

# Introduction to E-Commerce Strategy

## Lecture-Case Format Course Syllabus

### 26 Class Sessions

### Course Overview

The application of new media and information technology – which includes the Internet and the World Wide Web – has significantly changed the way that business leaders think about management, strategy, and business design.

Today, there is a dire shortage of executives that can effectively manage and understand/create strategy in the New Economy. The goal of this course is to prepare current and future executives, managers, and strategists to be leaders and create value in the New Economy – to gain understanding and insight on how the functions of management in the New Economy have changed as well as how new technology and media forms have created a radically different business environment. This new business frontier requires most firms to significantly change their business strategy and presents unprecedented new opportunities for fast acting entrepreneurs.

This course presents the strategic themes and issues often associated with success in the New Economy and highlights how these strategic themes and issues differ from the fundamentals of old economy success. Several of the key fundamentals and characteristics of successful New Economy firms can be summarized as follows:

- Success is derived by leveraging the potential of electronic information networks and new media interfaces – value is often derived from gathering, synthesizing, and distributing information.
- Strategy is dependent on integrating management’s strategic insights with the firm’s technological capabilities. Strategy in the New Economy often involves significant technological innovations.
- Innovation does not occur in “cycle time” (i.e., a process that methodologically and periodically makes changes). In the New Economy, innovation occurs in “real time” in response to customers and market demands and insights.
- The New Economy is intensely competitive. The New Economy is characterized by markets with low barriers to entry.
- Resources in the New Economy can easily be shifted to accommodate market demands(demands customers, market changes derived from ancillary markets, trends, etc.). In comparison, old economy firms are often constrained in their ability to satisfy significant market demand shifts.
- Interaction with customers is predominantly via technology as opposed to people managing these important customer relationships.

- Customer web tracking technologies provide firms with new opportunities to better market and serve their customers.

## **Learning Objectives**

- Acquaint students with a fundamental understanding of the environment and strategies in the New Economy.
- Provide analytical tools to understand opportunities in unserved or underserved New Economy markets.
- Provide a fundamental understanding of the different types and key components on business models in the New Economy.
- Provide guiding principles behind the design and strategy of the customer web interface.
- Understand the traditional and new communication/marketing approaches that create competitive advantage in the New Economy.
- Provide insights on how to implement strategy in the New Economy.
- Understand the metrics that New Economy firms use to measure progress, customer satisfaction, and financial performance.
- Understand the fundamentals of financially valuing New Economy companies.
- Provide an overview of the hardware, software, servers, and the parts that make up the enabling “railroad” for the New Economy.
- Examine the effects that new technology, mergers, and synergies between old and New Economy media platforms have on the media industry.

## **Required Text and Case Books**

Required Text Book: Rayport, Jeffrey and Bernard Jaworski (2000), *E-Commerce*, Burr Ridge, IL: Irwin / McGraw-Hill

Required Case Book: Rayport, Jeffrey and Bernard Jaworski (2000), *Cases in E-Commerce*, Burr Ridge, IL: Irwin / McGraw-Hill

## **Class One: Course Overview**

*Session Overview:* This session provides an overview of the course content, learning objectives, expected student participation, and grading.

## **Class Two: Overview of E-Commerce Framework – Part 1**

*Session Overview:* This session introduces an overview of the e-commerce landscape and a framework for the study of e-commerce.

*Class Preparation Questions:*

1. What is e-commerce?
2. What are the distinct categories of e-commerce?
3. Is e-commerce different?
4. Why study e-commerce?
5. What is the e-commerce decision making process?

*Required Text Book Reading:* Chapter 1.

## **Class Three: Overview of E-Commerce Framework – Part 2**

*Session Overview:* This session continues our overview of the e-commerce landscape and a framework for the study of e-commerce.

*Class Preparation Questions:*

- To Be Added

*Required Case Reading:* AMAZON.COM A, B, C, D.

