

8 key element for a business model



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E-commerce: business. technology. society. E-commerce E commerce

Business. Technology. Society gy y Kenneth C. Laudon Copyright © 2011

Pearson Education, Ltd. Chapter 5 Business Models for E? commerce

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1-2 E-commerce Business Models Business model d l

Set of planned activities designed to result in a Set of planned activities

designed to result in a profit in a marketplace Business plan Describes a firm

s business model Describes a firm’s business model

E commerce business model E? commerce business model

Uses/leverages unique qualities of Internet and Web W b Slide 2-3 8 Key

Elements of Business Model 1. 2. 3. 4. 5. 6. 7. 8. Value proposition

Revenue model Market opportunity Market opportunity

Competitive environment Competitive advantage Market strategy Market

strategy Organizational Development Management team Slide 2-4 1. Value

Proposition Why should the customer buy from you? h h ld h b f ?

Successful e? ommerce value S f l l propositions:

Personalization/customization

Reduction of product search, price discovery costs

Facilitation of transactions by managing product delivery Slide 2-5 2.

Revenue Model How will the firm earn revenue, generate p

profits, and produce a superior return on p p invested capital? Major types:

Advertising revenue model g Subscription revenue model

Transaction fee revenue model Transaction fee revenue model

Sales revenue model Affiliate revenue model Slide 2-6 3. Market Opportunity

What marketplace do you intend to h k d d serve and what is its size?

Marketspace: Area of actual or potential commercial value

in which company intends to operate in which company intends to operate

Realistic market opportunity: Defined by revenue

potential in each market niche in which company hopes to potential in each

market niche in which company hopes to compete

Market opportunity typically divided into M k t t i t i l l d i d i t

smaller niches Slide 2-7 4. Competitive Environment

Who else occupies your intended h l d d marketspace? p

Other companies selling similar products in the same marketspace

Includes both direct and indirect competitors Influenced by: Influenced by:

Number and size of active competitors Each competitor s market share Each

competitor's market share Competitors' profitability Competitors pricing

Competitors' pricing Slide 2-8 5. Competitive Advantage Achieved when firm:

h d h f Produces superior product or Produces superior product or

Can bring product to market at lower price than competitors th tit

Important concepts: p p Asymmetries First? mover advantage Fi t d t

Unfair competitive advantage Leverage Slide 2-9 6. Market Strategy

How do you plan to promote your products or services to attract your

products or services to attract your target audience?

Details how a company intends to enter market and attract customers

Best business concepts will fail if not properly

marketed to potential customers k d i l Slide 2-10 7. Organizational

Development What types of organizational structures

within the firm are necessary to carry out within the firm are necessary to

carry out the business plan? Describes how firm will organize work

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Typically divided into functional departments

As company grows, hiring moves from generalists to specialists
As company grows hiring moves from generalists to specialists Slide 2-11 8.

Management Team What kinds of experiences and background are important for the company's leaders to have?

Employees are responsible for making the business model work
Strong management team gives instant credibility to outside investors

Strong management team may not be able to salvage a weak business model, but should be able to change the model and redefine the business as it becomes necessary Slide 2-12 Insight on Business Online Grocers: Finding and Executing the Right Model g g Class Discussion Slide 2-13 Categorizing E-commerce Business Models

No one correct way We categorize business models according to: We categorize business models according to: E? commerce sector (B2C, B2B, C2C) Type of e? commerce technology; i. e. m? commerce Type of e commerce technology; i e m commerce

Similar business models appear in more than one sector

Some companies use multiple business models; e. g. eBay Slide 2-14 B2C Business Models: Portal

Search plus an integrated package of content and services

Revenue models: d l

Advertising, referral fees, transaction fees, subscriptions g p Variations:

Horizontal / General Vertical / Specialized (Vortal) Vertical / Specialized

(Vortal) Pure Search Slide 2-15 Insight on Technology Can Bing Bong Google?

Class Discussion Slide 2-16 B2C Models: E-tailer

Online version of traditional retailer Revenue model: Sales Variations:

Virtual merchant Virtual merchant Bricks? and? clicks Catalog merchant C t l

h t Manufacturer? direct Low barriers to entry Slide 2-17 B2C Models:

Content Provider Digital content on the Web News, music, video

Revenue models: Revenue models:

Subscription; pay per download (micropayment);

advertising; affiliate referral fees Variations:

Content owners Syndication S di i Web aggregators Slide 2-18 B2C Models:

Transaction Broker Process online transactions for consumers

Primary value proposition—saving time and money Revenue model: R d l

Transaction fees Industries using this model: Financial services

Travel services Job placement services Slide 2-19 B2C Models: Market

Creator Create digital environment where buyers

and sellers can meet and transact Examples: Priceline eBay y

Revenue model: Transaction fees Revenue model: Transaction fees Slide 2-

20 B2C Models: Service Provider Online services e. g.

Google: Google Maps, Gmail, etc. Value proposition Value proposition

Valuable, convenient, time? saving, low? cost alternatives to

traditional service providers t diti l i id Revenue models: Revenue models:

Sales of services, subscription fees, advertising, sales of marketing data

marketing data Slide 2-21 B2C Models: Community Provider

Provide online environment (social network) where people with similar

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interests can transact, share content, and , , communicate E. g.

