (U.S.)

“Senior technology management is about management, not technology.”<sup>27</sup> – Oliver Rist, Network Computing

“Enable IT and business strategy executives to speak a common language, share common goals. One e-business, not two halves held together by quarterly meetings. ... The new e-business leaders, whether coming from sales, marketing, branding, finance or other business functions, hold in common strong management skills and business insight. Most have little, if any, IT or Internet experience, and not surprisingly, tensions with CIOs often spring up.”<sup>28</sup> – Oliver Rist, Network Computing

“You can teach the dot-coin stuff quickly, but you can’t teach the business quickly, so hire someone who knows the business.”<sup>28</sup> –Meg Whitman, CEO of eBay

In April 1999, InformationWeek and Business Week interviewed 375 senior IT managers. They found that IT departments are experiencing too much pressure and stress. More than 70% of the 250 IT managers said that e-business had put their departments at the center of business decisions. More than 60% said that e-business had forced the IT department to lead business-process re-engineering. 80% said employees were finding their load burdensome.<sup>28</sup>

“So what is needed is an e-business executive who can reach customers, radically change the customer experience—and demonstrate enough technological understanding to enlist the CIO constructively. If e-

---

<sup>26</sup> Peter, Haapaniemi. “How Companies Transform Themselves: Execution is what will distinguish the winners from the losers in the next phase of e-business.” *Chief Executive (U.S.)*, Nov. 2001: S2(4).

<sup>27</sup> Rist, Oliver. “Reinventing Business –After the dot-com demise, what’s next? Rebuild your e-commerce infrastructure. Business technology management can help bridge the gap between technology and company strategy.” *Network Computing*, Oct. 1, 2001: 41.

business can bring about collaboration between IT departments and business units, companies may be on the verge of settling that long-running tug of war.”<sup>28</sup> – Oliver Rist, Network Computing

“Leadership by executives is an essential inductor for deployment of electronic commerce.”<sup>36</sup> Lucie Begin and Boisvert Hugues, CMA Management

### **Communication Between Senior Management and IT Management**

According to Mark Hogan, President of eGM and Vice President of GM, “there needs to be some education both up and across the top 10 or 15 executives in the company in order for everyone to understand where you’re going.” Hogan deems it wise to recruit a team that is great at communicating, zealous, influential and resilient. Executives should work collaboratively with IT staff even if they have differences of opinion. The IT department should not hijack the e-business and turn it into long-term, low-payoff project whose seriousness is undermined. The CEO should personally lead.<sup>28</sup>

### **Separating IT from the Rest of the Business**

“Companies don’t do enough planning before they adopt technology ... Some companies have failed at e-business because their first thought was only to get a Web site. They forgot about business fundamentals. They forgot about how to incorporate e-business into their existing business. They thought of it as something totally separate.”<sup>29</sup> – Pierre Bertrand, BDC Consulting Group and eBiz Toronto

“E-commerce is usually segregated from the rest of the enterprise, and that can prove fatal. Technology in many businesses is still viewed solely as a resource, a necessary cost center. Technology management executives in these companies are cut off from frontline business strategy and relegated to a passive, reactive role.”<sup>27</sup> – Oliver Rist, Network Computing

According to the Daily Business Review, in 1996-1998, businesses cut off their IT division. The result was failure. For example, Barnes & Noble did this and lost its competitive advantage over Amazon. After the dot-com crash of 2000, many CEOs breathed a sigh of relief and cut IT out. Top business leaders, however, kept the emphasis on profitability, and integrated the e-business with the core business; they didn’t cop out.<sup>34</sup>

### **IT Outsourcing**

A July 2001 survey by CommerceNet and Clientreps.com shows that 73% of businesses are, or are planning, to outsource parts of their IT work. Of these, 87% said outsourcing allows them to scale with

---

<sup>28</sup> Rifkin, Glenn and Joel Kurtzman. “Is your e-business plan radical enough? To succeed on the web put someone in charge who knows the business. The CIO is critical, but only as a partner.” *MIT Sloan Management Review* v43 i3 (Spring 2002): 91(5).

fluctuating revenue; 57% said outsourcing is a good way to cut costs; and 37% said outsourcing increases business revenue through enhanced services.<sup>30</sup>

Peter S. Cohan, author of *E-Profit*, believes that companies should link the pay of their IT consultants to their performance.<sup>31</sup>

### **The IT Department**

Robert Bogue of the Indianapolis Business Journal warns against letting software developers stop you from doing what you know is right. He recommends that projects be put under tight control so new features and other requests don't creep in. Players should work together, he says, not against each other.<sup>32</sup>

In a survey of representatives from 760 businesses, research firm The User Group found that internal politics rather than IT is the key element of e-business. Tension between departments overtook the accusation that IT departments held back online business as the biggest hindrance to successful e-business. The survey also found that Internet departments are suffering from cultural backlash.<sup>33</sup>

## **Employees**

### **Flexibility**

In a 2000 survey of 11,706 IT professionals by G.J. Koprowski of Information Week, 55% valued a flexible work schedule more than job security, salary, vacation time and other benefits. Another 1999 report by HR Magazine found that managers felt that flexible employees were more productive per hour than those on conventional schedules. They also reported that these employees were as experienced, focused and motivated as other employees, if not more so.<sup>197</sup>

### **Internet Activity**

According to Robert J. Gordon of Northwestern University, productivity can be impaired by the use of the web at work. People spend more than twice as much time online at work than they do at home. They also access entertainment sites more frequently at work than at home. Furthermore, the most visited site from the office is eBay, and a large percentage of online trading is done at the office.<sup>19</sup>

---

<sup>29</sup> "E-business means better business now." *Canadian Business* v74 i21 (Nov. 12, 2001): pSSS1(7).

<sup>30</sup> "E-Commerce Outsourcing." *InternetWeek*, July 16, 2001: 43.

<sup>31</sup> Cohan, Peter S. "E-Commerce equals empowerment." *Financial Executive* v18 i3 (May 2002): 28(4).

<sup>32</sup> Bogue, Robert. "E-business suggestions." *Indianapolis Business Journal* v23 i18 (July 15, 2002): 29(1).

<sup>33</sup> "Company in-fighting hinders e-Business." *Computer Weekly*, May 31, 2001: 4.

### **Employee Monitoring & Privacy**

According to the Daily Business Review in Miami, Florida, devices are now being used to monitor employees' online activities. Some firms are even monitoring emails and phone calls. In Canada, companies must disclose what they monitor to employees. No such law exists in the United States.<sup>34</sup>

### **Process Change**

“A culture oriented toward traditional approaches hinders the deployment of electronic commerce.”<sup>35</sup> – Lucie Begin, CMA Management

According to Lucie Begin and Boisvert Hugues of CMA Management, problems that can hinder Internet development in traditional companies include resistance among personnel, skepticism concerning the profitability of e-commerce, and power wars. Ways to eliminate inhibitors include outsourcing, use of external consultants, restructuring, training, recruitment and communication. Other inductors include incentives or rewards for improvement of online activities, the creation of a climate of co-operation, support and involvement of senior management. Corporate culture can be improved through creativity, innovation, flexibility, teamwork, resourcefulness and initiative.<sup>36</sup>

“Companies need to understand that other major organizational challenges involved in e-commerce technology investments go beyond just the cost of hardware, software and consulting services. These include the costs of organizational and process changes. It's unlikely any benefits will result unless companies change the way the people work.”<sup>37</sup> – Ellen M. Heffes, Financial Executive

“The biggest obstacle is not the technology; it's the politics within organizations. Ultimately what generates a payoff is when a company changes the way it does things to take advantage of the technology.”<sup>37</sup> – Ellen M. Heffes, Financial Executive

According to Peter Haapaniemi of Chief Executive (U.S.), “people in an organization become afraid when they sense change that's going to affect the way they do their job.” Communication with employees, then, is key. “The fact is, if executives are not personally engaged in an e-business initiative, employees will

---

<sup>34</sup> “Exporting the E-Frontier: they've ventured into the world of technology, but lawyers, their clients, courts and the government continue to step gingerly.” *Daily Business Review* v77 i103 (Nov. 4, 2002): A10(4).

<sup>35</sup> Begin, Lucie, and Hugues Boisvert. “E-commerce evaluating the external business environment.” *CMA Management* v76 i2 (April 2002): 16(6).

<sup>36</sup> Begin, Lucie and Hugues Boisvert. “The internal factors that can make or break e-commerce implementation.” *CMA Management* v76 i2 (April 2002): 22(4).

<sup>37</sup> Heffes, Ellen M. “Refining the Rules of Commerce.” *Financial Executive* v17 i3 (May 2001): 18.

simply expect it to blow over. That means that executives not only have to talk about change, but to lead by example, as well. ... Hypocrisy, ignorance or apathy coming from the top is very visible to the troops.”<sup>38</sup>

According to Tom Mangan, the Andersen partner in charge of the CIO advisory service, “one way to ensure e-business ROI is to break projects into manageable chunks, with each milestone to be achieved before the next phase can proceed. This approach ensures that each phase delivers productivity, cost or revenue improvements, even if failure elements are stopped in their tracks. ... Don’t go any more than 12 months with an ROI calculation.” Mangan believes that building credibility makes it easier to unlock funds in the future: “If you get something in place and are getting business value, that establishes a track record.”<sup>39</sup>

---

<sup>38</sup> Peter, Haapaniemi. “Thinking Ahead, Moving Ahead: Leading by example, the CEO must actively communicate the e-business vision throughout the organization.” *Chief Executive (U.S.)* (Nov. 2001): 27(4).

<sup>39</sup> Smith, Tom. “Against the Grain – An Approach to ROI That’s Worth Heeding.” *InternetWeek*, April 16, 2001: 18.

# The e-Business of e-Commerce

Corresponding Analysis: The e-Business of e-Commerce

## The Value of e-Business

“The Internet is arguably the most powerful tool available today for enhancing operational effectiveness.”<sup>22</sup>

– Michael E. Porter, Harvard Business Review

“Someday all business will be e-business.”<sup>28</sup> –Glenn Rifkin and Joel Kurtzman, MIT Sloan Management Review

According to John Kador of *Electronic Business*, first order “Net Effects,” or Internet acquisition, include reducing expenses by putting company policies, technical manuals and telephone manuals online. Second order Net Effects expand geographical market reach and tap into new markets by creating new platforms. Finally, third order Net Effects leverage existing Internet investments by finding synergies that cut costs and realize benefits quicker.<sup>40</sup>

“While selling has not necessarily proven to be a high-payoff application, procurement, or purchasing over the Web, [can] generate tangible payoffs. I’m hopeful that companies will start to invest more in those applications that generate relatively short-term and measurable payoffs in terms of cost reductions. A company like Cisco Systems Inc. claims to have saved about a billion and a half dollars in its investment in e-commerce; and by using electronic procurement to streamline its processes, General Electric Co. expects to save about \$1 billion.”<sup>37</sup> – Ellen M. Heffes, Financial Executive

According to *Automotive Design and Production*, e-business is transforming how a car’s life cycle is managed. The publication states, “80% of a car’s cost used to occur in manufacturing. Today, 80% of the cost is established at the design phase. ... The more tightly integrated your IT systems, the shorter your cycle times, the higher the quality of the vehicle, and the more money you save.”<sup>41</sup>

---

<sup>40</sup> Kador, John. “Rethinking the Internet: Companies re-evaluate the “e” in e-business.” *Electronic Business* v28 i1 (Jan. 2002): 29(2).

<sup>41</sup> “It’s e-business. And it’s transforming how a car’s life cycle is managed.” *Automotive Design & Production* v114 i9 (Sept. 2002): 34(2).

### **e-Business Statistics**

According to Jeffrey L. Sampler, Associate Professor of Information Management and Strategy at London Business School, approximately two-thirds of US industry capital expenditure is for IT (i.e., hardware, software, telecom)—not people.<sup>42</sup>

“Indeed, corporate spending on Web-enabling technologies is likely to reach roughly \$500 billion worldwide this year en route to \$1.5 trillion by 2003, according to the worldwide Internet research group IDC.”<sup>54</sup> – Richard Strutz, *Alaska Business Monthly*

In an article dated March 12, 2001, Gartner Group stated that 65% of more than 500 CIO’s polled the previous month were planning to sustain or increase e-business investments in 2001.<sup>43</sup>

According to a survey by General Management Technologies, 46% of executives characterize their e-business initiatives as “very successful” or “somewhat successful.” Only 38% reported achieving any degree of e-business success. The success that was achieved was attributed to a clear strategy (59%), competitive and internal assessments (88%), brainstorming and innovation (85%), e-business model design (95%), and detailed implementation planning (90%). With regards to the corporate cultures of those surveyed, 84% reported a shared vision, 90% employee empowerment, and 74% an entrepreneurial environment.<sup>221</sup>

### **Examples of e-Business**

According to Philip Clark of B to B, Bristol-Myers Squibb, a company with \$20 billion per year in revenues, uses the web for managing customer relationships, procuring supplies, educating doctors and retailers, integrating its supply chain and controlling inventory.<sup>44</sup>

According to Peter S. Cohan, author of *E-Profit*, International Business Machines Corporation has saved \$1 billion through a series of web-enabled initiatives that streamline employee salary payments and T&E reimbursement, and enable employees to make benefit selections.<sup>31</sup>

Gartner Dataquest predicted worldwide IT spending for the financial industry to be \$350 billion in 2002, an increase of 7% over 2001. The company expected this to grow to \$474.4 billion in 2005. IT services is the object of most IT spending by financial services. According to research by Credit Suisse First Boston, banks and securities houses spend more on IT than any other sector of the economy. In Europe, financial

---

<sup>42</sup> Heffes, Ellen M. “Adapting to the Digital Age.” *Financial Executive* v17 i5 (July 2001): 26.

<sup>43</sup> Johnson, Maryfran. “Bottom-Line Thinking.” *Computerworld*, March 12, 2001: 28.

<sup>44</sup> Clark, Philip. “Top 25 E-Champions.” *B to B* v86 (March 19, 2001): 23.

institutions spend more than E160 billion on IT, which is more than manufacturing and government put together.<sup>45</sup>

E-Finance Leader of General Electric, Brian West, claims that e-business can save the company billions of dollars: “We think there’s probably an opportunity to cut out \$10 billion of SF&A [selling, general and administrative expenses], and we’re trying to realize as much as a billion of it this year ... We’re trying to drive transactions online, eliminate touch points and so forth.” West is responsible for keeping GE finance up to speed with technology. The first thing he did was tackle T&L (travel and living) expenses. In order to minimize paper shuffling, West headed up the development of an application to record these electronically. Within about four months of the trial run, 75,000 GE employees were using the application and by May 2001 GE had saved \$20 million through it.<sup>46</sup>

---

<sup>45</sup> Glantz, Joshua. “Modest e-business strategy brings rewards.” *Westchester County Business* v41 i25 (June 24, 2002): T4(1).

<sup>46</sup> Hayes, Frank. “The Real Threat.” *Computerworld* (Jan. 8, 2001): 70.

## Technical Infrastructure

According to METE Group IT operations expert Bruce Allen, “Companies can spend millions of dollars on cutting-edge technology applications, but if they don’t have the infrastructure and operational processes in place to support them, it’s a total waste of money.”<sup>50</sup>

### Standardization

According to Brian West of General Electric, where GE can “virtually close” the books in 13 days, “Cisco’s got it down to a day. ... Operationally, it makes a ton of sense ... From the financial side, all your info has to tie together. There’s no debate about numbers reconciling. People spend less time running around collecting information and more time analyzing information.”<sup>47</sup>

According to Pricewaterhouse Coopers, bad data costs businesses more than \$1.4 billion worldwide.<sup>48</sup>

The Uniform Code Council and EAN International, its international counterpart, agreed in October 2002 to make UCCnet the central product data registry for international commerce. UCCnet is funded by members that pay annual fees based on member revenues of between \$1500 and \$400,000. Its goal is to circumvent the costs and headaches associated with discrepancies between suppliers’ invoices and buyers’ orders. Director of UCCnet’s Strategic Alliance Program Mark Monaghan explains: “If I’m talking about a Snickers bar that’s this dimension, and you’re on the other side taking orders and your system says it’s this [other] dimension, and some trucker ships a half-empty truck because our systems mismatch, somebody’s paying for that empty truck.” AMR Research cited a study by A.T. Kearney in October that estimated \$40 billion, or 3.5% of total retail sales, are lost annually because of supply-chain inefficiency. Furthermore, studies show that 30% of items in retail catalogs have data errors. These cost between \$60 and \$80 and 25 minutes of manual correction each. UCCnet standardizes 63 item attributes per product including size, color, and minimum order size. It tracks items with a 14-digit GTIN (global tracking identification number) and communicates with its members via a secure Internet protocol called EDI-INT AS2. UCCnet had 250 companies signed on at end of 2002, and 25,000 products in its database. Coke, a company that sells more than one billion drinks a day in almost 200 countries, said in November 2002 that it would begin implementing the services of UCCnet in 2003. Likewise, Wal-Mart wants its suppliers to adopt UCCnet so

---

<sup>47</sup> Hayes, Frank. “The Real Threat.” *Computerworld* (Jan. 8, 2001): 70.

<sup>48</sup> Langnau, Leslie. “B2B e-commerce: a look at what works.” *Material Handling Management* v57 i2 (Feb. 2002): 42(5).

that they can better connect with Wal-Mart itself. Wal-Mart's 100,000 mid-size suppliers face a one-year mandate to switch to the protocol.<sup>49</sup>

### **Integration**

Director of electronic business transformation at the META Group research firm in Connecticut, Hollis Bischoff believes that "there are a number of fundamental principles to guide companies as they create adaptive infrastructures starting with "integration, integration, integration. ... Integration internally, and integration externally with your partners—because collaboration and integration are really what e-business is all about." Bischoff is of the opinion that common systems usually entail less expense and time, especially in terms of flexibility.<sup>50</sup>

Worldwide spending on systems integration services amounted to \$71.7 billion in 2000. This is expected to rise to \$142 billion in 2005.<sup>50</sup>

Microsoft ".Net" is an initiative to mesh software, servers, and other IT infrastructure around the world.<sup>51</sup>

### **Automation**

According to E-Commerce News, "Harris-Teeter Inc. has signed a contract to buy and install 50 U-Scan self-checkout systems from Optimal Robotics Corp. The units enable shoppers to scan, bag and pay for their purchases with little or no help from store personnel."<sup>52</sup>

Robert J. Gordon of Northwestern University and National Science Foundation is of the belief that the impact of computers is limited because of the limit of automation due to the need for hand-eye coordination.<sup>19</sup>

Larry Smith believes that low-skill people will be replaced by IT and that this will hurt society's most vulnerable.<sup>53</sup>

---

<sup>49</sup> Kemp, Ted. "Coca-Cola, UCCnet Revamping Supply Chain; Coke is the latest big-name company to jump on the UCCnet bandwagon. Coke will build integration with partners with UCCnet internally." *InternetWeek*, Nov. 22, 2002. URL: <http://www.internetweek.com/supplyChain/INW20021122S0004>

<sup>50</sup> Anders, George. "Nicked-and-Dimed to Death." *Fast Company*, Nov. 2001: 204.

<sup>51</sup> "Eric Rudder: .Net's General." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_3287.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_3287.htm)

<sup>52</sup> "E-Commerce News." *MMR* v18 i4 (Feb. 19, 2001): 13.

<sup>53</sup> Smith, Larry. *Beyond the Internet: How Expert Systems Will Truly Transform Business*. Stoddart Publishing Co. Limited: Toronto, 2001: 179.

# B2B e-Commerce & e-Procurement

Corresponding Analysis: The e-Business of e-Commerce

## e-Procurement Statistics

According to the Aberdeen Group, mid-sized companies can save an average of \$2 million per year using online procurement, reducing purchase order processing cycles and costs by over 70%, reducing off-contract spending by over 50%, and paying 5-10% less on goods and services.<sup>54</sup>

Survey of 40 Fortune 1000 companies found e-procurement cut 5-10% from money spent on maintenance, repair and operating (MRO) items. The benefits of centralized MRO purchasing include lower prices with fewer suppliers, standard employee purchasing, and vendor payment accounting integration.<sup>31</sup>

## Examples of e-Procurement

According to the Aberdeen Group, businesses worldwide could save an aggregate US\$2.3 trillion a year by using the Internet to purchase supplies and resources.<sup>55</sup>

The International Data Corporation predicts that business-to-business online sales will account for 83% of online sales in 2002 and 88% in 2006.<sup>56</sup>

IBM bought \$9 billion worth of services and goods online in 1999 and saved millions just by eliminating invoices.<sup>251</sup>

Cisco estimates that its online system of streamlining the product configuration process that precedes manufacturing and delivery of its products to customers has added \$280 million to its profits.<sup>31</sup>

Most of the purchasing and sales contracts at Cisco are completed electronically. Cisco completes more than 90% of its procurement online. The company recently added European suppliers to its electronic system, and the Middle East and Asia are up next. Senior Vice President and CIO Brad Boston states, “the way we run our business, the Web is the key to everything.”<sup>57</sup>

---

<sup>54</sup> Strutz, Richard. “Business Basics of Electronic Commerce.” *Alaska Business Monthly* v17 i10 (Oct. 2001): 24.

<sup>55</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 286.

<sup>56</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 22.

<sup>57</sup> “Brad Boston: No Paper.” *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_9944.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_9944.htm)

General Electric does \$11 billion of business online annually.<sup>58</sup>

In early 2001, IBM .com generated \$65,000 in sales every minute.<sup>44</sup>

Ford Motor Credit Company saved \$15.5 million through the Internet between 1999 and 2001.<sup>31</sup>

Hundreds of Dell's 113,000 business customers use a feature that intertwines their internal purchasing systems with Dell's order system.<sup>224</sup>

More than 70% of Intel's materials transactions, and 85% of customer orders, are processed electronically.<sup>59</sup>

Office Depot has 37,000 corporate clients. To serve them better, the company has a password-protected site that allow people with varying degrees of power to buy Office Depot supplies through the Internet.<sup>219</sup>

Cutler-Hammer Business Unit, a \$1.4 billion per year division of Eaton Corporation, uses an online ordering system called "Bid Manager" that lets customers customize complex product offerings. As a result, Cutler-Hammer's market share for configured products—control panels and motor control centers—has grown 15%. Furthermore, larger assembly sales grew 20%, productivity grew 35%, and quality-control costs fell 26%.<sup>31</sup>

In January 2003, eBay launched a business-to-business site that aggregated all of its business-related listings. Before the launch, vendors listed more than 500,000 business items every week. eBay's business buyers represented more than \$1 billion in annual gross merchandise sales. The new business-to-business arm includes wholesale lots of various types of products, as well as PCs, software, printers, office furniture, supplies, wireless phones and more. eBay is different from many other B2B sites in that the site allows for interaction between buyers and sellers.<sup>60</sup>

## **B2B exchanges**

A B2B (business-to-business) exchange is an electronic marketplace that unites businesses on a common technology platform. According to Jane Hodges of Chief Executive (U.S.), there are three kinds of B2B exchanges. These are Pure-Play (founded and run independently), Private (operates between a large

---

<sup>58</sup> Wilson, Dr. Ralph F. "Showing Up in Search Engine Rankings." *Doctor Ebiz*, Nov. 20, 2002. URL: <http://www.doctorebiz.com/current/current.htm>

<sup>59</sup> Spiegel, Rob. "Why have some dot-coms survived?" *Electronic News* v48 i29 (July 15, 2002): 8(1).

<sup>60</sup> "eBay Launches Business Marketplace." *eWeek* (Feb. 3, 2003). URL:

company and its customers or partners), and Consortium or Industry-Sponsored (run by more than one company in the same industry).<sup>61</sup>

Covisint is an electronic automotive electronic exchange founded by DaimlerChrysler, Ford and GM. In 2001, Covisint saved Ford millions of dollars, and GM used it to buy \$96 billion in automotive parts and products.<sup>61</sup>

---

<sup>61</sup> Hodges, Jane. "After the hype: there's hope yet for B2B exchanges. It's all about reaching customers—and giving them what they want." *Chief Executive (U.S.)* April 2002: 57(4).

# North American B2C e-Commerce Statistics

Corresponding Analysis: B2C e-Commerce

## Internet Usage

### U.S. Internet Usage

According to Ipsos-Reid, the United States has the highest incidence of Internet usage with 72% of the population going online at least once within the 30 days prior to a 2002 survey. This had only been true of 59% of the U.S. population in 1999 and 2000.<sup>62</sup> A survey by the Consumer Internet Barometer (produced jointly by NFO WorldGroup, Forrester Research and the Conference Board), however, shows that only about 61% of Americans went online at least once per month in 2002, and 59% in 2001.<sup>72</sup>

According to Dataquest Inc., a unit of Gartner Inc., 28% of US households that are online are connected via a broadband connection. Broadband use in the US nearly tripled over 28 months, and in 2002 experienced an average growth rate of 9% per month.<sup>63</sup>

According to the U.S. Department of Commerce, 143 millions Americans (54% of population) were using the Internet in September 2001. This was an increase of 26 million over 13 months.<sup>64</sup>

Alaskans are online at one of the highest per-capita rates in the United States.<sup>65</sup>

In 2002, the number of Internet users in the United States was expanding at a rate of two million users each month.<sup>66</sup>

The active at-work U.S. Internet population grew 17% between August 2001 and August 2002 to 46 million.<sup>67</sup>

---

<sup>62</sup> "AOL's \$2b Money Machine." *The Online Reporter*, August 5, 2002. URL:

[http://www.onlinereporter.com/TORbackissues/TOR308.htm#AOL's%20\\$2b%20Money%20Machine](http://www.onlinereporter.com/TORbackissues/TOR308.htm#AOL's%20$2b%20Money%20Machine)

<sup>63</sup> "Researchers See Emerging Trends That Predict E-commerce Growth." *Electronic Commerce News* v8 i1 (Jan. 6, 2003).

<sup>64</sup> O'Connell, Tim. "Growing Internet Market, Competition Demand Web Presence." *Security Distributing & Marketing* v32 i4 (April 2002): 11(12).

<sup>65</sup> Colby, Kent L. "E-Commerce: a growing presence; Alaskans are on the Internet ... are they shopping?" *Alaska Business Monthly* v18 i11 (Nov. 2002): 28(4).

<sup>66</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 136.

<sup>67</sup> "Your Users Are Always On – Why Aren't You?" *Min's B to B* v5 i35 (Sept. 16, 2002).

### Canadian Internet Usage

According to Ipsos-Reid, Canada has the second highest number of Internet users as a percentage of its population. 62% of Canadian adults went online in the 30 days prior to a survey conducted by the research firm.<sup>68</sup>

According to Statistics Canada, 60% of households had at least one member who used Internet regularly from any location, and 49% from home, in 2001. 73% of households had at least one member go online at least once a day from home. 1.5 million households reported use of the Internet for work-related business. 900,000 households used the Internet for self-employment activities. 1.75 million accessed the Internet using cable and more than four million using a telephone line. A key factor of household Internet use is the presence of children. Single-family households with unmarried children under the age of 18 had the highest rate of Internet use from any location in 2001 with about 80% going online. This is true of only 56% of households without children and 87% for households with children in the highest income bracket.<sup>69</sup>

According to the International Data Corporation, the percentage of Canadians accessing the Internet will grow to 80% by 2006.<sup>70</sup>

## B2C e-Commerce Statistics

A029. Boston Consulting Group, December 2000 survey. Graph: "Top incentives to sell online: Serving existing customers better, 54%; Find new customers, 53%; Reduce transaction costs, 47%; Reduce processing time, 38% ... Top deterrents against selling online: Customers not ready, 38%; Lack of resources, 35%; Lack of organization consensus, 31%; Channel conflict, 28%"<sup>71</sup>

### U.S. Statistics

77% of U.S. Internet users have purchased a product or service online.<sup>132</sup>

Nearly 31% of online consumers spent more than US\$250 online in the third quarter of 2002, up from 28% in quarter four of 2001.<sup>72</sup>

GartnerG2 expects business-to-consumer e-commerce in the United States to reach US\$227.7 billion by 2005.<sup>73</sup>

---

<sup>68</sup> "AOL's \$2b Money Machine." *The Online Reporter*, August 5, 2002. URL: [http://www.onlinereporter.com/TORbackissues/TOR308.htm#AOL's%20\\$2b%20Money%20Machine](http://www.onlinereporter.com/TORbackissues/TOR308.htm#AOL's%20$2b%20Money%20Machine)

<sup>69</sup> "Household Internet Use Survey." *The Daily* (July 25, 2002). URL: <http://www.statcan.ca/Daily/English/010726/d010726a.htm>

<sup>70</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 69.

<sup>71</sup> "It's time to develop an e-commerce strategy." *Purchasing* (no specific author) v130 i8 (April 19, 2001): 69.

According to Shop.org and Nielsen/NetRatings, women accounted for 60% of e-commerce sales in 2002, 56% in 2001, and 39% in 1998.<sup>111</sup>

According to a March 2002 survey of 1,500 Internet users conducted by Pew Internet & the American Life Project, it takes between one and three years for new Internet users to try shopping online. With about half of the 60% of American households online in 2002 having signed up in the past three years, many are just beginning to shop online now.<sup>74</sup>

According to GartnerG2, Online buying through TV and wireless devices will account for one in ten consumer e-commerce sales in the United States by 2005.<sup>75</sup>

According to the International Data Corporation, the United States accounts for 40% of all money spent online.<sup>76</sup>

ComScore claims that the number of online buyers rose at least 30% in the holiday season of 2002 from the year prior.<sup>113</sup>

According to comScore Networks, \$2 billion-worth of goods and services were sold online in one week for the first time ever in the seven days ending Dec 6, 2002. According to BizRate, spending on Monday, December 8, 2002, totaled \$367.05 million. On the weekend following Thanksgiving, spending on non-travel goods and services amounted to \$1.4 billion, an increase of 38% over the previous year. Spending between November 1 and December 9, 2002, rose 43% year-over-year.<sup>107</sup>

According to comScore Networks, total online spending increased 35% year-over-year to \$17.9 billion in the third quarter of 2002.<sup>226</sup>

According to Forrester Research, 2.2 million people made their first online transaction with their digital donations to September 11 charities. Of these, 1.9 million said they felt comfortable enough to make their first online purchases using their credit card.<sup>77</sup>

Gartner Group predicts B2C spending of \$3.24 trillion in the US by 2004.<sup>78</sup>

---

<sup>72</sup> Cottrill, Ken. "Big-ticket market." *Traffic World* v266 i44 (Nov. 4, 2002): 15(1).

<sup>73</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 326.

<sup>74</sup> Green, Heather, and Robert D. Hof. "Lessons of the Cyber Survivors." *Special Report: The 2002 e.Biz 25, Business Week Online*, April 22, 2002. URL: [http://www.businessweek.com/magazine/content/02\\_16/b3779066.htm](http://www.businessweek.com/magazine/content/02_16/b3779066.htm)

<sup>75</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 262.

<sup>76</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 244.

<sup>77</sup> Green, Heather, and Robert D. Hof. "Lessons of the Cyber Survivors." *Special Report: The 2002 e.Biz 25, Business Week Online*, April 22, 2002. URL: [http://www.businessweek.com/magazine/content/02\\_16/b3779066.htm](http://www.businessweek.com/magazine/content/02_16/b3779066.htm)

According to Forrester Research, B2B usage of the Internet will grow to \$7 trillion by 2006 and will drive 15% of productivity growth in American business.<sup>79</sup>

### **Canadian Statistics**

According to the Canadian Marketing Association and IBM Canada, over 60% of Canadian businesses have websites.<sup>80</sup>

According to Yankee Group, 38% of online shoppers in Canada had high-speed Internet access in 2002. The same source claims that nearly 4.8 million Canadian households will make consumer purchases over the Internet in 2004, up from 2.5 million in 2001.<sup>81</sup>

The Canadian Internet Registration Authority claims that 70% of just over 1,000 Canadian Internet users responding to an online poll said they prefer to do their holiday shopping on dot-ca websites rather than dot-com sites.<sup>82</sup>

---

<sup>78</sup> Peter, Haapaniemi. "Retooling the E-Business Strategy: The newest approach to e-business involves transforming the organization to reap even deeper benefits." *Chief Executive (U.S.)*, Nov. 2001: S6(3).

<sup>79</sup> Peter, Haapaniemi. "Retooling the E-Business Strategy: The newest approach to e-business involves transforming the organization to reap even deeper benefits." *Chief Executive (U.S.)*, Nov. 2001: S6(3).

<sup>80</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 45.

<sup>81</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 58.

<sup>82</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 316.

# Online Communities

Corresponding Analysis: Online Communities

## The Definition of an Online Community

“In cyberspace, we chat and argue, engage in intellectual discourse, perform acts of commerce, exchange knowledge, share emotional support, make plans, brainstorm, gossip, feud, fall in love, find friends and lose them, play games and metagames, flirt... We do everything people do when people get together, but we do it with words on computer screens, leaving our bodies behind... our identities commingle and interact electronically, independent of local time or location.”<sup>83</sup> Howard Rheingold, *The Virtual Community*

“A community is bound to place, which always includes complex social and environmental necessities. It is not something you can easily join. You can't subscribe to a community as you can a discussion group on the net. It must be lived ... The hope that the incredible powers of global computer networks can create new virtual communities, more useful and healthier than the old geographic ones, is thus misplaced. The net seduces us and further removes us from our localities...”<sup>84</sup> S. Doheny-Farina, S., *The Wired Neighborhood*

## Online Perception of Others

“When people enter chat rooms, contribute to bulletin boards, or participate in MUDS, they can exercise control over elements of their self-presentation. In choosing names, signature files, or personal descriptions, they make conscious decisions about how they wish to be perceived by others.”<sup>85</sup> – Andrew F. Wood and Matthew J. Smith, *Online Communication: Linking Technology, Identity, and Culture*

“To some degree, we can control what others know of us by making some choices in life, and yet certain qualities of our identities are predetermined for us. In face-to-face interactions, people infer qualities of our identities based on our gender, race, clothing, and other nonverbal characteristics. Because many of these cues are invisible online, Internet technologies offer us the possibility of controlling more aspects of our identity for public consideration than has been possible before.”<sup>86</sup> – Andrew F. Wood and Matthew J. Smith, *Online Communication: Linking Technology, Identity, and Culture*

---

<sup>83</sup> Rheingold, Howard. *The Virtual Community: Homesteading on the Electronic Frontier*. Reading: Addison-Wesley, 1993: 58.

<sup>84</sup> Doheny-Farina, S. (1996) *The Wired Neighborhood*, New Haven CT: Yale University Press: 82.

<sup>85</sup> Wood, Andrew F. and Matthew J. Smith. *Online Communication: Linking Technology, Identity, and Culture*. New Jersey: Lawrence Erlbaum Associates, Inc., Publishers, 2001: 57.

<sup>86</sup> Wood, Andrew F. and Matthew J. Smith. *Online Communication: Linking Technology, Identity, and Culture*. New Jersey: Lawrence Erlbaum Associates, Inc., Publishers, 2001: 57.

### The Business Value of Online Communities

GartnerG2's Director Brian Smith believes that it is a benefit to an online business to offer a sense of community.<sup>300</sup>

In her post "dot-bomb" article "People Who Need People", CIO.com writer Meredith Levinson states, "The investment in community became increasingly difficult to justify because sites couldn't articulate, let alone measure, the value it added."<sup>87</sup>

"Online community sites have struggled to generate substantial subscriber income. Users don't want to pay simply to talk. This is true in the real world (we'll pay to have a beer or attend a sporting event – and talk with our friends at the same time – but won't pay just for a nice place to chat); it is true in cyberspace as well. In addition, if subscriber fees dampen traffic, community dynamics suffer."<sup>88</sup> Jim Cashel, OnlineCommunityReport.com

S. Ryan of Cnet.com summarizes how web sites can meet with success in "Building Online Communities": "To be successful, Web sites need a loyal audience that returns again and again. Besides creating useful, lively content and updating it regularly, one of the best ways to keep people coming back is to create a sense of community."<sup>89</sup> – S. Ryan, Cnet.com

*Hosting Web Communities* author Cliff Figallo describes online community as a three-way relationship: "Community on the Web is a function of relationships: those between a site's users and its content, between its users and its management, and between the users themselves."<sup>90</sup>

---

<sup>87</sup> Levinson, Meredith. "People Who Need People." December 1, 2001. URL: [http://www.cio.com/archive/120101/people\\_content.html](http://www.cio.com/archive/120101/people_content.html)

<sup>88</sup> Cashel, Jim. "Top Ten Trends for Online Communities." *OnlineCommunityReport.com*. Online without date June 8, 2002. URL: <http://www.onlinecommunityreport.com/features/10>

<sup>89</sup> Ryan, S. "Building Online Communities." *Cnet.com*. December 2, 1997. URL: <http://builder.cnet.com/webbuilding/pages/Business/Community/>

<sup>90</sup> Figallo, Cliff. *Hosting Web Communities*. New York: John Wiley & Sons, Inc, 1998. p. 77

# B2C e-Commerce Business Models

Corresponding Analysis: Online B2C Business

## Internet Business in Light of the Dot-Bomb

Michael E. Porter is of the mind that dot-com Internet businesses misrepresented their revenues and expenses, citing new things, like community numbers, click-through rates, and page views. “Rather than signaling a healthy business environment,” he says, “the sheer number of dot-coms in many industries often revealed nothing more than the existence of low barriers to entry, always a danger sign.”<sup>22</sup>

“Yeah, there are a couple of overnight winners, but more than a couple people have won the lottery in New York this past year, too; that doesn’t make Lotto tickets a viable retirement plan.”<sup>27</sup> – Oliver Rist, Network Computing

According to Michael E. Porter, we shouldn’t put our emphasis on what our business model is. Rather, making profit is what matters.<sup>22</sup>

## The Main B2C Business Models

According to Ekos Research, in 2001, 45% of Canadian companies used the Internet to perform comparison shopping, but only 34% made online purchases.<sup>91</sup>

In an article titled “Analysing the business models on the web for Internet Commerce,” Anshu Saxena, D.P. Kothari, Sudhir Kr. Jain and Amulya Khurana group online business models in six categories: Brokerage, Advertising, Merchant, Manufacturer, Subscription, and Consulting. (1) “Brokerage” brings buyers and sellers together to facilitate transactions, and charges fees. Examples include eTrade, CarsDirect, Yahoo! Stores, ChoiceMall, iMall, Women.com’s Shopping Network, Amazon zShops, eBay, AuctionNet, Onsale, Priceline, MySimon, DealPilot, DealTime, RoboShopper, R U Sure, and Shopfind. (2) “Advertising” only works if the volume of viewer traffic is large or highly specialised. Examples include Yahoo!, Excite, Altavista, AOL, Geocities, NetZero, and NYTimes.com. The affiliate model is similar to this one. (3) The “Merchant” model includes online wholesalers and retailers. Examples include Amazon, and catalogs such as Lands’ End. (4) The “Manufacturer” model includes the manufacturer and producers who ship directly to customers. Examples include Intel and Apple. (5) “Subscription” simply charges users subscriptions.

