

The E-Commerce Project:

What it is and how it can be used to help your business.



David Pullara

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Before you start – How to Read this Paper

If you're reading a printed copy of this report, this caveat section may seem rather silly. But if you're reading this electronically, not only does it prove that you are thinking the right way about e-commerce, (i.e. immersing yourself in all-things-technology to understand it and its potential applications to your business), you will also be able to take advantage of some of the extra features embedded in this work.

Much like your average website, this paper has been designed for the user who feels the need to jump around from one topic to another. Interactive links were put into place to facilitate the navigation of this paper, and to bring an interactive experience to the topic.

Words that look like [this](#) (blue writing, normal font, underlined) are hyperlinks. Using your mouse to click these words will bring you to the website, assuming of course, that you are connected to the Internet while reading this paper, and that you have a web browser, (such as Netscape Navigator or Microsoft Explorer) installed on your computer. So if the paper is discussing [Amazon.com](#), and you want to visit the website to see what all the hype is about, simply click the link. Certain hyperlinks will also bring you to other points within the paper, as will the hyperlinks to the Appendices throughout the paper. (By the way, once you have clicked a link, the writing will turn purple – don't worry; this is normal. It helps you see where you've been and where you still have to go). This paper is best read using Microsoft Word 2000, but Word 97 will suffice. Microsoft Word 95 does not support hyperlinks, so the interactive features will be lost if you use this older version.

Words that look like **this** (blue writing, larger font, not underlined) are also hyperlinks, but they will bring you to this paper's glossary. Discussing e-commerce often requires the use of Internet lingo, and the glossary has been included to make your journey through this paper as comprehensive and enjoyable as possible. Once you are in the glossary, clicking on the hyperlinked word will bring you back to the place you were in the paper when you accessed the glossary. An Internet connection is not needed to take advantage of this Interactive Glossary.

Preface

Defining the Connected World: An Introduction

The “Global Community”, the “Information Superhighway”, and the “World Wide Web” are just a few of the phrases that are commonly used to refer to the **Internet** these days, and you would be hard-pressed to find someone who wouldn’t agree that it wasn’t having a tremendous impact on society. Of course, anyone who has picked up a newspaper, listened to the radio, or watched any television in the last year would most likely base this assumption on any one of the numerous dot-com rags-to-riches stories that they would have been told by the media.

But the Internet is more than just hype. It is significantly changing the way that companies conduct business, and media sensationalism aside, very few people are able to recognize it’s true importance; how fast it’s growing, how quickly its evolving, and what implications it has for the future of commerce as we know it.

The easiest way to understand the impact of the Internet is to compare its acceptance with that of some other information vehicles that have permeated our society. The telephone, for instance, was introduced in 1876 and took 35 years before 25% of the population was actively using this technology. The 1906 introduction of the radio was much more successful, taking only 22 years to achieve the same usage rate. The television took slightly longer – 26 years – arguably because of the prohibitively higher cost. The personal computer took 16 years after its 1975 introduction to reach a 25% penetration rate. The Internet? Only 7 years after its commercial debut in 1991, 25% of the population had already adopted this technology.¹

This is an almost frightening growth rate, but it doesn’t stop there; Fast Company estimates that there are seven new people on the Internet every second. Domain name registrations rose from 26,000 in 1993 to 5,000,000 in 1999, which exhibits a tremendous growth in the number of new websites being created each year. By the year 2005, the US Department of Commerce

¹ Korper, Stefano & Juanita Ellis. The E-Commerce Book: Building the Empire. (New York: Academic Press, 2000), p. 3.

estimates that there will be one billion Internet users.² With these statistics in hand, you would be hard-pressed to find a sensible businessperson who would claim that e-commerce was not something worth examining.

The purpose of this paper is to explore this exciting new world of e-commerce and its primary business applications. This Preface will serve to define “e-commerce”, and its four primary subsets, (Intranets, Business-to-Consumer e-commerce, Business-to-Business e-commerce, and Brand-building websites). In Chapter 1, we’ll examine the demographics of the people currently using the Internet in an attempt to understand those who are comfortable online. We’ll then explore the various strategic reasons for “going online” in Chapter 2, in an effort to point out that going online may not be for you. Chapter 3 describes the specific steps you need to take in order to bring your company online, and discusses such things as the technological components needed, and the importance of marketing your website, almost irregardless of function.

Chapters 4 through 7 will focus on each of the four prongs of e-commerce, Intranets (Chapter 4), Business-to-consumer websites (to create and maintain a self-sufficient online store – Chapter 5), business-to-business websites (to simply facilitate business-to-business transactions and internal processes – Chapter 6), and brand-building websites (to act as a branding tool to support an existing product or business – Chapter 7). Chapter 8 will deal with a new type of business model that has emerged as a result of the dot-com phenomena – the “clicks and mortar” company. Chapter 9 will give a brief overview of Permission Marketing, explaining what it is and how you can use the Internet to best implement it. Chapter 10 deals with some legal issues involving e-commerce, while Chapter 11 talks about the difficulties of taxing Internet transactions. Finally, you can find some suggested approaches to help make your entrance into the online realm a successful one in the conclusion of this paper.

In essence, this paper is an attempt to provide a basic roadmap for the aspiring Internet entrepreneur, or the manager who has just been assigned the development of their company’s e-

² Siebel, Thomas M. and Pat House. Cyber Rules: Strategies for Excelling at E-Business. (Toronto: Currency / Doubleday Press, 1999). p. 3.

commerce division. But one problem with dealing with such a rapidly evolving technology, however, is that anything written on the subject becomes obsolete by the time it is printed! As such, this paper cannot possibly serve as a “complete” guide. What this essay *will* do, however, is examine the different ways that e-commerce can be used to help your business be more successful, look at some strategies that other companies have been successful in implementing, and provide you with the basic information that you will need in order for you to start your own e-commerce division. By the end of this paper, you should understand what e-commerce is, what it can do for your business, and the steps that you have to take in order to implement e-commerce into your business model. A **Glossary of Terms** has been included at the end of this essay for your convenience, which will assist you in understanding the tech-speak that will inevitably permeate any e-commerce discussion. As well, a [Interesting URL's](#) page accompanies this paper, providing a list of popular websites you can visit to examine the type of tactics that successful online companies are currently employing.

Preparing your company for e-commerce is by no means an easy task; it can be intensive in terms of time, personnel, and money. But e-commerce must not be seen as an expense, it must be viewed as an investment in the future.

What is e-commerce?

Before we can begin discussing electronic commerce, (or **e-commerce** as it is more frequently called), we must agree upon an appropriate definition. Some people would like to define e-commerce as simply conducting commerce transactions via the Internet, but I would argue that this is too narrow a definition to be of any use. Such purists would say that e-commerce contains only two components, business-to-consumer e-commerce and business-to-business e-commerce. While these two elements are most certainly an essential aspect of e-commerce, I would argue that there are two additional components that deserve inclusion into the category; Intranets and informational-based “Brand-Building” websites.

The definition offered by Webster’s Online Dictionary (www.dictionaary.com) lends support to this argument. The site defines e-commerce as “the conducting of business communication

and transactions over networks and through computers... the buying and selling of goods and services, and the transfer of funds, through digital communications... and all other ways of doing business over digital networks.”³ This definition is useful because it recognizes the undeniable communicational aspect of e-commerce, which is where the Intranets and the “brand-building” websites fit in with e-commerce. As such, this is the definition that will be used for the purposes of this paper.

Business-to-consumer (B2C) e-commerce is perhaps the easiest to define – it occurs when a company sells a product or service to a consumer directly via the Internet. It’s even easier to recognize; just visit Internet behemoth Amazon.com, the online retailer that is probably most often talked about in the media. B2C-type companies are usually the first that come to mind for most people when they think about the subject of e-commerce.

Business-to-business (B2B) e-commerce websites operate in a similar fashion, but in the case of B2B, the “consumer” is actually another business. E-commerce between businesses is currently estimated to be five times higher than business-to-consumer e-commerce. And by 2003, Forrester Research Inc. estimates that, “business-to-business e-commerce will balloon to \$1.3 trillion. Constituting 9% of all United States business trade, and more than the gross domestic product of either Britain or Italy, that’s ten times the amount of business-to-consumer e-commerce. By 2006, that figure could represent 40% of all business conducted in the United States.”⁴ However, despite its obvious importance, people tend to be less familiar with B2B websites for the simple reason that they are not as visible as B2C websites. B2B e-commerce sites are established for the exclusive use of a given company to facilitate purchasing, distribution logistics, and other such issues.

The term **Intranet** refers to the “intra-organizational side of electronic commerce,”⁵ where the benefits of the Internet are applied on a much smaller scale – think of an Intranet as your own “private Internet” that is accessible only by employees of your company. This internal network

³ <http://www.dictionary.com/cgi-bin/dict.pl?term=electronic%20commerce>

⁴ Korper, p. 9.

⁵ Mougayar, p. 17.

facilitates online communication within an organization, and allows for such efficiencies as document sharing, collaboration, and much more. These efficiencies tend to result in lower costs and increased revenue. An Intranet that extends access to certain parties outside of the company for informational purposes, (such as remote office employees and/or strategic business partners), is commonly referred to as an Extranet.

Informational websites are the final component in the e-commerce equation. These are the type of websites that don't actually "sell" anything – they exist to offer information about their existing products, or to provide some service to their existing customers. In short, these are "brand building" websites, and although these sites often don't generate any direct sales revenue, they are an important aspect of e-commerce that cannot be ignored.

Each of these four areas will be explored in further detail throughout the course of this paper, but it was important to have an understanding of what is meant by "e-commerce" and its four essential components before continuing any further. Because the interrelatedness of these four topics makes linear discussion quite difficult, this paper has been laid out in such a way as to first deal with the common issues, (i.e. the demographics of Internet users, common Internet strategies, and technological components needed), before attempting to discuss issues specific to each individual facet. Moreover, I have chosen to use B2C e-commerce as the starting point for most discussion areas, because this is most likely the aspect of e-commerce with which you are probably most familiar. From there, comparisons will be made between B2C e-commerce and the other aspects in order to highlight the differences that exist, and as this paper will attempt to show, the commonalities between the four facets of e-commerce are similar enough to warrant such comparisons. Keep in mind that whenever a particular form of e-commerce isn't specified, it will mean that the concept is generally applicable to all four areas.

With these basic definitions in hand, we are ready to proceed onto the next section, which will discuss the types of people who are using the Internet in Canada, and their usage habits.

Chapter 1

The Canadian Internet User: A Demographic and Psychographic Profile⁶

Ten years ago, when asked to describe the typical computer enthusiast, you'd probably visualize a short, freckled-face boy, with thick glasses and crooked teeth: the stereotypical "geek". While that description may have held some element of truth to it in the past, computer enthusiasts today are by no means that easy to classify. Men and women of all race, religion, education and ethnicity are among the growing users of personal computers, and by extension, the Internet. As society has become more educated, and as technology has become more widely available and easier to use, the demographics of Internet users have exploded. Before we can discuss e-commerce and how it can help your business, we must first understand who is using the Internet.

A full 63% of Canadians have access to the Internet, according to Greg Leach, Vice-President of Information Technology and Telecommunications at AC Nielsen Canada. In a recent e-mail interview, Mr. Leach shared the following statistics:

- 43% of Canadians have used the web in the past year
- 47% of Canadians have used the Internet in the past 3 months
- 43% of Canadians have used the Internet within the last month
- 39% of Canadians have used the Internet within the last week
- 27% of Canadians have used the Internet within the last 24 hours.

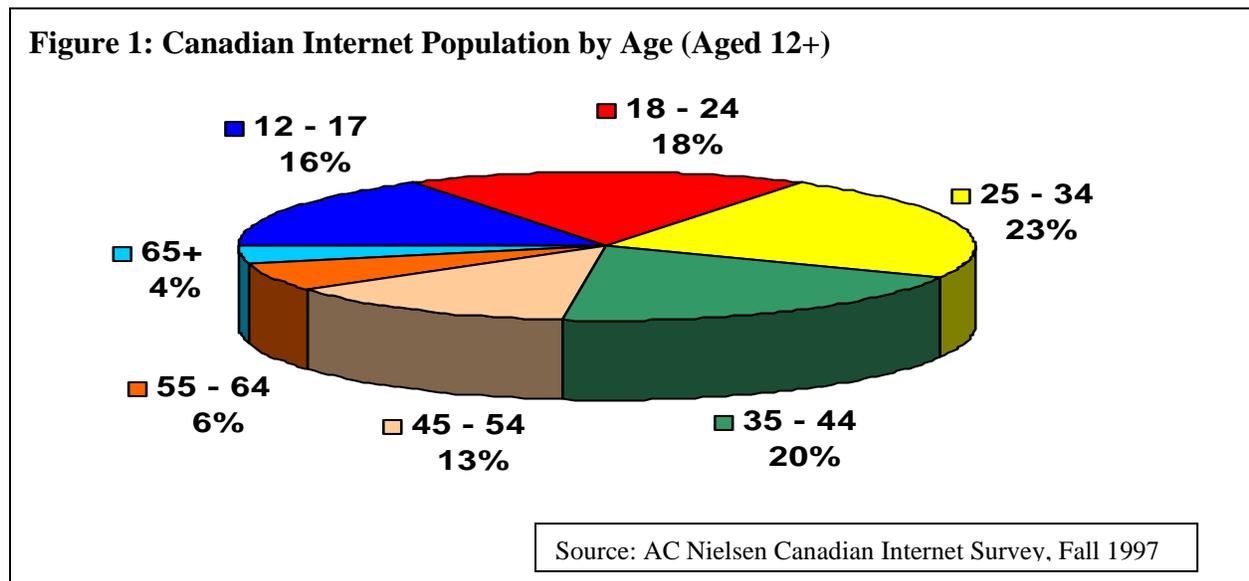
The gap between the 63% figure and the lower frequent-usage rate indicates that while Canadians have Internet access, only about a quarter of them are "Internet addicts."

In terms of gender, men have historically been the dominant Internet users in Canada; in 1996 they accounted for 57% of the total Internet-using population. However, the trend has slowly reversed itself in recent years, and in 1999 AC Nielsen Canada reported that 51% of

⁶ As Canadians will be the primary readers of this paper, I felt that using Canadian statistics would make the paper more relevant. Useful US Internet-related statistics can be found at the understandingusa.com website.

Internet users in Canada were female. The important thing to realize, however, is that the gender gap is very narrow, signaling that men and women alike are using the Internet, and thus, companies must cater to both genders almost equally.

As can be expected, the younger generations who have grown up with computer technology, (and are thus more familiar with it), continue to dominate the Internet. As Figure 1 shows, people under 25 make up 34% of all Internet users in Canada.



Likewise, it also doesn't come as much of a surprise to see that people over 55 years of age are the least active on the Internet, accounting for only 10% of the total Internet-using population in Canada.⁷ This shows that there is currently a definite inverse correlation between age and Internet usage – older people tend to use the Internet less than their younger counterparts. However, this trend is unlikely to continue in the future. As the youth of today age, they will carry their computer literacy with them. Their current interest in computers and technology is unlikely to fade, and thus they will be more inclined to keep up with advances in technology than older Internet users have done in the past. Figure 2 illustrates this point, showing penetration of the Internet within various age segments. Clearly, the younger segments have a higher

⁷ The available American statistics show slightly different results. According to www.understandingusa.com, Americans under 30 account for 30% of all Internet usage, which would be approximately 20% lower than expected

percentage of their total populations using the Internet; 74% of all 12 – 18 year olds in Canada were Internet users in 1999. However, it is important to note that every age segment, without exception, has experienced a significant growth in the number of Internet users within their demographic from 1997 to 1999.

Figure 2: Internet Penetration Within an Age Group (% of each age group’s population)

Age Range	% of Demographic using Internet* (1997)	% of Demographic using Internet* (1998)	% of Demographic using Internet* (1999)
Total	31	37	49
12 – 18	55	59	74
19 – 24	52	53	65
25 – 34	38	50	63
35 – 44	34	40	53
45 – 54	30	37	48
55 – 64	18	27	34
65 +	9	14	20

* Of all Canadians in age range, what percentage of that age range are Internet users?

Source: AC Nielsen Canada Online http://www.acnielsen.ca/sect_fastfacts/Internet_fastfacts_en.htm

What is somewhat surprising is the amount of time that each age segment spent using the Internet per day. As Figure 3 shows, each age demographic spends roughly the same amount of time online. Younger users (12 – 18) spend slightly more time on the Internet in every category over 30 minutes per day, but the difference is not as pronounced as one might expect considering the increased technical literacy, interest, and available time of younger users. One extremely interesting thing to note is that a higher percentage of Internet users 65 and older are more likely to spend 2 – 3 hours per day on the Internet than either the 19 – 54 or the 55 – 64 age groups.

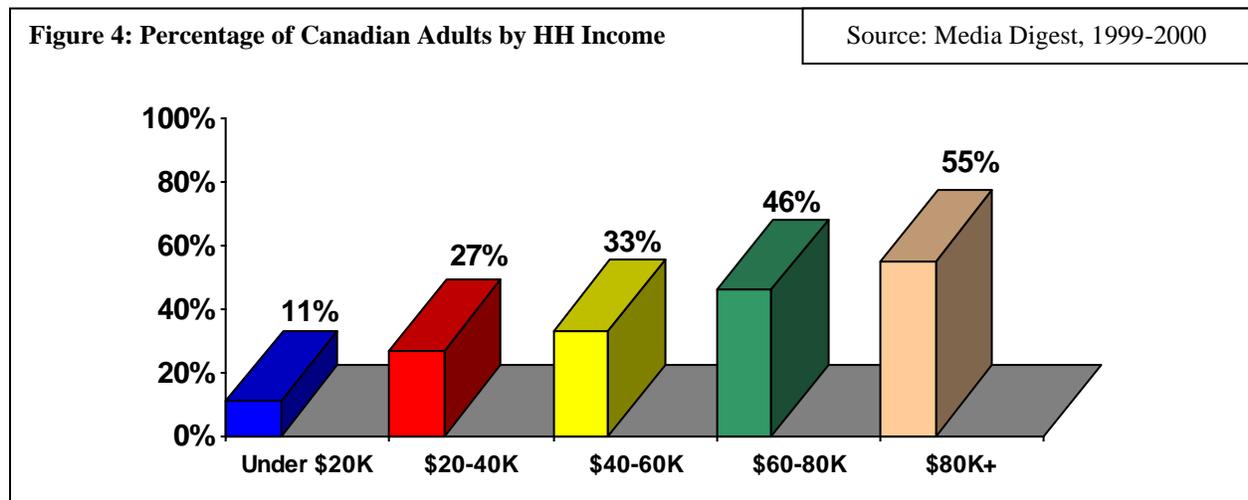
based on the Canadian statistics. Those aged 30 – 49 accounted for 50%, while people aged 50 – 64 made up 16% of the Internet-using population. Lastly, those people age 65 and over accounted for 4%.

Figure 3: Amount of Time Spent per Day on the Internet (Age Groups)

	TOTAL %	12 – 18 Yr. %	19 – 54 Yr. %	55 – 64 YR. %	65+ YR. %
30 min. or less	35	22	35	42	39
31 – 60 min.	33	35	33	31	31
1 – 2 hours	19	25	18	15	18
2 – 3 hours	7	9	7	7	8
3 – 4 hours	4	6	3	3	2
4 + hours	3	4	3	3	2

Source: AC Nielsen Canada online http://www.acnielsen.ca/sect_fastfacts/Internet_fastfacts_en.htm

Income also plays an important factor when discussing the Internet; the incidence of using the web is correlated to household income. Fifty-five percent of Canadians with household incomes of \$80,000 or greater used the Web at least once in the past seven days. At the other extreme, Web usage among Canadian adults earning less than \$20,000 is only 11%, (Figure 4). This indicates that higher-income households are using the web more frequently, and are thus an easy target to reach online.



So we know who’s online, and how often. But what we should really be interested in is what they’re doing online, and unfortunately for online retailers, they’re not doing much shopping.

Figure 5 shows the top 12 most popular Internet activities for Canadians as recorded by AC Nielsen, and “online shopping” appears nowhere on the list. It is interesting to note, however,

that while “online shopping” is conspicuously absent, the ninth most common activity is “research about future purchases,” where 28% of respondents indicated that they had engaged in such activity. But according to Greg Leach, that figure is actually closer to 40%.⁸ But while a lot of Canadians are using the Internet for pre-purchase research, only 19% of Canadian Internet users had actually placed an order and made a payment via the World Wide Web in 1999. Six percent of respondents had placed their order on the Internet, but made their payment via some other method, which indicates that security over the Internet is still an important barrier to online retailers.⁹

Figure 5: How Canadians are using the Internet

Rank	Activity	% of Internet users who have engaged in this activity (1998)	% of Internet users who have engaged in this activity (1999)
1	Source of Information on Particular Topic	68	68
2	Browse for Topics of General Interest	63	59
3	Personal Entertainment	51	46
4	Download Software	37	37
5	Source of Current News	37	34
6	Education	33	31
7	Weather Information	28	30
8	Info on Health-related subjects	N/A	30
9	Research about future purchases	28	28
10	Government Internet Sites	28	28
11	Work Tasks	28	28
12	Obtain Info From Other Countries	26	23

Source: AC Nielsen Canada Online http://www.acnielsen.ca/sect_fastfacts/Internet_fastfacts_en.htm

Wondering how Canada would fare on an international comparison? Well, the fact that 38% of the Canadian population is currently online makes Canada the number one country in terms of Internet penetration, although there are more Americans online than Canadians in terms of sheer

⁸ When asked about the discrepancy in an e-mail interview, Mr. Leach responded by stating, “we build in a few cross-checks in our questionnaire to get a better fix on the behaviour we’re attempting to measure. We asked about shopping in two separate questions - one related to ALL activities on the Net and the other related specifically to purchase behaviour. The 28% is from the “all behaviour” question and the 40% is from the “purchase behaviour” question. In this case, and considering other data in the study, I would be inclined to give more weight to the 40%.”

⁹ http://www.acnielsen.ca/sect_fastfacts/Internet_fastfacts_en.htm

numbers because of their larger population. Tied for second are Australia, the United States, and Singapore, each having a 25% Internet penetration rate.¹⁰

Well, there you have it: the demographics and psychographics of Canadian online users in a nutshell. You have learned about the Canadian Internet users average gender, age, income bracket, and Internet usage habits. But when it all comes down to it, web-surfers will either like your site, (and are on their way to becoming regular visitors), or they won't and they aren't. Knowing the demographics and psychographics of your audience is critical because it will help you ensure the former and not the latter. Remember, the same principals that apply in the "real-world" also apply online; give the customer what they want, and they'll keep coming back for more.

¹⁰ For a complete list, visit <http://acnielsen.com/products/reports/netwatch/pg2.htm>. Keep in mind that mathematically, it is much harder for countries with higher populations, (i.e. China and Indonesia), to achieve higher percentages, whereas countries with smaller populations are likely to score better on a percentage basis.

Chapter 2

Strategic Implications & Technical Requirements of E-Commerce

Amazon.com is arguably the world's most successful online retailer, the Wal-Mart of the online realm, if you will. Jeffrey P. Bezos, now Chairman and CEO with a 42% ownership stake, founded the business back in July 1995, and took it public in 1997.¹¹ Since then, he has watched his company grow from an idea to a business with a \$19.2 billion market capitalization.¹² Certainly in terms of brand awareness, Bezos has achieved what very few have been able to accomplish; he has managed to create an exclusively online brand. And yet, despite his success and numerous accomplishments, Bezos claims that we are still in “the Kitty-Hawk era of electronic commerce.”¹³

The decision to undertake an Internet strategy cannot be made lightly. We have discussed the types of people who are currently using the Internet, and by now you should have a good idea if these are the type of people that you want to attract to your business. But before we get into the various components of e-commerce, it is absolutely critical to understand the strategic reasons that companies should be moving online. If you are confident that your business is entering the e-commerce era at the right time, for the right reasons, and with the right mentality, then feel free to skip this section of the paper. However, if you have any doubt at all about why your company should develop an online strategy, or whether they should be going online at all, then I encourage you to read this chapter carefully. Succeeding at e-commerce is not as easy as the media would have you believe, and for every Amazon.com story there are hundreds of dot-com failures.

You are the only one with the ability to decide whether e-commerce, in any of its forms, is right for your business. The following list represents several excellent reasons for implementing an e-commerce strategy, and the associated benefits of each. This is by no means an exhaustive list; you could be entering the e-realm for a valid reason that's not listed here. But if you're

¹¹ Silverstein, Barry. *Business-to-Business Internet Marketing*. (Toronto: Maximum Press, 1999), p. 266.

¹² Source: EntryPoint http://stock.main2.entrypoint.com/stock/stock_summary.php3?tkr=amzn&bid=1. Of course, the market capitalization fluctuates daily, but it was recorded at \$19.2 billion as of close of business on 04/18/2000.

