

Behavioral and Educational Challenges



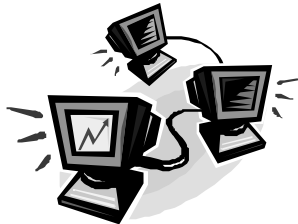
Behavior and Education

Challenges: Trust and Privacy

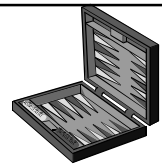


- It is hard to change certain peoples buying patterns, or those that may not be well informed about the benefits of the internet. Lower barriers to entry to certain demographics
- Trust, need to trust organizations that you are dealing with over the internet.
- Fraud, it can happen in several ways (a) fictitious company, (b) company with no product, or (c) consumer with stolen credit card number.
- E-money laundering, can it happen ? Can internet gambling draw potential e-money laundering that same way that a casino might ?

Embarking on Internet Commerce



Approaching the Strategy

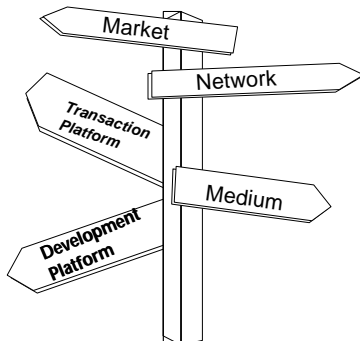


How will your organization use the electronic marketplace ?
The electronic channel is designed to become the primary vehicle to conduct business in the future. Define how you will:

- Attract and engage customers in it
- Take orders and payments
- Distribute products and services
- Customer support

Many of you did not address these issues in your proposal

The Schizophrenic Internet: Multiple Personalities



Internet: Is it a Network ?

With proper security, organizations can use the internet as a virtual private network to link employees and offices

Valuable intra-company cooperation and sharing of information.



Internet: Is it a Medium ?

The internet is a new communications channel, from: advertising, public relations, marketing



Internet: Is it a Market ?

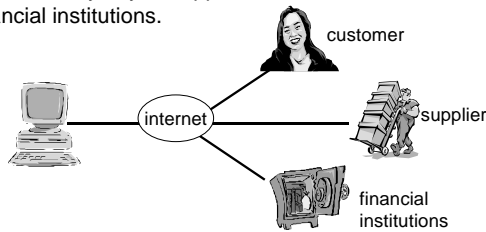
Does the internet new and additional revenue for your business (market) or does it just provide leads and referrals (medium).

The internet has been linked to opening up a vast, open marketplace.



Internet: Is it a Transaction Platform ?

Is it a blackbox that allows you to carry out your business transactions in the marketplace. Completing all of your transactions on line, while linked directly to you suppliers, customers, and financial institutions.



Internet: Is it an Applications Development Platform ?

Organizations are running existing client/server applications on it an developing new network based applications - a new internet centric computing paradigm.



Mapping Traditional Selling to Internet Commerce Selling

Traditional Selling Steps	Internet Commerce Selling
Distribution	Treat the Internet as a distribution channel where you directly reach either the end user or your resellers.
Promotion	Advertise both on the Internet and outside the Internet about the specific products or the organization. Also, become present in the other forms of electronic distribution channels on the Internet, including search engines, directories, and other communities of interests.
Display	Focus on the visual interface that your customers will interact with. Think of how 3-D and multimedia will enhance the buying experience of your customers.

Mapping Traditional Selling to Internet Commerce Selling continued

Traditional Selling Steps	Internet Commerce Selling
Pricing Policy	No major changes except that customers can be notified more immediately.
Receipt of Order	This can happen in two ways: (1) by receiving the order electronically or (2) by interfacing the receipt of the order to the order entry system, therefore automating this function.
Authorize payment	Payment can be authorized by enabling a back-end interface to the financial institution's authorization processes, or to your own credit-granting policies.

Mapping Traditional Selling to Internet Commerce Selling continued

Traditional Selling Steps	Internet Commerce Selling
Schedule order	This requires a business-to-business process integration, where the receipt of the order can trigger the scheduling of the order.
Build/retrieve from inventory	If the product has to be built or retrieved from inventory, the same order can trigger a bill-of-materials order or an inventory retrieval order.
Ship product	Integrating the shipping logistics or fulfillment process is an important part that sometimes gets ignored. If the product is "soft", the appropriate online distribution has taken place.