---

<sup>91</sup> Boisvert, Hugues, and Lucie Begin. “Deployment of e-commerce: Meeting the needs of the cyberconsumer.” *CMA Management* v76 i2 (April 2002): 26(4).

Examples include LavaLife and WSJ.com. (6) “Consulting” offer Internet services. Examples include IBM and Infosys.<sup>92</sup>

“If you can’t explain your business model in five minutes, it probably needs retooling. Focus is the key; your company can’t be all things to all customers. When you narrow your focus, executing your plan becomes much simpler.”<sup>93</sup>

### **Signs of a Good Dot-Com Business Model**

Michael E. Porter believes that the most successful dot-coms will focus on creating benefits that customers will pay for, rather than just pursuing ad and click-through revenues from third parties.<sup>22</sup>

Porter also advises that dot-coms provide value that traditional companies cannot. It may thus be good, he says, to focus on opportunities that can only be done online. Porter believes that successful dot-coms will share the following: strong capabilities in Internet technology; distinctive strategy and clear focus and meaningful advantages; emphasis on creating value and charging for it directly; doing the non-virtual things well and in a way that complements their strategy; and deep industry knowledge to allow proprietary skills, information, and relationships to be established.<sup>22</sup>

### **The Web’s Most Visited Sites**

According to Nielsen/NetRatings, on the weekend of February 9, 2003, the most visited sites included, in the following order, those belonging to AOL, Microsoft, Yahoo, Google, eBay, the U.S. government, Amazon, Real Networks, Terra Lycos, About-Primedia, Sharman Networks, and USA Interactive.<sup>94</sup>

---

<sup>92</sup> Saxena, Anshu, D.P. Kothari, Sudhir Kr. Jain and Amulya Khurana. “Analysing the business models on the web for Internet Commerce.” *International Journal of e-Business Strategy Management* v3 i3 (Feb-Mar 2002): 229(13).

<sup>93</sup> Biehn, Geoff. “Yes, You Can Profit From E-Commerce.” *Financial Executive* v17 i3 (May 2001): 26.

<sup>94</sup> “Top 25 Parent Companies.” *Nielsen//NetRatings* (Feb. 9, 2003). URL: <http://pm.netratings.com/nnpm/owa/NRpublicreports.toppropertiesweekly>

**Top 15 Parent Companies – Nielsen/NetRatings<sup>94</sup>**

Weekend of April 27, 2003

Parent	Unique Audience	Reach %	Time per Person
1. AOL Time Warner	47,114,565	57.22	1: 59: 36
2. Microsoft	46,901,020	56.96	0: 35: 09
3. Yahoo!	38,037,066	46.19	0: 47: 03
4. Google	16,186,161	19.66	0: 08: 18
5. eBay	12,676,869	15.40	0: 48: 01
6. Amazon	9,109,894	11.06	0: 08: 33
7. United States Government	9,101,924	11.05	0: 10: 42
8. WhenU	8,609,003	10.46	0: 04: 54
9. About-Primedia	8,339,893	10.13	0: 06: 40
10. RealNetworks	7,939,749	9.64	0: 16: 06
11. Terra Lycos	7,563,632	9.19	0: 10: 44
12. Sharman Networks	7,077,304	8.60	0: 48: 49
13. USA Interactive	6,302,595	7.65	0: 13: 09
14. Walt Disney Internet Group	5,403,696	6.56	0: 11: 25
15. Viacom International	5,388,870	6.54	0: 10: 10
16. AT&T	5,266,758	6.40	0: 15: 36
17. EarthLink	4,910,294	5.96	0: 46: 48
18. Excite Network	4,739,438	5.76	0: 26: 43
19. United Online	4,684,730	5.69	0: 52: 42
20. Landmark Communications	4,515,183	5.48	0: 06: 57
21. The Gator Corporation	4,084,829	4.96	0: 01: 50
22. eUniverse	3,927,577	4.77	0: 06: 39
23. AWS Convergence Technologies	3,802,189	4.62	N/A
24. InfoSpace Network	3,791,359	4.60	0: 06: 01
25. Apple Computer	3,762,378	4.57	0: 02: 53

## e-Retail Statistics

Corresponding Analysis: Online B2C Business

### Online Retail in the U.S.

Lisa Strand, research director at Nielsen/NetRatings, believes that online retail growth is largely due to people just getting used to shopping for so-called high-touch items on the web.<sup>138</sup>

According to a survey by Consumer Electronics Association, most US consumers don't think they should have to pay for online content. 77% oppose fees for downloading information, audio files, games, or pictures.

According to the U.S. Dept of Commerce, total online U.S. retail sales for 2002 were \$45.6 billion, a year-over-year increase of 26.9% over 2001. Total retail sales (including traditional retail sales) increased 3.1% from 2001. Online travel services, financial brokers and dealers, and ticket sales agencies were not classified as retail and were thus not included in total retail or e-commerce retail figures.<sup>95</sup>

According to comScore Networks, once people start shopping online, they do so more frequently over time.<sup>113</sup>

A "Consumer Mind Reader Survey" by America's Research Group found that 69.7% of online shoppers purchased from online retailers rather than from a manufacturer's Internet location.<sup>96</sup>

According to Jupiter Media Metrix, 46% of retailers use sales as the primary metric for judging the success of their websites.<sup>97</sup>

### e-Retail as a Percentage of Total Retail

According to the U.S. Department of Commerce, e-commerce sales for 2002 accounted for 1.4% of total sales, versus 1.1% for 2001.<sup>95</sup>

Anthony Noto, Internet analyst at Goldman, Sachs & Co., predicts that online consumer sales will rival catalog sales within four years. Catalog sales currently account for about 5% of total sales.<sup>98</sup>

---

<sup>95</sup> "Retail Q4, 2002 e-Commerce Report." *U.S. Census Bureau* (Feb 24, 2003). URL:

<http://www.census.gov/eos/www/papers/ebusasa.pdf>

<sup>96</sup> "Online Loyalty High, Shoppers not Phased by Terror." *DSN Retailing Today* v41 i20 (Oct. 28, 2002): 19(1).

<sup>97</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 244.

According to Forrester Research analyst Jim Crawford, about 93% of retail sales in 2001 were transacted in brick-and-mortar stores.<sup>99</sup>

### **e-Retail in Canada**

According to Forrester Research, online retail spending in Canada will reach \$24 billion by 2006.<sup>100</sup>

Ipsos-Reid reports that online consumers in Canada spent an average of \$324 on online gifts during the 2001 holiday season.<sup>101</sup>

According to Ipsos-Reid, 59% of Canadian adults with a home Internet connection have purchased an item directly online.<sup>102</sup>

According to Steven Bonisteel of Newsbytes, online shoppers include 59% of the Canadians with Internet access. Most of the predicted increase in online sales is projected to come from current online shoppers rather than those who have not shopped online before.<sup>103</sup>

According to Forrester Research, the number of Canadians shopping online will reach 7.2 million by 2005.<sup>104</sup>

In 2001, Canadians spent almost \$2 billion shopping on the Internet and made a total of 13.4 million orders. These orders came from 2.2 million households. In contrast, in 2000, 1.5 million Canadian households made 9.1 million online orders worth \$1.1 billion. In 2001, 784,000 households made their first online purchase in 2001. An average of 5.9 orders came from households that made at least one online order, and the average value for each order was \$148. 65% of e-commerce spending occurred at Canadian sites.<sup>105</sup>

---

<sup>98</sup> Green, Heather, and Robert D. Hof. "Lessons of the Cyber Survivors." *Special Report: The 2002 e.Biz 25*, *Business Week Online*, April 22, 2002. URL: [http://www.businessweek.com/magazine/content/02\\_16/b3779066.htm](http://www.businessweek.com/magazine/content/02_16/b3779066.htm)

<sup>99</sup> Regan, Keith. "Can Google Do Big Business?" *E-Commerce Times*, Sept. 11, 2002. URL: <http://www.ecommercetimes.com/perl/story/19366.html>

<sup>100</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 40.

<sup>101</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 36.

<sup>102</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 19.

<sup>103</sup> Bonisteel, Steven. "Security Concerns Plague E-tailing in Canada – Report." *Newsbytes*, Nov. 29, 2001. URL: [www.newsbytes.com/news/01/172521.html](http://www.newsbytes.com/news/01/172521.html)

<sup>104</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 329.

<sup>105</sup> "Electronic Commerce: Household Shopping on the Internet." *The Daily* (Sept. 19, 2002). URL: <http://www.statcan.ca/Daily/English/020919/d020919b.htm>

## Examples of e-Retail

Corresponding Analysis: Online B2C Business

“The web has the power to fundamentally influence the retail market. Retailers look at the Web from two perspectives; as a tool (good: building a sustaining approach to employ new technology), or marketplace (more disruptive and may lead to dramatic changes within the organization).”<sup>106</sup> – Fang Wang, Milena Head and Norm Archer, *Journal of Business Strategies*

### The Top e-Retail Categories

Top e-retail sales categories in 2002 were computer hardware (including digital cameras), electronics, entertainment, apparel, and toys and games, according to BizRate.com.<sup>107</sup>

### The Big Players

1.7 million items were ordered from Amazon on December 9, 2002. Amazon’s most popular items in 2002 were videos and DVDs, books, wireless phones, and DVD players.<sup>108</sup>

In the second quarter of 2002, Amazon’s fulfillment costs as a percentage of sales dropped to 10.6% from 12.8% a year prior. In late 2002, Amazon’s general policy was to sell books over \$15 at 30% off and to grant free shipping on orders above \$25. By the end of 2002, Amazon had had one profitable quarter in its eight-year history: \$5 million, or, a penny per share, in quarter four of 2001.<sup>109</sup>

Amazon’s “one-click ordering” is U.S. Patent No. 5,960,411. Amazon used this patent to force competitor Barnes & Noble to adopt a “two-click” change in December 1999. Software business method patents only began to be permitted in 1998. Amazon currently licenses out its “one-click” patent.<sup>110</sup>

According to Michael George, Chief Marketing Officer and Vice President of U.S. Consumer Marketing and eBusiness at Dell Computer, in 2002, half of Dell’s sales of about \$50 million per day come from the web.<sup>224</sup>

<sup>106</sup> Wang, Fang, Milena Head and Norm Archer. “E-tailing: an analysis of Web impacts on the retail market.” *Journal of Business Strategies* v19 i1 (Spring 2002): 73(21).

<sup>107</sup> Cox, Beth. “E-Commerce Racks Up a \$2 Billion Week.” *CyberAtlas* (Dec. 11, 2002). URL: [http://cyberatlas.internet.com/markets/retailing/article/0,,6061\\_155511,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,,6061_155511,00.html)

<sup>108</sup> Hyman, Gretchen. “Online Retailers Ring Up a Merry Christmas.” *CyberAtlas* (Dec. 30, 2002). URL: [http://cyberatlas.internet.com/markets/retailing/article/0,,6061\\_1562151,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,,6061_1562151,00.html)

<sup>109</sup> “Jeff Bezos: Finally Relaxing?” No author given. *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_9694.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_9694.htm)

<sup>110</sup> Austin, Scott. “Amazon is King of 2001 Dot-Com Survivors.” *Daily Business Review* v76 i176 (Feb. 20, 20002): A8(2).

### **Auction e-Retail**

eBay was the busiest non-travel e-commerce site in November 2002, luring 12 million visitors. In the same period, Amazon had 10.2 million visitors and Yahoo Shopping 7.4 million.<sup>111</sup>

According to Forrester Research, auction sales will reach 25% of online sales by 2006.<sup>112</sup>

Michael E. Porter points out that the Internet created online auctions and digital marketplaces but only *improved* on correspondence and product ordering.<sup>22</sup>

### **Some Successful e-Retailers**

On Thanksgiving weekend 2002, Overstock.com's sales measured in at \$2.5 million, a 150% increase over the previous year.<sup>113</sup> According to Overstock.com CEO Patrick Byrne, "You have to be unique. You need staying power, and a concept that's scalable. And maybe a little bit of luck." Byrne expected Overstock.com to be profitable in quarter four of 2002.<sup>114</sup>

Shoebuy.com seeks to make a 30% net profit on its sales through its lack of a sales force, inventory, and warehouse, and by having as few employees as possible.<sup>115</sup>

FTD.com had six straight quarters of net profit in and prior to 2002, and increased its earnings 86% year over year.<sup>116</sup>

Ebags.com has 150 brands of bags and accessories and has sold more than 1.4 million items since its May 1999 launch. The company experienced sales growth of 43.7% in the first half of 2002 and was profitable by the second quarter.<sup>99</sup>

1-800-Flowers.com and teen e-retailer Alloy both posted their first profits in quarter four of 2001.<sup>117</sup>

Sears acquired Lands' End—both the apparel catalog and e-retail firm—in the spring of 2001 for US\$1.9 billion.<sup>118</sup>

---

<sup>111</sup> Seckler, Valerie. "Women Driving Cyber Growth." *WWD* (Dec. 11, 2002): 10.

<sup>112</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 118.

<sup>113</sup> Cox, Beth. "Get Ready, Get Set, Shop!" *Cyber Atlas* (Dec. 2, 2002). URL:

[http://cyberatlas.internet.com/markets/retailing/article/0,6061\\_1550471,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,6061_1550471,00.html)

<sup>114</sup> "Patrick Byrne: Off-Price Power." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL:

[http://www.businessweek.com/technology/content/oct2002/tc2002101\\_2689.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_2689.htm)

<sup>115</sup> "RealBusiness.com: The Scorekeepers." *Inc.*, March 15, 2001: 46.

<sup>116</sup> Hellweg, Eric. "It's Not Just Amazon. These Net Businesses Are Profitable!" *Business2.com*, Feb. 12, 2002. URL:

<http://business2.com/articles/web/print/0,1650,37921,FF.html>

<sup>117</sup> Kirkland, Elizabeth. "Home business thriving for Madison couple, thanks to Internet: Southeastern Environmental shipping products all over the world." *Mississippi Business Journal* v24 i27 (July 8, 2002): 21(1).

<sup>118</sup> Ruquet, Mark E. "Agents seek right formula for successful Web sales." *National Underwriter Property & Casualty-Risk & Benefits Management* v106 i23 (June 10, 2002): 10(2).

By selling environmental products such as disposable gloves and safety apparel, a couple in Mississippi named Sandra and Dale Woodall bring in \$160,000 of sales annually. 90% of this is through the Internet. Although some of their products are stacked in their home, most are drop-shipped from manufacturers.<sup>119</sup>

### **A Look at Gifts**

According to GartnerG2, saving time and effort was cited as the number one reason why consumers opt to go online to purchase gifts during the holiday season of 2002.<sup>63</sup>

Forrester Research reports that the top priority for online gift buying is that the gift arrive on time.<sup>120</sup> Forrester predicts that online retailers will generate US\$36 billion in revenue from the sale of gifts in 2005.<sup>121</sup>

According to Forbes, 22% of Target's site's sales came from its bridal and baby registries."<sup>163</sup>

### **High-End e-Retail**

According to Jupiter Research, sales of online jewelry in the United States exceeded \$1 billion in 2002. Customers are particularly attracted by the vast selection and discounted prices. Diamonds are relatively easy to buy online because their quality is precisely defined by four technical specifications known as the "Four Cs": that is, color, cut, clarity and carat weight.<sup>122</sup>

BlueNile.com is one of the leading jewelry websites, and had revenues of \$15 million during quarter two of 2002. This represented a 37% increase over the same period in the previous year.<sup>99</sup>

---

<sup>119</sup> Kirkland, Elizabeth. "Home business thriving for Madison couple, thanks to Internet: Southeastern Environmental shipping products all over the world." *Mississippi Business Journal* v24 i27 (July 8, 2002): 21(1).

<sup>120</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 92.

<sup>121</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 86.

<sup>122</sup> Hamilton, Anita. "Click and Clink: Shopping for baubles? Jewelry is one of the Web's shining success stories." *Time* v161 i6 (Feb. 10, 2003): 86.

# One-Time Purchase Online Services

Corresponding Analysis: Online B2C Business

## Auction Services

In October 2002, eBay had 50 million registered users. Meg Whitman became the company's CEO in 1998. In quarter two of 2002, eBay's sales increased 148% internationally and 34% year-over-year.<sup>123</sup> Its 2002 earnings were projected to be \$1.1 billion. The company intends to increase this to \$3 billion by 2005. According to Whitman, the heart and soul of eBay is small and medium-size businesses selling "the unique and new and hard-to-find."<sup>124</sup>

## Search Services

Because Google was founded in September 1998, it is at least three years younger than many other big search engines. 150 million searches are made on Google each day. The company is regularly in the Internet's top five most visited websites. According to Nielsen/NetRatings, its traffic trails only that of MSN, Yahoo and AOL. In May 2002, Google took over AOL's sponsored links, thus ousting its competitor Overture. In July 2002, Google landed a \$100 million three-year deal to provide paid listings to Ask Jeeves, again ousting Overture. Besides managing other sites' search engines and managing sponsored links, Google sells software that allows corporations to search their own in-house data stores.<sup>99</sup> In September 2002, more than 400 people worked at Google. Google has the highest percentage of Computer Science Ph.D.s as a percentage of total employees of any company in the world.<sup>125</sup>

Long-time Warner Brothers Executive Terry Semel is the current CEO of Yahoo. In October 1, 2002, the stock had dropped 48% since Semel's taking over 16 months before. Semel trimmed the company's business units from 40 down to six. He also replaced more than half of the company's sales force and executives with seasoned veterans. At the end of 2002, 3,500 people worked at Yahoo.<sup>126</sup>

Due to the IT meltdown and plummeting demand for online advertising, Yahoo's sales dove 44% in quarter three of 2001. According to market researcher CMR, online advertising crept up 1% in the first half of 2002. Nevertheless, Yahoo's advertising sales dropped 14%. In quarter two, 2002, however, Yahoo's revenues jumped 24% to \$225 million, resulting in the company's first profit in seven quarters. A paid

---

<sup>123</sup> "Meg Whitman: Making PayPal Pay." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_8636.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_8636.htm)

<sup>124</sup> "Meg Whitman's Bid for Growth." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_8728.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_8728.htm)

<sup>125</sup> "Eric Schmidt: Super Searcher." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_6280.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_6280.htm)

search partnership with Overture was expected to add more than \$100 million to Yahoo's 2002 revenues. Yahoo endeavors to have more than half of its sales come from non-advertising sources in 2004.<sup>126</sup>

In December 2001, Yahoo purchased HotJobs.com for \$436 million.<sup>126</sup>

### **Travel**

According to Katherine Hobson of the U.S. News & World Report, "travel is probably the biggest online success." Online travel agencies Expedia and Travelocity are both profitable.<sup>160</sup>

20-25% of transaction volume within transportation is projected to be to be electronic by 2004.<sup>127</sup>

Southwest Airlines has the largest proportion of online booking in the industry. The airline booked 35% of its 2001 passenger revenue online. Southwest allows managers to track employees' business travel on the Southwest website. Online booking saved Southwest \$100 million in 2001. Whereas the cost per booking is about \$10 through a travel agent, it is just \$1 online.<sup>31</sup>

Travel spending accounted for 43% of all online spending in 2002 and was growing at a rate of 59% in 2002 compared with 39% in non-travel.<sup>226</sup>

According to Jupiter Media Metrix, online sales of travel services will reach US\$64 billion by 2007. That is more than double the US\$24 billion transacted online in 2001.<sup>128</sup>

In January 2002, Expedia.com announced its first-ever quarter with a net profit (\$5.22 million) and surpassed Travelocity in terms of gross bookings.<sup>116</sup>

### **Ticket Bookings**

According to Business Week, USA Interactive, headed up by Barry Diller, intends to be the largest and most profitable e-commerce company in the world. The company owns Expedia (the biggest travel site), Match.com (the biggest dating site), Ticketmaster.com (controls most ticket sales for shows and concerts), and Hotel.com. Diller believes that the public will be more receptive to the convergence of e-commerce with TV and other media with "evolution, time, and bandwidth."<sup>129</sup> USAI experienced a 57% increase in net income in quarter two of 2002 year-over-year with revenues of \$1.117 billion. Revenues in the

---

<sup>126</sup> "Terry Semel: Rebuilding Portal." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_3365.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_3365.htm)

<sup>127</sup> Hickey, Kathleen. "An electronic future: despite lower expectations, e-commerce will hit \$3.9 trillion mark in 2004, says AMR Research." *Traffic World* v266 i32 (August 12, 2002): 19(2).

<sup>128</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 138.

<sup>129</sup> "Barry Diller's E-Way." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_6778.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_6778.htm)

previous quarter had been \$940 million. According to Media Metrix, USAI's combined sites receive more traffic than Amazon.<sup>130</sup>

### Financial Services

According to Beth Cox of Cyber Atlas, 37% of global Internet users have performed an online financial transaction.<sup>132</sup>

20-25% of transaction volume within financial services will probably be electronic by 2004.<sup>131</sup>

Global online banking almost doubled from 20% to 37% between 2000 and 2002. It is most prevalent in Canada, the UK, Germany and the US, where more than 40% of Internet users had banked online.<sup>132</sup>

Paypal expected to be profitable in October 2002.<sup>123</sup>

In 1998, Max Levchin and President Peter Thiel founded PayPal. In November 1999, they launched PayPal.com. Business Week describes PayPal as "an electronic version of Western Union." PayPal has more than 17 million users in 38 countries and gets 28,000 new account signups per day. PayPal's quarter two 2001 revenues were \$19.7 million. Its losses amounted to \$27.7 million in the same quarter. In quarter two 2002, PayPal's revenues were \$53.8 million and the company turned a profit of \$529,000. eBay bought PayPal in July 2002 for \$1.5 billion in stock and now provides 60% of PayPal's customers.<sup>133</sup>

### Job Sites

FairfieldCountyJobs.com has been profitable since the first month, and has 150 employers posting jobs and 40,000 monthly visitors. The site charges \$99 for one eight-week job posting. This is considerably cheaper than Monster.com, which charge \$300 per posting for 30 days. Chris Russell is the site's founder. His philosophy is not to spend money to make money, but to wait for money to come in and then invest it. Russell has also built NewHavenCountyJobs.com, HartfordCountyJobs.com, and NewLondonCountyJobs.com.<sup>134</sup>

---

<sup>130</sup> "Barry Diller's E-Way." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_6778.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_6778.htm)

<sup>131</sup> Hickey, Kathleen. "An electronic future: despite lower expectations, e-commerce will hit \$3.9 trillion mark in 2004, says AMR Research." *Traffic World* v266 i32 (August 12, 2002): 19(2).

<sup>132</sup> Cox, Beth. "E-Commerce as a Way of Life." *CyberAtlas* (Feb. 13, 2003). URL: [http://cyberatlas.internet.com/markets/retailing/article/0,,6061\\_1584011,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,,6061_1584011,00.html)

<sup>133</sup> "Max Levchin: Online Fraud-Buster." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_0628.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_0628.htm)

<sup>134</sup> Stempel, Dan. "Conservative approach works on the Web." *Fairfield County Business Journal* v41 i37 (Sept. 16, 2002): 3(1).

**Real Estate**

Glenn Cohen is the Chairman of YHD (“your home direct”) Foxtons, a real estate company that combines traditional services with web-based tools like virtual tours. While real estate commissions are typically 6%, about 75% of YHD’s sales result in commissions of 2%. Cohen founded YHD to improve the efficiency of what he calls a “backward industry.” Cohen says of the real estate industry, “There’s no standardization of service, no centralization of operations, and pricing is terrible. It’s an entrepreneur’s dream.” In 2001, YHD received an investment of \$20 million from real-estate brokerage Foxtons. YHD serves New Jersey, New York and Fairfield County, Connecticut and expects to be in every major metropolitan area in the US within five years.<sup>135</sup>

**Education**

According to Jim Hashel of OnlineCommunityReport.com, “Online education is booming. Industry leaders like SmartForce have revenues measured in the hundreds of millions of dollars. Successful online universities, such as the University of Phoenix, measure annual revenues at over a hundred million dollars. Consumers understand the concept of e-learning, and are clearly willing to pay.”<sup>136</sup>

---

<sup>135</sup> “Glenn Cohen: Efficient Home Sales.” *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_3552.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_3552.htm)

<sup>136</sup> Cashel, Jim. “Top Ten Trends for Online Communities.” Online without date June 8, 2002. URL: <http://www.onlinecommunityreport.com/features/10>

## Subscription-Based Online Services

Corresponding Analysis: Online B2C Business

According to Jupiter Media Metrix, the online market for paid subscriptions and content will quadruple to US\$5.8 billion by 2006 from US\$1.4 billion in 2002.<sup>137</sup>

Online Publishers Association claims that web surfers paid \$300 million for online content subscriptions during quarter one of 2002, an increase of 155% year-over-year, according to the Online Publishers Association.<sup>138</sup>

According to Sandlot Corporation, “Good subscription programs see renewal rates of 75% or better. This means that 75% of the revenue needed to match last year’s rate is already identified. Only 25% of the revenue is dependent on new subscribers.” The company claims that subscriptions are popular because they offer a more stable revenue stream, increased customer retention and lower customer retention costs.<sup>16</sup>

“Economists have been puzzling for years over why customers in other contexts ignore what appears to be the rational choice of paying only for what they use and opt instead for “bundles,” such as a magazine subscription or flat-rate phone billing, when they do not use the product or service often. The most probable reason is ... ‘mental transaction costs,’ the mildly irritating distraction that is caused whenever one must decide should I buy or not? As long as we are asked to declare our intention to buy, we will reflexively pause and feel a twinge of anxiety, no matter how small the sum at stake. In preferring bundles, consumers make a perfectly rational choice that protects them from being continually interrupted with microdecisions.”<sup>139</sup> – Randall E. Stross, *A Bundle of Joy*

### Internet Access

AOL had 35 million members in October 2002. AOL represents 20% of its parent company’s sales and operating income. In quarter two 2002, AOL’s income dropped 41% to \$473 million.<sup>140</sup>

Whereas AOL charged \$23.90 for monthly Internet access in February 2003, United Online sold Internet access through Juno and NetZero for \$9.95/month. United Online lost \$23.9 million in quarter three of

<sup>137</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 64.

<sup>138</sup> “E-Biz Whizzes with Staying Power.” *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_4721.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_4721.htm)

<sup>139</sup> “Subscription-Based e-Commerce: An Introduction to Selling Subscriptions on the Internet.” *Sandlot Corporation* (no specific author), Sep. 4, 2001. URL: <http://www.sandlot.com/media/eBusinessProfitability.pdf>

<sup>140</sup> “Don Logan: Black-Hole Filler.” *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_6475.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_6475.htm)

2001 and its stock plunged to \$1.84. United Online was profitable in quarter four of 2002 with \$4.7 million in net profit. In February 2003, the company's stock was up to \$14.98. United Online experienced a 209% increase in twelve months. In the same period, AOL experienced a 62% drop.<sup>141</sup>

Wayport is a company that sells solutions for Wi-Fi wireless local-area networks. Wi-Fi provides access to the Internet with download speeds fifty times faster than dial-up. In October 2002, Wayport's Wi-Fi was in 465 hotels including the Sheraton, Marriott and Hilton. It could also be found in major airports like Chicago's O'Hare and New York's LaGuardia. CEO Dave Vucina claims that occupancy rates for hotels rise 2-3% when Wi-Fi is installed. 5% of business travelers use Wi-Fi.. Vucina claims that of 15,000 hotels that could use it, only 1,500 do. As of October 2002, Wayport was not profitable, but Vucina hoped it would be within six months.<sup>142</sup>

### Relationships

Classmates.com had more than 30 million registered users, or, one quarter of the U.S. Internet audience, by August 2002. The company was scheduled to start a magazine in September 2002 and was considering making a reality TV show of its members' sentimental stories. In late 2002, Classmates had 1.7 million paying subscribers—nearly three times more than the Wall Street Journal Online. Media Matrix ranks it the ninth most visited Internet site after Amazon.com. Its competitors include Militarybrats.com, ClassReunion.com, and Reunions.com. Classmates.com, a private company, began to turn a profit in 2001, and expected profits in 2002 to be in the millions of dollars. Classmates took advantage of the low advertising rates following the IT meltdown to advertise on websites like Yahoo.<sup>143</sup> Classmates.com subscribers pay \$29 per year.<sup>144</sup>

The top two online dating sites are Match.com with 1,170,000 subscribers and Yahoo Personals with 773,000. According to Robyn Greenspan of Cyber Atlas, "The use of personals sites is becoming more mainstream. As the stigma of meeting someone online diminishes across all demographics, personals sites are expanding their reach because the Internet provides a solid community base for them to thrive." A comScore Networks study shows that 35% of time spent on dating sites comes from people at work. 53% of dating site visitors are faithful to one site, 30% spend their time at two or three sites, and 17% at four or more sites. 53.6% of visitors are male and 46.4% female. Most visitors are in the 35 to 44 year-old bracket, followed by the 45 to 54 year-old bracket, and finally the 25 to 34 year-olds. The personals, or dating, category grew 387% year-over-year to become the largest online paid content category among

<sup>141</sup> Krantz, Matt. "Some Small Dot-Coms Thrive." *E-Commerce Times* (Feb. 13, 2003). URL: <http://www.ecommercetimes.com/perl/story/20754.html>

<sup>142</sup> "Dave Vucina: Wi-Fi Everywhere." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_4987.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_4987.htm)

<sup>143</sup> Heim, Kristi. "Dot-com's success in class by itself." *The Mercury News*, August 29, 2002. URL: <http://www.siliconvalley.com/mld/siliconvalley/3959090.htm>

consumers in the third quarter of 2002, thus surpassing business content. The personals industry posted \$87.2 million in revenues in quarter three of 2002, representing nearly a quarter of the money spent on online content.<sup>145</sup>

---

<sup>144</sup> "Subscription-Based e-Commerce: An Introduction to Selling Subscriptions on the Internet." *Sandlot Corporation* (no specific author), Sep. 4, 2001. URL: <http://www.sandlot.com/media/eBusinessProfitability.pdf>

<sup>145</sup> Greenspan, Robyn. "Surfing for Love." *CyberAtlas* (Feb. 14, 2003). URL: [http://cyberatlas.internet.com/markets/retailing/article/0,,6061\\_1584131,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,,6061_1584131,00.html)

### The Most Popular Personals Sites

Source: Cyber Atlas

Top 10 Personals Sites for Week Ending February 2 (U.S., Home) <sup>145</sup>	
Brand/Channel	Unique Audience
1. Match.com	1,171,000
2. Yahoo! Personals	773,000
3. American Singles	610,000
4. MSN Love & Relationships	590,000
5. Dreammates.com	364,000
6. HOT or NOT?	316,000
7. Someonelikesyou.com	308,000
8. Matchmaker	246,000
9. Cupidjunction.com	230,000
10. Date.com	215,000

Source: Nielsen//NetRatings, February 2003

### News & Entertainment

According to Ipsos-Reid, only 5% of Canadian Internet users are willing to pay a monthly or annual fee to access a news and information site.<sup>146</sup>

In March 2002, Innovation International Media Consulting Group conducted an online survey for the World Association of Newspapers and received responses from 429 newspaper executives around the world. The survey found that five out of six newspaper web operations rely only on advertising for income. Nearly half of those that don't impose charges expect to do so within a year, and six out of seven expect to be charging visitors five years from now. 68% of news websites that started charging for content did not experience a loss of visits.<sup>147</sup>

In late 2002, The Wall Street Journal charged users \$59 per year for access to its website WSJ.com. In December 2001, the site had 626,000 subscribers, up 17% year-over-year. The site began charging for access in September 1996.<sup>148</sup>

<sup>146</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 106.

<sup>147</sup> "An International Survey: Re-examining the Web Business Model." *Innovation International Media Consulting Group*. Online January 8, 2003. URL: <http://www.innovacion.com/pdf/Encuesta2002/Survey2002.pdf>

<sup>148</sup> Gray, Robert. "Making Online Pay." *AdAgeGlobal* v2 i6 (Feb. 2002): 20(1).

Access to much of the New York Times' online presence, NYTimes.com, costs \$232 per year. In late 2002, the site had 35,000 subscribers.<sup>144</sup>

RealNetworks had only one profitable quarter in the four quarters ending quarter three of 2002. In quarter two of the same year, 750,000 subscribers paid \$10 per month for access to exclusive web content through the company's RealOne Super Player premium membership, resulting in company revenues of \$17.8 million. This represented an increase of 100,000 over the previous quarter and an increase in subscription revenues of 31%. According to Nielsen/NetRatings, 17 million consumers use RealNetworks' media player Realplayer and 15 million Microsoft's Windows Media Player.<sup>149</sup>

### **Online Games**

According to Beth Cox of Cyber Atlas, 38% of global Internet users have played an online video game.<sup>132</sup>

eUniverse, network of entertainment and game sites had had three consecutive quarters of net profit in 2002. The company's revenues in quarter three of 2001 amounted to \$10.1 million.<sup>116</sup>

According to game research firm DFC Intelligence, 114 million people will be playing games online by 2006. Research consultancy Gartner Inc. expects \$2.6 billion in revenues by the same year, up from less than \$200 million in 2002.<sup>138</sup>

NCsoft Corporation runs an online fantasy game called Lineage that is very popular among Korean youth. Founder Kim Taek Jin is also known for co-writing Korea's best-known Korean-language word-processing program, Hangul, in 1989. He also led the team that created Korea's first Internet service provider in 1995. NCsoft posted \$27 million in net profits on sales of \$65 million in the first half of 2002, up 49% from the same period in 2001. Individual users pay \$25 per month. User subscriptions account for 57% of the company's revenues. The rest come from fees paid by 20,000 computer salons to provide their company with Lineage. Most of these offer high-speed access for less than \$1 per hour. In 2002, NCsoft set up subsidiaries in the U.S., Hong Kong and Japan. The next frontier is China. Worldwide gaming industry revenues are estimated at \$200 billion per year.<sup>150</sup>

### **Video Rentals**

NetFlix is a company that charges customers \$20 per month to rent an unlimited number of DVDs. The company boasts no late fees. However, customers may only check out three DVDs at a time, so customers

---

<sup>149</sup> "Rob Glaser: Real Close." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_6717.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_6717.htm)

<sup>150</sup> "Kim Taek Jin: Lineage's Father." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_2505.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_2505.htm)

can't get a new title until at least one is returned. NetFlix subscribers typically receive DVDs within 24 hours. In October 2002, NetFlix had 670,000 subscribers. Revenues for quarter two of 2002 doubled to \$36.4 million from \$18.4 million a year prior. The company is planning to grow its subscriber base to five million over the next four years and increase its revenue to \$1 billion. In October 2002, NetFlix had annual revenues of \$150 million, and its EBITDA ("earnings before interest, taxes, depreciation and amortization") were \$6.5 million in quarter two of 2002. In July 2002, Blockbuster launched an unlimited monthly DVD subscription service similar to that of NetFlix in four metropolitan markets, and Wal-Mart was expected to enter the same market by year end. In late 2002, Americans owned 35 million DVD players, up from zero in 1997. Wal-Mart is the largest U.S. retailer of DVDs.<sup>151</sup>

### **Other Internet-Based Subscriptions**

ECollege is a company that works with universities to put their courses on the Internet. The company makes money by charging fees to maintain the delivery network for this service, and is doing much better than other companies that offer the same services free-of-charge and that attempt to make money from advertising.<sup>22</sup>

WebEx is a profitable company with a 58% market share in the web-conferencing service industry. The company is run by CEO Subrah Iyar and CTO Min Zhu. Consultancy Frost & Sullivan believe web-conferencing services could grow from \$170 million in 2001 to \$1.3 billion in 2008. And according to the CEO of think tank NFI Research, Charles Martin, "[web conferencing] is going to be a bigger and bigger deal as more bandwidth becomes available." In quarter two of 2002, WebEx had revenues of \$33.2 million, up 80% from a year earlier, and a net income of \$3.3 million, up from a loss of \$9.3 million in the same quarter of 2001. The company's services enable customers to talk, share PowerPoint presentations, record and play back meetings, and train employees or customers remotely." In late 2002, Iyar and Zhu hoped to build WebEx into a billion-dollar company in five years.<sup>152</sup>

---

<sup>151</sup> "Reed Hastings: Movies by Mail." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_0566.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_0566.htm)

<sup>152</sup> "Subrah Iyar and Min Zhu: Meetings on the Web." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_3868.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_3868.htm)

**January 2002 Subscription-Based Websites**

Source: Sandlot Corporation

<b>Site</b>	<b>Price Range (yr-USD)</b>	<b>Subscribers</b>
Ancestry.com	\$49 - \$59	500,000
Classmates.com	\$29	1,500,000
ConsumerReports.org	\$24	800,000
Ediets.com	\$65 - \$75	250,000
Edgar-online.com	\$120 - \$600	20,000
Hoovers.com	\$360 - \$1,700	57,000
NetFlix.com	\$240	500,000
NYTimes.com	\$232	35,000
RealNetworks.com	\$119 - \$359	500,000
WSJ.com	\$29 - \$59	626,000

## Bricks & Clicks

Corresponding Analysis: Bricks & Clicks

“Retailers are increasingly seeing the Web as a complement to their other channels. The concern that the Web would cannibalize their primary sales channels has been replaced with the understanding that the Web increases traffic in stores.”<sup>252</sup> – Donna Fluss, Customer Interface

“Achieving profitability and success through online efforts isn’t all that difficult if your business is succeeding through traditional means; you need to apply the same principles, which will yield positive results. By the same token, if you don’t know how to run a business, then no amount of technology will help you succeed.”<sup>153</sup> – Geoff Biehn, Financial Executive

### Catalogs & Clicks

“Much e-commerce is an alternative to mail-order catalog shopping (another invention of the 1870s).”<sup>154</sup>

According to Philip Anderson and Erin Anderson of MIT Sloan Management Review, more than 70% of catalog companies with online outlets now make money on them. Lands’ End had been profitable for at least three years prior to mid 2001. Bill Brass, Senior Vice President of e-commerce at Lands’ End, claims that 80% of the company’s Internet sales are driven by its catalogs.<sup>155</sup> Eddie Bauer also makes money. Catalog companies have an advantage online because of their already-built warehouses, staffed call centers, and well-developed relationships with shipping companies.<sup>160</sup>

Red Envelope started out as a pure-play e-commerce company selling gifts. The company has now moved to catalogs, and this has become its main focus. Red Envelope uses its catalogs to advertise its website.<sup>155</sup>

Victoria’s Secret, a lingerie company with over 1,000 retail outlets, wants its brand to drive its website, not vice versa. VictoriasSecret.com launched soon before Christmas 1998. Within a year, the site had collected three million email addresses. During the holiday season, Victoria’s Secret experiences a big spike in sales. Although men only account for about 20% of retail sales, 60% of VictoriasSecret.com’s sales come from men.<sup>28</sup>

---

<sup>153</sup> Biehn, Geoff. “Yes, You Can Profit From E-Commerce.” *Financial Executive* v17 i3 (May 2001): 26.