¹³ Siebel, Thomas M. and Pat House. *Cyber Rules*. (Toronto: Currency/Doubleday, 1999), p. 170.

considering e-commerce for one of the following reasons, then you're definitely off to a good start.¹⁴

Introducing Innovative Products & Services

The Internet allows you move to very quickly, and as such, innovative ideas will often lead to competitive advantages in the marketplace. Amazon.com was first, and that fact helped propel them to where they are today. But if you're not first with an idea, don't waste precious time and resources to follow someone else's well-established lead. As author Richard Gascoyne states in his book, Corporate Internet,

Experiment with innovation. Netscape was not rewarded by the financial markets for being second to market. Netscape employees worked around the clock to be first, knowing the Internet would reward them. Who is even trying to compete with Pointcast after the release of its innovative product, the first of its kind to market? No one. Instead of competing, potential competitors like CNN are forming alliances.¹⁵

The Internet is not just about selling old products to old customers through a new channel. It's about creating new products that can take advantage of the new technologies that are now available. That's exactly what The Pointcast Network did – they created a program that delivered customized information straight to a users' desktop. Users would select categories of interest that were most relevant to them, (such as sports, Canadian News, US Politics, etc...), and only that information would be delivered. Best of all, users could download the program from Pointcast's website free of charge – The Pointcast Network earned most of their revenues through a small, unobtrusive advertisement window that was displayed on-screen while users read their news.¹⁶

¹⁴ Adapted from Gascoyne, Richard J. and Koray Ozcubukcu. Corporate Internet Planning Guide: Aligning Internet Strategies with Business Goals. (Toronto: International Thomson Publishing Inc, 1997), pp. 50-66.

¹⁵ Gascoyne, p. 53.

¹⁶ If you happened to click on the Pointcast link, you would have been automatically redirected to a website called Entrypoint. This is because Launchpad Technologies acquired Pointcast for an undisclosed sum on May 11, 1999, (well after the publication of Gascoyne's book). Launchpad added a few new features, and repackaged the product as Entrypoint, which is available for free at www.entripoint.com. Regardless, Gascoyne's example is still valid – Pointcast would not have been an attractive acquisition target if it had not been first to market. And if the recent events in the stock markets have taught us anything, it's that technology companies are often rewarded through lucrative buyout offers.

Achieving Customer Intimacy

Getting closer to your customer is an admirable objective regardless of the type of business you are in, but it is especially important in the Internet economy because customer closeness is a differentiator in service-oriented businesses. With Intranets, where the customers are your employees, getting closer means increased communication and efficiency. With business-to-business e-commerce, getting closer to your strategic partners, suppliers, and distributors means better coordination and decreased costs. And with business-to-consumer e-commerce, getting closer to your customers means being better able to determine their wants and needs, and to respond accordingly in a timely fashion. Companies have attempted to get closer to their customers for a long time now, but the Internet's speed and customization capabilities brings these efforts to a whole new level. Lastly, customer closeness can also help to build brand loyalty and equity.

Mass Customization and Virtual Products

One way companies can get closer to their customers is through mass customization, giving the customer exactly what he or she wants. The Pointcast Network is an excellent example of mass customization. The product was freely available to everyone, but users could easily configure it to meet their individual needs. The ultimate goal, of course, is to increase customer loyalty; customers are less likely to move to another product or service if they already have one that has already been customized to take their unique preferences into account.

The term "virtual products" refers to the online concept of providing a user with something that is not tangible. Most information websites that provide a user with some product, (i.e. a free software program to download), or a service, (i.e. customized information) would fall under this category. The website, in such a scenario, would most likely make its money from advertising revenues.

Meeting the Demands of the E-Consumer (Customer Acquisition & Loyalty)

In a sense, the electronic consumer represents an entirely new, untapped market. If you'll remember the demographic and psychographic information presented earlier, there is a definite segment of the population that is comfortable with shopping online. And although this segment

is still relatively small, it is growing quite rapidly. Where is the growth coming from? It's coming from retail shoppers who are becoming more comfortable with online retailing, and are converting to what they see as a better way to shop. If consumers begin demanding the added convenience of online services, and you refuse to provide it to them, what's to stop them from moving their business to a competitor who will?

E-commerce also allows new entrants to the market the opportunity to uproot established players by changing the rules of the game and shifting the consumer's paradigm. Will any traditional style retailer ever beat Wal-Mart at the retail game? Highly unlikely; they've been playing it for too long, and they're too good at it. But what is to stop an e-commerce upstart from offering even MORE selection than the retailing giant with the added benefit of shopping from home? Not much – this is the power of e-commerce.

Making Experts out of Employees

Distribution of detailed product and process knowledge throughout your business can make experts out of everybody in your company. By implementing a system that allows for document sharing and online collaboration, you essentially take the knowledge of one and share it with the many.

Putting all of your employees' necessary documents online is a way of forcing them to learn the infrastructure, although it is a tactic that they may initially resent. However, if you create an Intranet that is easy to learn and use, they are likely to see the value of the technology quickly and become its biggest advocates when speaking with both your customers and your suppliers.

Also, making employees comfortable working online and encouraging them to visit the websites of your company's customers, suppliers, and competitors will make them more aware of the industry and competitive environment, which will provide them with more knowledge, and thus allow them to make better business decisions. This, in turn, will allow them to perform their task more effectively, thus capitalizing on the wealth of knowledge available via external sources.

Increasing Returns on Assets and Individuals

Communications, advertising, marketing, product education and training, customer support, sales, distribution, and rent are all major business expenses that a typical company must incur as the costs of doing business. The Internet, however, provides an alternative to the traditional channels of performing these functions while significantly reducing expenses.

E-commerce, relatively speaking, is much less expensive alternative to human-based labour. Consider the following comparisons from a 1996 Price Waterhouse Technology Forecast Report:

- The “human” cost of producing and processing an invoice in a large organization is approximately \$100. The equivalent electronic processing costs only \$10, resulting in a 90% savings.
- The cost of the average retail bank transaction is approximately \$1.50. The same transaction can typically be performed electronically at a cost anywhere between \$0.15 and \$0.25, a savings of between 83 - 90%
- Answering a customer service request using a call center costs between \$15-\$25. Answering that same question via an Internet self-serve application cost \$3-\$5.¹⁷

Moreover, once the basic infrastructure of your website has been built, additional applications can be added at any time, depending on the current needs of the business.

Attracting New Customers and Partners with Wider Market Reach

One of the main benefits of the Internet is that it allows a company to connect with other people and other businesses regardless of their geographical locations. A web presence serves to not only create new opportunities for increasing your customer base, but it also facilitates the sourcing of new suppliers, or helps other companies source you.

¹⁷ Mougayar, Walid. Opening Digital Markets: Battle Plans and Business Strategies for Internet Commerce. (Toronto: McGraw-Hill, 1998), p. 33.

Achieving Value Chain Efficiencies

E-commerce has the potential to remove unnecessary steps from the value chain process. Previously, a manufacturer sold their products to a wholesaler, who in turn would sell to a distributor. From the distributor, the goods would move to the retailer, and finally, to the consumer. The result of these numerous intermediaries was a mark-up price that could represent as much as a 135%.¹⁸ By eliminating some or all of these intermediaries and selling directly to the consumer, a manufacturer can reduce these distribution costs, resulting in a lower selling price for consumers or a higher profit margin for the company, depending upon the company's goals.

Reducing Time to Market

Utilizing the Internet for the delivery of your products, (i.e. for information, software applications, music, or video), means its instantaneous arrival instead of having to wait for trucks to physically arrive at your intended destination. Test market feedback can be obtained days rather than in weeks or months. The rapid speed of the Internet allows a company to move much more quickly, and new ways to harness this capability are constantly being discovered.

Revenue Generating Opportunities

Of course, everybody's favourite reason for going online is the prospect of building the next Amazon.com. But intending to generate revenue via your new website is a valid business objective providing you have a clear plan of how to accomplish this task. We will deal with the different ways to generate revenue with a website later on in this paper.

The adoption of an e-commerce strategy can do all of these things and more for your company, but your company has to truly commit to the strategy. It isn't enough to simply buy a web-server and put up online versions of your flyers and brochures for the world to see. Being successful with your Internet strategy involves identifying what objectives you want to achieve with your website, developing success criteria, designing and implementing your website, and measuring the results of your efforts.

¹⁸ Mougayar, p. 33.

Chapter 3

Setting up the Structure: A Lesson in Technology

So you've taken a good, hard look at your business and decided that e-commerce is indeed the right way to proceed. In that case, the following is a list of seven steps that you have to take to create and maintain a strong Internet presence for your company.¹⁹

Step 1: Registering a Domain Name

Before we get into domain names and their importance, a brief word must be said about IP Addresses. Every computer connected to the Internet has a unique **Internet Protocol Address**, (or IP address for short), much like each house has it's own street address. The IP address is what allows other computers to find your computer over the Internet, which is after all just a vast network of interlinked computers. A typical IP address contains four sets of three digit numbers. Each number ranges from 0 to 255, resulting in an address that looks like 23.126.45.212.

Needless to say, this number set is quite difficult to remember, so companies typically choose to register a **domain name** to represent an associated IP address. Amazon.com is a domain name; Amazon's IP address is actually 208.216.182.15.²⁰ Now as a customer wanting to visit and revisit Amazon's website, which would you rather remember?

The potential marketability is a crucial aspect of a domain name and the big question you must ask yourself when selecting one is, "how easy will it be for my customers to remember this website address?" Names with peculiar spelling are highly undesirable, since a misspelled web address will not bring your consumer to your website. And just like they would be unable to visit your physical location without the proper address, customers who can't find your website won't be able to take advantage of any of your site's benefits.

¹⁹ This section was partially adapted from Siebel, pp. 241 – 262.

²⁰ As a general point of interest, a company's IP address can be discovered quite easily. To discover the IP address for Amazon.com, I simply opened up my MS DOS Prompt in Windows while connected to the Internet and typed "ping amazon.com" after the C-prompt. Within seconds, the IP address is returned. This will work for all websites, should you ever need to know an IP address.

To make your domain name more memorable to your customers, it should closely relate to your company, product, and/or service whenever possible. Obviously, you'll want to try and register your company name first, but don't be afraid to try and register the name of your major brands, trademarks, stock symbol(s), slogans, and/or anything else even remotely relating to your company as well. Procter & Gamble, manufacturer of popular products like Tide, Pampers, Pepto-Bismol, Old Spice, and Clearasil, is reported to have registered at least 52 domain names, (although some reports indicate as many as 1400), including toiletpaper.com, underarms.com, pimples.com, and the infamous diarreeah.com.²¹ Of these four examples, only pimples.com leads to an actual brand site – Clearasil. The “toiletpaper” and “underarms” domain names direct surfers to a generic, “here’s all the stuff we make, click on the link to find out more” page, but this screen serves to associate the product (i.e. toilet paper) with the company (or brand) that can meet that need, and is thus extremely valuable to the company. (Controversy and excessive online mockery has prompted P&G to deactivate the diarreeah.com site, although they still hold the rights to the name.)

Registering an original domain name will cost anywhere from \$70 - \$100 US per year, but this is a relatively small amount when compared to the marketing potential a really good domain name holds. You should note that domain name registrations do expire, and must be renewed every 1 – 2 year periods. So if your desired name isn't available, keep tabs on it – it may become available if the owner allows his registration to expire. (Just don't expect to take over the “amazon.com” domain name anytime soon.)

If your company has a particularly unusual name that you think might be difficult for your customers to remember and/or spell, you may want to consider registering common misspellings of your company name. Or better yet, consider using an appropriate acronym. (I.e. Holt Rinehart and Winston, a ‘classroom education company’, utilizes the website www.hrw.com). Unfortunately, you'll have to use more than three letters – the New York Post recently reported that all possible 3-character combinations with the dot-com **TLD** have already been registered,

²¹ Janal, Daniel S. Risky Business: Protect your Business from Being Stalked, Conned, or Blackmailed on the Web. (Toronto: John Wiley & Sons Inc, 1998), p. 201.

without exception.²² But keep in mind that your domain name does not have to end with the “.com” suffix. “Com” stands for “commercial,” and is by far the most popular, but there are several other domain name endings that you can use to represent your company, such as “.ca” (Canada), “.org” (organization), or “.net” (network) to name just a few of the more common ones.

Only letters, numbers, and hyphens are allowed in a domain name. A hyphen can prove extremely useful if someone else has already taken the name you want, such as in the case of www.trimedia.com and www.tri-media.com. However, both of these companies just happen to be involved with web design, which is why choosing a name that is too similar to someone else’s name is not advisable. If one of your customers finds the other company’s website by mistake while trying to reach you, and that other company offers your customer something that you can’t, they would have successfully stolen a client.²³ (There may be potent legal recourse if this happens to you, but this will be discussed in greater detail later on in Chapter 10.) Also, you should know that domain names are not case sensitive, which means that you can’t register the all-caps version of something that’s already taken. (So you’re out of luck if you wanted to register www.AMAZON.com).

One website that acts as an invaluable tool for registering all domain names is Register.com, an accredited domain name registrar who allows you to search for available domain names. One of the site’s benefits is that it also allows you to search various suffixes to your proposed domain name simultaneously, so that if <http://www.thenameiwant.com/> is taken, you’ll be able to instantly ascertain whether <http://www.thenameiwant.ca/> is available.

As you’ve probably ascertained by now, it is extremely difficult these days to find available domain names – most popular words and phrases have already been registered. This means that finding one that is available takes a fair degree of creativity on your part, although the fact that

²² The article is a worthwhile read, and can be found at <http://www.nypost.com/business/28458.htm>

²³ I am not implying in any way that Tri-Media used a hyphen in their name for this purpose → www.tri-media.com erected their site on November 17, 1995. www.trimedia.com was erected March 27, 1997, more than one year later.

ICANN plans to release 5 – 10 new TLDs, (such as “.shop”, “.arts”, and “.biz”) in the summer of 2000 should make things a little easier.²⁴

But how did it get to this point? Well, part of it is due to the natural proliferation of the Internet – as more sites came into existence, more domain names were needed. But part of the problem is due to the actions of **Cybersquatters**, those forward-thinking groups of people who realized the Internet’s future potential early on, and went to register as many domain names as they could think – often in the hopes of later reselling these names at a profit. And so it is the case that while the McDonald’s corporation owns the domain name www.mcdonalds.com, it has been unable to obtain www.bigmac.com because James McDonald was first to register it, and thus holds the sole rights for the use of the domain name.²⁵ (Several legal battles have ensued against such people who have registered domain names that are trademarked in the physical world, but again, the legal decisions and implications involving the Internet will be discussed in Chapter 10.) To save yourself from future hassles, register the name of your new product as a domain name before it hits the marketplace as part of the brand’s introduction strategy.

The greatest benefit of a domain name is not in its branding potential, however, but rather in the portability that it allows. For example, let’s say I owned a company called “Davesite”, and wanted to establish an online presence. But let us also say that I choose not to register a domain name, and instead want to take advantage of the name allocated to me by my ISP as part of the service package. And so, if I chose to use the popular ISP “@home”, my website address might be <http://www.home.com/tinylittlecompanies/davesite>. I could then proceed with the marketing of “Davesite” in an attempt to build brand recognition and equity. But what happens, then, if the @home network suddenly decides to triple its user fees? I would then be faced with two options. The first would be to pay the new fees – obviously not a favourable alternative. The second option, however, isn’t any less favourable – I would have to switch ISPs. This would mean that all of the money I spent promoting the “Davesite” web address would have been wasted, because the website would still be attached to the Internet Service Provider even after you discontinue the use of their services. (Remember, the “Davesite” website in this example was

²⁴ <http://www.nypost.com/business/28458.htm>

²⁵ Siebel, p. 98.

<http://www.home.com/tinylittlecompanies/davesite>, which is owned by “@home” and only rented to you as part of the service agreement. Discontinuing the service would also discontinue the use of that web address.).

Having registered a domain name would have avoided such a costly dilemma. If in the previous example I had chosen to spend the extra money to register www.davesite.com, then I would own this domain name. If I were to switch ISPs for whatever reason, I could easily redirect users to my new ISP, without the user noticing a single change. Looking at the benefits provided, the costs associated with registering your own domain name are miniscule.

A lot of space has been dedicated to providing a thorough explanation of what a domain name is and what it can do for you. Hopefully, this will serve to underscore its importance to your business, regardless of what you’re using your website for.

Step 2: Finding an Internet Service Provider (ISP) ²⁶

Locating an **ISP**, the types of companies whose job it is to provide you and your company with access to the Internet, is a fairly simple task – you can check the Yellow Pages under “Internet”, or better yet, go to your local library and use their Internet to perform an online search. (Physical Yellow Pages have a nasty habit of being regionally specific, which isn’t a factor you should have to consider when dealing with the World Wide Web.)

Choosing an ISP that’s right for your business isn’t so simple. There are lots of ISPs available, but not all ISPs are created equal. So, the best way to find an ISP that’s right for you is to ask a lot of questions to see if they are able to offer you what you need, because to a large extent, the ISP you should go with depends on the services you require. Usually, the most critical questions relate to the potential problem areas of bandwidth availability, security, and troubleshooting.

²⁶ It should be made clear that finding an ISP and registering a domain name are two events that can (and should) be performed concurrently. The scarcity of good domain names suggests that the domain name is the priority, and thus, it was listed first – the ISP will most likely be there tomorrow, but the domain name may not be.

Bandwidth can most easily be defined as the amount of data that can be passed along a communications channel in a given period of time.²⁷ Bandwidths can be divided up and shared by multiple simultaneous signals (as for voice or data or video). This process is called **broadbanding**, and it allows ISPs to service many different clients with the same amount of bandwidth. Because not all users will be using all of their allocated bandwidth at the exact same time, (at least in theory), the ISP can force clients to share available space. Thus, if the ISP does not have enough bandwidth available for the needs of all its clients, end users will experience delays.

And how does the ISP gain more access to bandwidth? It pays for it. Just as you will purchase your Internet access through your ISP, your ISP purchases their access through other companies, which serve as the “backbone” connection to the Internet – the largest trunk-like networks within the Internet itself. If there were ever anything physical that someone could point to and say, “THAT is the Internet,” the sum of these companies worldwide would be it.²⁸ Your ISP purchases a certain amount of bandwidth from these backbone companies, and the amount of bandwidth an ISP rents out determines how fast the information can travel from you to your customer via the Internet. For this reason, the ISP will ideally have several different connections to the “backbone”, so that if one fails or becomes excessively busy, your customers won’t experience service interruptions.

Higher bandwidths are allowing video and sound to be utilized on websites without slowing down the computer to an unacceptable level, so if you plan on having a “big” website with lots of colorful picture and multimedia effects, make sure your ISP can handle it. ISPs with more bandwidth tend to be more expensive, (due to the larger infrastructure required), but don’t let the cost be the sole deterrent for an otherwise qualified ISP. Remember, bandwidth dictates how fast your customers are accessing information on your site – if it’s not readily available, they may not return.

²⁷ <http://www.dictionary.com/cgi-bin/dict.pl?term=bandwidth>

²⁸ One of the largest “backbone” companies in the world is UUNET, an MCI WorldCom company. To learn more about backbone companies and the services they provide, visit their website at www.uUNET.com.

The level of security that your ISP offers is also important, and you will want to ensure that the ISP has established policies and procedures to ensure that only your authorized representatives are granted access to your site. Having a prankster impersonate an employee of your company and then tamper with your website is simply unacceptable, and should never be allowed to occur. (This is especially important if your ISP will also be acting as the host for your website, but this will be discussed in further detail later on.)

Troubleshooting is the final consideration when choosing an ISP. Make sure that whichever ISP you decide to choose has a strong technical support system in case you have any questions, or in case your site experiences technical difficulties like “**downtime**”. As Thomas Siebel, author of Cyber Rules, states,

What you want from a service provider is not the guarantee that [downtime] will never happen to you (anybody who tells you that is deluded or lying), but the assurance that, when it does, it will be dealt with aggressively... the “S” in ISP stands for “service.” It’s what your company is paying for, demand that you get it.²⁹

Downtime can be extremely detrimental to your business, especially if your site’s purpose is transactional in nature. So if you can’t guarantee that a your site will never go down, you can at ensure that your ISP has measures put into place so that they are able to fix the problem as soon as possible.

Step 3: Developing the Website

If you were to walk into a company’s lobby, and see magazines strewn about on the floor, cobwebs hanging from the ceiling, and empty coke cans lying on the end tables, what impression would you get of that company? Not a very favourable one, I’d imagine. Well, your website is essentially your company’s electronic lobby, and can be thought of in the same way as its physical counterpart. If it is not clean, concise, and professional looking, your customers will not bother to stay and look around. And that principle holds true regardless of the purpose for your

²⁹ Siebel, pp. 245-246.

website; your Intranet website should be just as easy to navigate for your employees as your business-to-consumer website has to be for your online shoppers.

Most companies don't develop their own websites because they lack the technical expertise needed to design an attractive and functional website. Typically, companies will choose to outsource the development of their website to a qualified **Web Developer** or Web Design firm, and then go about hiring a **Webmaster** to maintain the site. This is a mistake, and a potentially costly one at that. Ideally, Webmasters should be hired first so that they will have input into the site they will ultimately be responsible for maintaining. And since these people will probably be more technically literate than you, you may as well use their expertise to help you find a reputable company to develop your website. Getting Webmasters involved early is also a great way to instill a sense of ownership about the site, which is something you want to ensure the highest possible quality. Preferably, Webmasters should also be technically capable enough to redesign sections of the site if the need should arise. Anyone can handle a **brochure-ware** site, (some companies opt to hire high-school students on a part-time basis), but for more complicated material such as B2C and B2B e-commerce, you should be willing to pay for expertise and technical know-how.

Outsourcing your web development might not be as costly as you may think. Granted, it will certainly be more expensive than a copy of **Microsoft Front Page** and a book on how to use it, but using a professional who knows how to design your site properly will save you headaches later on, and will most likely result in a better looking and more functional website. These days, most web-development companies also offer a wide range of service options above and beyond the design of your actual site, including web hosting, web monitoring, maintenance of the website, (to take the place of an in-house Webmaster), and some can even double as ISPs. Research your options carefully and consider what's best for your personal circumstances.

There are several companies that specialize in designing and maintaining websites. The growing popularity of the Internet has led many people into this field, and as a result, you have a

wide range of options to choose from. In selecting a Web Developer, Vice-President of Marketing at [Holt Rinehart and Winston](#) Ted Finch offers the following advice,

I look for three things in a Web Developer... a good eye, technical ability, and marketing savvy. The first gives you taste, which is hard to define but easy to recognize when you've got it. The second means the person can translate an inner vision into a physical counterpart – and do the technical adjustments that you may need on the fly. The third, marketing savvy, is absolutely essential. If the basic purpose of the site is to promote your business, it has got to be handled by someone who appreciates that fact.³⁰

When developing their websites, most companies fall into one of two extremes. The first is that they create a site that is extremely functional, but incredibly boring. In these instances, the site will do its job, but isn't likely to generate any excitement or word-of-mouth. Or, companies will make the mistake of designing a site that is a visual delight, although at its core it is essentially non-functional. Both extremes should be avoided at all costs.³¹

Very few sites manage to achieve the appropriate balance between aesthetics and functionality. One Canadian company who has been fairly successful at creating this balance is [Tri-Media Marketing and Publicity](#), who specializes in integrated marketing communications through all channels and have been listed by [Profit](#) magazine as the 110th fastest growing company for the last two years. Another reputable company is Montreal based [Eyeball Glue](#), whose self-proclaimed goal is to create websites that maximize “**site stickiness**”.

Most companies recognize that multimedia content attracts viewers, but cosmetics cannot come at the expense of practicality. For as Jordan Worth, an analyst with IDC Canada and an obvious fan of simplicity on a website states,

Never forget that a website is, above all else, an interface. Design is only really important in how it moves you through a site. In electronic commerce, you want

³⁰ Siebel, p. 250.

³¹ Siebel, p. 253.

to get your customers to fulfillment as soon as possible. The more obstacles in the way to fulfillment, the less likely it is that you'll make the sale.³²

Obviously, your target audience is a key thing to consider. First, ask yourself, “who is going to be using my website?” Then, tailor your site to the needs of those users. Intranets don't require multimedia effects to attract repeat visitors; you don't have to sell your employees on the benefits of your company using glitz and glamour. So instead, use the available bandwidth to make a site that is highly functional and very fast – employees who need an important corporate document are more likely to appreciate the site's speed and efficiency over the types of graphics used. Conversely, sites meant to provide information may very well benefit from the use of movies, sounds, graphics, and animations. Just keep in mind that the more “bells and whistles” you have on your site, the more bandwidth that is required per visitor. And when you have a lot of visitors on your site, this can slow down your site operations to a crawl.

