



SIXTH EDITION

DIGITAL BUSINESS AND E-COMMERCE MANAGEMENT

STRATEGY, IMPLEMENTATION
AND PRACTICE

DAVE CHAFFEY

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Which strategies and actions are needed to develop and sustain a Digital Business?

How should we prioritise our investments in E-commerce and Digital Business?

What are the main changes that need to be made to an organisation to facilitate Digital Business?

The new edition of Dave Chaffey's bestselling book is your guide to answering these difficult questions. Written in an engaging and informative style, *Digital Business and E-Commerce Management* will equip you with the knowledge and skills to navigate today's fast-paced world of continuous technological development.

In this sixth edition of his bestselling book, leading authority Dave Chaffey brings together the most recent academic thinking and professional practice. Covering all aspects of e-business including strategy, digital marketing and supply chain management, *Digital Business and E-Commerce Management* gives you the benefit of:

- A structured approach to review, plan and implement e-commerce strategy for all types of organisation
- The latest on digital marketing techniques such as search engine, content and social media marketing
- Expanded coverage of creating integrated experiences for mobile and desktop devices
- Case studies and interviews showing how startups and large organisations have grown through creating effective digital business strategies
- A companion website at www.pearsoned.co.uk/chaffey, providing access to the latest digital business and e-commerce developments via Dave Chaffey's regularly updated Blog, twitter feed and updates to Dave's series of books. The website also provides the opportunity for self-assessment and access to extra case studies demonstrating digital business and e-commerce in action

Whether you're a student studying digital business and e-commerce, or a business manager, *Digital Business and E-Commerce Management* is the essential text to help you understand and apply digital technology, strategy and implementation.

Dave Chaffey is co-founder of e-commerce advice site SmartInsights.com and a consultant, trainer and visiting lecturer on digital marketing courses at Cranfield School of Management, University of Derby and Manchester Metropolitan University.



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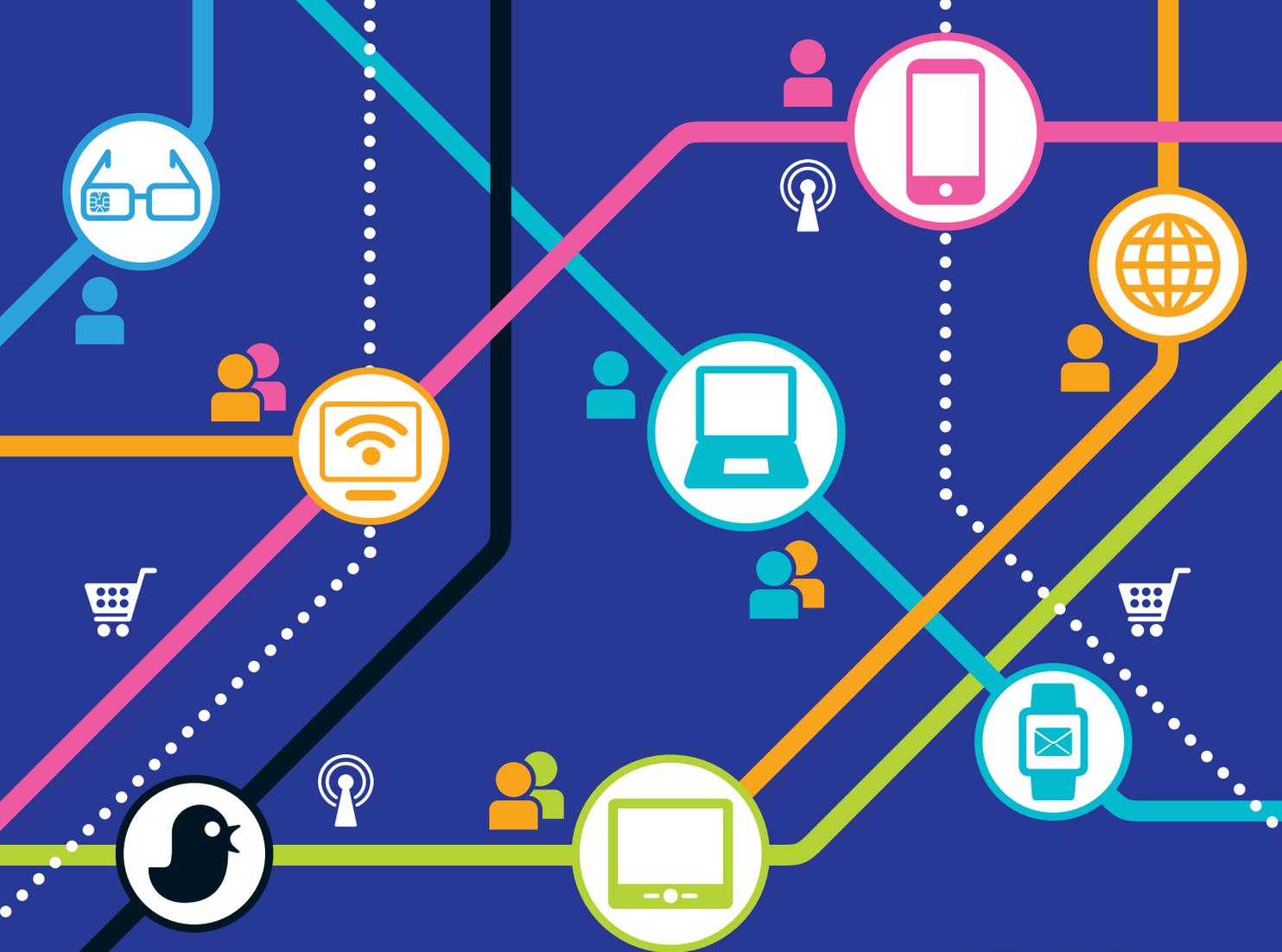
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Lecturer Resources

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Preface



In 1849, a group of settlers travelling west towards the promised land, California, entered a then unnamed valley. The valley presented a harsh environment with a barrier of mountains to the west making the way forward unclear. Some of the settlers lost their lives as they sought to find a route west before eventually reaching California and what was to become one of the most prosperous places on earth. As the group left the valley, one of the women in the group turned and said, 'Goodbye, Death Valley', and hence the valley got its name.

Today, flagship digital businesses with headquarters in California, such as eBay, Facebook and Google, are now leading global brands with turnovers of billions of dollars, yet this has happened in a few short years, less than 300 years after the first modern settlers arrived.

Likewise for other businesses, the road to digital business success is not straightforward and fraught with difficulties of selecting the correct strategic direction and surviving in an increasingly harsh competitive environment. Not all who follow the route survive. But whether it's the start-up businesses or an existing business, what they have in common is that those who prosper learn to optimise to take the right strategic decisions about digital technology, digital marketing and supply chain management.

This book is intended to equip current and future managers with some of the knowledge and practical skills to help them navigate their organisation towards digital business.

A key aim of this book is to identify and review the key management decisions required by organisations moving to digital business and consider the process by which these decisions can be taken. Key questions include: What approach to digital business strategy do we follow? How much do we need to invest in digital business? Which processes should be our digital business priorities? Should we adopt new business and revenue models? What are the main changes that need to be made to the organisation to facilitate digital business?

Given the broad scope of digital business, this book takes an integrative approach drawing on new and existing approaches and models from many disciplines, including information systems, strategy, marketing, supply chain management, operations and human resources management.

What is digital business management?

Digital business

how businesses apply digital technology and media to improve the competitiveness of their organisation through optimising internal processes with online and traditional channels to market and supply.

As we will see in Chapter 1, **digital business** is aimed at enhancing the competitiveness of an organisation by deploying innovative digital technologies throughout an organisation and beyond, through links to partners and customers and promotion through digital media. It does not simply involve using technology to automate existing processes, but is about digital transformation by applying technology to help change these processes to add value to the business and its customers. To be successful in managing digital business, a breadth of knowledge is needed of different business processes and activities from across the value chain, such as marketing and sales, through new product development, manufacturing and

Supply chain management (scm)

The coordination of all supply activities of an organisation from its suppliers and partners to its customers.

Value chain

A model for analysis of how supply chain activities can add value to products and services delivered to the customer.

inbound and outbound logistics. Organisations also need to manage the change required by new processes and technology through what have traditionally been support activities such as human resources management.

From this definition, it is apparent that digital business involves looking at how electronic communications can be used to enhance all aspects of an organisation's supply chain management. It also involves optimising an organisation's value chain, a related concept that describes the different value-adding activities that connect a company's supply side with its demand side. The digital business era also involves management of a network of interrelated value chains or value networks.

What is e-commerce management?

Value networks

The links between an organisation and its strategic and non-strategic partners that form its external value chain.

Electronic commerce (e-commerce)

All electronically mediated information exchanges between an organisation and its external stakeholders.

Buy-side e-commerce

E-commerce transactions between an organisation and its suppliers and other partners.

Sell-side e-commerce

E-commerce transactions between an organisation and its customers.

To set the scope of this book, in its title we reference both 'digital business' and 'e-commerce'. Both these terms are applied in a variety of ways; to some they mean the same, to others they are quite different. As explained in Chapter 1, what is most important is that they are applied consistently within organisations so that employees and external stakeholders are clear about how the organisation can exploit electronic communications. The distinction made in this book is to use electronic commerce (e-commerce) to refer to all types of electronic transactions between organisations and stakeholders, whether they are financial transactions or exchanges of information or other services. These e-commerce transactions are either buy-side e-commerce or sell-side e-commerce and the management issues involved with each aspect are considered separately in Part 2 of the book. 'Digital business' is applied as a broader term encompassing e-commerce but also including all electronic transactions within an organisation.

Management of e-commerce involves prioritising buy-side and sell-side activities and putting in place the plans and resources to deliver the identified benefits. These plans need to focus on management of the many risks to success, some of which you may have experienced when using e-commerce sites, from technical problems such as transactions that fail, sites that are difficult to use or are too slow, through to problems with customer service or fulfilment, which also indicate failure of management. Today, the social media or peer-to-peer interactions that occur between customers on company websites, blogs, communities and social networks have changed the dynamics of online commerce. Likewise, the frenzied consumer adoption of mobile technology platforms via mobile sites and mobile apps offers new platforms to interact with customers which must be evaluated and prioritised. Deciding which of the many emerging technologies and marketing approaches to prioritise and which to ignore is a challenge for all organisations!

How is this book structured?

Social media

A category of media focussing on participation and peer-to-peer communication between individuals, with sites providing the capability to develop user-generated content (ugc) and to exchange messages and comments between different users.

The overall structure of the book, shown in Figure P.1, follows a logical sequence: introducing the foundations of digital business concepts in Part 1; reviewing alternative strategic approaches and applications of digital business in Part 2; and how strategy can be implemented in Part 3. Within this overall structure, differences in how electronic communications are used to support different business processes are considered separately. This is achieved by distinguishing between how electronic communications are used, from buy-side e-commerce aspects of supply chain management in Chapters 6 and 7, to the marketing perspective of sell-side e-commerce in Chapters 8 and 9. Figure P.1 shows the emphasis of perspective for the particular chapters.

Mobile technology platforms

Devices and services used by consumers to interact with other consumers and companies including smartphones, tablets and wearable technology.

Mobile apps

A software application that is designed for use on a mobile phone or tablet, typically downloaded from an app store. Iphone apps are best known, but all smart phones support the use of apps which can provide users with information, entertainment or location-based services such as mapping.

Part 1: Introduction (Chapters 1–4)

Part 1 introduces digital business and e-commerce. It seeks to clarify basic terms and concepts by looking at different interpretations of terms and applications through case studies.

- **Chapter 1: Introduction to digital business and e-commerce.** Definition of the meaning and scope of digital business and e-commerce. Social media, social commerce and mobile apps are also introduced. Introduction to business use of the internet – what are the benefits and barriers to adoption and how widely used is it?
- **Chapter 2: Marketplace analysis for e-commerce.** Introduction to new business models and marketplace structures enabled by electronic communications.
- **Chapter 3: Managing digital business infrastructure.** Background on the hardware, software and telecommunications that need to be managed to achieve digital business.
- **Chapter 4: E-environment.** Describes the macro-environment of an organisation, which presents opportunities and constraints on strategy and implementation.

Part 2: Strategy and applications (Chapters 5–9)

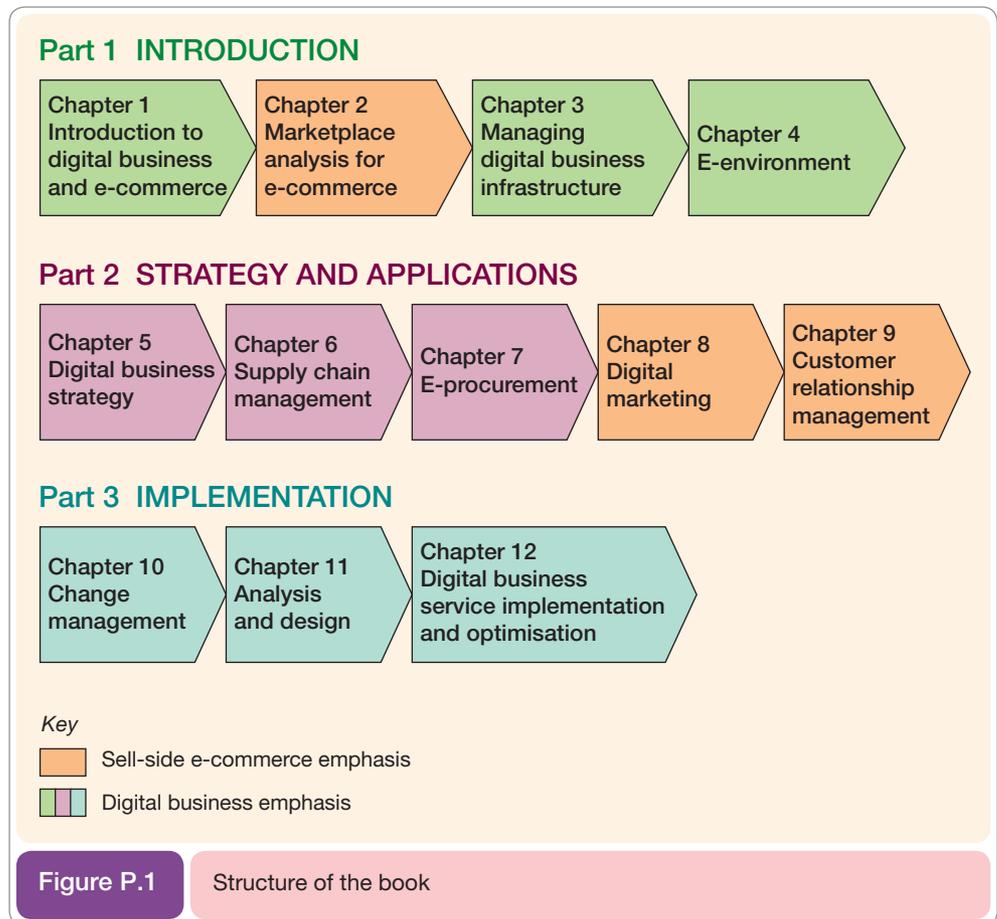
In Part 2 of the book, approaches to developing digital business strategy and applications are reviewed for the organisation as a whole (Chapter 5) and with an emphasis on buy-side e-commerce (Chapters 6 and 7) and sell-side e-commerce (Chapters 8 and 9).