Mapping Traditional Selling to Internet Commerce Selling continued

Traditional Selling Steps	Internet Commerce Selling
Receive payment	Ideally, payment receipt is integrated to reach your financial institution in a seamless way.
Provide Support	This is an easy area to begin with, because support does not require you to sell electronically as a prerequisite. You can start supporting customers immediately for your existing products.
Perform market research	Once you have customers electronically engaged in a relationship with you, you can continue to obtain feedback from them about their needs. This information produces real-time market research benefits.

Traditional Buying versus Internet Commerce Buying

Traditional Buying Steps	Internet Commerce Buying
Search/inquire for products	Aided by intelligent agents and interactive directories, buyers can search or inquire for products across various sources without really visiting their Web sites.
Discover products	A search would have yielded the targeted product, or an agent would have brought to your attention the availability of a product you were waiting for.
Compare products	The same directories which you have consulted with allow you to compare competitive products.
Negotiate Terms	You can negotiate either by interacting with the vendor or by calling.

Traditional Buying versus Internet Commerce Buying continued

Traditional Buying Steps	Internet Commerce Buying
Place Order	The order is placed directly on the web.
Receive acknowledgement	Through the Web, acknowledgement is received directly from the seller's Web site or from the Internet.
Initiate payment	The user chooses from one of several Internet payment instruments. These may vary depending on whether the user is a business or consumer.
Receive product	If the product is soft, it is received on-line. If it is hard, shipping logistics information is expected.

Traditional Buying versus Internet Commerce Buying continued

Traditional Buying Steps	Internet Commerce Buying
Request Support	Support starts on-line, since that is more efficient. This could include live video or audio links to a customer representative. Support should include the ability to review a detailed transaction history on-line.
Give feedback	Once the electronic relationship is established, feedback becomes ongoing.