Andy Nulman, President of Eyeball Glue, agrees that a website should be designed according to the target audience. When asked about his personal approach to web design, he states,

Hey, if I'm going after a guy in his 30s who doesn't have a lot of time and has to get in and out, then I won't waste much time on multimedia. But a whole lot of the people a whole lot of companies want to reach are kids. And 17-year-olds want all that **Flash**. When you're going after them, you have to forget all of those print media metaphors. This is a whole lot more like TV.³³

Jordan Worth counters this statement with one of his own; “The **Flash** may attract the kids, but you have to be careful not to alienate everyone else.”³⁴ Remembering the characteristics of your target audience will help you design your website effectively. Younger audiences tend to be more impatient, but also tend to appreciate a website's “bells and whistles” more than older site visitors, illustrating once again that balance is the key.

³² Friedman, Matthew. “Eyeball Glue”, eBusiness Journal: Strategies and Solutions for the Digital Economy, Plesman Communications: March 2000, p. 23.

³³ Friedman, p. 23.

³⁴ Friedman, p. 23.

The purpose of the site will largely dictate its features. If you spend the money to hire a good developer, and have a good sense of what you want to accomplish so that you can effectively relay that to him, you will minimize the potential problems later on.

If you intend to setup a B2C e-commerce site but do not want, or cannot afford, to spend money on a web developer, consider utilizing one of the many “wizard” packages available to assist you in setting up your site. These programs begin with a storefront template, and allow you to customize the “store” based on your preferences. This approach is much easier, faster, and cost-effective than designing a B2C commerce site from scratch, especially when you consider that a B2C site has to take shopping baskets, various payment options, and integrated distribution capabilities into account. (For a list of companies that offer such services, visit Yahoo.com and look under their “business and economy” section, then under “companies”, then under “web services”, and lastly, under “online store builders”. Or, if you’re reading the electronic version of this paper, click [here](#).)

One caveat about hiring an outside web developer; make sure they are not designing a website in such a way that they are the only ones who will be able to maintain it once it is complete. Some less ethical developers have been known to program in such a way so that other people are unable to understand what they’ve done, essentially guaranteeing themselves future business when modifications need to be made. You may very well want to use your web developer to look after your website once it is complete, but this shouldn’t be a forced decision. This is another supporting reason for having your Webmaster involved from the very start of the project – he’ll know exactly how it was designed and how to redesign it should the need arise.

Step 4: Setting up the Infrastructure of your Website ³⁵

The technological components that are needed to get for your website will depend entirely on your goals and objectives. If you plan on outsourcing the hosting of your site, you can skip this section entirely – whomever you choose to host your site will have all of the necessary equipment. However, if you want to keep your web hosting in-house, the following is a basic description of the primary components that are typically needed in any web setup. Keep in mind

that the exact components you will need will depend entirely on what you will be using your website for, and this will also dictate the cost.

1. Connection to the Internet Backbone (ISP)

As previously discussed in Step 1 of this section, selecting an Internet Service Provider (ISP) is the first step to getting online, no matter what you're using your website to accomplish. What this will cost you will depend entirely on what you need – more bandwidth will cost you much more.

2. Connectivity Equipment

Without getting into the technical detail, connectivity equipment acts as an intermediary between the Internet backbone and your website space. This equipment will be used primarily by your ISP, and shouldn't be of great concern to you.

3. Internet Server Hardware and Software

The Internet server is the heart of the technical architecture. Also known as a “web server”, this piece of equipment is responsible for receiving requests from users, retrieving the requested information from your company's files, and replying to the user. For example, if I am browsing Chapters.ca and see a book that I would like more information about, I simply click on the book title, and the information would appear. What's actually happened behind the scenes, however, is that I have sent a request for information to the Chapters server, and the server has located the requested information from its available source files and sent it to me in the form of a new webpage. The cost of a server is directly related to the level of performance you require.

A web server also requires an operating platform – the software that tells the physical server what to do, and where to go to retrieve information. The two most common options to choose from is a UNIX-based platform or a Microsoft NT solution. Microsoft platforms tend to cost less than UNIX systems, but UNIX systems are said to deliver better performance.

³⁵ This section adapted from Gascoyne, pp. 175 – 186.

4. Application Server

An **application** server is designed to “perform initial user processing and then network to other servers for functions such as application services.” What’s that mean, exactly? The best way to illustrate is with an example: let’s say you visit a website that offers to help you balance your checkbook online for free, utilizing the popular Quicken software. You would access this website through your web **browser**, and from your perspective, the Quicken software would open up within your browser. You would then be free to take advantage of Quicken’s features through your browser, without having to actually have a physical copy of the software. The device that has permitted this action is the Application server – it has acknowledged your desire to use the service offered on the site, and has then opened up the program needed to complete your request.

Application servers allow users to run programs over the Internet using their web browsers as an interface. While this may not sound like much at first, this technology enables users to play games interactively against other players, chat with a live operator on a website, and most importantly, makes e-commerce transactions possible. Basically, anything you do on a website that requires an application of some sort is being run through the Application Server. The application server can be combined with the Internet server, (so that one unit serves both functions), but this is NOT recommended, because it means that if one component goes down, the other will also not function.

5. Database System (software and hardware)

The database system, or “database management system” (DBMS) as they are more properly called, is the software link between the Internet server and the information maintained in the databases. It is what collects the data from your users, and stores it until it is needed by another component of the web setup. If your website demands a high level of interactivity from your customers, DBMS becomes absolutely essential, as it is the information that is collected and stored by the DBMS that will allow you to respond effectively to your customers needs and concerns.

The database server is the hardware that runs the DBMS, and has the direct ability to affect your website's performance. The database server may be shared with the Internet server, but because a slow server will slow down the DBMS' storage and retrieval of data, (and thus act as the performance bottleneck of a website), this should occur only under circumstances of light usage. Three important considerations for a database server are the amount of processing power, memory, and storage space it contains.

6. E-Mail Gateway

Think of the e-mail gateway, also commonly referred to as an e-mail server, as an electronic postal worker whose function is to receive incoming mail from the outside world and deliver it to the appropriate person, (or people), within the company. So, if I sent an e-mail message to niceguy@example.com, the e-mail gateway would be responsible for receiving my e-mail and passing it along to Mr. Niceguy. Because e-mail is not a real-time communication tool, the e-mail server is not as critical as that of the Internet or database servers, so if the e-mail server goes down for some reason, there is no need to panic.

7. Firewall

The **firewall** is typically a hardware/software combination that is meant as a security measure to control the traffic between your internal network and the public Internet. In other words, the firewall serves as a guardian for the other machines on your internal network; it allows internal users to access the network freely, but prevents unauthorized access from the outside world. It can be incorporated into an Internet server, but is most commonly on a specialized computer.

8. Internal Server (Intranet)

The Internal server is what your employees would use for their day-to-day needs – your company's Intranet. This server would not be accessible to the general public, although employees who work from remote locations could gain access once their identities and employee statuses were confirmed using the firewall. The primary task of the internal server is to provide file storage for employee documents, as well as to provide user authentication when necessary.

(i.e. Joe Smith would log on to a workstation as Joe Smith using his password, and the internal server would confirm his identity before granting him any access to the internal server.)

9. Authoring Workstation and Server

The authoring workstation is the computer where the site's content is generated, and that content is typically stored on the Authoring Server prior to uploading the information to the Internet. It is a place where the site can be tested internally before anyone else sees it, and this is critical in order to avoid having the public seeing unprofessional (and avoidable) mistakes on your website such as spelling errors, inactive or inaccurate links, and/or missing pictures. The Authoring server can be combined with the Internet server, but this is not recommended, because if there is a fault in one of your webpages or applications, it could potentially damage your production systems, (which would be interlinked to the Internet server, but not to a separate development server). Having a separate unit will create a more realistic testing environment where your new designs can easily and safely be stress-tested, (i.e. made to work under difficult conditions in order to test its ability to cope), and then fine-tuned.

Step 5: Managing the Site

If the site has been set up properly, managing it should not be a particularly difficult task for the Webmaster, who would typically be the one responsible for its upkeep. Maintaining the site is an ongoing process that will occur as long as your site is in existence, but the amount of time needed to maintain the site is a function of how complicated the site is and how static you will allow the content to become. For instance, if the website in question is an Intranet that has been developed so that employees can post and retrieve documents at will, the Webmaster may not have much to do in terms of maintenance. On the other end of the spectrum, a B2C e-commerce site that is constantly adding new products and product categories will require continual monitoring and redesign.

A good Webmaster will keep abreast of the latest tools and technologies so that he can apply them to his work. As Thomas Siebel states in his book,

We're way past the point where a Webmaster was the tie-dyed Wunderkid in the back room whose idea of design was some "way cool" colors... the corporate Webmaster today is, literally, all business. [This] means an equal attention to new technology and to market trends... the Webmaster may well report to the VP of marketing, and will be chiefly responsible for enhancing that function. Again, technology is important, but it's not about technology. It's about communicating with your customers and securing your markets.³⁶

Continually improving the site using new technologies and customer feedback is a great way to generate repeat visits and to ensure that you are attracting the quality and quantity of visitors that you want. But getting people to continually visit your site is primarily a marketing function, so Webmasters will be of the greatest benefit to the company if they are not only technically capable, but also demonstrate some marketing savvy.

Step 6: Marketing the Site

The funny thing about the Internet is that you can have the best looking, most functional site in the world, and it's absolutely useless if you can't get people to visit it. Just like in "real world", marketing is a critical element in e-commerce regardless of what aspect you are dealing with. Admittedly, marketing is a much more important factor for B2C and Brand-Building e-commerce sites who need marketing to attract visitors and invite return visits. But Intranets and B2B sites also require a certain degree of exposure, albeit of a different sort. Intranets, once created, need to raise awareness about their very existence – you must let your employees know that a company Intranet exists, and teach them how to use it and what it can do for them. B2B sites also require a different type of marketing – the ability to inform your strategic business partners that your company has an Intranet, and how it could be cost-effective for all involved to use it as much as possible. Both "sales pitches" easily fall into the marketing category, and are necessary to raise awareness about your company's technological capabilities. But realistically, the marketing is most critical with B2C and Brand-Building sites, so these subsets will be the prime driver of this discussion.

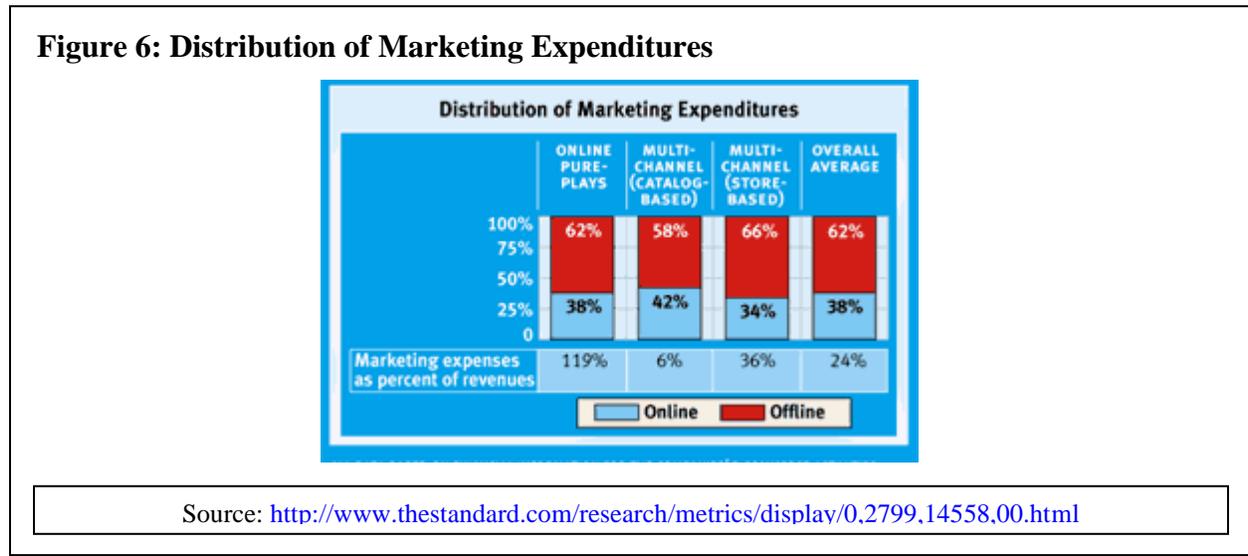
We've already discussed at great length the importance of choosing a good domain name – the marketability it offers is invaluable in getting people to remember your site. A great example

³⁶ Siebel, p. 256.

of a company who had a really poor domain name was www.tixtogo.com. Tixtogo.com recognized that its name didn't really suit its business – they offered a website that allowed you to list an event you were holding, and then handled the transactional part of the event, such as the RSVPs and the ticket sales – so they had a contest that allowed site visitors to submit their suggestions for a new name. (The one catch was that the domain name had to be available). So you're thinking, "Big Deal!" Well, it was quite a big deal - the winner of the contest was to receive a Porsche Boxster. The hype and free publicity generated by such a generous promotional giveaway not only easily justified the cost of the Porsche, but also serves to teach us a few lessons about marketing a website:

1. Make full use of off-line advertising:

Although www.tixtogo.com is a **pure-play** online company, they advertised their promotion using online AND traditional media. Off-line advertising is absolutely critical in raising awareness about your website. In a recent Forrester Research study, 17% of all websites found on the Internet were as a result of offline advertising; only specific Search Engine queries (43%), and Word of Mouth (29%) ranked higher.³⁷ The big Internet companies like Amazon.com and Yahoo! already know this, and despite their "online" status, most pure-play online companies still spend 62% of their advertising revenues on offline advertisements. (Figure 6)



³⁷ "Canadian retail share of Web sales shrinks." *Canadian Direct Marketing News*, August 1999, p. 11.

According to a recent industry report, the most popular offline advertising medium was print, with newspapers and magazines being used by the sites, 55% and 54% respectively. More than one-third (35%) of the sites also invested in radio and television advertising.³⁸

Granted, if your e-commerce venture is an Intranet, you don't need to go about producing television advertisements solely for the benefit of your employees. However, simple things like including your website address on all business correspondence and documents – not to mention product labels and all future media advertising – will help generate awareness not only outside of your company, but within as well.

2. Make full use of on-line advertising

Having said my piece about off-line advertising, I must now make it clear that the possibilities arising from the interactivity of the Internet simply cannot be ignored.

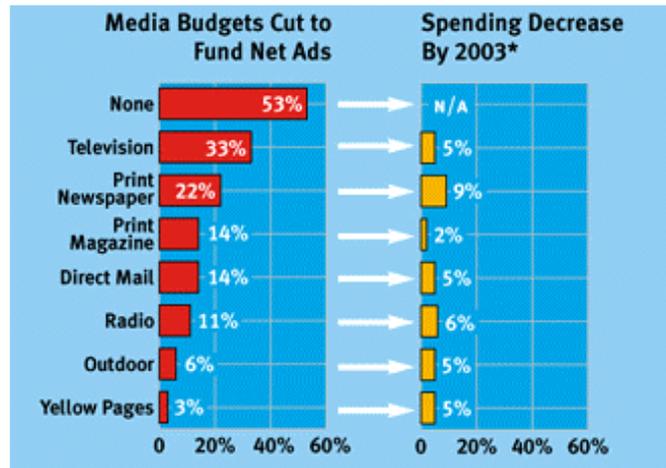
The most common method of advertising online is through the use of **banner advertisements**. The latest analyst forecasts predict that U.S. Internet ad spending will total between \$4.7 billion and \$6.5 billion in 2000. Forrester Research predicts a \$22 billion year for the industry in 2004.³⁹ What perhaps is even more surprising than the enormity of these figures is the fact that most spending on Internet advertising has been in addition to existing media expenditures – more than half (53%) of the companies participating in a Forrester Research survey indicated that they had not reduced any of their non-Internet spending to fund Internet advertisements. (Figure 7)

Figure 7 also shows that television is the first choice for reductions in media spending, which is hardly surprising when you consider the enormous cost of a single television spot. However, the fact that spending on that medium is only projected to decrease 5% by 2004 speaks to the enormous impact the Internet has had in the advertising world.

³⁸ http://www.emarketer.com/enews/080999_bige.html

³⁹ <http://www.thestandard.com/research/metrics/display/0,2799,9814,00.html>

Figure 7: The Internet's Impact on Media Budgets



* The median percentage decrease for each medium due to Internet Ad Spending. The survey is based on responses from 33 traditional and 17 pure-play marketers.

Source: <http://www.thestandard.com/research/metrics/display/0.2799,9814,00.html>

Banner advertisements may very well be the best thing to happen to the Internet, because they not only provide an active, television-like medium to build brand awareness, but will also lead your customers directly to you if your advertisement is able to peak their interest. As such, you have to direct traffic aggressively. The online consumer is an ACTIVE recipient of your web site messaging; if he/she has arrived at your company's website, it is because he/she has CHOSEN to do so by actively clicking on your banner ad. This is much different from passively watching a TV commercial or seeing a billboard ad. You can significantly increase your response rate by being strategic with the placement of your banner advertisements – if you run a website that sells turkeys over the Internet, advertising on www.thanksgivingmeal.com is probably a smart move.

You want to place banner ads on other people's websites to take advantage of similar target audiences. Many website owners will gladly display your banner ad on their site if you are willing to reciprocate the favour on yours, but you have to ensure that this reciprocal arrangement makes sense for your company. A poorly designed or aesthetically displeasing advertisement on your website may turn visitors away. Also, if your site is a B2C site that

generates revenues through sales, you may not want the distraction of someone else’s banner ad, which would give your attention-deficit consumers a venue of leaving your online premises.

Banner advertisements are usually sold on a cost per thousand impressions (**CPM**) basis, and will vary from \$20 to \$100 CPM. Most popular sites offer ad agencies frequency discounts of approximately 15% below the gross rate.⁴⁰ If possible, it’s best to try and get them to charge you on a click-through basis, meaning that the website would only charge you when someone actually uses the banner ad to transport to your site. This is a great way to track how effective your ads really are, but most website owners won’t do this since a poorly designed ad will decrease their revenues.

But banner advertisements aren’t the only way to promote your products and services on the Internet. Another tactic that has proved extremely popular with online brand marketers is the use of online promotions, which include tactics such as online sweepstakes/contests, coupons, and membership programs. In a recent study by Forrester Research, 98% of those surveyed indicated that they had used an online promotion of some sort in the past. (Figure 8)



The Internet is even reshaping the way we think about direct mail. Traditionally, companies would assemble physical direct mail packages – sometimes at a huge expense per piece – and

physically mail them out to addresses on targeted mailing lists. If such a mailing achieved a 2% response rate, brand managers were ecstatic. But the advent of the Internet and e-mail has transformed this process so that it is not only much faster than the postal service, but also infinitely more customizable to individual users. And online direct marketing is a lot less expensive than print mail – once you’ve purchased and set-up your computer, the incremental cost of sending one additional e-mail message is zero. While physical direct mailing isn’t likely to become obsolete any time soon, online direct marketing version is making a lot of traditional direct marketers scrutinize their costs and response rates.

3. Make full use of Search Engines

To avid web users, search engines represent the major starting point for the answer to any question. In The E-Commerce Book, authors Steffano Korper and Juanita Ellis report that a full 87% of websites are discovered through search engines, which illustrates the importance of registering your website with as many search engines as possible in order to maximize your exposure.⁴¹ Because the search engine is providing a service to a web user by giving them your web address if it matches the user’s query, there is usually no charge for you to be listed on a search engine. However, there are some search engines that allow you to pay for the right to show up first in the search results. The five marketing sites listed below will assist you in listing your sites on all of the major search engines, (which otherwise have to be done one at a time and can be quite a time-consuming process), but there is a charge for some of the services. Visit the websites to see if you feel that the cost is justified for your business:⁴²

1. www.directoryguide.com
2. www.mmgco.com
3. www.thesubmitsite.com
4. www.submit-it.com
5. www.selfpromotion.com

⁴⁰ Korper, p. 30.

⁴¹ Korper, p. 23.

⁴² As an active Internet user myself, I thought it appropriate to include my own personal selection of search engine bookmarks, which can be found in Appendix A.

4. Be creative & take risks

Remember the demographics of the typical Internet user found at the beginning of this paper? They indicated that younger people are the primary users of the Internet right now. Unfortunately for you, these are the [MTV](#)-generation-type kids who have amazingly short attention spans. In order to attract their attention, you're going to have to do something to stand out from the clutter of all the other advertising they're bombarded with on a daily basis. Obviously, [Tixtogo.com](#) was looking for an older target to enter their contest – you need to be able to drive to make use of the Porsche – but the point remains.

Good marketing is good marketing – a “dot.com” suffix at the end of a company's name doesn't change the founding principles. [Bid.com](#) recently ran a series of print advertisements, (magazines, newspapers, and billboards), depicting an attractive female model lying on a satin-like bed, laptop computer open in front of her. The caption on the advertisement read, “Shop Naked” – emphasizing the benefit of not having to leave your house to shop online – and the model was, “appropriately attired.”⁴³ (Hey, it sure caught my attention!) [Appendix A](#) contains a series of print advertisements for various websites, including an example from the infamous [Bid.com](#) campaign.

5. Don't be afraid to spend some money

Impact costs money. For [Tixtogo.com](#), it cost a \$70,000 Porsche, but I don't think they're having any trouble sleeping at night because of that expense. It made headlines in Canadian newspapers, and Canadians weren't even eligible to win the contest.

In 1998, the top 100 e-commerce sites spent an average of \$8.6 million to build their online brands and attract customers to their websites. The top five marketing budgets in 1998 were [Amazon.com](#) (\$133.0 million), [E*Trade Group](#) (\$71.3 million), [BarnesandNoble.com](#) (\$70.4 million), [Cdnnow](#) (\$4.6 million), and [Ameritrade Holding Corporation](#) (\$43.6 million).⁴⁴

⁴³ “Internet marketers putting the full Monty on their advertising campaigns.” [The National Post](#). Wednesday, September 22, 1999. p. C5.

⁴⁴ Korper, p. 38.

Remembering those five rules will help you to build brand awareness for your site, but getting them to return is another story altogether. Intranets and B2B sites don't have to worry about getting their customers to return, but for B2C sites and Brand-Building sites this is a major issue. The only way to get users to come back is to show them something like on your site, or offer them some product or service that they find useful. The product or service you decide to offer is entirely up to you, but the following is a brief list of suggestions that have worked for other companies. But keep in mind, the very fact that there's already another company using these techniques already puts you at a disadvantage, unless you think that you can somehow do it better:

- Free e-mail: it's what helped build the infamous www.hotmail.com up to what it is today.
- A personalized, customizable webpage that acts as an information hub (Visit www.yahoo.ca to see what Yahoo! offers to their site visitors)
- Free software downloads, such as original games, or useful programs that people can use to make their lives easier. That's what www.tucows.com specializes in, a pioneering website that's been around since 1993.
- A **chatroom** on your site, where visitors can talk to each other online. Check out www.iam.ca; they offer Molson beer-drinkers a place to sit around and talk using their "Pub Chat".
- Online Contests, Promotions, and Consumer Giveaways: if you have a Porsche to give away, that would be great, but smaller prizes work just as well. Chapters.ca had a fantastic scratch-and-win promotion online – you would use your mouse to "scratch" an online box and reveal the symbols underneath. Three of a kind netted you a prize, ranging from T-shirts and hats to money and cars.
- An **e-zine** portion of your website catering to a specific interest of your target market

- Online Coupons: if you're trying to increase trial of your brand, online coupons work the same way in the online realm as the do in the physical world. Check out www.bigbigsavings.com, a site created by a student friend of mine that is completely dedicated to the distribution of online coupons. He has projected that he will earn over \$200,000 US in commissions alone – definitely speaking to his website's ability to use coupons in order to draw customers.
- Entertainment: Catchy graphics or interactive daily games that provide visitors with something fun to do will draw repeat visitors. On the Merriam-Webster Online site, they offer visitors a Word Game of the Day. These games are challenging, easy-to-play, and fun – even for a dictionary site!
- Referral Programs: A great way to build awareness about your site. After all, Word-of-Mouth is the most effective form of advertising, and if a friend asks you to visit a website, you'll probably do it. Jackpot.com has created a brilliant marketing campaign via their website, whereby users can refer other people. If you refer 25 people (who each complete the full registration process – which is free, of course), you receive a 3Com Palm V, valued at over \$400. Now that's incentive! How can they afford it? Advertising revenue – visit the site and register to see exactly what I mean. (By the way, when you register, my ID number is 111-2662)

Step 7: Measuring the Site's Effectiveness

Like in any business expenditure, a return on investment must be determined in order to justify the cost of going – and staying – online. But on the Internet, this isn't always an easy task. Consider the following CustomerSat.com survey results:

Among organizations that spent less than \$10,000 on their sites, 60 percent saw 100 or fewer visitors per day. When the investments rose to between \$50,000 and \$100,000, the traffic rose to between 100 and 1000 daily visits, and the handful of companies that committed \$1 million or more to their sites drew daily rates that averaged one visitor per dollar. Given that the average 800 call can cost you much more than that, it seems that the more you invest, the more you may save.⁴⁵

⁴⁵ Siebel, p. 258.