- **Chapter 5: Digital business strategy.** Approaches to developing digital business strategy. Differences from traditional strategic approaches. Relation to IS strategy.
- **Chapter 6: Supply chain management.** A supply chain perspective on strategy with examples of how technology can be applied to increase supply chain and value chain efficiency.
- **Chapter 7: E-procurement.** Evaluation of the benefits and practical issues of adopting e-procurement.
- **Chapter 8: Digital marketing.** A sell-side e-commerce perspective to digital business, reviewing differences in marketing required through digital media. Structured around developing a digital marketing plan.
- **Chapter 9: Customer relationship management.** Reviews marketing techniques that apply e-commerce for acquiring and retaining customers.

Part 3: Implementation (Chapters 10–12)

Management of digital business implementation is described in Part 3 of the book in which we examine practical management issues involved with creating and maintaining digital business solutions.

- **Chapter 10: Change management.** How to manage the organisational, human and technology changes required in the move to digital business.
- **Chapter 11: Analysis and design.** We discuss the main issues of analysis and design raised by e-commerce systems that need to be discussed by managers and solutions providers.
- **Chapter 12: Digital business implementation and optimisation.** How should e-commerce systems be managed and monitored once they are live?



Who should use this book?

Students

This book has been created as the main student text for undergraduate and postgraduate students taking specialist courses or modules which cover digital business, e-commerce information systems or digital marketing. The book is relevant to students who are:

- *undergraduates on business programmes* which include modules on the use of the Internet and e-commerce; this includes specialist degrees such as electronic business, electronic commerce, internet marketing and marketing or general business degrees such as business studies, business administration and business management;
- *undergraduate project students* who select this topic for final-year projects or dissertations – this book is an excellent resource for these students;
- *undergraduates completing work placement* involved with different aspects of digital business such as managing an intranet or company website;
- *postgraduate students on specialist masters degrees in electronic commerce, electronic business or digital marketing and generic MBA, Certificate in Management or Diploma in Management Studies* which involve modules or electives for electronic commerce and digital marketing.

What does the book offer to lecturers teaching these courses?

The book is intended to be a comprehensive guide to all aspects of deploying digital business and e-commerce within an organisation. The book builds on existing theories and concepts and questions the validity of these models in the light of the differences between the internet and other media. The book references the emerging body of literature specific to digital business, e-commerce and digital marketing. As such, it can be used across several modules. Lecturers will find that the book has a good range of case studies, activities and exercises to support their teaching. These activities assist in using the book for student-centred learning as part of directed study. Web links given in the text and at the end of each chapter highlight key information sources for particular topics.

Practitioners

There is also much of relevance in this book for the industry professional, including:

- *senior managers and directors* seeking to apply the right digital business and e-commerce approaches to benefit their organisation;
- *information systems managers* who are developing and implementing digital business and e-commerce strategies;
- *marketing managers* responsible for defining a digital marketing strategy and implementing and maintaining the company website;
- *supply chain, logistics and procurement managers* wanting to see examples of best practice in using e-commerce for supply chain management;
- *technical project managers or webmasters* who may understand the technical details of building a site, but have a limited knowledge of business or marketing fundamentals.

Student learning features

A range of features have been incorporated into this book to help the reader get the most out of it. They have been designed to assist understanding, reinforce learning and help readers find information easily. The features are described in the order you will encounter them.

At the start of each chapter

- *Chapter at a glance*: a list of main topics, 'focus on' topics and case studies.
- *Learning outcomes*: a list describing what readers can learn through reading the chapter and completing the activities.
- *Management issues*: a summary of main issues or decisions faced by managers related to the chapter topic area.
- *Web support*: additional material on the companion website.
- *Links to other chapters*: a summary of related topics in other chapters.
- *Introductions*: succinct summaries of the relevance of the topic to marketing students and practitioners together with content and structure.

In each chapter

- *Activities*: short activities in the main text that develop concepts and understanding, often by relating to student experience or through reference to websites. Model answers to activities are provided at the end of the chapter where applicable.

- *Case studies*: real-world examples of issues facing companies that implement digital business. Questions at the end of the case study highlight the main learning points from that case study.
- *Real-world digital business experiences*: interviews with e-commerce managers at a range of UK, European and US-based organisations concerning the strategies they have adopted and their approaches to strategy implementation.
- *Digital trends updates*. References to relevant statistical sources to update information on the latest consumer and business adoption of digital technology.
- *Box features*: these explore a concept in more detail or give an example of a principle discussed in the text.
- *'Focus on' sections*: more detailed coverage of specific topics of interest.
- *Questions for debate*: suggestions for discussion of significant issues for managers involved with the transformation required for digital business.
- *Definitions*: when significant terms are first introduced the main text contains succinct definitions in the margin for easy reference.
- *Web links*: where appropriate, web addresses are given for further information, particularly those that update information.
- *Chapter summaries*: intended as revision aids and to summarise the main learning points from the chapter.

At the end of each chapter

- *Self-assessment exercises*: short questions which will test understanding of terms and concepts described in the chapter.
- *Discussion questions*: require longer essay-style answers discussing themes from the chapter, and can be used for essays or as debate questions in seminars.
- *Essay questions*: conventional essay questions.
- *Examination questions*: typical short-answer questions found in exams and can also be used for revision.
- *References*: these are references to books, articles or papers referred to within the chapter.
- *Further reading*: supplementary texts or papers on the main themes of the chapter. Where appropriate a brief commentary is provided on recommended supplementary reading on the main themes of the chapters.
- *Web links*: these are significant sites that provide further information on the concepts and topics of the chapter. All website references within the chapter, for example company sites, are not repeated here. The website address prefix 'http://' is omitted from www links for clarity.

At the end of the book

- *Glossary*: a list of all definitions of key terms and phrases used within the main text.
- *Index*: all key words and abbreviations referred to in the main text.

Learning techniques

The book is intended to support a range of learning styles. It can be used for an active or student-centred learning approach whereby students attempt the activities through reflecting on questions posed, answering questions and then comparing their answer to a suggested answer at the end of the chapter. Alternatively, students can proceed straight to suggested answers in a more traditional learning approach, which still encourages reflection about the topic.

Module guide

Table B presents one mapping of how the book could be used in different weekly lectures and seminars through the core eleven weeks of a module where the focus is on management issues of digital business and e-commerce.

A full set of PowerPoint slides and accompanying notes to assist lecturers in preparing lectures is available for download at www.pearsoned.co.uk/chaffey.

Enhancements for the sixth edition

The effective chapter structure of previous editions has been retained, but many other changes have been incorporated based on lecturer and student feedback. We now refer to digital business throughout rather than the dated term e-business which we had included from the first edition in 2002. The rationale is that the term e-business is less used now in industry; instead companies increasingly reference management of digital technologies, channel strategies, digital marketing and digital transformation.

You will see from the listing of updates below that the most significant additions to the content reflect the growth in importance of mobile marketing and commerce and inbound marketing, including content marketing and social media marketing.

Each chapter has been rationalised to focus on the key concepts and processes recommended to evaluate capability and develop digital business strategies. The main updates for the sixth edition on a chapter-by-chapter basis are:

- *Chapter 1.* The chapter starts by introducing the major trends now determining selection of digital services which are a major theme in the book: *inbound marketing* (content, search and social media marketing), Google's *Zero Moment of Truth* (ZMOT) and *mobile commerce*.

Paid, owned, earned (POE) media options for reaching audiences are introduced and a new mini case study on Tatu Couture shows how small and larger businesses can use these techniques to reach new audiences. All other cases have been updated, as is the case for the majority in the book.

Dated Internet adoption data has been removed and replaced by a new 'Trends update' feature and activities directing students via Dave Chaffey's *SmartInsights.com* site to the best data sources in their country for reviewing adoption of digital technologies.

- *Chapter 2.* Increased emphasis on online start-up businesses, of particular interest to students. Mini case study on *Ecomum* added to give a recent example of an e-retail failure with serious consequences. New case at start of chapter on *Blackcircles.com*.

Updated review of *online ecosystem* to explain the increasing role of *mobile platform usage* and *multiscreening*.

Business model canvas introduced. A useful new tool for students to review online business models for case studies and assignments.

- *Chapter 3.* A new introductory section on the growing range of *digital business technology platforms*, focussing on *mobile platforms*, has been added at the start. Decisions on implementing mobile design such as responsive vs adaptive design are covered in Chapter 11. An example of setting objectives and strategies for mobile platforms is given.

In this chapter we now focus on the management decisions involved with creating an effective technology infrastructure rather than explaining the technology in detail. We explained the technology such as TCP/IP and XML in more detail in previous editions, when it was less familiar. Research and feedback from users of the book have shown that this knowledge usually exists from other courses, modules or during work, so there is little

value in duplicating it. The chapter has been simplified and restructured to reflect this change.

- *Chapter 4.* Data on consumer and business adoption and usage of different digital platforms updated. Sections on changes in *privacy law* updated.
- *Chapter 5.* This chapter has remained much the same, since the fundamental processes of strategy creation are similar. It has been simplified and the examples updated, including examples of vision setting.

Discussion of mobile value propositions is added in Mini-case study 5.1.

- *Chapter 6.* A mini case study on the launch of the Pebble watch on *crowdfunding* site Kickstarter shows how digital business potentially makes it easier to set up new supply chains to manufacture and distribute products. A new case study on the implementation of SCM showing the impact on outbound logistics at 3 Suisses France is included.

US Department of Commerce (2013) data used to illustrate the aim of reducing inventory holding across the supply chain. Review of the concept of inventory turnover as applied to supply chain management.

Development of the Internet of Things and machine-to-machine (M2M) applications is introduced and briefly reviewed.

PriceWaterhouseCoopers (PWC)'s 2013 global supply chain survey data are reviewed at end of chapter.

- *Chapter 7.* Mini-case study 7.1 added. This gives an example of how one UK business has created a solution to help its customers worldwide with e-procurement. IFO-Basware (2012) study of the global adoption of e-invoicing summarised. Alibaba.com case study updated.
- *Chapter 8.* Chapter renamed *digital marketing* in place of *E-marketing* to reflect common industry usage describing this activity. Interview reviewing how the marketing mix strategy can change with the adoption of digital media added. Concepts of inbound and content marketing introduced at the start of the chapter, with a new activity introduced around the content marketing matrix to audit and improve content quality. Five different classes of interactive online feedback tools which digital businesses can use to understand and identify customer needs and perceptions added.
- *Chapter 9.* Sections on content marketing, social CRM and social media marketing expanded.
- *Chapter 10.* The new interview at the start of the chapter shows how many companies are now continuously improving their digital services through *conversion rate optimisation*. *Growth hacking* is a related concept that is particularly relevant to online startups, but can be applied to existing businesses too. A section on transformation to the *Social Business* has been added at the end of the chapter.
- *Chapter 11.* Box 11.2 explains the *Big Data* concept and gives examples of the application of big data. The concept of *Social Sign-in* is introduced briefly.

The move from designing a user experience (UX) on a single device to the more complex challenge of *customer experience management* (CXM) across multiple devices, including smartphones and tablets, and physical locations is described.

Today, the increasing importance of mobile design means that designing for mobile devices is a key consideration, so we have added a separate section on design for mobile platforms reviewing five alternative approaches that managers need to discuss, including responsive and adaptive design.

Security breaches data updated and 10 security guidelines for business added.

- *Chapter 12.* New section on the process and tools needed for managing content marketing updates. Section added within analytics on evaluating social media.

Table A

In-depth case studies in Digital Business and E-Commerce Management, 6th edition

Chapter	Case study
1 Introduction to digital business and e-commerce	1.1 The Facebook business model
	1.2 eBay – the world's largest online business?
2 Marketplace analysis for e-commerce	2.1 i-to-i – a global marketplace for a start-up company
3 Managing digital business infrastructure	3.1 Innovation at Google
4 E-environment	4.1 The implications of globalisation for consumer attitudes
5 Digital business strategy	5.1 Debenhams creates value through mobile commerce
	5.2 Setting the Internet revenue contribution at Sandvik Steel
	5.3 Boo hoo – learning from the largest European dot-com failure
6 Supply chain management	6.1 Shell Chemicals redefines its customers' supply chains
	6.2 Argos uses e-supply chain management to improve customer convenience
	6.3 RFID: keeping track starts its move to a faster track
7 E-procurement	7.1 Cambridge Consultants reduce costs through e-procurement
	7.2 Covisint – a typical history of a B2B marketplace?
8 Digital marketing	8.1 The evolution of easyJet's online revenue contribution
	8.2 Dell gets closer to its customers online
9 Customer relationship management	9.1 Tesco.com increases product range and uses triggered communications to support CRM
10 Change management	10.1 Process management: making complex business simpler
	10.2 Using collaborative tools to support knowledge management at Janssen-Cilag Australia
11 Analysis and design	11.1 Providing an effective online experience for local markets
12 Digital business service implementation and optimisation	12.1 Learning from Amazon's culture of metrics

Table B

Module guide

Week	Lecture topic	Seminar or tutorial topics	Notes
1	L1 Introduction to digital business and e-commerce	Activity 1.1 Case study 1.2 Debate 1.1	Introduction eBay How new is the Digital business concept? Chapter 1 and Chapter 3 (technical introduction)
2	L2 E-commerce micro-environment	Activity 2.1 Case study 2.1 Debate 2.1 Debate 2.2	Introduction i-to-i Countermediation Innovative business models Chapter 2
3	L3 E-commerce macro-environment	Activity 4.1 Case study 4.1 Debate 4.1	Introduction Globalisation Opt-in Chapters 3 and 4
4	L4 Digital business strategy: (a) Situation analysis and objective setting	Activity 5.2 Case study 5.1 Debate 5.1	Digital channels Debenhams Digital business responsibility Chapter 5
5	L5 Digital business strategy: (b) Strategy and tactics	Activity 5.3 Case study 5.3 Debate 5.2	Digital business strategies Boo.com Board-level representation Chapter 5
6	L6 Digital business applications: (a) Supply chain management	Activity 6.1 Case study 6.1 Case study 6.2 Debate 6.1	Introduction Shell Chemicals Argos Value chain Chapter 6
7	L7 Digital business applications: (b) E-procurement	Activity 7.1 Case study 7.1 Case study 7.2 Debate 7.2	Introduction Cambridge Consultants Covisint B2B marketplaces Chapter 7
8	L8 Digital business applications: (c) Digital marketing	Activity 8.3 Case study 8.1 Debate 8.1	Competitor benchmarking easyJet Digital marketing planning Chapter 8
9	L9 Digital business applications: (d) E-CRM	Activity 9.1 Case study 9.1 Debate 9.1	Introduction Tesco.com Permission marketing Chapter 9