Facebook, MySpace, LinkedIn, Twitter Revenue models: R d l

Typically hybrid, combining advertising,

subscriptions, sales, transaction fees, affiliate fees Slide 2-22 B2B Business

Models Net marketplaces E? istributor E procurement E? procurement

Exchange Industry consortium Industry consortium Private industrial network

Private industrial network Single firm Industry? wide Industry wide Slide 2-23

B2B Models: E-distributor Version of retail and wholesale store, ,

MRO goods and indirect goods Owned by one company seeking to serve

many customers Revenue model: Sales of goods Example: Grainger. com

Slide 2-24 B2B Models: E-procurement Creates digital markets where

participants transact for indirect goods

B2B service providers, application service providers (ASPs) B2B service

providers application service providers (ASPs)

Revenue model: Service fees, supply? chain management, fulfillment

services Example: Ariba Slide 2-25 B2B Models: Exchanges

Independently owned vertical digital p y g marketplace for direct inputs

Revenue model: Transaction, commission fees Revenue model Transaction

commission fees C eate po e u co pet t o bet ee

Create powerful competition between suppliers

Tend to force suppliers into powerful price T d f li i f l i

competition; number of exchanges has dropped dramatically d dd ll Slide 2-

26 B2B Models: Industry Consortia Industry?

wned vertical digital marketplace open to select suppliers

More successful than exchanges More successful than exchanges

Sponsored by powerful industry players

Strengthen traditional purchasing behavior

Revenue model: Transaction, commission fees R d I T ti i i f Example: Exostar

Example: Exostar Slide 2-27 Private Industrial Networks

Designed to coordinate flow of communication

among firms engaged in business together fi di b i h

Electronic data interchange (EDI) Single firm networks Most common form M

t f Example: Wal? Mart's network for suppliers

Industry? wide networks Often evolve out of industry associations Often

evolve out of industry associations Example: Agentrics Slide 2-28 Other E-

commerce Business Models Consumer? to? consumer (C2C) eBay, Craigslist

Peer? to? peer (P2P) Peer to peer (P2P) The Pirate Bay, Cloudmark M?

commerce: Technology platform continues to evolve Technology platform

continues to evolve iPhone, smartphones energizing interest in m?

commerce pp apps Slide 2-29 Insight on Society Where R U? Not Here! Class

Discussion Slide 2-30 E-commerce Enablers: Gold Rush Model

E? commerce infrastructure companies p have profited the most:

Hardware, software, networking, security E?

commerce software systems, payment systems

Media solutions, performance enhancement CRM software CRM software

Databases Hosting services, etc. Slide 2-31 How Internet & Web Change

Business E? commerce changes industry structure g y by changing:

Basis of competition among rivals Barriers to entry y

Threat of new substitute products Strength of suppliers

Bargaining power of buyers Bargaining power of buyers Slide 2-32 Industry Value Chains

Set of activities performed by suppliers,

manufacturers, transporters, distributors, and f di ib d

retailers that transform raw inputs into final products and services

Internet reduces cost of information and Internet reduces cost of information and other transactional costs Leads to greater operational efficiencies,

lowering cost, prices, adding value for lowering cost prices adding value for customers Slide 2-33 E-commerce & Industry Value Chains Figure 5. 4 Slide

2-34 Firm Value Chains Activities that a firm engages in to create

final products from raw inputs Each step adds value Effect of Internet: Eff fl

Increases operational efficiency p y Enables product differentiation

Enables precise coordination of steps in chain E bl i di ti f t i h i Slide 2-35 E-commerce & Firm Value Chains Figure 5. 5 Slide 2-36 Firm Value Webs

Networked business ecosystem Uses Internet technology to coordinate the value chains of business partners I h i fb i

Coordinates a firm's suppliers with its own C di t fi ' li ith it production needs using an Internet? based

supply chain management system

Slide 2-37 Internet-Enabled Value Web bl d l b Figure 5. 6 Slide 2-38 Business Strategy Plan for achieving superior long? term

returns on the capital invested in a business firm business firm

Four Generic Strategies 1. Differentiation 2. Cost 3. Scope 4. 4 Focus Slide 2-

39 Chapter 6 E-commerce Marketing Copyright © 2010 Pearson Education, Ltd. 2011 Pearson Education, Inc. Slide 6-40 Netflix N fli Strengthens and

<https://assignbuster.com/8-key-element-for-a-business-model/>

Defends Its Brand Class Discussion Slide 6-41 Consumers Online: Internet Audience & Consumer Behavior Around 70% (82 million) U. S.

ouseholds have Around 70% (82 million) U S households have

Internet access in 2010 Growth rate has slowed

Intensity and scope of use both increasing d f b h

Some demographic groups have much higher Some demographic groups have much higher percentages of online usage than others

Gender, age, ethnicity, community type, income, education Slide 6-42

Consumers Online: Internet Audience & Consumer Behavior

Broadband audience vs. dial? up audience Purchasing behavior affected by neighborhood Lifestyle and sociological impacts

Use of Internet by children, teens

Use of Internet as substitute for other social activities

Media choices Traditional media competes with Internet for attention

Traditional media competes with Internet for attention Slide 6-43 Consumer Behavior Models Study of consumer behavior Social science

Attempts to explain what consumers purchase Attempts to explain what consumers purchase and where, when, how much and why they buy