## **Class Four: Market Opportunity Analysis – Part 1**

*Session Overview:* This session begins our analysis of business opportunities in the New Economy. We discuss a framework that specifies 5 primary conditions that should be analyzed in order to determine the size and potential of a market opportunity. This framework provides a systematic framework that helps to identify underserved or unserved market opportunities.

*Class Preparation Questions:*

1. What is the framework to market opportunity analysis?
2. Is market opportunity analysis different in the New Economy?
3. What are two generic “value types”?
4. How do we identify un-met and/or under-served needs?
5. What determines the specific customers the company is to pursue?
6. Who provides the resources to deliver the benefits of the offering?
7. How do we assess the attractiveness of the opportunity?
8. How do we prepare a go/no-go assessment?

*Required Text Book Reading:* Chapter 2.

## **Class Five: Market Opportunity Analysis – Part 2**

*Session Overview:* This session continues our analysis of business opportunities in the New Economy. We discuss a framework that specifies 5 primary conditions that should be analyzed in order to determine the size and potential of a market opportunity. This framework provides a systematic framework that helps to identify underserved or unserved market opportunities.

*Class Preparation Questions:*

- 1(A). How did Encyclopedia Britannica build the dominant franchise it enjoyed during its first 200 years?
- 2(A). What impact did the advent of electronic channels for information distribution have on the Britannica franchise? In responding to this development, which specific moves by Britannica made business sense and which did not?
- 3(A). If you were to diagnose the difficulties Britannica had in evolving its electronic strategy, what can you identify as the root cause(s) of its failure in the 1990s?
- 4(A). How should the company have thought about extracting value from its content stream? What should Britannica have done to extract value from its “installed base” of readers/users?
- 5(A). What can Britannica do now to maximize the value of its existing product line, database, and brand?

- 1(B). Would Goulka's wager prove correct, that the Britannica legacy would drive necessary growth in its print and online services?
- 2(B). How would the Britannica tradition and trademark fare against other encyclopedias online, including (relatively) recent entrants into the business such as Microsoft's Encarta?

*Required Case Reading:* ENCYCLOPEDIA BRITANNICA A, B.

## **Class Six: New Economy Crossfire – Take 1**

*Session Overview:* Be prepared for a heated and animated debate! This session inaugurates our "Crossfire" style debate on the following current hot topics in e-commerce:

- Do On-line Company Valuations Make Sense? (Students whose last name begins with A – M should prepare points to *support* the argument that valuations make sense. Students whose last name begins with N – Z should prepare points to *counter* the argument that valuations make sense.)
- Does Segmentation Matter? (Students whose last name begins with A – M should prepare points to *support* the argument that segmentation matters. Students whose last name begins with N – Z should prepare points to *counter* the argument that segmentation matters.)

*Required Text Book Reading:* Relevant Point-Counterpoint sidebars in Chapters 1 and 2.

*Additional Research:* Please come to class with several well thought out points to support your assigned "Crossfire" point of view. Additional research should be conducted to support your debate points.

## **Class Seven: Business Models – Part 1**

*Session Overview:* This session begins our discussion of business models in the New Economy. We will discuss the four basic business decision components that should be presented in a business model. Our discussion concludes with an overview of the major business models in today's new economy.

*Class Preparation Questions:*

1. What is a business model?
2. Do firms compete on value propositions or value clusters?
3. How does a firm develop an on-line offering – whether product, service or information?
4. What is a successful, unique resource system? What are characteristics of “good” resource systems?
5. What are the financial models available to firms?
6. What business classification schemes seem most appropriate for the New Economy?

*Required Text Book Reading:* Chapter 3.

## **Class Eight: Business Models – Part 2**

*Session Overview:* This session continues our discussion of business models in the New Economy. We will discuss the four basic business decision components that should be presented in a business model. Our discussion concludes with an overview of the major business models in today's new economy.

*Class Preparation Questions:*

1. What are the market conditions that allow VV to provide value to suppliers? To end-users. What end-users does VV target?
2. What is the business model of VV?
3. How has VV established its acknowledged dominance of virtual retailers in this category? What are the resources that VV has used to develop this dominance?
4. What are the attributes of a high quality retail service when it is delivered screen-to-screen rather than face-to-face?
5. What additional actions might VV take to enhance their position in the marketplace?

