**Business Strategy for E-commerce**

*What is a business strategy? What are the elements of a strategy?*

A strategy is a broad-based formula for how a business is going to compete, what its goal should be, and what plans and policies will be needed to carry out those goals. The elements of a strategy include **forecasting, resource allocation, core competency, environmental analysis, company analysis, and business planning**.

Text, p. 106, “A business strategy is a set of plans for achieving superior long-term returns on capital invested in a business firm. It is therefore a plan for making profits in a competitive environment over the long term

**Describe the four phases of e-strategy.**

The four phases include strategy initiation, strategy formulation, strategy implementation, and strategy assessment.

**Briefly describe company, industry, and competitive analyses.**

Company analysis involves examining the firm, its abilities and weaknesses. Industry analysis involves examination of the firm's industry and the current state of competition. A competitive analysis uses the information from company and industry analysis to evaluate the firm's competitive position in the industry overall.

**How can the Internet aid a company in conducting a competitive analysis?**

The Internet can be used to quickly find information about other firms in the industry and the state of competition in the industry.

**More on E-Business Strategy**

An organizational strategy is a broad-based formula for how a business is going to compete, what its goals should be, and what plans and policies will be needed to accomplish those goals. *There is a strategy for a pure-play e-tailer and strategy for an existing physical business that is now considering selling on the Internet (or, at least having some presence on the Internet).*

Fundamental questions:

What is the long-term direction of our organization?
What is the overall plan for deploying our organization’s resources?
What trade-offs are necessary?
What is our unique positioning vs. our competitors?

Any contemporary business strategy setting process **must include the Internet**. The winners will be those that view the Internet as a complement to not a cannibal of traditional ways of competing. Many businesses are taking a focused look on the impact of the Internet and e-commerce on their future. For such businesses, an e-strategy is the formulation and execution of a vision of how an new or existing company intends to do business electronically.
Phases of strategic planning:

- Strategy initiation
- Strategy formulation
- Strategy implementation
- Strategy assessment

Initiation: company analysis, core competencies, industry analysis, forecasts (business, technological, political, economic and other trends) competitor analysis (direct competitors, indirect competitors, potential competitors)

Formulation: development of strategies to exploit opportunities and manage threats in the business environment in light of corporate strengths and weaknesses

Identify business opportunities, then do cost/benefit analysis, risk analysis, assessment and management and a business plan (to ensure that a realistic approach is being taken to implement the business strategy)

Implementation: detailed short-term plans on “How do we do it”: includes project planning, resource allocation, project management

Assessment: continuous evaluation of progress toward the organization’s strategic goals, resulting in corrective action, and if necessary, strategy reformulation.

The above applied to business strategies in general. Now see how to apply the above to e-strategies

**E-Strategy Initiation:**

- organization prepares information about its vision, mission, purpose, and the contribution that EC could make (vision and mission for EC within vision and mission for the whole business); it then examines specific issues related to EC as below

- for pure play or brick and click

  e-strategy: involves finding a position in the marketplace that best fits the firm’s skills could be:
  - brick store but use Internet for information and advertising
  - brick store that has an online catalog
  - brick and click store
  - brick store with another party e-tailing your goods as well
  - pure play click operation

Industry assessment:
- what is our industry?
- who are the customers
- what are the current practices of selling and buying?
- Who are the major competitors?
- How intense is the competition?
- What e-strategies are used, by whom?
- What are the major opportunities and risks in this industry now?

Company self-assessment:
- Investigate your own
  - business strategy
  - performance
  - customers
  - partners

Within your organization, see strengths and weaknesses in
- business processes
- people
- information flows
- technology support

Competitive intelligence:
- the Internet can play a major role
  - review competitors’ websites
  - examine publicly available financial documents
  - award prizes to customers who best describe your strengths and weaknesses
  - create online discussion groups
  - corporate research companies provide information about your competitors

Specific issues in e-strategy initiation

- 1. to be a first mover or a follower
  - adv:
    - chance to capture large markets
    - establish a brand name
    - establish strong strategic alliances (exclusively yours)
  - dis:
    - chance of failure may be high
    - system may be obsolete as compared to second wave e-businesses in your area
    - more thinking to be done, no one to emulate; higher development costs

- first-mover advantage is easier to maintain in commodity products in which later entrants have a hard time differentiating their product
- first-mover advantage can be lost because a later mover offered a better or more innovative product or service (it's the best mover, not the first mover, that will become the market leader)

- 2. determining the scope of the business: what kind of growth is your business infrastructure (technology, finances, distribution facilities...) prepared to handle?