Consumer behavior models Predict wide range of consumer decisions Predict wide range of consumer decisions

Based on background demographic factors and

other intervening, more immediate variables h i i i di i bl Slide 6-44 General

Model of Consumer Behavior Figure 6. Slide 6-45 Background Demographic

Factors Culture: Broadest impact

Subculture (ethnicity, age, lifestyle, geography) S b lt (th i it lif t I h) Social

Reference groups Direct reference groups g p Indirect reference groups

Opinion leaders (viral influencers) Lifestyle groups f l Psychological

Psychological profiles Slide 6-46 Online Purchasing Decision

Psychographic research Combines demographic and psychological data

Combines demographic and psychological data

Divides market into groups based on social class, lifestyle,

and/or personality characteristics and/or personality characteristics

Five stages in the consumer decision process: 1. 2. 3. 4. 5.

Awareness of need Search for more information Evaluation of alternatives

Actual purchase decision Actual purchase decision Post?

purchase contact with firm Slide 6-47 Consumer D i i C Decision Process & P

Supporting Communications Figure 6. 3 Slide 6-48 Model of Online Consumer

Behavior Decision process similar for online and offline behavior

General online behavior model Consumer skills Product characteristics

Attitudes toward online purchasing

Perceptions about control over Web environment p Web site features

Clickstream behavior: Transaction log for Clickstream behavior: Transaction

log for consumer from search engine to purchase Slide 6-49 Model of Online

Consumer Behavior Figure 6. 4 Slide 6-50 Model of Online Consumer

Behavior Clickstream factors include: Number of days since last visit Number

of days since last visit Speed of clickstream behavior

Number of products viewed during last visit b f d i dd i l ii

Number of pages viewed Supplying personal information

Number of days since last purchase Number of past purchases

Clickstream marketing Clickstream marketing Slide 6-51 Shoppers: Browsers & Buyers Shoppers: 87% of Internet users 72% buyers 72% buyers 16% browsers (purchase offline) One?

third offline retail purchases influenced by Online activities Online traffic also influenced by offline brands and shopping part of a continuum of consuming behavior part of a continuum of consuming behavior Slide 6-52 Online Shoppers & Buyers Figure 6. 5 Slide 6-53

What Consumers Shop & Buy Online Big ticket items (\$500 plus)

Travel, computer hardware, consumer electronics Expanding

Consumers more confident in purchasing costlier items

Small ticket items (\$100 or less) (\$)

Apparel, books, office supplies, software, etc. Sold by first movers on Web

Sold by first movers on Web Physically small items High margin items

Broad selection of products available Slide 6-54 What Consumers Buy Online

Figure 6. 6 Slide 6-55 Intentional Acts: How Shoppers Find Vendors Online pp

Search engines (59%) Search engines (59%) Coupon Web sites (29%) Coupon Web sites (29%) Comparison shopping sites (27%) E-mail newsletters (25%)

Online shoppers are highly intentional,

looking for specific products, companies, services Slide 6-56 Table 6. 6 Slide

6-57 Trust, Utility, Opportunism in Online Markets

Two most important factors shaping decision Two most important factors

shaping decision to purchase online: Utility: Utility

Better prices, convenience, speed Trust:

Asymmetry of information can lead to opportunistic behavior by sellers

Sellers can develop trust by building strong reputations

for honesty, fairness, delivery Slide 6-58 Basic Marketing Concepts

Marketing

Strategies and actions to establish relationship Strategies and actions to

establish relationship with consumer and encourage purchases of p

products and services Addresses competitive situation of industries and

firms Seeks to create unique, highly differentiated

products or services that are produced or supplied by one trusted firm

Unmatchable feature set Avoidance of becoming commodity Slide 6-59

Feature Sets Three levels of product or service 1. Core product e. g.

cell phone g p 2. Actual product Characteristics that deliver core benefits Ch

t i ti th t d li b fit e. g. wide screen that connects to Internet 3.

Augmented product

Additional benefits Basis for building the product's brand e. g.

product warranty Slide 6-60 Feature Set Figure 6. 7 Slide 6-61 Products,

Brands & Branding Process Brand:

Expectations consumers have when consuming, or

thinking about consuming, a specific product

Most important expectations: Quality, reliability, Most important

expectations: Quality reliability

consistency, trust, affection, loyalty, reputation

Branding: Process of brand creation Branding: Process of brand creation

Closed loop marketing Brand strategy Brand equity Brand eq it Slide 6-62

Marketing A ti iti M k ti Activities: From Products to Brands Figure 6. 8

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Slide 6-63 STP: Segmenting, Targeting, Positioning

Major ways used to segment, target customers 1. 2. 3. 4. 5. 6. Behavioral B h

i l Demographic Psychographic h hi Technical Contextual Search

Within segment, product is positioned and branded as a unique, high?

value product, especially suited to q g p p y needs of segment customers

Slide 6-64 Are Brands Rational? For consumers, a qualified yes:

Brands introduce market efficiency by reducing search and decision?

making costs For business firms, a definite yes: A major source of revenue

Lower customer acquisition cost Increased customer retention

Successful brand constitutes a long? asting (though not

necessarily permanent) unfair competitive advantage Slide 6-65 Can Brands

Survive Internet? Brands & Price Dispersion p Early postulation:

Law of One Price ; end of brands Early postulation: “ Law of One Price”; end

of brands Instead: Consumers still pay premium prices for differentiated

products E? commerce firms rely heavily on brands to attract

customers and charge premium prices Substantial price dispersion

Large differences in price sensitivity for same product Large differences in

price sensitivity for same product “ Library effect” Slide 6-66

Revolution in Internet Marketing Technology Three broad impacts:

Scope of marketing communications broadened

Richness of marketing communications increased g

Information intensity of marketplace expanded

Internet marketing technologies: Internet marketing technologies:

Web transaction logs Cookies and Web bugs Cookies and Web bugs

Databases, data warehouses, data mining Advertising networks

Customer relationship management systems Slide 6-67 Web Transaction Logs

Built into Web server software Record user activity at Web site y

Webtrends: Leading log analysis tool

Provides much marketing data, especially Provides much marketing data especially combined with: Registration forms R i i f Shopping cart database

Answers questions such as:

What are major patterns of interest and purchase?

After home page, where do users go first? Second? Slide 6-68 Cookies & Web

Bugs Cookies: Small text file Web sites place on visitor's PC every time they visit, as specific pages are accessed

Provide Web marketers with very quick means of

identifying customer and understanding prior behavior Flash cookies

Web bugs: Tiny (1 pixel) graphics embedded in e mail and Web sites Tiny (1 pixel) graphics embedded in e? mail and Web sites

Used to automatically transmit information about user and page being viewed to monitoring server page being viewed to monitoring server Slide 6-

69 Insight on Society g y Every Move You Make, Every Click You Make, We'll Be Tracking You , g Class Discussion Slide 6-70 Databases

Database: Stores records and attributes

Database management system (DBMS):

Software used to create, maintain, and access databases

SQL (Structured Query Language): Industry?

standard database query and manipulation language used in y q y p g g

a relational database Relational database: Represents data as two-dimensional tables with records organized in

rows and attributes in columns; data within different tables can be flexibly related as long as the tables share a common data element flexibly related as long as the tables share a common data element Slide 6-71

Relational Database View of E-commerce Customers Figure 6. 12 Slide 6-72

Data Warehouses & Data Mining Data warehouse:

Collects firm s transactional and customer data in single Collects firm’s transactional and customer data in single

location for offline analysis by marketers and site managers Data mining:

Analytical techniques to find patterns in data, model Analytical techniques to find patterns in data model

behavior of customers, develop customer profiles Query? driven data mining

Query driven data mining Model? driven data mining Rule?

based data mining I b dd Collaborative filtering Slide 6-73 Data Mining &

Personalization Figure 6. 13 Slide 6-74 Insight on Technology

The Long Tail Big Hits and Big Misses The Long Tail: Big Hits and Big Misses Class Discussion

Slide 6-75 Customer Relationship Management (CRM) Systems) y

Record all contact that customer has with firm

Generates customer profile available to everyone in firm with need to “

know the customer” firm with need to “know the customer” Customer profiles can contain:

customer profiles can contain:

Map of the customer’s relationship with the firm

Product and usage summary data Demographic and psychographic data

Profitability measures Contact history Contact history

Marketing and sales information Slide 6-76

Customer Relationship Management System Figure 6. 14 Slide 6-77 Market

Entry Strategies Figure 6. 15 Slide 6-78 Establishing Customer Relationship

Advertising Networks Banner advertisements

Ad server selects appropriate banner ad based on Ad server selects

appropriate banner ad based on cookies, Web bugs, backend user profile

databases Permission marketing Permission marketing Affiliate marketing g

Slide 6-79 How Advertising Network Works e. g. , DoubleClick Figure 6. 16

Slide 6-80 Establishing Customer Relationship (cont'd) Viral marketing

Getting customers to pass along company's marketing

message to friends, family, and colleagues Blog marketing

Using blogs to market goods through commentary and U i b l k d h h d

advertising Social network marketing, social shopping Mobile marketing

Mobile marketing Slide 6-81 Insight on Business Social Network Marketing:

Let's Buy Together Class Discussion Slide 6-82 Establishing Customer

Relationship (cont'd) Wisdom of crowds (Surowiecki, 2004) (,)

Large aggregates produce better estimates and judgments Examples: E I

Prediction markets Folksonomies Social tagging Social tagging

Brand leveraging Slide 6-83 Customer Retention: Strengthening Customer

Relationship p Mass marketing Mass marketing Direct marketing

Micromarketing Micromarketing Personalized, one? to? one marketing

Segmenting market on precise and timely understanding of Segmenting

market on precise and timely understanding of individual's needs

Targeting specific marketing messages to these individuals

Positioning product vis? a? vis competitors to be truly unique Personalization

Can increase consumers sense of control, freedom

Can also result in unwanted offers or reduced anonymity Slide 6-84

Mass Market-Personalization Continuum Figure 6. 17 Slide 6-85 Other

Customer Retention Marketing Technics Customization Customer co?

production Transactive content:

Combine traditional content with dynamic information

tailored to each user's profile Customer service FAQs Q Real?

time customer service chat systems Automated response systems

Automated response systems Slide 6-86 Net Pricing Strategies Pricing

Integral part of marketing strategy I t l t f k ti t t Traditionally based on:

Fixed cost Variable costs Demand curve Price discrimination Price

discrimination

Selling products to different people and groups based on willingness to pay

Slide 6-87 Net Pricing Strategies (cont'd) Free and freemium

Can be used to build market awareness Versioning

Creating multiple versions of product and selling

essentially same product to different market segments at different prices at

different prices Bundling Offers consumers two or more goods for one price

Off t d f i Dynamic pricing: Auctions Yield management Slide 6-88 Channel

Management Strategies Channels:

Different methods by which goods can be distributed and sold

Channel conflict: When new venue for selling products or services threatens
 gp or destroys existing sales venues E. g.

online airline/travel services and traditional offline travel agencies

Some manufacturers are using partnership gp p

model to avoid channel conflict Slide 6-89 Chapter 7: E-commerce Marketing

Communications Chapter 7 E-commerce Advertising Copyright © 2010

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Shoot, Click, Buy Class Discussion Slide 7-91 Marketing Communications

Two main purposes:

Sales – promotional sales communications Branding – b di B di

branding communications i i Online marketing communications Online

marketing communications Takes many forms Online ads, e?

mail, public relations, Web sites Slide 7-92 Online Advertising li d i i

\$25 billion, 15% of all advertising Advantages:

Internet is where audience is moving g Ad targeting

Greater opportunities for interactivity Greater opportunities for interactivity

Disadvantages: Cost versus benefit How to adequately measure results

Supply of good venues to display ads Slide 7-93 Online Advertising from

2002-2014 Figure 7. Slide 7-94 Forms of Online Advertisements Display ads

Rich media Video ads Search engine advertising

Social network, blog, and game advertising Social network blog and game

advertising Sponsorships Referrals (affiliate relationship marketing) E?

mail marketing g Online catalogs Slide 7-95 Display Ads Banner ads

Rectangular box linking to advertiser's Web site IAB guidelines e. g.

Full banner is 468 x 60 pixels, 13K e g Full banner is 468 x 60 pixels 13K

Pop? up ads Appear without user calling for them

Provoke negative consumer sentiment g

Twice as effective as normal banner ads Pop?

nder ads: Open beneath browser window Pop under ads: Open beneath

browser window Slide 7-96 Rich Media Ads

Use Flash, DHTML, Java, JavaScript

About 7% of all online advertising expenditures

Tend to be more about branding d b b b di Boost brand awareness by 10%

Boost brand awareness by 10% IAB standards limit length Interstitials

Superstitials Slide 7-97 Video Ads

Fastest growing form of online advertisement IAB standards Linear video ad

Non? linear video ad In? banner video ad In? text video ad Ad placement

Advertising networks Advertising exchanges Banner swapping

Slide 7-98 Search Engine Advertising h i d i i

Almost 50% of online ad spending in 2010 Types: Paid inclusion or rank Paid

inclusion or rank Inclusion in search results Sponsored link areas p

Keyword advertising e. g. Google AdWords e g Google AdWords

Network keyword advertising (context advertising) d ii) e. g.

Google AdSense Slide 7-99 Search Engine Advertising (cont'd)

Nearly ideal targeted marketing Nearly ideal targeted marketing Issues:

Disclosure of paid inclusion and placement practices Click fraud

Ad nonsense Slide 7-100 Mobile Advertising Half of U. S.

Internet users access Internet Half of U. S. Internet users access Internet

with mobile devices Currently small market, but fastest

growing platform (35%) growing platform (35%)

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Google and Apple in race to develop mobile advertising platform AdMob, iAd Slide 7-101 Sponsorships & Referrals Sponsorships Paid effort to tie advertiser's name to advertiser's name to particular information, event, venue in a way that reinforces brand in positive yet not overtly commercial manner Referrals

Affiliate relationship marketing Permits firm to put logo or banner ad on another firm's Web site from which users of that site can click through to affiliate's site Slide 7-102 E-mail Marketing & Spam Explosion Direct e-mail marketing

Low cost, primary cost is purchasing addresses

Spam: Unsolicited commercial e-mail Approx. 90% of all e-mail Efforts to control spam:

Technology (filtering software) Government regulation (CAN-

SPAM and state laws) Voluntary self-regulation by industries (DMA) Volunteer efforts Slide 7-103

Percentage of E-mail That Is Spam Figure 7.6 Slide 7-104 Online Catalogs Equivalent of paper-based catalogs Graphics?

intense; use increasing with increase in broadband use

Two types: 1. Full-page spreads, e.g. Landsend.com Grid displays, e.g. Amazon Grid displays e.g. Amazon In general, online and offline catalogs complement each other Slide 7-105 Social Marketing "Many-to-many"

model Uses digitally enabled networks to spread ads Blog advertising

Blog advertising Online ads related to content of blogs

Social network advertising: Social network advertising:

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Ads on MySpace, Facebook, YouTube, etc. Game advertising: G d ti i
 Downloadable “ advergames” Placing brand? name products within games
 Slide 7-106 Insight on Society g y Marketing to Children of the Web in the
 Age of Social Networks g Class Discussion Slide 7-107 Behavioral Targeting
 Interest? based advertising Data aggregators develop profiles Data
 aggregators develop profiles Search engine queries Online browsing history
 O li b i hi Offline data (income, education, etc.) d Information sold to 3rd
 party advertisers, who deliver ads based on profile Ad exchanges
 Privacy concerns acy co ce s Consumer resistance Slide 7-108