*Required Case Reading:* Virtual Vineyards

## **Class Nine: The Customer Interface – Part 1**

*Session Overview:* This session begins our discussion of the customer interface. We will discuss the set of design tools and elements that Rayport/Jaworski refer to as the 7C's of the customer interface. Our discussion will focus on the levers that management can use to provide more customer value.

*Class Preparation Questions:*

1. What are the seven design elements to the customer interface?
2. What are the alternative “look-and-feel” approaches to design?
3. What are the five content archetypes?
4. Why be concerned with community
5. What are the levers used to customize a site?
6. What types of communication can a firm maintain with its customer base?
7. How does a firm connect with other businesses?
8. What are alternative pricing models of commerce archetypes?

*Required Text Book Reading:* Chapter 4.

## **Class Ten: The Customer Interface – Part 2**

*Session Overview:* This session continues our discussion of the customer interface. We will discuss the set of design tools and elements that Rayport/Jaworski refer to as the 7C's of the customer interface. Our discussion will be focused on the levers that management can use to provide more customer value.

### *Class Preparation Questions:*

- 1(A). With mounting pressure to keep product moving out the door, Warner and company president Joe Lassiter wondered: how long could Wildfire pursue three product concepts at once?
- 2(A). Which area(s) should the company bet on?
- 3(A). What are the key benefits of the system? Do they vary by segment?
- 4(A). What direction should the firm's corporate culture take in order to meet the challenge of creating this new industry?
- 5(A). How could Wildfire ensure that it was developing communication products that were most important to the customer?
- 1(B). Was CPE Wildfire ready to become the company's most likely near-term alternative for a "real business"?
- 2(B). Would a new, lower-cost CPE system, sold through the dealer channel, be able to provide the bulk of the company's 1996 and maybe even 1997 sales?
- 3(B). Would Wildfire also have to adjust its CPE targets to include smaller accounts?
- 4(B). What other adjustments in strategy could Wildfire make to avoid problems customers faced in integrating the technology with existing support systems, such as voicemail?
- 1(C). Would enough individual subscribers pay several hundred dollars per month in fees to service bureaus in order to use Wildfire? In other words, how big was the market for Wildfire?
- 2(C). Once Network Wildfire was developed, would network service providers offer it immediately to their subscribers? Or would bureaucratic inertia keep the product "in the box" for a year or more while Wildfire Communications was starved for revenues?

- 3(C). Would small service bureaus and giant NSPs consent to sell the same product, or would their demands for features and support, and their technical capabilities, diverge, forcing Wildfire to separate infrastructures for the two channels?
- 1(D). Now, with only “one set of hands on the steering wheel,” how could the company take advantage of the consolidation opportunity afforded by its agreements with AT&T/McCaw Cellular and PacTel Cellular?
- 2(D). Now that Wildfire’s service resellers began signing up customers, what kind of feedback would Wildfire receive, and how would they respond?

*Required Case Reading:* WILDFIRE COMMUNICATIONS A, B, C, D.

## **Class Eleven: New Economy Crossfire – Take 2**

*Session Overview:* Be prepared for a heated and animated debate! This session is the second installment of our “Crossfire” style debate. We will debate the following current hot topics in e-commerce in this session:

- Does Profit Matter? Build Profit or Build User Base. (Students whose last name begins with A – M should prepare points to *support* the argument that profit matters. Students whose last name begins with N – Z should prepare points to *counter* the argument that profits matter. )
- Is Content King? (Students whose last name begins with A – M should prepare points to *support* the argument that content is king. Students whose last name begins with N – Z should prepare points to *counter* the argument that content is king. )

*Required Text Book Reading:* Relevant Point-Counterpoint sidebars in Chapters 3 and 4.

*Additional Research:* Please come to class with several well thought out points to support your assigned “Crossfire” point of view. Additional research should be conducted to support your debate points.