<sup>154</sup> de Figueiredo, John M. “Finding Sustainable Profitability in the E-commerce Continuum.” *eBusiness @ MIT, MIT Sloan School of Management*, April 2000. URL:

<http://ebusiness.mit.edu/research/papers/129%20de%20Figueiredo,%20Sustainable%20Profitability.pdf>

<sup>155</sup> Freedman, Lauren. “Guts & Online Glory.” *Catalog Age*, June 1, 2002.

Customers at Eddie Bauer's retail outlets can order from in-store catalogs by phone and receive their order within a week without shipping charges.<sup>202</sup>

### **How the Internet Influences Brick-and-Mortar Store Sales**

According to J.C. Williams Group, National Retail Federation, and BizRate.com, consumers who visit a retailer's website and then buy from the retail store spend 33% more on an annual basis in the retail store than the retailer's typical store customers.<sup>156</sup>

Shop.org claims that shoppers who use multiple channels (e.g. retail store, catalog, website) spend 50% more and visit stores 70% more frequently than the average shopper.<sup>157</sup>

According to Jupiter Media Metrix, more than two-thirds of brick-and-mortar retailers judge their online success by the wrong metrics because they forget to take into account the offline sales that their websites generate.<sup>158</sup>

Vice President and General Manager of Sears Direct, Dennis Honan, claims that one tenth of the company's appliance sales are influenced by Sears.com.<sup>160</sup>

"JC Penney has found that customers who shop its Web site heavily also shop its stores heavily. The website and physical shopping facilities appear to be complementary."<sup>159</sup> – Philip Anderson and Erin Anderson, MIT Sloan Management Review

### **Traditional Retail & Clicks**

The Internet accounts for more than 10% of the sales of some Sears product categories, including books, and computer hardware and software.<sup>160</sup>

According to Forbes, Target's annual sales amount to \$40 billion. The company often tests products online before devoting shelf space to them. In November 2001, Target.com had 6.1 million online visitors and WalMart.com, 6.9 million. In September 2002, Target had 1,100 discount stores and Wal-Mart, 2,790. In early 2001, after experiencing trouble with IBM's Net.commerce software, Target hired Amazon to take over its software development, fulfillment, service and the management of some of its inventory. This left Target to design its sites and choose its product assortment of 10,000.<sup>163</sup>

---

<sup>156</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 116.

<sup>157</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 53.

<sup>158</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 16.

<sup>159</sup> Anderson, Philip, and Erin Anderson. "The new e-commerce intermediaries." *MIT Sloan Management Review* v43 i4 (Summer 2002): 53(10).

<sup>160</sup> Hobson, Katherine. "Bucking the E-biz Trend." *U.S. News & World Report* v130 i22 (June 4, 2001): 36.

Henry's is a retailer located in the greater Toronto area with six locations specializing in cameras—film, video, digital. Although Henry's had had a brochureware website with links to its eBay.ca listings for many months, Henry's allowed its customers to buy products directly at Henrys.com for the first time in 1999. The site now also had automated order confirmation and shipping notification. President and COO Ian Landy claims, "[Henrys.com] has been profitable from the first day .... Online sales are profitable on their own, although they are a single-digit percentage of total company sales. The benefits to the other channels, however, have been extraordinary." Apparently, Henry's retail store salespeople are now used to people walking into stores with printed-out product pages from the website. Henry's mail-order business has also climbed 300%. The COO attributes this to the company's website.<sup>161</sup>

Whenever its site makes a sale, Ethan Allen, a maker of upscale furniture, gives the nearest retailer 10-25%.<sup>162</sup>

In 1999, Kmart launched Bluelight.com with a \$62.5 million investment from venture fund Softbank. In August 2001, Kmart bought back the application for \$15 million and took a \$97 million charge.<sup>163</sup>

### **Competition Between Bricks & Clicks**

According to Nielsen/NetRatings, 1.5 million people shopped at both BestBuy.com and Amazon in July 2002. Of these, only 10% visited Amazon within ten minutes of viewing BestBuy.com's site. This seems to indicate little comparison shopping. In contrast, 50% of the 700,000 people who visited BestBuy.com and Amazon in July visited both sites within ten minutes of each other. Walmart.com and Amazon share 1.5 million customers per month. 40% of the people who visited Walmart.com and Target.com in July visited both sites within 10 minutes of each other.<sup>205</sup>

In 2000, Amazon sold \$800 million-worth of books. However, Barnes & Noble sold \$3.5 billion-worth, and Borders, \$3 billion. "Which one is really breathing down B&N's neck?"<sup>164</sup>

### **Cars & Clicks**

According to Jupiter Media Metrix, the Internet will generate 32% of new car sales by 2006.<sup>165</sup>

---

<sup>161</sup> "E-business means better business now." *Canadian Business* v74 i21 (Nov. 12, 2001): pSSS1(7).

<sup>162</sup> Anderson, Philip, and Erin Anderson. "The new e-commerce intermediaries." *MIT Sloan Management Review* v43 i4 (Summer 2002): 53(10).

<sup>163</sup> Schoenberger, Chana R. "Bull's-Eye." *Forbes* v170 i4 (Sept. 2, 2002): 76.

<sup>164</sup> Hayes, Frank. "The Real Threat." *Computerworld* (Jan. 8, 2001): 70.

<sup>165</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 73.

In 2000, GM Brazil sold more than 50,000 Caltera subcompacts entirely online. According to Mark Hogan, President of eGM and Vice President of GM, this was 31% of GM Brazil's total 2000 revenue. "GM's e-connection is not going away," Hogan says. "It's going to widen because it's what customers want."<sup>166</sup>

According to Peter S. Cohan, author of *E-Profit*, Ford processes 100,000 cars per month and handles 250,000 monthly credit applications.<sup>31</sup>

"Is your e-business plan radical enough? To succeed on the web put someone in charge who knows the business. The CIO is critical, but only as a partner." – Glenn Rifkin and Joel Kurtzman, *MIT Sloan Management Review*, Spring 2002

According to Glenn Rifkin and Joel Kurtzman of the MIT Sloan Management Review, in the Spring of 2000, GM's website had 2,200 visits per hour and had influenced one million sales, which accounted for \$8 billion in additional revenue. By the same period, GM had sold 25,000 vehicles online to foreign consumers. Online processes and IT such as enabling engineering teams and suppliers worldwide to collaborate have reduced GM's product-development time from 48 to 18 months, saving the company \$1 billion in engineering costs. The company has also eliminated more than half of its 6,000 information systems, saving another \$1 billion.<sup>28</sup>

Arrow Electronics is a global distributor of electronic and optoelectronic components. In 2000, the company had sales of \$13 billion. In November 2001, 20% of Arrow's volume was ordered electronically.<sup>167</sup>

### **Banks & Clicks**

According to Michael Porter, Charles Schwab had a larger share of online trading than E-trade at the end of 1999.<sup>22</sup>

In commercial banking, established banks such as Well Fargo, Citibank and Fleet have more online accounts than Internet bank brands.<sup>22</sup>

According to Nielsen, Capital One Financial is the third most popular financial website. The company didn't, however, go online right away. Vice President Willey had the following to say about the company's Internet Strategy: "But we felt that we had to test the Internet systematically the way we've tested other

---

<sup>166</sup> Kador, John. "Rethinking the Internet: Companies re-evaluate the "e" in e-business." *Electronic Business* v28 i1 (Jan. 2002): 29(2).

<sup>167</sup> Hardin, Winn. "Taste of success keeps distributors online." *Lightwave* v18 i13 (Nov. 2001): 113(3).

things since 1989. Once we did enough testing to formulate a strategy, we then had to move with incredible aggression and speed to take over the Internet space. ... Maybe we were later to the party, but we said we'd have a million accounts originated by the end of the year 2000—and we did. We went from nowhere to dominating the credit card space in the course of a year. ... We all know that you can't sustain a market valuation on anything that seems like a fad or very speculative, so we evaluated things until we came up with a business model that made sense. We put data mining in place in 1988, starting mass customization with one million customers back then. Today we have 33 million. Our database is very rich with years of experience. We realize that the Internet is only a channel."<sup>168</sup>

### **More Bricks & Clicks**

In 1991, entrepreneur David Fairley founded a hammock company in the United States. He took the company online in 1997, has many hammocks shipped directly from suppliers, and now attributes much of his success to the Internet. The current domain name for his company is hammocks.com. In 2000, Fairley had \$475,000 in sales, and expected this to increase to \$1 million in 2001.<sup>169</sup>

Seattle-based ChefShop.com opened a retail store at the same time it opened its website. The company achieved a measure of success and expected revenues of about \$850,000 per month during the holiday season of 2001.<sup>170</sup>

W.W. Grainger is a company that distributes maintenance products and spare parts to retailers and bulk buyers. Although the company still had a carbon catalog, many people order online. According to Michael Porter, W.W. Grainger's website has boosted the company's sales to customers who use the web by 90%.<sup>22</sup>

### **Traditional Wholesaling & Clicks**

In 1997, GE Plastics allowed its customers to buy online. In January 1999, the company hired 17-year veteran Gerry Podesta to lead the company's e-business division, despite the fact that he had no Internet experience. Podesta staffed his new team with insiders and outsiders who had also not had e-business experience. Soon afterwards, Podesta said, "we don't have a single person on the team who writes HTML. We looked for innovators, hard drivers, people who accept new ideas and go fast. That's all." In one year, GE Plastic's website gepolymerland.com increased online sales from \$100 million to \$1.5 billion. By 2001, online sales had climbed to more than \$3 billion.<sup>28</sup>

---

<sup>168</sup> Piturro, Marlene. "Capital One's David Willey: Internet Success." *Strategic Finance* v83 i4 (Oct. 2001): 28.

<sup>169</sup> Bishop, Todd. "Hanging in There." *Puget Sound Business Journal* v22 i20 (Sept. 21, 2001): 21.

<sup>170</sup> Tice, Carol. "Survivors." *Puget Sound Business Journal* v22 i20 (Sept. 21, 2001): 3A.

# Bricks & Outsourced Clicks

Corresponding Analysis: Bricks & Clicks

## Category Managers

Category management company Handleman Entertainment Resources manages the music aisles of chains such as Wal-Mart and Kmart. It decides which CDs to stock, prices the CDs, arranges the shelves and displays, and even designs newspaper ads for the stores. Handleman employs 20 or more music experts to track the music scene. The average retailer may have one or two. Handleman can even specialize on local tastes and preferences.<sup>171</sup>

When a store may have 3,000 CDs on its shelves, hiring a company like Handleman can add value. Online category managers may, in the music industry, deal with 200,000 cross-referenced titles and song samples, as well as pre-ordering, inventory, artist interviews, reviews, concert schedules, shipping and customer service. According to Sandeep Dayal, Thomas D. French and Vivek Sankaran of the McKinsey Report, “all the retailer provides is the customer.”<sup>171</sup>

J.C. Penney uses Handleman’s “mFinity” online category-management service and now profitably sells CDs online. According to the McKinsey report, it may increase its earnings by \$2 million per year as a result. While the costs of establishing an e-commerce presence may be very high, having a partnership with a company that can do everything can be less trouble and more profit. Customers need not even know that the service-providing company exists.<sup>171</sup>

One of the dangers of an online category manager is the potential for compromised brand integrity. According to the McKinsey report, it’s important to form a strict agreement with a category manager covering a site’s performance, customer service, and order fulfillment. Online commissions tend to range from 5-10% of sales. This is lower than those of affiliate programs and slightly below the level of offline commissions because, off-line, traditional retailers still have to stock their products.<sup>171</sup>

Handleman manages about 10% of offline music distribution in the U.S. and hopes to achieve the same online. According to the McKinsey Report, the online music industry expected to be worth \$3 billion by 2005.<sup>171</sup>

Global Sports was once an online retailer, but the company wasn’t doing well, so it sold its online branded business in 1999. The company then became an online category manager and within 12 months achieved

sales of \$40 million. This increased to \$102 million in 2001, and the company had its first profitable quarter in quarter four of 2001.<sup>171</sup>

Global Sports is now an online category manager in sporting goods offering 600 brands and 60,000 products. Two of its clients are the Sports Authority and FOXSports.com. TheSportsAuthority.com is organized just like its physical stores but with a deeper range of products. Its logo and tagline “Go out and play” appear at the top of every page. FOXSports.com has a series of buttons on its homepage including “Games,” “Shows,” and “Shop.” “Shop” leads to a section whose feel is identical to the rest of the site but which is run by Global Sports.<sup>171</sup>

### **Traditional Retail & Outsourced Clicks**

Toys-R-Us moved online during the Internet boom. Although it got many customers, Toys-R-Us initially couldn't handle them. As stated by Ray Arthur, Senior Vice President and CFO of Toys-R-Us, “The bad news was that our site had trouble scaling to the number of visitors. Many of them couldn't get through. But that's not where our problems ended. We also experienced fulfillment problems with the [reduced] volume we were able to take in.” In the 1999 holiday season, many of Toys-R-Us' holiday shipments did not get to customers in time for Christmas. In response, Toys-R-Us sent them each \$100 gift certificates.<sup>218</sup>

Toys-R-Us kept working to improve its online strategy by building two brand new distribution centers and optimizing its existing infrastructure. In mid-2000, however, Toys-R-Us questioned why it was doing everything itself and started talking with Amazon. In August 2000, a partnership had been formed. Arthur explained, “We reside on their site, we use our merchandising expertise to develop content, our buying power to obtain inventory. They perform customer service and fulfillment for us. Each of us does what each does best. Amazon has one of the best sites for online shopping, a stellar customer service record and proven fulfillment capabilities in excess of what we'd been able to put together.”<sup>218</sup>

Between August and December, Amazon put Toys-R-Us' catalog online. According to Arthur, it was very difficult, but everything went smoothly. Traffic was five times greater than the closest traditional retailer. Sales were no doubt due in large part to Toys-R-Us existing customer base, the 25 million Amazon customers, the 100 million annual visitors to Amazon, and the ability to market to the 60 million Toys-R-Us customers on the brick-and-mortar side. Toys-R-Us' online sales tripled in 2000. According to Arthur, “Amazon sent out 31 million packages over the holiday season, and 99 percent arrived on time. ... The deal happened at a unique time ... I believe that if we hadn't done the deal when we did, we wouldn't have

---

<sup>171</sup> Dayal, Sandeep, Thomas D. French and Vivek Sankaran. “The e-tailer's secret weapon: General retailers use their expertise in a few core categories to attract customers, but over the Web they must offer more. Enter the on-line category manager.” *The McKinsey Quarterly* (Spring 2002): 73(7).

been able to do it at all. Our fulfillment centers were almost operational. If we'd staffed up and proven to ourselves they worked, we might have been in too deep to feel comfortable getting out."<sup>218</sup>

Amazon had charged Toys-R-Us \$119 million by May 2001. Through Amazon, Toys-R-Us could use complex software, including proven personalization features, right away. The company no longer needed web developers and could cut back in logistics. Toys-R-Us also locked in its fulfillment costs with Amazon. Arthur states, "All we have to do is work on margins and on marketing and overhead. We can focus on those four things and make this a success. We have one of the most definable profit-and-loss statements in the e-commerce arena."<sup>218</sup>

### **Traditional Wholesaling & Outsourced Clicks**

In 1999, 3Com Corporation opened a website and grew its online revenue to 5% of total sales. It began with a company called Channel Intelligence that offered 3Com the solutions to link web customers directly to 3Com's resellers for a monthly fee. 3Com agreed to do this as a trial run, but offered its own online service alongside that of Channel Intelligence. Within 30 days, more than 50% of the leads provided by Channel Intelligence finished at reseller locations. Impressed with Channel Intelligence, 3Com then closed down its own online shopping cart and distribution center. Its Channel Intelligence site now runs at 10% of the cost of the site 3Com had run itself. By July 2002, 3Com had generated \$135 million-worth of leads for its dealers through its website and had shipped more than 15,000 buyers to channel partners who reported sales conversion rates of 8% to 11%, much higher than the 1-2% rates achieved with its other marketing and sales programs. Channel Intelligence charges 25% of the manufacturer's suggested retail price per product per month (e.g., a \$400 DVD player would cost \$100).<sup>172</sup>

In November 2000, Maytag launched Maytag.com. The company's market research showed that most visitors were primarily looking for information. However, some were looking to actually purchase. So, while Maytag didn't want to get into direct-to-customer sales, the company wanted to capitalize on the potential on the Internet. To do this, Maytag hired BroadVision to create "My Maytag." Through "My Maytag," BroadVision was responsible for the online user experience, personalization, online catalog and content management. Actual sales were handed off to Maytag retailers and dealers through another company, Comergent Technologies. Ultimately, customers get seamless shopping experience and Maytag initiates more sales from which it profits. In July 2001, Maytag.com generated 1% of company revenue and served as a source of information to customers.<sup>173</sup>

---

<sup>172</sup> Karpinski, Richard. "3Com opts for channel over own online store." *B to B* v87 (July 15, 2002): 15.

<sup>173</sup> Gomolski, Barb. "E-Business Pulse: No channel conflict – The reason I'm buying my next dishwasher on the Internet is why the Maytag Man is still employed." *InfoWorld* v23 i28 (July 9, 2001): 10.

# **Consumer Trust**

Corresponding Analysis:

## Consumer Trust

According to Venkatesh Shankar, Fareena Sultan, and Glen L. Urban of the Robert H. Smith School of Business, trust is an important factor of online buying. These writers associate trust with reliability, credibility, emotional comfort, quality and benevolence. They list the following as website trust factors:

- Feeling of control (e.g., user-friendliness and intuitive navigation)
- Advice (e.g., listing competitors' information; and bias)
- Products (and selection)
- Fulfillment
- Community
- Privacy/security (e.g., ease of finding policies)
- Trust seals (e.g., guarantees/warrantees; and keeping promises)
- Relationship with other sites (e.g., link exchange)
- Brand (i.e., perceived reputation, long-term nature, and perceived company size)
- Technology (e.g., no website errors)
- Presentation (e.g., real-world feel)

Venkatesh Shankar, Fareena Sultan, and Glen L. Urban believe that trust can be inhibited by inferior product quality, poor website content, complex or unintuitive navigation, technology failures, inferior customer service, poor response time and order fulfillment problems. They also believe that trust affects customers':

- Intent to act (e.g., attitude, perception of risk, willingness to buy, and long-term orientation)
- Satisfaction and loyalty (e.g., satisfaction, commitment, repeat purchasing, and loyalty)
- Firm performance (e.g., traffic, prices, revenues, profitability and ROI, and shareholder value).<sup>174</sup>

According to Consumer WebWatch, only 29% of Internet users say they trust websites that sell products or services.<sup>175</sup>

---

<sup>174</sup> Shankar, Venkatesh, Fareena Sultan, and Glen L. Urban. "Online Trust and e-Business Strategy: Concepts, Implications, and Future Directions." *Robert H. Smith School of Business 2002*. Online Jan. 8, 2003. URL: [http://bmg2-notes.umd.edu:8080/Faculty/KM/papers.nsf/13752dcad91c2280852567ed0060e032/60ba8a249904286385256bfa0074c828/\\$FILE/Online\\_Trust\\_JSIS.PDF](http://bmg2-notes.umd.edu:8080/Faculty/KM/papers.nsf/13752dcad91c2280852567ed0060e032/60ba8a249904286385256bfa0074c828/$FILE/Online_Trust_JSIS.PDF)

<sup>175</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 76.

## Security

On September 11, 2001, eBay's new listings decreased 25%. Soon afterwards, the company put up an "Auction for America" in which all intermediaries such as VISA and eBay itself waived fees. The goal was to raise \$100 million in 100 days to benefit September 11 charities.<sup>320</sup>

According to Information Security Magazine, companies conducting e-commerce are twice as likely to have their web servers attacked by hackers.<sup>176</sup>

Jupiter Media Metrix claims that 59% of U.S. consumers who do not shop online say they are afraid their credit card information could be stolen while shopping online.<sup>177</sup>

According to VISA EU, 71% of existing online shoppers say that adequate authentication would make them consider shopping online more frequently.<sup>178</sup>

CyberSource reports that 54% of online retailers say that online credit card fraud is a very serious problem.<sup>179</sup>

### Canadians & Security

According to Ipsos-Reid, in late 2001, 83% of those who hadn't shopped online cited credit card security concerns. This was up from 72% the prior year.<sup>103</sup>

"Canadians are not comfortable buying online. They are still concerned about security issues, much as the industry tries to reassure them. So people go to our site, learn about a product, and phone our call centre. We pick the product in our warehouse located at the downtown store, package it and deliver it by courier. That business has grown tremendously."<sup>180</sup> – David McPherson, VP of Commercial Sales and e-Commerce at Henry's

According to Ipsos-Reid, the 83% of Canadian Internet users who have yet to make a purchase on the Internet say that security concerns are holding them back.<sup>181</sup>

GartnerG2 claims that one in six online consumers has been the victim of credit card fraud and that one in twelve has been hit with identity theft.<sup>182</sup>

<sup>176</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 150.

<sup>177</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 167.

<sup>178</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 174.

<sup>179</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 170.

<sup>180</sup> "E-business means better business now." *Canadian Business* v74 i21 (Nov. 12, 2001): pSSS1(7).

<sup>181</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 165.

## Privacy

According to the UCLA Center for Communication Policy, almost two-thirds of U.S. Internet users say that going online endangers their privacy.<sup>183</sup>

Pew Internet and American Life Project claims that 54% of Internet users have chosen to provide personal information in order to use a website,<sup>184</sup> but that 24% of Internet users have provided fake names or personal information in order to avoid giving a website real information.<sup>185</sup>

In early 2002, Yahoo announced plans to exploit users' personal information and market to them via email and the phone. Users could opt out by unclicking options in their preferences. Yahoo has more than 230 million users.<sup>186</sup>

### Privacy Policies

According to Consumer WebWatch, 65% of Internet users say it is very important that a site display its privacy policy.<sup>187</sup>

Pew Internet and American Life Project claims that 86% of Internet users are in favour of "opt-in" privacy policies that require Internet companies to ask people for permission to use their personal information.<sup>188</sup>

According to Harris Interactive, 84% of American consumers think companies should be required to submit their privacy policy for independent verification.<sup>189</sup>

### Privacy & Shopping

According to Ipsos-Reid, 66% of online shoppers had personal information concerns in late 2001, up from 52% in 2000.<sup>103</sup>

Cyber Dialogue/Fulcrum Analytics reports that 27% of Internet users say they have abandoned an online order because of privacy concerns.<sup>190</sup>

---

<sup>182</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 188.

<sup>183</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 88.

<sup>184</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 90.

<sup>185</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002:111.

<sup>186</sup> "The Internet sells its soul; Making money online." *The Economist Global Agenda, The Economist (U.S.)*, April 20, 2002.

<sup>187</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 83.

<sup>188</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 90.

<sup>189</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 108.

<sup>190</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 93.

## Reliability and Credibility

### Better Information

According to Business Week, “The best reason to buy many products online is the bad or inconsistent advice you get offline. ... If someone designs a Web site well enough, they can take the selling process far beyond the ‘trust me’ that usually dominates discussion when consumers understand the product poorly.” The magazine claims that Amazon and TireRack.com do this well.<sup>191</sup>

Blue Nile uses standardized rating systems to make its customers feel comfortable to buy engagement rings at the site.<sup>191</sup>

### Testimonials

According to Cyber Dialogue and Fulcrum Analytics, only 18% of consumer e-commerce sites in the United States offer testimonials from customers.<sup>192</sup>

### Competitor Pricing

According to Valeria Trifts and Gerald Häubl of Penn State eBusiness Research Center, “Providing access to competitor price information enhances an online retailer’s perceived trustworthiness ... [and] consumers’ long-term preference for an online retailer.”<sup>193</sup>

---

<sup>191</sup> Mullaney, Timothy J. “Where the Rubber Meets the Road.” Business Week Online. (August 23, 2002). URL: [http://www.businessweek.com/technology/content/aug2002/tc20020823\\_3932.htm](http://www.businessweek.com/technology/content/aug2002/tc20020823_3932.htm)

<sup>192</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 120.

<sup>193</sup> Trifts, Valerie, and Gerald Häubl. “Information Availability and Consumer Preference: Can Online Retailers Benefit from Providing Access to Competitor Price Information?” *Penn State eBusiness Research Center*, June 2002. URL: [http://www.ebrc.psu.edu/publications/papers/pdf/2002\\_06.pdf](http://www.ebrc.psu.edu/publications/papers/pdf/2002_06.pdf)

# Brand and the Internet

Corresponding Analysis: Brands

A June 2002 Doubleclick study found that 75% of marketers said that building brand awareness was their main objective online.<sup>194</sup>

According to Goldman Sachs, Harris Interactive, and NetRatings, 63% of online shoppers in the United States rely on brand awareness as the leading factor of purchasing online.<sup>195</sup>

## The Internet Grapevine

“The effect of the Internet is to increase talk, making each customer more aware of the range of choices and prices. Talk is the enemy of branding.<sup>196</sup> ... It is hard to understand an Internet-oriented company extolling the benefits of brand when its very existence is built on having violated the brands of the organizations it defeated or replaces. ... today branding will serve less and less as a barrier to entry.”<sup>196</sup> –Larry Smith, *Beyond the Internet*

## e-Commerce Company Brand Online

According to PricewaterhouseCoopers, 80% of Internet users agree that their purchasing decisions are strongly influenced by the ability to buy from known, trusted retailers and to buy known, trusted names.<sup>197</sup>

According to author Jac Fitz-Enz, nearly 70% of adults are willing to switch brands if there's something better, and act more on information than on impulse.<sup>198</sup>

John M. de Figueiredo of MIT Sloan School of Management believes that an e-commerce start-up's brand strategy will be substantially determined by the market it serves.<sup>202</sup>

---

<sup>194</sup> Stambler, Sarah. “How Marketers Are Using E-Mail.” *The E-Tactics Letter* v11 i12 (August 28, 2002): 12. URL: <http://www.e-tactics.com/Aug02.htm>

<sup>195</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 195.

<sup>196</sup> Smith, Larry. *Beyond the Internet: How Expert Systems Will Truly Transform Business*. Stoddart Publishing Co. Limited: Toronto, 2001: 14.

<sup>197</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 265.

<sup>198</sup> Fitz-Enz, Jac. *The E-Aligned Enterprise: How to Map and Measure Your Company's Course in the New Economy*. New York: AMACOM, 2001: 114.

### Traditional Brands Online

“We learned that 61% of women surf or buy product on the Internet, and 25% of Easy Spirit customers are looking for us on the Internet ... It’s another way for them to learn about the brand and drive traffic into the stores.”<sup>199</sup> – Jennifer Weideman, Senior Marketing Director, Easy Spirit

“As studies by existing companies such as Staples Inc. and Polo have shown, when established companies choose to sell directly online, it drives incremental revenue from both new and existing customers.”<sup>153</sup> – Geoff Biehn, *Financial Executive*

FTD.com, a florist company with an established brand, reached profitability in 2000. The company refers customer orders to local florists and doesn’t need inventory, stores or trucks.<sup>160</sup>

“We’ve set our sights a lot lower this year, especially in terms of the capital investment we’ll make. ... Many of them [our shareholders] felt that the brick-and-mortar [presence] would be a competitive advantage for us, and that in the long run, the investment would pay out. I don’t think they’re wrong, but it will take longer than they expected.”<sup>218</sup> – Kevin Frain, Vice President and Treasurer, Barnes & Noble (May 2001)

### Pure-Play e-Commerce Brands

“Strong e-commerce brands can signal quality in the reliability of delivery, security of personal information, dependability of the return policy, and customer service in general.”<sup>202</sup> – John M. de Figueiredo, MIT Sloan School of Management

“Amazon.com presents itself as a new response to retailing, but it is actually building brand as if this is 1950 and it is Proctor & Gamble. Applying an ineffective tool very aggressively is neither strategy nor innovation.”<sup>200</sup> – Larry Smith, *Beyond the Internet*

According to Keith Regan of eCommerceTimes.com, “dot-com” is being used more carefully than it once was. He points out that it was once appended to the end of many company names. Now, while some avoid it, it may be good for positioning pure-play Internet companies.<sup>201</sup>

---

<sup>199</sup> Dolbow, Sandy. “Easy Spirit Promotes Dot-Comfort with Rosie.” *Brandweek* v42 i18 (April 30, 2001): 6.

<sup>200</sup> Smith, Larry. *Beyond the Internet: How Expert Systems Will Truly Transform Business*. Stoddart Publishing Co. Limited: Toronto, 2001: 12.

<sup>201</sup> Regan, Keith. “Dot-Com’ Redeems Its Good Name.” *E-Commerce Times*, Sept. 13, 2002. URL: <http://www.ecommercetimes.com/perl/story/19390.html>

“The opportunity for new e-commerce brands has arisen, however, in the commodity and quasi-commodity segments. Hence, we see the rise of Amazon, Buy.com, and Travelocity.”<sup>202</sup> – John M. de Figueiredo, MIT Sloan School of Management

According to Jennifer LeClaire, the key for small businesses is differentiation. The next step for them, she says, is to provide a more customized and better-targeted customer experience.<sup>203</sup>

### **High-End Brands Online**

In 2000, Blue Nile Inc. sold \$50 million-worth of diamonds online. According to eWeek writer Valerie Rice, “to attract and satisfy the wealthy, you need to design your site in such a way that you quickly establish yourself as an online expert, make users feel as if they’re part of an exclusive club, avoid obnoxious cross-selling techniques, be willing to provide services through a number of channels—not just online—and always listen and react to customer preferences. ... [Blue Nile] started in May 1999 with a simple premise: Men buy diamonds, but men—or at least some men—are uncomfortable in a showroom, particularly when they don’t know anything about the stones.” Rice also points out that Blue Nile believes that one key to success is keeping the homepage fresh and updated.<sup>204</sup>

According to Montvale, NJ, Mercedes-Benz Company General Manager of e-Business Astrid Fontaine, 65% of Mercedes’ U.S. customers in 2000 went to Mercedes-Benz’ USA website mbusa.com to research before purchasing. The site includes third-party comparisons with other luxury vehicles for credibility and convenience as well as a beefed up owners-only area. Mercedes CEO Martin McClanan claims that the Internet enables the company to improve its already-excellent relationship with Mercedes owners.<sup>204</sup>

“If you were completely tied to online, you’re in a pretty horrible environment. Being strictly online is not a great way to sell an upscale brand.”<sup>204</sup> – Valerie Rice, *eWeek*

## **Product Brand & e-Commerce Brand in Relation to It**

### **The Product Continuum: From Commodity to Look-and-Feel**

In his paper “Finding Sustainable Profitability in the E-commerce Continuum,” John M. de Figueiredo of the MIT Sloan School of Management breaks the product continuum into three categories as follows:

---

<sup>202</sup> de Figueiredo, John M. “Finding Sustainable Profitability in the E-commerce Continuum.” *eBusiness @ MIT, MIT Sloan School of Management*, April 2000. URL: <http://ebusiness.mit.edu/research/papers/129%20de%20Figueiredo,%20Sustainable%20Profitability.pdf>

<sup>203</sup> LeClaire, Jennifer. “Are Small E-Tailers Finished?” *E-Commerce Times*, Sept. 16, 2002. URL: <http://www.ecommercetimes.com/perl/story/19403.html>

<sup>204</sup> Rice, Valerie. “Lessons from luxury – Struggling dot-coms can learn from sites selling to the rich.” *eWeek*, May 14, 2001: 57.

- Commodity (e.g., oil, stock shares, paper clips)
- Quasi-commodity (e.g., books, videos, CDs, toys, new cars)
- “Look and feel” goods (e.g., cosmetics, suits, upholstered furniture, model homes)
- “Look and feel” goods with variable quality (e.g., original art, used cars, fresh produce).<sup>202</sup>

### Commodity Goods

John M. de Figueiredo believes the following about online commodity and quasi-commodity products:

- “The first thing to recognize is that the barriers to entry grow higher as we move across the continuum from commodity to look and feel with variable quality. However, precisely because entry will be easy and competition fierce, those companies which enter the commodity and quasi-commodity types of businesses will find small, if any, profit.”<sup>202</sup>
- “Consumers in these [commodity] markets care little about the identity of the seller; they only care about the correct characterization of the products, the price, and the terms of delivery.”<sup>202</sup>
- In the commodity and quasi-commodity product segments, the actual e-commerce vendor brand is important to the extent that it signals reliability and competitive advantage.<sup>202</sup>
- Commodity product sellers must strive for lower cost positions.<sup>202</sup>
- Quasi-commodity sellers must develop strategies to insulate their products from price competition, through customer loyalty programs and website stickiness.<sup>202</sup>

Senior Nielsen/NetRatings Internet analyst Dawn Brozek believes that differentiation is key to online product categories such as electronics. The main factors with categories such as this, she says, are shipping deals, fast delivery, and added freebies or rewards. She also believes that customers are looking for extra features such as Amazon’s 1-click checkout.<sup>205</sup>

According to Sydney Finkelstein of the *Journal of Business*, B2B marketplaces will hasten commoditization in industries of little differentiation.<sup>206</sup>

### Look and Feel Goods

John M. de Figueiredo believes the following about online “look and feel” products:

---

<sup>205</sup> Regan, Keith. “Report: Amazon, eBay Not the Biggest Threat.” *E-Commerce News*, Sept. 20, 2002. URL: <http://www.ecommercetimes.com/perl/story/19464.html>

<sup>206</sup> Finkelstein, Sydney. “Internet Startups: So Why Can’t They Win?” *Journal of Business Strategy* v22 i4 (July 2001): 16.

- “‘Look and feel’ goods have a common characteristic—their quality is very difficult to assess from afar.”<sup>202</sup>
- Barriers to entry are high in online look and feel segments. Nevertheless, companies that are able to “crack the code” and enter successfully into these segments will find substantial profits. It is precisely in these latter segments where bricks will combine with clicks to generate profits.<sup>202</sup>
- Both e-commerce brands and product brands are important sources of competitive advantage in the “look and feel with variable quality” segments.<sup>202</sup>
- Look and feel sellers must meld their traditional assets with the electronic marketplace to distinguish their products and exploit their current product brands.<sup>202</sup>
- Look and feel with variable quality sellers must either think small and inexpensive to develop a reputation that allows them to grow, or invest in both front end and back end technologies to facilitate customer purchases.<sup>202</sup>
- “In the consumer’s quest for information about the quality and characteristics of the product, strong product brands (as opposed to e-commerce brands) will become the kingpin.”
- “Incumbent and established brands like Hugo Boss, Evan Picone, and Victoria’s Secret, all provide a substantial amount of information about the product to the consumer. Because of past experience with these products, consumers are able to understand the difference between LL Bean duck boots and other duck boots. Brands such as Ann Taylor convey information about the expected product quality, material, and fit. Indeed, this suggests that well-branded incumbents, precisely because of their ability to differentiate their products, will be able to wield substantial market power, and therefore obtain large profits in this segment of the market.”<sup>202</sup>
- Product brands will persist, and some retail outlet brands, especially those that cover the look and feel segment, will continue to profit.<sup>202</sup>
- “This suggests that profits will accrue to the branded product manufacturers and profits of e-commerce vendors will soon plummet.”<sup>202</sup>

# Web Presentation & Usability

Corresponding Analysis: Web Presentation & Usability

According to Boston Consulting Group, more than 60% of online consumers say if they are dissatisfied with a company's e-commerce site, they are less likely to purchase from the company's traditional store.<sup>207</sup>

Nielsen Norman Group claims that children are just as likely as adults to get frustrated with poorly designed websites.<sup>208</sup>

According to Giga Information Group, most websites fail to incorporate the minimum standards for usability, links, and privacy established by industry leaders and web experts.<sup>209</sup>

## Common Website Inadequacies

According to Webby Award and Inc. Web Awards judge Marcia Yudkin, common website problems include a lack of context and quick orientation; missing prices and shipping charges; hard-to-read text; and careless inconsistencies<sup>210</sup>

According to Retail Forward, the top five online shopper frustrations are:

- Pop-up boxes when visiting/shopping at a site (52%)
- Banner advertisements (50%)
- Congested web pages (i.e., too many ads, images or info) (35%)
- Slow load times (26%)
- The difficulty to find a specific product (20%)<sup>211</sup>

“Purchases should be no more than three clicks away, while specs should be a single click away.”<sup>204</sup> – Valerie Rice, eWeek

“A confused user won't buy. He'll leave, so it has to be clear and easy at all times.”<sup>204</sup> – Bo Paquin, CEO of BlueNile.com

---

<sup>207</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 97.

<sup>208</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 60.

<sup>209</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 83.

<sup>210</sup> Medford. “Five e-Commerce Errors.” *Link-Up* v19 i3 (May 2002): p1(2).

<sup>211</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 78.

### Site Search

According to PricewaterhouseCoopers, 70% of online shoppers have used a site's search engine while shopping online, and 43% say it's the most important feature on the site.<sup>212</sup>

## Product Representation Online

PricewaterhouseCoopers claims that close-up product images is the website feature most likely to increase a shopper's likelihood of purchasing.<sup>213</sup>

### Holograms

In early 2001, MIT graduate Mark Lucente was focusing his energies on a high-quality website search tool called Soliloquy. Previously, Lucente had worked at a company called Spatial Imaging Group where he worked on holographic video technology. To a degree, he was successful. According to Don Steinberg of Ziff Davis Smart Business for the New Economy, "Lucente and his colleagues modulated light waves that projected into space a golf-ball size 3D image of a Volkswagon Beetle. An observer turning a knob could rotate the image—the world's first interactive video hologram." Steinberg believes, however, that this technology is still "light years" away from consumers.<sup>214</sup>

### Virtual Models

One of the most popular features on Lands' End's website is its digital apparel model, or, "My Virtual Model." According to Barb Gomolski of InfoWorld, shoppers who use the model are 19% more likely to make a purchase and their orders are, on average, 16% higher.<sup>215</sup>

---

<sup>212</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 143.

<sup>213</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 85.

<sup>214</sup> Steinberg, Don. "The Man with the E-Commerce Answer – Technology supergenius Mark Lucente wants to give your Web site a brain so it can have a nice, profitable conversation with customers. Any questions?" *Ziff Davis Smart Business for the New Economy*, Feb. 1, 2001: 100.

<sup>215</sup> Gomolski, Barb. "E-Business Pulse: Mining for e-gold – Value-enhancing e-business practices can help you take full advantage of assets such as intellectual capital." *InfoWorld* v23 i46 (Nov. 12, 2001): 10.