Table B

Continued

Week	Lecture topic	Seminar or tutorial topics	Notes	
10	L10 Change management	Activity 10.1 Case study 10.1 Case study 10.2 Debate 10.1	Introduction Process management Janssen-Cilag Organising for digital business	Chapter 10
11	L11 Evaluation and maintenance	Activity 12.1 Case study 11.1 Case study 12.1 Debate 12.1	Introduction i-to-i Amazon Standards control	Chapters 11 and 12

Table C

The author's timeline

		1960
1963	Born	Black and white television
		1970
1976		Colour television
		1980
1982		First used computer-programmed mainframe using punched cards
1985	BSc, Imperial College, London	
1988	PhD, University of Leeds	Wrote PhD on mainframe
1989	Project Manager in software house developing GIS for marketing planning	First used PC
		1990
1991	Software Engineering Manager for company producing packaged and bespoke engineering software	Sent first email
1994	Project Manager for customer-facing financial services systems	Started using World Wide Web
1995	Senior Lecturer, Business Information Systems, Derbyshire Business School, University of Derby	First ordered book online
1997	Delivering CIM Internet Marketing seminars	Built first website
1998	<i>Groupware, Workflow and Intranets</i> published	Mobile phone
1999	<i>Business Information Systems</i> published	
		2000
2000	<i>Internet Marketing</i> published	Interactive digital TV
2000	MSc E-commerce course launched at Derby	WAP phone
2003	Nominated by CIM as one of 50 'gurus' to have 'shaped the future of marketing' along with Philip Kotler and Michael Porter!	
2004	Recognised by the Department of Trade and Industry, NOP World and E-consultancy as one of the 'Top 100 people commended by the industry as key influencers and drivers, who have driven the development and growth of e-commerce in the UK over the last ten years'	
2005	Second edition of <i>E-marketing Excellence</i> published	Blogging and RSS on www.davechaffey.com
2006	Third edition of <i>Digital business and E-Commerce Management</i> published	Participating in social networks such as Facebook and Linked-In
2008	E-consultancy Managing Digital Channels research report published	Using Twitter to stay up to date with technology innovation

This timeline considers the diffusion of technological innovation at home and in the workplace. The author first started using a computer regularly when he was 18, yet his 4-year-old daughter is already an internet user. Readers can compare their own adoption of computer technology at home and at work. How do you think the use of the internet and its successors for e-commerce and e-entertainment will change as successive generations become increasingly computer literate?

Guided tour



Part 1 Introduction

Part 1 introduces digital business and e-commerce and their relevance to organizations and consumers. It clarifies terms and concepts such as digital business, devices and technology trends, as well as reviewing alternative applications through activities and case studies.

- 1 Introduction to digital business and e-commerce p. 3**
 - The impact of electronic communications on traditional businesses
 - What is the difference between digital business and e-commerce?
 - Digital business opportunities
 - Risks and barriers to digital business adoption
 - Barriers to consumer internet adoption
- 2 Marketplace analysis for e-commerce p. 41**
 - Online marketplace analysis
 - Location of trading in the marketplace
 - Business models for e-commerce
 - Focus on... Online start-up companies – the 'dot coms'
- 3 Managing digital business infrastructure p. 77**
 - Digital business infrastructure components
 - A brief introduction to Internet technology
 - Management issues in creating a new customer-facing digital service
 - Managing internal digital communications through intranets and extranets
 - Web presentation and data infrastructure components
 - Focus on... Web services, SaaS and service-oriented architecture
 - Internet governance

Part introduction Each part of the book is summarized with a brief list of chapter contents and 'focus on' issues.

3 Managing digital business infrastructure

Chapter at a glance

Main topics

- Digital business infrastructure components 85
- A brief introduction to Internet technology 85
- Management issues in creating a new customer-facing digital service 85
- Managing internal digital communications through intranets and extranets 107
- Web presentation and data exchange standards 114

Focus on...

- Web services, SaaS, cloud computing and service-oriented architecture (SOA) 95
- Internet governance 115

Case studies

- 8.1 Innovation at Google 121

Web support

The following additional case studies are available at www.pengwinbooks.co.uk/buyhelp

- Selecting a supplier for hosting website services
- Archiving chapters between different systems through XML

The site also contains a range of study materials designed to help improve your results.

Scan code to find the latest updates for this chapter

Chapter at a glance This feature summarizes the main topics of the chapter and the case studies.

Learning outcomes These are set out clearly at the start of each chapter.

Management issues These list the strategic and practical implications of each topic and case study.

Links to other chapters To highlight the connections between chapters.

Web support To highlight additional support material on the website.

Chapter 12 Digital business service innovation and optimization 251

Focus on **Web analytics: measuring and improving performance of digital business services**

We review measuring and improving the effectiveness of a commerce system in detail since it is a key part of optimizing a commerce system. We start with measurement of full-site e-commerce, since the approach is most advanced for this sector, but the principles and practices can be readily applied to other types of digital business systems such as intranets and extranets.

Companies that have a successful approach to e-commerce often seem to share a number of characteristics. They all have great experience and devote resources to measuring the success of their online marketing and gaining in place the processes to continuously improve the performance of their digital channels. This interest in continuous research is visible in the UK-based Alliance for Location (Santalini), Stephen Lottman, head of e-commerce, described their process in 'The Location Retail Revolution' (2006). Creative Strategy, senior manager, customer acquisition of e-commerce at A&E, explains further: 'Our online approach is integral with our digital brand and creative strategy, with a focus on direct, targeted and personalized of strong, value-led messages. Everything we do online, including creative, is driven by an extensive and dynamic testing process.'

Such innovation, Director of Customer Knowledge at Hewlett-Packard, speaking at the 2006 e-business summit, described their process as 'Measure, Interpret, Act, Optimize'. Adams refers to the approach as 'The Culture of Metrics' (see Case study 12.1). Jani Stern, who continues an annual effort devoted to improving online performance (www.winnit.com), has commented his view on the required approach in his book, *Web Metrics* (Stevens, 2002) as 'TMSTT', which stands for 'Try the Measure 30 Times' (i.e. online content should be reviewed and improved continuously rather than as a periodic or ad hoc process). The importance of defining an appropriate approach to measurement and improvement is such that the term 'web analytics' has developed to describe this Internet marketing activity. A web analytics association (www.webanalyticsassociation.org) has been developed by vendors, consultants and researchers in this area. Eric Fournier (2006), an author specializing in web analytics, defines it as follows:

Web analytics is the assessment of a variety of data, including web traffic, web-based transactions, web server performance, usability statistics, user submitted information (e.g. surveys) and related sources to help create a generalised understanding of the visitor experience online.

You can see that in addition to what are commonly referred to as 'key statistics' about web traffic, sales transactions, usability and marketing conversion, 'views through servers' are also included. However, this suggests analysis for the sake of it - whereas the business purpose of analytics should be emphasized. The definition could also refer to comparison of user behaviour and demographics relative to competition using panel and DSP collected data. Our definition is: Web analytics is the customer visualization and interpretation of website usage data, using marketing to relate to improve the business contribution of online channels to an organization.

A more recent definition from the Web Analytics Association (WAA, www.webanalytics-association.org) is 2010 as:

Web Analytics is the objective tracking, collection, measurement, reporting and analysis of quantitative internet data to optimize website and web marketing initiatives.

Principles of performance management and improvement

To improve results for any aspect of any business, performance management is vital. As Bob Nippon, Chief Information Officer, Hewlett-Packard, was reported to have said back in the 1990s: 'You can't manage what you can't measure.'

Focus on 'Focus on' sections contain more detailed coverage of key areas.

Mini Case Study Extra smaller case studies have been added to give students more examples of e-commerce within business.

Chapter 8 Digital marketing 125

Mini Case Study 8.1 **Overcrowding - Penguin recruits bloggers to appeal to teenagers**

Penguin used crowdsourcing to cover both the creation and management of Spinners (Figure 8.3), a new site proposition to enable fans to interact with teenagers, in an interview with the Marketing 2009, Anna Hafferty, Managing Director of the Digital Division at Penguin Books, described the process. During the website development Penguin recruited hundreds of teenagers from every area and background for focus groups and usability testing. The teenagers made every decision, choosing the URL and the nature of the brand themselves. 'We decided not to make any descriptions,' says Hafferty.

The site is now run by three tiers of managers, or 'owners' as they are called to be called, who have varying levels of control over the site. The core crew of 12 teenagers write all of the website copy and come into the Penguin offices every month to discuss strategy; the second crew of 70 deputy editors are based all over the country and have back-end access to the site; while the third tier consists of the hundreds of teenage bloggers who participate on the site.

Figure 8.3 Spinners

Activity To test students' understanding of key topics.

66 Part 1 Introduction

Activity 2-3 Revenue models at online media sites

Purpose
To illustrate the range of revenue-generating opportunities for an online publisher. This site looks at three alternative approaches for publishing, referencing three different types of site.

Question
Visit each of the sites in this category:
1 Summarise the revenue models which are used for each site by looking at the information for advertisers and affiliates.
2 What are the advantages and disadvantages of the different revenue models for the site audience and the site owner?
3 Given an equivalent audience, which of these sites do you think would generate the most revenue? You could develop a simple spreadsheet model based on the following figures:
• Monthly site visitors: 100,000; 0.5% of these visitors click through to affiliate website where 2% go on to buy business reports or services at an average order value of 100 GBP.
• Monthly page views: 1,000,000; average of three ads displayed for different advertisers at 20 CPM (low end assuming all ad inventory is sold, which is rarely true in reality).
• Subscription to weekly newsletter: 50,000; each newsletter broadcast four times per month has four advertisers each paying at a rate of 10 CPM.
Note: These are not actual figures for any of these sites.

The sites are:
• MarketingProfs (www.marketingprofs.com)
• Smart Insights (www.smartinsights.com)
• Marketing Therapy (www.marketingtherapy.com)

Answers to activities can be found at www.parsonsnet.co.uk/chaffey

Focus on Online start-up companies

Dot-com business was once the main source of new start-ups. Many 'dot-coms' were launched in response to the opportunities of new business and revenue models opened up by the Internet in the mid-to-late 1990s. We also consider what lessons can be learnt from the dot-com failures. But Table 1.1 showed that the growth of Internet properties did not end in 2000, but rather many successful online companies such as digital publishers and social networks have developed since then.

An Internet 'property' which only has an online representation is referred to as a 'click-only' or 'click-and-mortar' or multichannel business. A property typically has no retail distribution network. It may have phone-based customer service, or it may have retail outlets (e.g. a clothing retailer). It may also have a physical presence (e.g. a clothing retailer). A business operates both online and offline.

Essay, Discussion and Examination questions
These provide engaging activities for students and lecturers in and out of the classroom.

68 Part 1 Introduction

Exercises

Answers to these exercises are available online at www.parsonsnet.co.uk/chaffey

Self-assessment questions

- Distinguish between e-commerce and digital business.
- Explain what is meant by buy-side and sell-side e-commerce.
- Explain the scope and benefits of social media and social commerce as an organisation of your choice.
- Summarise the consumer and business adoption levels in your country. What seems to be the main barriers to adoption?
- Outline the reasons why a business may wish to adopt e-commerce.
- What are the main differences between business-to-business and business-to-consumer e-commerce?
- Summarise the impact of the introduction of digital business on different aspects of an organisation.
- What is the relevance of intermediary or influence sites to a B2C company?

Essay and discussion questions

- Suggest how an organisation can evaluate the impact of digital technology on its business. Is a passing test or does it have a significant impact?
- Explain the concepts of social media and social commerce and how they can assist organisations in reaching their objectives.
- Summarise benefits and business cases for the adoption of sell-side e-commerce for both B2B and B2C organisations. Discuss.
- Explain how social media marketing techniques can be applied within an organisation and with its stakeholders.
- The web presence of a company has similar aims regardless of the sector in which the company operates.

Examination questions

- Explain the relationship between the concepts of e-commerce and digital business.
- Distinguish between buy-side and sell-side e-commerce and give an example of the application of each.
- Summarise three reasons why a company may wish to introduce e-commerce.
- Describe three of the main barriers to adoption of e-commerce by consumers and suggest how a company could counter these.

'Real-world Digital Business' Interviews with industry leaders in the e-commerce world to give personal insight to students.

68 Part 2 Strategy and operations

Real-world Digital Business

The Smart Insights interview

Digital strategy development at Dunelm

Dunelm Mill is the UK's largest homeware retailer with a portfolio of established out-of-town supermarkets with the Simply Value for Money proposition, its online store features over 17,500 products under the brand name Dunelm Mill. In this interview, **Geoff Diggins**, Head of Dunelm Direct Trading at Dunelm, explains the approach to digital marketing.

The Interview

Q: What is your process for creating a digital marketing strategy?

Geoff Diggins, Dunelm: The business has an ongoing three-year plan, which is reviewed every 18 months or so. It has the standard Profit and Loss projections for the online sales part of the business. Project P&L is based on estimates of growth in traffic and sales based on consumer mobile. These targets are split into sales that period, but are re-reviewed as part of the annual planning process.

For introducing new features to the site and improving our digital marketing we have a 12-month cycle for development of new features.

Q: How do you define your e-commerce strategy?

Geoff Diggins, Dunelm: I see the 4Ps of the marketing mix as still vital to take strategic decisions for multichannel retailers. Product relative to the range of products we offer on our site compared to the stores and how we promote them through merchandising such as featured offers on the home page or different categories.

With these multichannel retailers need to consider whether they have consistent pricing with stores; this is the approach we take. The right approach will vary by market. For example, I don't believe that in our sector, channel-specific pricing such as online discounts is right. But it may be in other sectors such as Electrical where price checking can be important. That's less relevant for us since we offer our own-branded products.