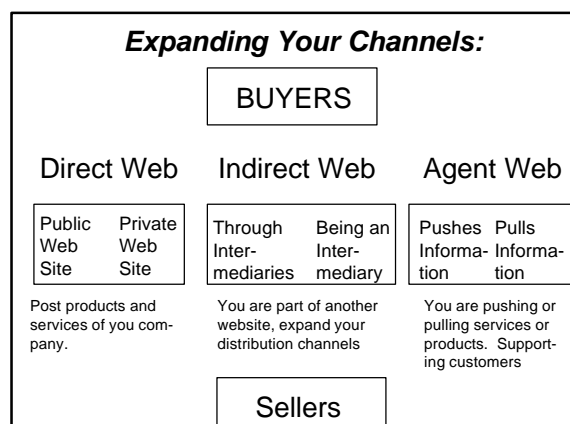
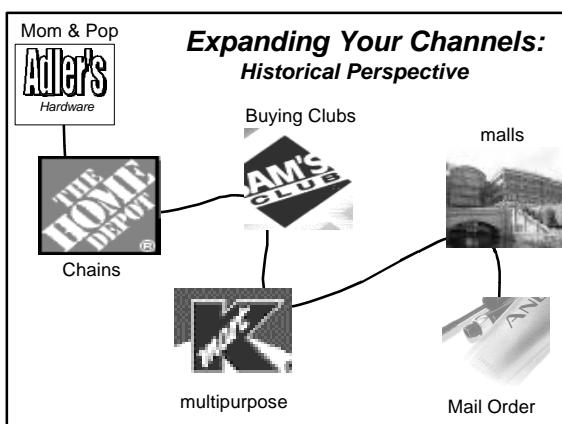
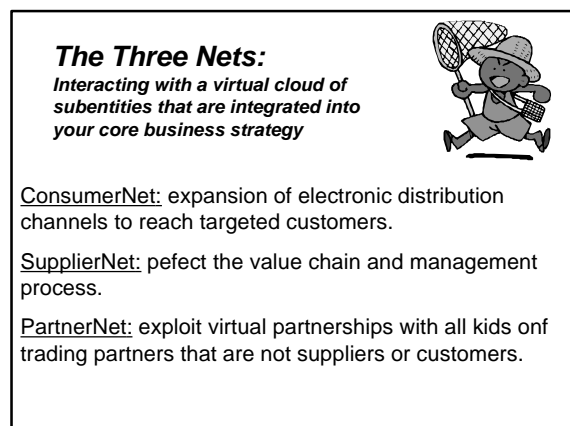
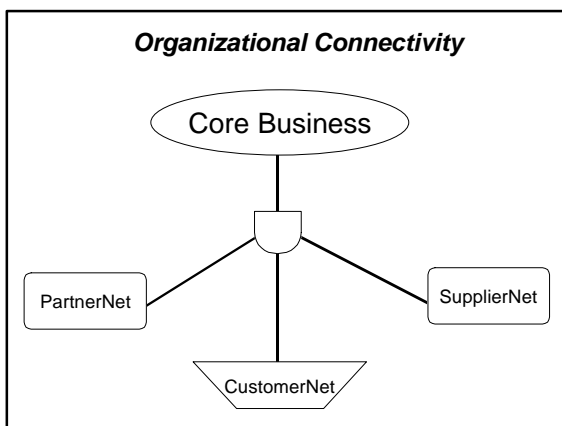
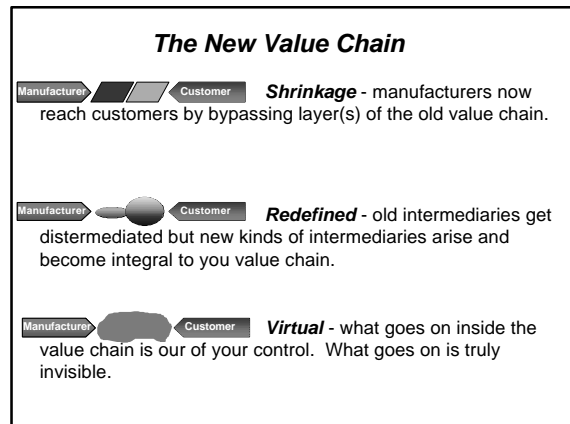
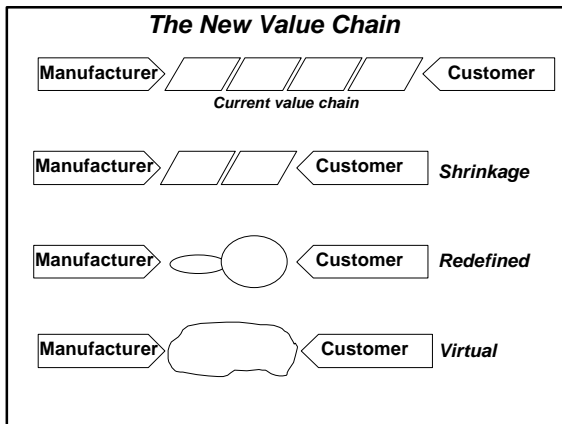
This chain has no value



The New Value Chain

- What happen to the old value chain
- How does it really change
- Where do you add digital value

Understanding the value chain is at the heart of realizing internet commerce potential for your company



Agent Example



Agentics Product: *CatalogExpert™*

Unified classification and access technology which enables integrated view and automatic access to remote on-line catalogs.

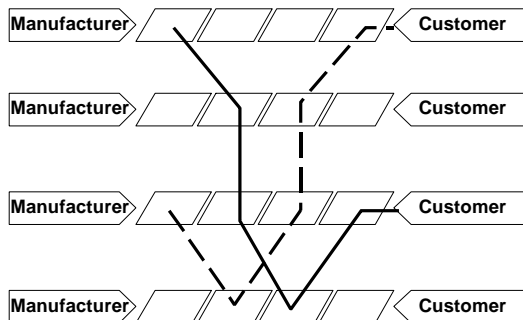
Agent Example



OnDisplay Product: *PageAgent*

Enables Web data to be dynamically accessed, extracted, and seamlessly integrated with a software application. Multisourced information from newswires, financial data, competitive data, suppliers