# Price

## Corresponding Analysis: Price

According to Robyn Greenspan of Cyber Atlas, the average purchase price declined 10% for the holiday season, and 2% for the year. Greenspan believes this may indicate a bargain-hunting trend. The average purchase price for 2002 was \$134.<sup>216</sup>

### Convenience vs. Price

According to GartnerG2, 79% of online consumers focus on convenience when buying on the Internet, while 32% value price savings.<sup>217</sup>

According to Michael E. Porter, online businesses are pursuing the lowest price instead of emphasizing other things the Internet could win them such as competitive advantages in convenience, service, specialization, and customization.<sup>22</sup>

### Price Wars

One anonymous CFO: “Last year, three of our major accounts signed with technology companies that promised to cut our costs by putting the whole purchasing function online ... The technology providers get a fee from our customer, and a fee from us. Their systems are a foe of value-added selling, because they treat all vendors the same. They don’t differentiate between quality and service. They just reduce the whole sales effort to an online auction. ... Whoever comes back with lowest prices gets the job. We’ve had cases where we did not get the job; it went to someone else because the price was lower. The other vendor couldn’t deliver on time, and the delay closed down our customer’s line.”<sup>218</sup> – An anonymous CEO quoted in the Financial Executive

Michael E. Porter considers Buy.com lowest-price strategy to be a lost cause.<sup>22</sup>

---

<sup>216</sup> Greenspan, Robyn. “2002 E-Commerce Holiday Wrap-Up.” *CyberAtlas* (Jan. 3, 2002). URL: [http://cyberatlas.internet.com/markets/retailing/article/0,,6061\\_1563551,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,,6061_1563551,00.html)

<sup>217</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 298.

<sup>218</sup> Millman, Gregory J. “Putting E-Commerce in Perspective.” *Financial Executive* v17 i3 (May 2001): 28.

## Dynamic Pricing

Muammer Ozer of *Business Horizon* points out that the Internet can facilitate dynamic pricing, or, pricing based on the individual customer. He points out, however, that Amazon attempted this and, due to an outcry from its customers, ended up refunding money to those who paid more.<sup>219</sup>

According to Joshua Glantz of *Westchester County Business*, Dell uses dynamic pricing to steer demand for products with components that are immediately available.<sup>220</sup>

## Tax

In a U.S. consumer survey by the Consumer Electronics Association, 92% of respondents opposed paying tax for Internet access and 75% opposed tax on Internet purchases.<sup>221</sup>

In a 2002 Jupiter Research survey, only 46% of online consumers are aware that they could avoid sales tax by shopping around, and of those who were aware, 61% don't go out of their way to find online retailers that don't charge sales tax. Of those who do, 30% sometimes look for a retailer that doesn't charge sales tax, and 9% always do.<sup>222</sup>

According to Jupiter Research, imposition of a sales tax on e-commerce transactions is likely within three to five years. The company says, though, that "this will not be a significant impediment to the growth of the online retail channel." Senior Jupiter Research Analyst Ken Cassar says, "with budget deficits on the horizon, state and local governments have stepped up their efforts to collect sales tax from online retailers. The collection of taxes is no longer an if but a when." A report by the University of Tennessee in 2002 estimated that the 50 states could collectively lose more than \$45 billion in Internet sales tax in 2006.<sup>222</sup>

A difficulty for governments seeking to impose tax of any kind on online businesses is the location of a business. Hendrik Swaneveld and Carol Felepchuk of CMA Management ask, where is it? Is it where the business' servers are, where the CEO lives, or somewhere else?<sup>223</sup>

---

<sup>219</sup> Ozer, Muammer. "The role of flexibility in online business." *Business Horizon* v45 i1 (Jan.-Feb. 2002): 69(9).

<sup>220</sup> Glantz, Joshua. "Modest e-business strategy brings rewards." *Westchester County Business* v41 i25 (June 24, 2002): T4(1).

<sup>221</sup> "e-Business Update." *Journal of Business Strategy* v22 i3 (May 2001): 3.

<sup>222</sup> Cox, Beth. "Online Sales Tax? No Big Deal." *CyberAtlas* (Feb. 5, 2003). URL: [http://cyberatlas.internet.com/markets/retailing/article/0,,6061\\_1579891,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,,6061_1579891,00.html)

<sup>223</sup> Swaneveld, Hendrik, and Carol Felepchuk. "CCRA delivers the goods (and services): the agency's proposed Canadian e-com tax treatment looks business friendly." *CMA Management* v76 i7 (Oct. 2002): 43(2).

# Payment

Corresponding Analysis: Payment

## Shopping Carts

In October 2002, Dell was soon to introduce a feature called “shared cart.” This feature gives customer service representatives access to a customer’s online shopping cart, thus enabling them to complete an online order over the phone. Alternatively, an order started on the phone could be completed online. Live voice chat was another of Dell’s pursuits. Dell was hopeful that this feature would enable existing staff to service twice as many customers.<sup>224</sup>

GartnerG2 Director Brian Smith believes that online businesses should speed up the purchase process by not making their customers enter information multiple times.<sup>300</sup>

## Shopping Cart Abandonment

According to Boston Consulting Group, online retailers lost \$15 billion due to aborted purchases in 2000.<sup>214</sup>

A study by Datamonitor shows that 69.4% of online transactions are abandoned.<sup>225</sup> It also shows that high shipping and handling costs are cited as one of the most popular reasons why online buyers abandoned their shopping carts.<sup>225</sup>

BizRate.com estimates that 78% of shopping carts are abandoned.<sup>204</sup>

Boston Consulting Group claims that shopping cart abandonments are due to high shipping charges being revealed, customers’ not wanting to fill in forms, customer disorientation, or lack of information.<sup>214</sup>

According to a survey of 719 online shoppers by Vividence, the following are the top ten reasons why shoppers abandon shopping carts:

- Shipping costs were too high (72%)
- Customer was comparison shopping or browsing (61%)
- Customer changed his or her mind (56%)

---

<sup>224</sup> “Michael George: Super Customer Service.” *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_7238.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_7238.htm)

<sup>225</sup> Campanelli, Melissa. “Who pays to get it there?; Net Profits: Your site’s shipping and handling charges can make or break an online sale.” *Entrepreneur* v30 i2 (Feb. 2002): 34(3).

- Customer decided to purchase the item(s) later (51%)
- Total cost of items was too high (43%)
- Checkout process was too long (41%)
- Checkout required too much personal information (35%)
- Site required registration before purchase (34%)
- Site was unstable or unreliable (31%)
- Checkout process was confusing (27%)

According to Cardline, it is estimated that consumers use credit cards for 90% of transactions.<sup>226</sup>

### **Micropayments**

In 1998, usability “guru” Jacob Nielsen suggested that online micropayments would become as commonplace as long-distance phone charges. Likewise, MIT Media Laboratory head Nicholas Negroponte said in 1998, “You’re going to see within the next year an extraordinary movement on the web of systems for micropayment.” However, micropayments never caught on. Several companies including CyberCash, First Virtual Holdings Inc. and DigiCash offered micropayments as little as 1/10 cent. All of these companies either went out of business or were forced to sell their businesses. According to George Anders of Fast Company, problems with micropayments include customers not valuing content as much as content providers think they should, the hassles of micropayments, and the perception that content on the Internet should be free. Anders believes that charging micropayments delivers two opposing messages to the user: (1) this is worth so much we’re charging you, and (2) this is worth next to nothing.<sup>50</sup>

### **Wireless Payment**

Wirca Inc. is a company that endeavors to enable consumers to buy products from vending machines using a cell phone or wireless Palm device. The company expected to have 200 compatible vending machines by year end 2001. In September 2001, there were 140 million cell phones and 19 million Palm Pilots in use in America.<sup>227</sup>

### **Fraud**

According to GartnerG2, Internet transaction fraud is twelve times higher than in-store fraud.<sup>228</sup>

---

<sup>226</sup> “Online Spending Increases 35% in the Third Quarter.” *Cardline* (Oct. 11, 2002).

<sup>227</sup> Roth, Stephen. “Consumers not warning to cashless commerce yet.” *Boston Business Journal* v21 i34 (Sept. 28, 2001): 11.

<sup>228</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 186.

VISA projects that authentication technologies will lead to a 50% reduction in e-commerce-related disputes and fraud.<sup>229</sup>

### **Real-World Fraud vs. Online Fraud**

VISA International claims that out of every \$100 spent online, between \$0.24 and \$0.28 is lost to fraud, compared with \$0.07 to \$0.08 in overall credit card purchases.<sup>230</sup>

According to the Internet Fraud Complaint Center, auction fraud accounts for nearly 43% of all reported fraud in the United States.<sup>231</sup>

“We found that the Internet is much riskier than the offline world. Credit risk offline looks much different from credit risk online. ... Fraud is a big problem when considering online applications for new accounts. We can detect if someone’s entering data in a nanosecond rather than in the time it takes to type in the information. Someone has his or her computer programmed to apply automatically. We picked that problem up and corrected it. ... There are always some really smart and creative people doing fraud.”<sup>168</sup>

## **Piracy**

According to Robyn Greenspan of Cyber Atlas, \$10.97 billion in product sales were lost in 2001 to piracy. The Asian-Pacific region accounted for almost half of this. According to the Business Software Alliance, worldwide piracy grew from 37% in 2000 to 40% in 2001. In the same period, piracy in North America increased slightly from 25% to 26%. Piracy in the U.S. was 25%, up 1% from 2000. Piracy was much higher in Canada than in the U.S. at 38% in both 2000 and 2001.<sup>232</sup>

According to a global Ipsos-Reid study, 44% of global Internet users have downloaded a music file and 24% have burned a CD of music downloaded from the Internet.<sup>132</sup>

## **Returns**

Return.com is a company that provides services that enables online retailers to allow their customers to return products by mail.<sup>233</sup>

---

<sup>229</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 178.

<sup>230</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 172.

<sup>231</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 175.

<sup>232</sup> Greenspan, Robyn. “Global Piracy Rate Rises to 40 Percent.” *CyberAtlas* (Dec. 9, 2002). URL: [http://cyberatlas.internet.com/big\\_picture/geographics/article/0,,5911\\_1554401,00.html](http://cyberatlas.internet.com/big_picture/geographics/article/0,,5911_1554401,00.html)

<sup>233</sup> Pottruck, David S., and Terry Pearce. *Clicks and Mortar: Passion Driven Growth in an Internet Driven World*. San Francisco: Jossey-Bass, 2001.

According to PricewaterhouseCoopers, more than any other reason, online purchasers return products simply because they are not what the consumer expected.<sup>234</sup>

According to the International Data Corporation, the market for reverse logistics providers that manage returns for retail goods sold online will reach nearly US\$7.5 billion by 2004, up from US\$1.2 billion in 2000.<sup>235</sup>

PricewaterhouseCoopers claims that the most common complaint among Internet users with regard to returns is having to pay for return postage.<sup>236</sup> However, only 41% of online consumers who have wanted to return a product purchased from an online shopping site decided not to because it was too much hassle to do so.<sup>237</sup>

---

<sup>234</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 101.

<sup>235</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 270.

<sup>236</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 127.

<sup>237</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 310.

# Shipping & Logistics

Corresponding Analysis: Shipping & Logistics

According to Forrester Research, 82% of online shoppers say that shipping costs are paramount to their purchase decisions.<sup>238</sup>

Jupiter Media Metrix claims that delivery issues are the primary reason why customers contact online merchants.<sup>239</sup>

In the holiday season of 1999, sales reached an all-time high. However, many online retailers weren't able to deliver on their orders in time. According to Hau L. Lee and Seungjin Whang of the MIT Sloan Management Review, this may have contributed to the dot-com stock crash.<sup>240</sup>

Dematerialization is the act of making products digital. According to Lee and Whang, "software, publications, documents, music, videos, photos, stamps, bills, receipts, money and some services" are dematerialized products.<sup>240</sup>

## Consumer Options

### Free Shipping

Amazon, a company of more than \$3 billion in annual sales, offered free shipping on orders of \$99 or higher for the first time in quarter one of 2002. As a result, book, music and video sales rose 8% to \$410 million, up from a 5% increase in quarter four, and a 14% drop in quarter three, of 2001. Amazon later dropped this to \$49 and then to \$25. As Heather Green of Business Week points out, the question for Amazon is, at what point do lower margins not make up for increased sales? Whereas Amazon once made \$15 on a \$60 order, in July 2002 this had been reduced to \$12.<sup>241</sup>

39% of purchases made at Amazon on December 9, 2002 were influenced by free shipping deals. According to BizRate, however, only 9.3% of these actually ended up with no shipping charge, because customers opted to pay for faster shipping. Shipping charges actually increased 14.8% in 2002.<sup>108</sup>

---

<sup>238</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 93.

<sup>239</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 80.

<sup>240</sup> Lee, Hau L., and Seungjin Whang. "Winning the Last Mile of E-Commerce." *MIT Sloan Management Review* v42 i4 (Summer 2001): 54.

Buy.com, one of Amazon's competitors, had cut 82% of its staff since its peak in 2000 by July 2002. The company posted its first net profit in quarter one of 2002. In 2002, Buy.com's annual revenues measured in at about \$380 million. In June 2002, Buy.com lowered its prices to 10% below those of Amazon and offered free shipping on everything except for speakers and other heavy items. Immediately after these price slashes, Buy.com's average daily sales were \$1.2 million, up 50% from about \$800,000.<sup>241</sup>

### **Pickup**

65% of online purchases made at U.S. pharmaceutical chain CVS are picked up by customers at the chain's physical stores.<sup>240</sup>

Korean company ECLine (ecline.net), a shipping company, uses fleets of trucks to pick up packages from online retail clients and to drop them off at dealer depots. Several times each day, dealers have these packages delivered in neighborhoods by motorcycle at an average cost of \$3/package. Customers typically receive packages within 48 hours. ECLine has 72 online retail clients and is profitable.<sup>242</sup>

### **Japan's Convenience Store e-Commerce**

Japan's biggest convenience store chain, 7-Eleven Japan, has formed an alliance with six other Japanese giants to put together a website called 7dream.com that allows people to order from a large database. Customers can then pick their order up from a designated 7-Eleven location, such as a multimedia kiosk at a 7-Eleven store. This system works well because most Japanese people commute to work by rail, not car, and may pass many 7-Eleven stores daily. This system is well suited to Japan's cash-based commerce infrastructure because it enables customers to pay by cash.<sup>240</sup>

## **Shipping Efficiency**

### **Integration**

In 1999, Daimler-Chrysler AG's Mopar Parts launched supply-chain performance IT to improve dealer order flow and reduce inventory costs. To do this, the company connected 3,000 suppliers, four national parts distribution centers (PDCs), 16 field PDCs, and 4,500 Dodge and Chrysler dealerships. Within six months of instigating the program, the company saved \$7.2 million in reduced safety stock and realized a 0.7% improvement in order fulfillment which, in turn, cut \$10 million in transportation costs. By the close of 2001, Mopar Parts also saved \$20.2 million in reduced inventory as a result of its e-business initiatives.<sup>31</sup>

---

<sup>241</sup> Green, Heather. "The High Cost of Free Shipping; E-tail incentives may turn out to be a big step backward." *Business Week* 13792 (July 22, 2002): 60. URL: [http://www.businessweek.com/magazine/content/02\\_29/b3792077.htm](http://www.businessweek.com/magazine/content/02_29/b3792077.htm)

<sup>242</sup> Lee, Hau L., and Seungjin Whang. "Winning the Last Mile of E-Commerce." *MIT Sloan Management Review* v42 i4 (Summer 2001): 54.

@Costplus is a Dutch company that resells PCs, servers, and peripherals. In 2000, the company won the Netherlands' national logistics prize. @Costplus operates by beaming sales order information automatically and instantaneously to one of its distributor partners who then delivers direct from its inventory within the response time expected by customers. As a result, @Costplus does not have to deliver directly. The website ([www.atcostplus.nl](http://www.atcostplus.nl)) serves as a virtual warehouse, processing transactions, providing back-office services to other resellers, and making new information services available to all supply chain participants.<sup>243</sup>

According to Graham Sharman of the Supply Chain Management Review, the Internet can improve all three of the supply-chain costs: core costs, non-coordination costs, and transactional/overhead costs. "By automating processes that previously required face-to-face buyer-seller interactions, e-commerce may actually 'commodify' some supply chain relationships and thereby make it more difficult to develop strong relations with suppliers."<sup>244</sup>

### **Middlemen**

In their MIT Sloan Management Review article, "The new e-commerce intermediaries," Philip Anderson and Erin Anderson make the following statements about e-commerce middlemen:

- "Profits based on time-and-place utility are also likely to decline" because efficiency of getting goods to customers is always improving.<sup>245</sup>
- The Internet is not cutting out middlemen: it's adding more. Intermediaries add value. "The proper response to the Web for suppliers is to embrace channel partners, not replace them; the proper response for channel intermediaries is to leverage, rather than dread, Web-enabled commerce."<sup>245</sup>
- "The Web, while empowering buyers, also presents new problems. ... intermediaries who can't solve buyers' problems have nothing to offer a seller."<sup>245</sup>
- "Paradoxically, to generate value for producers, go-betweeners must be customer-oriented, not producer-oriented."<sup>245</sup>
- "Intermediaries that adapt still have something to offer. Problem solving has increased in value in part because electronic networks offer too much information, aggravating search problems. Intermediaries will be remunerated for reducing the morass of data to just what each individual buyer or seller wants to know."<sup>245</sup>

---

<sup>243</sup> Sharman, Graham. "How the internet is accelerating supply chain trends: the Internet did not create supply chain innovation." *Supply Chain Management Review* v6 i2 (March-April 2002): 18(8).

<sup>244</sup> Sharman, Graham. "How the internet is accelerating supply chain trends: the Internet did not create supply chain innovation." *Supply Chain Management Review* v6 i2 (March-April 2002): 18(8).

---

<sup>245</sup> Anderson, Philip, and Erin Anderson. "The new e-commerce intermediaries." *MIT Sloan Management Review* v43 i4 (Summer 2002): 53(10).

# Customer Service

Corresponding Analysis: Customer Service

According to Datamonitor, revenues generated by selling online customer service software will grow to US\$1.95 billion by 2004. This represents more than a 1,000% increase from 1999.<sup>246</sup>

## The Value of Good Customer Service

“That much-abused buzzword, CRM, promised businesses the chance to understand their customers better, communicate with them across multiple channels and improve customer service. ... it’s failing badly on all three counts. Until companies stop seeing the Web merely as a means of saving costs and begin to offer properly monitored customer service, it will never establish itself as a truly effective sales medium. Rather than investing in the newest and shiniest technology, companies still badly need to address the basics of good service online.”<sup>247</sup> – Maggie Williams, *PC Magazine*

According to Datamonitor, by making customer service a priority, e-tailers can salvage at least 7.8% of abandoned online orders.<sup>248</sup>

## Web-Based Customer Service

According to the Society of Consumer Affairs Professionals in Business, nearly all consumers who use web-based customer service say that twenty-four-hour access is the top reason for doing so.

According to Cyber Dialogue, surfers who visit a website’s customer service area account for only 39% of online shoppers. However, this group accounts for 50% of total consumer online spending.<sup>249</sup>

“Cisco Systems Inc. estimates that it has saved roughly \$200 million through the online self-service part of its Web site, while improving its customer satisfaction scores. Cisco’s customers can access a database of the cumulative experience of all its worldwide customers.”<sup>31</sup> – Peter S. Cohan, *E-Profit*

## Email

According to Jupiter Research and the NPD Group, 33% of online customers expect an email response regarding delivery times within five hours. The majority of these expect one within four.<sup>250</sup>

---

<sup>246</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 96.

<sup>247</sup> Williams, Maggie. “No service, no comment.” *PC Magazine* (UK) v11 i9 (Sept. 2002): 21(1).

<sup>248</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 267.

<sup>249</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 80.

### **Phone**

Lands' End's 2,500 representatives close deals with 50% of its website's online browsers. This conversion rate is twice as high as websites without access to live help.<sup>251</sup>

### **Live Chat**

"Chat is the primary and growing method for providing immediate customer service, with 40% of e-tailers offering this feature."<sup>252</sup> – Donna Fluss, Customer Interface

Forrester Research estimates that while customer phone calls cost an average of \$33, live chat sessions cost \$10.<sup>214</sup>

---

<sup>250</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 292.

<sup>251</sup> Magrath, Allan J. "Strategic Planning for Internet Opportunities." *Ivey Business Journal* v65 i6 (July 2001): 10.

<sup>252</sup> Fluss, Donna. "E-service for e-tailers: pathetic!: survey finds top retailers compromise e-service for cost savings." *Customer Interface* v14 i11 (Nov. 2001): 28(5).

# Online Advertising

Corresponding Analysis: Online Advertising

## Advertising of the Dot-Boom

“Just shy of half the Super Bowl advertisers in 2000 were dot-com advertisers.” ... WineShopper.com, VP of Marketing.<sup>253</sup> – 24/7 Media CMO, 2001

The CEO of Savitz estimates that the following retailers once spent the following amounts to snag a single sale: Amazon, \$103; Bluefly.com, \$245 (this is now \$58); Garden.com, \$71; Pets.com, \$200; Furniture.com, \$500. In contrast, Savitz doesn't allow that of Shoebuy to go above \$15.<sup>115</sup>

## Information Overload

When San Diego yacht broker James Taylor created a web page, the number of phone inquiries about his services actually decreased. So much information was available online that people had no need to call. As a result, opportunities to turn interested people into sellers through the phone decreased. Taylor now requires his website users to provide their contact information before viewing a complete listing. Once users this, the website instantly emails the requested information to them and forwards their contact information to a salesperson who can call right away and catch customers in their moment of interest. This selling functionality is available at efastresponse.com for about \$1/message received. Taylor says that most customers are almost always pleasantly surprised with the fast response they receive.<sup>254</sup>

## Online Advertising Spending

According to eMarketer

- Total estimated Internet advertising spending in the U.S. was \$7.3 billion in 2001.<sup>255</sup>
- Online advertising spending fell nearly 11% in 2001, from \$8.2 billion in 2000 to \$7.3 billion in 2001.
- Researchers were predicting online advertising revenues to increase to 15-20% in 2002.
- Online advertisers are becoming more realistic and are getting better results.<sup>256</sup>

<sup>253</sup> Aspatore Books Staff. *Bigwig Briefs: The Golden Rules of the Internet Economy (After the Shakedown)*. Boston: Aspatore Books, Inc., 2001.

<sup>254</sup> Beato, G. “Yachta, Yachta, Yachta.” *Forbes ASAP* v170 i07 (Oct. 7, 2002): 14.

<sup>255</sup> “New eMarketer report predicts USD8.1bn to be spent on US online advertising in 2002.” *Internet Business News*, March 12, 2002.

<sup>256</sup> Cohen, Andy. “An online ad comeback.” *Sales & Marketing Management* v154 i7 (July 2002): 14(1).

According to Graham Sharman of Supply Chain Management Review, online advertising in the U.S. accounts for 5% of media spend but only 1% in the UK.<sup>257</sup>

According to Jupiter Media Metrix, for every dollar spent online, another five dollars is spent offline as the result of offline research.<sup>258</sup>

Nielsen/NetRatings found the retail goods and services industry to have the most Internet advertisement page impressions in May 2002 with 33.8 billion. Financial services had 14.4 billion and the web media market, 12.1 billion. Nielsen/NetRatings reports that the travel industry realized the most growth between May 2001 and May 2002 with a 304% increase in growth.<sup>259</sup>

In a June 2002 Doubleclick study, 75% of marketer respondents said that building brand awareness was their main objective online. 59% said they wanted to acquire new sales leads, registrants or customers.<sup>260</sup>

According to Michael E. Porter, online advertisers will be able to become increasingly more discriminating with respect to online advertising publishers, and will thus be able to push down rates.<sup>22</sup>

### **The Biggest Online Advertisers**

According to CMRi, an Internet division of New York-based media tracking firm CMR, in the first nine months of 2001, eBay and GM spent the most on online advertising spending with spending of \$35.7 million and \$35.5 million respectively. Total online advertising spending in this period amounted to \$2.1 billion. Yahoo collected the most online advertising dollars with \$284.4 million of revenue. AOL and Excite followed with \$252.6 million and \$118.2 million respectively. The industry categories that accounted for most online advertising spending were retail, media and advertising, and financial which accounted for \$432.6 million, \$363.3 million and \$260.6 million of spending respectively.<sup>261</sup>

According to GartnerG2, of the 8,000 websites selling advertising in the United States, the top 20 receive 80% of online advertising revenue.<sup>262</sup>

---

<sup>257</sup> Sharman, Graham. "How the internet is accelerating supply chain trends: the Internet did not create supply chain innovation." *Supply Chain Management Review* v6 i2 (March-April 2002): 18(8).

<sup>258</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 242.

<sup>259</sup> "Nielsen/NetRatings examines online advertising page impressions in the US for May 2002." No author given. *Internet Business News*, June 26, 2002.

<sup>260</sup> "On-line advertising: A Better Way to Measure Success: Forget click-through rates. Just like in traditional media, focusing on brand is key." *Financial Services Marketing*, March-April 2002: 4.

<sup>261</sup> "CMR: Online Ad Spending down 17.1% in First 3 Quarters." *Interactive Advertising & Branding News* v16 i1 (Jan. 7, 2002).

<sup>262</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 227.

**Traditional Advertisers Online**

According to Cyber Atlas, the top 100 traditional advertisers in the U.S. now account for 30% of online advertising impressions.<sup>263</sup>

GartnerG2 claims that by 2005, online advertising will be a US\$18.8 billion market in the United States.<sup>263</sup>

According to NetNames, the world's most valuable brands own an average of just over 1,000 domain names each.<sup>264</sup>

According to Brandweek, although online advertising decreased 12% in 2001, advertising on broadcast TV decreased 13.8% and spot radio, 20.4%.<sup>265</sup>

Brandweek claims that 87 of the Fortune 100 companies advertised online in 2001. This represented an increase of 21% over the previous year.<sup>265</sup>

When Volvo advertised on AOL from October 2000 to January 2001, more than 13,000 AOL members requested member packages and more than 1 million users visited the Volvo S60 site.<sup>265</sup>

---

<sup>263</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 204.

<sup>264</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 196.

<sup>265</sup> "The right mix: the Internet was once an afterthought in the marketer's bag of tricks. Now, it's become an active ingredient in the perfect blend of a successful overall campaign." *Brandweek* v43 i25 (June 24, 2002): S5(3).

# Online Advertising Media

Corresponding Analysis: Online Advertising

According to Jupiter Media Metrix, 45% of online shoppers choose e-commerce websites based on word-of-mouth recommendations.<sup>266</sup>

## Banner Ads

A survey commissioned by the Periodical Publishers Association found that 83% of business makers prefer reading printed publication ads to web ads, and 79% said they found the former easier to read.

According to Forrester Research, only 1% of Internet users have tried to block online ads using ad-blocking software.<sup>267</sup>

Beyond Interactive claims that adding the phrase “click here” or “click now!” to a banner ad increases the response rate between 10 and 40 percent.<sup>268</sup>

## Email

### Email Volume & Use

According to the Yankee Group Survey of Online Households, email is the most widely used application on the Internet and the first thing people use when they go online.<sup>269</sup>

Ipsos-Reid reports that 92% of Internet users in Canada use e-mail on a regular basis.<sup>270</sup>

According to AOL Canada and RoperASW, Canadian Internet users check their e-mail more often than they brush their teeth.<sup>271</sup>

Ipsos-Reid claims that nine out of ten Canadian Internet users receive an average of 22 emails every day.<sup>272</sup>

---

<sup>266</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 213.

<sup>267</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 212.

<sup>268</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 209.

<sup>269</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 325.

<sup>270</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 28.

<sup>271</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 3.

<sup>272</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 203.

According to Research Alert, consumers received 60% more email in 2002 (254 emails) than 2001 (159 emails). 32% of Internet users have two e-mail addresses, and the average number of email boxes is 2.63 per person.<sup>277</sup>

According to Peter Haapaniemi of Chief Executive, website and email will become increasingly more indistinguishable. For example, in the future, users may be able to make a trade in an email which includes a field for a PIN number.<sup>273</sup>

### Spam

“People will tell you e-mail has become the biggest burden in their online lives. There’s a real frustration level there.” – Jeffrey Cole, UCLA Professor<sup>274</sup>

According to eMarketer, unsolicited email messages account for 10% of the total email volume in the United States.<sup>275</sup>

Brightmail Inc. claims there were 4.7 million spam attacks in May 2002. This represents more than a four-fold increase over the 930,546 attacks in May 2001.

According to Ipsos-Reid, 79% of Canadian Internet users say they have received junk e-mail.<sup>276</sup>

Research Alert claims that 60% of people deleted spam without reading it in 2002. This was up from 45% in 2001.<sup>277</sup>

Research Alert reports that half of the people online use automatic bulk mail folders. This practice is most common among 18-34 year-olds. 76% of people with the bulk mail feature rarely or never read bulk mail emails.<sup>277</sup>

### Email Marketing Volume

According to GartnerG2, U.S. revenues from e-mail advertising will total US\$1.5 billion by 2005.<sup>278</sup>

---

<sup>273</sup> Haapaniemi, Peter. “Five steps to success: Change doesn’t have to be negative. One dotCEO is building on the positives to propel his interactive marketing company to the top of the industry.” *Chief Executive* (U.S.) (March 2002): S47(5).

<sup>274</sup> Stambler, Sarah. “Is there a future in e-mail marketing?” *The E-Tactics Letter* v11 i10 (June 27, 2002): 1(2). URL: <http://www.e-tactics.com/June02.htm>

<sup>275</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 234.

<sup>276</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 208.

<sup>277</sup> “Online consumers read the e-mail “from” line first.” *Research Alert* v20 i22 (Nov. 15, 2002): 7.

<sup>278</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 214.

Forrester Research predicts that marketers in the U.S. will send more than 200 billion e-mail messages annually by 2004.<sup>279</sup>

According to Ipsos-Reid, 79% of Internet users in Canada have opted to receive e-mail information from web sites.<sup>280</sup>

### **Sales from Email Marketing**

A survey of 2,000 companies by Harris Interactive and Jupiter Media Metrix shows that opt-in advertising is the most effective online advertising tool for converting Internet users into actual buyers.<sup>281</sup>

According to Kathy O'Sullivan of EuropeMedia, focus group results showed that email is the most preferred method for receiving promotions because it gives users more control.<sup>282</sup>

A Direct Marketing Association survey found that two-thirds—47% of large companies, 59.8% of medium companies, and 42.6% of small companies—of all companies believe their sales to have increased in 2001 due to email marketing.<sup>306</sup>

According to Research Alert, 78% of online shoppers have made a purchase as a result of clicking an email link. 68% of these purchases were made online, 59% at a retail store, 39% through a catalog, and 34% by phone.<sup>277</sup>

A September 2001 IMT Strategies study found that email campaigns designed to build brand awareness achieved higher click-through rates (CTR) and lower unsubscription rates than those designed to bring in leads or sales. Awareness campaigns had a 17.1% CTR and a 1% dropout rate. Sales campaigns had a 15.2% CTR and a 3.8% dropout rate. Campaigns focused on generating leads had a 15.3% CTR.<sup>283</sup>

DoubleClick reports that 88% of online consumers have made a purchase as a result of receiving permission-based e-mail.<sup>284</sup>

Telecomworldwire claims that, on average, 15% of total online sales come from email-based promotions.<sup>306</sup>

---

<sup>279</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 252.

<sup>280</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 246.

<sup>281</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 220.

<sup>282</sup> O'Sullivan, Cathy. "Promotional method should be carefully considered – study." *EuropeMedia*, August 28, 2002. URL: <http://www.europemedia.net/shownews.asp?ArticleID=12283>

<sup>283</sup> Stambler, Sarah. "How Marketers Are Using E-Mail." *The E-Tactics Letter* v11 i12 (August 28, 2002): 12. URL: <http://www.e-tactics.com/Aug02.htm>

<sup>284</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 217.

### **Email Format**

Direct Marketing Association reports that plain text is the most popular form of email marketing.<sup>285</sup>

According to DoubleClick, the “from” line is the most important factor motivating consumers to open email (60%), followed by the subject line (35%). Men are more likely to open permission-based email if the subject line contains news (69%, vs. 46% for women), while women respond better if the subject is focused on discounts (64%, vs. 50% for men). Subject lines containing new product announcement are likely to be opened by 37% of men and 39% of women. And free shipping offer subject lines are likely to be opened by 28% of men and 43% of women.<sup>277</sup>

### **Email Marketing Measurement**

A joint research study conducted between September 2001 and April 2002 by e-Dialog, the Direct Marketing Association, IMT Strategies and DoubleClick found that only 34% of U.S. direct marketers measure the effectiveness of interactive marketing. Of these, 64% use the click-through rate as the primary means of measurement. The unsubscribe rate is the second most often used measurement. 51.8% of marketer respondents couldn't report any email campaign performance results, and half couldn't study the effect of personalization on responses. Of those who could, 45% said personalization led to better results.<sup>286</sup>

## **Search Engines**

### **Online Research**

According to ComQUEST, 40% of Canadian adults with access to the Internet regularly research products online.<sup>287</sup>

A Periodical Publishers Association commissioned survey found that 71% of business makers regularly use the web to find information.<sup>288</sup>

According to Jupiter Media Metrix, 45% percent of consumers have used retail websites to research a product before buying it in a store.<sup>289</sup>

---

<sup>285</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 224.

<sup>286</sup> “Marketing Technology: Using streaming to boost brands – Marketers are finding video and audio streaming on the internet an ineffective way of spreading their campaigns, writes Robert McLuhan.” *Marketing*, May 30, 2002: 25.

<sup>287</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 20.

<sup>288</sup> “Print preferred to Web for ads.” *New Media Age*, June 20, 2002: 18(1).

<sup>289</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 10.

The International Data Corporation reports that two-thirds of female online shoppers say they would not make a major purchase without first researching it on the Internet.<sup>290</sup>

According to Jupiter Media Metrix, consumers will spend more than US\$632 billion at brick-and-mortar stores as a result of research they've done online in 2005.<sup>291</sup>

Forrester Research reports that the Internet will influence CDN\$59 billion in offline sales by 2006 as a result of research that Canadian shoppers do on the Internet.<sup>292</sup>

According to the Winterberry Group, comparison shopping engines will influence US\$25 billion worth of consumer spending in 2005.<sup>293</sup>

### **Paid Placement**

Ivan Misner of Entrepreneur.com points out that TV companies stopped dealing on P1 (per item) direct marketing TV deals years ago because they realized their advertising space was more valuable than that. Nevertheless, online publishers continue to accept on this scale. Misner believes that this is like only paying for junk mail postage when an individual piece of junk mail gets results.<sup>294</sup>

A survey of 2,000 companies by Harris Interactive and Jupiter Media Metrix shows that pay-per-placement search engines produce the highest return on investment of any Internet advertising technique.<sup>295</sup>

Aleksandra Todorova of PR Week (U.S.) claims that people who click on advertisements and know they are doing so are more valuable than those who do not.<sup>296</sup>

“The increase in web experience will slowly erode existing brands unless they engage in aggressive search-engine positioning. When a search-engine query is launched, there are only two possible outcomes for marketers: your website will be displayed to the searcher, or your competitor’s will.”<sup>296</sup> – Dr. Amanda Watlington, iProspect Director

According to Aleksandra Todorova of PR Week (U.S.), search engine optimization (SEO) can take so much time that most PR professionals recommend to their clients that they seek the services of an SEO specialist.<sup>296</sup>

---

<sup>290</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 91.

<sup>291</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 113.

<sup>292</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 87.

<sup>293</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 67.

<sup>294</sup> Misner, Ivan. “Networking on the Net.” *Entrepreneur.com*, Sept. 16, 2002. URL:

[http://www.entrepreneur.com/Your\\_Business/YB\\_SegArticle/0,4621,303262-----,00.html](http://www.entrepreneur.com/Your_Business/YB_SegArticle/0,4621,303262-----,00.html)

<sup>295</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 231.

---

<sup>296</sup> Todorova, Aleksandra. "PR Technique: Brand-building – Getting listed on a search engine." *PR Week* (U.S.) Sept. 9, 2002: 18.

# Customer Loyalty

Corresponding Analysis: Customer Loyalty

In a bimonthly “Consumer Mind Reader” Survey by America’s Research Group, 82.6% of respondents who had made an online purchase reported shopping from sites they had previously ordered from. Only one six went to a new location to make a purchase.<sup>297</sup>

According to Jupiter Media Metrix, 75% of online consumers who participate in loyalty programs say these do not motivate them to make an online purchase.<sup>298</sup>

## The Customer Economy

In her book *The Customer Revolution*, Patricia Seybold identifies three principle rules in the customer economy. These are:

- Customers are in control and are reshaping businesses and transforming industries.
- Customer relationships count. Therefore, the value of a business’ present and future customer relationships—its customer franchise—will determine the value of the business.
- Customer experience matters. Therefore, the feelings customers have when they interact with a brand determines their loyalty.<sup>299</sup>

## The Value of Customer Loyalty

According to Lou Hirsh and Jennifer LeClaire of the E-Commerce Times, repeat customers mark a successful online business. They claim that the average online grocer needs to draw about 26 annual purchase visits from the average customer to be successful, while an online clothier needs only one or two annual purchases per customer.<sup>300</sup>

According to GartnerG2’s Director Brian Smith, 55% of eBay’s 19 million unique visitors in June were repeat customers. The average visitor stops by 7.5 times per month and spends nearly two hours at eBay each time.<sup>300</sup>

---

<sup>297</sup> “Online Loyalty High, Shoppers not Phased by Terror.” *DSN Retailing Today* v41 i20 (Oct. 28, 2002): 19(1).

<sup>298</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 239.

<sup>299</sup> Davis, Jessica. “Net Prophet: To survive the customer revolution , businesses must change their ways.” *InfoWorld* v23 i14 (April 2, 2001): 78.

<sup>300</sup> Hirsh, Lou, and Jennifer LeClaire. “Kings of Repeat E-Business.” *E-Commerce Times*, August 26, 2002. URL: <http://www.ecommercetimes.com/perl/story/19137.html>

The StatMarket division of WebSideStory reports that 52% of Internet users arrive at websites via bookmarks or by typing the URL into their browser, compared to 46% in 2001. In Germany, this is the case with 63% of Internet users.<sup>301</sup>

### **The Cost of Customer Loyalty**

“Customer loyalty is not a myth – but only if you take into consideration ... all the necessary costs to deploy the program. ... The typical example is when a company gives away free service for three months to get someone to sign up, and when the three months are up, he leaves. That is a cost that needs to be captured and spread out against other efforts.”<sup>302</sup> – Bill Falconer, a Vice President at North Highland Consultancy

According to AMR Research, the market for CRM (customer relationship management) products will reach US\$16.8 billion by 2003.<sup>303</sup>

### **Personalization**

According to Amazon.com CEO Jeff Bezos, companies can reduce the uncertainties and risks of online business by offering personalized products and services.<sup>219</sup>

GartnerG2’s Director Brian Smith believes that a keys to repeat business is providing tools and personalization features that are easy to find and use.<sup>300</sup>

Fang Wang, Milena Head and Norm Archer of the Journal of Business Strategies point out that in traditional marketplaces, valuable information through personal interaction with customers, such as their preferences, is usually lost. They state, however, that “the web facilitates after-sales service by facilitating access to rich information and customer interaction.”<sup>304</sup>

### **Post-Shopping Behaviour Online**

According to Brandweek, online post-shopping behavior is different between men and women. According to Real End User (realenduser.com) research, the top five sites visited by an Internet user after he or she visits nikewomen.com and nikegoddess.com are Eastbay, Adidas, Hotmail, Diesel, and Banana Republic. In contrast, the top five sites visited after Nike.com are Yahoo, Google, Hotmail, Eastbay and Search Yahoo!<sup>305</sup>

---

<sup>301</sup> “Branding pays: Web users choose bookmarks.” *The E-Tactics Letter* v11 i5 (Feb. 21, 2002): 2(1)

<sup>302</sup> Morphy, Erika. “No Such Thing as Customer Loyalty?” *CRMDaily.com* (Feb. 21, 2003). URL: <http://www.crmdaily.com/perl/story/20814.html>

<sup>303</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 110.