We aim to have competitive pricing, but don't tend to offer web exclusives - these were more relevant earlier on in the development of e-commerce to encourage use of the web, but we don't need to create margin one. There's also the risk that differential channel pricing can be confusing. Customers are multichannel as they don't see Dunelm as two different companies. We offer free delivery for consistency too, although this is currently for orders over 150 or 175 for furniture.

For us Price online is about offering the right experience, but also offering the right product for each search vector. Merchandising as people search (searching) the first things page is really important. You have to decide the combination of leading offers or best sellers which will vary as our brand runs different promotions. With our WebSphere platform we also have the flexibility for offers such as BOOBY - buy one, get one free.

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Case Study 8.1 The evolution of easyJet's online revenue contribution

This historical case shows how the easyJet website (Figure 8.10) became the main sales channel for the firm from its launch in the 1990s. How the Internet was used for purchase delivery and marketing communications is also described. This case study has been retained since it is a popular case illustrating the benefits of Internet commerce. It is a classic example of a planned, well-resourced strategy to exploit digital channels and to transform online price cuts. By 2013, over 98% of seats were sold online and easyJet still attracts more people to its website than any other airline through a £7.50 discount for each leg of a journey.

easyJet was founded by Stelios Haji-Iannaris, the son of a Greek shipping tycoon who reportedly used to 'hate the Internet'. In the mid-1990s, Haji-Iannaris reportedly denounced the Internet as something for nerds, and

...saw that it wouldn't do anything for his business. This is no longer the case, since by August 1999 the site accounted for 38% of ticket sales or over 135,000 seats. This was just the company's original Internet contribution target at launch of 50% of sales by 2000. In popular case literature, the benefits of Internet commerce are often stated in a simple, direct way. In April 1998 after 800,000 bookings since it was set up in April 1995 after financial losses within the first month, in March 2000 easyJet announced its revenue contribution to 12.25 for a single leg - a higher level of permanent discount than any other airline.

By September 2000, Internet sales reached 85% of total sales. Since this time, the growth in proportion of online sales has decreased. By 2003, over 90% of all



Figure 8.10 easyJet website. www.easyjet.com

Case Study Integrated throughout the text with many taken from the *Financial Times*, illustrating current examples of e-commerce and its applications.

About the author



Dave Chaffey BSc, PhD, FCIM, HIDM

Dave manages his own digital business, Smart Insights (www.smartinsights.com), an online publisher and analytics company providing advice and alerts on best practice and industry developments for digital marketers and e-commerce managers. The advice is also created to help readers of Dave's books. The most relevant information is highlighted at www.smartinsights.com/book-support.

Dave also works as an independent Internet marketing trainer and consultant for Marketing Insights Limited. He has consulted on digital marketing and e-commerce strategy for companies of a range of sizes from larger organisations like 3M, Barclaycard, HSBC, Mercedes-Benz and Nokia to smaller organisations like Arco, Confused.com, Eurooffice, Hornbill and i-to-i.

Dave's passion is educating students and marketers about the latest and best practices in digital marketing, so empowering businesses to improve their online performance through getting the most value from their web analytics and market insight. In other words, making the most of online opportunities and avoiding waste.

He is proud to have been recognised by the Department of Trade and Industry as one of the leading individuals who have provided input to, and influence on, the development and growth of e-commerce and the internet in the UK over the past 10 years. Dave has also been recognised by the Chartered Institute of Marketing as one of 50 marketing 'gurus' worldwide who have helped shape the future of marketing. He is also proud to be an Honorary Fellow of the IDM.

Dave is a visiting lecturer on e-commerce courses at different universities, including Birmingham, Cranfield, Derby, Manchester Metropolitan and Warwick. He is a tutor on the IDM Diploma in Digital Marketing, for which he is also senior examiner.

In total, Dave is author of five best-selling business books, including *Internet Marketing: Strategy, Implementation and Practice*, *eMarketing eXcellence* (with PR Smith) and *Total Email Marketing*. Many of these books have been published in new editions since 2000 and translations include Chinese, Dutch, German, Italian and Serbian.

When offline he enjoys fell-running, indie guitar music and travelling with his family.

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Screenshots

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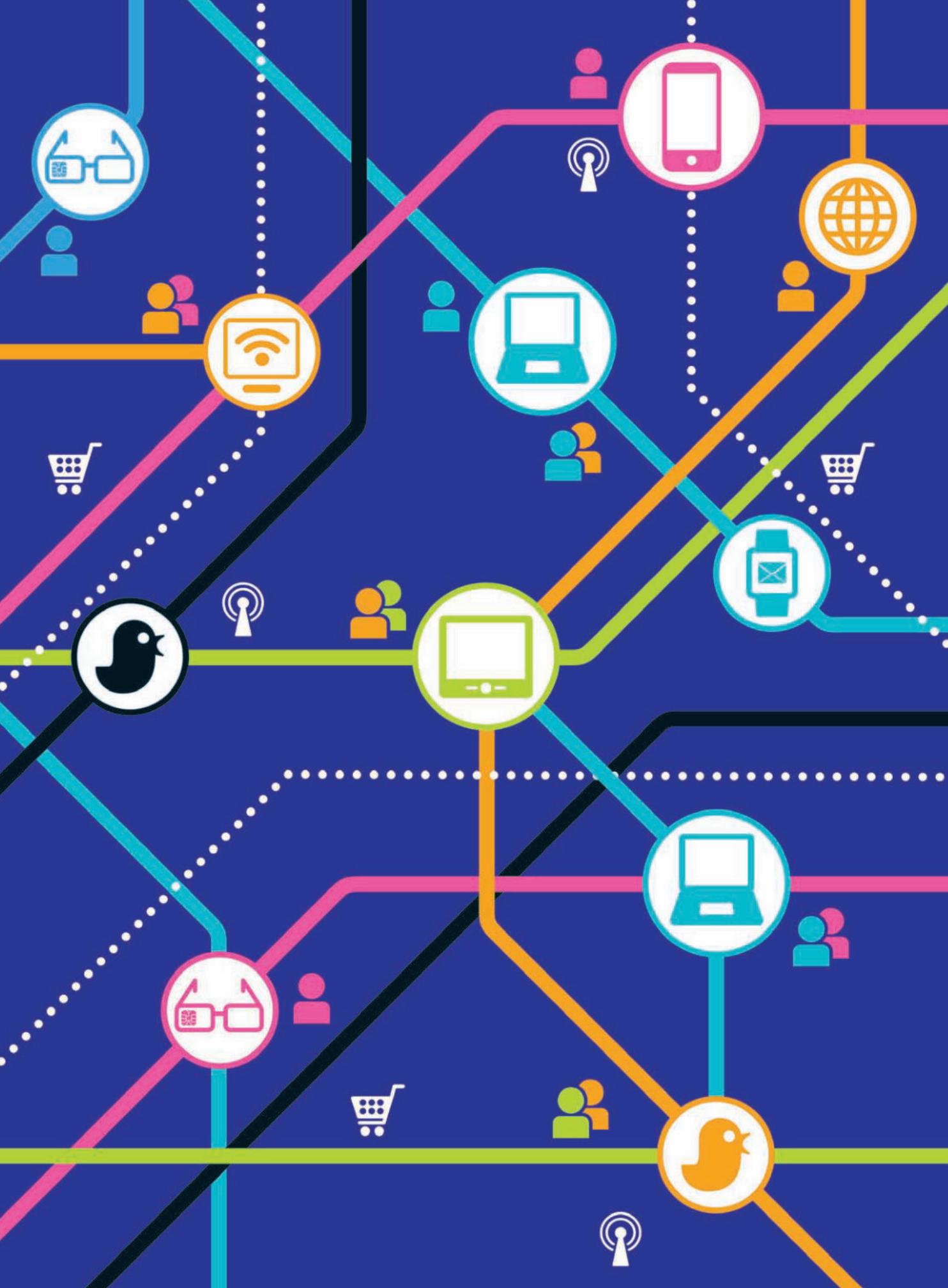
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Text

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Part 1

Introduction

Part 1 introduces digital business and e-commerce and their relevance to organisations and consumers. It clarifies terms and concepts such as online business, revenue and technology models by reviewing alternative applications through activities and case studies.

1

Introduction to digital business and e-commerce p. 3

- The impact of electronic communications on traditional businesses
- What is the difference between digital business and e-commerce?
- Digital business opportunities
- Risks and barriers to digital business adoption
- Barriers to consumer Internet adoption

2

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- Online marketplace analysis
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- Managing internal digital communications through intranets and extranets
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- Web services, SaaS and service-oriented architecture (SOA)
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1

Introduction to digital business and e-commerce

Chapter at a glance

Main topics

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- What is the difference between digital business and e-commerce? 13
- Digital business opportunities 28
- Risks and barriers to business adoption 32
- Barriers to consumer Internet adoption 34

Case studies

- 1.1 The Facebook business model 8
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Web support

The following additional case studies are available at

www.pearsoned.co.uk/chaffey

- SME adoption of sell-side e-commerce
- Death of the dot-com dream
- Encouraging SME adoption of sell-side e-commerce

The site also contains a range of study material designed to help improve your results.

Scan code to find the latest updates for topics in this chapter



Learning outcomes

After completing this chapter the reader should be able to:

- Define the meaning and scope of digital business and e-commerce and their different elements
- Summarise the main reasons for adoption of digital business and barriers that may restrict adoption
- Outline the ongoing business challenges of managing digital business in an organisation, particularly online start-up businesses

Management issues

The issues for managers raised in this chapter include:

- How do we explain the scope and implications of digital business to staff?
- What is the full range of benefits of introducing digital business and what are the risks?
- How do we evaluate our current digital business capabilities?

Links to other chapters

The main related chapters are:

- *Chapter 2* examines the principal e-commerce business and marketplace models in more detail
- *Chapter 3* introduces the technical infrastructure of software and hardware that companies must incorporate to achieve e-commerce
- *Chapter 5* describes approaches to digital business strategy introduced in *Chapter 1*

Introduction

The Internet

'The Internet' refers to the physical network that links computers across the globe. It consists of the infrastructure of network servers and wired and wireless communication links between them that are used to hold and transport data between the client devices and web servers.

World Wide Web (WWW)

The most common technique for publishing information on the Internet. It is accessed through desktop or mobile web browsers which display interactive web pages of embedded graphics and HTML/XML-encoded text.

Wireless communications

Electronic transactions and communications conducted using mobile devices such as laptops and mobile phones (and fixed access platforms) with different forms of wireless connection.

Disruptive digital technologies

Technologies which offer opportunities for business for new products and services for customers and can transform internal business processes. Danneels (2004) defined disruptive technologies as 'a technology that changes the bases of competition by changing the performance metrics along which firms compete. Customer needs drive customers to seek certain benefits in the products they use and form the basis for customer choices between competing products'.

Organisations have now been applying technologies based on **the Internet, World Wide Web** and **wireless communications** to transform their businesses for over 20 years since the creation of the first website (<http://info.cern.ch>) by Sir Tim Berners-Lee in 1991. Deploying these **disruptive digital technologies** has offered many opportunities for innovative businesses to transform their services. Table 1.1 highlights some of the best-known examples and in Activity 1.1 you can explore some of the reasons for success of these companies.

In *Digital Business and E-Commerce Management* we will explore approaches managers can use to assess the relevance of different digital technologies and then devise and implement strategies to exploit these opportunities. We will also study how to manage more practical risks such as delivering a satisfactory service quality, maintaining customer privacy and managing security. In this chapter we start by introducing the scope of digital business and e-commerce. Then we review the main opportunities and risks of digital business together with the drivers and barriers to adoption.

For the author, e-commerce and digital business is an exciting area to be involved with, since many new opportunities and challenges arise yearly, monthly and even daily. Innovation is a given, with the continuous introduction of new technologies, new business models and new communications approaches. For example, Google innovates relentlessly. Its service has developed a long way since 1998 (Figure 1.1) with billions of pages now indexed and other services such as web mail, pay-per-click adverts, analytics and social networks all part of its offering. Complete Activity 1.1 or view Table 1.1 to see other examples of the rate at which new innovations occur.

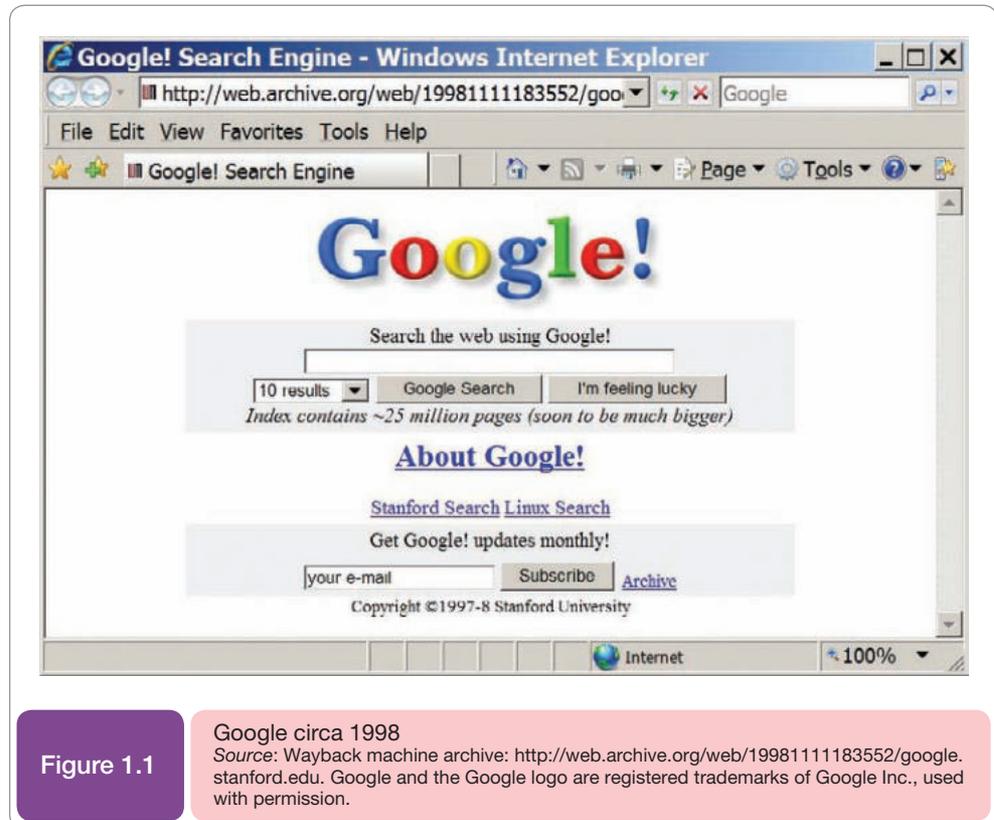


Figure 1.1

Google circa 1998

Source: Wayback machine archive: <http://web.archive.org/web/19981111183552/google.stanford.edu>. Google and the Google logo are registered trademarks of Google Inc., used with permission.