Mixing Off-line & Online Marketing Communications g
 Most successful marketing campaigns M t f l k ti i
 incorporate both online and offline tactics Offline marketing
 Drive traffic to Web sites Drive traffic to Web sites
 Increase awareness and build brand equity
 Consumer behavior increasingly multi? channel
 60% consumers research online before buying offline % y g Slide 7-109
 Insight on Business g Are the Very Rich Different From You and Me? Class
 Discussion Slide 7-110 Online Marketing Metrics: Lexicon
 Measuring audience size or market share Impressions I i Click?
 through rate (CTR) View? hrough rate (VTR) Vi th h t (VTR) Hits Page views P
 i Stickiness (duration) Unique visitors Loyalty Reach Recency Slide 7-111
 Online Marketing Metrics (cont’d) Conversion of visitor Conversion of visitor
 to customer Acquisition rate q Conversion rate Browse? to? buy? ratio View?
 to? cart ratio Vi t t ti Cart conversion rate Checkout conversion rate
 Checkout conversion rate Abandonment rate Retention rate Attrition rate E

mail metrics E? mail metrics Open rate Delivery rate Delivery rate Click?
through rate (e mail) (e? mail) Bounce? back rate Slide 7-112 Online
Consumer Purchasing Model

Figure 7. 8 Slide 7-113 How Well Does Online Adv. Work?

Ultimately measured by ROI on ad campaign Highest click?

through rates: Search engine ads, Permission e mail campaigns Permission
e? mail campaigns Rich media, video interaction rates high

Online channels compare favorably with traditional

Most powerful marketing campaigns use multiple Most powerful marketing
campaigns use multiple channels, including online, catalog, TV, radio,

newspapers, stores newspapers, stores Slide 7-114 Comparative Returns on

Investment Figure 7. 9 Slide 7-115 Costs of Online Advertising Pricing models

Barter Cost per thousand (CPM) Cost per click (CPC) Cost per action (CPA)

Cost per action (CPA) Online revenues only Sales can be directly correlated

Sales can be directly correlated Both online/offline revenues

Offline purchases cannot always be directly related to online Offli h t l b d i t l

l t d t l i campaign In general, online marketing more expensive on CPM In

general online marketing more expensive on CPM basis, but more effective

Slide 7-116 Web Site Activity Analysis b i i l i Figure 7. 10 Slide 7-117 Insight

on Technology It's 10 P. M. Do You Know Who Is On Your Web Site? Class

Discussion Slide 7-118

Web Site ... as Marketing Communications Tool g

Web site as extended online advertisement W b i d d l i d i

Domain name: An important role Domain name: An important role

Search engine optimization: Search engine optimization:

Search engines registration Keywords in Web site description K d i W b it d i

ti Metatag and page title keywords Links to other sites k h Slide 7-119 Web

Site Functionality b i i li Main factors in effectiveness of interface Utility

Ease of use Top factors in credibility of Web sites: Top factors in credibility of

Web sites: Design look Information design/structure g / Information focus

Organization is important for first time users, but Organization is important

for first? time users but declines in importance Information content becomes

major factor attracting Information content becomes major factor attracting

further visits Slide 7-120 Factors in Credibility of Web Sites Figure 7. 11 Slide

7-121 Table 7. 9 Slide 7-122 Chapter 8: Ethical, Social, and Political Issues in

E-commerce E commerce Chapter 8 Ethics, Law, E-commerce Copyright ©

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Ethical, Social, Political Issues in E-commerce

Internet, like other technologies, can: Internet like other technologies can:

Enable new crimes Affect environment Threaten social values

Costs and benefits must be carefully

considered, especially when there are no id d i ll h h g g clear?

cut legal or cultural guidelines Slide 8-124 Model for Organizing Issues

Issues raised by Internet and e? commerce can be viewed at individual,

social, and political levels social and political levels

Four major categories of issues: Four major categories of issues:

Information rights Property rights Property rights Governance

Public safety and welfare Slide 8-125

Moral Dimensions of Internet Society M I Di i f I S i Figure 8. 1 Slide 8-126

Basic Ethical Concepts i hi I Ethics

Study of principles used to determine right and wrong courses of action

Responsibility p y Accountability Liability

Laws permitting individuals to recover damages Due process

Laws are known, understood Laws are known understood

Ability to appeal to higher authorities to ensure laws applied correctly Slide

8-127 Analyzing Ethical Dilemmas I i hi I il

Process for analyzing ethical dilemmas: 1. 2. 3. 3 4. 5.

Identify and clearly describe the facts

Define the conflict or dilemma and identify the y higher?

Order values involved Identify the stakeholders Identify the stakeholders

Identify the options that you can reasonably take t k

Identify the potential consequences of your options Slide 8-128 Candidate

Ethical Principles Golden Rule Universalism Slippery Slope

Collective Utilitarian Principle Risk Aversion Ri k A i No Free Lunch

The New York Times Test The Social Contract Rule Slide 8-129 Privacy &

Information Rights Privacy: Moral right of individuals to be left alone, free

from surveillance or interference from other individuals or organizations

Information privacy p y Subset of privacy Includes:

The claim that certain information should not be collected at all

The claim of individuals to control the use of whatever h l i f i di id I l h f h

information is collected about them Slide 8-130 Privacy & Information Rights

(cont.) Major ethical issue related to e? commerce and privacy: d i

Under what conditions should we invade the privacy of others?