<sup>304</sup> Wang, Fang, Milena Head and Norm Archer. “E-tailing: an analysis of Web impacts on the retail market.” *Journal of Business Strategies* v19 i1 (Spring 2002): 73(21).

<sup>305</sup> “Men are from Mars, Women are From Adidas.” *Brandweek* v43 i40 (Nov. 4, 2002): 22(1).

## Email

In a DMA survey cited by Telecomworldwire, 63% of respondents found email to be the most effective customer retention tool.<sup>306</sup>

According to DoubleClick, 40% of Internet users credit email communications as a primary reason for loyalty to online merchants.<sup>307</sup>

“People are tuning out e-mail in large numbers, but when they get one from a company they have a relationship with, and it contains something of value, they will follow that link. That’s an important distinction.”<sup>308</sup> – Lisa Strand, Chief e-Commerce Analyst at Nielsen/NetRatings

According to Ipsos-Reid, three out of four Canadian Internet users who opted to receive e-mail marketing messages from a specific company later opted out either because they found the marketing uninteresting or too frequent.<sup>309</sup>

## A Closer Look at Customer Satisfaction

In the American Customer Satisfaction Index released March 8, 2002, online shops got a 77.6% satisfaction rating during holiday season 2001, compared with a 74.8% rating for traditional retailers. The average online retail rating was 83%, and Amazon was the highest in this category with a rating of 88%. Amazon’s rating was 84% in 2001. The average rating for travel services was 77%. Expedia was highest in this category with a rating of 80%. The average rating for online brokerage services was 73%. eBay was first in this category with a rating of 82%. Priceline.com was far behind at 71%. The average online brokerage rating was 73%. Schwab rated first in this category with at 73%.<sup>310</sup>

According to Retail Forward, shoppers between the ages of 45 and 54 are more likely than younger shoppers to be extremely satisfied with their online shopping experiences.<sup>311</sup>

---

<sup>306</sup> “DMA survey examines popularity of e-mail marketing.” *Telecomworldwire*, April 8, 2002.

<sup>307</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 255.

<sup>308</sup> Regan, Keith. “The Best of E-Commerce.” *E-Commere Times*, Sept. 6, 2002. URL: <http://www.commercetimes.com/perl/story/19323.html>

<sup>309</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 246.

<sup>310</sup> Cox, Beth. “E-Commerce Industry Soaring.” *CyberAtlas* (Feb. 18, 2003). URL: [http://cyberatlas.internet.com/markets/retailing/article/0,,6061\\_1586831,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,,6061_1586831,00.html)

<sup>311</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 216.

# Global e-Commerce

Corresponding Analysis: Global Competition

“Imagine all of the corporations of Europe, China, Latin America, and Japan actually in competition with each other and the enterprises of North America. Then imagine the enterprises of Russia, the rest of Asia, and Africa also involved.”<sup>346</sup> –Larry Smith, *Beyond the Internet*

## Worldwide

### Global Internet Infrastructure & Usage

In 1999, the UN Development Report proposed a “global architecture” that would include a global central bank; a global investment trust; new rules for the WTO, including anti-monopoly power; new global patent rules in favor of third world countries; more flexible monetary rules that would enable developing countries to impose capital controls to protect their economies; and a global code of conduct for multinational corporations.<sup>312</sup>

Federico Mayor and Jérôme Bindé, authors of *The World Ahead: Our Future in the Making*, access to traditional means of telecommunications is the determining factor for Third World Internet access since, without it, there can be little or no access to the ‘information highway.’<sup>313</sup>

According to the World Bank, in 1995, the world’s “rich” countries had an average of more than one telephone line for every two inhabitants. By contrast, South Asia had just 13 lines per 1,000 people and 11 per 1,000 people in sub-Saharan Africa. In January 1996, it was estimated that 60% of the nine and a half million computers connected to the Internet belonged to Americans. The number of Internet sites per thousand people was between ten and 18 in the United States, Australia, and Scandinavia; and between five and ten in Canada and parts of Western Europe. In Latin America, Africa (with exception of South Africa), the Near East, or in Asia (including the countries of the former Soviet Union), however, there was hardly a website to be found.<sup>313</sup>

According to Cathy O’Sullivan of EuropeMedia, the number of people with home PC Internet access worldwide in the third quarter of 2002 amounted to 563 million, up from 553 million in the second quarter.<sup>334</sup>

---

<sup>312</sup> “Human Development Report (UNDP 1999).” Online August 19, 2002. URL: <http://hdr.undp.org/reports/global/1999/en/default.cfm>

The International Data Corporation predicts that the number of Internet users around the world will reach 943 million by 2005.<sup>314</sup>

According to the International Data Corporation, global Internet traffic in 2005 will be 93 times the volume of traffic in 2000, and Internet traffic will exceed voice traffic by more than eight times in 2005.<sup>315</sup>

### **Global e-Commerce Activity**

Ipsos-Reid claims that almost two-thirds (62%) of global Internet users have purchased a product or service online.<sup>132</sup>

In an online payment system WorldPay survey of 15,000 internet users in 124 countries, more than half of respondents said that they would spend more than \$500 at once on the web. Nearly 40% said they had spent between \$100 and \$500 in past three months and 24% between \$50 and \$100. Half expected to spend more in 2002 than in 2001, and more than half said they would spend more than \$500 in one transaction.<sup>322</sup>

According to Gretchen Hyman of Cyber Atlas, online retailers account for 2.5% of the worldwide retail pie.<sup>108</sup>

### **Selling Internationally**

Bent Peterson, Lawrence S. Welch and Peter W. Liesch of the Management International Review believe that few products can be sold globally without some modification to local customer needs and government regulation. It is also difficult to carry out business such as physical distribution, marketing, sales and after-sales activities without a local presence. There are, however, some products that may not need modification. These include oil, English literature, CDs, and digital goods.<sup>316</sup>

According to the International Data Corporation, Internet users are up to four times more likely to shop and purchase online from websites that support their native language.<sup>317</sup>

Convey Software and IDC report that only 12% of North American company websites have multi-lingual versions.<sup>318</sup>

---

<sup>313</sup> Mayor, Federico and Jérôme Bindé. *The World Ahead: Our Future in the Making*. London: Zed Books Ltd, 2001.

<sup>314</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 330.

<sup>315</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 31.

<sup>316</sup> Peterson, Bent, and Lawrence S. Welch and Peter W. Liesch. "The Internet and foreign market expansion by firms." *Management International Review* v42 i2 (April 2002): 207(15).

<sup>317</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 275.

<sup>318</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 196.

According to the International Data Corporation, more than half of U.S. companies do nothing to customize their websites for global visitors.<sup>319</sup>

George Anders of Fast Company reports that eBay gets 14% of its business from international countries such as Germany and Korea and is expanding into China and Taiwan.<sup>320</sup>

### **Global Security**

According to WorldPay, 66% of online shoppers say that they do not have concerns about buying from foreign websites.<sup>321</sup>

Tamsin McMahon of EuropeMedia claims that about two-thirds of Europeans say they don't have a problem spending money on overseas, international e-commerce websites.<sup>322</sup>

## **Europe**

According to Ellen M. Heffes of the *Financial Executive*, Europe is a few years ahead of the U.S. in terms of wireless technology and cell phones, and Japan is about two years ahead of Europe.<sup>42</sup>

Dr. Tim Dixon of the *Estates Gazette* says that research categorizes Europe into three e-commerce categories: "pioneers" (Finland, Denmark, Sweden), "followers" (Belgium, Austria, Ireland, Germany, France and the UK), and "laggards" (Spain, Greece, Italy, Portugal).<sup>323</sup>

Cathy O'Sullivan of EuropeMedia reports that 23% of the people with home PC Internet access worldwide in 2002 were from Europe.<sup>334</sup>

Dataquest, a unit of Gartner, predicted that Europe would spend more money online in holiday season 2002 than any other region, including the U.S. While the U.S. was expected to spend about \$15.66 billion, it was estimated that Europe would spend \$15.77 billion.<sup>63</sup>

Gartner Group predicts online B2C spending of \$2.58 trillion in Europe by 2004.<sup>324</sup>

---

<sup>319</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 209.

<sup>320</sup> Anders, George. "eBay Learns to Trust Again." *Fast Company*, Dec. 2001: 102.

<sup>321</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 26.

<sup>322</sup> McMahon, Tamsin. "Shoppers willing to drop big bucks online." *EuropeMedia* (Feb. 21, 2002). URL: <http://www.europemedia.net/shownews.asp?ArticleID=8588>

<sup>323</sup> Dixon, Dr. Tim. "Be wary along the high street." *Estates Gazette*, Sept. 14, 2002: 1.

<sup>324</sup> MacVittie, Lori. "Don't miss the b2c boat." *Network Computing*, Dec. 10, 2001: 41.

In a BroadJump study cited by EuropeMedia, one-third of broadband users in Europe make more than 11 purchases per year. Almost half spend 500 Euros per year.<sup>282</sup>

### **France**

Nielsen/NetRatings claims that 37% of France is online.<sup>325</sup>

### **Portugal**

According to the Economist Intelligence Unit, Portugal is making major headway online. The Portuguese government aims to have all official forms online by the end of 2005 at an estimated cost of 1.57 billion Euros. The entire tax system was also expected to be computerized by the end of 2002. The Economist Intelligence Unit also foresees a ten-fold rise in Portuguese Internet content and a 100-fold increase in e-commerce over the three years starting late 2000. Portuguese investment in IT totaled 2.76 billion Euros in 2001.<sup>326</sup>

### **Italy**

According to Cyber Atlas, there were 22.7 million people online in Italy in 2002.<sup>343</sup>

### **Sweden**

Cyber Atlas reports that at least 63% of the people in Sweden own or lease a PC. 81% of these are connected to the Internet.<sup>343</sup>

A Nielsen/NetRatings Global Internet Trends Report of quarter three 2002 found that 61% of Swedes browsed online for products and services, making Sweden's e-commerce activity second only to that of the UK in Europe.<sup>334</sup>

### **Holland**

According to EuropeMedia, Internet consumers in the Netherlands spent about 554 million Euros in 2001. This represents an increase of 72% over the previous year. Online shoppers grew in the second half of 2001 from 1.4 million to 2 million.<sup>327</sup>

---

<sup>325</sup> Greenspan, Robyn. "The Web Continues to Spread." *CyberAtlas* (Dec. 17, 2002). URL: [http://cyberatlas.internet.com/big\\_picture/geographics/article/0,,5911\\_1556641,00.html](http://cyberatlas.internet.com/big_picture/geographics/article/0,,5911_1556641,00.html)

<sup>326</sup> "Portugal industry: Barriers remain to consumer e-commerce." *Country ViewsWire*, Dec. 2, 2002.

<sup>327</sup> Figueiredo, Joe. "Dramatic increase in internet shopping." *EuropeMedia*, April 10, 2002. URL: <http://www.europemedia.net/shownews.asp?ArticleID=9917>

### **Denmark**

EuropeMedia reports that Denmark had a total of 3 million Internet users in 2002. 2.3 million of these accessed the Internet from home, and 57% of population access the Internet from home every month.<sup>328</sup>

Of the three million people online in Denmark, only 23%, or 700,000, are regular Internet buyers. Danes spent 400 million Euros online in 2001. According to Anders Elbak, Research Manager with Danish company IDC Nordic, “Among the main inhibitors of ecommerce in Denmark are the lack of opportunity to evaluate products prior to purchasing as well as security problems. However, the supply side is also to blame, as high-quality content combined with a simple reliable payment system is hard to find.”<sup>328</sup>

### **Norway**

In the third quarter of 2002, Norwegians spent NOK76 million online. Norway spent NOK45 million online the previous quarter.<sup>329</sup>

### **Russia**

According to Cyber Atlas, only 8% of Urban Russia was online in 2002.<sup>325</sup>

### **Germany**

Cyber Atlas reports that 43% of Germany was online in 2002, up from 29% in 2000.<sup>325</sup> The number of people online in Germany in 2002 was 35.6 million.<sup>343</sup>

### **The UK**

According to Cyber Atlas, the number of people online in the UK in 2002 was 29 million.<sup>343</sup>

Nielsen/NetRatings reports that 50% of the UK was online in 2002, up from 35% in 2000.<sup>325</sup>

In mid 2002, 500,000 Internet users in UK had broadband links, up 54% from the start of 2002. New connections were being added at rate of 20,000 per week. In mid 2002, the number of broadband Internet users in the UK was expected to grow from 15 million in 2002 to 30 million in 2004.<sup>330</sup>

The British government and the Information Age Partnership commissioned Booz Allen to conduct a study of the G7 countries (the U.S., Japan, Canada, Italy, Germany and Great Britain), along with Sweden and

---

<sup>328</sup> O’Sullivan, Cathy. “Content Providers to Blame for Lack of Danish Success With Micropayments – Report.” *EuropeMedia*, Nov. 19, 2002. URL: <http://www.europemedia.net/shownews.asp?ArticleID=13775>

<sup>329</sup> “Norway: Increasing use of credit cards in e-trade.” *Dagens Naeringsliv*, Nov. 28, 2002.

<sup>330</sup> “Marketing Technology: Using streaming to boost brands – Marketers are finding video and audio streaming on the internet an ineffective way of spreading their campaigns, writes Robert McLuhan.” *Marketing*, May 30, 2002: 25.

Australia, to assess Britain's level of progress toward its goal to become "the best environment in the world for E-commerce." The factors to be analyzed included e-commerce innovation and capability; a national population's IT skills; the costs and availability of access to the Internet; political leadership and regulatory openness; and readiness, uptake, use and impact of online technology among citizens, business and government.<sup>331</sup>

According to France Barrie Berg, a Vice President at Booz Allen Hamilton: "A supportive environment is the single most critical factor for a successful E-economy. It's the foundation for all other aspects of the E-economy. This includes a country's regulatory system, political leadership, and communications infrastructure."<sup>331</sup>

The Booz Allen report found that the U.S. has the best environment for e-commerce, but that the UK is second. It also found that residents of Canada, Sweden, and the US are more likely to be involved in e-commerce than residents of the UK. Business e-maturity—the adoption and use of online technology to change the way businesses work—is most developed in the US and Sweden. Sweden, the US, Canada and Australia have the strongest e-government development due to early adoption and sustained commitment.<sup>331</sup>

According to Internet Magazine, a survey of 12,000 UK companies with more than 10 employees found that 62% have a website (up from 39% in 2000), 11% buy online, and 28% sell online. The survey also found that dial-up is the predominant type of Internet connection among businesses in the UK with 67% having modems. 19% use ISDN and 12% broadband or fixed lines.<sup>332</sup>

Cathy O'Sullivan of EuropeMedia believes that Britain and Australia have an advantage in e-commerce because their populations speak English and can easily use US sites.<sup>334</sup>

According to Cyber Atlas, 68% of UK resident Internet users have purchased a product or service online (compared with 77% in US).<sup>132</sup>

UK government research found that online trade in the UK was worth 18.4 billion pounds in 2001, representing 1% of the year's total sales.<sup>333</sup> In a survey of 12,000 UK businesses, the government also found that online sales increased 42% from 2000. The survey also found that online sales to households rose 53% from 4 billion pounds to 6.1 billion pounds and that online sales to businesses rose 36% from 8 billion pounds to 10.9 billion pounds. 81% of orders at UK websites came from inside the UK, 12% from

---

<sup>331</sup> Chabrow, Eric. "United States, Canada, and Britain Are Best Places For E-Commerce." *InformationWeek.com*, Nov. 19, 2002. URL: <http://www.informationweek.com/story/IWK20021119S0008>

<sup>332</sup> "Trendspotting." *Internet Magazine*, Dec. 2002: 18(1).

other European Union countries, and the remaining 7% from outside the EU. Physical products accounted for 62% of online sales, services 35%, and digitized products 3%.<sup>333</sup>

## South America

Latin America accounts for 2% of the number of people with home PC Internet access worldwide in 2002.<sup>334</sup>

The Economist Intelligence Unit is predicting major e-commerce growth for Latin America. Total e-commerce revenues for the continent were \$6.368 billion in 2002.<sup>335</sup>

### Mexico

Nielsen/NetRatings reports that 37% of Urban Mexico is online.<sup>325</sup>

### Nicaragua

According to Country ViewsWire, there are more than 2,000 Internet hosts in Nicaragua with 18 ISPs now in operation, and an estimated 120,000 computers capable of handling electronic business. In Nicaragua, the Internet is mostly used for advertising; information and news services; and invoicing payments made through bank transfers or credit-card payments approved by telephone. All local banks allow customers to view accounts online. However, there is a perception of insecurity in credit-card transactions. In late 2002, there were World Bank projects in place in Nicaragua to create a super portal for private-sector advertising and to enable small businesses to use e-commerce for exporting.<sup>336</sup>

### Brazil

Nielsen/NetRatings reports that 24% of the people in urban Brazil were online in 2002.<sup>325</sup>

According to Boston Consulting Group and VISA, Brazil accounts for over half of all e-commerce revenues in Latin America.<sup>337</sup>

---

<sup>333</sup> Thomas, Daniel. "Online trade hits 18.4 Billion Pounds." *Computer Weekly* (Oct. 17, 2002): 3.

<sup>334</sup> O'Sullivan, Cathy. "More Internet Browsers Convert to Purchasers in UK Than in 10 Other Major Markets." *EuropeMedia*, Nov. 25, 2002. URL: <http://www.europemedia.net/shownews.asp?ArticleID=13859>

<sup>335</sup> "Latin America Industry: E-Commerce Revenues." *Country ViewsWire*, Nov. 18, 2002.

<sup>336</sup> "Nicaragua industry: E-commerce growth awaits e-signature law." *Country ViewsWire* (no specific author), Oct. 31, 2002.

<sup>337</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002: 82.

## Asia & Australia

Of the number of people with home PC Internet access worldwide in 2002, 13% were from Asia and the Pacific Rim<sup>334</sup>

eMarketer predicts that B2B e-commerce will grow to more than \$300 billion in the Asia-Pacific region by 2004. IDC, another firm, predicts that e-commerce in the Asia-Pacific region will be \$516 billion by 2005 (and compound annual growth rate of 109% between 2001 and 2005). IDC's prediction is more conservative than most firms' forecasts, largely due to tighter its definition of e-commerce; that is, only Internet-based transactions. Unlike AMR Research, IDC doesn't include in its definition of e-commerce, business services conducted via the Internet. According to AMR, B2B e-commerce activity in the Asia-Pacific region will account for 21% of global B2B e-commerce activity in 2005, up from 13% in 2000.<sup>338</sup>

### The Arab States

According to a report by the Arab Economic Union, in late September 2002, e-commerce in the Arab States via the Internet reached \$150 million in 2001.<sup>339</sup>

“Watch Dubai, positioning to become the gateway to the Middle East, Dubai is creating an Internet city, with plans to employ 30,000 people over the next three years in start-up companies. Phase One, already complete, boasts 100 companies started with tax incentives for outsiders, work permits issued within 24 hours and their first 50 years tax-free.”<sup>42</sup> – Ellen M. Heffes, Financial Executive

### India

Nielsen/NetRatings reports that 19% of urban India is online.<sup>325</sup>

According to Mohanbir Sawhney of CIO, an ITC e-commerce initiative called e-choupal provides Internet kiosks—desktop computers powered by solar-powered batteries—for villages in India. This enables farmers with small plots of land to market their products.<sup>340</sup>

### China

According to Nielsen/NetRatings, China has the world's second largest at-home Internet population.<sup>341</sup> 30% of the people in urban China are online.<sup>325</sup> At least 63% of the people in Hong Kong own or lease a home PC. Of these, 81% are connected to the Internet.<sup>343</sup>

<sup>338</sup> “Asia industry: B2B e-commerce will exceed \$300bn by 2004.” *Country ViewsWire* Dec. 2, 2002.

<sup>339</sup> “Arab States: Data on E-Commerce in 2001.” *IPR Strategic Business Information Database*, Nov. 11, 2002.

<sup>340</sup> Sawhney, Mohanbir. “Fields of online dreams: e-commerce can flourish anywhere if you build the right business model.” *CIO* v16 i2 (Oct. 15, 2002): 128(2). URL: <http://www.cio.com/archive/101502/netgains.html>

<sup>341</sup> Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002:140.

The Economist Intelligence Unit reports that China is a cash-focused society that, when buying online, prefers to buy COD (cash-on-delivery). Nevertheless, Dell Computer insists on payment before delivery in China. The company delivers from Fujian and accepts international (but not local) credit cards, cheques, cash and telegraphic transfers. There isn't a nation-wide credit card network in China. Even the same banks don't have an integrated ATM network from city to city. That is, an ATM card from one city won't work in the same bank at a branch in another city. China's 50,000 ATMs are on many different networks.<sup>342</sup>

Only 3% of China's retail outlets accept cards and many of these have multiple POS (point-of-sale) machines to read the cards. There isn't a national credit database either. This has contributed to the fact that 95% of cards in China are debit cards. According to Chen Jin, a director of the technology department at the People's Bank of China, bankcards were only used for about 2.7% of retail consumption in 2001. Others say this figure is closer to 1%. The average for developed countries is about 30%.<sup>342</sup>

In Hong Kong, 75% of the Internet population uses high-speed Internet access. However, the city's e-commerce conversion rate, or the rate at which Internet users buy online, is one of the lowest.<sup>334</sup>

### **South Korea**

According to Nielsen/NetRatings, 53% of the people in South Korea were online in 2002, up from 45% in 2000.<sup>325</sup>

### **Japan**

Nielsen/NetRatings reports that 47% of Japan was online in 2002, up from 33% in 2000.<sup>325</sup>

### **Australia**

According to Cyber Atlas, at least 60% of Australians own or lease a home PC. Of these, about 80% are connected to the Internet.<sup>343</sup>

In 1999, Amazon.com reached 50% of the Australian market. This dropped to 34%, however, in mid-2000 as Australian retailers with a local presence gained market share.<sup>316</sup>

---

<sup>342</sup> "China industry: Lack of credit-card network holds e-commerce back." *Country ViewsWire*, Nov. 21, 2002.

<sup>343</sup> Greenspan, Robyn. "More Than Half-Billion Online Globally." *CyberAtlas* (Feb. 21, 2003). URL: [http://cyberatlas.internet.com/big\\_picture/geographics/article/0,,5911\\_1593591,00.html](http://cyberatlas.internet.com/big_picture/geographics/article/0,,5911_1593591,00.html)

Australian companies seeking to capitalize on the US market are advised by the Australian trade commissioner to not “expect anything unless you’re willing to move [to Silicon Valley]. Everything else can stay, including R&D, but they [Silicon Valley companies] want constant access to the management.”<sup>316</sup>

# Competitive Advantage in the Big Room

Corresponding Analysis: Competitive Advantage in the Big Room

Larry Smith points out that, today, businesses want to (1) sell more, (2) lower costs, and (3) make more profit. He believes they will want the same in 150 years, but that competition will be more intense then. As a result, he says, there will always be a great demand for the tools to accomplish these tasks. Thus, it becomes much easier to predict business wants (e.g., tools for profit) than customer wants. Larry proposes automated tools. “These decision tools, also called expert systems, are computing’s highest purpose,” he says.<sup>344</sup>

According to Michael E. Porter, the two fundamental factors that determine profitability are industry share and sustainable competitive advantage.<sup>22</sup>

## Competition in the Big Room

Larry Smith believes the following about competition on the Internet:

- “We cannot predict when technological innovation will happen—and in some cases, even if they will happen—but it does not matter. When innovators know what demand to pursue, they use today’s technology to create a solution.”<sup>345</sup>
- “But because soon every business will be online (or will have perished), there is no abiding advantage to anyone. The end result is, of course, to make the consumer even more demanding.”<sup>346</sup>
- “In the olden days, if you had strong barriers to entry, it was possible to endure for a relatively long time. But competition, by its very nature, is breaching barriers to entry.”<sup>347</sup>

According to Giga Information Group Analyst Andrew Bartels, “The Net as a sales channel is getting to be somewhat commoditizing ... Service is a personal thing ... so creating a site that’s really valuable is hard to do because you’re up against the fact that people simply tend to view your site the same as everyone else’s.” Bartel believes that it is sometimes best to not try to sell online, but to just offer information.<sup>204</sup>

---

<sup>344</sup> Smith, Larry. *Beyond the Internet: How Expert Systems Will Truly Transform Business*. Stoddart Publishing Co. Limited: Toronto, 2001: 33.

<sup>345</sup> Smith, Larry. *Beyond the Internet: How Expert Systems Will Truly Transform Business*. Stoddart Publishing Co. Limited: Toronto, 2001: 31.

<sup>346</sup> Smith, Larry. *Beyond the Internet: How Expert Systems Will Truly Transform Business*. Stoddart Publishing Co. Limited: Toronto, 2001: 11.

<sup>347</sup> Smith, Larry. *Beyond the Internet: How Expert Systems Will Truly Transform Business*. Stoddart Publishing Co. Limited: Toronto, 2001: 13.

### Big Room Margins

John M. de Figueiredo of the MIT Sloan School of Management attributes Charles Scwab's success to its customers' high switching costs and its first-mover advantage.<sup>202</sup> He is also of the mind that entry into commodity markets, though relatively easy, is not very attractive. "The only strategy available to managers in this [commodity] market segment is to drive down costs in order to obtain profits."<sup>202</sup>

Michael E. Porter believes that a market's profit is largely determined by the relative power of the sellers versus the customers.<sup>22</sup> "In general, however, new Internet technologies will continue to erode profitability by shifting power to customers."<sup>22</sup>

### Average in the Long-Term

Michael E. Porter believes that having network effects in its favour is not enough to make a business competitive. The network effects must also be proprietary, he says. Porter points out, though, that companies rarely control network effects, and once they reach a critical mass of customers, the effect is often diminishing returns.<sup>22</sup>

In his book *Strategy for Business*, W. Brian Arthur introduced the term "increasing returns." He says, "Increasing returns are the tendency for that which is ahead to get further ahead, for that which loses advantage to lose further advantage."<sup>348</sup>

In response to the argument that last man standing "wins," Larry Smith points out that, in history, the biggest players usually just become the mean or average in the long term.<sup>349</sup>

"In 1967, long before Microsoft, Oracle, Sun, and Apple were launched, Merrill Lynch published a research report correctly predicting that the computer industry would be one of the great growth stories of the next generation. The report listed 25 leading companies in the hardware and software business. Industry revenues, of course, have grown tremendously since 1967, yet remarkably, 24 of the 25 companies disappeared or stopped selling computer and software products. ... When your business depends on technology—whether it's aerospace, computer, and electronics firms in the 1960s, or Internet, telecom, and networking companies in the 1990s—volatility is a fact of life."<sup>350</sup> – Michael Milken, Chairman of Milken Institute, an economic think tank in Santa Monica, California

---

<sup>348</sup> Mazzucato, Mariana (Ed). *Strategy for Business*. London: SAGE Publications, 2002: 345.

<sup>349</sup> Smith, Larry. *Beyond the Internet: How Expert Systems Will Truly Transform Business*. Stoddart Publishing Co. Limited: Toronto, 2001: 28.

<sup>350</sup> "Voices: Collective Wisdom." *Forbes ASAP Staff, Forbes*, March 25, 2002. URL: <http://www.forbes.com/asap/2002/0325/021.html>

Michael E. Porter believes that developing “best of breed” applications is not wise strategy. Instead, strategic positioning, he says, is the better route. “Ironically,” he points out, many are emphasizing operational effectiveness. They don’t believe in sustainable competitive advantage, so they seek speed and agility, hoping to keep ahead of the competition.<sup>22</sup>

“Yet Amazon.com develops its technology, it merely demonstrates to everyone else the efficiency of this new form of retailing. With a lag, others then duplicate the innovation. As a result, retail profits remain elusive and transient for all.”<sup>349</sup> – Larry Smith, *Beyond the Internet*

## Differentiation

With respect to differentiation, Michael E. Porter believes the following:

- In order to survive in the long term, companies must set themselves apart. The only way to do this is to sustain a competitive advantage. One way to accomplish this is through operational effectiveness. This includes better technology, superior inputs, better people, better management, etc. The second way is through strategic positioning, or doing things differently from competitors. The means unique value, different features, different services and different logistical arrangements. “The Internet makes it harder for companies to sustain operational advantages, but it opens new opportunities for achieving or strengthening a distinctive strategic positioning.”<sup>22</sup>
- Strategic positioning can be maintained by:
  - Focusing on long-term profitability
  - Offering a value proposition that is different from one’s competitors
  - Employing a different way of doing things (e.g., manufacturing, logistics, service delivery, etc.). This does not mean adopting all of the best practices.
  - Being willing to make trade-offs. To be unique, a company must forego some opportunities. Being all things to all customers doesn’t result in competitive advantage.
  - Having an interdependent way of doing things. The whole company must work together to maintain strategic differentiation. This also means that strategy cannot be partially stolen by competitors.
  - Maintaining continuity in the strategic direction<sup>22</sup>
- Many dot-coms have broken many of the rules of strategy. They haven’t focused on profit but on other metrics; they have pursued indirect revenues from advertising instead of creating their own value; they haven’t been willing to make trade-offs, but try to do too much; they have imitated their competitors instead of creating a unique value chain; and they haven’t

built proprietary assets and marketing channels, but have shared their assets with their partners.<sup>22</sup>

## **Analysis**

# Lessons From History

Corresponding Analysis: The Metamorphosis of American Selling

## The Catalog Era

In the late 1800s, when most of America resided on remote farms, local competition was limited, consumers had few options, and buying and selling hinged on credit. Until catalogs entered the scene, these barriers to entry almost ensured the success of the local merchant. As a result of this lack of competition, not only were consumers' product choices limited, but product mark-ups and credit interest rates were very high. Catalogs, such as those of Sears Roebuck, changed everything simply because they provided consumers with more options.

### The Similarities Between Catalogs and e-Commerce

There are many similarities between e-commerce and the catalogs of the late 19<sup>th</sup> century. Both are based on buying and selling from a distance. In both, sellers communicate through silent, published communication. And both arose as a new sales medium that changed the face of commerce. Because of the similarities between e-commerce and catalogs, online competitors will do well to learn from the mistakes, and successes, of the catalog companies.

It is also interesting to note that Sears did not succeed in its attempt to sell groceries. Perhaps the online grocery giant WebVan should have recognized this and asked why. Sears' grocery arm failed not only because product margins were so low, but because consumers considered the long waits and hassles of catalog grocery shopping to be greater than the rewards. WebVan failed for essentially the same reasons.

### The Rivalry Between the Catalogs and Local Merchants

After living among the very people to whom they would later sell, Ward and Sears built catalogs that threatened the very livelihood of the local merchants of America. Competition became so threatening to local merchants that they began to verbally attack the catalog companies. Such rivalry has not yet erupted between traditional and e-commerce sellers. This is because so far, with exception to the music industry, the Internet has not yet posed a major threat to brick-and-mortar stores. But will it? In the catalog era, local merchants argued that the catalog companies did nothing for the local community. Is the same true of e-commerce sellers? What do they do for local communities? Like the catalog companies, they provide goods and services, but e-commerce sellers also take away local money, and few e-commerce sellers participate in and sponsor community events or contribute in any other way to local communities.

**Adaptation at the End of the Catalog Age**

Catalogs showed us that the face of commerce can change rapidly. It may seem as though the Internet we have now is the “final frontier,” so to speak, but development of new digital tools, the potential for better information, or even a traditional-digital hybrid could result in a form of commerce much different from anything we have seen, including that of the Internet. We can learn from Sears and Ward. Not only did they seize the opportunity of the catalog, but they adapted to the more mainstream brick-and-mortar setup and enjoyed great success.

**A Comparison of Malls and the Internet**

Today, most shopping in North America is done at local strip malls or large department stores. In comparing mainstream mall commerce to e-commerce, it may be beneficial to ask the following question: What if the Internet had come before brick-and-mortar stores? One might respond like this: “Wow, have you been to the mall?! It is such a wonderful environment—so many people, so aesthetic, so much room to walk around! It’s a great place to go with friends. There’s so much to see and touch and try on. When you need something, you can go up to anyone and ask for help. I actually *enjoy* shopping now! Before it was a chore. Tell me, what’s fun about using a computer to search the Internet, dig through an overload of information, go through a long payment process, pay extra for shipping and then wait *days* to actually get what you bought? Not exactly something I’d invite my friends to join me in.”

# Lessons From the Dot-Boom and –Bomb

Corresponding Key Observations: The History of e-Commerce

## Adaptation

As our children grow up in a digital world, an understanding of many of the traits of digital technology are becoming second-nature to them. The author was most amused to see this evidenced in the story of his niece, a girl of 18 months. One day, the toddler didn't like the game in the computer, so she pressed the CD button to open the CD tray, took out the CD, found the CD for a game she did like, switched the CDs, and closed the tray. She learned to do this just from watching her brothers and sisters who were themselves just five and seven years old.

For businesses, adaptation is more vital, perhaps, than ever before. What happened to CompuServe? How did Apple become the underdog? These companies lost ground because they failed to adapt. Adaptation, especially today, is not natural or easy. The truth is that the Internet is still a very new business medium—it has not been around for long—and we still have much to learn about it. Adaptation, then, becomes more difficult. On the other hand, whoever understands the Internet and adapts and acts accordingly *best* will emerge as the winner.

## The Benefits of the Dot-Boom

Despite the failures and wasted funds, the dot-boom resulted in some great things. So much was developed that we use and value now: local and global infrastructures, free information, even the lessons that can be drawn from the many mistakes of the early players. A tool for which universities would have once paid millions, the Internet is now available at little or no cost for consumers and businesses alike

## Conspiracy Theory

Soon after the IT fallout, the author had a meeting with the CEO of a small, IT venture capital firm. This gentleman was of the belief that the dot-com crash, or “dot-bomb,” was fuelled by a conspiracy among other, bigger venture capitalists and investors. He claimed that these individuals knew all too well that the businesses they were funding were dead-ends. Nevertheless, investment money tagged for dot-coms was pouring in, and they didn't want to pass up the opportunity, so they ignored the basic rules of business and focused on Internet startups. When the companies they founded went IPO, they cashed in on over-inflated stock prices. Then, knowing there was no future for these companies, these venture capitalists short-sold the same stocks. When dot-com stock prices plummeted, many of them around April 2000, the very

venture capitalists who funded them made even more money. The author concedes that although it makes for an intriguing story, the degree of truth in this theory is uncertain.

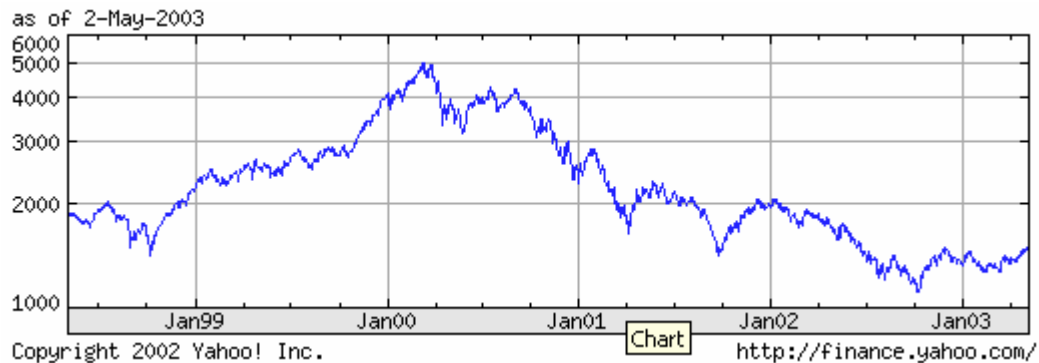
### **A Predicted Demise**

The dot-com crash didn't come as a big surprise to everyone. In the Fall of 1999 and Spring of 2000, the author attended weekly lectures on economics with Professor Larry Smith (author of "*Beyond the Internet: How Expert Systems Will Truly Transform Business*") at the University of Waterloo. Not one week passed without a doomsday prediction for the otherwise much-praised dot-coms. Professor Smith raved about the "preposterous" price-earnings ratios of stocks such as Amazon and Yahoo. He explained that in order to justify their current stock prices these companies would have to double their profits for the next hundred years, and made it clear that this was highly unlikely, if not impossible.

Indeed, more of us—all of us—should have been ready for the dot-com crash. The Internet was (and is) a new industry, yes, but we still ignored much of the lessons of history, many from the Catalog age. It is of particular interest to the author that there was a great deal of over-investment in electricity-based companies when this technology was first being developed. How many of us remembered this when the Nasdaq was at its peak?

**The Nasdaq Composite Index: 1998-2003<sup>351</sup>**

Source: Yahoo Finance

**Why the Dot-Coms Failed**

Most economists agree that the dot-coms failed simply because of poor business practice and strategy. There is, of course, no excuse for bad business. The truth is that many of the dot-coms didn't follow many of the age-old rules of economics. Some even seemed to forget that you need revenues and customers to make money. Over 100 years ago, Robert Wood of Sears' believed in the business strategy of "experimenting carefully." Driven by a philosophy of "survival of the fastest," many of the dot-coms did exactly the opposite.

Soon before the dot-bomb, a new buzzword came out in the IT industry—the word "solution." Having made the discovery that they should sell customers what they needed (i.e., solutions to their problems), "solutions" was soon appended to company names and slogans. While it was, of course, a good thing for companies to come to the realization that they should be fulfilling needs, this fad attests to the frantic confusion that defined the dot-boom.

**The Job Cuts**

Even now, in early 2003, the IT job market continues to suffer from the dot-bomb. Where once there was a massive need for more IT-skill, now programmers, graphic designers, and Internet business people struggle to find Internet jobs. Not surprisingly, many have moved to other fields.

It is stunning to think just how many people once worked on dot-com projects, and alarming how quickly demand for these skills was filled. How many colleges geared their marketing campaigns and programs to

<sup>351</sup> Nasdaq Composite Index. Yahoo Finance. Online May 5, 2003. URL: <http://finance.yahoo.com/q?s=^IXIC&d=c&k=c1&a=v&p=s&t=5y&l=on&z=m&q=l>

Internet-related IT? Where did they get their professors? In light of the dot-bomb, one wonders if the demand for Internet skill was filled, perhaps, with a supply of grossly inadequate quality.