## **Class Twelve: Market Communications and Branding – Part 1**

*Session Overview:* This session begins our discussion on market communications and branding. We will discuss various new and traditional methods that online firms can use to build customer awareness and traffic. We also will discuss branding in the New Economy and how branding benefits both customers and the firm.

*Class Preparation Questions:*

1. What are four categories of market communication?
2. What is a good brand?
3. What is the Ten-Step Branding Process?
4. How does on-line branding compare between American Airlines and Continental Airlines?
5. What are the Point- Counterpoint arguments for leveraging an off-line brand into the on-line environment?

*Required Text Book Reading:* Chapter 5.

## **Class Thirteen: Market Communications and Branding – Part 2**

*Session Overview:* This session continues our discussion on market communications and branding. We will discuss various new and traditional methods that online firms can use to build customer awareness and traffic. We also will discuss branding in the New Economy and how branding benefits both customers and the firm.

*Class Preparation Questions:*

1. What are The Monster Board's strengths and weaknesses with respect to its competition? What factors account for its business success to date?
2. How might Monster Board strengthen its franchise, given Jeff Taylor's options – building its brand; launching vertical sites as brand extension; and increased geographic expansion?
3. How might Monster Board gain maximum leverage as a subsidiary of TMP Worldwide?
4. Are there new economic models, new sources of user value, or pricing policies that Monster Board could adopt to enhance revenues and profitability?

*Required Case Reading:* MONSTER.COM.

## **Class Fourteen: Mid Term Exam**

## **Class Fifteen: Implementation – Part 1**

*Session Overview:* This session begins our discussion on strategy implementation. We will discuss the two key components of implementation – the delivery system and the innovation process. Implementation answers the critical question of “How do we go to market?” The delivery system describes the people, systems, assets, processes, and supply chains that enable the firm to operate in the market.

*Class Preparation Questions:*

1. What is on-line implementation?
2. Why does implementation matter?
3. What is the “delivery system”?
4. What are categories of off-line innovation?
5. What is the off-line innovation process?
6. What is the new logic behind the New Economy innovation?
7. What are the New Economy innovation frameworks?
8. What are the New Economy innovation processes?

*Required Text Book Reading:* Chapter 6.

## **Class Sixteen: Implementation – Part 2**

*Session Overview:* This session continues our discussion on strategy implementation. We will discuss the two key components of implementation – the delivery system and the innovation process. Implementation answers the critical question of “How do we go to market?” The delivery system describes the people, systems, assets, processes, and supply chains that enable the firm to operate in the market.

*Class Preparation Questions:*

1. What roles do distributors play in the electronic components industry? Why and how are those roles evolving?
2. What is Marshall’s position in the industry? How have changes in the industry effected the viability of this position?
3. Can Marshall secure a sustainable competitive advantage from its website?
4. Was Rodin’s decision to scrap sales commissions a wise one?
5. If you were a pure Internet distributor like Netbuy or Fast Parts, how would you attack a traditional distributor like Marshall?

*Required Case Reading:* MARSHALL INDUSTRIES.

## **Class Seventeen: New Economy Crossfire – Take 3**

*Session Overview:* Be prepared for a heated and animated debate! This session is the third installment of our “Crossfire” style debate. We will debate the following current hot topics in e-commerce in this session:

- Do Strong On-Line Brands Matter? (Students whose last name begins with A – M should prepare points to *support* the argument that on-line brands matter. Students whose last name begins with N – Z should prepare points to *counter* the argument that on-line brands matter.)

- Built to Last or Built to Rebuild? (Students whose last name begins with A – M should prepare points to *support* the argument that new economy companies should build to last. Students whose last name begins with N – Z should prepare points to *support* the argument that new economy companies should build to rebuild.)

*Required Text Book Reading:* Relevant Point-Counterpoint sidebars in Chapters 5 and 6.

*Additional Research:* Please come to class with several well thought out points on each of our “Crossfire” style debates. Additional research should be conducted to support your debate points.

