

# [Impact of the internet on the macro-environment](https://assignbuster.com/impact-of-the-internet-on-the-macro-environment/)

1. Explain the impact of the Internet on the macro-environment.

The macro-environment takes a broad perspective of the factors that influence a firm’s strategy and performance. Evolving trends in the macro-environment can present significant opportunities and threats to a firm’s strategy. Therefore, at the outset of any strategy formulation, it is useful to analyze the trends that characterize the macro-environment in its different dimensions: political, legal, economic, social and technological.

The political and legal environment

The political and legal environment relates to issues on different organizational levels. At country and industry levels, it includes issues such as taxation, monopoly legislation and environmental laws.

New IGR Study Forecasts That Almost 98 Percent of Broadband Data Use in U. S. Households will be on Wi-Fi Devices by 2018. Many governments realize that Internet is future and recently India newly elected government announced Broadband high ways as their major agenda. Developed countries like US are marching towards 1+ Gigabyte speed and developing countries are looking towards LTE and 4G networks.

Ecommerce companies have already started focusing on 3D Augment reality or content rich mobile app or web applications to capture Broad Band Internet Wi-Fi wave.

The economic and social environment

The economic environment refers to broader economic developments within the context of a country, a regional dimension or globally. One example of how this dimension impacts the business was the rise and fall of dotcom industries.

The social environment considers factors such as population demographics, income distribution between different sectors of society, social mobility of people, and differing attitudes to work and leisure.

According to US census Bureau

In 1997 18. 7% households had Internet use and mainly 59% of them are home computer users using to learning them.

In 2012 78. 9% of all households had a computer at hom. 94. 8% of them used to connect to Internet

Every household is connecting to Internet from different devices like laptops, computer, phones, tablets, game consoles, media cast devices. Cloud is new standard for storage. By 2018 most people will be storing on cloud.

The above all statistics show how Internet is influencing average consumer decisions.

The technological environment

The technological environment is of significant importance in the context of e-business. Technological innovations (such as the Internet or wireless devices) led to the emergence of new market opportunities and business models

With Invent of IPhone in 2007 new era has begin in mobile computing. Technology in Internet is moving at faster phase. The Internet Infrastructure is moving towards 1 Gigabyte + speed. In very near future, house locks and Cars will be connected to Internet. Home automation through Internet is going to be more popular soon.

1. Review the impact of the internet on the five forces industry framework and explain how it works

Porter proposes a five forces framework, which outlines the main factors determining a firm’s ability to capture the value it creates.

The five forces provide a guiding framework for understanding the sustainability of profits against competition and bargaining power. The five structural features that determine industry attractiveness are: (1) industry rivalry, (2) barriers to entry, (3) substitute products, (4) bargaining power of suppliers and (5) bargaining power of buyers.

Industry rivalry occurs when firms within an industry feel the pressure or the opportunity to enhance their existing market position. High intensity of rivalry within an industry results from the following structural factor

The Internet revolution geographical boundaries are getting reduced. People anywhere in the world are getting connected to each other through Internet. Inside e-commerce industry there are so many mergers and acquisition of companies taking place because fierce competition and rivalry to gain Internet customers.

The recent spat between Verizon and Netflix depicts classic example for latest Industry rivalry . The Federal Communications Commission (FCC) has demanded access to private peering agreements between Netflix and Comcast as well as between Netflix and Verizon. The agreements are central to an ongoing dispute between the Internet service providers and Netflix regarding the speed at which the streaming video is delivered to consumers.

Barriers to entry determine the threat of new competitors to enter the market of a specific industry. As Internet entry is low cost every one thought it would wipe out most barriers to entry.

But as Brick and mortar companies has enough recognition and cash they found it easy to start Internet business than the companies, which do not have any presence.

Out of many Internet companies, very few companies like Alibaba, eBay, Amazon succeeded. There is steep learning curve for Internet business and still success is not that easy.

If there are numerous competitors, then individual firms may want to make a competitive move, e. g. by lowering prices. Furthermore, the Internet has reduced the importance of geographic boundaries, which traditionally limited the number of competitors within a region. For instance, B2B e-marketplaces, such as alibaba. com, amazon. com (quickly expanded into new locations. Since competitors following the same strategy, competition became more intense.

Companies like Google, Amazon, Apple, and Microsoft are acquiring the intellectual assets to prove the dominance on music Industry and gaining huge market share whose market share is non-existent 10 years ago.