# Thoughts on the Internet as a Whole

Corresponding Key Observations: Quotes on the Internet as a Whole

## The Relative Value of the Internet

See also Key Observations > The Metamorphosis of American Selling> Great Inventions

When judging the Internet, it may be a good idea to do so in relative terms. For example, we may ask ourselves, “Which do I value more—the Internet, or indoor plumbing?” These is a difficult question, and while the author may be inclined to opt for the Internet and a luxury outhouse, most people, perhaps, would not. The Internet may have an immense impact on the world, but let us not forget that without electricity or the computer chip, we wouldn’t even have it. Without advances in healthcare, we would have less time to use it. Without a good economy, we couldn’t afford the technology to employ it. Furthermore, any judgments we make of the Internet are limited due to its newness. After all, it would not have been wise to measure the impact of the railroad when it had only been around for ten years and when only a few tracks had been laid.

Its relative impact and potential aside, the Internet remains a tool. Like money or cars or even guns, it is how we use the tool that will determine how “good” or “bad” it is. How does the tool of the Internet compare to other tools? Larry Smith calls computing “humanity’s most flexible tool.”<sup>20</sup> In terms of business value, the author cannot disagree.

Not least because of its flexibility, is the Internet a blessing to businesses? Michael Porter of Harvard Business School is not quick to make this conclusion. He points out that the Internet may cause a degree of competition so great that it will more difficult for individual businesses to compete.

## Is Internet Adoption Necessary?

How much must companies be involved in e-business and e-commerce to be competitive? Today, many companies remain successful without the use of digital tools of any kind. It may well also have been a good idea for many traditional companies to withdraw from the Internet during and after the IT meltdown as they were making money without it and losing money with it. However, because of the benefits of the Internet and the growing “Big Room” characteristics of the North American and global economies, the author is of the belief that adoption of the Internet—as a tool or as a sales medium—will be increasingly advantageous, even necessary, for traditional business competitors around the world.

Fortune magazine tells us that the dot-com era is over. Indeed, the dot-com mania of the late 1990s and 2000 is associated with an array of negative images: over-investment, arrogance, economic foolishness, greed, the list goes on. Those days are gone. Meanwhile, the Internet and business conducted on the Internet continue to grow. The Internet will not die. And in light of the rise of great selling media of the past, such as catalogs and indoor malls, and in light of the flexibility of computing, the age of the Internet has only just begun.

# The Nature of the Internet

Corresponding Key Observations: The Nature of the Internet

While the Internet shares common characteristics with other sales media, it is unique in a variety of ways. The author considers the Internet's differences to be primarily attributed to three factors: its relation to location, its digital makeup, and its speed.

## Location, Location, Location

### Location in the Real World

In traditional business, real world location is usually paramount to a business's success. For example, in brick-and-mortar retailing, consumers can only shop at stores they can access. Convenience stores situate themselves on busy street corners. Banks have branches in prime customer locations. Restaurants must usually be within walking distance of their customers. So in the real world, location is an exclusive barrier-to-entry. That is, if I'm here, you can't be.

### Online Location

It is easy to think that the rules of location in the real world do not apply online. This, however, is not always the case. Location of the online business exists in two forms: as the business' virtual location in relation to others, and as the business' real world or physical presence. Real estate can actually be limited online. For example, there is only *one* first result for a given search engine query. Indeed, as in the real world, unless an online business presents itself to a consumer at the right place and at the right time, it will not be in the optimal *location* to make a sale.

The fact that online sellers are physically separated from buyers in the real world is nothing revolutionary. The same is true of business done through catalogs, phones and the mail. Just as a catalog brings a seller to a buyer, so the Internet brings sellers to buyers' computer screens. The main difference in terms of real world location between catalogs and the Internet is that the Internet makes it easier for sellers to present themselves to buyers. While catalogs must be distributed or shipped to individual buyers, anyone with Internet access can visit an online storefront.

**An Online Business' Real-World Location**

Real world location also has an impact on an e-commerce business's operations and reach. It affects a business through sellers' shipping costs, supplier relationships, local laws, and local language and culture. These are some of the main factors that act as barriers of entry to e-commerce for international competitors. (See "Competitive Advantage in the Big Room.")

**Snail-Mail Shipping**

Ironically, because of the real world location implications, commerce on the Internet has resulted in unprecedented levels of physical, "snail-mail" shipping. What are the implications? What effect does this have on the environment? And how efficient is e-commerce in light of the fact that everything must be individually shipped? Where before most products were shipped to brick-and-mortar stores by the truckload, now products are individually packaged and sent all over North America and the world. Environmentally, and in terms of productivity, have we lost ground?

**The Internet's Digital Nature**

The Internet's relation to location is a direct result of another attribute—the fact that it is digital. The web is made up *only* of that which can be digital. That essentially includes text, graphics, audio and video. This information is loaded by and presented to Internet users as it is needed. Were the web a physical catalog, its pages would number in the billions and fill rooms. But because it is digital, the web can be viewed quickly one computer screen at a time.

**Vision Only**

The fact that it is digital makes the Internet so flexible. However, this same trait—that the Internet is virtual, not physical—is also the reason for most of its shortcomings. The Internet is physically very limited. We can't touch and feel or walk around on the Internet. We also can't communicate in person through it. The web as it exists today limits our capacity for communication. Body language such as facial expressions, hand gestures and general vibes is lost.

The Internet also limits our ability to judge based on appearance. This means there is less potential for prejudice. It also means we have less to go by in our decisions of trust.

**Online Software**

Closely linked to the digital aspect of the Internet is the fact that it runs almost entirely on software. Besides the ability to make copies of content at virtually no cost, this means businesses can search like never before, customize on mass, personalize its web content and service, and even customize products to

millions of individual consumers. Perhaps greatest of all is the ability to use software to automate. Automation is an investment. Once software has been automated, it may provide “free” or inexpensive labour.

### **Links & Hyper-Time**

Another attribute of the Internet that sets it apart from any other medium of commerce is its speed. The Internet allows for hyper-speed access to its masses of information. This, of course, empowers consumers and intensifies competition.

The hyper-link, or, in the context of commerce, the ability to instantly move between competitors’ storefronts is also unique to the Internet. Hyperlinks make the Internet smaller because they allow us to go to any part of it instantly. Because it is so big, though, just *knowing* where on the web to go is the difficulty.

### **24/7 Availability**

24/7 business was available before the Internet through telephones, some stores, and, of course, catalogs. However, the Internet makes 24/7 business operations easier than ever. In fact, it is generally easier to keep a website up all the time, and to accept orders online all the time, than not to. As a result, 24/7 business online has become the default for businesses and is expected by consumers.

## **But We Live in a Real World...**

There are clearly some things the Internet won’t replace. We must not forget that fundamental human needs are no different than they were before the Internet. People are the same. Thus, whichever needs the Internet can’t fulfill, or isn’t as good at fulfilling, *will* be fulfilled without it.

The Internet is not the physical, real world we are used to. Does this mean that we can’t be satisfied by it? Does it mean that we’re just trying to emulate the real world through it? The Internet is inaudible and intangible. How do these characteristics reduce its capacity to fulfill our needs? Surely some human needs and wants can only be fulfilled physically. Can our needs be fulfilled at the same rate online as they are in the real world? If not, could this lead to addiction? Is the Internet a fun place to go with friends we already have? Do we ask our friends to join us when we shop online? Does buying on the Internet entertain us? Perhaps we can understand the Internet’s limitations best by understanding how it differs from the real world.

# The Corporate Structure of Online Businesses

Corresponding Key Observations: The Corporate Structure of Online Businesses

## A New Department

All Internet businesses share common corporate culture characteristics. These include the need for IT know-how, and, oftentimes, the need for the whole company to be computer literate. Because Internet business is still business, the problem arises in the meshing of business and IT. This is a relatively new problem, but one which will not go away and must be dealt with.

Suddenly businesses have a new, different department to deal with—that is, the department of Information Technology, or, IT. Not only must the other departments cooperate with the IT department, they must also *rely* on it. It is no wonder, then, that there are difficulties. Because it is different in nature, the people within the IT department are also likely to be composed of different kinds of people. They may, for example, be more technically-inclined.

## Business Responsibilities

It is dangerous to hand the business decisions of a company over to people who do not specialize in business in any industry. This mistake, however, was widespread during the IT boom. Eager to step up their IT initiatives, IT managers were given a great deal of business responsibility. Too much was expected of IT departments, many IT projects failed, and IT managers and employees felt the brunt of it.

Businesses should assign business responsibilities to those who have proven themselves worthy of them. Likewise, IT should be developed by capable technicians who understand the business objectives. Businesses should also remember that IT employees may have different values than others. While their insight can be invaluable, companies should ensure that the IT preferences of employees contribute to the bottom-line. For example, technology that one IT employee considers “cool” may not be the most scalable and integration-friendly.

## Corporate Communication

A vital ingredient for success, of course, is communication. That means that IT employees must communicate to less technically-inclined employees in understandable terms. Documentation becomes more important than ever. Similarly, business employees must not keep IT employees in the dark about the business objectives. The people within a company must communicate in order to be on the same page and meet the same objectives.

## **IT Outsourcing**

In early 2003, IBM ran a series of television commercials about its e-business services. One of them showed a group of executives in a business meeting. The individual who seemed to be in charge asked a series of questions about integration, servers, and other e-business matters. He was told that it was all running smoothly. He then asked why, then, he had been called to the meeting. There was a pause. Then one of the men said, “Shirts.” “Shirts?” “Yes, sir, we sell shirts.” The business was so focused on getting its e-business in place that it forgot about why it had e-business in the first place—to better sell its product.

Companies must ask themselves if they are doing what they do best, or investing valuable time and resources with telephone lines, business furniture, office supplies and now, servers, computer networks and complicated e-business. With so much to deal with, all businesses engaged in e-business or e-commerce should consider outsourcing the IT expertise it needs. Given a good IT partner, a business can focus on its core competency. It is both micro- and macro-economically efficient when all parties do what they do best.

## **Employees**

### **Virtual Employees**

The Internet has given rise to a new breed of employees. These are employees that need not be at the physical site, or in the office, to work. Using computers, extranets and password-protected websites, employees can work from home.

The author recalls his own website, SurvivorFire.com. In early 2003, approximately 30 volunteers across North America were fully operating his site. He had only met one of them face-to-face, and two had been given full server access. Every week, hundreds of messages were posted and moderated, several articles were written, and new content was published. Despite the exclusively “digital” relationships the author held with his volunteers, his website ran so smoothly, he needed not spend even five minutes working on the site each week.

The fact that company employees who physically live far away from a company can be hired raises new questions. Who, for example, can be trusted with intellectual property and server access? How can employees be monitored? How can businesses be held accountable to the government? What about employing high-skilled workers from other parts of the world? At a more social level, will the virtual employee’s quality of life improve or worsen, and how? Questions such as these will increasingly have to be addressed by companies, the government, and employees themselves.

**Internet Use in the Office**

Another issue that must be faced is employee Internet activity. The facts that so much online trading is done from the office, that entertainment sites are accessed more frequently from work than from home, and that eBay is the most visited site from the office should not be treated lightly. Other sites, email, even instant relay chat also enter the equation. In order to achieve maximum productivity and employee satisfaction, companies must strike the right balance of availability and restriction of the Internet to employees.

The author notes that the more what we do becomes digital, the easier it becomes for the powers-that-be to monitor what we do.

**Process Change**

As so effectively explained and demonstrated in the movie *The Gods Must Be Crazy*, the western world has attempted to adapt its environment to itself, rather than simply adapting to the environment. The result, of course, is a more complicated world. And it becomes more complicated the more we change it.

This is what business process change is all about. We live in a world in which we must adapt, and if we don't adapt better than our competitors, we will lose. Adapting begins within an organization. With IT and the Internet resulting in so much change, executives must ensure that their managers and employees are adapting together. This will enable the business as a *whole* to move into better positions of competitive advantage.

# The e-Business of e-Commerce

Corresponding Key Observations: The e-Business of e-Commerce

e-Business—or, the IT processes of a business connected to the Internet—is probably the most valuable business aspect of the Internet. Through e-business, companies are saving billions. Companies are also spending billions on e-business. Thus, a huge percentage of e-commerce is done from business-to-business, or, B2B.

## The Importance of Infrastructure

A company's infrastructure is its fundamental makeup. Today companies competing on the web need to have a solid *IT* infrastructure. Without a solid IT infrastructure, businesses can be held back or even ruined by their own digital weakness of disorganization. Perhaps the most important need for a business' infrastructure to follow IT standards within its industry. If a company can integrate its technical infrastructure with its own inventory, website and suppliers, it will not only run more smoothly and efficiently, but it will have more opportunity to automate and make use of software and IT-based tools.

One characteristic of the web is that IT does not erode or physically waste away. This means that companies can use IT indefinitely. Thus, the more *valuable* IT a company uses, the more competitive it will be.

## Automation

History has proven that under the right circumstances, automation results in greater efficiency. That is, fewer people are needed to produce the same level of output. So why not automate everything? Despite the value of automation, businesses have limited resources, and these resources should be allotted only to priorities.

## How Automation Can Mean More and Better Jobs

The argument is given that the more jobs are automated, the fewer jobs there will be for human workers. The author believes, however, that *if* well-regulated, automation can result in higher living standards and improved quality of life for all.

Do we want our citizens to fill roles that could be automated? Assuming jobs that can be automated are less enjoyable than those that can't be, to eliminate menial tasks through automation is to increase the quality of life for those whose jobs were eliminated provided they get new jobs that can't be automated.

How would more jobs be created for those who lost jobs to automation? From the increased per-person productivity of those still working. Given that the demand for goods and services of those still working increases due to their increased productivity, a greater supply for labour is needed. Provided they are capable, this need for labour can be filled by those without jobs.

**B2B e-Commerce & e-Procurement**

The benefits of e-procurement, or procuring goods electronically, are immense. Through e-procurement, companies can eliminate paper documentation and, through integration, can simplify the buying process. Furthermore, the Internet opens businesses up to more potential suppliers. And for retailers like Wal-Mart, procurement can be done automatically and electronically.

**B2B Exchanges**

One way in which companies can purchase goods online is through B2B exchanges. Online B2B exchanges allow organizations to bid against each others for goods and services. The greatest danger, perhaps, of B2B exchanges is that they could reduce commerce to a price war. This can be beneficial to buyers, but means less profit for sellers. The commoditization of goods and select services is discussed further in sections “Price” and “Competitive Advantage in the Big Room.”

## **B2C e-Commerce**

Corresponding Key Observations:

## B2C e-Commerce Business Models

### e-Retail Statistics

How are online consumers different from traditional consumers? Perhaps the main differentiating characteristic of online consumers is that they have access to computers and Internet technology, are computer literate, and have the tools and resources necessary to actually make a purchase. These criteria set online consumers apart from most of the world.

### **Business Internet Adoption**

The Internet makes some things that are difficult in the real world easier. For example, using pre-designed, all-inclusive online services, a business can be up and running to sell online within 24 hours. Similarly, a company website can be produced within a week. But just because it's easy to go online doesn't mean a company should. So many businesses in North America now have websites. The question is, is adopting the Internet wise? Do businesses with websites gain more from their websites in terms of sales than they lose in time and resources spent on website development and upkeep?

If a business' customers are not online and are not going online soon, a business should not go online and try to sell to them. Although the Internet is, in many ways, a powerful force in business, the author does not consider Internet adoption to be vital or even wise for every business. Unless it will achieve long-term profitability, even online brochureware should not be a priority.

### **The Subjective Value of the Internet**

The Internet is already revolutionary in many ways, but how can we conquer the ways in which it significantly, or completely, falls short? For example, most people in North America, let alone the rest of the world, do not regularly shop or spend money online. Should our objective be to motivate more online spending—to the point where most homes, cars, groceries, clothes and other main objects of expenditure are purchased online? Will this lead to a better local, and global, economy? Will it raise standards of living? Will it improve quality of life? The answers to these questions depend entirely on many individual entities—individual people, individual businesses, and individual governments. It depends on the perceptions and values of these individual entities and what they do.

### **New Value**

Unless new technology replaces something that doesn't work well, there's no reason for consumers to adopt it. The rate at which North America has adopted the Internet, though, testifies to the continent's perception of value in it.

**The Digital Generation**

There is one group of people that is adopting the Internet more quickly than anyone else. These people comprise a vast army of future online consumers to whom the Internet will be nothing new. Together, they make up an entire generation. They are, of course, are children. In developed nations today, particularly in North America, young children enjoy computer games and websites for kids. Meanwhile, teenagers have moved to the Internet on mass. Hundreds of thousands of them spend hours every day talking to their friends and other acquaintances online. They use email regularly, research the Internet for school projects and enjoy listening to online radio stations. What are the implications of Internet activity among young people today? The author cannot help but think that, at the very least, it will have a tremendous effect on e-commerce tomorrow.

# Online Communities

Corresponding Key Observations: Online Communities

## What Online Communities Are

The definition of “online community” that the author has chosen to adopt is this: a group of people who meet and communicate at one site online. This broad definition encapsulates all of the online groups that are regularly referred to as online communities.

Online communities can be broken down into three groups:

- Geographic neighborhoods that are online at one location (e.g., Toronto.com)
- Groups of people with a common interest or cause (e.g., SurvivorFire.com)
- Corporate sites with significant customer intercommunication (e.g., eBay, Amazon)

The web offers new community opportunities. For example, whereas it may be difficult to start a C.S. Lewis club in a small town, there are many C.S. Lewis clubs online that are eager for new members. This is true for tens of thousands of other interests, some of which are very niche indeed. While some online communities existed exclusive from or prior to the web, most consist of people whose first met online.

## The Impact of Online Communities on Business

How do online communities affect businesses? While online communities increase business transparency and weaken the ability to hide information from consumers, businesses can also profit from online communities. Some online businesses even have community at the center of their business model. These are discussed in “

B2C e-Commerce Business Models.” Other businesses take advantage of online communities more indirectly.

### **Customer Interaction**

Online communities facilitate the sharing of company information between customers. While it would be unusual to see a group of people discussing a store’s practices and products in a brick-and-mortar establishment, this is a common practice in many communities online. At Amazon, community members have helped to build a database of hundreds of thousands of book reviews. This has not only driven sales, but it has differentiated Amazon from its competitors. For Amazon, and many sites like it, the stronger the community, the more lucrative the business.

### **“Free” Labour**

Online communities can mean “free” labour for businesses. Many websites, such as those of Amazon and Cisco, rely on its community to deal with customer problems and bring new customers up to speed. At SurvivorFire.com, the community runs the whole site—from the moderation of thousands of message posts, to the writing and publishing of high-quality articles.

### **Community Network Effects**

What is eBay’s value? The company’s software is valuable, but it can be replicated. Its partnerships, proven methods and goodwill are also important. But the real value in eBay is its community. Because there are so many buyers, there are sellers. Likewise, because there are so many sellers, there are buyers.

### **Community Reputations**

Another of eBay’s barriers to entry is its community members’ reputations. Discussed further in “Consumer Trust,” the reputation of an online buyer or seller can sum up an individual’s trustworthiness in one number or word. It is the aggregate opinion of those in the community with whom an individual has interacted. eBay has in its community members’ reputations and relationships—many of which have been formed over several years—a competitive advantage no one else can claim.

### **Community Crime**

Unfortunately, not all community interaction is noble. In fact, the people in some online communities help each other steal. Usually called “sharing,” and carried out with the help of “shareware,” or software that enables people to swap files online, piracy of music, software and other files results in billions of dollars in lost revenue annually. This phenomenon is discussed further in “Piracy.”

## Online B2C Business

Corresponding Key Observations:      Examples of e-Retail  
One-Time Purchase Online Services  
Subscription-Based Online Services

### Virtual Reality

Would it be possible to combine the benefits of the Internet with the benefits of the real world, while eliminating the shortcomings of both worlds?

The pros and cons of the Internet, of course, depend on the values and preferences of the consumer, so an “optimal” sales channel is subjective. Nevertheless, the characteristics of the Internet could be merged with, for example, the attributes of a brick-and-mortar store. Commerce of this variety, of course, has already begun on a small scale. Could it be, though, that the next mass shopping medium preference could be a blend of virtual and traditional worlds? No such thing has been developed and accepted on mass in North America yet. Perhaps development in holographic imagery and virtual sensory feeling will change this.

### Quasi-Commodity Product-Based Services

The Internet has clearly proven itself to be capable of facilitating commodity-based business-to-consumer (B2C) commerce. In the author’s research of the most common forms of *service*-based commerce, he noticed two more B2C e-commerce drivers; namely, quasi-commodity-product-based online services, and tools that enable users to accomplish tasks more easily.

Online travel is one of the biggest online service industries. Indeed, it is heralded by some as the greatest online business success. Nevertheless, online travel service providers sell the same thing as their traditional counterparts—travel. The difference is that many consumers prefer to buy their tickets online. The same is true of DVD rentals. DVDs are nothing new, but unlimited-rental, DVD subscription service companies such as NetFlix and Blockbuster are also providing Internet- and product-based services that are gaining mass appeal.

### Task Simplification

Similarly, online tools that simplify tasks are also proving popular. Examples are online banking, job searching, and education. Consumers who once had to line up to make a deposit or withdrawal in-person at the bank can now do their banking online. Job searchers can now “pound the pavement” online. And students can now go online to earn degrees from prestigious, traditional universities.

A similar task-facilitation industry that has *not* taken off online is real estate. Although consumers are trying to accomplish the same task—that is, of looking for a home—they do not seem to find the tools, or at least the real estate infrastructure of the Internet, to be preferable. Could this be an industry in which advances of virtual reality would change everything?

### **A Market of Niches**

It is also worth noting that some small retailers are succeeding online. Why haven't big players such as Amazon, a company that has invested billions in its infrastructure, eliminated their small competitors? The answer may be that small retailers can offer products and services that big retailers cannot. That is, because the Internet is home to the biggest market in the world, it also opens up ultra-niche markets that may be too small for large companies to pursue.

### **Subscription-Based Online Services**

The subscription-based revenue model has been used in business for decades. Subscriptions are used for magazines, newspapers, club memberships, phone usage, and much more. Subscriptions are also proving a popular revenue model online. The Internet has made subscription easier than ever before through the use of credit cards, cookies, and other Internet tools. Even access to the Internet itself is done primarily through subscriptions.

Not only can subscriptions provide a steady stream of revenue, but they equip businesses to better predict future revenues. Furthermore, it takes effort for a consumer to unsubscribe, so as long as the service with which a consumer is signed up is still valued by the customer and is comparable to competing, the customer is unlikely to unsubscribe.

## **Bricks & Clicks**

Corresponding Key Observations: Bricks & Clicks

What advantage do traditional companies have over pure-play companies online? The answer may lie to some degree in traditional companies' established *product* brands. (See "Brand and the Internet.") As well as product brands, traditional companies also have a business establishment that most pure-play companies, young as they are, do not have. Established partnerships, successful products, and long-term supplier and wholesaler relationships give businesses not only an edge online, but in any sales channel. With the Internet so young, a lack of establishment sets all pure-play e-commerce brands apart from their traditional counterparts.

### **Catalogs & Clicks**

Perhaps the best-equipped to move online is the catalog industry. With warehouses, call centers and shipping company relationships already in place, many catalog companies, such as Lands' End, have done very well online. (The similarities between e-commerce and traditional catalogs are discussed in "Lessons From History" in the Analysis section.)

### **New Tools**

The Internet also provides traditional retailers with new tools and benefits. Victoria's Secret, for example, has experienced increased sales from the unprecedented level of privacy the Internet provides. Likewise, retail giant Target uses the Internet to test new products before selling them in its brick-and-mortar stores.

### **Outsourced Clicks**

Just as all companies seeking to add e-business or information technology to their business strategy should consider outsourcing so as to focus on their core competencies, so retailers that want to sell online should consider hiring e-commerce service providers. Toys-R-Us is an example of the wisdom of this. When Toys-R-Us initially attempted to move online on its own, it encountered numerous setbacks, surprises and a great deal of difficulty. Eventually, the company hired Amazon to put the Toys-R-Us brand online, and the partnership was a great success for both parties. Together, Toys-R-Us and Amazon are making more profit than either could on their own.

# Consumer Trust

Corresponding Key Observations: Consumer Trust

## Consumers' Distrust of the Internet

Should consumers trust online retailers? Many have shown that they do not. Today, consumers get more junk mail in their email inboxes than they ever got in their physical mailboxes. Rented email lists abound. Consumers are sent viruses—some disguised as being from friends—that can wipe out their computers. And horror stories are printed in newspapers about hackers, identity theft, and billions in losses from computer worms.

## The Need for Online Businesses to Demonstrate Their Reliability

It is little wonder, then, that online security and privacy are major concerns of consumers. GartnerG2 claims that one in six online consumers have already fallen victim to credit card fraud, and one in twelve to identity theft. And according to Ipsos-Reid, concerns about online security are increasing. Not only is the Internet home to hundreds of thousands of pages of hate sites, stolen software and other questionable content, no one authority can regulate it. As a result, customers need more than a “trust me” before they will put their faith in an online entity, especially before making a purchase.

Consumers want to know that an online vendor can be trusted to deliver on its claims and promises accurately and on time. In light of the dangers to consumers on the Internet, is it reasonable to expect a customer to expect high quality service from a poorly-designed website laden with errors? On the contrary, online customers demand first-rate websites, third-party recommendations, testimonials, guarantees and more. As in the age of the catalog, consumers need and deserve to have confidence in their purchases and those from whom they purchase before they will buy.

# Brands

Corresponding Key Observations: Brand and the Internet

There is a heavy emphasis on the building of brands online. Is this justified? The author believes that the answer depends on the *type* of brand. Online brands can be broken down into two categories: *product* brand (which will also encompass service brands) and *e-commerce* company brand. Both product brand and e-commerce brand have an impact on a consumer's trust of a seller (see "Consumer Trust"). Both types of brand also depend on the "eye of the beholder." That is, a brand is to a consumer the aggregate of his or her own perceptions and memories of all of his or her past experiences with a product, service or organisation.

## Product Brands

### The Value of Online Product Brands

The author is open to the possibility that product brand may be even more important online than in the real world. This is because consumers often have less capacity to examine or inspect a product they have never encountered before online than they do in the real world.

As in the real world, consumers will always demand product brands in which they see value. Sellers, in turn, will always provide them. We see this in the massive and increasing competition on the Internet in North America and the rest of the world. Demand for product brands will also drive the impact of search engines. (See "Search Services," "Online Advertising Media" and "Customer Loyalty").

### The Product Brand Controller

Product brands without individual variability, however, are commodities, and the more competitive a market, the lower margins will be. Therefore, unless a seller has exclusivity to sell a product or service, profits will be negligible. The entity which controls and produces the desirable product brand, however, will be as profitable as ever. The profits of a brand-controlling entity depend, as in the real world, on demand and the entity's competence to measure demand and act accordingly. For example, wholesalers must sell to retailers at the price that will achieve the greatest long-term profit. To its producer, a desirable product brand is a form of differentiation. (See "Competitive Advantage in the Big Room.") Online product brand for which there is demand, then, is valuable to its producer, but of weak long-term value to retailers.

### **Building Product Brands Online**

Can product brands only be built in the real world? Because the Internet is so young, few brands have been established online, at least when compared to the number of established, traditional brands. The author believes, however, that there is no reason why brands should not be developed online as they do in the real world; that is, over time, with customer interaction.

## **E-commerce Brands**

### **A Signal of Reliability**

E-commerce brand is clearly important as a signal of reliability or credibility online. Once a consumer can trust two or more online competitors, however, what but the products carried, price and buying options separate one seller from another? The truth is that unless an e-commerce brand reflects more than these things, it will not survive.

### **A Reflection on Differentiated Products and Services**

The e-commerce brand should reflect what sets a retailer apart; it should differentiate the retailer. Online, in the price war for branded products, e-commerce brand will signal quality of new, *unbranded* products. That is, for quasi-commodity and touch-and-feel products without variability, such as specialty paper and clothes, e-commerce brands could grow in influence and replace some commerce based on branded products. In buying unbranded specialty paper from an eBay seller with an excellent feedback rating, the author has contributed to this trend himself.

### **e-Commerce Brand and Unbranded Products**

It should be noted that over time, unbranded products could develop desirable product brands of their own as a direct result of the e-commerce brands with which they are associated. Furthermore, if unbranded products aren't differentiated, and more trusted e-commerce brands sell unbranded products, even unbranded products will fall victim to commoditization.

How are e-commerce brands built? As in the real world, e-commerce brands can be built through their promotion, or simply over time with proven delivery of the e-commerce brand. The latter method of brand building is true of the thousands of "powersellers" on eBay who have been doing business for years with no marketing budget, but who, through reliability over time, have valuable e-commerce brands.

**Online Manufacturer Power**

Are manufacturers empowered by the Internet? Not unless they control product brands. If a manufacturer does not control a product brand, and another manufacturer can produce the same products, one manufacturer has no advantage over the next. The same, of course, is true in traditional business. The Internet does not necessarily change manufacturer power. It simply provides manufacturers—indeed, anyone interested—with a new sales channel. Whether or not manufacturers want to start selling online (i.e., become wholesalers or retailers) is up to them, but it was up to them before the Internet as well.

**The Same People Online**

It should be noted that one group of people offline are the same group online. This, of course, is a truism. The point is that people's values, desires and expectations do not change when they go online, so they should be treated with the same care online as they are offline. BlueNile.com and the online presence of Mercedes-Benz' have abided by this principle. Both sites treat their high-end customers as the elite. Perhaps this accounts, at least in part, to the success of these companies' online operations.

# Web Presentation & Usability

Corresponding Key Observations: Web Presentation & Usability

## Lower Standards

Selling online is not about “getting a website.” In the real world, no respectable company would open a store to the public with tacky signs, cluttered aisles, dysfunctional in-store catalogs, and long forms to fill out at the till. These standards, however, are not uncommon in many online stores. On-site search tools do not work, web pages load slowly and time-out, graphics are dowdy, and inflated shipping charges and long forms cause many customers to leave at checkout.

A company’s website is part of that company and reflects on that company. Because a website of some description may be easy to put up does not mean that a company should do so. Inferior websites erode company image and reputation. If an Internet strategy is added to a company’s sales strategy, it should be done with care. Websites should be simple, professional and effective.

## Presentation and Profit

This is not to say that websites should cater to all of its users’ whims. Pop-ups remain one of the most-hated elements of the web. Nevertheless, a company is responsible for its bottom-line and long-term profitability. If pop-ups—such as a premium member sign-up request at CNN.com, or a magazine subscription form at Time.com—mean a positive long-term return-on-investment, pop-ups should be utilised.

## Presentation and Customer Confidence

Customers want from a website the same thing they want from their brick-and-mortar shopping experiences—a feeling of confidence in their purchases. Naturally, they want to know *what* they are buying. Perhaps it is for this reason that up-close product images and virtual models drive sales online. Meanwhile, it seems that holographic technology is still years away, and other real-life-simulation tools, such as voice recognition, have not caught on. For now, or at least until new popular technology is developed, then, we must exceed our customers’ expectations in the silent, limited Big Room we have now.

# Price

Corresponding Key Observations: Price

The danger of the Internet to the undifferentiated competitor is not that people don't want to pay for the value. The danger is competitors who keep lowering their prices. People are willing to pay for what they value. This is evident in the thousands who are signing up at dating sites and the millions who opt for a faster shipping option at Amazon. However, people will not pay for something they value if they can get it significantly cheaper, or free, and if there are minimal switching costs. (See "Customer Loyalty.")

## Dynamic Pricing

Because of the flexibility of software, the Internet provides online sellers with a greater capacity to charge customers different prices. Should this capability be used? Amazon tried and failed. Its customers found out and were less than amused. However, customized suggestions, such as offering customers a relevant product or service in addition to what they already have in their shopping cart, for example, is not only legitimate, it is good business. However, the same offers should be granted to all in the same scenario.

## Ever Lower Prices

Wal-Mart has been known to move into a locale and undercut its competitors' prices to the point of putting them out of business. Once its competition is gone, the company raises its prices and makes hefty profits. Is this possible online? The answer is no, and this is because, in terms of a company's real world proximity to its customers, location is of less consequence online. Competition is thus fiercer, and consumers, at least in the short-term, are better off.

Online businesses should be wary of price competition. Lower prices should not be a source of differentiation, because someone else will always be willing to sell for less, or, in fact, nothing at all. Internet companies should be differentiated instead by better service and convenience, and, much more importantly, different products. (See "Competitive Advantage in the Big Room.")

## Online Tax

Another price issue that will receive more attention over the next few years is online tax—online sales tax and the taxing of online businesses. Studies show that the implementation of an online sales tax will not devastate online commerce. However, online tax will entail, and possibly cause, the rise of a much greater level of governmental control over e-commerce. It will also result in more online business accountability across the board.

One difficulty of online governmental control is international commerce. Who will pay local tax? Who will pay federal tax? Where is a business located—where its server is, where its CEO lives—where? There will be problems, and local and national governments will be attracted more and more to the idea of a global government—one that has the final authority. Such a government would no doubt be economically valuable and efficient. The degree of power, however, would be unprecedented and would entail greater potential for infringement of consumer privacy and freedom.

# Payment

Corresponding Key Observations: Payment

The Internet offers consumers more methods of payment than ever—from online cheques to online bank (e.g., PayPal) debits to automatic subscription credit card billing. More payment options, of course, means more ways to get consumers' money.

## Micropayments

One payment method that hasn't caught on is micropayment; that is, payments as small as just a few cents. The truth is that people don't like to think about spending, or losing, their money. Micropayments forces consumers to do this frequently. They are keenly aware of what they are spending, so they don't spend. The opposite of micropayments perhaps is automatic subscription billing, a method of payment that involves few spending decisions for consumers and provides a flow of revenue for businesses.

## Piracy

The efficiency of a global government is discussed in "Price." A global government could also be of use in the fights against fraud and piracy. While advances continue to be made to stop hacking, credit card fraud and identity theft, piracy is not abetting. Despite this, record labels continue to attempt to fight music piracy in the form of mp3 "sharing." Without a global government this is impossible. With a global government, it would still be a great difficulty. Perhaps the record labels' best strategy is to strike a deal with a major music-sharing software company such as Kazaa while consumer consciences remain tainted with guilt over the illegality of the current system.

Indeed, the greatest opportunity for the record labels may be gone: Napster, a company that once controlled a vast share of music-sharing, longed for a profitable relationships with the labels. Given that consumers could pay for their music sharing, micropayment would probably not be the best payment strategy. Instead, monthly subscription options, optimally priced, could be offered. Given the success of online subscriptions and the willingness of many to obey the law (provided it doesn't hurt their wallet as much as the current legitimate system does), perhaps this strategy could alleviate some of the labels' piracy losses.

## Honest Descriptions

A policy among eBay powersellers when selling their products is to "describe them to death." They understand that the more customers know about a product, the less likely it is that they will be disappointed when it arrives in the mail. This may be a good policy for online retailers with high customer return rates.

Not only would they have fewer costs associated with returns, but customers would be more satisfied overall. Customers should never feel betrayed or ripped off by online sellers, not least with respect to shipping and handling charges.

**The Hassle of Registration**

One frustration of many online shoppers is the need to register and fill out forms when “checking out” at the sites from which they buy. Every new site means another registration, and that means another plea for personal information, which not only takes time to fill in, but increases the potential for misuse of the information provided. Wouldn't it be efficient if consumers could share all or any of their personal information with a website at the click of a mouse? This could be possible through a central information database. (See “Search Engines” in the Analysis section.) Despite the potential for improvement in terms of convenience, this would present the potential for privacy infringement would be unprecedented.

# Shipping & Logistics

Corresponding Key Observations: Shipping & Logistics

A key difference between price online and in brick-and-mortar stores is, of course, shipping and handling charges. It should be noted, though, that there are no shipping charges for products that remain online—that is, digital files and software such as MP3s and computer graphic studios. The danger of dematerialized products, though, is that they can easily be stolen.

## Free Shipping

“Free shipping” deals have also had an impact on e-commerce. Buy.com offers free shipping and handling to any U.S. address on virtually everything it sells. In Canada, FutureShop.ca offers the same to Canadians. Bigger retailers, such as Amazon, offer free shipping on orders at or over a certain monetary threshold (e.g., \$25). Free shipping deals have resulted in increased sales for online retailers. However, discounts of any kind—that is, a reduced final price to the consumer—do not result in long-term differentiation.

## Shipping Inconveniences

Although an online retailer may ship directly to a consumer’s home, it can sometimes be less convenient for the consumer than buying traditionally. This is true when a customer must be at home at the time of delivery or when a purchase such as a gift does not arrive in time. And ultimately, simply having to wait for a product to arrive, rather than buying it in a store and taking it home immediately, may be one of the main hindrances keeping consumers from adopting e-commerce.

## 3PLs

Having to ship to individual consumers presents retailers with new challenges not present in brick-and-mortar retailing. As a result, online retailers should consider the services of third-party logistics providers, or, 3PLs. Some 3PLs specialize in the challenges of order tracking, international customs laws, and other shipping and handling complications. A good relationship between an online retailer and a 3PL can mean more overall profit and the ability for both businesses to focus more closely on their core competencies.

## Asian Distribution Systems

Although behind in e-commerce in many ways, Japan has an infrastructure facilitating e-commerce that North America does not. That is, consumers can order from a wide array of products and have them sent to virtually any convenience store in the country. How will or could North America change to improve its e-commerce shipping and logistics infrastructure? Nothing like Japan’s system has been adopted on mass

yet, but something like it would, perhaps, be more efficient, more environmentally-friendly and even more convenient.

In South Korea, another form of delivery is practiced—that is, individuals on motorbikes and bicycles. While such a system does not seem feasible in North America due to relatively higher labour costs, South Korea's growing system is an indication of the Third World's potential to compete due to lower costs. See "Competitive Advantage in the Big Room."

# Customer Service

Corresponding Key Observations: Customer Service

Whether online or offline, businesses need satisfied customers. Not only do satisfied customers come to buy again, they share their experiences with others who, in turn, may become customers. This is especially true online, where reliability and credibility cannot be taken for granted. Superior customer service could be an online business' chief source of marketing.

## Speaking the Same Language

A requisite for online customer service is to be able to communicate in a language the customer understands, or, better yet, in the customer's mother tongue. Although a truism, this may be one of the greatest hindrances of the Third World to e-commerce.

## New Customer Service Opportunities

Because of the nature of the Internet, opportunities for new forms of customer service exist for online retailers. These include instant relay chat, the ability for customer service representatives to access a customer's online shopping cart and communicate with this information in front of them, and, of course, email. Not only is email a preferred means of online communication, it may be one of the greatest tools of customer retention for online and traditional businesses alike. (See "Customer Loyalty.")

## Online Frustration

Despite the many conveniences of the Internet, online customer service does present some unique frustrations to customers. For sites that don't offer instant, two-way communication such as an 800-number, customers need to wait for answers to their questions. Also, especially on large sites, responses may be impersonal and unhelpful.

## The Personal Customer Service of Small Online Businesses

The author has found the customer service of small online retailers and eBay sellers to be superior to that of larger online retailers. (See Table 1.) Usually done by email, not only is the communication of the former personal and completely tailored to the customer's questions, it is generally more prompt. In contrast, the author has had some less-than-favourable experiences with the Internet's biggest retailer, Amazon. After weeks of delays, Amazon once emailed the author to inform him that one of the books in his order could not be delivered. Not only was this communication very late in common, the author was told that if the

value of the total order dropped below the free shipping threshold, he would be charged shipping charges for the remaining books.