## **Class Eighteen: Metrics**

*Session Overview:* In this session, we discuss the metrics of how an on-line company can measure the progress of their business. We will discuss Rayport/Jaworski’s “Performance Dashboard.” The “Performance Dashboard” is comprised of the following five metrics to assess the health of an on-line company: (1) Opportunity, (2) Business Model, (3) Branding and Implementation, (4) Customer Interface and Outcomes, (5) Financial. We will discuss in detail each of these metric categories.

*Class Preparation Questions:*

1. Should senior managers be concerned about metrics?
2. How can we assess the health of New Economy firms?
3. What are the steps to implement the Performance Dashboard?
4. What are three sources of metrics information that firms can use to chart their progress?

*Required Text Book Reading:* Chapter 7.

## **Class Nineteen: Valuation – Part 1**

*Session Overview:* This session begins our discussion on how new economy companies are valued and the rationale behind these valuations. We will discuss the spectrum of basic to sophisticated valuation techniques that can be used to value new economy companies.

### *Class Preparation Questions:*

1. How can one apply discounted cash flow analysis for robust growth companies?
2. How and when is it appropriate to use a real options methodology for valuing emerging growth companies?
3. How should we think about valuing startup companies?
4. How do valuation methodologies actually work?
5. When is one methodology more appropriate than others?

*Required Text Book Reading:* Chapter 8.

## **Class Twenty: Valuation – Part 2**

*Session Overview:* This session continues our discussion on how new economy companies are valued and the rationale behind these valuations. We will discuss the spectrum of basic to sophisticated valuation techniques that can be used to value new economy companies.

### *Class Preparation Questions:*

- 1(A). How could the balanced scorecard measure and respond to these changing technologies, consumer behavior, and competitor tactics?  
How could the scorecard continue to reflect the core strategy?
- 2(A). How could the team screen each objective to ensure that it was an essential driver and that it was measurable?
- 3(A). Should they limit the scorecard to include data currently available within OFS, or devise new methods to measure each objective?

- 1(B). Theoretically, OFS would be able to prioritize new initiatives based on the scores. Would the results of this quantitative process support the management's current, real set of priorities?
- 2(B). How would the model, and the group, handle conflicting priorities?
- 3(B). What recommendations would you make to D'Agostino?

*Required Case Reading:* WELLS FARGO A, B.

## **Class Twenty-One: New Economy Crossfire – Take 4**

*Session Overview:* Be prepared for a heated and animated debate! This session is the fourth installment of our “Crossfire” style debate. We will debate the following current hot topics in e-commerce in this session:

- Which is Better? Online or Off-line Data sources. (Students whose last name begins with A – M should prepare points to *support* the argument that On-line data sources are better. Students whose last name begins with N – Z should prepare points to *support* the argument that Off-line data sources are better.)
- Amazon.com: Buy or Short? (Students whose last name begins with A – M should prepare points to *support* the argument of buying Amazon stock. Students whose last name begins with N – Z should prepare points to *support* the argument of shorting Amazon stock.)

*Required Text Book Reading:* Relevant Point-Counterpoint sidebar in Chapters 7 and review valuation principles in Chapter 8.

*Additional Research:* Please come to class with several well thought out points to support your assigned “Crossfire” point of view. Additional research should be conducted to support your debate points.

## **Class Twenty-Two: Overview of Infrastructure**

*Session Overview:* This session provides a basic overview of the Internet infrastructure. We will discuss the Internet's origin, how it works, and how future technology changes and public policy will further transform the Internet.

### *Class Preparation Questions:*

1. How was the development of the microprocessor important to the Internet?
2. How was the development of a graphical interface important to the Internet?
3. What are the Internet and the World Wide Web and why are they important?
4. How do we access the Internet?
5. How can the Internet be used in business processes?
6. How will the increased use of the Internet affect public policy and politics?