Major social issue: Development of “ expectations of privacy” and privacy norms
 Major political issue:

Development of statutes that govern relations between recordkeepers and individuals
 Slide 8-131 Information Collected at E-commerce Sites

Data collected includes Personally identifiable information (PII)

Anonymous information Types of data collected
 Name, address, phone, e-mail, social security

Bank and credit accounts, gender, age, occupation, education

Preference data, transaction data, clickstream data, browser type Slide 8-

132 Social Networks & Privacy Social networks

Encourage sharing personal details Pose unique challenge to maintaining privacy
 Facebook’s Beacon program Facebook’s Terms of Service change Slide 8-133

Profiling & Behavioral Targeting Profiling

Creation of digital images that characterize online individual and group behavior
 Anonymous profiles Personal profiles Advertising networks Track consumer and browsing behavior on Web
 Dynamically adjust what user sees on screen

Build and refresh profiles of consumers Google’s AdWords program Slide 8-

134 Profiling & Behavioral Targeting (cont’d) Deep packet inspection

Business perspective: Web profiling serves consumers and businesses

Increases effectiveness of advertising, subsidizing free content

Enables sensing of demand for new products and services

Critics perspective:

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Undermines expectation of anonymity and privacy

Consumers show significant opposition to unregulated

collection of personal information Enables weblining Slide 8-135 Internet &

Government Invasions of Privacy

Various laws strengthen ability of law enforcement

agencies to monitor Internet users without i i l ih

knowledge and sometimes without judicial oversight

CALEA, PATRIOT Act, Cyber Security Enhancement Act,

Homeland Security Act Government agencies are largest users of private

sector commercial data brokers sector commercial data brokers

Retention by ISPs of user data a concern Slide 8-136

Legal Protections In U. S. , privacy rights explicitly granted or derived from

Constitution Constitution First Amendment –

freedom of speech and association Fourth Amendment –

unreasonable search and seizure F th A d t bl h d i Fourteenth Amendment –

due process Specific statutes and regulations (federal and Specific statutes

and regulations (federal and state) Common law Slide 8-137 Informed

Consent U. S. firms can gather and redistribute

transaction information without individual's i i f i h i di id l' informed consent

Illegal in Europe Informed consent: Opt? in Opt out Opt? out Many U. S. ?

commerce firms merely publish information p

practices as part of privacy policy without providing for p p yp y p g

any form of informed consent Slide 8-138 FTC's Fair Information Practices

Principles Federal Trade Commission: Federal Trade Commission:

Conducts research and recommends legislation to Congress

Fair Information Practice Principles (1998): Fair Information Practice Principles (1998): Notice/Awareness (Core) Choice/Consent (Core) Choice/Consent (Core) Access/Participation Security Enforcement Guidelines, not laws Guidelines not laws Slide 8-139 FTC's Fair Information Practice Principles

Notice/Awareness i /

Sites must disclose information practices before collecting data. Includes Site identification of collector, uses of data, other recipients of data, nature of

collection (active/inactive), voluntary or required, consequences of refusal, and steps taken to protect confidentiality, integrity, and quality of the data

Choice/Consent

There must be a choice regime in place allowing consumers to choose how their information will be used for secondary purposes other than supporting the transaction, including internal use and transfer to third parties.

Opt? in/Opt? out must be available.

Consumers should be able to review and contest the accuracy and completeness of data collected about them in a timely, inexpensive process.

Access/Participation ccess/ a c pa o Security y Enforcement

Data collectors must take reasonable steps to assure that consumer information is accurate and secure from unauthorized use.

There must be in place a mechanism to enforce FIP principles.

This can involve self? regulation, legislation giving consumers legal remedies for violations, or federal statutes and regulation. di f i l ti f d l t t t d l ti Slide 8-140

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FTC Recommendations: Online Profiling Principle p Notice Recommendation

Complete transparency to user by providing disclosure and choice options

on the host Web site. “ Robust” notice for PII (time/place of collection;

before collection begins). Clear and conspicuous notice for non PII.

before collection begins). Clear and conspicuous notice for non? PII. Opt?

in for PII, opt? out for non? PII. No conversion of non? PII to PII without

consent. Opt? out from any or all network advertisers from a single page

consent Opt out from any or all network advertisers from a single page

provided by the host Web site.

Reasonable provisions to allow inspection and correction.

Reasonable efforts to secure information from loss, misuse, or improper access.

Done by independent third parties, such as seal programs and accounting

Done by independent third parties such as seal programs and accounting firms.

medical topics, sexual behavior or sexual orientation, or use Social Security

medical topics sexual behavior or sexual orientation or use Social Security

numbers for profiling. Slide 8-141 Choice Access Security Enforcement

Restricted Collection

Advertising networks will not collect information about sensitive financial or

European Data Protection Directive

Privacy protection much stronger in Europe than U. S. European approach:

Comprehensive and regulatory in nature p g y

European Commission’s Directive on Data Protection (1998): (1998):

Standardizes and broadens privacy protection in European Union countries

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Department of Commerce safe harbor program: For U. S.

firms that wish to comply with Directive Slide 8-142 Private Industry Self-Regulation

Safe harbor programs: Private policy mechanism to meet objectives of Private Industry Self-Regulation without government involvement e. g.