The survey results show a definite correlation between dollars spent and visitors attracted. But how valuable are visitors to your site, and how do you quantify that? If your site is meant to build brand awareness, then “number of visitors attracted” is an extremely valuable measure – but should you not also measure how long they’re staying, (i.e. site stickiness)? What if you are using your site to generate sales – do you care about visitors, or should you be paying attention to how many of those visitors actually purchased something?

With regards to Intranets, how do you quantify your employees’ satisfaction with your company’s Intranet in order to justify the cost of its inception and maintenance? And for B2B e-commerce sites, what is the best way to measure the increased loyalty that your business partners have for your firm because of the way your B2B e-commerce setup simplified the ordering process?

The Internet economy is changing the way people do business, and so it must also change the way we view business success, and the way we measure ROI. Some useful measures you can track in order to properly determine success on the web include:⁴⁶

- Number of items customers have purchased associated with promotions
- Number of customer clicks on banner ads or featured product ads
- Number of products or services purchased online
- Product, service, or other pages that were accessed infrequently. (The infrequency may be as a result of the fact that the page is too hard to find)
- Product, service, or other pages that were accessed frequently. (You’ll want to know what you’ve done right, so you can keep doing it).
- Site stickiness – how long is the customer remaining at your site. Short times indicate that no sales are being made.

Managers must ensure that they are not letting short-term dollars and cents overshadow long-term value.

⁴⁶ Korper, p. 43.

Well, we've talked at great length about the types of people who currently use the Internet, the strategic reasons that a company should consider adopting e-commerce as part of their business strategy, and the way to go about building and maintaining a website. But the discussion about the four specific areas of e-commerce has been shockingly brief to this point. Or has it?

By this point in the paper, you should have begun to realize just how interconnected each of the four areas are to one another. An Intranet can be considered a smaller version of a B2B e-commerce site. Both deal with customers, (it's just that in the case of Intranets the customers are your employees), and both subsets process transactions via electronic transmissions, (it's just that Intranets deal in the currency of information). Likewise, B2B sites are very similar to B2C e-commerce sites, because both are trying to sell things to their customers. It's just that in the case of B2B transactions, the customers are other corporations, not individuals. Brand-building sites are also meant to convey information to their customers – the visitors who come to the site.

The main principle is that the majority of the information up to this point has been equally applicable to all four defined aspects of e-commerce. But all four components are not alike, and the next four chapters will illustrate the primary differences between them, as well as highlight issues specific to each area that must be addressed in order to create a viable e-commerce strategy for your company.

Chapter 4

Intranets and Extranets

Author and business consultant Richard Gascoyne, in his book Corporate Internet Planning Guide, calls the difference between the Internet and an Intranet an “artificial dichotomy,” and uses the two terms interchangeably on the belief that the technology, strategic implications, and operational characteristics of the two are, “for the most part, identical.”⁴⁷ And he’s right; the biggest difference is the level of access that is granted. Whereas the Internet is freely accessible to anyone with a computer and a modem, an Intranet acts as a company’s “private site”, and allows a company to easily restrict information only to those who are designated as necessary users. Intranets are often accessed through an employees regular web browsers – one of the major advantages of an web-based Intranet is that because browsers are so readily available, alternate software is not required.

The reasons that you would want to be selective in who has access to your information are quite obvious from a business standpoint. As Gascoyne explains in his book,

Customers and business partners may not need to view information available to your employees. The information to which your banks, law firms, and accountants have access is likely to be different that the data your suppliers need. Similarly, you may want to offer different degrees of access to customers, depending on their interests, needs, and buying habits.⁴⁸

Establishing an Intranet for your company has several distinct advantages. Firstly, an internal infrastructure gives employees the ability to share ideas more easily. Procter & Gamble recently created an Intranet, and one of its features it that it allows employees who work on the same Business Development Team to collaborate on ideas. Team-members are encouraged to post any work that they feel may have future applications so that team-members can avoid repeating something that has already been performed by a colleague. Thus, if Jane from the Loblaws team recently completed a demographic profile of the typical Loblaws shopper, and believes that her report may prove helpful to the team in the future, she would merely have to post it onto the

⁴⁷ Gascoyne, p. xi.

⁴⁸ Gascoyne, p. 91.

“team-space” to provide her entire team access to the report. Her team-members would then be free to download the report onto their own computers, and modify it to suit their own needs. And because the Loblaws’ “team-space” is a private area of the Intranet, its access can be restricted to Loblaws team-members. So when Bob from the Wal-Mart team tries to take a sneak-peak at what his competition is planning, he would be denied access to that portion of the Intranet.

Intranets are also useful because they can act as a central document repository. While this in itself may not be a vast improvement, Intranet retrieval of data is much faster and more efficient than any paper-based system. So, an employee who had a question about her Dental Plan could simply type “dental” into a **search box**, and have all HR forms relating to the subject appear on her screen. Online manuals, company codes of conduct, timelines, corporate objectives, and meeting notes are just a few other applications that would be possible.

Another huge benefit of an Intranet system is the online collaboration that is instantly enabled between employees, regardless of location. Using applications such as Microsoft NetMeeting, employees who work in other countries or from remote locations are able to work together despite their geographic separation. For some companies, the cost of establishing and maintaining the Intranet is dwarfed when compared to the amount of money to be saved on travel expenses alone!

Perhaps the biggest advantage of establish an Internet, though, is the familiarity and comfort level with the technology that your employees will gain from having to use it on a daily basis. Once your employees become comfortable in an internal online environment, your company will be ready to interlink with it’s strategic business partners to become even more efficient and realize even greater costs savings. Thomas Siebel suggests a four-step approach⁴⁹ to shifting your company from static to online mode:

- Step 1: Fully automate all internal processes by replacing paper transmissions with electronic equivalents. At this point, success is measured simply by a reduction in the

⁴⁹ Siebel, p. 154.

paper output, an improvement in the level of accuracy, and by how much of an increase there is in the number of transactions in a given time unit.

- Step 2: Introduce changes to selected internal processes. New process-oriented measures would be responsible for tracking a reduction in product development and sales cycle time, reduction of labour costs, and achieving lower accounts-receivable figures.
- Step 3: Achieve fundamental business process change throughout your enterprise, (not just department by department), by implementing such automated efficiency models like efficient customer response (ECR) and just-in-time (JIT) inventory. Measures of success at this stage include changes in overall productivity, cash flow, product quality, and value-chain efficiency.
- Step 4: Look outside your own business to leverage alliance with business partners. At this point, you will not only have begun to automate your own processes, but have started to attempt interlinking your processes with those of your business partners. At this point, your company will be prepared to handle business-to-business e-commerce transactions.

An **Extranet** is created when you permit “outside” Internet access to your company’s Intranet for informational purposes. This could occur to accommodate remote location employees, (i.e. those that work from home), or to keep strategic business partners up to date with occurrences in your company. Keep in mind that this is not the same thing as a B2B e-commerce site, which is set up for transactional purposes.

The technology needed to establish an Intranet was described back in Chapter 4. Once a company’s Intranet infrastructure has been developed, additional applications are easily implemented with relatively low incremental costs.

Needless to say, Intranets are not nearly as “exciting” the other e-commerce components, and do not require the same levels of marketing, brand awareness, and glamour that is allocated to the commercial side, (i.e. B2C sites and Brand-Building sites). However, Intranets play a critical

role in organizations, and their importance should not be trivialized. They allow companies to become more efficient internally – resources are more centralized, and file sharing is facilitated, which leads to a more cooperate atmosphere within the company.

Chapter 5

Business-to-Consumer E-Commerce

B2C e-commerce doesn't need much of an introduction –it's when a business sells its goods and/or services directly to the public via its website, which acts as the company's storefront. Sounds simple enough, right? But the challenges of operating a B2C website should not be trivialized – the fickle nature of the consumer demands that close attention be paid to a number of factors.

Perhaps the most pressing factor to bring to light is that of “**clickitis**”, which was a term coined by author and Internet analyst Chuck Martin in his 1997 book, The Digital Estate.⁵⁰ Quite simply, “clickitis” is a catchy way to describe the behaviour web-surfers tend to exhibit as soon they become disinterested in a website – they have a tendency to click away to another that holds more appeal. Some would argue that “clickitis” is no more threatening than the average television habits, where viewers will change the channel when the tire of what they're watching, but Andy Nulman, President of Eyeball Glue, begs to differ, and has a slightly more paranoid version of what actually happens:

Look at the mouse. It's a machine-gun version of a TV remote. Not only can it change channels, but within the channel, it's always in your hand. The potential is always there. The first thing to remember is that, on the Web, you're dealing with an audience whose goal is to change.⁵¹

Paranoid as it might sound, the man does have a point. When you are browsing the Internet, you are forced to click on various buttons to navigate around the website – this requires you to hold the “remote” at all times. This means that if your potential customer's attention gets taken away from your website for even a moment, you could lose them in the blink of an eye – or a click of a mouse.

When you enter a shopping market, it is structured in such a way so that to get to the staples – the milk, the bread, the eggs – you need to physically walk through some other aisle to get

⁵⁰ Siebel, p. 273.

⁵¹ Friedman, p. 23.

there. And it's not coincidence that end-aisle displays are so popular; they're the first things you see on the way back from where the staples are kept. The point is this: the store's layout is designed in such a way to force you to look at other goods, hoping that you'll supplement your 'necessary' purchases with a few impulse items. Online stores don't have that luxury.

Studies have shown that a website has to be extremely navigable, or users won't bother trying to figure it out – they'll just leave. (Experts have even gone so far as to adopt a “**three-click rule**”, which states that anything a user should want to find on your site should be readily available in no more than three clicks of the mouse.)⁵² So the site has to be easy enough to navigate to allow users to wander about easily. But because the Internet consumer has the ability to move from virtual aisle to virtual aisle in such a rapid and *discontinuous* fashion, the website owner must also ensure that the consumer's attention remains within the confines of the website without any “outside distractions”, otherwise the possibility that a user will “click away” becomes more likely.

So B2C site owners are faced not only with the challenge of managing their online sales, but also with the increasingly difficult task of entertaining users long enough for them to consider purchasing, or at least enough to encourage their return at another time. Rest assured, if the consumers of your website enjoy their experience, and see some value in returning, they will be back.

It may be because your site provides some essential service that adds convenience. Customers of Canada Trust can logon to the [Canada Trust](#) website to pay their bills, transfer money, and perform a host of other transactions easily and securely, without any additional charges. This is where the service aspect comes in, and the way that Canada Trust gets people to their website. However, the site also allows you to apply for a MasterCard, a loan, or a mortgage online, and this is how Canada Trust uses the website to make sales.

⁵² Siebel, p.

Or, perhaps the users will bookmark your website now, (after stumbling onto it quite accidentally), because of a service that you offer that they foresee a use for in the future. Such may be the case with [Hallmark Online](#), which allows you to send digital greeting cards free of charge. Of course, Hallmark also provides a one-stop shop for gifts and flowers online as well.

There are three primary ways to generate revenue via an Internet site. These are:

1. Advertising Space and Affiliate Programs

Placing other companies' banner advertisements on your website is a way to generate revenue – online ad spending is expected to reach \$7.1 billion in the US by 2002.⁵³ Assuming that you would charge on a “per impression” basis, (if you'll remember from Chapter 3, most websites charge anywhere from \$20 - \$100 CPM, depending on traffic), a popular site with many visitors a day could earn you a significant amount of revenue. For more information about Banner advertisements and how they work, please refer back to [Chapter 3](#).

An **affiliate program** is designed to provide a financial incentive for other website owners (i.e. affiliates) to drive traffic to the program owner's website. On my website, [Geekrant](#), my partner and I have a banner ad for [EntryPoint](#) on every page, although they don't pay us anything per impression for the use of our webspace. Instead, they compensate us in another way – every time one of our visitors clicks through to the [EntryPoint](#) website, downloads the software, and registers for the free service, [Geekrant](#) gets paid \$2. [EntryPoint](#) is happy because they have gained a new client, and my partner and I are happy because we have introduced our site visitors to a free service that will provide them with lots of useful information. (And the fact that we've earned \$2 isn't bad either.)

Not all affiliate programs work like [EntryPoint](#). We also have a [Chapters.ca](#) banner on our website, whereby [Geekrant](#) gets a percentage of every sale made by [Geekrant](#) patrons who click through from our site. And [Chapters.ca](#) makes it easy for us to encourage our visitors to click-through – by providing website owners easy access to pictures of their products, website owners can drive sales through their website's content. As a result of this

correlation, [Geekrant](#) will soon be offering movie and book reviews to our patrons. Visitors can read our review, and if they are interested, click on the picture of the book or video jacket and be directed straight to the [Chapters.ca](#) site. Depending on how often you can get your site visitors to click through, this has the potential to amount to a significant sum of money.

2. Memberships

Memberships are another way for a website to generate revenue. These ventures are usually most successful when your site is content driven. [The Wall Street Journal Interactive Edition](#) is an example of a membership driven site – there isn't any free content for casual surfers to enjoy. Instead, those wishing to read the Wall Street Journal in its online form would subscribe to the online edition, just as those who read the print edition subscribe, although the web edition is less expensive because of the lack of production materials.

3. Direct Sales

Although you may think the most obvious way to make money on the Internet would be through direct sales, many Internet retailers have yet to make a profit. But that's not to say that profitable Internet companies do not exist. [Dell Computers](#) is a computer manufacturer that adds value to the consumer purchase by allowing them to assemble their ideal computer system online. Once the consumer has chosen a system that meets their specific computing needs, Dell ships the system from their warehouse directly to the customer. This not only results in a custom-built system, but more often than not, it also results in lower prices. Dell is a great example of what an online company can do with a focused strategy and a solid business plan, and this is why they have managed to be profitable online.

Regardless of how you choose to make money through B2C e-commerce, there are a few issues you will be forced to deal with early on. The remainder of this section will speak to these directly to these issues, which can be subdivided into five distinct categories; your virtual storefront, your pricing strategy, your payment options, your distribution alternatives, and your return policies.

⁵³ Korper, p. 21.

Your Virtual Storefront

If you're generating revenue through advertising or memberships, you're probably not going to need a virtual storefront, in which case you can skip this section and move onto [Your Pricing Strategy](#). But if you're planning on generating revenue through direct sales, it only makes sense that you'll need to have an electronic store. Fortunately, that isn't very complicated to arrange these days.

As we touched upon in Chapter 4, (Section 3: Developing your Site), many e-commerce software solutions offer readily customized “wizards” that uses the template of an existing store as the basis for yours. The wizard then allows you to customize certain features so that your store has a unique look and feel. The huge benefit of these wizards is that they already possess the programming necessary for the most basic elements of the website; the storefront homepage, product information, tax and shipping information, credit card information, design, and layout. The wizards also allow you to easily integrate other components, such as third-party credit card authorization software, UPS tracking, and inventory tracking systems.

Should you use one of these “wizards” to create your site? E-commerce expert Steffano Korper says,

Why reinvent the wheel? It is much easier to create a store using these tools than it is to construct a store from “scratch.” If you build your solution from the ground floor up, it may take several developers several months to reach the same outcome as the wizard base solution offers. Put your efforts where your expertise is most developed. Where it is less developed, harness the expertise of others. In the field of e-commerce, time is your primary opponent. Do not spend time learning a skill that you can rent instead.⁵⁴

It makes little sense to hire a developer if the solution that's already available meets your needs. However, if you want to do something radically different with your storefront and cannot find a program to suit your unique design, hiring a programmer to create a store from scratch is always an option. One other option available to you is to create a browser-based store using a service such as www.store.yahoo.com, which allows you to build and manage a store from a

⁵⁴ Korper, p. 120.

regular web browser – you simply login using your assigned ID and password. The obvious advantages of this system are that a) the store is hosted on the host company’s machines, which means that you don’t need to purchase any hardware, and b) you can edit your store from wherever you can find an Internet connection – the local library, a mall kiosk, a local college, or at work.

Your Pricing Strategy

Just like in the real world, your pricing strategy in the virtual realm depends entirely upon your company’s individual circumstances. The way in which you choose to generate revenue online – either through Advertising & Affiliate Programs, Memberships, or Direct Sales – will be the primary factor in deciding how to set your prices.

Pricing Options for Advertising and Affiliate Programs

If you intend to use your website to generate revenue through advertising, you only need to remember one basic principle from high-school economics: always charge what the market will bear. If you offer space on your site for \$30 CPM, and you get a flood of advertisers knocking on your online door, you’ll want to consider charging more. If not, you’ll want to rethink your price point. There are two reasons why an online advertiser would be willing to pay you more for space on your website; either your website gets a lot of visitors per day, (i.e. quantity), or your audience is demographically or psychographically focused enough to be valuable to target marketers, (i.e. quality).

If your website gets a lot of visitors per day, that means that more people will see each banner ad, and advertisers looking for volume will find this very appealing. That’s why placing an advertisement on [Yahoo!](#)’s homepage is much more expensive than advertising on [Geekrant](#) – the Internet behemoth has many, many more visitors per day than my humble website. However, advertisers wishing to sell a product or service to undergraduate business students at the Schulich School of Business would be wise to pay my partner and I whatever we wanted for advertising space, because almost 100% of our traffic is derived from this target group. It’s usually a matter of quantity versus quality, but if you can find a way to provide advertisers with both, you’re going to be very, very wealthy.

If you're using affiliate programs to generate revenue, (i.e. you're helping other websites to build their traffic for some sort of financial compensation), you don't really have any choice in your pricing strategy because most affiliate providers have created fixed affiliate programs with set compensation structures. The best way to maximize profits in this situation is to:

- See if you can register for more than one affiliate program. Some affiliate programs have non-competition restrictions – for example, affiliates of [Chapters.ca](#) can't align themselves with any other online book retailers – but having non-competing affiliates serves to generate more revenue. But...
- Be strategic in the affiliate programs you choose. It doesn't do you any good to be associated with several different affiliates if your visitors don't see any value in clicking through; in that case, you're just wasting real-estate on your website. If you consider the strategic fit between the affiliate operator and your website and look for programs that are targeting consumers with similar demographic or psychographic characteristics as the ones who frequent your website, you are more likely to be able to entice your visitors into clicking through. Which brings me to...
- Choose programs that offer your site visitor some benefit too. For [Geekrant](#), the \$2 commission that we earn from [EntryPoint](#) is great, but what's even better is that [EntryPoint](#) is a free information delivery service that any business student – the target market for our site – can use to deliver business news and stock quotes straight to his or her desktop. Our visitors see value in this, and we look good because we are delivering this value to them.

Pricing Options for Memberships

If you're planning on generating revenue from a membership, you're most likely a content driven site. I say this because there have been VERY few other site genres that have been successful in implementing a membership revenue model for anything other than content. Once again, the price you charge depends on your site's purpose, and on your target market. If you run an information service for Fortune 500 CEOs, and you don't have any direct competition for the information you provide, then you are creating value, and can charge a premium price for your

content as long as the CEOs are willing to pay your fee. But if your website targets high-school students, you probably aren't going to get away with charging very much for your content, if anything at all.

It would be impractical to try and suggest an actual dollar-figure you should be charging for your content, since this depends on your target demographic and on the value of the content you provide. However, in his book Increasing Hits and Selling More on your Web Site, Greg Helmstetter suggests a few information-publishing models that you can use to generate revenue, which include:

- The Subscription Model – much like a newspaper, where the user will pay an upfront fee for a certain number of online “issues”. [The Wall Street Journal](#) and [The Economist](#) both allow you to purchase online-only subscriptions. In the case of [The Economist](#), a one-year print subscription costs \$165, where an online subscription for one year is available for only \$66.
- The Pay-Per-Access Model – visitors are charged on a per-use basis, which is useful if the content is of a nature where users could buy a selection now, and then purchase more at a later time. Websites selling pornographic images will often use this model to sell on a per-image basis.
- The Cable Model – this model allows users to access portions of your website for free, but require subscription to access other sections. The [ESPN website](#) uses this model, giving general access to sports scores and summaries to everyone, but allowing certain features to be read only by subscribers.
- The Coin Model – where you can make small purchases of impulse items. Helmstetter gives the example of, “read this page of OJ’s diary for twenty-five cents.”⁵⁵ You might pay hundreds of dollars to read the entire diary, but if only one page was of interest to

⁵⁵ Helmstetter, Greg. Increasing Hits and Selling More on your Web Site. (Toronto: John Wiley & Sons, Inc., 1997), pp. 84-85.

you, the coin model would allow you to pay a fraction of the total cost for a fraction of the total product.

Pricing Options for Direct Sales

Trying to determine your pricing strategy when you're dealing with direct sales on the Internet is perhaps the easiest of the three, because your online strategy shouldn't differ significantly from your offline pricing strategy. Just like in the real world, you have to consider a few things before you decide what price you should be charging for your products and/or services. These factors include:

- The product or service you provide and its ultimate value to your consumer
- Your competition, and what you can offer to make your business more attractive to consumers than what is already available
- Your pricing objectives

First, you need to take a look at the product or service that you provide and assess its value to your consumer. If you had a drug available for sale on your website that was proven to cure cancer, you could charge almost anything you wanted for it – your conscience would be the only thing stopping you from charging \$1 million per dose. And while \$1 million per dose is very expensive, there are undoubtedly enough millionaires in the world to create a sustainable market for your product at that price. There would be a great demand for your product and you would control the only supply, which is a very profitable situation to be in – just ask any of the gas companies, Bell Canada, or Microsoft.

It is almost always the case that you can command your own price if you offer an original product or service that proves to be popular, useful, or both. For example, I can easily obtain a copy of the [AC Nielsen Canadian Internet Survey '98](#) by visiting the AC Nielsen website, and this report would tell me exactly who is using the Internet (demographics), what they're doing online (usage behaviour), and how they feel about the Internet, their Internet Service Provider, e-mail, and advertising on the web (consumer attitudes). This is all incredibly valuable information to an online marketer such as myself, because I could use it to understand my consumer better and target my sales pitches to them more effectively as a result of my understanding. But this

report costs \$7,500 – a price that AC Nielsen is able to command because they are the only ones who have this information available. If I want the report, I have to pay what they ask.

So if you're fortunate or talented enough to have something that no one else has – and you are able to sustain your advantage by protecting your product or service with patents – good for you; your pricing strategy is to charge as much as the market will bear. But if you're not that lucky, you'll need to **take a close look at who else is providing a product or service similar to the one you are offering: your competition.**

Let's assume for a moment that you are about to create an online bookstore; let's call it Books R Us. A unique concept? Not anymore – you would be going up against the likes of [Amazon.com](#), [Chapters.ca](#), [Indigo.ca](#), [Barnes & Noble.com](#), not to mention all of the brick-and-mortar competitors. If you figured out a way to consistently (and profitably) sell your books for 10% less than your competitors, chances are pretty good that over time that you could build a fairly successful business, ceteris paribus. Likewise, imagine what would happen if you priced everything sold on the Books R Us website at 10% higher than any of your competitors. Chances are that the gods of supply and demand would strike you down, and you'd be out of business faster than you could say, 'really dumb idea.'

The reason for all this is quite simple; all other things being equal, consumers would have no incentive to pay more for a book at Books R Us if they are able to easily get it from a competitor for a lower price, just as they would have no reason to buy from your competitors if you were the one offering the books for less. But price is a dangerous thing to compete on, because doing so inevitably results in the loss of profits for everyone in the category. Need proof? Recall what happened when Colgate Palmolive and Procter & Gamble decided to have a toothpaste market-share war. What was once a reasonably profitable category for both companies ended up becoming a loss leader when both companies tried to use lower prices to gain market share. Who won? The consumer – the price of regular toothpaste rarely surpasses \$0.79 anymore, and neither company makes very much money – relatively speaking, of course – on the toothpaste category.

Instead of competing on price, you would be much wiser to try and compete by providing your customers with some additional value that would make them want, and even expect, to pay more. Suppose I owned a business called [Flower-Click.com](#), where you could order flowers for your loved ones online. This isn't an original idea, of course, as [FTD.com](#) currently offers the same service. Let's say that at both websites you are able to pick your desired bouquet, enter the address where you would like the flowers delivered, and have them arrive at the recipient's address the next day. But what if at [Flower-Click.com](#), you could also have a deliveryman (or woman) sing a few romantic ballads to your loved one once they've been handed their flowers at the door at no extra charge? Or better yet, what if [Flower-Click.com](#) could have a professional musician create a song especially for you and your loved one by simply providing us with a few small details about your relationship, such as where and how you met? Chances are pretty good that you would choose [Flower-Click.com](#) over [FTD.com](#) every day of the week, because you would be getting much more value for the same price. In fact, I'm willing to bet that you'd probably be willing to pay more for the services of [Flower-Click.com](#).