Table 1.1

Timeline of websites indicating innovation in business model or marketing communications approach

Year founded	Company/site	Category of innovation and business model
1994	Amazon	Retailer
1995 (March)	Yahoo! (yahoo.com)	Directory and portal
1995 (Sept)	eBay	Online auction
1995 (Dec)	AltaVista (altavista.com)	Search engine
1996	Hotmail (hotmail.com)	Web-based email Viral marketing (using email signatures to promote service) Purchased by Microsoft in 1997
1998	GoTo.com (goto.com) Overture (2001)	Pay-per-click search marketing Purchased by Yahoo! in 2003
1998	Google (google.com)	Search engine
1999	Blogger (blogger.com)	Blog publishing platform Purchased by Google in 2003
1999	Alibaba (alibaba.com)	B2B marketplace with \$1.7 billion IPO on Hong Kong stock exchange in 2007 (see case in Chapter 7)
1999	MySpace (myspace.com) Formerly eUniverse	Social network Purchased by News Corp. in 2005
2001	Wikipedia (wikipedia.com)	Open encyclopaedia
2002	Last.fm	A UK-based Internet radio and music community website, founded in 2002
2003	Skype (skype.com)	Peer-to-peer Internet telephony VoIP – Voice over Internet Protocol Purchased by eBay in 2005
2003	Second Life (secondlife.com)	Immersive virtual world
2004	Facebook (facebook.com)	Social network applications and groups
2005	YouTube (youtube.com)	Video sharing and rating
2009	Foursquare (foursquare.com)	A location-based social media website designed for mobile access.
2011	Pinterest	Social network offering image sharing
2014	Google Glass	An example of a wearable computing device
??	The future	??

Activity 1.1

Innovative digital businesses

Purpose

To illustrate innovation in online business models and communications approaches.

Questions

- 1 Think about the innovation that you have witnessed during the time you have used the Internet and World Wide Web. What would you say are the main sites used in your country which have changed the way we spend our time or buy online?



- 2 We talk about these businesses being 'successful', but what is success for a start-up business?
- 3 What do these services have in common that you think has made them successful?

Answers to activities can be found at www.pearsoned.co.uk/chaffey

The impact of electronic communications on traditional businesses

Digital business transformation

Significant changes to organisational processes, structures and system implemented to improve organisational performance through increasing the use of digital media and technology platforms.

During the period shown in Table 1.1 managers at established businesses have had to determine how to apply new electronic communications technologies to transform their organisations. As we will see later in this chapter, existing businesses have evolved their approaches to digital business through a series of stages. Innovation is relentless, with the continuous introduction of new technologies, new business models and new communications approaches. So all organisations have to review new electronic and Internet-based communications approaches for their potential to make their business more competitive and also manage ongoing risks such as security and performance. For example, many businesses are reviewing the benefits, costs and risks of digital business technologies they are currently implementing as part of **digital business transformation** projects.

At the time of writing, there are two key opportunities of digital transformation open to most businesses, which we focus on in this book: inbound marketing and mobile marketing.

Inbound marketing

Zero Moment of Truth (ZMOT)

A summary of today's multichannel consumer decision-making for product purchase where they search, review ratings, styles, prices and comments on social media before visiting a retailer.

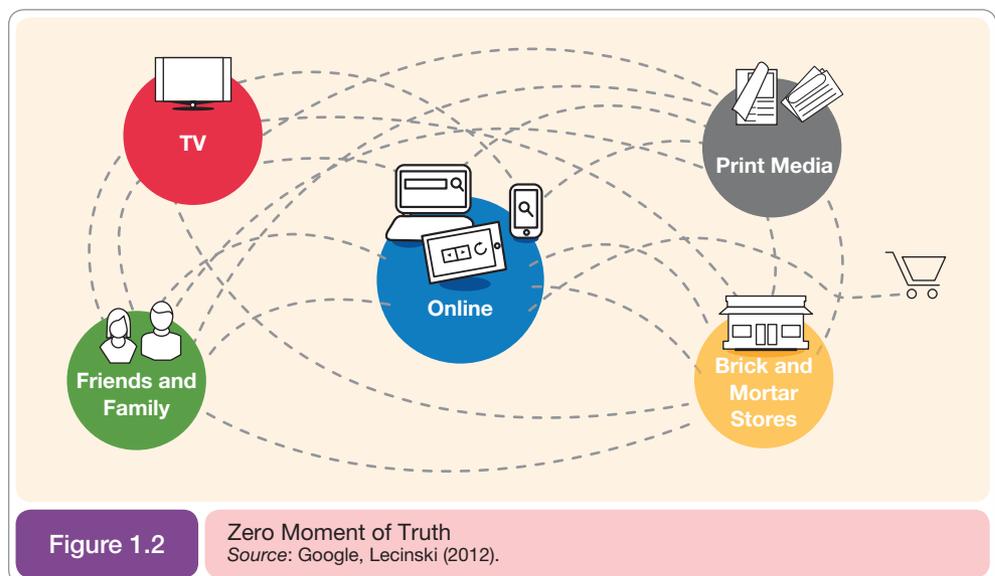
On the Internet it is often the customer who initiates contact and is seeking information through researching information on a website. In other words, it is a 'pull' mechanism where it is particularly important to have good visibility in search engines when customers are entering search terms relevant to a company's products or services. Amongst marketing professionals this powerful new approach to marketing is now commonly known as **inbound marketing** (Shah and Halligan, 2009). Google have referred to this consumer decision-making before they visit a retailer as the **Zero Moment of Truth (ZMOT)** in a handbook by Lecinski (2012). This describes the combination of online and offline influences on purchase as shown in Figure 1.2.

Inbound marketing

The consumer is proactive in actively seeking out information for their needs, and interactions with brands are attracted through content, search and social media marketing.

Content marketing

The management of text, rich media, audio and video content aimed at engaging customers and prospects to meet business goals, published through print and digital media including web and mobile platforms, which is repurposed and syndicated to different forms of web presence such as publisher sites, blogs, social media and comparison sites.



Search marketing

Companies seek to improve their visibility in search engines for relevant search terms by increasing their presence in the search engine results pages.

Social media marketing

Monitoring and facilitating customer–customer interaction and participation throughout the web to encourage positive engagement with a company and its brands. Interactions may occur on a company site, social networks and other third-party sites.

Inbound marketing is powerful since advertising wastage is reduced. **Search marketing**, **content marketing** and **social media marketing** can be used to target prospects with a defined need – they are proactive and self-selecting. But this is a weakness, since marketers may have less control than in traditional communications where the message is pushed out to a defined audience and can help generate awareness and demand. Advocates of inbound marketing such as Dharmesh Shah and Brian Halligan argue that content, social media and search marketing do have a role to play in generating demand.

Social media marketing

The growth in popularity of **social media** is a major trend in digital business. In particular **social network sites (SNS)** such as Facebook, Google+, Twitter and for business-to-business users LinkedIn and **RSS feeds**. Some niche social media sites are independent from the social networks, including **virtual worlds** such as Habbo Hotel, and **blogs** created by many individuals and businesses. Social media marketing also includes **rich media** such as online video and interactive applications featured on specialist social networks such as YouTube or embedded into websites.

Trends update

Social media usage

The popularity of different social platforms in different countries constantly changes. Visit this compilation to find out the latest in your region or country: <http://bit.ly/smartsocialstats>.

Social media

A category of media focussing on participation and peer-to-peer communication between individuals, with sites providing the capability to develop user-generated content (UGC) and to exchange messages and comments between different users.

Really Simple Syndication (RSS) feeds

Blog, news or other content is published by an XML standard and syndicated for other sites or read by users in RSS reader software services. Now typically shortened to 'feed', e.g. news feed or sports feed.

Virtual world

An electronic environment which simulates interactions between online characters known as avatars. Also known as Massively Multiplayer Online Roleplaying Games (MMORPG).

Blog

An online diary or news source prepared by an individual or a group of people.

Rich media

Digital assets such as ads are not static images, but provide animation, audio or interactivity as a game or form to be completed.

It's important for all businesses to understand the business and revenue models of the major social networks and platforms which are today so influential in shaping people's opinions about brands. Figure 1.3 summarises the main types of social sites that companies need to consider.

Since there are so many types of social presence, it is helpful to simplify the options to manage them. For this we recommend these six categories based on chapters in Weinberg (2010). You can see there's more to social media than social networks:

- 1 Social networking.** The emphasis here is on listening to customers and sharing engaging content. Facebook tends to be most important for consumer audiences and LinkedIn for business audiences.
- 2 Social knowledge.** These are informational social networks like Yahoo! Answers, where you can help an audience by solving their problems and subtly showing how your products have helped others. Wikipedia is another site in this category, although it has relatively little application for marketing.
- 3 Social sharing.** These are social bookmarking sites like Delicious (www.delicious.com) which can be useful for understanding the most engaging content within a category.
- 4 Social news.** Twitter is the best-known example.
- 5 Social streaming.** Rich and streaming media social sites for sharing photos, video and podcasting.
- 6 Company user-generated content and community.** Distinct from the other types of social presence which are independent of companies, these are the company's own social space which may be integrated into product content (reviews and ratings), a customer support community or a blog.

Case study 1.1 considers the growth of Facebook, the largest consumer social network in many countries.

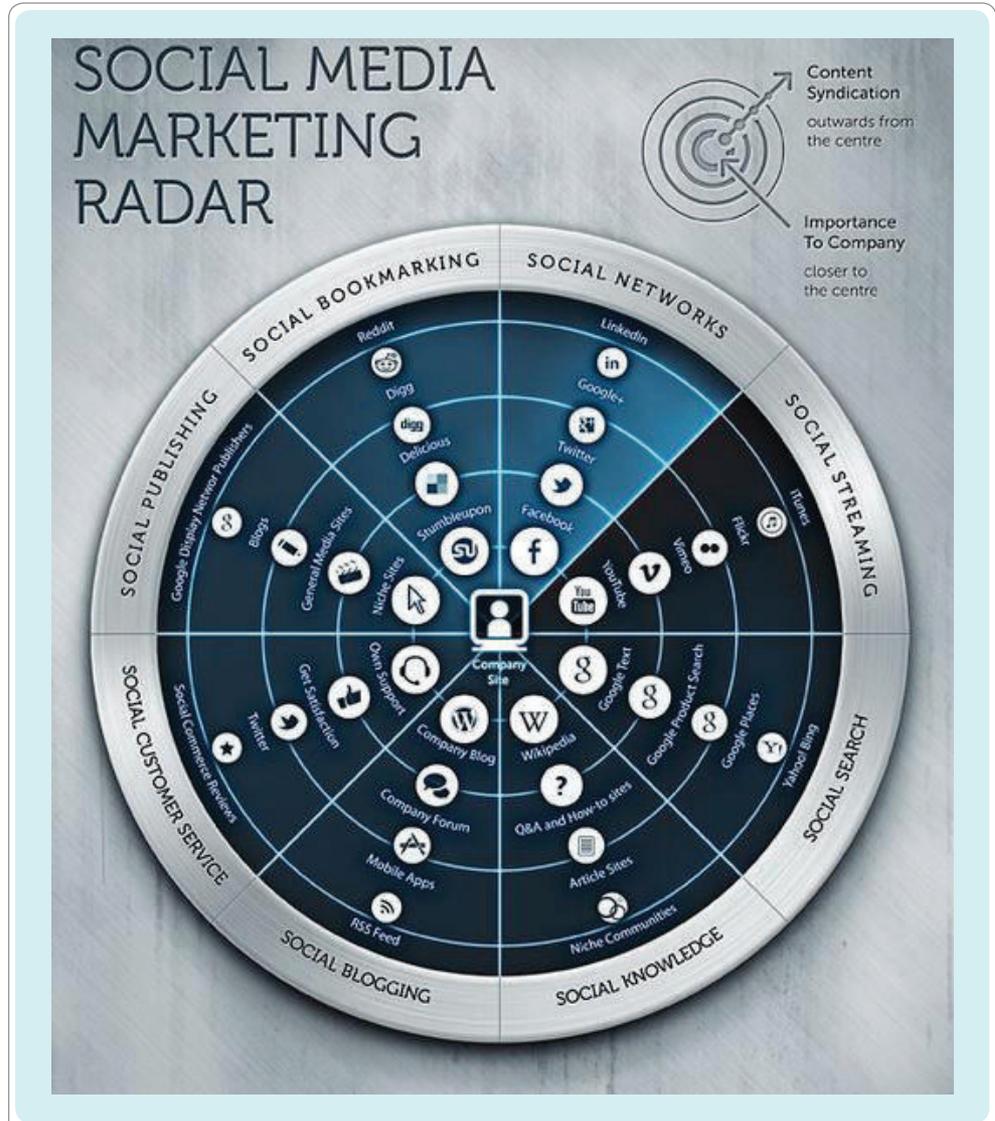


Figure 1.3 Social media marketing radar
 Source: Smart Insights (www.smartinsights.com). With permission.

Case Study 1.1

The Facebook business model

Context

This case is about the social network Facebook which hardly needs an introduction, but when we first featured it in an earlier edition of *E-Business and E-Commerce Management* it was a niche service mainly used in colleges and universities. It is still a good case study in that it shows many of the success factors needed for launch of a new digital business, but also the risks of alienating users when their privacy needs are not listened to. It's incredible that it now has more than a billion

users active monthly worldwide, yet has fewer than 5,000 employees.

In line with other case studies in the book, the case study features a summary using the key categories of the Business Model Canvas (which is introduced in the business models section in Chapter 2).

Value proposition

In 2013, the Facebook mission is simply to 'make the world more open and connected'. Previously,

Facebook described itself as ‘a social utility that helps people communicate more efficiently with their friends, family and coworkers. The company develops technologies that facilitate the sharing of information through the social graph, the digital mapping of people’s real-world social connections. Anyone can sign up for Facebook and interact with the people they know in a trusted environment’.

Consumer value proposition

You have probably seen the 2010 film ‘The Social Network’ which describes how Facebook was founded while Mark Zuckerberg was a student at Harvard University. Initially membership was limited to Harvard students. The initial viral effect of the software was indicated since more than half of the undergraduate population at Harvard registered on the service within the first month! Zuckerberg used open-source software PHP and the MySQL database to create the original ‘TheFacebook.com’ site and these technologies are still in use today. The film also describes the long-running dispute over ownership of Facebook, in which another Harvard-originated social networking site, ‘HarvardConnection’, which later changed its name to ConnectU, alleged in September 2004 that Zuckerberg had used its source code to develop Facebook when it originally contracted him to help in building its site.

