Doing a business through the internet

Business

The fever of doing a business through the Internet began in the late 1990s when the businesses decided that the Internet was a unique channel that was not used by many businesses. They realized that by moving their business model to an online presence, they would be able to earn greater profit margins. Shareholders brought in theirmoneyinto the online businesses where they provided business owners with investment capital to include in their business. These business owners would then invest the money and create a business plan that would allow them to successful utilize the option of the online channel.

However, with the growing opportunity and returns received from the investment, there was bound to be a downfall sooner or later. Since so many of the businesses were entering into the Internet boom, what the other late entrants were realizing was that they had to face and overtake businesses that had the first mover advantage. Problem Identification One of the businesses that entered the Internet bubble was Pets. com. Like many others, Pets. com brought with it many investors who provided it excessive capital to invest in the business.

The main concept of the business was to allow customers to purchase pet accessories online, as has been conducted by Amazon. com as well. Pets. com also followed the same business model as Amazon. com; however, there were a few changes. Despite the online businesses prospering, there were several that defaulted purely of the steps they followed. One of those was Pets. com. Even though it received a large amount of investment capital, the company was unable to manage the amount successfully. Looking at the rigid competition that it had to face in order to be successful, the company decided to spend more than half of its budget on marketing.

The marketing plan based itself on advertising in various locations where the customers would be aware of the company's presence and be attracted to the product lines. However, the basic problem that faced the company was that the mismanagement of funds available to it. " Pets. com spent about $27 million on advertising in 1999, almost half of its current market cap. " (Koudsi, 2000) Considering that the company had approximately $54 million in hand, there was a tweak of mismanagement that created a complete shut down of the company. Symptoms Faced Due to the mismanagement or the misallocation of funds by Pets.

com, the company was unable to prosper in the manner that its founders and stakeholders had predicted they would. The bubble of prospering with an online presence created a sense of enthusiasm for investing a certain amount into the industry and then gaining large returns from it. This was a massive attraction to the investors. However, what happened to Pets. com was unpredictable and there was a need to understand why such an issue did occur. Several authors have discussed and analyzed why the company actually failed despite the fact that it created a new target market for its industry, that is, for all pet owners.

What the company did not realize is that even though it needed to attract the customers through its advertising, it should have concentrated on its supply chain and how it would work around its processes to serve the customers in the best way possible. Advertising has a great impact on the customers when they go online; however, an even bigger factor of attraction is the service that the website is providing. “ The company expected to make money by shipping necessities like bulk bags of petfoodto consumers at a discount, while marking up the not-so-necessaries, like toys.

But when Rover got hungry, owners didn't click on the Internet. ” (Dan, 2000) What Pets. com did not concentrate on was the consumer needs and that pet food is not the best option to provide. If a customer ordered online, the order would be received in two days time and this agitated the customer even more. “ Just because you can buy something over the Inter- net doesn't mean that people will,” said George Zachary, a partner at venture capital firm Mohr, Davidow Ventures. “ In the end, if your dog is hungry, it's much easier to drive over to the store than to order something over the Web.

”” (Dan, 2000) An Online Venture Business Risk Plan According to Cindy, there are four areas that any entrepreneur must be aware of when managing the risk of his online venture. The entrepreneur must be well aware and plan what the business model of the company should be. Till the entrepreneur is not aware of the standing of the business in the marketplace, it will not be able to plan certain actions against its competitors. The entrepreneur must be aware of all the proprietary assets that it has in its possession and how it will secure them in a manner as to let it maintain competitive advantage.

The company must also look towards service level agreements with their vendors and other hosts so that they may be able to guarantee a certain level of service to their customers. The service level agreements allow the company to legalize some areas of the business. “ The organizations that are most successful in moving their businesses to an onlineenvironmentunderstand what they are protecting and the inherent risks that need to be addressed. ” (Boyd, 2008) References 1. Boyd, C. (2008). Entrepreneur’s Organization.

Managing Risk in Your Online Business Venture. Retrieved on March 14, 2009 from: http://www. eonetwork. org/octane/octanebackissues/march2008/Pages/ManagingRiskinYourOnlineBusinessVenture. aspx 2. Dan, M. (2000). Putting down Pets. com. U. S. News ; World Report; 11/20/2000, Vol. 129 Issue 20, p74, 1/2p, 1 color 3. Koudsi, S. (2000). Why Is This Sock Puppet Still Smiling? Fortune; 06/26/2000, Vol. 142 Issue 1, p54, 1/2p 4. Moreno, K. and Sansoni, S. (2000). It Was Good While It Lasted. Forbes; 12/25/2000, Vol. 166 Issue 16, p36-38, 2p, 1 bw