[Card Care](#) is an online greeting-card delivery service that is able to charge higher prices because it offers their customers an added value – the convenience of not having to remember the card-giving occasion yourself. A customer would visit the website, create an account, and enter in the dates of all your card-giving occasions, along with the names and addresses of the intended recipients. One week before the event, you will receive an appropriate card in the mail along with an envelope that has been pre-stamped and addressed to the intended recipient. At this point, you simply have to sign the card and drop it back in the mailbox. [Card Care](#) has simplified the chore of having to run out to the store to buy a card when you suddenly remember an event such as a birthday. Of course, using [Card Care](#) is more expensive than buying a card at the local grocery store, but the convenience of not having to remember the event yourself is undoubtedly worth the extra money to some customers.

Finally, and perhaps most importantly, **you'll have to determine your pricing objectives.** Dr. Ralph Wilson, on his website [www.wilsonweb.com](#), outlines four basic pricing objectives that you may choose to adopt.

1) Maximize short-term profits

Dr. Wilson reasons that when your goal is to maximize short-term profits, you can choose to charge more for your products and services; he argues that although you'll probably have fewer customers as a result, this will be offset by the fact that you'll be making more money per customer. But alas, Dr. Wilson is a computer consultant. As a marketer, I would also argue that you are able to sustain this strategy for the long-term as well, providing you can successfully position yourself as a premium product or service provider. People expect to pay a lot of money for Nike products because Nike has built their reputation as a provider of superior athletic equipment, and there is a definite correlation between quality and price.

2) Gain marketshare

If your goal is to gain marketshare, you might want to sell your products and services at a lower price in order to steal business away from your competition. This might include taking a loss on your products or services during the initial stages in order to provide a better price than the customer's current alternatives to your products or services, which would result in an increase in sales volume.

3) Survive

If your objective is survival and you don't mind living a meager lifestyle, you could theoretically price your products at just slightly above cost. This would most likely occur if you have a passion for what you sell, to the point that profits don't matter to you. An example would be if you ran a website dedicated to the preservation of nature, not because you wanted to profit from it, but because you loved nature and wanted more people would appreciate its beauty. Needless to say, there are very few businesses that adopt the "survival" approach in the long-term, although it is useful when trying to build market share in the short term.

4) Help Society

You can always choose to sell your products and services at less than what the market will bear in order to make them more affordable to the general public. Although this

seems like an unlikely long-term business model, most not-for-profit organizations tend to price their goods and services with this objective in mind.

Only once you have determined the value of your product/service, analyzed your competition's offerings, and determined your pricing objectives can you arrive at the price you should charge for your products and services. But the thing to remember is that Internet, in itself, will not dictate the price you charge. The Internet is simply another channel for your business, and customers don't pay for the channel, they pay for the value that the channel provides. Do Costco customers shop at Costco (and pay a membership fee!) because they like big, warehouse style stores? Of course not – they shop there to take advantage of the lower prices that come from purchasing in bulk quantities. The big warehouse-style store is a necessity in order to house the big packages; the sales channel is only a way of providing the desired benefit. On the Internet, that benefit is usually convenience, but whether you can charge more for it depends on your situation.

Your Payment Options ⁵⁶

Once you have built your online store, you will have to decide on how you are going to accept payment for your goods. Several options exist here, and most can be easily integrated into the store if you opted to use the “wizard.” Your most common options right now are:

1. Credit Cards

The most common payment method, credit cards have do have one major drawback; you have to pay a percentage of every transaction to the credit card company. If you are selling high-ticket items on your online store, this could amount to a significant amount of money. Credit Card commissions range from approximately 1–3 % of the total transaction fee.

2. Electronic Billing (i.e. Direct from Account)

This method lends itself well to both B2C and B2B e-commerce. Quite simply, electronic billing allows the presentment, payment, and posting of bills on the Internet via

a six-step process. First the bill is presented to the customer. The customer then reviews, analyzes and pays the bill. The resulting transaction debits the customer's bank account. The transaction is then posted to an electronic clearinghouse, which performs the same function as a physical clearinghouse does for cheques – it ensures that adequate funds were available in the customers account to cover the amount of the debit. A “success” or “failure” verification is then sent back to the biller. Then an electronic customer receipt is generated, once again indicating the success or failure of the transaction. Finally, your clearinghouse file is reformatted and submitted for account settlement. If you've ever paid a personal bill through your bank's website, you'll know exactly how this process works.

3. Smart Cards

To date, Smart Cards have not been widely used, but it may prove worthwhile to look to the future and consider this payment option as well. Ideally, smart cards are supposed to replace all cash transactions, but this is still quite a ways off into the future. If you have one of those phone cards with the little microchip on the front, you'll know what a typical smart card looks like.

4. Micropayments

It would be preposterous to walk into a store, pick up a \$2 magazine, rip out the one article you were interested in, and attempt to pay only for that part of the magazine. Yet, Micropayment technology allows you to do just that in the online realm – you can pay for digital content in increments of cents or fractions of cents. If you're planning on selling digital content, this may be something that you want to consider, but otherwise, it probably isn't worth the trouble.

Typically, websites do not accept cash, cheques, or money orders as acceptable payment. If you did, the physical processing required for these non-electronic payments would most likely cause bottlenecks in the e-commerce system. Because technology is always advancing, you

⁵⁶ Adapted from Korper, pp. 169 – 180.

should be prepared to modify your site at any time if a new payment method is created and accepted into the mainstream.

Obviously any discussion about payment systems would be incomplete without talking briefly about the subject of security over the Internet. Because of the Internet's relative vulnerability, E-business transactions require far more rigorous security to protect the confidentiality of the transactions that occur.

There are several different software measures that can be put into place to help protect your customer's data. One such method is the **Secure Electronic Transaction (SET)** payment protocol, which has been designed to provide a high level of security and anti-fraud assurances for payment card transactions over the Internet. The **authentication** process involves a series of security checks performed using **digital certificates** issued to customers, merchants, banks, and payment brands. As well, most payment related data is scrambled using **encryption software**, so that the message is scrambled, (usually using a complex mathematical formula), before it is sent. Anyone trying to intercept the message won't be able to read it without the formula, or "key".

Statistically, using the proper security measures, you have a better chance of credit card fraud handing your credit card to a waiter in a restaurant than you do by giving it to a merchant on the Internet, but this fact has not been able to quell people's fears. This has been the most important reason why so few people, relatively speaking, shop online. In 1998, AC Nielsen reported that 68% of Canadians listed "security concerns" as a reason for their reluctance to purchase anything over the Internet. By 1999, that number had only dropped a measly 1%. Fifty-one percent of respondents in 1999 also answered that they were worried about a third party gaining access to their information.⁵⁷

⁵⁷ http://www.acnielsen.ca/sect_fastfacts/Internet_fastfacts_en.htm

Your Distribution Alternatives

Once a customer has visited your website, selected his items, provided his credit card number and it has been verified as acceptable, the transaction is still not complete – you need to have a way to deliver the merchandise.

Typically, companies who deal in smaller packages tend to outsource this task to a national delivery service. Both [Federal Express](#) and [UPS](#) offer software that you can integrate into your website to facilitate the shipping process. With this software, either carrier allows you to determine shipping costs directly from your payment page, and allows your customers to track the delivery status of their goods.

Very large companies may need to purchase their own physical distribution system, including warehouses and delivery vehicles, but the capital outlay of such an expense makes this extremely infeasible in the vast majority of e-commerce ventures.

It's probably a good idea to specify which countries you have the ability to ship to – remember that the Internet is a global network, and you don't want to accept payment from a man in India, (who happened to find your site by chance), if you are unable to deliver to India.

Your Return Policies

It's easy to give a customer a refund or exchange when they walk into your physical store and ask for one. It's a little harder when you're in Canada, and your customer is halfway across the globe. In the same survey quoted earlier in this section, AC Nielsen reported that a full 59% of those surveyed in 1999 said that were reluctant to purchase anything online because they had concerns about the potential difficulties of obtaining satisfactory recourse should something go wrong.⁵⁸ Systems must be put into place to ensure that all of your customers have a hassle-free way to return their items should the need arise, without much time or expense being spent on the part of the customer.

⁵⁸ http://www.acnielsen.ca/sect_fastfacts/Internet_fastfacts_en.htm

Chapter 6

Business-to-Business E-Commerce

B2B e-commerce can be thought of much in the same way as B2C e-commerce – in both cases, a company is harnessing the power of the Internet to sell their products; the customer is the only thing that really changes.

B2B e-commerce can help a company achieve substantial cost savings through more timely processes, increase their revenues, achieve faster delivery times through more coordinated ordering procedures, reduce administration costs by reducing the number of errors made and the amount of labour needed per transaction, and generally improve customer service.⁵⁹ But these improvements don't happen overnight when a company creates their own I.T. department. It takes time to truly realize the benefits of B2B e-commerce, because the true benefit begins once a company has built a solid relationship with its major business partners. It is critical that a company wishing to be successful with B2B e-commerce place a great focus on their internal operations, logistics, and distribution channels.

It may come as a surprise to learn that business-to-business e-commerce is by no means a new concept – companies have been interfacing their computer systems together since the late 1960s when [Electronic Data Interchange](#), or [EDI](#) for short, was first proposed. In [Cyber Rules](#), author Thomas Siebel claims that EDI has been used, “successfully by many companies that exchange big-value purchase orders, acknowledgements, delivery advice, invoices, and other routine business documents electronically and in large numbers.”⁶⁰ So in essence, EDI has been doing for years what B2B e-commerce is doing today. So why the sudden interest in switching systems?

EDI, for all its early benefits, is a technology stuck in the past. Like today's B2B e-commerce software, EDI works by allowing different computers to exchange transactions using standardized formats for purchase orders, shipping documents, invoices, and other such “papers”. However, partnering two companies together using EDI technology involved the

⁵⁹ Korper, p. 7

painstaking process of having each company involved link their back-end systems to the EDI software, then synchronize their protocols with their trading partner's systems. Thus, Company A could not "link" with Company B AND Company C unless B and C shared the same protocols. Today's B2B solutions are much more universal, and the "translator" software allows much more flexibility when compared to EDI's rigid structures.

Not only was EDI difficult to implement, it was also extremely expensive. It involved not only purchasing the proprietary EDI hardware and software, but also had enormous costs to transmit data – up to \$25 to transmit 1KB of data through a dedicated phone line. According to Siebel, "it was not unusual for a company utilizing EDI to spend tens of thousands of dollars per month just sending purchase orders and invoices."⁶¹ Comparatively speaking, B2B e-commerce's Internet foundation makes the transmission of data infinitely less expensive, since there is virtually no cost to transmit orders once the basic B2B infrastructure has been established.

So why is EDI still an issue? Because most companies are reluctant to give up a technology in which they have invested so much of their time, money and effort. Rather than force such companies to spend additional funds on new B2B solutions, certain software vendors have created new programs that allow old EDI mainframes to interface with the Internet, and thus, with newer B2B based platforms. However, these software fixes are intended as a temporary fix for companies not willing to upgrade their systems yet – and the operative word is "yet." For all intensive purposes, EDI is dead, having been replaced by a newer, faster, and less cumbersome technology. If you're considering business-to-business, you should only be considering Internet-based platform solutions.

A major benefit of a B2B website is that it enables companies to easily eliminate any human interventions that do not add value. Let's say that Widget Company Inc. sold their widgets to Widget-Mart. Using traditional ordering processes, Widget-Mart would create a purchase order and fax over the order to Widget Company Inc. Widget Company Inc. would then receive the

⁶⁰ Siebel, p. 164.

⁶¹ Siebel, p. 165.

order, and probably have to retype the order into their own computer systems. Upon completion of that task, an invoice would have to be created, which would in turn have to be sent over to Widget-Mart. And so the process continues, with paper shuffling occurring every step of the way.

How do web interfaces change this? As Mike Betzer, VP of IT at MCI Worldcom, explains, “With web-based interfaces, you can start with a novel premise: Any single thing that the customer can do on his own, let him do it. This goes both for our consumer and our business customers... it’s cheaper. Cheaper for us and therefore, cheaper for the customer.”⁶² With web-based B2B e-commerce you can grant your customer access to your internal networks, (by granting them access via your firewall), and instead of entering their order for them, they can do it themselves! This also has an added bonus: not only does it save your company time, but also is likely to reduce the number of errors – the customer knows what he/she needs, and is unlikely to enter an incorrect order.

Establishing partner websites serve to bring business partners closer together, and this is highly beneficial in building a long-term relationship. Once two companies have spent the time needed to link their two computer networks together, they aren’t likely to switch over to your competitor at the drop of a hat. As Betzer states, “we are locking our large customers in more and more, every time we establish a joint project of this magnitude... if we do it right, nobody’s going to come in and take that business away...your aim is to do it so well that no competitor can shake the arrangement.”⁶³

Because of the nature of a B2B e-commerce website, very little marketing is needed in the traditional sense. Before a company is granted access to your internal systems, they have already worked with you in the past and know your company, your products and services, and your reputation – there aren’t any websurfers in B2B e-commerce. The only necessary “marketing” is easily accomplished through your daily contact with the company. Describe how your other

⁶² Siebel, p. 216.

⁶³ Siebel, p. 219.

supplier just linked into your B2B e-commerce solution, and mention the benefits that they are now experiencing. This should be enough to get their attention.

The technological components that are needed for B2B e-commerce do not differ from what was described in Chapter 4. Your business partners will have to be given access to some of your company's internal data, but this is easily accomplished by allowing their entry through your firewall, and your web developer can easily handle this task.

Be forewarned that a successful B2B relationship is largely dependant upon how well your e-commerce solution gets integrated into your existing systems. Describing the step-by-step process involved with integrating your distribution and logistics systems with your B2B e-commerce solution would be outside the possible scope of this paper, however, the web developer you hire to design the interface will be able to provide a workable integration solution that is tailored to your individual business.

Chapter 7

Brand Building E-Commerce

Contrary to popular opinion, websites do not exist solely to generate direct revenue streams. In fact, many companies have done quite well for themselves by building and maintaining websites that fall into the fourth category of e-commerce; the Brand-Building site. As the typical consumer becomes increasingly computer literate, they are demanding more and more information about the products they wish to buy, and the companies that supply them. Companies that cannot or will not provide this information quickly and easily via the World Wide Web risk losing customers to those that can and will.

One of the most powerful concepts in marketing theory today is that of Relationship Marketing, where a company learns the preferences of a particular customer, saves these preferences electronically, and uses this information to serve customers better in the future. The net effect is an increase in loyalty – after all, why would a customer switch to a competitor who doesn't know them as well as you do? And through the use of the Internet, relationship marketing has never been easier – or more essential.

Amazon.com has become a powerful business force because of their ability to manage these relationships. Using their sophisticated online database software, considered by some to be the best in the world, they are able to analyze your preferences based on the books you purchase, the frequency of your purchase, the timing of your purchases, and a host of other factors. The software will then make purchase recommendations based on a comparison between your profile and the purchases that were made by other users sharing similar interests. So if I am purchasing the latest Stephen King novel online from Amazon, the software might suggest that I also pick up the latest Dean Koontz thriller, since people who have read the King book have also reported liking the Koontz novel.

How does Amazon obtain such detailed information? Well, partially from you directly, through the reviews you submit to the site. But there is an indirect way of obtaining user information as well, and this is through the use of “cookies”, or digital tags.

A **cookie** is a piece of information sent by a web server to a web browser. The browser software is expected to save the cookie and send the information back to the server whenever an additional request is made. Cookies will often contain data such as user preferences, registration or login information, and online shopping cart information. With cookies, you have the ability to “remember” the person’s likes and dislikes, and use that to your advantage. It’s the online equivalent to going to a party, and being given a “Hi, my name is (your name here)” sticker so that other partygoers can remember your name. Every time your browser gives a web server back a cookie, the web server is reading your nametag.

Websites can typically be used to build existing brands in one of three general ways:

1. To act as a supplement to the brand and/or to provide an additional service

The best way to talk about this method of Brand-Building is to use an example, and one of the best examples out there right now is Tide laundry detergent. The top-selling laundry detergent has built a website entitled, “[The Tide Clothesline](#)”, that allows users to determine the best way to get various stains out of their clothing using their “Stain Detective.” Users can click on a generic category, “baby stains”, for instance, and fill out a screen to describe the exact type of stain, as well as the details about the clothing’s fabric and colour. Once you have entered the needed information, the website will give you a completed and detailed set of laundry instructions for the best way to launder the garment.

So how does this help to build the brand? Easy – the solution offered requires Tide products. As a test, visit the website and submit the following laundry dilemma:

Stain:	Baby Formula, with or without iron
Color:	Colored, Printed or has Color Trim
Fabric:	Polyester

The optimal solution that should appear is the following:

1. Colored items must be protected by pretesting the effect of any recommendation on a hidden area of the item.
2. Rinse in cold water to dilute the stain.

3. Soak up to 30 minutes by adding 1/2 scoop Tide with Bleach® per gallon of water. Use a PLASTIC bucket. Weight the item with a WHITE towel to keep submerged. Discard soak solution prior to laundering.
4. Wash in 1 capful ("Regular" fill line) Liquid Tide®, warm to hot water, and use the medium water fill level.
5. Use the permanent press cycle.
6. Line or air dry.

If there is any stain remaining . . .

7. Apply Whink Rust Remover® or other liquid rust removers following the package instructions. Work over a PLASTIC dishpan to avoid damage to surfaces.
8. Rinse in 1 quart of water to which 3 tablespoons of baking soda has been added.
9. Use the permanent press cycle.
10. Wash in warm water at 95° to 110° F / 35° to 43.3° C.
11. Wash in Liquid Tide®.

If you didn't notice, the solution requires not ONE, but the use of TWO Tide products to get the stain out of the clothing article. Procter & Gamble has effectively devised a way to get consumers to use twice as much laundry detergent for the same article of clothing. And the hint is extremely subtle – there are no “BUY TIDE NOW!” messages splashed across the screen. Instead, the website takes the more subtle approach; “you asked us for an answer to your question, we're happy to give you one.” The service that the website provides is the detailed laundry instructions, but the underlying sale is almost imminent.

Now, there is a section on the Tide site that refers you to a place where you can buy Tide online, so perhaps it isn't a true example of a “service” site. But there's no denying the following the example: on the [Ragu](#) web site (which can also be accessed by typing www.eat.com), you can't order the product even if you wanted to!

Visiting the website transports you to “Mama's Cucina”, (which means “Mother's Kitchen” in Italian.) In a hilarious mockery of the Italian stereotype, the first thing you are presented with is the sight of a little old woman standing invitingly on her porch, welcoming you inside. The site offers visitors a host of features, but the most prominent is “Mama's Cookbook” which provides you with recipes for Pasta, Chicken, Seafood, Pizza, and almost anything else you could want. The subtle catch? Every recipe offered, with the exception of the dessert menu, requires a Ragu product. And since altering a recipe can sometimes seriously affect the taste, Ragu has

managed to find a way to increase sales by offering a service. Ragu also uses the site to raise awareness about new products, but comprises a fairly small section of the website.

2. To Improve Customer Service

The Internet also provides a unique opportunity to build your brand through increased customer service. The technology now exists to allow users to communicate with you directly in real-time about any questions or concerns they might have about your products and services. All users have to do to communicate with a website representative is click on a button, and type their question.

One company that offers such “service” software is [Human Click](#), and their program is quite simple and easy to use – I use it to provide customer service support to users of my website, [Geekrant](#). When a user wants to speak with me, they will look towards a button located at the top of my website that indicates whether I am online or not. If I am online at the time and am running the monitor software, (which runs in the background of my computer at all times), I get a message stating that someone from my website would like to speak with me, and then, almost instantly, their message will appear on my screen. I can then type my response, and even engage the user in a conversation. If I am not available, the user has the option of e-mailing me their questions, and I am free to respond as soon as I am available. Of course, the “online” and “offline” problem shouldn’t be an issue for larger businesses – they should be investing in Customer Service Representatives to ensure top satisfaction.

The Internet also gives you another way to deal with your customers concerns: e-mail. However, do not make the mistake of sending people unsolicited e-mails trying to advertise your services – that’s referred to as **SPAM**, and is rarely appreciated. Instead, companies should be using e-mail to follow-up with their customer’s orders, and to provide them with any information they may need to make their shopping experience more pleasant. [Chapters.ca](#) does an excellent job in utilizing e-mail in such a fashion. After you order a product, you are sent an e-mail confirming your order. Then, once your order has been shipped from their warehouse, you are sent another e-mail to let you know that your merchandise is on its way. Both e-mails contain all

of the necessary contact information, (e-mail addresses AND telephone numbers), that users can contact should they have any questions or concerns.

The following are a few more things to keep in mind about customer service on the web:

- i. The Internet allows for 24-hour support, and you should definitely take advantage of this feature. The world has many different time zones, so if you're expecting global visitors, be prepared with global hours. Plus, the convenience of the web is that you can go anywhere you want at anytime you want – if you take that basic principle away from your customers, they are not going to be very happy.
- ii. The Internet is a global medium, and if you plan on serving global customers, you should take language into account. Although 65% of Internet users speak English, there is quite a large percentage unaccounted for in that figure. Consider having mirror sites in another language if the situation warrants –you can easily hire a professional translator or translation company who will convert your pages for you. There is also software available that does a respectable job of converting English to other languages. One such company is Systran, whom you can visit at www.systransoft.com for more details.⁶⁴
- iii. Ensure that if you're going to suggest visitors e-mail you with feedback, you have the proper mechanisms in place to handle that feedback. Do not set up a link on your homepage asking for user's input if you won't be able to handle the potential rush of e-mails. Remember that relatively speaking, it is very easy for an Internet user to provide feedback – they don't even have to waste a stamp to mail you a letter.

3. To Provide General Product Information

The last way the web is typically used is to provide general information about the web. This can be extremely beneficial to a company whose products are very technical and sometimes require a great deal of information. The pharmaceutical companies have websites that often fall into these categories – they use their websites to relay information about the products they are

⁶⁴ Korper, p. 56.

developing, their potential benefits, and the stage they are at with their testing. This is sometimes referred to as “brochure-ware”, because the website simply acts as a cost-effective brochure for your company. The danger with “brochure ware” is that the content will tend to get pretty boring fast. The challenge for companies wanting to have websites for the sole purpose of posting information is to keep that information current and interesting, or keeping visitors coming back for more will prove to be a challenging task.

A Word of Caution...

It’s obvious that a company can use the Internet to build a brand – in fact, there have been some companies that have been phenomenally successful at building ENTIRELY online brands over the Internet. (**Appendix B** shows a few popular online-only brands that have achieved excellent brand recognition). But just as a brand can be built using the Internet, it can also be destroyed.

[Toys R Us](#) found that out the hard way during the 1999 Christmas season. They realized that with more and more people shopping online, their online competitor, [eToys](#), would prove to be a serious competitive threat unless they did something about it. What they decided to do was to fight fire with fire, and erect their own online website. After all, they thought, the brand equity of the [Toys R Us](#) name will be transferred over online, right?

Wrong. [Toys R Us](#) was unprepared to handle the influx of orders – four times more than they had anticipated – and they hadn’t established the proper distribution mechanisms needed to have these orders fulfilled. As a result, many customers did not receive their purchases in time for Christmas, and filed a class-action lawsuit against the company. To help smooth matters over, [Toys R Us](#) apologetically offered customers \$100 gift certificates, but that only served to increase the company’s 1999 losses by five cents a share.⁶⁵

“The risk [of a brick and mortar company going online] is enormous,” says attorney Mark Firmani of Firmani and Associates. “Any time that you are saying to the world, through an

⁶⁵ Webb, Dave. “Brand Damage”, eBusiness Journal: Strategies and Solutions for the Digital Economy, Plesman Communications: March 2000, p. 14.

online venture, ‘Come to our site,’ you are placing the sum of your entire brand equity on the line.”⁶⁶ The moral of the story? Do not make the decision to go online lightly – if you fail, not only can it not help you, but it can also hurt you. The next chapter will talk more about “clicks and mortar” businesses and how they can be successful.

⁶⁶ Webb, March 2000, p. 14.

Chapter 8

“Clicks and Mortar” Companies

Earlier on in this paper, we introduced the concept of a “pure-play” Internet company that operated solely in the online realm. And you are no doubt familiar with the traditional store model, which is often referred to as a “bricks and mortar” company on account of their physical store structures. But there is a third business model that has recently emerged: a hybrid of the pure-play online company and the traditional “bricks and mortar” business that the media has taken to calling the “**clicks and mortar**” company.

Quite simply, a “clicks and mortar”– or “multi-channel”– company is an offline business with online revenue generating operations: a company that operates in both the physical world via a traditional-type store and in the online realm via the Internet. [Toys R Us](#) is a “clicks and mortar” company, because they offer the same merchandise online as they do in any of their retail locations. [Canadian Tire](#) is NOT a “clicks and mortar” company, because although they have a website it does not allow for direct sales and thus does not generate any revenue for the Canadian auto parts giant.