When Facebook first launched in February 2004, there were just three things that users could do on the site, which are still core to the functionality of the site. Users could create a profile with their picture and information, view other people’s profiles and add people as friends.

Facebook (2013) explains these core consumer benefits defined by the company:

Connect and Share with your friends. Staying connected is the core feature as we would expect, but note the more emotional underpinnings of the other elements of the value proposition.

Discover and Learn. Facebook references public figures and organisations that interest them – available through Facebook company pages.

Express yourself. A fundamental need. Facebook does this through its key features which it describes as the Timeline, News Feed, Photos and Videos, and messaging through Email, Chat and Text.

*Stay connected everywhere. Referencing the importance of mobile use and use on other sites to Facebook’s users and business model: **People can access Facebook through our website, mobile sites, smartphone apps, and feature phone products.***

Value proposition for marketers and businesses

Facebook works hard to monetise its audience, particularly since Facebook held its initial public offering (IPO) on 18 May 2012. This was the biggest IPO for an Internet company, with a peak market capitalisation of over \$104 billion. Facebook describes its offer to business as follows:

Marketers can engage with more than one billion monthly active users on Facebook or subsets of our users based on information people have chosen to share with us such as their age, location, gender, or interests. We offer marketers a unique combination of reach, relevance, social context, and engagement to enhance the value of their ads.

Commercial companies or not-for-profit organisations (e.g. www.facebook.com/joinred) can also create their own Facebook Pages for their company (currently free). Facebook users can then express their support by adding themselves as a fan, writing on the company Wall, uploading photos, and joining other fans in discussion groups. When users become fans, they can optionally agree to be kept up to date about developments, and updates then appear in their newsfeeds.

To encourage companies to advertise, Facebook uses an algorithm known as EdgeRank which determines the percentage of company status updates that appear in a user’s newsfeed. Marketers need to work hard to maintain the relevance of their posts using the techniques described by Page (2012).

Revenue model

Facebook has an ad-based revenue model. Some of the features of Facebook Ads (www.facebook.com/ads) include:

- Targeting by age, gender, location, interests, and more.
- Alternative payment models: cost per click (CPC) or impression based (CPM).
- ‘Trusted Referrals’ or ‘Social Ads’ – ads can also be shown to users whose friends have recently engaged with a company’s Facebook page or engaged with the company website.

At the time of the launch of ads, the Facebook blog made these comments, which indicate the delicate balance between advertising revenue and user experience. They said, first of all, ‘what’s not changing’:

- ‘Facebook will always stay clutter-free and clean.
- Facebook will never sell any of your information.
- You will always have control over your information and your Facebook experience.
- You will not see any more ads than you did before this.’



And what is changing:

- ‘You now have a way to connect with products, businesses, bands, celebrities and more on Facebook.’
- Ads should be getting more relevant and more meaningful to you.’

Facebook’s strategy

Facebook describes the key elements of its strategy in its SEC filing as:

- 1 Expand global community.** Facebook names specific ‘relatively less-penetrated, large markets’ such as Brazil, India, Mexico and Japan.
- 2 Develop social products to provide the most compelling user experience.** As with many SEC filings of successful Internet businesses, there is a clear commitment to user experience. Facebook’s approach is based on Insight: ‘To provide the most compelling user experience, we continue to develop products and technologies focused on optimizing our social distribution channels to deliver the most useful content to each user by analyzing and organizing vast amounts of information in real time.’ Smart Insights (2012) quotes Andrew (Boz) Bosworth, who is the Director of Engineering at Facebook, as saying:

Every day, we run hundreds of tests on Facebook, most of which are rolled out to a random sample of people to test their impact. For example, you may have seen a small test for saving newsfeed stories last week.

Other products might require network effects to be properly tested, so in those cases we launch to everyone in a specific market, like a whole country.

- 3 Mobile Products.** Facebook is seeking to make these more engaging and more easily available. By the end of 2012 Facebook had more than 680 million average monthly users of mobile services. The acquisition of photo sharing app Instagram in August 2012 was part of this strategy.
- 4 Facebook Platform.** Facebook notes the importance of developing an open system through apps and websites built by developers using the Facebook Platform, including Application Programming Interfaces (API) and Social Plugins (for example, Like and Share buttons) to help integration with other services such as websites. The Facebook Platform was introduced in 2007 and by January 2008, over 18,000 applications had been built on it, with 140 new applications added per day. More than 95% of Facebook members have used at least one application built on Facebook Platform. Facebook Platform for mobile applications was launched in October 2007, although many

Facebook users already interacted with their friends through mobile phones

- 5 Improve ad products.** With the IPO this is a vital aim for Facebook, but it has to be balanced against the other elements of the strategy, particularly number 2 above. Facebook states: ‘Our advertising strategy centers on the belief that ad products that are social, relevant, and well-integrated with other content on Facebook can enhance the user experience while providing an attractive return.’
- 6 Build a scalable infrastructure.** Facebook describes its investment in software and hardware infrastructure that enables their aim to provide a ‘unique, personalized experience to each of our users around the world’. To do this, Facebook explains its technology investments as focussing on analytics and development in areas including content optimisation and delivery, graph query, media storage and serving, large-scale data management, and software performance.

Facebook’s competitors

Although it seems curious to think of a company as large as Facebook having competitors, it has new global rivals and local rivals. It mentions: Google+, which Google has integrated with certain of its products, including search and Android, as well as other, largely regional, social networks that have strong positions in particular countries, such as Mixi in Japan and vKontakte and Odnoklassniki in Russia. It also describes companies that offer microblogging (Twitter), developers of platforms such as Apple iOS and Google Android, and games developers as key competitors. It has taken the decision not to create a competing mobile platform, instead in 2013 launching Facebook Home on Android to increase usage of Facebook on these devices.

Risk factors

Today Facebook states that: ‘Trust is a cornerstone of our business’ and they now dedicate significant resources to the goal of building user trust through developing and implementing programs designed to protect user privacy, promote a safe environment, and assure the security of user data. Facebook has to some extent learnt this lesson from early mistakes, with incidents including:

Initial concerns about privacy of member data – 14 December 2005. Two MIT students downloaded over 70,000 Facebook profiles from four schools (MIT, NYU, the University of Oklahoma, and Harvard) using an automated script, as part of a research project on Facebook privacy.

New feed functionality launched – September 2006. New information feeds were launched in mid-2006 which show the challenges of balancing the benefit of new functionality against disrupting existing user habits. Writing in the Facebook blog in September 2006 Mark Zuckerberg said: ‘We’ve been getting a lot of feedback about Mini-Feed and News Feed. We think they are great products, but we know that many of you are not immediate fans, and have found them overwhelming and cluttered. Other people are concerned that non-friends can see too much about them. We are listening to all your suggestions about how to improve the product; it’s brand new and still evolving.’ Later, in an open letter on the blog dated 8 September 2006, Zuckerberg said: ‘We really messed this one up. When we launched News Feed and Mini-Feed we were trying to provide you with a stream of information about your social world. Instead, we did a bad job of explaining what the new features were and an even worse job of giving you control of them. I’d like to try to correct those errors now.’

Privacy concerns sparked by ‘Beacon technology’ – November 2007. Facebook received a lot of negative publicity on its new advertising format related to the ‘Beacon’ tracking system. Mark Zuckerberg was forced to respond on the Facebook blog (5 December 2007). He said:

About a month ago, we released a new feature called Beacon to try to help people share information with their friends about things they do on the web. We’ve made a lot of mistakes building this feature, but we’ve made even more with how we’ve handled them. We simply did a bad job with this release, and I apologize for it. While I am disappointed with our mistakes, we appreciate all the feedback we have received from our users. I’d like to discuss what we have learned and how we have improved Beacon.

When we first thought of Beacon, our goal was to build a simple product to let people share information across sites with their friends. It had to be lightweight so it wouldn’t get in people’s way as they browsed the web, but also clear enough so people would be able to easily control what they shared. We were excited about Beacon because we believe a lot of information people want to share isn’t on Facebook, and if we found the right balance, Beacon would give people an easy and controlled way to share more of that information with their friends.

But we missed the right balance. At first we tried to make it very lightweight so people wouldn’t have to

touch it for it to work. The problem with our initial approach of making it an opt-out system instead of opt-in was that if someone forgot to decline to share something, Beacon still went ahead and shared it with their friends. It took us too long after people started contacting us to change the product so that users had to explicitly approve what they wanted to share. Instead of acting quickly, we took too long to decide on the right solution. I’m not proud of the way we’ve handled this situation and I know we can do better.

Privacy setting concerns – Autumn to 2009 to Spring 2010. In December 2009, Facebook implemented new privacy settings. This meant that some information, including ‘lists of friends’, was ‘publicly available’, when it was previously possible to restrict access to this information. Photos and some personal information were also public unless users were sufficiently knowledgeable and active to limit access. Privacy campaigners, including the Electronic Frontier Foundation and American Civil Liberties Union, criticised the changes. In May 2010 further changes were made to give users greater control and simplify the settings.

Facebook lists some of its other key risk factors as:

- ‘users increasingly engage with other products or activities;
- we fail to introduce new and improved products or if we introduce new products or services that are not favorably received;
- users feel that their Facebook experience is diminished as a result of the decisions we make with respect to the frequency, prominence, and size of ads that we display;
- we are unable to continue to develop products for mobile devices that users find engaging, that work with a variety of mobile operating systems and networks, and that achieve a high level of market acceptance;
- we are unable to manage and prioritize information to ensure users are presented with content that is interesting, useful, and relevant to them;
- users adopt new technologies where Facebook may not be featured or otherwise available.’

Key sources for the latest information on Facebook

All Facebook (www.allfacebook.com) and Inside Facebook (www.insidefacebook.com) are sites specialising in reporting all developments at Facebook.

Key Facts – updated quarterly at close of year: <http://newsroom.fb.com/Key-Facts>

SEC updates – Security and Exchange Commission annual report filings give great insights into how Facebook positions itself and what it sees as its risk factors: <http://investor.fb.com/>

Smart Insights Facebook updates and advice: www.smartinsights.com/social-media-marketing/facebook-marketing/ covers the major developments that marketers need to be aware of

Social Bakers (www.socialbakers.com/facebook-statistics/) – Facebook statistics by country and brand popularity

Wikipedia (2013) Wikipedia Pages for Facebook (<http://en.wikipedia.org/wiki/Facebook>)

Questions

- 1 As an investor in a social network such as Facebook, which financial and customer-related metrics would you use to assess and benchmark the current business success and future growth potential of the company?
- 2 Complete a situation analysis for Facebook focussing on an assessment of the main business risks which could damage the future growth potential of the social network.
- 3 For the main business risks to Facebook identified in Question 2, suggest approaches the company could use to minimise these risks.

Mobile commerce (m-commerce)

Electronic transactions and communications conducted using mobile devices such as smartphones and tablets, and typically with a wireless connection.

Mobile apps

A software application that is designed for use on a mobile phone, typically downloaded from an app store. iPhone Apps are best known, but all smartphones support the use of apps which can provide users with information, entertainment or location-based services such as mapping.

Mobile commerce

The potential of **mobile commerce** (m-commerce) is evident from the predictions of Mary Meeker, an analyst at Kleiner Perkins Caufield Byers who shares her insights about the current state of the Internet in a presentation called Internet Trends (see the link to her insights at the end of this chapter). One of Meeker's bravest predictions from 2008 was that mobile web use would surpass desktop web use by 2014, and this is currently on plan to occur at a global level.

The growth in popularity of **mobile apps** (Chapter 3), from the iPhone store, Google Android Play, Microsoft Windows app store and other handset vendors, is another significant development in mobile communications. Flurry (2013) released a summary of categories of app usage across smartphones and tablets and it showed that 80% of mobile time was in apps rather than the browser. You do have to be careful in interpreting this, though, since Facebook, games and utility apps will naturally have the greatest time spent and browser use is still significant.

Location-based use of mobile devices is another significant trend as users may use apps or browsers while shopping, for example. Related to this activity is location-based tracking of goods and inventory as they are manufactured and transported.

Trends update

Mobile usage

Mobile usage was forecast to overtake desktop usage in 2014. Find out the latest statistics on mobile and app usage at: <http://bit.ly/smartmobilestats>.

Mini case study 1.1

Qype and Yelp provide location-based review services

An example of the popularity of location-based mobile services is Qype (www.qype.com). Founded in 2006, Qype is Europe's largest site for user-generated reviews and recommendations of places, events and experiences. Qype allows users to search for and read reviews about a restaurant, shop, service or experience and, with the Qype app, users can read and add reviews on their phone and use the application as a personal satnav to find places nearby. Available in seven different languages, Qype is a pan-European local review site with 3 million reviews covering more than 900,000 places worldwide. In 2013 it merged with Yelp, a US-based site with 102 monthly unique visitors and 39 million local reviews across the US, Europe and Asia Pacific. Although Facebook and Google offer similar services, it shows that there are opportunities for other companies that focus on this niche.

Activity 1.2

The most popular apps today

This can be completed individually or as a group activity comparing popular apps for different mobile handsets. Review the most popular apps today, using either the app store for your mobile phone or a compilation from an information provider such as Flurry, comScore (comScore, 2010) or Nielsen (Nielsen, 2010).

Questions

- 1 Identify the most popular categories of apps from the top 10 or 20 most popular apps, including browser apps such as Google's Chrome or Apple's Safari.
- 2 Discuss the opportunities for companies to promote their brands or services using apps in comparison with mobile sites delivered through web browsers.

What is the difference between digital business and e-commerce?

The rapid advancement of technology and its application to business has been accompanied by a range of new terminology and jargon such as e-CRM, e-retail and e-procurement. Do we need to be concerned about the terminology? The short answer is no; Mougayer (1998) noted that it is understanding the services that can be offered to customers and the business benefits that are obtainable through digital technology that is important. However, labels are convenient in defining the *scope* of the changes we are looking to make within an organisation through using electronic communications. Managers within an organisation need to agree and communicate the digital transformation they are proposing through using digital technologies to employees, customers and partners.

E-commerce defined

Electronic commerce (e-commerce)

All electronically mediated information exchanges between an organisation and its external stakeholders.