### Case Prep Questions

- 1(A). What are VocalTec's strengths and weaknesses in positioning itself as the market leader in Internet-based telephony?
- 2(A). How successful has the company been to date in its efforts to establish a de facto standard for Internet telephony?
- 3(A). If Internet telephony takes hold in the market, what impact will it have on traditional long-distance players? How soon might this impact be felt?
- 4(A). For what users will products such as Internet Phone hold greatest appeal? For what customers will Internet telephony not be an attractive option?
- 5(A). What other kinds of business might VocalTec develop on its Internet Phone platform?
- 6(A). The CEO, Dr. Elon Ganor, believed that, after the IPO, an aggressive "marketing program" would become the company's first priority. What kind of marketing program would you recommend?
- 1(B). What was the future of telecommunications and Internet Telephony, and how would it affect VocalTec?

- 2(B). What partnering strategies might VocalTec adopt to position itself for the possibility of regulation?
- 3(B). How should VocalTec adjust its product and marketing strategies to accommodate possibly radical changes in access and pricing for consumers?

*Required Text Book Reading:* Chapter 9.

*Required Case Reading:* Vocaltec A, B.

## **Class Twenty-Three: Media Convergence-Part 1**

*Session Overview:* In this session we discuss on the effects of media convergence in the New Economy. We will discuss how different types of media content are evolving to be received on electronic devices. We will discuss how this media convergence and its expected synergistic benefits has been a key driver behind several mega-mergers of media companies (i.e., AOL and Time Warner, Viacom and CBS, etc.).

*Class Preparation Questions:*

1. What is “media convergence”?
2. What conditions makes media convergence possible?
3. How do new media companies leverage off traditional media channels?
4. What are reasons for mega-media mergers?
5. What public policy issues must be addressed with digital convergence and media convergence?

*Required Text Book Reading:* Chapter 10.

## **Class Twenty-Four: Media Convergence-Part 2**

*Session Overview:* In this session we continue our discussion on the effects of media convergence in the New Economy. We will discuss how different types of media content are evolving to be received on electronic devices. We will discuss how this media convergence and its expected synergistic benefits has been a key driver behind several mega-mergers of media companies (i.e., AOL and Time Warner, Viacom and CBS, etc.).

### *Class Preparation Questions:*

- 1(A). What are the strengths and weaknesses of *The New York Times* Company's current positioning in its print media markets?
- 2(A). How much equity does *The New York Times* brand have in print markets? What aspects of the brand are best suited to applications in digital information markets? What aspects of the brand, if any, represent liabilities in electronic markets?
- 3(A). Evaluate the Electronic Media Company's Web site ([www.nytimes.com](http://www.nytimes.com)). What attributes have made it a top news site on the Web?
- 4(A). Evaluate the economic model presented for *The Times'* Web-based business in the case. How would you predict the model will evolve, in light of a variety of possible revenue streams such as subscriptions, advertising, lead generation, retail transactions, and fee-based services?
- 5(A). Given your assumptions regarding future economic model(s) for the site, who are the Times present and future competitors on the Web? Are they news sites; retail sites, entertainment sites, community sites, or others?
- 1(B). Would this strategy help *The New York Times* reach meaningful scale locally and become a business akin to the Yellow Pages—as Nisenholtz envisioned?
- 2(B). Were there other media to exploit and integrate into *The New York Times* brand?

*Required Case Reading:* NEW YORK TIMES A, B.

## **Class Twenty-Five: New Economy Crossfire – Season Finale**

*Session Overview:* Be prepared for our final heated and animated debate! Ending our semester with a cliff hanger season finale, our final “Crossfire” style debate will be on the following current hot topics in e-commerce:

- Which is Better? Cable or DSL (Students whose last name begins with A – M should prepare points to *support* the argument that cable is better. Students whose last name begins with N – Z should prepare points to *support* the argument that DSL is better.)
- Will Newspapers Survive? (Students whose last name begins with A – M should prepare points to *support* the argument that newspapers will survive. Students whose last name begins with N – Z should prepare points to *counter* the argument that newspapers will survive.)

*Required Text Book Reading:* Relevant Point-Counterpoint sidebars in Chapters 9 and 10.

*Additional Research:* Please come to class with several well thought out points to support your assigned “Crossfire” point of view. Additional research should be conducted to support your debate points.

## **Class Twenty-Six: Final Exam**