The obvious question you may be asking yourselves is why a physical retailer would want to become a “clicks and mortar” company: what’s the sudden urgency to be online? Keith Hammonds, of Fast Company magazine, offers one explanation:

... the Internet has so rapidly broken down traditional barriers to entry. Established companies enjoy powerful brands, huge revenue streams, lots of customers – decisive competitive deterrents in the real world. Yet in industry after industry, in the space of just a few years, Web-based upstarts have come up with new business models to wrest market share from much bigger rivals. Amazon.com in books is the most familiar story. Bust there’s also eToys, E*Trade, and Pets.com. There’s good reason for Barnes & noble, Toys ‘R’ Us, Merrill Lynch, and Petsmart to rush frantically into the online fray: They’re late; they’ve lost customers, market share, mind share, and market value – and they risk losing even more.⁶⁷

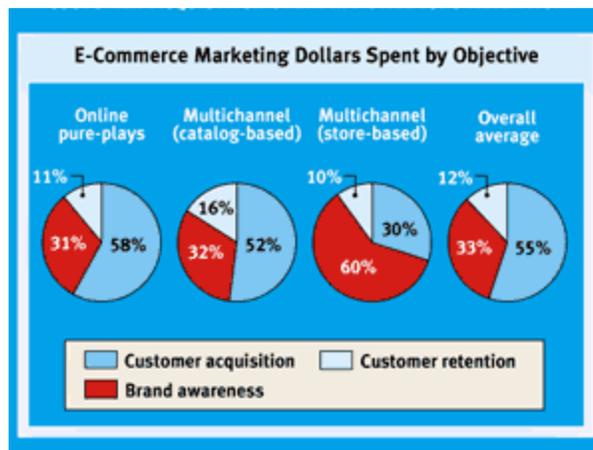
⁶⁷ Hammonds, Keith H. “Deciding to go Digital,” [Net Company: How Digital Are You?](#) (A supplement to Fast Company Magazine.) Winter 2000, pp. O14-O17.

It's true that some bricks-and-mortar companies have been rushing to transform themselves into "clicks and mortar" companies to stave off their pure-play competitors. But in most cases, the transformation has neither been forced upon them nor their only chance for survival. It seems that there are several benefits to being a "clicks and mortar" company that have nothing to do with defending your current market position.

For one thing, it seems that "multi-channel" companies spend less of their money on customer acquisition and retention. According to a recent study by the Boston Consulting Group, multi-channel companies spend only 30% of their marketing dollars on customer acquisition – about \$12 per customer in 1999 – as opposed to the 58% (or \$82 per customer) that online pure-plays spent. Furthermore, "clicks and mortar" companies also spent slightly less on customer retention than their pure-play counterparts. (Figure 9)

Moreover, 34% of "clicks and mortar" customers are repeat buyers, compared with the 27% of repeat customers enjoyed by pure-play online companies. This is especially important because for "clicks and mortar" companies, 45% of their revenue comes from repeat purchasers.

Figure 9: Marketing Dollars Spent by Objective



Source: <http://www.thestandard.com/research/metrics/display/0,2799,14558,00.html>

And of course, the Internet allows certain companies to enjoy cost savings. Take [Amazon.com](http://www.amazon.com), for instance. They don't have any physical retail locations, so they don't have to

pay rent, or wages for salespeople. They also don't have to spend money on costly in-store displays, as they can change their displays electronically at a negligible cost.

The last reason for a bricks-and-mortar to branch out online is perhaps the most critical: many of today's consumers expect it. As more and more people become comfortable with technology, there is a growing demand for companies to make their products and services available on the Internet. In a recent Fast Company survey, respondents were given a choice between two companies and asked to choose which of the two they thought would be the most successful in ten years. The results, shown in Figure 10, are quite surprising. Of the eight pairs, online companies were chosen over their physical counterparts as the ones that would be most successful five times! (The most amusing result was that Service.com was selected over the Peace Corps, when in fact, Service.com doesn't even really exist!) The only bricks-and-mortar companies to beat their online competitors were General Motors, (which speaks to people's reluctance to purchase big-ticket items over the Internet), Time Magazine, (which doesn't speak to much considering the relative obscurity of Slate's online magazine), and the mighty Wal-Mart, (who recently made the successful transition to a "clicks and mortar" company).

Figure 10: Fast Company Survey Results

From each of the following pairs, pick the organization that you think will be more successful 10 years from now:	
Merrill Lynch	43.6 %
E*Trade	56.4 %
Toys R Us	48.9 %
EToys	51.1 %
Peace Corps	43.5 %
Service.com	56.5 %
Barnes & Noble	45.8 %
Amazon.com	54.2 %
General Motors	81.5 %
AutoNation	18.5 %
Time	90.2 %
Slate	9.8 %
American Airlines	44.7 %
priceline.com	55.3 %
Wal-Mart	72.5 %
eBay	27.5 %

So we've demonstrated that a successful transformation into a "clicks and mortar" company has some definite advantages. But two important questions remain: is a "clicks and mortar" model right for your business, and if so, how do you make a successful transition?

Unfortunately, there's no easy answer to the first question – it depends entirely on your individual circumstances. You have to take a hard look at your business and decide whether becoming a "clicks and mortar" company is right for your business. Just do yourself a favour: think long and hard, and don't make any rash decisions. While it's true that you have to move quickly online, that isn't the same as moving recklessly. Remember the 1999 [Toys R Us](#) Christmas fiasco presented in the last chapter? The [Toys R Us](#) website went online quickly to try and prevent [eToys](#) from stealing volume during the Christmas season, but with all the hype of going online, the company apparently forgot to ensure that their distribution channels could handle the massive influx of orders. That's a prime example of not thinking things through.

However, to answer the second question, there are two ways you can try and make a successful transition to a "clicks and mortar" company. Niraj Dawar, Assistant Professor of Marketing at the Richard Ivey School of Business, believes that established "real-world" companies run a serious risk of damaging their existing brands when their web operations, "aren't distinct enough from their brick-and-mortar operations – or when their not aligned closely enough."⁶⁸ At the foundation of his argument is the conviction that you must do whatever it takes not to confuse your customer.

If you are Sears, only a small proportion of your real-world customer base is also online. The profile of those customers who are online is very different from the profile of those customers that come into the store regularly... then the question becomes, are you being consistent online and offline? Are you portraying the same brand? Or is the technology changing your brand's meaning?"⁶⁹

[Bluelight.com](#) – an online discount retailer that sells such merchandise as electronics, toys, and jewelry – is the result of a parent company wanting to separate itself from its online division. The parent company wasn't exactly known for being on the forefront of technology, and they felt

⁶⁸ Webb, March 2000, p. 15.

⁶⁹ Webb, March 2000, p. 15.

that giving their online division a distinct identity would help its chances for success. And who, you may be wondering, was the parent company in question? K-Mart.

Only time will tell whether K-Mart made a wise choice in giving Bluelight.com its own identity, but my initial thoughts are that they made the right decision. After all, the heaviest Internet users are the younger generations, who aren't exactly regular K-Mart shoppers. By separating the Bluelight.com brand from their own established name – and by providing a stylish and easy-to-use interface – K-Mart is giving themselves a chance to reach this younger demographic without alienating themselves from their existing clientele. And for those store customers wishing to find K-Mart online, they need only type in www.kmart.com to do so – the **URL** brings them to the Bluelight.com website. K-Mart doesn't try to hide the fact that it owns Bluelight.com – the name “K-Mart” is mentioned on the site quite frequently – it just doesn't go out of its way to promote the relationship.

I believe Dawar would agree that Bluelight.com has a distinct enough identity from its brick-and-mortar parent to give it a chance at success. But Karen Lake, founder of StrategyWeek.com would probably hold a different opinion. Lake believes that online and offline operations should be managed as a single entity, and that there's a high risk of failure for brick-and-mortar retailers that try to manage Net operations as a separate department. She states, “successful dot-coms understand that the public sees a brand as a single entity, whether online or off, and that click-and-mortar businesses must fully integrate these channels.”⁷⁰

Chapters did an excellent job in creating an integrated online and offline strategy when they opened the virtual doors to their Chapters.ca website in October 1998. By keeping the name of their online division identical to their physical stores, Chapters was able to leverage the existing brand equity in the name in order to help drive traffic to the website. Also, by placing a large banner reading “Chapters.ca: We're open when you are” outside each of their stores, and by having their sales personnel talk about the website at every customer interaction, Chapters was

⁷⁰ Webb, Dave. “The Big Shakeout”, eBusiness Journal: Strategies and Solutions for the Digital Economy, Plesman Communications: June 2000, p. 6.

able to get their store patrons to trust the online division. After all, if Chapters patrons enjoyed the store, why wouldn't they enjoy the store's website?

Whether you should choose to integrate your offline and online operations or create a distinct identity for each is dependant on your individual circumstances. However, a Morgan Stanley report indicates that, either way, there are a few things you should know when moving onto the Internet:⁷¹

1. Online shopping will not eliminate traditional shopping, but will provide opportunities to expand marketing opportunities for particular products.
2. Developments in EDE (electronic data exchange) offer greater potential than ever for inter-organizational retail applications to succeed. (Of course, this is where the cost savings come into play.)
3. The mail-order catalogue business should lose some market share to the online business. (This is as a result of the Internet being much more efficient and cost-effective than physical direct mail.)
4. As the demographics of the Internet change, the business model will be influenced.
5. Key areas for e-commerce success are brand name recognition, low cost structure, legacy systems integration, leverage of applicable technology, and ease of use.

Knowing these five things, how do you go about transforming your old bricks-and-mortar operations into a "clicks and mortar" company? Here are a few pieces of advice, courtesy of Fast Company magazine:⁷²

1. Learn by Doing. You can't make your business into an online wonder overnight. So give it your best shot initially, and learn from your mistakes. Speed is critical on in the online realm, and waiting around until your website is perfect will probably make you miss the boat.

⁷¹ Tiernan, Bernadette. e-tailing. (Chicago: Dearborn Financial Publishing Inc, 2000), p. 33.

⁷² Hammonds, p. O17.

2. You have money? Good. Spend it! Big companies typically have access to more capital than smaller start-ups, and that's a key competitive advantage that must be fully utilized. If you want to make your online operation successful, you should be prepared to spend in order to get the attention you need.
3. Eat your own – or be eaten. Many brick-and-mortar companies fear that moving to the Internet will cannibalize their existing operations. And in some cases, that's exactly what will happen. But this cannibalization is inevitable, and it's better that you cannibalize yourself than have a competitor come along and do it for you.
4. Speed rules. (No, faster still!) To succeed online, you have to be prepared to think fast, and move even faster still. If you aren't ready to abandon the tedious planning processes that usually accompany big offline corporations, don't bother trying your hand at the Internet.
5. Seek out new life forms. Be prepared to admit that the people at your existing organization probably don't have the skills and capabilities necessary to help you with your online operations. Be prepared to hire a few people who've had "net experience", or to retrain existing employees so that they have the skills they need.
6. Failure is not an option. (But it is a distinct possibility.) There are high stakes to moving onto the Net. While no company likes planning to fail, recognize that there is a very real possibility your company can't make it online.

One final point: up to this point, we've only considered the bricks-and-mortar company who wants to go online. But what about pure-play online companies that want to try their luck in the "real world"? So far it hasn't happened... yet. But I wouldn't be too surprised if pure-play giants like Amazon.com one day decide to directly challenge their brick-and-mortar competitors, but whether or not they'll be able to translate their online success into offline sales is anybody's call.

Chapter 9

Permission Marketing⁷³

At first, it may seem strange to find an entire chapter devoted to the concept of **permission marketing** in a paper about e-commerce. But the sudden popularity of the permission-based marketing concept has a lot to do with the rise of the Internet, and as you will soon realize, it's hard to talk about achieving success on the Internet without at least briefly mentioning the theory.

Seth Godin is recognized in the industry as the father of modern Permission Marketing. In his outstanding book, Permission Marketing: Turning Strangers into Friends, and Friends into Customers, he outlines the basic principles of permission marketing, and explains how they can be used to dramatically increase sales over the long-run. While I won't offer a full book report, this chapter will provide a brief overview of Permission Marketing, and then explain how it can be used to build sales online.

First, we must begin by summarizing most marketing situations as they now stand:

1. Time is a person's most precious resource, because it is finite, and because you can't buy more. Interruption Marketing – the term Godin uses to describe the typical marketing tactics that interrupt what you are doing in order to try and get you to think about something else – effectively serves to steal your time.
2. As a defense mechanism against having all of your time stolen by inconsiderate Interruption marketers, you quickly learn to filter out messages that you find irrelevant. However, this causes Interruption Marketers a big problem, because you're filtering out the messages that they need you to see in order to sell you their products.

⁷³ This section adapted from the following source unless otherwise indicated: Godin, Seth. Permission Marketing: Turning Strangers into Friends, and Friends into Customers. (New York: Simon & Shuster Inc, 1999).

3. To combat this “filter”, Interruption Marketers spend even more money to purchase even more advertisements, hoping to show you something new and exciting to break past your personal filter. Of course, this is a vicious cycle. The Interruption Marketer spends more money. You see their advertisements. You get used to their advertisements, and begin to ignore them. The Interruption Marketer is forced to spend even MORE money to come up with something even NEWER so that you’ll pay attention once again. And so on, and so forth.

Godin argues that this cycle is completely ineffective, and causes most marketers to spend obscene amounts of money trying to attract new customers when they should be using their money to develop long-term relationships with their existing customers. (And of course, any businessperson can tell you that it costs more to attract a new customer than it does to keep an existing one.)

The idea behind Godin’s permission-based theory is simple: get customers to volunteer to receive your messages by interrupting them only initially with a message designed to make them raise their hand. To help distinguish between the Interruption Marketer and the Permission Marketer, Godin draws the following analogy:

An Interruption Marketer is a hunter. A Permission Marketer is a farmer. Hunting prospects involves loading the gun with bullets and shooting until you hit something. You can take a day or a week or a month off from this endeavour and it won’t take you long to get back into successfully bagging a few. Farming prospects involve hoeing, planting, watering, and harvesting. It’s infinitely more predictable, but it takes regular effort and focus. If you take a month off, you might lose your entire crop. On the other hand, farming scales. Once you get good at it, you can plant ever more seeds and harvest ever more crops.⁷⁴

So, how do you get them to raise their hand? By offering the customer something for doing so – this could be in the form of a monetary reward such as a prize or coupon, or it can be in the form of information that the customer want to receive. For example, if you run a website that sells gardening tools, you might send out a flyer that says, “Call our toll-free number to receive a free lawn-care guide!” You’ve interrupted prospective clients, but you haven’t tried to sell them

anything. Those people who want the free booklet will call the toll-free number – after all, they have nothing to lose by doing so, and a free lawn-care booklet to gain – and that is the initial granting of permission. Once you have the customer on the phone, you can introduce yourself, and get some information about the person and their gardening habits. This information exchange is important; you are using the first interaction to prepare for the next. Then, you might wait a week and before following-up with the prospect by calling to ask how they liked the booklet. During the discussion you might mention that you have a lawn care catalogue that you would be happy to send, and the customer would most likely agree. After all, you WERE nice enough to send the free booklet, right?

You continue to build upon the permission granted until the prospect no longer sees you as a stranger trying to sell them something, but as an advice giver and valuable resource. They'll then learn to look forward to your communications – not only paying attention to the messages you send, but also anticipating them. And this, Godin argues, is exactly what you want – a focused group of people for which you don't have to depend on cutting through the clutter of other advertisers who interrupt them.

But permission marketing, like anything, has its own set of limitations. Godin goes on to describe the four “rules” that a Permission Marketer has to remember if he/she is to be successful, which are:

1. Permission must be granted – it can't be presumed.
2. Permission is selfish. You must give the customer a reason to grant you their permission.
3. Permission can be revoked as easily as it's granted. (So don't abuse it.)
4. Permission can't be transferred. If they give YOU permission to contact them, you can't turn around and give that permission to someone else. So if you're in the habit of buying and selling direct mailing lists, you're out of luck. As Godin says, “permission leveraged is permission enhanced. Permission rented is permission lost.”⁷⁵

⁷⁴ Godin, p. 227.

⁷⁵ Godin, p. 135.

There are three primary benefits to using Permission Marketing. First, customers have already said “yes”, which means that you’re only sending messages to people who have indicated that they want them. In this way, you’ve avoided one of the most despised marketing techniques on the Internet – SPAM.

Second, permission marketing allows for accurate demographic targeting. These programs target shoppers who are interested in the types of products the merchant is selling: they can do this because they have demographic information and interest profiles reported by millions of Internet users who willingly participate. The result is a targeted audience.

Third, permission marketing achieves relatively high response rates compared to interruption marketing techniques. Merchants using permission marketing often see a response rate that is 10 to 15 times that of banner advertisements.⁷⁶

So now you know what Permission Marketing is: a way of partnering with prospective clients to forge long-term relationships. So what does this have to do with the Internet? Well, Godin argues that the Internet – and by extension, e-mail – is the perfect permission-marketing tool, and that every commercial website should be set up solely to accomplish one goal: signing up strangers to give you permission to market to them.

Permission marketing requires continual, frequent communication between your company and its potential prospects. The problem that marketers had before permission-based marketing was that prior to the invention of e-mail, constant communication was inefficient and expensive. E-mail, however, offers a number of benefits over traditional direct mail communications. For one thing, printing is free and you don’t need any stamps, which means that you’re saving money. Furthermore, because the cost of sending out an additional e-mail is completely negligible, you are able to increase the frequency of your messages to better suit your objectives. Lastly, the speed of the communication is infinitely faster and the response rates are much higher.

⁷⁶ Carroll, p. 272.

And how do you get a prospects e-mail address? You ask for it via your website. Godin suggests that there are four keys to setting up your permission-based web site in order to encourage visitors to “opt-in”:

1. Test and Optimize your Offer.

It’s important to realize that with permission-based marketing, your media costs are heavily weighted at the beginning of the process, when you’re trying to get the prospect’s attention. By offering something for free, you increase the likelihood that people will respond, thus opting in for the first time, and giving you the chance to begin your dialogue.

2. Make the Permission Overt and Clear.

It doesn’t pay to trick people into giving you their permission – if you do, they’ll simply revoke it once they suspect that you’ve taken advantage of it. However, if you set the stage for a mutually beneficial dialogue to occur, and clearly lay out the terms of that dialogue, customers will be more willing to respond.

3. Use Computers, not People, to Send and Receive Information.

This may sound like an odd proposition considering the tremendous importance being placed on customer service nowadays, but Godin argues that it is vitally important when setting your customer’s expectations that you let them know it is impossible to handle everybody’s concerns personally – the staffing costs that would result would be unsustainable.

4. Focus on Mastery – Online Consumers Need to Feel Smart.

If you make your website easy-to-use, prospects are more likely to give you permission to begin a dialogue. Nobody enjoys feeling stupid, and if a prospect can’t find what he or she is looking for on your site, they will get frustrated and leave – without giving you any permission to contact them in the future.

Because the Internet allows you the opportunity to communicate more closely with potential clients, you have the opportunity to build a long-term relationship with them. This is critical to any business, but it is especially important for Internet firms because of the decreased attention spans that most web-users possess.

Amazon.com knows the value of permission marketing – when you first register, they ask you if you’d like to receive occasional offers. If you indicate that you would, they’ll send you book reviews – based on your personal book preferences – and coupons to save you money. The rationale is simple: if Amazon is taking the time to send me personalized book reviews and coupons, why would I bother visiting another website for all of my book-buying needs?

Now that you know the value of a permission-based marketing program and how well it fits with any Internet strategy, you’re probably wondering how to go about creating your own. To help you, Godin suggests 10 easy steps to creating a successful permission-based marketing program:

1. Figure out the lifetime value of a new customer. This will help you determine what it’s worth to acquire their permission.
2. Invent and build a series of communication suites that you will use to turn new customers into friends. This can be a series of e-mails, letters, a number of scripts to use in phone conversations, a series of Web pages, etc. Essential to each suite are four elements:
 - They must take place over time
 - They must offer the consumer a selfish reason to respond
 - The responses should alter the communications moving forward, (i.e. change the message as you learn more about the consumer.)
 - They should have a final call to action so that you can measure the results.

3. Change all of your advertising to include a call-to-action. Never run an ad of any kind that doesn't give consumers a chance to respond, and when they do respond, initiate one of the communication suites you created in Step 2.
4. Measure the results of each suite. Throw out the bottom 60% and replace them with new suites. Continue testing different approaches forever.
5. Measure how many permissions you actually achieve. Measure how much permission changes buying behaviour. Reward all parties on the permission team for exceeding metrics.
6. Assign one person to guard the permission base. Have that person focus on increasing the level of permission gained from each individual and reward her for resisting short-term profiteering.
7. Work to decrease your cost of frequency by automating responses and moving to e-mail and the Internet.
8. Rebuild your website to turn it from brochure-ware to a focused permission acquisition medium.
9. Regularly audit your permission base to determine how deep your permission really is.
10. Leverage your permission by offering additional products or services or by co-marketing with partners.

By following these 10 steps, you can build a successful permission-based marketing program, which will significantly strengthen your relationship with your customers, thus increasing consumer loyalty and ensuring future sales.

Chapter 10

I'd like to call my lawyer: Legal Watch-outs regarding E-Commerce

To deal with all of the legal issues currently arising because of the Internet would require another paper onto itself – a few of them, actually. The newspapers are rampant with stories of companies suing other companies over proprietary technology, or copyrights, or libel ... the list goes on and on. This section of the paper will briefly point out three of the more common legal complaints. For more specifics, you may want to contact a lawyer specializing in intellectual property rights. And, if you are really interested in this topic, I highly recommend visiting the website of Michael Geist at www.lawbytes.com, a law professor at the University of Ottawa Law School who offers a free daily e-mail newsletter called the “Internet Law News”, which is available by simply e-mailing him at michaelgeist@yahoo.com with “subscribe netlaw” as the subject message. (A list of other helpful and interesting Internet website / E-zine resources can also be found at the end of this paper in [Appendix C](#)).

6. Domain Name Issues:

We've already discussed at great lengths the importance of a domain name, and why you should register the names you intend to use right away. However, you can't go on mass-registration sprees and not expect to get into some trouble. Procter & Gamble took a great deal of criticism for registering a number of generic, non-trademarked terms such as “underarms.com” and “toiletpaper.com”, but strategically, as makers of underarm deodorant and toilet-paper, it was a smart thing to do. And legally, it was valid – they are not stifling competition, (which is a big no-no in all areas of business), because they are using these domain names to attract visitors to their related sites.

You cannot, however, hold on to a site for the purposes of later extorting a company into giving you ridiculously high fees. If you'll remember from Chapter 3, these people are referred to as Cybersquatters, and are constantly being challenged in court. If a Cybersquatter has your name, and you have the name trademarked, then there are legal steps you can take to force them to surrender the name. But if the term isn't trademarked, or if the Cybersquatter held the name

before it was trademarked, then you're out of luck.⁷⁷ Ebay.com is currently suing a company for the rights to eBay.ca, but only time will tell how successful the lawsuit will be.

7. Libel

Libel is simply written defamation that is untrue, and it runs rampant on the Internet. If someone puts up a website with a domain name that reads, "yourcompanysucks.com", and then uses the site to point out all of your faults and misgivings, there isn't too much you can do about it, because the courts are hesitant to impose upon an individual's right to Freedom of Speech. As US Appeals Judge Stewart Dalzell noted, "any content-based regulation of the Internet, no matter how benign the purpose, could burn the global village to roast the pig."⁷⁸ As a result, Procter & Gamble has had to simply put up with constant Internet rumours that they are a satanic worshipping organization for years. Some advice? Don't waste time and money with minor things, because it's impossible to "get it all" and you may just make martyrs out of the site operators. But if you truly feel that the website is proving detrimental to your brand image, contact a lawyer.

8. Copyright Infringement

The most famous case currently being tried with regards to copyright infringement is the one involving Napster.com. Napster provides a "service" to users whereby users can download the Napster software and then use it to exchange audio files with other Napster users. Unfortunately, most of these files end up being copyrighted recordings, which has the music industry in an uproar. Napster's defence? They don't actually store any illegal files on their system, they only provide a method for which files can be transferred between users, and it's not their fault if users are using this technology an illegal fashion. The question that is obviously raised is whether the service provider can be held responsible when people use the service to commit illegal acts. It should be an interesting debate, and one that is actively tracked in TheStandard.com's e-mail updates.

⁷⁷ Janal, p. 210-216.

⁷⁸ Gascoyne, p. 239.

Chapter 11

Taxing the Net

By definition, the World Wide Web is a global community. Unfortunately, global governments have not come to an agreement as to how much tax they should charge. (Canadians often complain about their high tax rates, as much as 53% of income. The tax rate in Anguilla is actually 0%).⁷⁹ As such, taxing Internet transaction has become a serious issue with governments everywhere.