Since the introduction the iTunes Music Store on April 28, 2003, music sales have plummeted in the United States — from $11. 8 billion in 2003 to $7. 1 billion last year 2013, according to the Recording Industry Association of America. When adjusted for inflation, revenue has been more than halved since Apple (AAPL) launched the iTunes Music Store

Nevertheless, the iTunes Music Store’s effect on the way people buy music over the past 10 years has ensured that the music industry will never again be the same.

Regarding substitute products and bargaining power, the Internet has increased the competition where low cost and high cost products are available on same platform, which is available to all. Internet has opened doors so that similar type of products availability is no scarce. With lowering shipping costs, consumers are not afraid to shop online from different countries. The barging power of consumer and supplier both increased because of fierce competition and ease of availability and presence on Internet. As there are less and less Geographical barriers in the Internet age companies are also launching their products in various countries at same time

1. Go towww. ecommercetimes. com, which provides a sound archive of e-business-related articles an publications. Select one to report on.

Amazon’s About to Spring a 3D Smartphone

The article discusses about rumors and possible success of Amazon Phone. Few encrypts from the article and my views are reported below

Can Amazon disrupt the smartphone market with its own branded 3D device? It’s not likely Samsung and Apple are too worked up over the possibility. On the other hand, Amazon may not have to make a lot of profit on its phones. If it can delight it’s loyal hordes of customers with a new way to shop for its goods and content, that could be the big differentiator that spells trouble for competitors.

In my view, this is a good move by Amazon. Today Amazon released its phone and reviews are positive. I believe still m-commerce still did not pickup its speed like e-commerce. People like me still hesitate to shop through phones because search is clumsy on small screens and reading reviews not user friendly. But Amazon shows its product in 3d view, if its success then others will follow.

“ This is not the first 3D phone we’ve seen. HTC released one; so did LG. Since then, we haven’t seen a 3D phone on the market. 3D as a whole, on devices, hasn’t really taken off. As a topic, as a feature, it just doesn’t have that kind of lasting quality,” Ramon Llamas, mobile phones research manager atIDC, told the E-Commerce Times.

“ The only thing that really makes sense to me is that they could tie it into shopping,”

“ Amazon is nothing if not one of the greatest online retailers. Shopping on a smartphone is difficult: You don’t have a lot of real estate. You don’t have a lot of space, but if you can show people almost in 3D what you can do with this, that would be pretty neat. But I have to rein my enthusiasm back because that’s a lot of content you have to put through the 3D machine in order to offer it,” Llamas pointed out

I believe with mobile payments in near feature Amazon start to innovate somewhere so that it cannot loose it customers to brick and motor.

“ The stakes are fairly high,” said Rich Karpinski, senior analyst at the Yankee Group. However, “ the odds of it succeeding in the smartphone business are not high. It’s brutally competitive, and new entrants have a tough road ahead of them.

“ Facebook, in particular, has shown interest in phones, has a great brand and huge user base, and has failed. Amazon, of course, has done very well with tablets — but phones are a different story,” Karpinski told the E-Commerce Times.

“ What I am most anxious to find out is how much Wall Street will allow Amazon to invest in losing money in the smartphone business in the expectation of making it up in other areas,” said Carl Howe, vice president of research and data sciences at the Yankee Group.

I think from Amazon side this is a very good move whether Phone itself is successful or failure. Already the handset market is too crowded, but people still like innovation. Amazon is moving in direction and millions of its shopping fans are ready to line up.

1. Outline the e-business market segmentation matrix based on its two underlying dimensions.

The e-business market segmentation matrix classifies different types of interaction between consumers, businesses and governmental agencies.

The e-business market segmentation matrix provides an overview of the different participants in electronic business. It differentiates three types of participants – consumers, businesses and government – who can act as both suppliers/providers and buyers/recipients.

The consumer/peer/citizen as a supplier/provider

Through the Internet, consumers can act as suppliers themselves. Consumer-to-consumer (C2C) relationships are those where one consumer acts as a supplier and sells goods to other consumers. The most prominent examples for C2C interactions are Internet auction places, such as eBay, where consumers can sell used and new products to other consumers. When interactions between consumers are not of commercial nature, we call them peer-to-peer (P2P) interactions. These are voluntary in nature and are free of charge. Examples of P2P sites include online music-sharing platforms, such as Kazaa and Gnutella.