**Good Customer Service is Not Good Enough**

Despite the importance of customer service, it alone may not be a good enough source of long-term advantage to keep businesses competitive, especially if their competitors' customer service is not significantly worse. As with all of a business' investments, resources expended on customer service must result in a positive, long-term return-on-investment.

# Online Advertising

Corresponding Key Observations: Online Advertising Media

## The History of Online Advertising

At the offset of the dot-com boom in the mid-1990s, there was a strong demand for online advertising impressions, but a relatively small supply. New dot-com startups had billions of dollars to pour into online advertising to raise awareness of their new operations but relatively few sites on which to advertise. As a result, online advertising rates skyrocketed. It was not uncommon for an online advertising publisher to rake in a CPM (or “cost per thousand” advertising impressions) of US\$25. It is even reported that Forbes.com once fetched a CPM of US\$80.

Everything changed with the IT meltdown. With the downfall of thousands of advertising dot-coms and subsequently the dramatic drop in online advertising in early 2000, online advertising rates plummeted to CPM rates as low as 50 cents or less. Today, rates remain much lower than they once were.

## The Value of Online Advertising

Many advertisers have been slow to adopt online advertising. Perhaps they are wise to be wary of it: the Internet is still very young, it continues to change rapidly, and we have much to learn about it. Responsible for their bottom-line, businesses cannot afford to make costly experiments and mistakes, especially in new media realms in which they are ignorant.

Nonetheless, online advertising has clearly been of value to many businesses. For example, eBay’s great success may be attributed to the fact that it is also the biggest online advertiser. Similarly, Classmates.com took advantage of the much-depressed, post-dot-bomb rates to advertise heavily online and build what is now a highly profitable, multi-million dollar online business.

Unless there are gaps between demand and supply, you get what you pay for. Online advertising shouldn’t be an exception. However, due to the nature of the Internet and the flexibility of software, online advertising publishers can allow advertisers to make smaller investments. This, of course, means new sources of revenues for the publisher and greater flexibility for the advertiser.

Advertising is a company’s attempt to persuade consumers to buy its products or services. As the tools of the Internet lead consumers to better information more quickly, could online advertising, or traditional advertising for that matter, become less effective? For commodity products and services, the author believes that advertising will have an increasingly lower impact for this reason—especially in light of

search engines (see below). However, for unique or differentiated products and services and even companies, online advertising will serve to inform consumers of new options in which they might be interested. Advertising of this type will also have the capacity to be effective. (See “Competitive Advantage in the Big Room.”)

### **Pay-for-Performance**

In an article at Entrepreneur.com, Analyst Ivan Misner points out that the Internet is much more pay-for-performance-oriented than other advertising media. Television networks stopped basing advertising rates on item sales years ago and now charge fixed prices for advertising slots. Likewise, the postal system charges for every piece of “junk” mail it sends—not just the ones that bring results.

### **Measurement**

Click-through rates remain the most popular metric of measurement for online advertising. The author questions the wisdom of this. It is clear that some online advertisers use games (e.g., “Hit the monkey!”) and threats (e.g., “Your computer is infected with a virus. Click here to fix it!”) within banners and pop-ups simply to generate clicks. Of what value, though, is advertising of this kind when the person who clicks finds he or she feels deceived after doing so? How does this reflect on the advertisers? And what is the value of click-focused advertising among the consumers who do not click (i.e., the vast majority)?

Perhaps online advertisers should remember that the ability for consumers to actually click on an ad and be transported somewhere else is unique to the Internet. You cannot click on your TV screen, or a billboard, or a magazine. Because of this, advertising in these traditional forms of media is usually focused on brand awareness, good public relations, or a message to buy. Perhaps online advertising should be the same.

### **Information Overload**

Advertisers need to meet people where their customers are. There are still only 24 hours in a day, so if people spend more time online, then they are spending less time elsewhere. It is the limited attention of consumers we are still vying for. At the same time, consumers are still humans, and they can still only take in and digest so much. With its vast capacity for information sharing, one danger of online advertising is trying to share too much information with consumers.

Information overload can result in consumer frustration, a weakened message and, ultimately, lost sales. Likewise, some online sellers actually find that providing too much information to customers means fewer opportunities to convince them to buy. As a result, sellers sometimes withhold key information in order to have the opportunity to make a personal pitch when the customer seeks it out.

**Email**

Email is the main cause of Internet adoption and the single most valued Internet tool. To advertisers it means an opportunity to market to highly targeted demographics. However, except among people who request it, email advertising, just as physical junk mail, will not be tolerated. It is associated with spam—indeed, the most common form of email advertising—and, as more tools become available to consumers, will increasingly be deleted, unread and blocked. There is, however, great value in email advertising that is actually requested and desired by consumers. Marketing of this variety and the implications of it are discussed further in “Customer Loyalty.”

The author is of the mind that the most valuable online advertising medium of all is the online search engine. Search engines, their value and potential are discussed in “Search Engines.”

# Customer Loyalty

Corresponding Key Observations: Customer Loyalty

Profit, ethically-made, should be the bottom line of every business. It is often wise to meet this bottom line by putting the customer at the center of a business. No matter how efficiently a business runs, if it doesn't have customers, it doesn't have a business.

Most businesses, online and offline, depend on repeat business to survive. Repeat business is the product of customer satisfaction, and customer satisfaction is the product of a customer's perceived value of his or her experiences with an organisation.

## Feelings of Loyalty

Why do people shop at Wal-Mart? Because they consider Wal-Mart to be capable of providing them with more value than someone else. Consumers do not *feel* loyal to Wal-Mart—if anything, many of them would feel more loyal to the small businesses they deserted when Wal-Mart moved into town—but Wal-Mart gets their business anyway, time after time.

The author is inclined to think that the *feeling* of loyalty is rarer online than in the real world. This is because consumers seldom form strong, personal relationships with individual sellers online. With the Internet almost devoid of even the potential for a mass feeling of loyalty, then, the online business must focus on consumers' experiences with it and their perceived value of its products or services.

## Great Expectations

So far, online retailers seem to be doing just that. The American Customer Service Index measured the online retailer customer service average at 77.6%, 2.8% higher than that of online traditional retailers. Online customer satisfaction also increased 4.7% from 77.6% in 2002 to 72.9% in 2001.

Because consumers are satisfied with most of their online purchase experiences, treating customers well is no longer enough. It will not set one online business apart from the rest. Indeed, online customers will increasingly *expect* to be treated well. This, of course, is the nature of increased competition.

## The Power of Email

Opt-in email has proven to be a highly effective way in which to keep existing customers. This is because subscribers have asked to hear from the organisation, online or traditional, and are interested in what is new

with respect to it. Opt-in emails, if sent on a regular basis, also mean that customers are constantly reminded of an organisation or its products and services. This, of course, builds brand awareness and, perhaps, brand preference.

The nature of email allows customers to maintain control: customers can read an email when they choose and spend as much time doing so as they choose. They can also delete emails, or unsubscribe from mailing lists altogether. Because of this control, organisations maintain a higher level of interest among and trust of its subscribers. This trust should not be breached. On the contrary, email lists, like the rest of a business, should be viewed in light of an organisation's long-term competitive strategy. After all, they may be the organisation's most valuable customer contact.

# Search Engines

Corresponding Key Observations: Search Engines

The volume of online research for online and offline products is immense. Online research shapes e-commerce and is having an growing impact on traditional commerce. The majority of online research is done through search engines. Focused on short-term profit, however, all of the main search engines have breached the trust of consumers with altered results—all of them but one.

## Google

The one search engine that has not compromised its results is Google. With its simple, intuitive interface, Google has become the largest and most popular search engine on the Internet, and its following continues to grow. Since its conception in 1998, it has also become the backbone of the search services of Yahoo, AOL and other major web portals and sites.

A private corporation, Google earns its revenues from outsourcing its search services, and, more recently, through an advertising system called AdWords. Google AdWords is a system wherein organisations and individuals can pay to have text ads juxtaposed alongside search results. These ads are clearly marked as sponsored and stand apart from the actual search results.

The position of an AdWords advertiser's ad is a factor of two things: the amount the advertiser pays, and the ad's relevance with respect to the given keyword. The AdWords system works on an auction basis. That is, the more an advertiser is willing to pay for placement relative to those competing for the same keyword, the higher that advertiser's ad will rank. However, the advertiser's ad must be relevant. Relevancy is determined in large part by the ad's click-through rate, or popularity among searchers.

Another major player in the pay-per-placement search engine industry is a company called Overture. Overture began a system very similar to AdWords before Google. However, Overture's own search engine is not popular, let alone the largest on the Internet. This, of course, gives Google a competitive advantage.

## Search Engine Optimization

Before search engine pay-per-placement was available, organisations and individuals could only attempt to optimize their websites' attraction to search engines in order to appear in search results. Some still invest time and energy in this practice, called search engine optimization, at a positive return-on-investment. Now, however, pay-per-placement empowers anyone willing to pay. According to Harris Interactive and

Jupiter Media Metrix, pay-per-placement search engines produce the highest return on investment of any Internet advertising technique.

### **The Search for Better Information**

Consumers use search engines because they are looking for something; they are seeking the information for the right solution to their problem. They are not passively watching an advertisement on television or listening to one on the radio, nor are they being disturbed. Indeed, it is at this time of looking for the answer that consumers are most open to relevant suggestions, or, in the eyes of the marketer, relevant advertising.

Ultimately, search engine users are looking for information. They are looking for accurate, relevant, and, ideally, *perfect* information. The faster they can find what they are looking for, the better. What, then, would be the ideal source of this information?

What if a search engine existed that provided consumers and businesses with all of the product and service information available on the Internet? While this is impossible, several organisations have done their best to do just this. Among these comparison shopping sites are MySimon, NexTag and Froogle. Froogle, located at [www.froogle.com](http://www.froogle.com), is a beta solution hosted by Google. Froogle, however, is far from perfect and inferior, by some measures, to MySimon and NexTag. However, MySimon clearly compromises its results. NexTag, though simple and fast like Google, has nothing of the same reputation or following.

Froogle currently allows users to search its online database of products and services by keyword and price, and displays results a page at a time. It shows its results with whatever is available of each of price, description, supplier and thumbnail. One of the limitations of Froogle is that users have few choices by which to sort results. The service also only delivers a fraction of all online results, and does not include goods and services on auction sites such as eBay.

### **ProductFire**

ProductFire is the hypothetical optimization of Froogle. It assumes Google's reach and reputation. The author deems it possible, and presents the idea in order to demonstrate the potential of search engines for online research, e-commerce, and, indeed, the economy—both local and global. ProductFire presents new opportunities of profit for search engines, businesses and consumers alike. It is unlikely that an engine exactly like ProductFire will ever exist. However, because elements of it are simply too advantageous to ignore, the author deems it probable that elements of it will begin to surface in coming months and years. Online competitors must be ready.

ProductFire is based on advanced search technology, real-time information feeds from providers of products and services, user preferences, and user-generated content.

To begin with, ProductFire runs on a strong, fundamental framework of technology. It is like Froogle in its speed and use of results containing thumbnails, descriptions, suppliers, prices and links. However, it does what Froogle does better. It finds more products and services to present to its users. Specifically, it includes items being auctioned on sites such as eBay.

Secondly, ProductFire continually improves its results through the cooperation of online product and service providers. Providers can integrate their systems with ProductFire to provide the latter with real-time feeds to comprehensive information of their products and services. The benefit to providers is their inclusion among relevant search results.

ProductFire also provides a user with initial results based on his or her pre-determined preferences. Users have the power to manipulate, sort and exclude results by any criterion—keywords, total price, company reputation, availability, shipping options, and any other relevant factors. If they so choose, ProductFire users can register with ProductFire, login from any computer, and thus have ProductFire search results display according to their preferences from anywhere.

Perhaps most important of all, ProductFire empowers users to contribute to the its content. Users are eager to provide feedback as to their product and service experiences—specifically with personal descriptions of products and services and providers, and their level of satisfaction with each. Users' credibility is dependent on other users' ranking of them. The system operates much like that of eBay feedback. Because popularity of products and services based on users' ranking of them is a driving generator of ProductFire results, this community-based system takes ProductFire to a whole new level.

How does ProductFire itself profit without compromising results? The answer does not lie in sponsored links such as AdWords. Indeed, ProductFire is devoid of sponsored links. Although ProductFire controls the most valuable consumer behaviour information on earth, the answer to its ability to profit lies in its ability to *add value* to its results. For example, providers integrated with the ProductFire system can make use of ProductFire's instant checkout system. Adjacent to the ProductFire results of the products and services of providers that make use of this system is a button dubbed "ProductFire Checkout." When logged in to ProductFire, users can click this to check out with ProductFire immediately. With their shipping and billing information already filled in, products and services can be on their way in a matter of seconds.

Because it controls checkout, ProductFire can keep closer tabs on providers participating in the ProductFire checkout system, and can automatically interact directly with the user as to their reliability and credibility. This information is added to ProductFire's pool of information.

Besides unprecedented convenience, what motivates consumers to use the ProductFire system? ProductFire offers its users valuable rewards called Firedollars (F\$). ProductFire users earn F\$1 for every US\$100 they spend. Firedollars can be spent on any purchase made through ProductFire checkout.

Because a massive and growing number of providers makes use of ProductFire's checkout system, ProductFire can now add popularity of products and sales as per *sales* to its result-generating mix.

Most Internet users are now using ProductFire. Of course they are: it gives them exceptionally comprehensive, uncompromised information based on *their* values and the values of millions of others. It meets their needs for products and services quickly. It makes finding the right solution easy.

Meanwhile, online providers of products and services are losing power. Their attempts to tell the consumer what he or she wants (i.e., to advertise) are weakening. Many of them are seeing their margins shrink. Other providers are thriving. Indeed, their differentiated products and services are being presented before the largest market in the world.

But ProductFire is perhaps the greatest winner. Daily, more providers decide to integrate with it and use its checkout system. ProductFire, of course, charges them for everything. Already the most powerful single force in global e-commerce, ProductFire begins to expand to the realm of *traditional* commerce. As per the preferences of its users, it begins to add results for products and services that are *not* online to its results. The vast pool of information of online products and services expands to those offline. Users begin to search for local products and services using ProductFire. Now businesses in their neighborhoods fall victim to ProductFire. Lest they go out of business, many decide to integrate with ProductFire.

Suddenly, the competitive economy that economists have dreamed of is here. ProductFire has changed the face of global commerce. It is the world's first multi-*trillion* dollar company, and it has the mighty barrier-to-entry of a very happy community of users who are too satisfied to move. Who can topple ProductFire? Perhaps it is impossible.

And so the Big Room gets bigger and more frantic. The customer is king. And the differentiated businesses the thriving servants.

(The author formulated the concept of ProductFire on January 1, 2003. On January 7, Froogle Beta surfaced. In light of the potential of ProductFire, however, it was a disappointment to the author. Is Google investing as much time and energy in Froogle as they should?)

# Global Competition

Corresponding Key Observations: Global e-Commerce

According to Nielsen/NetRatings, there are more than 580 million people online worldwide. America makes up less than one-third of the global total of Internet users with an online population of about 170 million, and it is nearing its saturation point. The rest of the world, by contrast, continues to move online in droves. According to the International Data Corporation, the number of Internet users around the world will reach 943 million by 2005, and global Internet traffic will be 93 times higher in 2005 than in 2000. Consumers and competitors are joining the web at an alarming rate, and they are bringing with them new diversity and new opportunities.

In 1999, the United Nations set forth a proposal for a global central bank, and global anti-monopoly laws and patent rules. The future of global e-commerce no doubt hinges on initiatives such as these as well as cooperation between international authorities such as the UN and individual federal and municipal governments.

## Europe

Already almost equal to the United States in terms of e-commerce expenditure, Europe is an increasingly influential market on the Internet. Although the economic and Internet infrastructures of much of Europe do not facilitate e-commerce as well as that of the United States, their improvement is being fuelled by an increasing interest in the Internet by European consumers and governments.

Besides a much stronger e-commerce infrastructure, one advantage Europe has over the Third World and developed nations such as Japan is the ability of many of its inhabitants to speak English. An advantage that will enable them to compete with North America, this is particularly true, of course, in the UK, and, on the other side of the world, in Australia.

Europe has some of the highest prices for traditionally-marketed goods and services in the world. As the Internet becomes increasingly competitive, lower prices, as well as more options in general, will drive more and more Europeans online. It is little wonder, then, that experts expect e-commerce in Europe not only to undergo heavy expansion, but to surpass that of America.

## **The Third World**

### **Initiative in the Third World**

Meanwhile, in the Third World, millions are bursting with initiative and are willing to learn and work hard. Their opportunities, though, are limited. Local corruption, wide economic gaps between the rich and the poor, change-adverse governments, and weak economic infrastructures leave the masses with little hope. The Internet is not restricted to the developed world. Could it be to people such as these a door to new opportunities?

### **Weak Third World Infrastructure**

Perhaps the greatest hindrance to Third World e-commerce is the lack of Internet connectivity. Fewer phone lines means a lower capacity to access the Internet, scarce resources mean fewer computers, and inferior education systems mean fewer people are capable of using the Internet at all. In China, the same banks are not integrated within cities, let alone across the country, and a weak financial credit infrastructure hinders individual and business development. Nevertheless, in China, and across the Third World, some people are finding ways to get online, and they are learning how to use the Internet.

### **The Third World's Verbal Disadvantage**

Another hurdle for the Third World is verbal communication. In order to engage in e-commerce, global competitors must speak the language of their customers. According to the International Data Corporation, Internet users are four times more likely to shop at a website supporting their native language. As the global Internet population expands, North American businesses will be wise to bear this in mind. Meanwhile, believing that it will increase their potential to advance, millions of individuals across Asia and Africa are learning English. This will no doubt have an impact on the growth of global e-commerce.

### **An Opportunity for the Third World: Digital Services**

In terms of physical products, real world location is a major setback to International competitors. (See "The Nature of the Internet" in Analysis.) Not only is shipping slow and expensive, customers are often liable to be hit with tariffs on goods from other countries

Perhaps the greatest opportunity for the Third World now are products and services that need not be shipped; that is, the digital and dematerialized. Two dematerialized services for which there is a great demand, especially with respect to web development, is computer programming and graphic design. To meet these needs, the author sees the greatest potential in countries such as China and India, where much of

the population is educated and particularly competent in math and science, but where wages remain very low.

Working with consultants and others exclusively through the Internet is not impossible. The author himself has most of his website graphic work done by two designers he has never met in person. He gives them instructions by email and through instant relay chat, and works with them until he is satisfied with the finished product. However, these designers currently reside in North America and thus charge relatively high rates. Were the author to find graphic designers of comparable competence charging much lower rates in India, would he hire them? Most certainly.

One North American company that is already taking advantage of Third World computer skills is software giant Infosys. Competitive in the United States and Canada in complex e-business and software development, Infosys has much of its computer programming done by its branches in India. In fact, because of time zone differences, work is sometimes assigned in the evening in North America and finished the following morning.

# Competitive Advantage in the Big Room

Corresponding Key Observations: Competitive Advantage in the Big Room

The barriers to moving online are minimal. There are no permits or licenses. Office space is free. Storefronts are always accessible to the customer. And there is no need for buildings. How would business change, though, if the Internet had more barriers to entry? Would companies take online business more seriously? Would they analyze their objectives more carefully? Could they compete online if they had the same real estate expenses as they do in the real world? The author wonders if the ease of just “getting a website” has caused businesses to waste time and to put too much emphasis on the short term.

## The Internet’s Low Barriers to Entry

As Michael Porter points out, the low barriers to entry of the Internet may not be a blessing to businesses. Indeed, the Internet makes competition fiercer. Perhaps the most significant loss in terms of barrier to entry is real world location. (See “The Nature of the Internet” in Analysis.) Another is the weakened capacity for businesses to form strong, personal relationships with their customers. (See “Customer Loyalty” in Analysis.) Furthermore, the competition of the Internet lends itself less and less to differentiation based on price. (See “Price” in Analysis.) Likewise, as online consumers increasingly *expect* to be treated well, good service is also a weak source of differentiation. (See “Customer Loyalty” in Analysis.)

## Short-Term Online Competitive Advantage

Nevertheless, some businesses are maintaining a competitive advantage online—among them, eBay, Victoria’s Secret and Lands’ End. How can a business compete online? Some of the less significant online competitive advantages include domain names, “official” status, and local knowledge. Shorter-term sources of competitive advantage include consumers’ knowledge of an e-commerce brand, registered users, website familiarity by consumers, and superior search engine placement. These advantages, though, are not enough to keep an online business competitive.

## Network Effects

One source of long-term competitive advantage can be attributed to the principle of network effects. That is, the more people adopt something, the more valuable it becomes. This is true of the telephone, VCRs and email. eBay’s success is due in large part to network effects. Its many buyers attract customers. In turn, its many customers attract buyers. Network effects, however, are rare and often unpredictable. It would probably be unwise for most online businesses to depend on network effects as a source of competitive advantage.

**Human Relationships**

In the real world, human relationships are a chief source of long-term competitive advantage. In small towns, shopkeepers may know many of their customers. Additionally, people refer their friends for jobs, employees appreciate considerate co-workers, and business people like to contract individuals who have done good work for them in the past.

Online, consumers also value human relationships. On community sites, they value their rank and status. They also appreciate recognition. This is true of eBay buyers and sellers whose feedback-based ranks may define their success. It is also true of online clubs and dating sites. Due to the nature of most online businesses, however, human relationships cannot be depended on as a long-term barrier to entry.

**Pervasive Differentiation**

The online long-term competitive advantage that is perhaps most important and relevant for online businesses is product and service differentiation. As e-commerce becomes more competitive, margins for commodity-based (i.e., undifferentiated) products and services will be lower. Furthermore, as consumers gain access to better information, advertising of undifferentiated, online products, services *and* businesses will become less and less effective.

Differentiation of products and services, however, is not enough. Online businesses must also differentiate *themselves*. They must set themselves apart from their competitors in the very way in which they operate. As Michael Porter expresses in “Strategy and the Internet,” a business must do things its own way, and it must do this interdependently throughout the company. It must resist the temptation to adopt what are hailed as “best practices.” It must be willing to make trade-offs in order to focus on its long-term competitive strategy. Indeed, differentiation must be its theme.

## **CONCLUSIONS**

The following are the author's main e-commerce discoveries and hypotheses. Comprised both of facts and theories, they are written to provide practical advice to the online competitor.

\* \* \* \* \*

**Old history can teach us about the new Internet.** Because of the similarities between the tools and sales media of the Internet and those of history, lessons may be drawn that can prevent failure today. This is particularly true of the catalogs of the late 19<sup>th</sup> century. Sears' failed grocery cataloging, for example, should have been cause for concern to the founders of WebVan, an online grocer that met its demise in the dot-bomb.

**We still live in a real world.** Online businesses should remember that their customers are still human beings. Because people are physical beings with physical needs, online businesses may be wise to emulate the real world as best they can.

## The Future

**Today's Internet may be just the beginning.** A new sales medium could well emerge from advancement in holographic and virtual sensory simulation technology, a new meshing technology and the real world, or something else. Meanwhile, there are limitations to shopping online. Online competitors should seek to minimize these and emphasize the unique benefits of Internet shopping to consumers.

**The next generation will be digitally-natured.** To some alive today, the Internet is not new; it was always there. Not only is the Internet just a fact of life to North American children, these future consumers are adopting the Internet faster than anyone else. Competitors should be prepared for the results and build the coming digital generation into their long-term strategies.

## Internet Adoption

**The Internet is not good or bad.** Because it is a tool, the relative merit of the Internet depends on its use.

**Businesses should not just "get a website."** A business should only build an online presence if it will be of long-term profit to do so. Thus, it is usually unwise for a business to invest in a tacky or dysfunctional website that will reflect badly on its image and reputation. Similarly, while all businesses should at least investigate the value of the Internet, neither e-business nor e-commerce tools should be adopted hastily.

Adoption of the Internet does not necessarily mean smoother business processes or increased revenues. For this reason, businesses that do add the Internet to their strategy should consider outsourcing.

## Internet Corporate Structure

**New complexity demands more corporate communication.** Because of the complexity of Internet business, employees must work harder to communicate with each other. Indeed, in order for the people within a business to move forward *together*, documentation within the IT department and communication of important business objectives throughout the organisation are vital.

**Businesses need not see to hire.** The Internet is increasingly facilitating the use of distant employees who can work entirely online. This will present new opportunities for both companies and employees.

**The Internet should not lower employee productivity.** Internet websites, email and instant chat should not stand between an employee and his or her work. Perhaps it would be wise to only give employees access to company email and work-related websites at their desks, but provide full Internet access at stand-up terminals throughout the office. These stand-up terminals would give employees full freedom to use the Internet but increase their accountability of its use.

## Location

**Location does exist online.** Online location is the product of an online entity's position relative to others (e.g., at the top of a page of search results) and exists only when known about; that is, customers need to know *where* they can go before they can go there. Furthermore, online businesses should bear in mind that competitors are just a step, or click, away.

**Optimal real world location is also vital.** An online business' real world location will affect shipping costs, tariffs, supplier relationships, and knowledge of local language and culture.

**Business people should be in charge of business.** Just as a computer illiterate businessperson should not be made network administrator, so IT employees' without proven business acumen should not be given key business responsibility.

## Automation

**Automating jobs can improve an economy.** Job automation can, under the right circumstances, improve the quality of jobs and raise an economy's standard of living. This is possible through increased productivity, new demand for labor, education and government regulation.

## Online Communities

**Consumers may be willing to work free-of-charge online.** This is true of Amazon and its book reviews, Cisco and its customer service forums, and eBay and its feedback system. Work of this nature is a factor of users' motivations. Online businesses should not underestimate the power of online volunteering.

**Online businesses should have nothing to hide.** Because of the heightened transparency of businesses online, businesses should deal with their mistakes instead of trying to hide them. The best strategy, perhaps, is to work towards having nothing to hide in the first place.

**Online community may mean competitive advantage.** Just as human relationships establish business in the real world, so online community can provide, or be, a source of long-term barriers to entry. This is true of the eBay community's buyer and seller network effects and the reputations.

## B2C e-Commerce

**Online consumers are particularly drawn to commodity and task simplification products.** This is true of Amazon, Monster.com, Travelocity, and online banking and dating. An online business should understand its relation to these popular, but highly competitive, categories.

**The Internet provides opportunities for highly niche markets.** Because the Internet is home to the biggest market on earth, there are more small markets. This, of course, means new opportunities to profit.

**Online subscriptions are an ideal revenue model.** Not only can subscriptions provide a steady stream of revenue, but they equip businesses to better predict future revenues. Furthermore, it takes effort for a consumer to unsubscribe, so as long as the service with which a consumer is signed up is still valued by the customer and is comparable to competing, he or she is unlikely to unsubscribe.

## Bricks & Clicks

**Business establishment in the real world can be translated to the Internet.** Just as in the real world, established brands and partnerships, successful products, and long-term supplier and wholesaler relationships give businesses an edge online. Additionally, the sooner companies get established online, the greater their long-term competitive advantage.

## Trust

**Consumers do not trust the Internet.** Due to factors such as rented email lists, viruses, hackers, piracy and identity theft, consumers need online businesses to demonstrate their reliability.

## Brands

**Product brands may be as valuable as ever.** Because of the demand for desirable product brands and the willingness of online retailers to supply them, businesses that control product brands have the potential to make the more profit than anyone else online.

**An e-commerce company brand signaling reliability is not good enough.** e-Commerce brands are vital as signals of reliability and credibility. However, an e-commerce must do more than this. As more businesses build credibility online, the relative value of online business credibility weakens. An e-commerce brand must therefore reflect what sets a business apart, or what differentiates it from its competitors. Only then will consumers have reason to choose one business over all the rest.

**Manufacturers are not necessarily more empowered by the Internet.** Unless a manufacturer controls a product brand, it has no advantage over other manufacturers that can produce the same products. Manufacturers can go online to sell their own products directly to the end user, but they could also do this in the real world before the Internet, and e-commerce is not necessarily easier than traditional retailing.

**Brands can be built online.** Brands are built through customer interaction with them. Because customers can interact with brands online, brands can be built online.

## Price

**Consumers will pay for what they value, but not if they can get the same value for less.** Value is a measure of worth in relation to price. Even though consumers may be willing to pay so much for a product or service, they will pay less if they can. Because e-commerce is so competitive, then, profits become more elusive.

**Price differentiation is a dead-end.** An online business cannot differentiate a commodity product by price. This is because there will always be someone who will sell the same product for less. Because shipping charges are simply an extension of the total cost to the consumer (i.e., the price), reduced shipping charges or free shipping deals will not serve as a long-term competitive advantage either.

## Payment

**Micropayment has been unsuccessful.** This may be because it asks consumers to make more decisions to spend. Furthermore, when priced so low, consumers may question the value of online products and services.

**Piracy can't be stopped.** Without empowered "police," the Internet will always facilitate file sharing. This problem may be curbed by an international Internet authority, but the formation of such a government is probably years away. Record labels and software companies may do well to fight piracy not by trying to stop online file sharing, but by providing consumers with more online buying options. There may also be potential in enabling software files to only be of use on specific machines.

## Shipping

**Digital products need not be shipped.** This fact can make all the difference for global competitors and software companies. Although dematerialized products eliminate shipping and handling hassles and charges, they are also more susceptible to being stolen through piracy.

**Shipping is one of the greatest inconveniences and expenses of e-commerce.** Having to wait for a product to arrive and pay for shipping and handling is perhaps the greatest disadvantage of buying online. From another perspective, shipping may also be one of the great benefits of e-commerce: consumers need not drive to a store to purchase a product; it can be shipped right to them.

## Customer Service

**In order to communicate with consumers, you must speak their language.** This fact will hold most of the world back from doing business with the greatest army of online consumers—English speakers. It also presents the potential for online businesses that cater to customers that speak different languages.

**Personal customer service gives small competitors a competitive advantage.** As large online businesses increasingly use automatic customer service software, small sites, in contrast, will benefit from their prompt, personal and customized responses to customers' questions.

**Good customer service is not enough to be competitive.** With online consumer satisfaction numbers so high, consumers increasingly *expect* to have pleasant online purchase experiences and be treated well. Good customer service thus becomes not so much a competitive advantage as a requirement.

## Advertising

**Online advertising should be done with care.** Because it is so new, marketers remain unfamiliar with many of the Internet's marketing tools. Because of this, marketers interested in advertising online should experiment carefully first.

**The Internet facilitates minutely small-scale advertising.** Because of software and the digital nature of the Internet, advertisers can now subscribe to advertising services automatically and on scales of any budget size. The result is an efficient matching of demand and supply.

**Commodity product advertising is weakening.** Advertising serves to inform and persuade. As the Internet provides consumers with more, less-biased information about an increasing number of competitors, advertising of commodity products and services will influence consumers less.

**Click-throughs are a bonus.** In the real-world, consumers cannot click on ads to find out more. Click-throughs are an advertising "bonus" unique to the Internet. However, lest they waste the limited attention

of consumers in an attempt to get them to click on an ad, online advertisers should use the advertising media itself to pass on key messages.

**Unwanted email will be an increasingly ineffective way to advertise.** As new tools give consumers power over their email accounts, unwanted emails will increasingly be deleted, unread and blocked.

## Loyalty

**Feelings of loyalty are weaker online.** Online, consumers can make purchases without having to face individual salespeople and without the knowledge of friends or acquaintances. Because of this, consumers don't *feel* loyal to anyone online. Online businesses must therefore concentrate on selling unique, desirable value.

**Email lists are strengthened by consumer control.** Opt-in email mailing lists are made up of people who *choose* to receive company information and reminders. Subscriber trust should not be breached, and emails should not be sent too frequently.

## Search Engines

**Search engines are cited as the most effective form of online advertising.** Not only do search engines facilitate highly targeted advertising, they reach the consumer when he or she is searching for a solution and open to good suggestions.

**Only the search engine that gives consumers exactly what they want will win.** Consumers have many free search engines to choose from, so they will naturally prefer the one that serves them best. If one search engine is better than the others, consumers will not only use it, but tell others about it.

**There is potential for search engines to *add value to listings*.** Today, search engines may make money from sponsored links; that is, by advertising other businesses' goods and services. However, perhaps search engines could profit by providing new value. For example, they could provide consumers with an easier in-house method by which to buy selected products and services.

**Consumer buying behaviour and feedback could be added to search engine results.** By tracking the search results that actually lead to sales for given keywords and allowing individual consumers to provide

feedback about their buying experiences, a search engine could improve the quality and quantity of the pool of information from which it takes its results.

**Search engines will increasingly shape local business.** Consumers already use search engines to research products and services that are only available in the real world. The more they do this, the more traditional business will be affected by search engines.

## **Global Competition**

**Online regulation will continue to grow.** As governments pursue online sales tax and the ability to better monitor online business activity, online accountability and regulation will continue to grow. International e-commerce will, in turn, create the need for more international regulation. The possibility of a global government or at least a final online authority, then, becomes more plausible.

**Less than 10% of the world is online.** While the United States has almost met its Internet saturation point with almost 70% of its population online, only about 7% of the rest of the world are Internet users. It is little wonder, then, that expansion of the Internet over the next few years is expected to come from the rest of the world. Businesses should factor this into their long-term strategies.

**English is the language of e-commerce.** English is the most-used International language in Europe and almost exclusively spoken in America. Thus, online competitors who can effectively communicate in English will have access to the world's two largest online markets and the majority of online buyers.

**High traditional product prices will drive European e-commerce.** Lower prices and the availability of more options will no doubt fuel online consumerism in Europe.

**Third World online competitors are much-disadvantaged.** The potential for Third World businesses to compete online is reduced by several factors. These include weak economic and Internet infrastructures, the need to communicate in English, high shipping costs and international tariffs.

**The Third World's greatest opportunity may be digital services.** Despite the hindrances, millions in the Third World have access to the Internet through Internet cafés, and dial-up, broadband, and satellite connections. While the barriers are especially high with regards to shipping, the Third World, particularly China and India, may profit by providing digital services such as computer programming and graphic design.

## Competitive Advantage

**There are fewer barriers to entry online than offline.** Primarily because competition is so intense online, long-term competitive advantage is more difficult to achieve on the Internet than in the real world. Some of the less significant online sources of competitive advantage include domain names, official status, and local knowledge. Short-term examples include consumers' knowledge of e-commerce brands, registered users, consumer website familiarity, and superior search engine placement. Network effects have also been a source of competitive advantage online, but they are difficult to plan and predict. Perhaps the two greatest losses of competitive advantage are those that can be attributed to location and human relationships.

**Differentiation of products and services is the key to online success.** Despite the diminished potential for competitive advantage on the Internet, one great source remains—differentiation. Differentiation will stand in the face of price wars and consumer expectations of intuitive websites, first-class customer service, and convenient shipping. It is the one factor that will set one business apart from the many competitors on the web.

**Differentiation must pervade a whole company.** In order to sell differentiated products or services online, a business must *be* differentiated. It must be different from its competitors in its values, corporate culture and processes. It must avoid what are heralded as “best practices” and be willing to make trade-offs. Ultimately, the online business must be saturated in differentiation. Only then will it survive, and thrive, in the Big Room.

## Bibliography

Abery, Jim. "E-procurement won't work on its own: Online purchasing offers new opportunities for companies to deliver significant tangible bottom line benefit, but only when understood and approached correctly." *Telecommunications* (International Edition) v36 i1 (Jan. 2002): 62(4).

"An International Survey: Re-examining the Web Business Model." *Innovation International Media Consulting Group*. Online January 8, 2003. URL: <http://www.innovacion.com/pdf/Encuesta2002/Survey2002.pdf>

Anders, George. "EBay Learns to Trust Again." *Fast Company*, Dec. 2001: 102.

Anders, George. "Nicked-and-Dimed to Death." *Fast Company*, Nov. 2001: 204.

Anderson, Philip, and Erin Anderson. "The new e-commerce intermediaries." *MIT Sloan Management Review* v43 i4 (Summer 2002): 53(10).

"AOL's \$2b Money Machine." *The Online Reporter*, August 5, 2002. URL: [http://www.onlinereporter.com/TORbackissues/TOR308.htm#AOL's%20\\$2b%20Money%20Machine](http://www.onlinereporter.com/TORbackissues/TOR308.htm#AOL's%20$2b%20Money%20Machine)

"April 2002 Sees Most Online Adverts Ever Claims Nielsen NetRatings." *Internet Business News* (May 16, 2002).

"Arab States: Data on E-Commerce in 2001." *IPR Strategic Business Information Database*, Nov. 11, 2002.

"Asia industry: B2B e-commerce will exceed \$300bn by 2004." *Country ViewsWire* Dec. 2, 2002.

Aspatore Books Staff. *Bigwig Briefs: The Golden Rules of the Internet Economy (After the Shakedown)*. Boston: Aspatore Books, Inc., 2001.

Austin, Scott. "Amazon is King of 2001 Dot-Com Survivors." *Daily Business Review* v76 i176 (Feb. 20, 2002): A8(2).

"Barry Diller's E-Way." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_6778.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_6778.htm)

"Barry Diller: Online Travel Wiz." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_6079.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_6079.htm)

Beato, G. "Yachta, Yachta, Yachta." *Forbes ASAP* v170 i07 (Oct. 7, 2002): 14.

Begin, Lucie, and Hugues Boisvert. "E-commerce evaluating the external business environment." *CMA Management* v76 i2 (April 2002): 16(6).

Begin, Lucie and Hugues Boisvert. "The internal factors that can make or break e-commerce implementation." *CMA Management* v76 i2 (April 2002): 22(4).

Biehn, Geoff. "Yes, You Can Profit From E-Commerce." *Financial Executive* v17 i3 (May 2001): 26.

Bishop, Todd. "Hanging in There." *Puget Sound Business Journal* v22 i20 (Sept. 21, 2001): 21.

Blackwell, Roger, and Kristina Stephan. "The E-Commerce Honeymoon is Over: Now What?" *Retail Merchandise* v41 i9 (Sept. 2001): 38.