The scope of **electronic commerce (e-commerce)** is narrower than digital business. It's often thought simply to refer to buying and selling using the Internet; people immediately think of consumer retail purchases from companies such as Amazon. But e-commerce should be considered as *all* electronically mediated transactions between an organisation and any third party it deals with. By this definition, non-financial transactions such as customer support and requests for further information would also be considered to be part of e-commerce. Kalakota and Whinston (1997) referred to a range of different perspectives for e-commerce which are still valid today:

- 1 A *communications perspective* – the delivery of information, products or services or payment by electronic means.
- 2 A *business process perspective* – the application of technology towards the automation of business transactions and workflows.
- 3 A *service perspective* – enabling cost cutting at the same time as increasing the speed and quality of service delivery.
- 4 An *online perspective* – the buying and selling of products and information online.

These definitions show that electronic commerce is not solely restricted to the actual buying and selling of products, but also includes pre-sale and post-sale activities across the supply chain.

Trends update

E-commerce growth rates

There is an annual growth rate of around 10–20% in e-commerce sales in most countries: <http://bit.ly/smartetailstats>.

Buy-side e-commerce

E-commerce transactions between a purchasing organisation and its suppliers.

Sell-side e-commerce

E-commerce transactions between a supplier organisation and its customers.

When evaluating the strategic impact of e-commerce on an organisation, it is useful to identify opportunities for buy-side and sell-side e-commerce transactions as shown in Figure 1.4, since systems with different functionalities will need to be created in an organisation to accommodate transactions with buyers and with suppliers. **Buy-side e-commerce** refers to transactions to procure resources needed by an organisation from its suppliers. In Chapter 6, Case Study 6.1 reviews how Shell has developed a digital business capability that enables buy-side e-commerce for its customers. **Sell-side e-commerce** refers to transactions involved with selling products to an organisation's customers.

Social commerce is an increasingly important part of e-commerce for site owners since incorporating reviews and ratings into a site and linking to social networking sites can help understand customers' needs and increase conversion to sale. It can also involve group buying, using a coupon service like Groupon.

Digital business defined

Debate 1.1

How new is the digital business concept?

'Digital business is just a new label – there is no distinction between the role of digital business and traditional information systems management.'

Digital business is broader in its scope than e-commerce. It is similar to the term e-business (which was first coined by IBM), who described it in 1997 as:

e-business (e'biz'nis) – the transformation of key business processes through the use of Internet technologies.

In the sixth edition of this book we have changed from using the term e-business to using digital business since it reflects the current usage in industry and research on the impact of digital technologies on business.

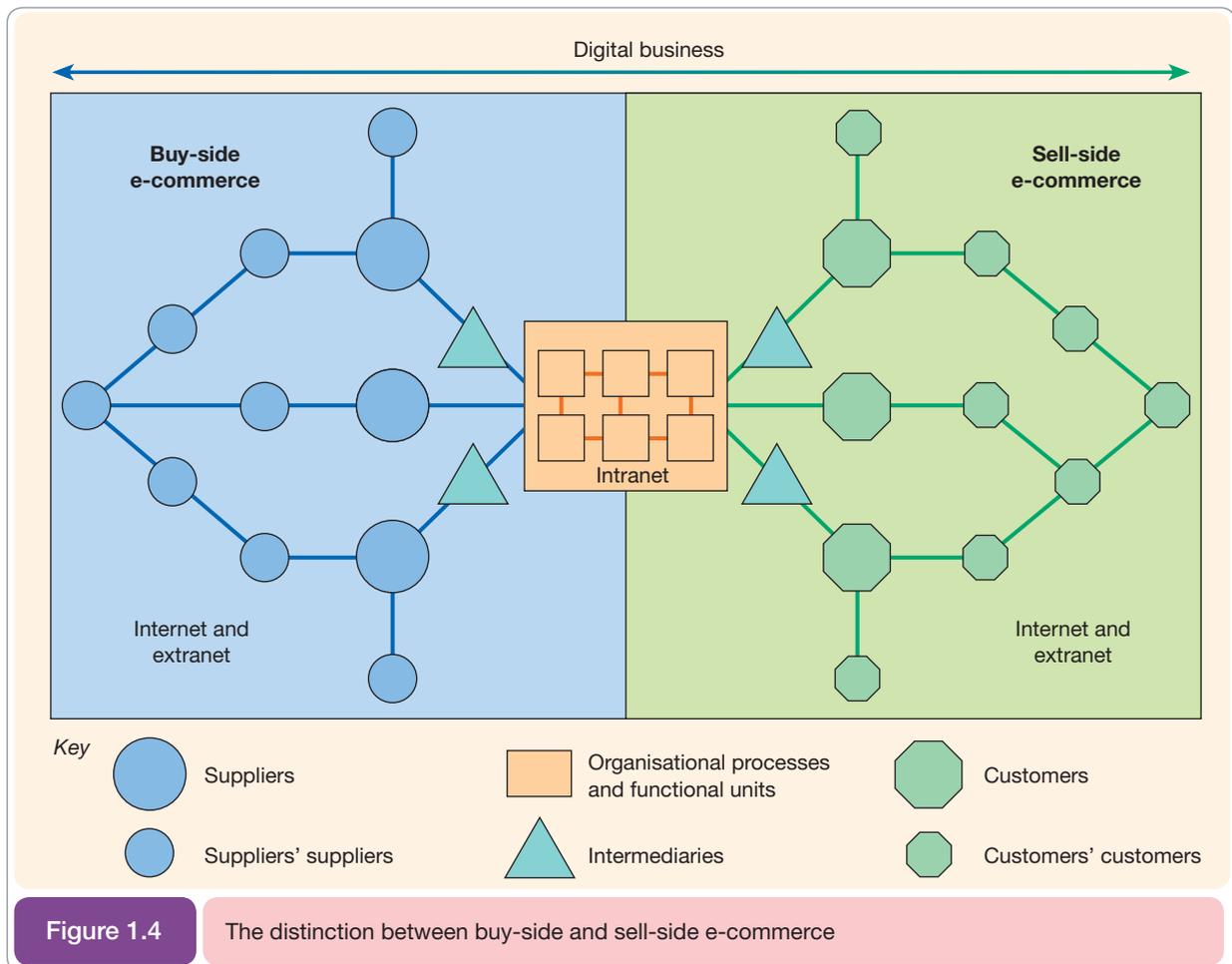


Figure 1.4

The distinction between buy-side and sell-side e-commerce

Social commerce

A subset of e-commerce which encourages participation and interaction of customers in rating, selecting and buying products through group buying. This participation can occur on an e-commerce site or on third-party sites.

Digital business (digital business)

How businesses apply digital technology and media to improve the competitiveness of their organisation through optimising internal processes with online and traditional channels to market and supply.

Intranet

A private network within a single company using Internet standards to enable employees to access and share information using web publishing technology.

Enterprise social media software

Systems used inside organisations to enable real-time collaboration between employees and other stakeholders such as customers and suppliers to support business processes such as customer service, supply chain management and new product development. Collectively these tools are sometimes referenced as Enterprise 2.0.

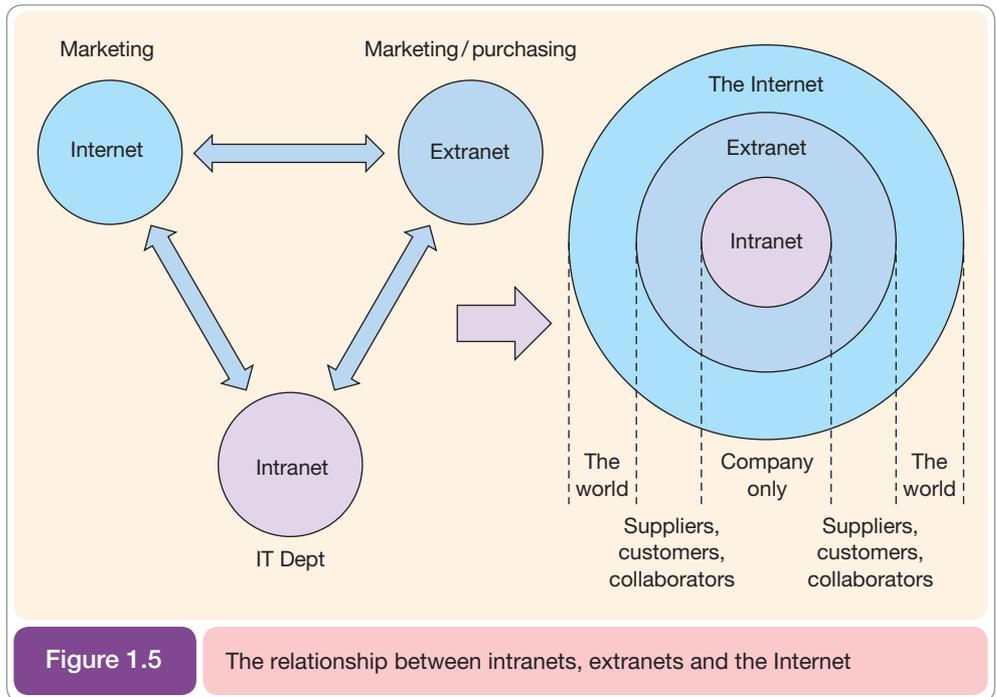


Figure 1.5

The relationship between intranets, extranets and the Internet

In Figure 1.4 the key digital business processes are the organisational processes or units in the centre of the figure. They include research and development, marketing, manufacturing, and inbound and outbound logistics. The buy-side e-commerce transactions with suppliers and the sell-side e-commerce transactions with customers can also be considered to be key digital business processes.

Intranets and extranets

The majority of Internet services are available to any business or consumer that has access to the Internet. However, many digital business applications that access sensitive company information require access to be limited to qualified individuals or partners. If information is restricted to employees inside an organisation, this is an **intranet**, as is shown in Figure 1.5.

Today, the term intranet is still used, but software services similar to Twitter and Facebook are being implemented within companies to achieve similar goals of information sharing and collaboration. Mini case study 1.2 shows an example of one such **enterprise social media software** tool, Yammer (Figure 1.6).

Mini Case Study 1.2

Suncorp implement an internal social network

The Suncorp financial services group manages 25 brands in Australia and New Zealand spanning banking, insurance, investment and superannuation. Suncorp has over 219,000 shareholders, over 16,000 employees and around 7 million customers.

Suncorp has used enterprise social networking tool Yammer to help geographically dispersed people and teams to connect, share, discuss and innovate. It has also helped Suncorp create a culture where collaboration is more natural by enabling people to interact online in an open, informal and transparent way.



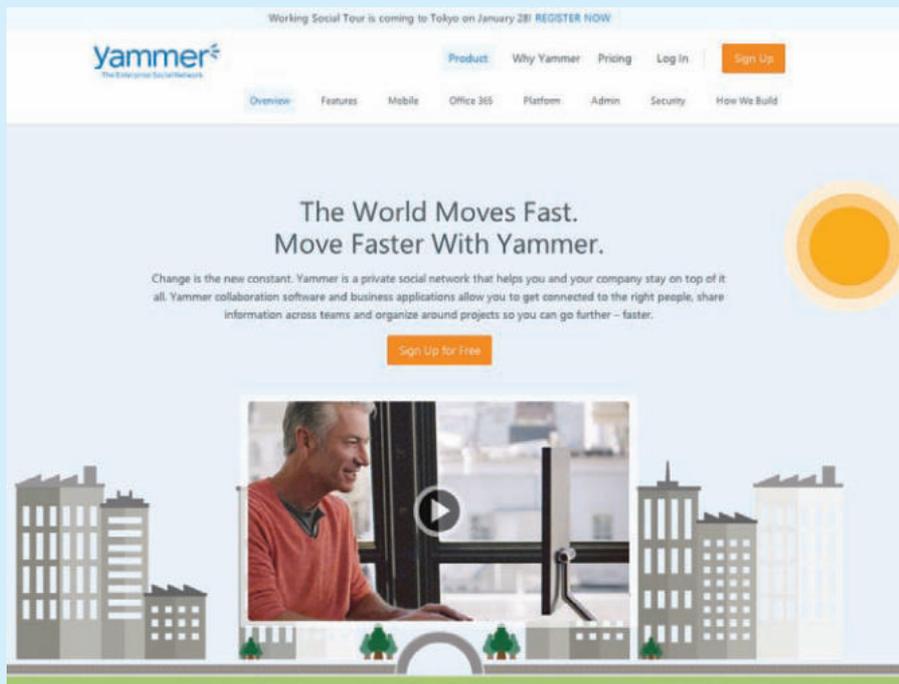


Figure 1.6

Yammer Enterprise social media tool (www.yammer.com)
 Source: www.yammer.com.

Within a matter of months, Yammer membership grew from a handful of early adopters to over 1,700 users and continues to grow.

Jeff Smith, Suncorp, the Chief Information Office of Yammer, explains the benefits as follows:

Yammer has enabled us to harness the wisdom of our people who are spread across multiple teams, geographies and brands to help achieve our purpose of delivering business solutions for competitive advantage.

Brian Robbins, Chief Marketing Office (CMO), added:

We recently signed up for Yammer and are seeing it spread virally among our employees. It is helping us accelerate collaboration and internal communications across our 20,000 employees in 300 offices in 30 countries. We're seeing all kinds of serendipitous connections across projects, cultures and time zones.

The benefits of applying a tool like Yammer to Suncorp can be summarised as:

- Increased informal knowledge flow across the organisation through microblogging.
- Overcome barriers to collaboration, providing instant connection for people, teams, informal networks, communities of practice and other shared interest groups.
- Improved alignment between executives and employees by use of broadcast message to communicate messages and quickly crowdsource to get ideas, suggestions and answers to questions.
- Helped stimulate greater sharing and discussion amongst common role groups, e.g. developers, architects and testers.

Source: Adapted from Yammer (2010).

Extranet

A service provided through Internet and web technology delivered by extending an intranet beyond a company to customers, suppliers and collaborators.

If access to an organisation's web services is extended to some others, but not everyone beyond the organisation, this is an **extranet**. Whenever you log on to an Internet service such as that for an e-retailer or online news site, this is effectively an extranet arrangement, although the term is most often used to mean a business-to-business application such as the Shell SIMON capability described in Case Study 6.1 where certain customers or suppliers are given shared access. We look at examples of intranets and extranets in Chapter 3, including the Dell Premier extranet.