The Uncertainty Principle $\Delta x \Delta p_x > \hbar$



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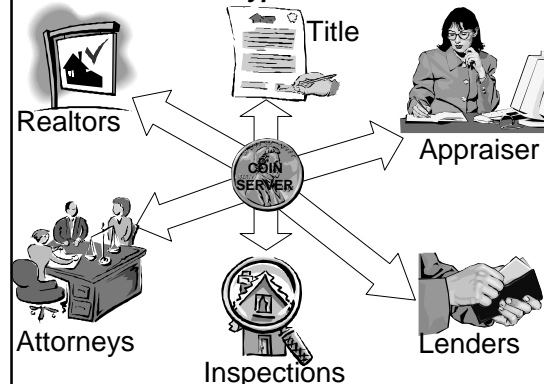
- In the real-world the path taken by a product or service is well known, seller to buyer, and everywhere in between is known.
- In cyberspace the transaction journey, depends on parameters or criteria at the time of transition.
- When a buying request is initiated by an agent, the agent will match the seller with the right set of intermediaries that are suitable for the buyer.
- This all happens in the background and is usually invisible to buyer.
- If you are an intermediary, you need to strategize to the most favorable market conditions, in order to maximize buyer traffic.

A New Type of Company Created by the Internet.



- Bringing together communities of interest around a common value chain is not new.
- However, now that the internet is the underlying infrastructures, it dictates the structure of the value chain.
- Community of Interest Networks (COINs) leverages virtual trader/partner business models to create new companies, products, and service opportunities

COIN Prototype: Real Estate



Strategy Actions

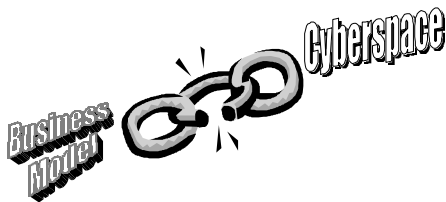
Your Company: Your Company: Answering Strategic Questions

If your company plans to utilize the internet, you need to answer the following questions.



(1) How is the internet going to change your Business ?

Link your business objectives and your objectives in cyberspace by defining how they will change with use of the internet.



(2) How do you uncover new types of business opportunities ?



There are two types of opportunities-

Those where you extend your business model into the internet

and

Those that are entirely birthed on the internet in mind

(3) How can you take advantage of electronic linkages ?



How will you link to current customers and trading partners ?
How can you open up your company to new partners faster than before ?

(4) Will intermediaries be eliminated in the process or will you create new ones ?

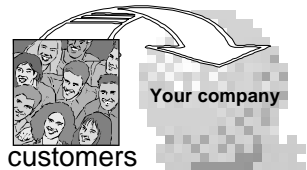


How will your value chain be affected ?

(5) How do you bring in new buyers and how will you keep them ?

For your customer your competition is only a click away !
Keeping your customer is easier than finding a new one.

How will you bring new customers into your selling sphere ?



(6) How will the nature of your products change ?

You will evolve beyond hard goods, to softer goods and information based products and interactive services. How will you product change ?

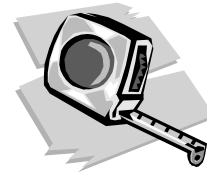


(7) How does the internet affect me and other companies ?



- Is my company immune to the internet ?
- Hard to image this is the case ?
- How does it affect my competition ?

(8) How to I measure or monitor the evolution (successes, failures) ?



How do I measure if or if not my business is utilizing the internet effectively ? How do I refine my strategy when things go wrong ?

10 Steps to Cybermaturity

Conduct Necessary Education



- Understanding the new meanings of Internet commerce leads to the creation of a common framework for action.
- Informed managers and executives are able to uncover opportunities for their own business functions.
- When employees have internalized the strategy, they are better able to act on it.
- When customers know about your new capabilities, there is a better chance that they will try them.

Review Current Distribution and Supply Chain Models

- Proactively, change the configuration of your value chain.
- Concentrate your electronic distribution strategy on the Internet as the primary electronic marketplace.
- Review and expand your entry in each one of the three channel segments: direct web (public/private), indirect Web (through an intermediary/being an intermediary), and agent Web (push/pull).



Understand What Your Customers and Partners Expect from the Internet

- Take steps that reflect an accurate assessment of the sophistication level of your electronic customers and their segmentation.
- Open your Intranet to make Extranets by allowing customer and supplier access.
- Make your suppliers think of and depend on your



Reevaluate the Nature of Your Products and Services

- Digitize old products where applicable.
- Introduce new information-based products.
- Develop a separate strategy to take advantage of smart-card products.