Privacy seal programs e g Privacy seal programs

Industry associations include: Online Privacy Alliance (OPA)

Network Advertising Initiative (NAI) CLEAR Ad Notice Technical Specifications

Privacy advocacy groups Emerging privacy protection business Slide 8-143

Insight on Business Chief Privacy Officers hi f i ffi Class Discussion Slide 8-

144 Technological Solutions Spyware, pop? p blockers Cookie managers k

Anonymous remailers, surfing Anonymous remailers surfing

Platform for Privacy Preferences (P3P):

Comprehensive technological privacy protection standard

Works through user s Web browser Works through user’s Web browser

Communicates a Web site’s privacy policy

Compares site policy to user’s preferences or to other standards

such as FTC’s FIP guidelines or EU’s Data Protection Directive Slide 8-145

How P3P Works k Figure 8. 2(A) Slide 8-146 Insight on Technology The

Privacy T Th P i Tug of War: fW Advertisers Vs. Consumers Class Discussion

Slide 8-147 Intellectual Property Rights Intellectual property:

Encompasses all tangible and intangible products of human mind

Major ethical issue: j How should we treat property that belongs to others?

Major social issue: Major social issue:

Is there continued value in protecting intellectual property in the

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Internet age? Major political issue: How can Internet and e?

commerce be regulated or governed to g g protect intellectual property?

Slide 8-148 Intellectual Property Protection Three main types of protection:

Copyright Patent Trademark law Trademark law

Goal of intellectual property law: Balance two competing interests —

public and B l t i t t b l i d private

Maintaining this balance of interests is always M i t i i t h i b l f i t t i l

challenged by the invention of new technologies Slide 8-149 Copyright

Protects original forms of expression (but not

ideas) from being copied by others for a ideas) from being copied by others

for a period of time Look and feel copyright infringement lawsuits

Fair use doctrine Fair use doctrine Digital Millennium Copyright Act, 1998

First major effort to adjust copyright laws to Internet age

Implements WIPO treaty that makes it illegal to make,

distribute, or use devices that circumvent technology?

ased protections of copyrighted materials Slide 8-150 Patents

Grant owner 20? year monopoly on ideas behind an invention Machines

Man? made products p Compositions of matter Processing methods

Invention must be new, non? obvious, novel Encourages inventors g

Promotes dissemination of new techniques through licensing

Stifles competition by raising barriers to entry Slide 8-151 E-commerce

Patents 1998 State Street Bank & Trust v. Signature Financial Group

Business method patents Led to explosion in application for e? commerce “

business L dt l i i l i t i f “ b i methods” patents

Most European patent laws do not recognize M t E t t l d t i
 business methods unless based on technology Examples Amazon's One?
 click purchasing DoubleClick's dynamic delivery of online advertising Slide 8-
 152 Trademarks d k Identify, distinguish goods and indicate their source
 Purpose p Ensure consumer gets what is paid for/expected to receive
 Protect owner against piracy and misappropriation Infringement
 Market confusion Bad faith Dilution
 Behavior that weakens connection between trademark and product Slide 8-
 153 Trademarks & Internet Cybersquatting
 Anticybersquatting Consumer Protection Act (ACPA) Cyberpiracy
 Typosquatting Metatagging M i Keywording y g Deep linking Framing Slide 8-
 154 Governance Primary questions Who will control Internet and e?
 commerce? What elements will be controlled and how? What elements will
 be controlled and how? Stages of governance and e? commerce g g
 Government Control Period (1970-1994) Privatization (1995-1998)
 Privatization (1995 1998) Self? Regulation (1995-present)
 Government Regulation (1998-present) Slide 8-155 Who Governs E-
 commerce & Internet? Mixed mode environment
 Self? regulation, through variety of Internet policy and technical bodies, co
 exists with limited and technical bodies co? exists with limited
 government regulation ICANN : Domain Name System
 Internet could be easily controlled, I t t l d b i l t l l d
 monitored, and regulated from a central location Slide 8-156 Taxation E?
 commerce taxation illustrates complexity of
 governance and jurisdiction issues governance and jurisdiction issues U. S.
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sales taxed by states and local government MOTO retailing E?

commerce benefits from tax "subsidy" y

October 2007: Congress extends tax moratorium for

an additional seven years an additional seven years

Unlikely that comprehensive, integrated rational

approach to taxation issue will be determined for approach to taxation issue

will be determined for some time to come Slide 8-157 Net Neutrality

Currently, all Internet traffic treated equally -

all activities charged the same rate, no l i i i h d h

preferential assignment of bandwidth

Backbone providers would like to charge

differentiated prices and ration bandwidth 2010, U. S.

ppeals court ruled that FCC had no authority to regulate Internet providers

Slide 8-158 Public Safety & Welfare Protection of children and strong g

sentiments against pornography Passing legislation that will survive court P i

l i l t i t h t i l l i t challenges has proved difficult

Efforts to control gambling and restrict sales of drugs and cigarettes sales of

drugs and cigarettes Currently mostly regulated by state law

Unlawful Internet Gambling Enforcement Act Slide 8-159 Insight on Society

Internet Drug Bazaar Class Discussion Slide 8-160