- Bogue, Robert. "E-business suggestions." *Indianapolis Business Journal* v23 i18 (July 15, 2002): 29(1).
- Boisvert, Hugues, and Lucie Begin. "Deployment of e-commerce: Meeting the needs of the cyberconsumer." *CMA Management* v76 i2 (April 2002): 26(4).
- Bonisteel, Steven. "Security Concerns Plague E-tailing in Canada – Report." *Newsbytes*, Nov. 29, 2001. URL: [www.newsbytes.com/news/01/172521.html](http://www.newsbytes.com/news/01/172521.html)
- "Brad Boston: No Paper." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_9944.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_9944.htm)
- "Branding pays: Web users choose bookmarks." *The E-Tactics Letter* v11 i5 (Feb. 21, 2002): 2(1)
- Campanelli, Melissa. "Who pays to get it there?; Net Profits: Your site's shipping and handling charges can make or break an online sale." *Entrepreneur* v30 i2 (Feb. 2002): 34(3).
- Carroll, Jim and Rick Broadhead. *Selling Online*. John Wiley & Sons Canada: Etobicoke, Ontario, 2002.
- Cashel, Jim. "Top Ten Trends for Online Communities." Online without date June 8, 2002. URL: <http://www.onlinecommunityreport.com/features/10>
- Chabrow, Eric. "United States, Canada, and Britain Are Best Places For E-Commerce." *InformationWeek.com*, Nov. 19, 2002. URL: <http://www.informationweek.com/story/IWK20021119S0008>
- "China: China's E-commerce Forecasts \$23 BN in 3 Years." *IPR Strategic Business Information Database* (Jan. 7, 2003).
- "China industry: Lack of credit-card network holds e-commerce back." *Country ViewsWire*, Nov. 21, 2002.
- Clark, Philip. "Top 25 E-Champions." *B to B* v86 (March 19, 2001): 23.
- "CMR: Online Ad Spending down 17.1% in First 3 Quarters." *Interactive Advertising & Branding News* v16 i1 (Jan. 7, 2002).
- Kemp, Ted. "Coca-Cola, UCCnet Revamping Supply Chain; Coke is the latest big-name company to jump on the UCCnet bandwagon. Coke will build integration with partners with UCCnet internally." *InternetWeek*, Nov. 22, 2002. URL: <http://www.internetweek.com/supplyChain/INW20021122S0004>
- Coffee, Peter. "So who says you're 'right'?" *eWeek* (Jan. 15, 2001): 63.
- Cohan, Peter S. "E-Commerce equals empowerment." *Financial Executive* v18 i3 (May 2002): 28(4).
- Cohen, Andy. "An online ad comeback." *Sales & Marketing Management* v154 i7 (July 2002): 14(1).
- Colby, Kent L. "E-Commerce: a growing presence; Alaskans are on the Internet ... are they shopping?" *Alaska Business Monthly* v18 i11 (Nov. 2002): 28(4).
- "Company in-fighting hinders e-Business." *Computer Weekly*, May 31, 2001: 4.
- Cottrill, Ken. "Big-ticket market." *Traffic World* v266 i44 (Nov. 4, 2002): 15(1).
- Cowan, Howard B. "Building relationships in the 21<sup>st</sup> Century." *Agency Sales Magazine* v32 i2 (Feb. 2002): 61(2).

Cox, Beth. "E-Commerce as a Way of Life." *CyberAtlas* (Feb. 13, 2003). URL: [http://cyberatlas.internet.com/markets/retailing/article/0,,6061\\_1584011,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,,6061_1584011,00.html)

Cox, Beth. "E-Commerce Industry Soaring." *CyberAtlas* (Feb. 18, 2003). URL: [http://cyberatlas.internet.com/markets/retailing/article/0,,6061\\_1586831,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,,6061_1586831,00.html)

Cox, Beth. "E-Commerce Racks Up a \$2 Billion Week." *CyberAtlas* (Dec. 11, 2002). URL: [http://cyberatlas.internet.com/markets/retailing/article/0,,6061\\_1555511,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,,6061_1555511,00.html)

Cox, Beth. "Get Ready, Get Set, Shop!" *Cyber Atlas* (Dec. 2, 2002). URL: [http://cyberatlas.internet.com/markets/retailing/article/0,,6061\\_1550471,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,,6061_1550471,00.html)

Cox, Beth. "Online Sales Tax? No Big Deal." *CyberAtlas* (Feb. 5, 2003). URL: [http://cyberatlas.internet.com/markets/retailing/article/0,,6061\\_1579891,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,,6061_1579891,00.html)

Cox, Beth. "Rising Tide Lifts E-Commerce Boats." *CyberAtlas* (Jan. 13, 2003). URL: [http://cyberatlas.internet.com/markets/retailing/article/0,,6061\\_1568651,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,,6061_1568651,00.html)

Dadman, Jane. "Where the money is: the financial services market has suffered many blows of late, but modernization and cost-saving requirements are driving IT investment." *MicroScope* v21 i31 (July 30, 2002): 20(3).

"Dave Vucina: Wi-Fi Everywhere." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_4987.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_4987.htm)

"David Farber: Tech's Deep Thinker." *Special Report: The 2002 e.Biz 25, Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_7126.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_7126.htm)

Davis, Jessica. "Net Prophet: To survive the customer revolution, businesses must change their ways." *InfoWorld* v23 i14 (April 2, 2001): 78.

Dayal, Sandeep, Thomas D. French and Vivek Sankaran. "The e-tailer's secret weapon: General retailers use their expertise in a few core categories to attract customers, but over the Web they must offer more. Enter the on-line category manager." *The McKinsey Quarterly* (Spring 2002): 73(7).

de Figueiredo, John M. "Finding Sustainable Profitability in the E-commerce Continuum." *eBusiness @ MIT, MIT Sloan School of Management*, April 2000. URL: <http://ebusiness.mit.edu/research/papers/129%20de%20Figueiredo,%20Sustainable%20Profitability.pdf>

"Digital marketing spend set to soar as reliance on mail decreases." *Precision Marketing* v14 i37 (June 14, 2002): 6(1).

Dixon, Dr. Tim. "Be wary along the high street." *Estates Gazette*, Sept. 14, 2002: 1.

"DMA survey examines popularity of e-mail marketing." *Telecomworldwire*, April 8, 2002.

Doheny-Farina, S. (1996) *The Wired Neighborhood*, New Haven CT: Yale University Press: 82.

Dolbow, Sandy. "Easy Spirit Promotes Dot-Comfort with Rosie." *Brandweek* v42 i18 (April 30, 2001): 6.

"Don Logan: Black-Hole Filler." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_6475.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_6475.htm)

Doucet, Kristin. "Positive Outlook for E-Business, but Obstacles to Development Remain." *CMA Management* v75 i7 (Oct. 2001): 8.

Figueiredo, Joe. "Dramatic increase in internet shopping." *EuropeMedia*, April 10, 2002. URL: <http://www.europemedia.net/shownews.asp?ArticleID=9917>

"E-Biz Whizzes with Staying Power." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_4721.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_4721.htm)

"E-business means better business now." *Canadian Business* v74 i21 (Nov. 12, 2001): pSSS1(7).

"e-Business Update." *Journal of Business Strategy* v22 i3 (May 2001): 3.

"E-Commerce News." *MMR* v18 i4 (Feb. 19, 2001): 13.

"E-Commerce Outsourcing." *InternetWeek*, July 16, 2001: 43.

"eBay Launches Business Marketplace." *eWeek* (Feb. 3, 2003). URL:

"Editorial: Hard times can't dull Net's future." *Advertising Age* v73 (June 3, 2002): 16.

"Effective e-mail." *Selling*, Oct. 2002: 16(1).

"Electronic commerce and technology." *The Daily* (August 2, 2002). URL: <http://www.statcan.ca/Daily/English/020402/d020402a.htm>

"Electronic Commerce: Household Shopping on the Internet." *The Daily* (Sept. 19, 2002). URL: <http://www.statcan.ca/Daily/English/020919/d020919b.htm>

Elkin, Tobi. "Paid Placement: Divided search party; Marketers love it; consumer groups cry foul." *Advertising Age* v73 (July 8, 2002): 37.

Emmet, Boris, and John E. Jeuck. *Catalogues and Counters: A History of Sears, Roebuck and Company*. Chicago: University of Chicago Press, 1950.

"Entrepreneurs don't trust internet for advertising." *Biznesnet.pl, EuropeMedia* (June 12, 2002). URL: <http://www.europemedia.net/shownews.asp?ArticleID=10952>

"Eric Rudder: .Net's General." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_3287.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_3287.htm)

"Eric Schmidt: Super Searcher." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_6280.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_6280.htm)

"Exporting the E-Frontier: they've ventured into the world of technology, but lawyers, their clients, courts and the government continue to step gingerly." *Daily Business Review* v77 i103 (Nov. 4, 2002): A10(4).

Figallo, Cliff. *Hosting Web Communities*. New York: John Wiley & Sons, Inc, 1998: 77.

Finkelstein, Sydney. "Internet Startups: So Why Can't They Win?" *Journal of Business Strategy* v22 i4 (July 2001): 16.

"First will be last; Economics focus." *The Economist (U.S.)*, Sept. 28, 2002.

Fitz-Enz, Jac. *The E-Aligned Enterprise: How to Map and Measure Your Company's Course in the New Economy*. New York: AMACOM, 2001.

Fluss, Donna. "E-service for e-tailers: pathetic!: survey finds top retailers compromise e-service for cost savings." *Customer Interface* v14 i11 (Nov. 2001): 28(5).

Freedman, Lauren. "Guts & Online Glory." *Catalog Age*, June 1, 2002.

Glantz, Joshua. "Modest e-business strategy brings rewards." *Westchester County Business* v41 i25 (June 24, 2002): T4(1).

"Glenn Cohen: Efficient Home Sales." *Special Report: The 2002 e.Biz 25*, *Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_3552.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_3552.htm)

Gomolski, Barb. "E-Business Pulse: No channel conflict – The reason I'm buying my next dishwasher on the Internet is why the Maytag Man is still employed." *InfoWorld* v23 i28 (July 9, 2001): 10.

Gomolski, Barb. "E-Business Pulse: Mining for e-gold – Value-enhancing e-business practices can help you take full advantage of assets such as intellectual capital." *InfoWorld* v23 i46 (Nov. 12, 2001): 10.

Gordon, Robert J. "Does the 'New Economy' Measure up to the Great Inventions of the Past?" *Northwestern University and National Science Foundation*, April 28, 2000. URL: [http://faculty-web.at.nwu.edu/economics/gordon/351\\_text.pdf](http://faculty-web.at.nwu.edu/economics/gordon/351_text.pdf)

Gray, Robert. "Making Online Pay." *AdAgeGlobal* v2 i6 (Feb. 2002): 20(1).

Green, Heather. "The High Cost of Free Shipping; E-tail incentives may turn out to be a big step backward." *Business Week* i3792 (July 22, 2002): 60. URL: [http://www.businessweek.com/magazine/content/02\\_29/b3792077.htm](http://www.businessweek.com/magazine/content/02_29/b3792077.htm)

Green, Heather, and Robert D. Hof. "Lessons of the Cyber Survivors." *Special Report: The 2002 e.Biz 25*, *Business Week Online*, April 22, 2002. URL: [http://www.businessweek.com/magazine/content/02\\_16/b3779066.htm](http://www.businessweek.com/magazine/content/02_16/b3779066.htm)

Greenspan, Robyn. "2002 E-Commerce Holiday Wrap-Up." *CyberAtlas* (Jan. 3, 2002). URL: [http://cyberatlas.internet.com/markets/retailing/article/0,,6061\\_1563551,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,,6061_1563551,00.html)

Greenspan, Robyn. "Canada Creates E-Commerce Climate." *CyberAtlas* (Nov. 27, 2002). URL: [http://cyberatlas.internet.com/big\\_picture/geographics/article/0,,5911\\_1549541,00.html](http://cyberatlas.internet.com/big_picture/geographics/article/0,,5911_1549541,00.html)

Greenspan, Robyn. "Global Piracy Rate Rises to 40 Percent." *CyberAtlas* (Dec. 9, 2002). URL: [http://cyberatlas.internet.com/big\\_picture/geographics/article/0,,5911\\_1554401,00.html](http://cyberatlas.internet.com/big_picture/geographics/article/0,,5911_1554401,00.html)

Greenspan, Robyn. "More Than Half-Billion Online Globally." *CyberAtlas* (Feb. 21, 2003). URL: [http://cyberatlas.internet.com/big\\_picture/geographics/article/0,,5911\\_1593591,00.html](http://cyberatlas.internet.com/big_picture/geographics/article/0,,5911_1593591,00.html)

Greenspan, Robyn. "Surfing for Love." *CyberAtlas* (Feb. 14, 2003). URL: [http://cyberatlas.internet.com/markets/retailing/article/0,,6061\\_1584131,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,,6061_1584131,00.html)

Greenspan, Robyn. "The Web Continues to Spread." *CyberAtlas* (Dec. 17, 2002). URL: [http://cyberatlas.internet.com/big\\_picture/geographics/article/0,,5911\\_1556641,00.html](http://cyberatlas.internet.com/big_picture/geographics/article/0,,5911_1556641,00.html)

Guerra, Anthony. "Tech Talk: E-Business Insight From Merrill Lynch's CTO." *Wall Street & Technology* v19 i9 (Sept. 2001): 16.

Haapaniemi, Peter. "Five steps to success: Change doesn't have to be negative. One dotCEO is building on the positives to propel his interactive marketing company to the top of the industry." *Chief Executive* (U.S.) (March 2002): S47(5).

Hamilton, Anita. "Click and Clink: Shopping for baubles? Jewelry is one of the Web's shining success stories." *Time* v161 i6 (Feb. 10, 2003): 86.

Hamilton, Booz Allen. "UK comes second to US in its 'environment' for e-commerce." *EuropeMedia*, Nov. 19, 2002.

Hardin, Winn. "Taste of success keeps distributors online." *Lightwave* v18 i13 (Nov. 2001): 113(3).

Hatch, Denny. "800 Years Young." *Target Marketing* v21 n9 (Sept. 1998): 5.

Hayes, Frank. "The Real Threat." *Computerworld* (Jan. 8, 2001): 70.

Heffes, Ellen M. "Adapting to the Digital Age." *Financial Executive* v17 i5 (July 2001): 26.

Heffes, Ellen M. "Refining the Rules of Commerce." *Financial Executive* v17 i3 (May 2001): 18.

Heim, Kristi. "Dot-com's success in class by itself." *The Mercury News*, August 29, 2002. URL: <http://www.siliconvalley.com/mld/siliconvalley/3959090.htm>

Hellweg, Eric. "It's Not Just Amazon. These Net Businesses Are Profitable!" *Business2.com*, Feb. 12, 2002. URL: <http://business2.com/articles/web/print/0,1650,37921,FF.html>

Hickey, Kathleen. "An electronic future: despite lower expectations, e-commerce will hit \$3.9 trillion mark in 2004, says AMR Research." *Traffic World* v266 i32 (August 12, 2002): 19(2).

Hicks, Wayne L. "The House is in the Mail." *American History* v35 i1 (April 2000): 38.

Hill, Brad. "Amazon's Ambitious Failures." *E-Commerce Times* (Feb. 18, 2003). URL: <http://www.ecommercetimes.com/perl/story/20774.html>

Hirsh, Lou, and Jennifer LeClaire. "Kings of Repeat E-Business." *E-Commerce Times*, August 26, 2002. URL: <http://www.ecommercetimes.com/perl/story/19137.html>

"History of Mail-order." *European Mail Order Trade Association*. Copyright 1999-2000; Online January 13, 2003. URL: <http://www.emota-aevpc.org>

Hobson, Katherine. "Bucking the E-biz Trend." *U.S. News & World Report* v130 i22 (June 4, 2001): 36.

Hodges, Jane. "After the hype: there's hope yet for B2B exchanges. It's all about reaching customers—and giving them what they want." *Chief Executive (U.S.)* April 2002: 57(4).

"Home Shopper Firm Grows Web Income to £7m." *Revolution*, Oct. 23, 2002: 11.

"Household Internet Use Survey." *The Daily* (July 25, 2002). URL: <http://www.statcan.ca/Daily/English/010726/d010726a.htm>

"Human Development Report (UNDP 1999)." Online August 19, 2002. URL: <http://hdr.undp.org/reports/global/1999/en/default.cfm>

Hyman, Gretchen. "Online Retailers Ring Up a Merry Christmas." *CyberAtlas* (Dec. 30, 2002). URL: [http://cyberatlas.internet.com/markets/retailing/article/0,,6061\\_1562151,00.html](http://cyberatlas.internet.com/markets/retailing/article/0,,6061_1562151,00.html)

"The Internet sells its soul; Making money online." *The Economist Global Agenda, The Economist (U.S.)*, April 20, 2002.

“ISM/Forrester Research Report on eBusiness.” *Institute for Supply Management*, July 2002. URL: <http://www.ism.ws/ISMReport/Forrester/FROB072002.cfm>

“It’s e-business. And it’s transforming how a car’s life cycle is managed.” *Automotive Design & Production* v114 i9 (Sept. 2002): 34(2).

“It’s time to develop an e-commerce strategy.” *Purchasing* (no specific author) v130 i8 (April 19, 2001): 69.

“Jeff Bezos: Finally Relaxing?” No author given. *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_9694.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_9694.htm)

Joachim, David. “The Death of e-Business is Greatly Exaggerated.” *Long Island Business News* v48 i27 (July 6, 2001): 31A.

Johnson, Margaret L., and Howard Rubin. “A lesson in e-biz survival: Measure or else.” *eWeek*, April 16, 2001: 52.

Johnson, Maryfran. “Bottom-Line Thinking.” *Computerworld*, March 12, 2001: 28.

Jonas, Kerry. “The medium is not the message.” *New Media Age*, Sept. 19, 2002: 17(1).

Hartman, Amir, John Sifonis and John Kador. *Net Ready: Strategies for Success in the E-economy*. New York: McGraw-Hill, 2000.

Kador, John. “Rethinking the Internet: Companies re-evaluate the “e” in e-business.” *Electronic Business* v28 i1 (Jan. 2002): 29(2).

Kagan, Jeff. “Treat Customers With Respect or Lose Them.” *Newsbytes*, Nov. 28, 2001.

Kalakota, Ravi, and Marcia Robinson. *e-Business 2.0. Roadmap for Success*. Boston: Addison Wesley, 2001.

Kalyanam, Kirthi, and Shelby McIntyre. “The E-Marketing Mix: A Contribution of the E-Tailing Wars.” *Penn State eBusiness Research Center*, July 2002. URL: [http://www.ebrc.psu.edu/publications/papers/pdf/2002\\_13.pdf](http://www.ebrc.psu.edu/publications/papers/pdf/2002_13.pdf)

Karp, Joseph W. “Internet sales will climb, but we’ll still hit the malls.” *Boston Business Journal* v21 i12 (April 27, 2001): 12.

Karpinski, Rich. “Companies Must Measure The Impact of E-Biz Efforts.” *InternetWeek*, Oct. 8, 2001: 15.

Karpinski, Richard. “3Com opts for channel over own online store.” *B to B* v87 (July 15, 2002): 15.

Kawa-Jump, Shirley, and Heather Winne. “E-commerce expertise can put you in Fast 50.” *Business Journal-Portland* v18 i32 (Oct. 5, 2001): 33.

“Kim Taek Jin: Lineage’s Father.” *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_2505.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_2505.htm)

Kirkland, Elizabeth. “Home business thriving for Madison couple, thanks to Internet: Southeastern Environmental shipping products all over the world.” *Mississippi Business Journal* v24 i27 (July 8, 2002): 21(1).

Krantz, Matt. "Some Small Dot-Coms Thrive." *E-Commerce Times* (Feb. 13, 2003). URL: <http://www.ecommercetimes.com/perl/story/20754.html>

Kwak, Hyokjin, Richard J. Fox, and George M. Zinkham. "What products can be successfully promoted and sold via the internet?" *Journal of Advertising Research* v42 i1 (Jan. 2002): 23(16).

Langnau, Leslie. "B2B e-commerce: a look at what works." *Material Handling Management* v57 i2 (Feb. 2002): 42(5).

"Latin America Industry: E-Commerce Revenues." *Country ViewsWire*, Nov. 18, 2002.

LeClaire, Jennifer. "Are Small E-Tailers Finished?" *E-Commerce Times*, Sept. 16, 2002. URL: <http://www.ecommercetimes.com/perl/story/19403.html>

Lee, Hau L., and Seungjin Whang. "Winning the Last Mile of E-Commerce." *MIT Sloan Management Review* v42 i4 (Summer 2001): 54.

Levine, Rick; Christopher Locke, David Weinberger, and Doc Searls. *The Cluetrain Manifesto: The End of Business as Usual*. Cambridge: Perseus Publishing, 2001.

Levinson, Meridith. "People Who Need People." December 1, 2001. URL: [http://www.cio.com/archive/120101/people\\_content.html](http://www.cio.com/archive/120101/people_content.html)

Levy, Mitchell. *E-volve-or-Die.com*. Indianapolis: New Riders Publishing, 2001.

MacDonald, Trina. "InfoWorld e-business 100." *InfoWorld* v22 i42 (Oct. 16, 2000): 38.

MacVittie, Lori. "Don't miss the b2c boat." *Network Computing*, Dec. 10, 2001: 41.

Magrath, Allan J. "Strategic Planning for Internet Opportunities." *Ivey Business Journal* v65 i6 (July 2001): 10.

Malmsten, Ernst, Erick Portanger, and Charles Drazin. *Boo Hoo: A Dot.com Story from Concept to Catastrophe*. London: Random House Business Books, 2001.

"Marketing Technology: Using streaming to boost brands – Marketers are finding video and audio streaming on the internet an ineffective way of spreading their campaigns, writes Robert McLuhan." *Marketing*, May 30, 2002: 25.

"Max Levchin: Online Fraud-Buster." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_0628.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_0628.htm)

Mayor, Federico and Jérôme Bindé. *The World Ahead: Our Future in the Making*. London: Zed Books Ltd, 2001.

Mazzucato, Mariana (Ed). *Strategy for Business*. London: SAGE Publications, 2002: 345.

McMahon, Tamsin. "Shoppers willing to drop big bucks online." *EuropeMedia* (Feb. 21, 2002). URL: <http://www.europemedia.net/shownews.asp?ArticleID=8588>

Medford. "Five e-Commerce Errors." *Link-Up* v19 i3 (May 2002): p1(2).

"Meg Whitman's Bid for Growth." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_8728.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_8728.htm)

“Meg Whitman: Making PayPal Pay.” *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_8636.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_8636.htm)

“Men are from Mars, Women are From Adidas.” *Brandweek* v43 i40 (Nov. 4, 2002): 22(1).

Messenbourg, Thomas L. “Measuring Electronic Business.” U.S. Bureau of the Census, August 2001. URL: <http://www.census.gov/eos/www/papers/ebusasa.pdf>

“The Metamorphosis of American Retailing.” *WWD* v175 n193 (Sept. 28, 1998): 154.

“Michael George: Super Customer Service.” *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_7238.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_7238.htm)

Millman, Gregory J. “Putting E-Commerce in Perspective.” *Financial Executive* v17 i3 (May 2001): 28.

Misner, Ivan. “Networking on the Net.” *Entrepreneur.com*, Sept. 16, 2002. URL: [http://www.entrepreneur.com/Your\\_Business/YB\\_SegArticle/0,4621,303262-----,00.html](http://www.entrepreneur.com/Your_Business/YB_SegArticle/0,4621,303262-----,00.html)

Morphy, Erika. “No Such Thing as Customer Loyalty?” *CRMDaily.com* (Feb. 21, 2003). URL: <http://www.crmdaily.com/perl/story/20814.html>

Mullaney, Timothy J. “Where the Rubber Meets the Road.” *Business Week Online*. (August 23, 2002). URL: [http://www.businessweek.com/technology/content/aug2002/tc20020823\\_3932.htm](http://www.businessweek.com/technology/content/aug2002/tc20020823_3932.htm)

Nasdaq Composite Index. *Yahoo Finance*. Online May 5, 2003. URL: <http://finance.yahoo.com/q?s=^IXIC&d=c&k=c1&a=v&p=s&t=5y&l=on&z=m&q=1>

“New eMarketer report predicts USD8.1bn to be spent on US online advertising in 2002.” *Internet Business News*, March 12, 2002.

“Nicaragua industry: E-commerce growth awaits e-signature law.” *Country ViewsWire* (no specific author), Oct. 31, 2002.

“Nielsen/NetRatings examines online advertising page impressions in the US for May 2002.” No author given. *Internet Business News*, June 26, 2002.

“Norway: Increasing use of credit cards in e-trade.” *Dagens Naeringsliv*, Nov. 28, 2002.

Novak, Thomas P., and Donna L. Hoffman. “Profitability on the Web: Business Models and Revenue Streams.” *eLab, Owen Graduate School of Management, Vanderbilt University*, January 2001. URL: <http://elab.vanderbilt.edu/research/papers/pdf/manuscripts/ProfitabiltyOnTheWebJan2001.pdf>

O’Connell, Tim. “Growing Internet Market, Competition Demand Web Presence.” *Security Distributing & Marketing* v32 i4 (April 2002): 11(12).

O’Sullivan, Cathy. “Content Providers to Blame for Lack of Danish Success With Micropayments – Report.” *EuropeMedia*, Nov. 19, 2002. URL: <http://www.europemedia.net/shownews.asp?ArticleID=13775>

O’Sullivan, Cathy. “More Internet Browsers Convert to Purchasers in UK Than in 10 Other Major Markets.” *EuropeMedia*, Nov. 25, 2002. URL: <http://www.europemedia.net/shownews.asp?ArticleID=13859>

O’Sullivan, Cathy. “Promotional method should be carefully considered – study.” *EuropeMedia*, August 28, 2002. URL: <http://www.europemedia.net/shownews.asp?ArticleID=12283>

O'Sullivan, Cathy. "Turbulent times will challenge online retailers this Christmas." *EuropeMedia*, Oct. 29, 2002. URL: <http://www.europemedia.net/shownews.asp?ArticleID=13397>

"On-line advertising: A Better Way to Measure Success: Forget click-through rates. Just like in traditional media, focusing on brand is key." *Financial Services Marketing*, March-April 2002: 4.

"Online consumers read the e-mail "from" line first." *Research Alert* v20 i22 (Nov. 15, 2002): 7.

"Online Loyalty High, Shoppers not Phased by Terror." *DSN Retailing Today* v41 i20 (Oct. 28, 2002): 19(1).

"Online Spending Increases 35% in the Third Quarter." *Cardline* (Oct. 11, 2002).

Ozer, Muammer. "The role of flexibility in online business." *Business Horizon* v45 i1 (Jan.-Feb. 2002): 69(9).

"Patrick Byrne: Off-Price Power." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_2689.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_2689.htm)

Peter, Haapaniemi. "How Companies Transform Themselves: Execution is what will distinguish the winners from the losers in the next phase of e-business." *Chief Executive (U.S.)*, Nov. 2001: S2(4).

Peter, Haapaniemi. "Thinking Ahead, Moving Ahead: Leading by example, the CEO must actively communicate the e-business vision throughout the organization." *Chief Executive (U.S.)* (Nov. 2001): 27(4).

Peter, Haapaniemi. "Retooling the E-Business Strategy: The newest approach to e-business involves transforming the organization to reap even deeper benefits." *Chief Executive (U.S.)*, Nov. 2001: S6(3).

Peterson, Bent, and Lawrence S. Welch and Peter W. Liesch. "The Internet and foreign market expansion by firms." *Management International Review* v42 i2 (April 2002): 207(15).

Piturro, Marlene. "Capital One's David Willey: Internet Success." *Strategic Finance* v83 i4 (Oct. 2001): 28.

Phalon, Richard. "The Web Rebound." *Forbes* v171 i03 (Feb. 3, 2003): 90.

Porter, Michael E. "Strategy and the Internet." *Harvard Business Review* v79 i03 (March 2001): 63-78.

"Portugal industry: Barriers remain to consumer e-commerce." *Country ViewsWire*, Dec. 2, 2002.

Pottruck, David S., and Terry Pearce. *Clicks and Mortar: Passion Driven Growth in an Internet Driven World*. San Francisco: Jossey-Bass, 2001.

"Print preferred to Web for ads." *New Media Age*, June 20, 2002: 18(1).

"RealBusiness.com: E-tailing." *Inc.*, March 15, 2001: 46.

"RealBusiness.com: The Scorekeepers." *Inc.*, March 15, 2001: 46.

"Reed Hastings: Movies by Mail." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_0566.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_0566.htm)

Regan, Keith. "Can Google Do Big Business?" *E-Commerce Times*, Sept. 11, 2002. URL: <http://www.ecommercetimes.com/perl/story/19366.html>

Regan, Keith. "‘Dot-Com’ Redeems Its Good Name." *E-Commerce Times*, Sept. 13, 2002. URL: <http://www.ecommercetimes.com/perl/story/19390.html>

Regan, Keith. "The Best of E-Commerce." *E-Commerce Times*, Sept. 6, 2002. URL: <http://www.commercetimes.com/perl/story/19323.html>

Regan, Keith. "Report: Amazon, eBay Not the Biggest Threat." *E-Commerce News*, Sept. 20, 2002. URL: <http://www.ecommercetimes.com/perl/story/19464.html>

"Researchers See Emerging Trends That Predict E-commerce Growth." *Electronic Commerce News* v8 i1 (Jan. 6, 2003).

"Retail Q4, 2002 e-Commerce Report." *U.S. Census Bureau* (Feb 24, 2003). URL: <http://www.census.gov/eos/www/papers/ebusasa.pdf>

Rheault, Dennis and Steve Sheridan. "Reconstruct your business around customers: Your customers reach you through numerous channels, but all those channels should have a single focus." *Journal of Business Strategy* v23 i2 (March 2002): 38(5).

Rheingold, Howard. *The Virtual Community: Homesteading on the Electronic Frontier*. Reading: Addison-Wesley, 1993: 58.

Rice, Valerie. "Lessons from luxury – Struggling dot-coms can learn from sites selling to the rich." *eWeek*, May 14, 2001: 57.

Rifkin, Glenn and Joel Kurtzman. "Is your e-business plan radical enough? To succeed on the web put someone in charge who knows the business. The CIO is critical, but only as a partner." *MIT Sloan Management Review* v43 i3 (Spring 2002): 91(5).

"The right mix: the Internet was once an afterthought in the marketer's bag of tricks. Now, it's become an active ingredient in the perfect blend of a successful overall campaign." *Brandweek* v43 i25 (June 24, 2002): S5(3).

Rist, Oliver. "Reinventing Business –After the dot-com demise, what's next? Rebuild your e-commerce infrastructure. Business technology management can help bridge the gap between technology and company strategy." *Network Computing*, Oct. 1, 2001: 41.

"Rob Glaser: Real Close." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_6717.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_6717.htm)

Roth, Stephen. "Consumers not warning to cashless commerce yet." *Boston Business Journal* v21 i34 (Sept. 28, 2001): 11.

Ruquet, Mark E. "Agents seek right formula for successful Web sales." *National Underwriter Property & Casualty-Risk & Benefits Management* v106 i23 (June 10, 2002): 10(2).

Ryan, S. "Building Online Communities." December 2, 1997. URL: <http://builder.cnet.com/webbuilding/pages/Business/Community/>

Salim, Sue. "E-commerce success begins with the right Web site: here's what you need to know." *Selling*, Oct. 2002: 6(2).

Salkever, Alex. "Will Froogle Be a Google for Shoppers?" *Business Week Online* (Jan. 14, 2003). URL: [http://www.businessweek.com/technology/content/jan2003/tc20030114\\_5644.htm](http://www.businessweek.com/technology/content/jan2003/tc20030114_5644.htm)

Samec, Pierre. "Thinking Ahead on E-Marketplace." *Computerworld*, July 2, 2001: 24.

Sandalin, Elleen Figure. "World-Class Websites." *Detroit* v23 i5 (May 2001): 23.

Sawhney, Mohanbir. "Fields of online dreams: e-commerce can flourish anywhere if you build the right business model." *CIO* v16 i2 (Oct. 15, 2002): 128(2). URL: <http://www.cio.com/archive/101502/netgains.html>

Saxena, Anshu, D.P. Kothari, Sudhir Kr. Jain and Amulya Khurana. "Analysing the business models on the web for Internet Commerce." *International Journal of e-Business Strategy Management* v3 i3 (Feb-Mar 2002): 229(13).

Schoenberger, Chana R. "Bull's-Eye." *Forbes* v170 i4 (Sept. 2, 2002): 76.

"Search Engines Report." *Revolution*, July 24, 2002: 4.

Secker, Matthew. "M-payment—an open book: globally agreed m-payment standards are a long way off but do we need them anyway?" *Telecommunications (International Edition)* v36 i10 (Oct. 2002): 30(3).

Seckler, Valerie. "Women Driving Cyber Growth." *WWD* (Dec. 11, 2002): 10.

Shankar, Venkatesh, Fareena Sultan, and Glen L. Urban. "Online Trust and e-Business Strategy: Concepts, Implications, and Future Directions." *Robert H. Smith School of Business 2002*. Online Jan. 8, 2003. URL: [http://bmg2-notes.umd.edu:8080/Faculty/KM/papers.nsf/13752dcad91c2280852567ed0060e032/60ba8a249904286385256bfa0074c828/\\$FILE/Online\\_Trust\\_JSIS.PDF](http://bmg2-notes.umd.edu:8080/Faculty/KM/papers.nsf/13752dcad91c2280852567ed0060e032/60ba8a249904286385256bfa0074c828/$FILE/Online_Trust_JSIS.PDF)

Sharman, Graham. "How the internet is accelerating supply chain trends: the Internet did not create supply chain innovation." *Supply Chain Management Review* v6 i2 (March-April 2002): 18(8).

Smith, Larry. *Beyond the Internet: How Expert Systems Will Truly Transform Business*. Stoddart Publishing Co. Limited: Toronto, 2001.

Smith, Tom. "Against the Grain – An Approach to ROI That's Worth Heeding." *InternetWeek*, April 16, 2001: 18.

Sonnenschein, Jennifer Owens. "Online Ad Agencies Smell Revenue In the Air As Second Quarter Blooms." *Interactive Advertising & Branding News* v16 i7 (April 1, 2002).

Spears, Robert. "Hitting the mark: online advertising tactics that work." *California CPA* v70 i9 (May 2002): 16(2).

Spiegel, Rob. "Who's Winning the E-Business Battle." *Electronic News* v47 i36 (Sept.3, 2001): 30

Spiegel, Rob. "Why have some dot-coms survived?" *Electronic News* v48 i29 (July 15, 2002): 8(1).

Stambler, Sarah. "How Marketers Are Using E-Mail." *The E-Tactics Letter* v11 i12 (August 28, 2002): 12. URL: <http://www.e-tactics.com/Aug02.htm>

Stambler, Sarah. "Is there a future in e-mail marketing?" *The E-Tactics Letter* v11 i10 (June 27, 2002): 1(2). URL: <http://www.e-tactics.com/June02.htm>

Stambler, Sarah. "Zero dollar marketing: is there such a thing?" *The E-Tactics Letter* v11 i11 (July 24, 2002): 1(3).

Steinberg, Don. "The Man with the E-Commerce Answer – Technology supergenius Mark Lucente wants to give your Web site a brain so it can have a nice, profitable conversation with customers. Any questions?" *Ziff Davis Smart Business for the New Economy*, Feb.1, 2001: 100.

Stempel, Dan. "Conservative approach works on the Web." *Fairfield County Business Journal* v41 i37 (Sept. 16, 2002): 3(1).

Strutz, Richard. "Business Basics of Electronic Commerce." *Alaska Business Monthly* v17 i10 (Oct. 2001): 24.

"Subrah Iyar and Min Zhu: Meetings on the Web." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_3868.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_3868.htm)

"Subscription-Based e-Commerce: An Introduction to Selling Subscriptions on the Internet." *Sandlot Corporation* (no specific author), Sep. 4, 2001. URL: <http://www.sandlot.com/media/eBusinessProfitability.pdf>

Swaneveld, Hendrik, and Carol Felepchuk. "CCRA delivers the goods (and services): the agency's proposed Canadian e-com tax treatment looks business friendly." *CMA Management* v76 i7 (Oct. 2002): 43(2).

"Terry Semel: Rebuilding Portal." *Special Report: The 2002 e.Biz 25, Business Week Online*, Oct. 1, 2002. URL: [http://www.businessweek.com/technology/content/oct2002/tc2002101\\_3365.htm](http://www.businessweek.com/technology/content/oct2002/tc2002101_3365.htm)

Thomas, Daniel. "Online trade hits 18.4 Billion Pounds." *Computer Weekly* (Oct. 17, 2002): 3.

Tice, Carol. "Survivors." *Puget Sound Business Journal* v22 i20 (Sept. 21, 2001): 3A.

Todorova, Aleksandra. "PR Technique: Brand-building – Getting listed on a search engine." *PR Week* (U.S.) Sept. 9, 2002: 18.

"Top 25 Parent Companies." *Nielsen//NetRatings* (Feb. 9, 2003). URL: <http://pm.netratings.com/nnpm/owa/NRpublicreports.toppropertiesweekly>

"Trendspotting." *Internet Magazine*, Dec. 2002: 18(1).

Trifts, Valerie, and Gerald Häubl. "Information Availability and Consumer Preference: Can Online Retailers Benefit from Providing Access to Competitor Price Information?" *Penn State eBusiness Research Center*, June 2002. URL: [http://www.ebrc.psu.edu/publications/papers/pdf/2002\\_06.pdf](http://www.ebrc.psu.edu/publications/papers/pdf/2002_06.pdf)

Tynan, Daniel. "Dotshots: Where are they now? Riding high until the bubble burst, now they're proving there's life after dot-com death." *Chief Executive* (U.S.), Feb. 2002: 48(6).

Shankar, Venkatesh. "Price Levels and Price Dispersion on the Internet: A Comparison of Pure Play Internet, Bricks-and-Mortar, and Bricks-and-Clicks Retailers." *Penn State eBusiness Research Center*, July 2002. URL: [http://bmg2-notes.umd.edu:8080/Faculty/KM/papers.nsf/13752dcad91c2280852567ed0060e032/a92e5d1fc5aef7a985256bed0063fd43/\\$FILE/Pure\\_play\\_Bricks\\_n\\_mortar\\_n\\_Brick\\_n\\_click.pdf](http://bmg2-notes.umd.edu:8080/Faculty/KM/papers.nsf/13752dcad91c2280852567ed0060e032/a92e5d1fc5aef7a985256bed0063fd43/$FILE/Pure_play_Bricks_n_mortar_n_Brick_n_click.pdf)

"Voices: Collective Wisdom." *Forbes ASAP Staff, Forbes*, March 25, 2002. URL: <http://www.forbes.com/asap/2002/0325/021.html>

Wang, Fang, Milena Head and Norm Archer. "E-tailing: an analysis of Web impacts on the retail market." *Journal of Business Strategies* v19 i1 (Spring 2002): 73(21).

Williams, Maggie. "No service, no comment." *PC Magazine* (UK) v11 i9 (Sept. 2002): 21(1).

Wilson, Dr. Ralph F. "Showing Up in Search Engine Rankings." *Doctor Ebiz*, Nov. 20, 2002. URL: <http://www.doctorebiz.com/current/current.htm>

Wood, Andrew F. and Matthew J. Smith. *Online Communication: Linking Technology, Identity, and Culture*. New Jersey: Lawrence Erlbaum Associates, Inc., Publishers, 2001: 57.

Wren, Daniel. A, and Ronald G. Greenwood. "Business Leaders: A Historical Sketch of Richard W. Sears." *Journal of Leadership Studies* v5 i2 (Spring 1998): 40.

York, Jonathan. "Finally, some e-predictability." *Industrial Distribution* v90 i5 (May 2001): 78.

"Your Users Are Always On – Why Aren't You?" *Min's B to B* v5 i35 (Sept. 16, 2002)