

Get the best out of b2c

Business



Over the last few years, many words have come into our vocabulary: e-mail, www, dotcom, Internet, e-commerce, e-business, browser, etc. All these new terms have one thing in common, belonging to the new economy --- e-commerce --- technology-mediated exchanges between parties (individuals, organizations, or both) as well as the electronically based intra- or inter-organizational activities that facilitate such exchanges^{O1}.

The Internet has brought along new challenges for companies around the world. Never before has it been easier for a company to find customers for the products it is selling, or for customers to find the company. The Internet has also brought along many new companies who understand the possibilities that the new economy has to offer. It is moving fast, no doubt about that, but where is it going and how will it end?

In this report, I will compare and discuss the B2C model of the 2 chosen companies, who are dealing with computer hardware, TigerDirect (www.tigerdirect.com) and Logitech (www.logitech.com). Looking at their e-commerce strategy, business models and customer interface, I will try to find out their key factors of being a successful dot.com company.

General Introduction to B2C

There are 4 distinct categories can be identified ^{O2}: business-to-business, business-to-consumer, consumer-to-consumer, and consumer-to-business (Figure 2. 1)

While the term e-commerce refers to all online transactions, B2C stands for "business-to-consumer" and applies to any business or organization that sells its products or services to consumers over the Internet for his/her own use.

A study by the consulting firm the Boston Group pegged the 1999 B2C volume at \$33.1 billion and estimated it almost doubled to \$61 billion in 2000⁰³; equally important is the finding that 85 percent of Internet users are also Internet shoppers⁰⁴. "Consumers prefer to shop and buy on the Internet for 3 major reasons: convenience, saving time, and comparative shopping. Shoppers can shop from anywhere in the world at any time. They can shop in the middle of the night, sitting at home in their pajamas, and with a single click of the mouse execute a purchase order. Shoppers can visit numerous vendors' sites within a short period of time.

While it could take several hours to drive to shopping malls and browse the brick-and-mortar stores, they can accomplish much more shopping from the comfort of home in a few minutes. ... One of the Web's greatest advantages over traditional shopping is comparative shopping. Numerous sites let shoppers compare items and prices in preset categories. If customers know what item they want it is easy to find the site that sells it for the lowest price. If they are looking for a price range of an item, they can easily find the brand that provides the best overall quality of that item. In consumer surveys, respondents have cited additional reasons for shopping online, including the ability to buy from non-local merchants and shopping without sales pressure.⁰⁵"

Company Brief

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TigerDirect Inc (a subsidiary of Systemax Inc. is part of a group of branded e-commerce web sites, direct mail catalogs, and relationship marketing selling private label and name-brand PC hardware, related computer products, and industrial products, to businesses in North America and Europe.

The company was reported as the No. 15 online retailer by comScore Networks in 22 July 2002 New York Times. According to the report, TigerDirect's website (<http://www.tigerdirect.com>) received 1.4 million unique visitors during May 2002, spending an average of \$399 and accounting for 2% dollar share of market. TigerDirect has been steadily increasing its presence on the dot.com radar in the past year with huge increases in customer traffic. Under the hands-on leadership of CEO Gilbert Fiorentino, TigerDirect has attempted to maximize each customer contact, whether it is by email, catalog, visiting the website or calling its sales representatives.

" We strive to communicate with the customer using whichever medium they most prefer," says CEO Gilbert Fiorentino. " Providing multiple channels of contact allows us to communicate that we have the best buys on computers and PC related products anywhere! O6"

TigerDirect focuses on bringing the greatest deals directly to the consumer on computer hardware and related equipment. By email, TigerDirect informs consumers of the latest and greatest deals. By catalog, over 2 million individuals get a " computer store" in their mailbox every month.

" Providing our customers with the best deals in a timely fashion is crucial to us," says Richard Wallet, Executive Vice-President of Marketing

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Communication. " Sometimes a great offer will only last a day or two, and we want our customers to know about it! O7"

Besides the companies who are dealing with diversified brands of computer hardwares, such as TigerDirect, there are still some companies who are specialized in dealing with certain brands, one of the famous ones is called " Logitech".