Give a New Role to Your Human Resources Department

- Determine how to increase your Internet professionals in all departments, not just the technical ones.
- Develop and hire new positions for producing, selling, marketing, and supporting new content for the Internet marketplace.
- Establish Internet and electronic commerce knowledge within the HR department to allow it to proactively add value to your strategies.
- Copy organizational models and functions of companies entirely dependent on the Web for your Web-related initiatives (e.g., Yahoo!, InfoSeek, Excite, Amazon.com).



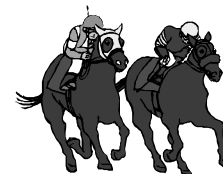
Extend Your Current Systems to the Outside

- Make your Web site functionality a back end, in addition to a façade.
- Extend and link internal systems to the Web as an intended goal, not as an afterthought.
- Find internal applications that can be Web-enabled to get a quick bang.



Track New Competitors and Market Shares in the New Digital Marketplace

- List new entrants, the ones you haven't thought about before.
- Develop competitive strategies on the basis of the dynamics of digital markets.
- Reevaluate your business model in relation to your competition's.



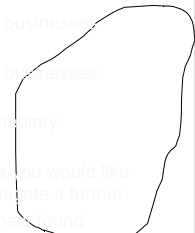
Develop a Web-Centric Marketing Strategy

- Develop a 100 percent Web-centric marketing program that relies on the Web as the marketing channel, taking into account the electronic distribution segmentation.
- After building your value with customers, work on your digital brand process.



Participate in the Creation and Development of Virtual Marketplaces and Intermediaries, Now

- Identify five new types of intermediary businesses that threaten your current model.
- Identify two new types of intermediary businesses you may be able to enter.
- Strengthen your intermediary-to-intermediary relationships.
- List three potential Internet businesses you would like to acquire and approach them to investigate it further.
- Find new partners to strengthen your new found virtual value chain. You will begin to depend on them in the same way that you depend today on your current partners.



Participate in the Creation and Development of Virtual Marketplaces and Intermediaries, Now can't

- Stop and review what you have learned over the last year in all you Web-related activities. Have an independent third party give you an assessment, and reassess your current objectives on the basis of your findings.
- Find a model Web-based business or organization that you admire, and learn from it.
- If your partners and suppliers seem to be more advanced than you are in implementing Web-based processes, consult with them.



Instill Electronic Markets Management Style



- Decisions for electronic markets that do not affect anything else (e.g., regarding the status of a given service)
- Decisions for electronic markets that affect your traditional marketplace (e.g., channel conflict)
- Decisions for traditional markets that affect electronic markets (e.g., the process for customer support delivery)
- Decisions for traditional markets that do not affect electronic markets (e.g., old products that won't make it in the electronic marketplace)

Top 10 Reasons and Responses for Not Doing Internet Commerce

Reasons For Not Embracing Internet Commerce	Internet Commerce Buying
10. We are doing EDI.	It's not enough. Please reread Chapter 1 to understand the differences between EDI and Internet commerce.
9. The Internet is a fad. We're waiting for it to go away.	If you wait long enough, you are the one who is likely to go away, because the Internet is here to stay.
8. It smells like reengineering.	So, why are you afraid of change? If you can't allow change to happen in your organization, you have a problem.
7. The Internet is not fast enough	Most applications do not need heavy bandwidth, nor is e-commerce about surfing the web at a

Top 10 Reasons and Responses for Not Doing Internet Commerce cont.

Reasons For Not Embracing Internet Commerce	Internet Commerce Buying
6. There is no security.	Security is multifaceted and must be understood. Please hire somebody who doesn't think it is a problem.
5. Our customers don't want it.	Ask them again. Your competition may be doing it.
4. Who's going to pay for it?	Initially, there is an investment price to pay. You can begin immediately to cut costs, then later generate revenue.
3. We're looking at it.	If that is all you have to say about it, you are only involved, not committed.

Top 10 Reasons and Responses for Not Doing Internet Commerce cont.

Reasons For Not Embracing Internet Commerce	Internet Commerce Buying
2. MIS is in charge of it.	Yes, but MIS needs to be led and given direction to help you meet your business objectives.
1. We already have a Web site.	Good for you, and so do 1.5 million other organizations, so how are you planning on differentiating your company?

A Final Note-

Your organization will inevitably be digital and will strongly depend on the dynamics, behaviors, and paradoxes of digital markets. Digital partnerships will be created, will be a part of your value chain, between you and your customers. Take advantage of the power of e-commerce. Proceed smartly and carefully !