The second relationship type in this segment is the consumer-to-business (C2B) relationship, where, in general, consumers supply businesses with information about their experiences with products or services. Examples of C2B interactions are the book reviews at Amazon. com and consumer opinions at Ciao. com, a product-comparison platform. The information that consumers provide is then shared with other consumers to help them make more informed purchasing decisions.

The third category in this segment contains consumer-to-government (C2G) interactions, such as the online submission of tax return forms, and citizen-to-citizen interactions. An interesting example of the latter is the partly Internet-based campaign that Howard Dean is running in the USA for the 2004 presidential election. During the primaries of the Democratic Party, Dean leveraged the Internet as a primary platform for interacting with supporters and citizens at large, outlining in detail his viewpoints on different policy issues and raising funds. For instance, his website contains in-depth sections on such diverse issues such as agriculture, campaign financing, education, health and foreign policy.

The business as a supplier/provider

The most typical form of interaction is one where businesses act as suppliers to other parties. In business-to-consumer (B2C) interactions, firms sell products and services through online means directly to their customers.

Business-to-business (B2B) interactions are platforms for the online purchase of operating or manufacturing inputs that other businesses need for making their products and services. The e-marketplace platform Covisint, which serves car manufacturers (as buyers) and component suppliers (as sellers), is a prominent example of a B2B platform.

Business-to-government (B2G) interactions include for instance, the online submission of corporate tax return forms.

The government as a supplier/provider

Compared with the above two categories (i. e. consumers and businesses), government activities in e-commerce have so far been relatively low. However, this is changing, and it can be expected that in the future a significant part of governmental agencies’ interactions with citizens and businesses will be conducted online (for a detailed discussion of e-government applications, see the e-government case study, p. 000).

The e-business market segmentation matrix shown below provides a classification of the different interaction types made possible through the Internet.

Consumer/Peer/Citizen:

Consumer-to-Consumer:

e. g. eBay – peer to peer

e. g. Craigslist

Business to Consumer:

e. g. Ducati. com, The modular Project-Google

Goverment to Citizen:

e. g. Information about pension statements of citizens, Rules. Gov

Business:

Consumer-to-Business:

e. g. Amazon. com

Business-to-Business:

e. g. Alibaba. com

Goverment to Business:

e. g. Information about most recent legal regulations

Goverment:

Citizen to Goverment:

e. g. Online Tax return forms

Business to Goverment:

e. g. Online filling of corporate tax returns

Goverment to Goverment:

e. g. exchange of diplomatic information

5)On online and choose an e-commerce example and discuss how a company can use the Internet to implement the co-opetition concept.

While the five forces industry framework focuses on the negative effects that market participants might have on industry attractiveness, the co-opetition framework enriches this perspective by highlighting that interactions with other players can also have a positive impact on profitability. These interactions can include (1) joint setting of technology and other industry standards, (2) joint developments and (3) joint lobbying.

The term, co-opetition (co-opetition) is a combination of the words cooperation and competition. It is the concept that competing businesses sometimes benefit by cooperating so that each gains greater capacity to compete in the market.

Today Amazon announced it’s releasing its new Amazon phone exclusively on AT&T network. This is an example of co-opetition. It worked for Apple earlier and Amazon trying to follow the same mantra. Instead of releasing multiple carriers at same time exclusivity initially gives more focus for Amazon. For AT&T its win situation as it’s the only provider for Amazon phone when it’s launched.

Future co-opetition example, which can influence payments industry, is explained below.

If Apple comes with lets say ITunes wallet many payment institutions will be in trouble. Apple cannot do it alone and it needs to co-op with some one

In current scenario

Vendors are reluctant to buy new equipment for handling payments unless enough customers demand it. Customers however, are similarly hesitant to use a payment system that vendors don’t support. Apple, a company that has millions of iTunes accounts, could’ve solved this.

Imagine a payment system, which can read your ITunes account directly from any merchant location on your phone or tablet.

Whom the Apple should co-op with?

If it co-op with Visa and Master card then ITunes wallet would be a huge success

Why to co-op with MasterCard/Visa/Amex- Combined market share of three companies is 85%.

Apple’s move challenges both e-Bay’s (EBAY) PayPal and retail consortium MCX, Morgan Stanley says in a report

For a Customer Apple is a noted brand same as Master card, Amex and Visa. For Payments to happen through Phone there is lot of liability and Apple needs Master card, Amex and Visa network and expertise to succeed in payments. I hope this friendship will happen for real and cardholders will not carry any more plastic in near future.

The same co-opetition will happen between credit card companies and Google in near future also I believe. But if Apple starts first rest will follow to succeed.

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