In the “old economy”, you paid tax on a purchase at the store where you bought it, because it was assumed you would use it in the same tax jurisdiction. The store would then remit the tax to the appropriate governments. Things get very tricky, however, when you start ordering goods from other tax jurisdictions or, worse still, download it as a digital file directly to your computer. Who collects the tax? Who remits it? Should there be any tax at all?

Because the medium is so new, most tax laws do not explicitly cover the Internet. The governments obviously favour taxing Internet transactions because of the enormous revenues that taxes generate for governmental use. However, much more discussion is needed before a clear answer can be found.

⁷⁹ Mougayar, p. 36.

Conclusion

Where is E-commerce going?

People often wonder about the future of e-commerce, and whether B2C e-commerce will eventually completely replace retail. The answer is probably not. Sometimes, people visit the mall with friends because they enjoy the social experience that it offers. B2C websites may often be more convenient and less expensive, but very few have been able to replicate that kind of experience. That aside, however, e-commerce is growing. As more and more people become comfortable with shopping online, they will expect to integrate technology into everything that they do. That's where Intranets will come in – technically literate employees will eventually demand such efficiencies in their workplace! Technology apt business customers may be unwilling to incur the associated costs of NOT ordering from you through B2B processes. The future of e-commerce looks bright.

But be careful – e-commerce shouldn't be implemented simply for the sake of implementation. There must be a strategic reason for introducing e-commerce into your business, and it is important to tie in the introduction of the Internet into your corporate strategy.

Are you a small business? An e-commerce strategy may provide you with increased visibility and branding opportunities, a way to directly generate generation, or help you to attract new customers. It may even let you compete with the “big boys.” But the sad reality is that it takes money to make money. If you want to open a toy store to compete with [Toys R Us](#), the Internet certainly provides you with the channel to do that, but you'll need the backing of a few venture capitalists if you're going to be successful, and that requires a solid business plan. [Toys R Us](#) has the money necessary to afford a few blunders – you probably don't.

Are you a large, existing business? E-commerce intranets will make your employees more efficient, freeing up time that used to be spent on mundane order-taking tasks for developing new ideas. B2B systems will help you to save money, and build long-term relationships with suppliers and customers.

The 10 Essential Strategy Steps to E-Commerce

Any company wishing to be successful in their online venture would be wise to pay attention to what Richard Gascoyne calls “The 10 Essential Strategy Steps,” conveniently listed below.⁸⁰

1. *Embrace the Internet Strategically*: You wouldn’t start a business without knowing what you were going to sell, so why would you go online without having a clear sense of what you wanted to achieve by doing so? Continually experimenting with new ideas and hoping for a winner without any clear sense of direction isn’t the way to approach your e-commerce strategy. Or at least it shouldn’t be. Like all successful business propositions, your Internet plan should have clear objectives and an idea of how they will be achieved.
2. *Develop and accept new business assumptions*: The Internet is a new operating environment, and understanding that new environment is critical to your success. You must develop new business models based on how you think business on the web should be done, comparing and contrasting those new models with the way your company currently does business. This is not an easy process. The introduction of the Internet to your existing business changes the number of markets to which you have access, eliminates what were previously thought to be barriers to entry into new markets, increases your company’s value proposition, enables your company to offer a level of customization that was not possible before ... the list is almost endless. Each of these factors played a critical part in shaping the way that you currently do business, but now that the rules have changed, so must your business foundation. Every assumption must be challenged to ensure it is still relevant with the new strategy.
3. *Envision complete customer-centric solutions*: Put yourself in your customer’s shoes and determine how you can make their life easier and/or better with your contribution to the World Wide Web. Then do what you can to make it happen. When you find something that may be beneficial to your customer but that you cannot achieve on your own, think of possible strategic partners with whom you might want to align yourself with.

⁸⁰ Adapted from Gascoyne, p. 112.

4. *Predict points of entry:* Figure out all of the possible ways that a customer might arrive at your site. (Obviously, this isn't applicable if you only plan on establishing an Intranet). Will they find your site using a search engine? This implies that they were looking for you in the first place, which may or may not be true. Will they arrive at your site by clicking on a strategically placed banner advertisement that they found on another site that they happened to be visiting? Or did they hear about the site from a friend, and decide to type the name directly into the browser. Understanding how people will get to your site should be one of the critical tasks of your company's marketing department.

5. *Redefine relevant core competencies:* The Internet often allows a company to provide customers with a broader, all-encompassing solution to a need they have. Most bookstores share the core competency of inventory management; being able to maximize the return on their available shelf space by carrying only the most popular titles. Although Amazon.com, being an online store with limitless "shelf space", has a huge advantage over other book retailers, it can easily be argued that their core competency is in their database capabilities; in their ability to almost instantly create, catalogue and retrieve customer preferences based on their queries, and then to suggest other books they might also like to purchase. As you redefine your core competencies and assets, your compelling differentiation will become clear; the reason your customer will choose you over your competitor. Smaller companies tend to create new services to differentiate themselves, while larger companies tend to exploit existing information assets.

6. *Experiment with innovative customer-centric solutions:* information is freely available on the Internet, and so there exists an oversupply. As a result, users will no longer tolerate incomplete solutions; if you don't provide a timely, convenient and value-added solution, they'll just look for someone who will. Demand is created only from the most innovative products and services, so continually attempting to do so becomes critical for success.

7. *Define your value proposition:* Quite simply, the value you offer to your customer must be readily apparent. The short-attention span of most web users demand nothing less.

8. *Explore profit models:* Although the media loves to say how much money there is in e-commerce, very few e-commerce companies have managed to make any. Still, there are definite ways to generate revenue via the Internet, and you should attempt to find a way for your company to utilize one of these methods.
9. *Identify points of departure:* Just as you identified points of entry to your website, so must you determine what makes customers want to leave. Why? Because your point of departure is quite possibly another companies point of entry, and vice-versa. It is these sorts of commonalities on which mutually beneficial partnerships are formed.
10. *Plan a phasing approach:* As the old saying goes, “Rome wasn’t built in a day.” Achieving your business objectives will not be an overnight occurrence, and as such, you should plan to reach your business objectives in stages. This allows you to develop checkpoints that will serve as early indicators if you begin to steer off track.

The 8 Biggest E-Commerce Pitfalls to Avoid

If you’ve paid careful attention to everything you’ve read throughout this paper, this section will probably seem unnecessary; you probably would have already taken note of these things while you were reading. However, at the risk of being repetitive, here are 10 things that you absolutely, positively, should NOT be doing online:

1. Do NOT go online thinking that it’s less expensive! Going online isn’t very expensive. Going online well is expensive. Which brings me to...
2. Do NOT be afraid to spend some money! A successful website relies on traffic. You get traffic when people are aware of your existence, and that awareness costs a lot of money.
3. Do NOT forget about the business fundamentals! The Internet is not a toy. Selling products, improving quality, reducing costs, and expanding your markets are just as important in the virtual world as they are in the real world.

4. Do NOT resist change! Things happen fast online. Don't get too comfortable where you are, because you'll likely be shifting positions quickly. But...
5. Do NOT expect things to happen overnight! Growing a successful website takes time. It took Amazon.com more than three years to get where they are today. That may not sound like a lot by traditional standards, in Internet time, that's a long, long time.
6. Do NOT be afraid to try new things! The Internet is a new medium to be explored. If you aren't willing to try new things, your customers will quickly tire of your site and stop visiting.
7. Do NOT go online unless it makes sense strategically for you to do so! If you try to enter the online realm when it doesn't make sense for you to do so, you're just wasting your time and your money. Remember, this is a business decision, not an emotional one – or at least it should be.
8. Do NOT forget to constantly evaluate your results! You can't get better if you don't know what you did right and what you did wrong. Contrary to popular opinion, the Web isn't all about trial and error. Whenever you try something, make sure you can measure whether or not it works.

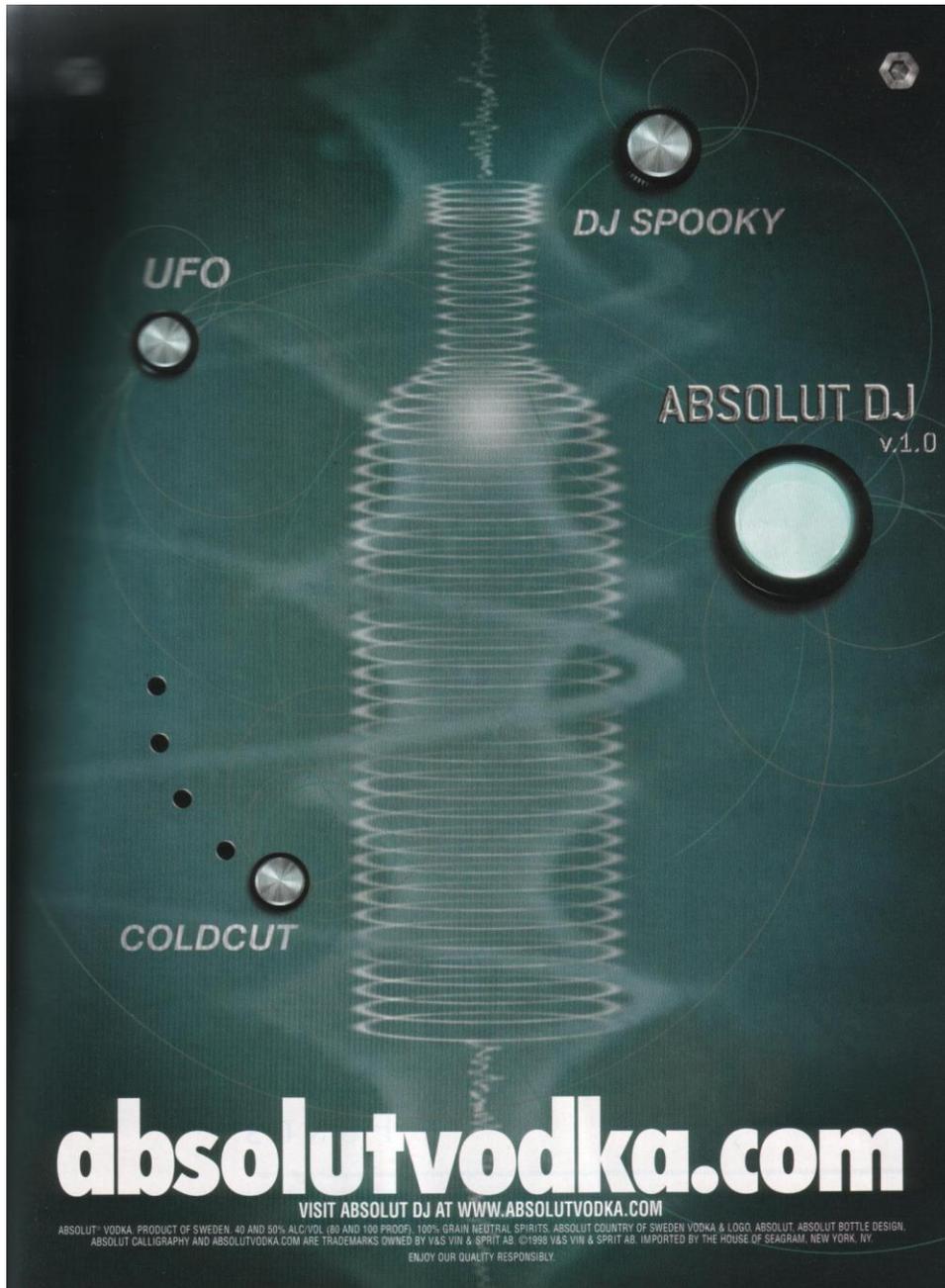
Final Thoughts...

E-commerce is constantly evolving. As I neared the completion of this paper, a friend casually suggested the idea that the world of online auctions, such as [eBay](#) and [bid.com](#), are essentially creating a new e-commerce subset – the consumer-to-consumer model. And he's right – the auction format might just revolutionize the way that consumers obtain their goods. But this model is too new to research as of yet, and since we'll need some time to evaluate the long-term success of these websites, I'm comfortable with the 4-Prong e-commerce model that I have argued throughout the course of this paper.

Entering the world of e-commerce is a big undertaking, but if you have taken the time to think through the strategy, and if you have faith in the digital world, it may very well prove to be one of the greatest things your company will ever do.

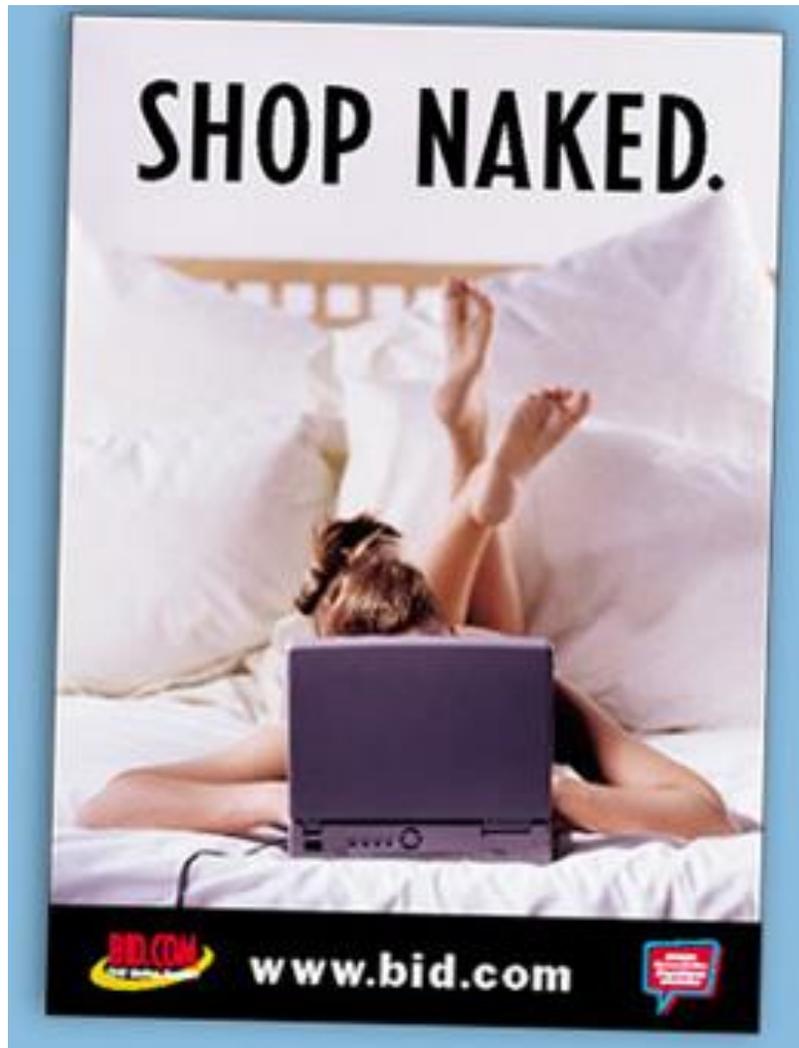
Appendix A: Advertisements for Websites
(Clicking on the advertisements will bring you to the website.)

A1 – Absolut Vodka



The absolutvodka.com advertisement, in keeping with their offline ad campaign, shows the outline of a bottle in a unique setting – this one is set in a digital landscape. This advertisement was found in eCompany Now! Magazine.

A2 – Bid.com



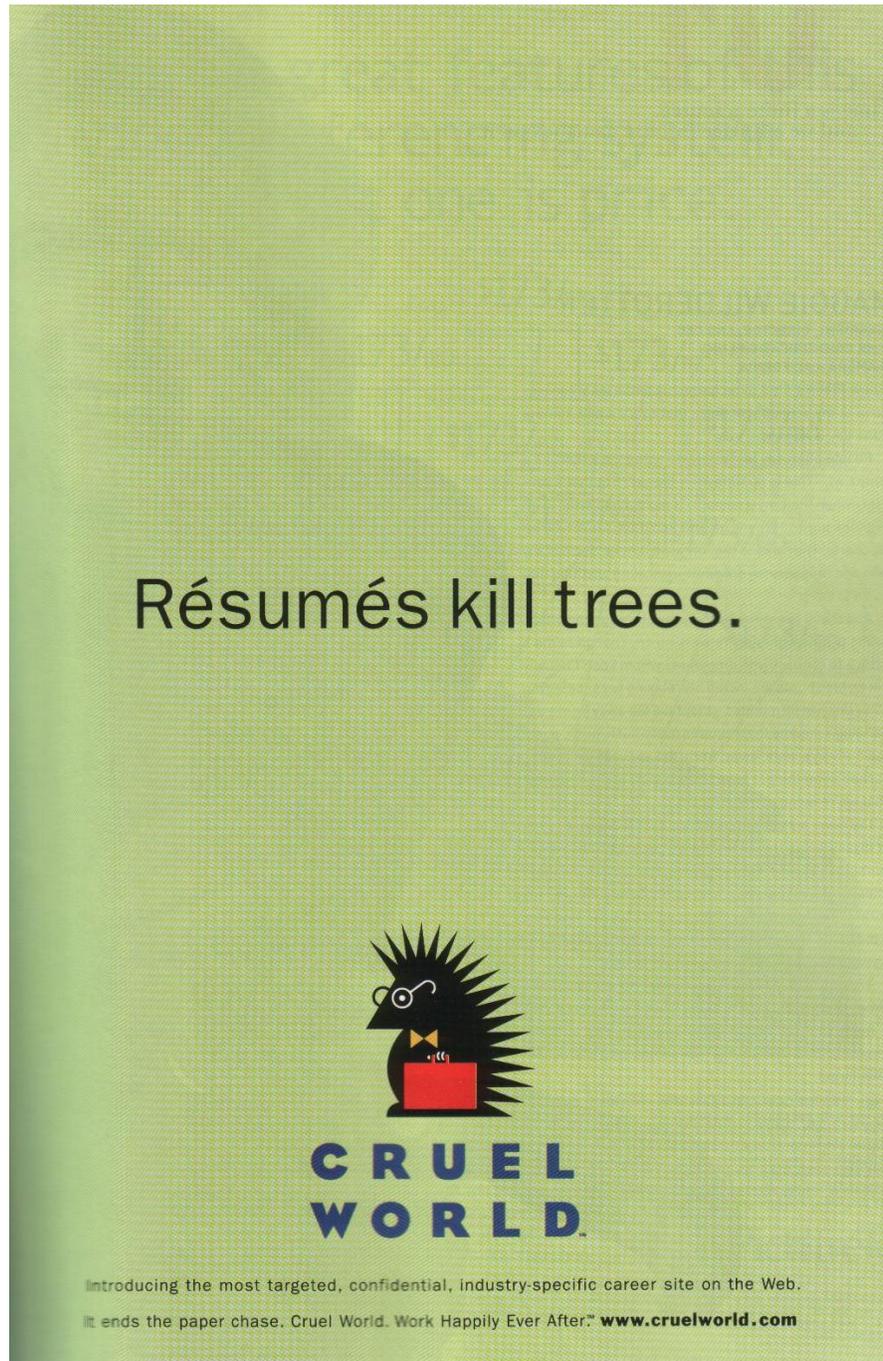
The controversial Bid.com advertisement emphasized the benefits of shopping from the comforts of your home using the bid.com website. These print ads also appeared as billboards.

A3 – Brooks Brothers



This straightforward advertisement is a good example of how a company can (and should) simply add their URL to all standard print advertisements. Note that the domain name is the name of the company – a website address that’s easy to remember if you’re already familiar with the existing Brooks Brothers brand.

A4 – Cruel World

The advertisement features a light green background with a fine, repeating pattern. The text "Résumés kill trees." is centered in a large, black, sans-serif font. Below this is a stylized black silhouette of a porcupine with a red rectangular shape on its chest. Underneath the porcupine, the words "CRUEL" and "WORLD" are stacked in a bold, blue, sans-serif font. At the bottom, there are two lines of smaller text: "Introducing the most targeted, confidential, industry-specific career site on the Web." and "It ends the paper chase. Cruel World. Work Happily Ever After.™ www.cruelworld.com".

Résumés kill trees.

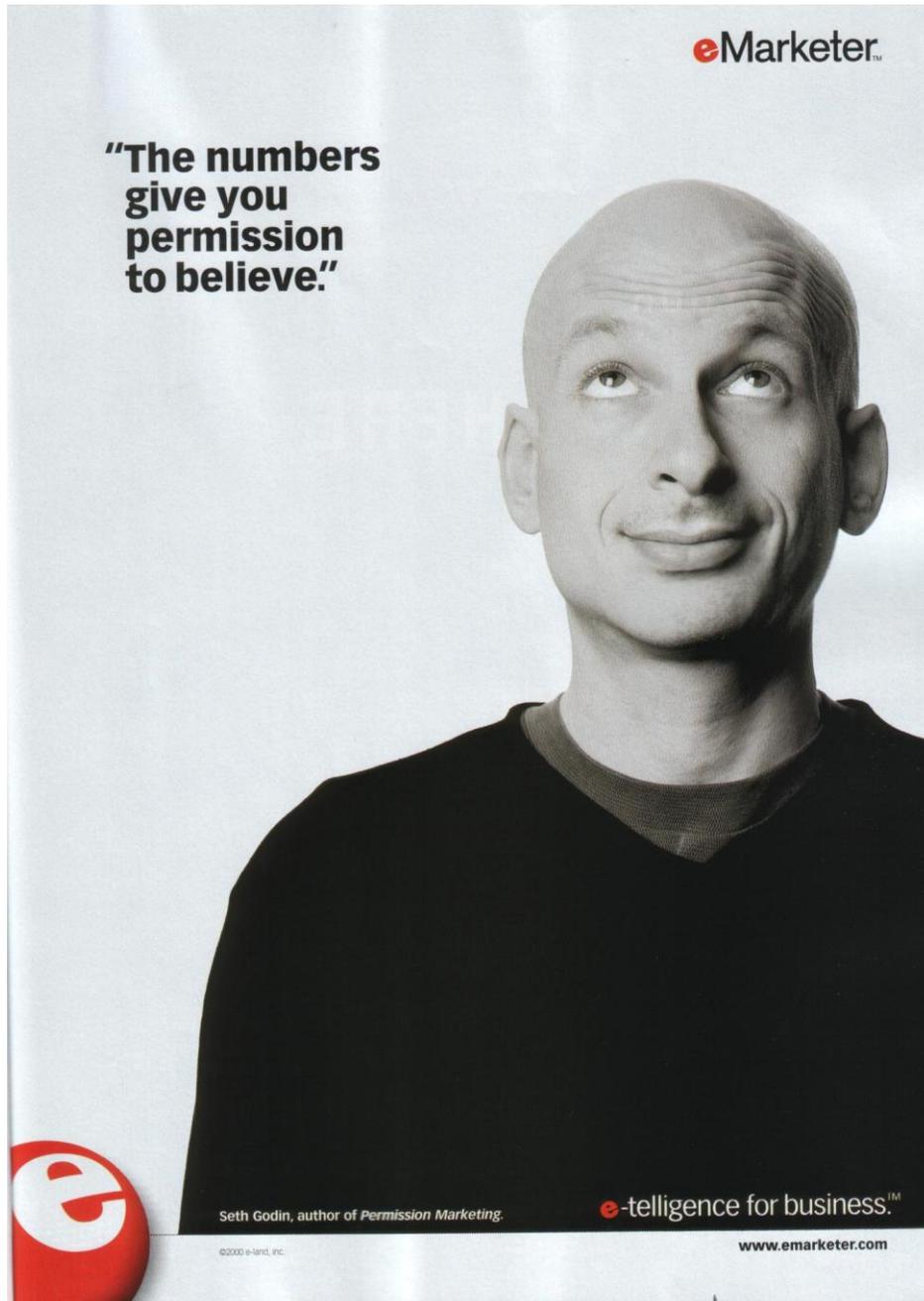


**CRUEL
WORLD.**

Introducing the most targeted, confidential, industry-specific career site on the Web.
It ends the paper chase. Cruel World. Work Happily Ever After.™ www.cruelworld.com

Cruel World relies on humour and a clear, simple message to drive home their point in this advertisement, whose short, clear, (and humorous) message caters to the short-attention spans of today's Internet users.

A5 – E-Marketer

An advertisement for E-marketer featuring a portrait of Seth Godin, a bald man with a slight smile, looking upwards and to the right. The background is a light, textured grey. In the top right corner, the E-marketer logo is displayed. In the top left, a quote reads: "The numbers give you permission to believe." In the bottom left, there is a red circular logo with a white 'e'. In the bottom center, text identifies Seth Godin as the author of Permission Marketing. In the bottom right, the text "e-telligence for business.™" and the website "www.emarketer.com" are shown. A small copyright notice "©2000 e-int, inc." is located at the bottom center.

This advertisement for Emarketer uses the time-old “testimonial” advertising technique to capture the reader’s attention, which just goes to show how little difference really exists between offline and online promotional tactics. Devoted Internet marketers and loyal Fast Company readers alike should quickly recognize the hairless head of Permission Marketing Guru Seth Godin, whose endorsement gives the website an almost instant credibility.