- 3. should you have a separate online company (for brick and click)
  - Adv:
    - Reduce or eliminate internal conflicts
    - More freedom in pricing, advertising
    - Ability to create new brands quickly
    - Ability to build new, efficient information systems that are not burdened by legacy systems
  - Dis:
    - May be costly and risky
    - Will not benefit from expertise and spare capacity in the business functions (marketing, finance, distribution) unless it gets superb collaboration from the parent company

Can also consider having someone else e-tail for you

- 4. Should you have a separate online brand?
  - If you have a strong brand in brick business you may want to retain it online
  - If you have a weak brand or one that does not reflect the intent of the online effort, may decide to create a new brand

Outcomes: company analysis (what business are we really in? who are our future customers? What are opportunities and threats? What benefits do the company’s products provide to the customers [e.g., Amazon.com sells not just books but information about books], core competencies (unique combination of resources and experiences of a particular firm), forecasts (business, technological, political, economic, and other relevant trends that will affect the business), and competitor analysis

E-Strategy Formulation:
- development of strategic plans (long range) to exploit opportunities and manage risks in the environment in light of corporate strengths and weaknesses

- we are explicitly aware of the Outcomes of stage 1; what specific strategies will we formulate in light of this?

- identify specific business opportunities and possibly new revenue models
- do a cost/benefit analysis for each opportunity

- assess the risk of each opportunity

- prepare of formal Business Plan: every business needs a business plan to acquire funding and to ensure that a realistic approach is being taken to implementation of the business strategy (more on the business plan later)

- may first need to develop a BUSINESS CASE for EC

    - this is a written document (usually in an existing “brick” business) that is used by managers to garner funding for specific applications or projects by providing justification for investments; it would show what benefit a company would derive from implementing an EC project, usually by increasing its competitiveness and by providing better service to its customers

Specific issues in e-strategy formulation

- how to handle conflict between off-line and online businesses (real Levi’s and Maytag)
- pricing online (same as offline? Lower?)
  - online, price comparison is easier
  - differentiated pricing e.g., selling airline ticket early at a lower price
- should you get financing from venture capitalists who will want a part of the control of the business?

Now, you have a more focused plan of what you are going to do in your e-business

**E-Strategy Implementation:**

Here, the emphasis shifts from “what we do” to “how we do it”

Detailed, short-term plans are developed for carrying out the projects agreed on in project formulation

1. Project planning: have a project or series of projects to implement the strategy. Need a project plan for each project: specific objectives, schedule
2. Resource allocation: human, financial, technological, time, managerial resources.
3. Project execution: staff are hired, equipment is purchased, software is licenced, etc..

Specific issues in e-strategy implementation

One of the first steps in implementation is to establish a Web team: construct a web site (recall Wal-Mart), integrate web site with back-end systems; make important technology decisions: hosting, buying software and hardware, security
Another issue is whether there will be any partners: hosting companies, e-tailers, companies that deliver orders etc.

Business alliances can be formed if EC initiative seems too large for one company

Business processes may need to be redesigned

**E-Strategy Assessment:**

This involves continual assessment of EC metrics and the periodic, formal evaluation of progress towards the organization’s strategic goals

Metric- specific measurable standard against which actual performance is compared.

e.g., % of reduction in selling costs
  % reduction in warehouse space
  % reduction in obsolete stock write-offs
  Reduction in average days to delivery
  % increase in revenue
  Rate of addition of new customers
  Reduction in cost of e-mail as compared to regular mail
  Response rate to e-mail is faster than response rate to regular mail