Logitech designs, manufactures and markets personal interface products that enable people to effectively work, play, and communicate in the digital world. It specializes in wireless optical mice and keyboards, Web-cams, PDA keyboards and game console attachments. With sales of US\$944 million in fiscal 2002 -- 28 percent more than in fiscal 2001 -- the company's balance sheet is firmly in the black.

The 22-year-old company's recent success can be attributed to consumer demand for peripherals, driven not only by a fondness for entertainment and utility, but also by a desire to capitalize on home computer purchases made in the last several years.

" You probably don't need the next Pentium chip. Your software is running fine. But to make the experience -- the interface part of it -- easier to use or more convenient and to get rid of a clunky cord, people will spend \$50," Logitech chief financial officer Kristen Onken told the E-Commerce Times O8.

Business Model

In the most basic sense, a business model is the method of doing business by which a company can sustain itself -- that is, generate revenue. The

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business model spells out how a company makes money by specifying where it is positioned in the value chain O9. Briefly, the New Economy business model requires 4 choices on the part of senior management that include the specification of O10:

1. A value proposition or a value cluster for targeted customers
2. A market-space offering -- which could be a product, service, information, or all three
3. A unique, defensible resource system
4. A financial model

Describing the basic framework of a business, it tells what market segment is being served, the product/service that is being provided, and the strategy adopted to produce and deliver services. In these charters, we are reviewing business model of the above 2 mentioned companies. The following comparison will mainly focus on Value clusters definition process.

Value cluster

To understand in terms of business value (to the organization) and customer value (to the users), it comes to the 1st step --- construction of a value cluster --- This topic will be explored in the following 3 categories O11:

1. Choice of target customer segments. In developing value proposition, it is important to understand how customers think about or become aware of a need, and how an online experience can satisfy that need. Traditionally, when we bought something major like an automobile, we just went around <https://assignbuster.com/get-the-best-out-of-b2c/>

asking an awful lot of people what they thought. Probably asked friends whether they liked the cars they owned; maybe even bought and read a few consumer-oriented magazines, with reports of customer-satisfaction surveys. At least new car models only come out once a year, so there are no constant necessities to face with another new model to look at. However, computer hardware doesn't seem to be released on the same schedule.

Few people own scanners, digital cameras, or other computer hardware; those that do may have older models from one or two years ago, what could help a customer to get the latest trustworthy advice about what to buy? Now, with the development of on-line buying technology, people have the opportunities to seat in their pajamas, some simple clicks will enable them to view cargo gallery, compare price, place order, make payment or listen/publish personal point of view. Just as stated out by Amazon. com, " use the Internet to transform book buying into the fastest, easiest and most enjoyable shopping experience possible." TigerDiret. com and Logitech. com both targeted consumers who wanted easy, quick access to a wide range of PC devices, those who do not want to go to a physical store for shopping, and those who want to order as quickly and easily as possible.

2. Particular focal combination of customer-driven benefits. A eTailing survey illustrated that, price is indeed an important decision criteria. However, hosts of other services that imply different benefits were significantly more likely to influence the purchase decision. These included such attributes as customer support, on-lien delivery, shipping and handling, and privacy concerns (Figure 4. 1. 2 O12).

TigerDirect. com dedicates to offering a significant customer value package, which includes not only competitive price, but also up-to-date products with wide range of selections. Meanwhile, TigerDirect's homepage aims to provide visitors a snapshot of the best dealers in time. Besides these, TigerDirect also pays a lot attention on customer support. As said by its CEO Gilbert Fiorentino " We strive to communicate with the customer using whichever medium they most prefer, providing multiple channels of contact allows us to communicate that we have the best buys on computers and PC related products anywhere!"

Unlikely, Logitech. com elaborate its attractiveness success mainly through her branded high-level stand products, which helps to propel it to the top class. " They are pretty close to the best of breed," director of client computing Roger Kay told the E-Commerce Times. It aims to maintain strong holding of customer loyalty in long-term. Furthermore, constant products innovation keeps its web page remaining highly attractive to those Logitech fans.

3. The rationale for delivering benefit package. How can a firm beat his/her competitors? In contrast to segment choice and benefits, this step focuses on factors inside the firm (or with partners) that lead to the superior delivery of targeted benefits. The key issue is whether these unique capabilities can be linked directly to the core benefit or benefits that form the value proposition O13.