A6 – E-Prize



We get you information about your web site visitors
the old-fashioned way.

We bribe 'em.

That is, we use big prizes to make 'em talk. ePrize can run your company's online sweepstakes from start to finish. In the process, you'll find out who's visiting your site, generate more hits, enlarge your mailing list, and grow your online business. How? Every time someone registers, we compile demographics, purchasing patterns, and other priceless info for you. All at a savings of up to 90% of the cost of doing it yourself.
Give us a buzz at 877.837.7493 or visit www.eprize.net



ePrize
eSweepstakes
made easy

E-Prize uses the caption to grab your attention, and relies on the textbox below to explain the company's business.

A7 – E-Tour



now the things you like find you.

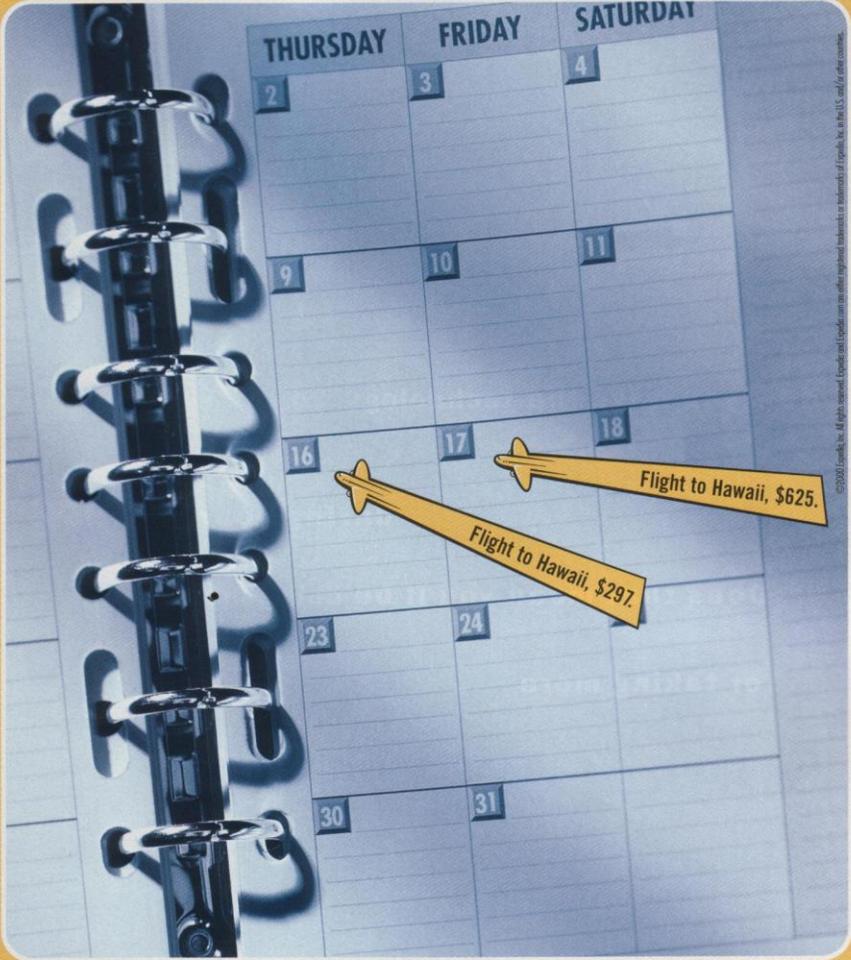


It's great when you find Web sites you really like. Wouldn't it be better if those sites found you? Welcome to eTour.com. The first time you visit you tell us your interests. After that, every time you log on, we bring you new Web sites that match those interests. Whatever they are. Only great sites, no junk. No wonder we were rated "A+" by *Entertainment Weekly* magazine. There's no more searching. Just surfing.



E-Tour is in the business of bringing you websites that it thinks you may find interesting based on a profile you complete when you first sign-up. The advertisement uses a fairly shocking picture to capture audience attention, and then relies on the textbox to explain the picture – and thus – the company concept) to those that care enough to read on.

A8 – Expedia.com



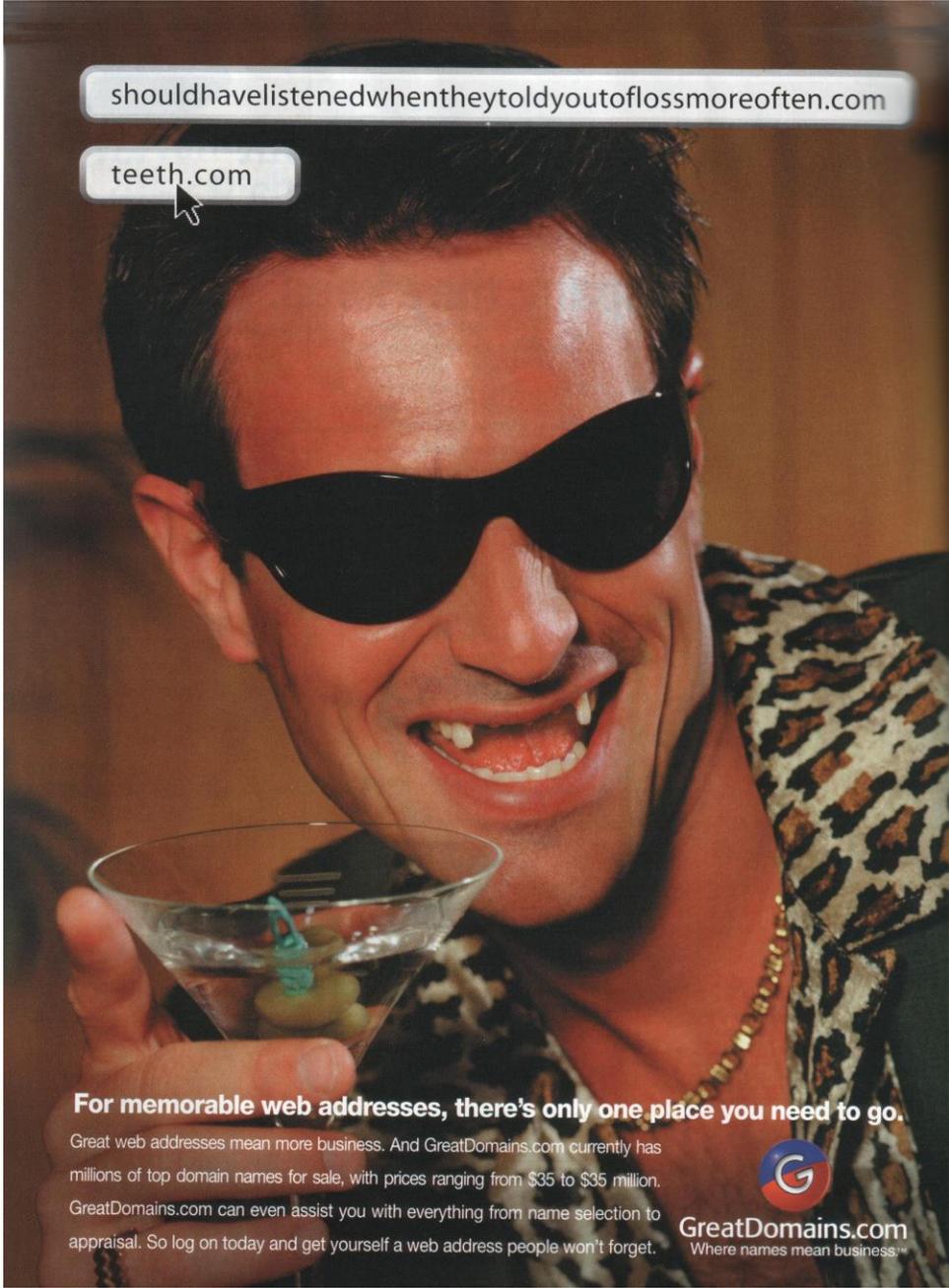
©2008 Expedia, Inc. All rights reserved. Expedia and Expedia.com are either registered trademarks or trademarks of Expedia, Inc. in the U.S. and/or other countries.

Know when to fly to get the right fare with Fare Calendar.
Plus get all the other insights you need so you don't just book a trip, you book the right trip. Reserve the perfect room.
Rent the right car. Easy and secure transactions, all at the right price. Backed by our 24-hour customer support.

 **Expedia.com**
Don't just travel. Travel Right.™

Expedia has chosen to promote a single feature of their website with this advertisement – their Fare Calendar. A simple price comparison is used to show the advantages of the online service.

A9 – Great Domains.com



shouldhavelistenedwhentheytoldyoutoflossmoreoften.com

teeth.com

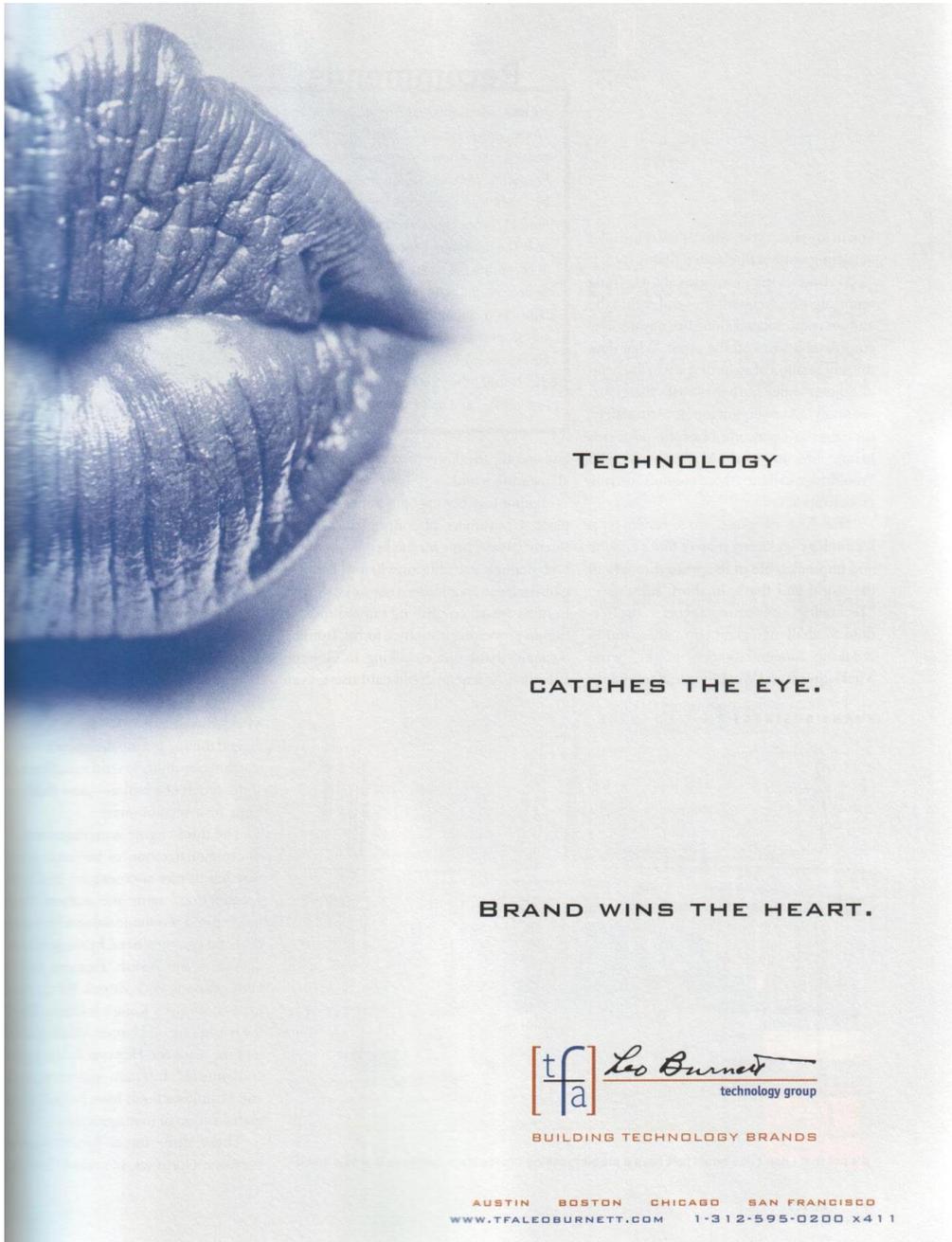
For memorable web addresses, there's only one place you need to go.

Great web addresses mean more business. And GreatDomains.com currently has millions of top domain names for sale, with prices ranging from \$35 to \$35 million. GreatDomains.com can even assist you with everything from name selection to appraisal. So log on today and get yourself a web address people won't forget.

 **GreatDomains.com**
Where names mean business.™

GreatDomains.com uses humour to relay the message that a good domain name is critical to an online company's success. (But you knew that from Chapter 3, right?) GreatDomains.com can almost be considered a professional cybersquatter, having registered hundreds of domain names in the past for the purpose of reselling them at a profit.

A10 – Leo Burnett



This advertisement isn't promoting a website, per se. It's promoting Leo Burnett's new "online brand department". Leo Burnett just purchased TFA, and is using this ad to let people know that they are (now) a tech-savvy advertising agency, (presumably in an attempt to capture some of the ad business being created by dot-com firms everywhere.)

A11 – Redwax.com



This advertisement's primary attention grabber seems to be a not-so-subliminal sexual innuendo. (If you don't see it, you're obviously not a 22-year old male.) However, entering the URL www.redwax.com begins you to the Maker's Mark website – a company that seems to produce beer and bourbon. Yet, the Maker's Mark name appears nowhere on the advertisement, wasting what would have been a perfectly good opportunity for increased brand awareness. This is NOT a very good advertisement, despite the sexual undertones.

A12 – Chipshot.com TV Advertisements

To give you yet another reward for choosing to read this paper online, here are a series of absolutely hilarious television advertisements from Chipshot.com – an online golf retailer. Simply double click on the boxes below. (If you're reading the physical copy of this paper, you're out of luck.)



Appendix B: Interesting URLs (by category)

Successful Online-Only Brands:

The following list may be useful in researching the type of activities and site designs that a few successful companies have chosen to employ.

1. www.amazon.com (Online Book Retailer)
2. www.bid.com (Online Auction Site)
3. www.ebay.com (Online Auction Site)
4. www.etoys.com (Online Toy Store)
5. www.monster.com (Online Job Search Site)
6. www.priceline.com (Online Car Comparison Site)
7. www.travelocity.com (Online Reservation System)

Major Search Engines

The following represent a few of the major search engine that you may want to ensure your site is registered with.

1. America Online <http://www.aol.com>
2. Alta Vista <http://www.altavista.com> * Search images / videos / MP3s!
3. Ask Jeeves <http://www.ask.com> * Great for answers to questions
4. Canada.com <http://www.canada.com> * Canadian sites first
5. Excite <http://www.excite.com>
6. Google <http://www.google.com>
7. Hotbot <http://www.hotbot.com>
8. Infoseek <http://infoseek.go.com>
9. Internet Sleuth <http://www.isleuth.com>
10. Looksmart <http://www.looksmart.com>
11. Lycos <http://www.lycos.com>
12. Netscape <http://home.netscape.com/home/Internet-search.html>
13. Webcrawler <http://www.webcrawler.com>
14. Yahoo <http://www.yahoo.com>
15. Yahoo Canada <http://www.ca.yahoo.com>

Top Ten Canadian Sites ⁸¹

(By page-views per month - September 1999)

1. [Sympatico](#)
2. [Globe and Mail](#)
3. [Canoe](#)
4. [Bid.com](#)
5. [Yahoo Canada](#)
6. [Dell Computer](#)
7. [Canada.com](#)
8. [Canadian Broadcasting Corporation](#)
9. [Quicken Canada](#)
10. [Toronto.com](#)

⁸¹ “Tidbits”, eBusiness Journal: Strategies and Solutions for the Digital Economy, March 2000, p. 3.

Appendix C – Helpful Internet Resources

AIM (www.aimscanada.com)

The Association of Internet Marketing and Sales (AIMS) is a not for profit organization that relies on the contributions of sponsors and the volunteer participation of its members to conduct AIMS activities. They serve as a forum for Canadian decision makers to “learn, share and contribute to the understanding of best practices and emerging trends within the Internet marketing and sales field.” Their mandate is to provide AIMS members with a) regular opportunities to create alliances, network & develop businesses, b) a forum for presenting Internet marketing issues and discussion and to promote dialogue and learning, and c) collective clout to attract attention and add credibility to the Canadian Industry. AIMS does not charge for membership, however they reserve the right to limit membership to those working in our industry.

ClickZ (www.clickz.com)

A subscription to ClickZ provides you with the option of receiving daily summaries of ClickZ’s feature articles each weekday in either HTML or plain-text format. The articles cover topics such as Permission Marketing, E-mail Marketing, Online Branding, Metrics, and more. Clicking on the summary in the e-mail brings you straight to the website, where you can read the full article. Articles are both interesting and relevant for any online marketer.

eMarketer (www.emarketer.com)

A must for any online marketer, eMarketer.com provides a ton of marketing-related news and statistics about the Internet in an easy-to-read format.

E-Newsletters.Internet.com (<http://e-newsletters.internet.com>)

This website offers a HUGE assortment of newsletters that you can subscribe to, with a wide variety of topics.

(The) Industry Standard (www.thestandard.com)

The Standard provides a huge assortment of useful information, ranging from Marketing, to Financial Analysis of dot-com companies, to Market Updates, to Metrics. A fantastic, all-around website.

Internet Law News (www.lawbytes.com)

You can get this daily e-mail newsletter for free by sending an e-mail to Michael Geist at michaelgeist@yahoo.com with “subscribe netlaw” as the subject message. Mr. Geist is a law professor at the University of Ottawa Law School, and his newsletters are both interesting and informative. Don’t worry, Mr. Geist is great at avoiding legalese in his newsletters, making it easy to understand for us lay-persons. You can also visit his website at www.lawbytes.com.

MeMail (www.memail.com)

MeMail provides interesting daily news summaries and well-written commentaries about various Internet-related subjects.

Glossary of Terms

<u>Application:</u>	Another term for a software program.
<u>Affiliate Program:</u>	A program designed to provide a financial incentive for other website owners (i.e. affiliates) to drive traffic to the program owner's website.
<u>Authentication:</u>	The process used in online transactions in order to verify identity.
<u>Bandwidth:</u>	The amount of data that can be passed along a communications channel in a given period of time.
<u>Banner Advertisements:</u>	An advertisement on an Internet site, most of which allow you to "click-through" directly to the advertiser's website.
<u>Business-to-business (B2B) e-commerce:</u>	E-Commerce involving the sale of goods or services from one business to another.
<u>Business-to-consumer (B2C) e-commerce:</u>	E-Commerce involving the sale of goods or services from a business to a consumer.
<u>Bookmark:</u>	A website or webpage saved via the Web browser for future reference.
<u>Broadbanding:</u>	The process of dividing up bandwidths so that they can be shared by multiple simultaneous signals.
<u>Brochure-ware:</u>	The term used for websites constructed for the sole purpose of being online brochures, without adding any additional features, benefits, or value.
<u>Browser (or Internet Browser):</u>	The graphical user interface that allows people to access the Internet. The two most popular web browsers on the market right now are Netscape Navigator and Microsoft Explorer.
<u>Chatroom:</u>	A place where web users can engage in online dialogue within a website.

<u>Clickitis:</u>	A catchy way to describe the behaviour web-surfers tend to exhibit as soon they become disinterested in a website – they have a tendency to click away to another that holds more appeal.
<u>“Clicks and Mortar” company:</u>	The term used to describe an offline company with online revenue generating operations: a company that operates in both the physical world via a traditional-type store and in the online realm via the Internet.
<u>Cookie:</u>	A piece of information sent by a web server to a web browser. The browser software is expected to save the cookie and send the information back to the server whenever an additional request is made. Cookies may contain information such as user preferences, registration or login information, online shopping cart info, etc...
<u>CPM:</u>	Cost per thousand. The measure most frequently used to quote the cost of banner advertisements.
<u>Cybersquatter:</u>	An individual that registers domain names solely for the purpose of later reselling them at a profit.
<u>Digital Certificates:</u>	Digital proof of identity for online transactions.
<u>Domain Name:</u>	The common name used to refer to a computer’s IP address, or location.
Domain Name System:	(DNS) A general-purpose distributed, replicated, data query service chiefly used on Internet for translating hostnames into Internet addresses. Also, the style of hostname used on the Internet, though such a name is properly called a fully qualified domain name. DNS can be configured to use a sequence of name servers, based on the domains in the name being looked for, until a match is found. (Source: http://virtual.office.com/domains.html)
<u>Downtime:</u>	The generic term given when a website becomes temporarily unavailable to users for whatever reason.
<u>E-Commerce:</u>	Short for “electronic commerce”. For more detail, please see the rest of this paper.
<u>Electronic Data Interchange (EDI):</u>	An antiquated process of exchanging orders and unifying processes between two businesses in efforts to build efficiencies.

<u>Encryption Software:</u>	The software used to digitally scramble messages, to ensure that they cannot be read by unauthorized recipients if intercepted.
<u>Extranet:</u>	The extension of a company's Intranet out onto the Internet, (e.g. to allow selected customers, suppliers and mobile workers to access the company's private data and applications via the World-Wide Web.) This is in contrast to, and usually in addition to, the company's public web site which is accessible to everyone... an extranet implies real-time access through a firewall of some kind.
<u>E-Zine (or 'Zine'):</u>	An online magazine.
<u>FAQs:</u>	Frequently Asked Questions - usually a section on a site that provides standard answers to common inquiries.
<u>Firewall:</u>	A dedicated gateway machine with special security precautions on it, used to service outside network, especially Internet, connections and dial-in lines. The idea is to protect a cluster of more loosely administered machines hidden behind it from crackers. The typical firewall is an inexpensive microprocessor-based Unix machine with no critical data, with modems and public network ports on it, but just one carefully watched connection back to the rest of the cluster. The special precautions may include threat monitoring, call-back, and even a complete iron box keyable to particular incoming Ids or activity patterns. (D)
<u>Flash:</u>	A popular software program used to add multimedia to websites.
<u>Homepage:</u>	The page your web browser opens to upon startup of a web session
<u>ICANN:</u>	Acronym for the <u>Internet Corporation for Assigned Names and Numbers</u> – the US non-profit corporation that was formed to assume responsibility for the IP address space allocation, protocol parameter assignment, domain name system management, and root server system management functions previously performed under U.S. Government contract by IANA and other entities.

<u>Intranet:</u>	The “intra-organizational side of electronic commerce,” that allows companies to experience the benefits of the Internet in-house on a much smaller scale.
<u>Internet:</u>	A computer network of networks that allow computers across the globe to connect to one another.
<u>Internet Protocol (IP) Address:</u>	The computer version of a house address; a sequence of numbers used to identify your computer on the Internet.
<u>Internet Service Provider (ISP):</u>	Companies who provide Internet access to consumers and businesses.
<u>Microsoft Front Page:</u>	A popular web development program that allows for easy-to-use web design.
<u>Permission Marketing:</u>	The concept of asking a customer for permission before sending him or her e-mails, advertisements, and other such notices.
<u>Pure-play (online company):</u>	A term the media sometimes uses to describe companies who operate only in the online realm, without any physical locations. Amazon.com is a pure-play, (because there aren't any Amazon.com stores), while Chapters.ca is not.
<u>Search Box:</u>	A common tool used to make an Internet query.
<u>Secure Electronic Transaction (SET):</u>	An Internet payment protocol for e-commerce payment transactions, designed to provide a high level of security and anti-fraud assurances for payment over the Internet
<u>Site Stickiness:</u>	The term referring to a website's ability to keep visitors for a prolonged period of time. If I can keep visitors on my website for 1 hour, and you can only keep them interested for 40 minutes, then my sight is stickier than your site.
<u>SPAM:</u>	Unwanted and unsolicited e-mail; “junk-email.”
<u>Three-Click Rule:</u>	The rule that has been developed by the industry, dictating that all information that a user could want should be accessible in no more than three clicks of the mouse (i.e. buried no deeper than three layers within a website)
<u>TLD (Top Level Domain Name):</u>	The suffix of a domain name, such as “.com” or “.net”

<u>Troubleshooting:</u>	The process of solving a technical problem.
<u>URL:</u>	Universal Resource Locator; a statement (most often a web address) that specifies a transmission protocol and an Internet identifying number, used chiefly for moving from site to site on the World Wide Web.
<u>Viral Marketing:</u>	Internet-style word-of-mouth marketing that uses the customer to advertise a product or service, spreading information like a virus, as in <i>Hotmail uses viral marketing to gain customers by appending every e-mail message with a note telling recipients how to get the service.</i>
<u>Web-Browser:</u>	See “Browser”
<u>Web Developer:</u>	The person or firm hired to develop a website.
<u>Webmaster:</u>	The person responsible for maintaining a website.

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