Different types of sell-side e-commerce

Sell-side e-commerce doesn't only involve selling products online, but also involves using digital technologies to market services using a range of techniques (which we will explore in Chapters 8 and 9). Not every product is suitable for sale online, so the way in which a website is used to market products will vary. It is useful to review these five main types of online presence for sell-side e-commerce, each of which has different objectives and is appropriate for different markets. These are not clear-cut website categories since any company may combine these types, but with a change in emphasis according to the market they serve. As you review websites, note how organisations have different parts of the site focussing on these five functions:

- 1 Transactional e-commerce sites.** These enable purchase of products online. The main business contribution of the site is through sale of these products. The sites also support the business by providing information for consumers who prefer to purchase products offline. These include retail sites, travel sites and online banking services.
- 2 Services-oriented relationship-building websites.** Provide information to stimulate purchase and build relationships, particularly where products are not suitable for sale online. Information is provided through the website and e-newsletters to inform purchase decisions. The main business contribution is through encouraging offline sales and generating enquiries or leads from potential customers, known as lead generation.
- 3 Brand-building sites.** Provide an experience to support the brand. Products are not typically available for online purchase. Their main focus is to support the brand by developing an online experience of the brand. They are typical for low-value, high-volume fast-moving consumer goods (FMCG brands).
- 4 Publisher or media sites.** Provide information, news or entertainment about a range of topics. This is information both on the site and through links to other sites. Media sites have a diversity of options for generating revenue, including advertising, commission-based sales and sale of customer data (lists).
- 5 Social network sites (SNS).** Social networks could be considered to be in the previous category since they are often supported by advertising, but the influence of social networks such as Facebook, LinkedIn and Twitter on company and customer communications suggests they form a separate category.

Complete Activity 1.3 to consider examples of these different types of site.

Social network sites (SNS)

A site that facilitates peer-to-peer communication within a group or between individuals through providing facilities to develop user-generated content (UGC) and to exchange messages and comments between different users.

Activity 1.3**Understanding different types of online presence****Purpose**

To help you assess how different types of online presence are used for marketing.

Activity

Review the popularity of the different site types in your country or globally. The recommended information sources are:

- Similar Web (www.similarweb.com) or Compete (www.compete.com) site comparison services.



- The Hitwise Data Centers (e.g. www.hitwise.com/us/resources/data-center) available for Australia, Canada, France, Hong Kong, Singapore, New Zealand, UK, and US.

Visit each of the sites below and then indicate which of the five categories of online presence are their primary and secondary focus:

- 1 Transactional e-commerce site.
- 2 Services-oriented relationship-building website.
- 3 Brand-building site.
- 4 Portal or media site.
- 5 Social network.

Example sites

- Business media site: The Financial Times (www.ft.com) or Mashable (www.mashable.com)
- Bank, e.g. HSBC (www.hsbc.com)
- Lingerie manufacturer, e.g. Gossard (www.gossard.com)
- Management consultants such as PricewaterhouseCoopers (www.pwc.co.uk) and Accenture (www.accenture.com)
- Beverage manufacturers, e.g. Bacardi.com (www.bacardi.com) and Guinness (www.guinness.com)
- Travel company, e.g. Thomas Cook (www.thomascook.com)
- An end-product manufacturer such as Vauxhall (www.vauxhall.co.uk)
- Consumer site, e.g. Yahoo! (www.yahoo.com)
- Online retailer such as Amazon (www.amazon.com)

Answers to activities can be found at www.pearsoned.co.uk/chaffey

Digital marketing

This has a similar meaning to 'electronic marketing' – both describe the management and execution of marketing using electronic media such as the web, email, IP TV and mobile media in conjunction with digital data about customers' characteristics and behaviour.

Digital marketing

Digital marketing, e-marketing or Internet marketing is yet another field that is closely related to e-commerce. 'Digital marketing' is the term increasingly used which we use in this book (and explore in more detail in Chapters 8 and 9).

To help explain the scope and approaches used for digital marketing the author developed a more detailed definition with training organisation The IDM (www.theidm.com):

Digital marketing involves:

Applying these technologies which form online channels to market:

Web, email, databases, plus mobile/wireless and digital TV.

To achieve these objectives:

Support marketing activities aimed at achieving profitable acquisition and retention of customers . . . within a multichannel buying process and customer lifecycle.

Through using these marketing tactics:

Recognising the strategic importance of digital technologies and developing a planned approach to reach and migrate customers to online services through e-communications and traditional communications. Retention is achieved through improving our customer knowledge (of their profiles, behaviour, value and loyalty drivers), then delivering integrated, targeted communications and online services that match their individual needs.

Let's now look at each part of this description in more detail. The first part of the description illustrates the range of access platforms and communications tools that form the online channels which marketers use to build and develop relationships with customers.

Podcasts

Individuals and organisations post online media (audio and video) which can be viewed in the appropriate players (including the iPod which first sparked the growth in this technique). The latest podcast updates can be automatically delivered by really simple syndication.

Social network

A site facilitating exchange of text, audio or video content.

Different access platforms deliver content and enable interaction through a range of different online communication tools or media channels. Some are well-established techniques which will be familiar to you, like websites, search engines, email and text messaging. One of the most exciting things about working in digital media is the introduction of new tools and techniques which have to be assessed for their relevance to a particular marketing campaign.

Recent innovations (which we discuss further in Chapters 8 and 9) include blogs, feeds, **podcasts** and **social networks**. The growth of social networks has been documented by Boyd and Ellison (2007) who describe social networking sites as:

Web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system.

The interactive capabilities to post comments or other content and rate content are surprisingly missing from this definition.

Trends update

Social network usage <http://bit.ly/smartsocialstats>

Social media accounts for a significant amount of online usage, particularly on mobile devices. This update shows varying use in different countries.

Options for companies to reach their audience online

For companies to be successful in their digital communications they must decide how they invest their time and budget in the sometimes bewildering range of online communications tools. In Chapters 8 and 9 we review these tools in detail, but here is a summary of the main options for investment options.

Owned, earned and paid media options

To help develop a strategy to reach and influence potential customers online it has become commonplace today to refer to three main types of media channels marketers need to consider (Figure 1.7):

- 1 Paid media.** These are bought media where there is investment to pay for visitors, reach or conversions through search, display advertising networks or affiliate marketing. Offline, traditional media like print and TV advertising and direct mail remain important, accounting for the majority of paid-media spend.
- 2 Earned media.** Traditionally, earned media has been the name given to publicity generated through PR invested in targeting influencers to increase awareness about a brand. Now earned media also includes word-of-mouth that can be stimulated through viral and social media marketing and includes conversations in social networks, blogs and other communities. It's useful to think of earned media as developed through different types of partners such as publishers, bloggers and other influencers, including customer advocates. Another way of thinking about earned media is as different forms of conversations between consumers and businesses occurring both online and offline.
- 3 Owned media.** This is media owned by the brand. Online, this includes a company's own websites, blogs, email list, mobile apps or their social presence on Facebook, LinkedIn or Twitter. Offline, owned media may include brochures or retail stores. It's useful to think of a company's own presence as media in the sense that they are an alternative investment to other media and they offer opportunities to promote products using similar ad or editorial formats to other media. It emphasises the need for all organisations to become multichannel publishers.

Widget

A badge or button incorporated into a site or social network space by its owner, with content or services typically served from another site making widgets effectively a mini-software application or web service. Content can be updated in real time since the widget interacts with the server each time it loads.

Digital media channels

Online communications techniques used to achieve goals of brand awareness, familiarity, favourability and to influence purchase intent by encouraging users of digital media to visit a website to engage with the brand or product and ultimately to purchase online or offline through traditional media channels such as by phone or in-store.

Pay-per-click (PPC) search marketing

Refers to when a company pays for text ads to be displayed on the search engine results pages as a sponsored link (typically above, to the right of or below the natural listings) when a specific key phrase is entered by the search users. It is so called since the marketer pays for each time the hypertext link in the ad is clicked on. If a link is clicked repeatedly, then this will be detected by the search engine as click fraud and the marketer will not be charged.

Search engine optimisation (SEO)

A structured approach used to increase the position of a company or its products in search engine natural or organic results listings (the main body of the search results page) for selected keywords or phrases.

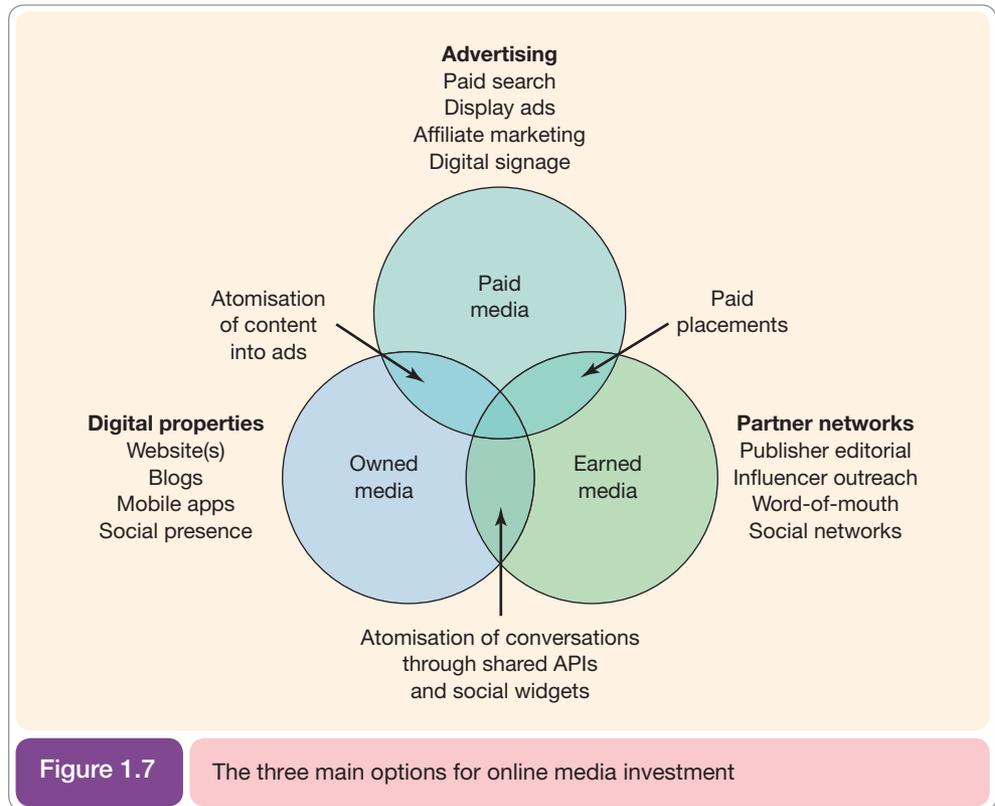


Figure 1.7

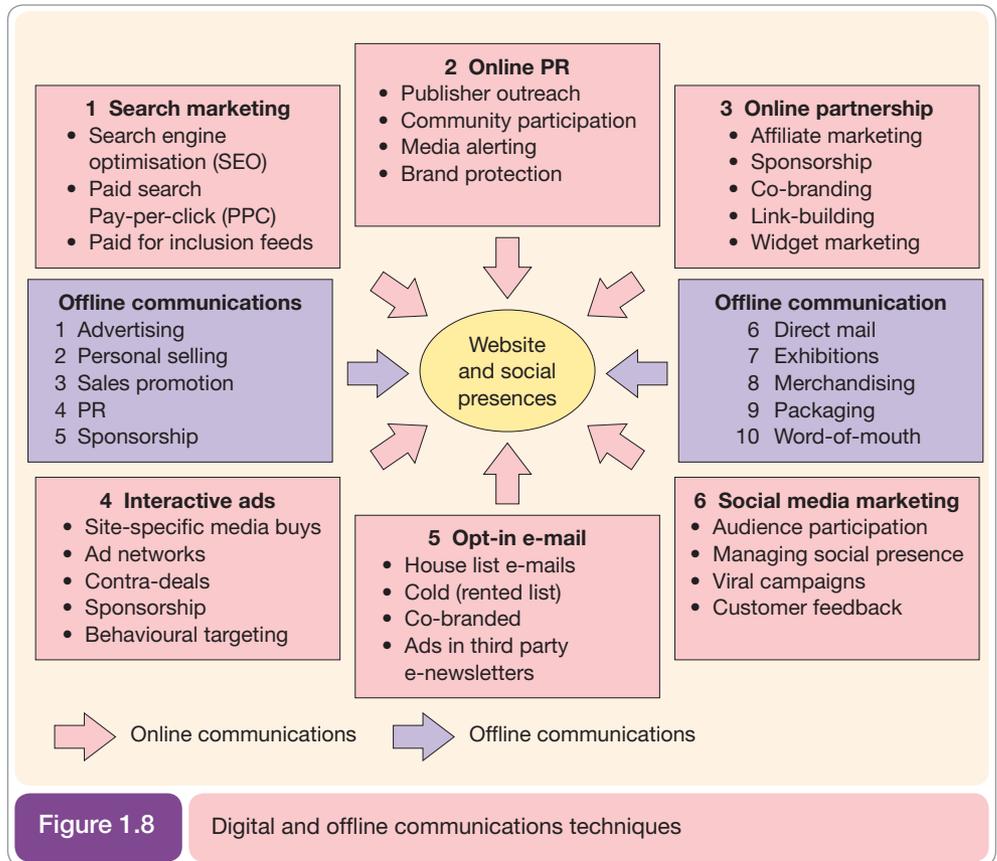
The three main options for online media investment

You can see in Figure 1.7 that there is overlap between the three different types of media. It is important to note this, since achieving this overlap requires integration of campaigns, resources and infrastructure. Content on a content hub or site can be broken down (atomised) and shared between other media types through **widgets** powered by program and data exchange APIs such as the Facebook API.

The six key types of digital media channels

There are many online communications techniques which marketers must review as part of their digital business communications strategy or as part of planning an online marketing campaign. To assist with planning, Chaffey and Smith (2012) recommend reviewing the six main types of **digital media channels** for reaching audiences shown in Figure 1.8. Note that offline communications should also be reviewed for their role in driving visitors to a company website or social network presence.

- 1 **Search engine marketing.** Placing messages on a search engine to encourage clickthrough to a website when the user types a specific keyword phrase. Two key search marketing techniques are: paid placements or sponsored links using **pay-per-click**, and placements in the natural or organic listings using **search engine optimisation (SEO)**.
- 2 **Online PR.** Maximising favourable mentions and interactions with a company's brands, products or websites using third-party sites such as social networks or blogs that are likely to be visited by your target audience. It also includes responding to negative mentions and conducting public relations via a site through a press centre or blog. It is closely related to social media marketing.
- 3 **Online partnerships.** Creating and managing long-term arrangements to promote your online services on third-party websites or through email communications. Different forms of partnership include link building, affiliate marketing, aggregators such as price comparison sites like MoneySuperMarket (www.moneysupermarket.com), online sponsorship and co-branding.



- 4 Interactive advertising.** Use of online ads such as banners and rich media ads to achieve brand awareness and encourage clickthrough to a target site.
- 5 Opt-in email marketing.** Renting email lists or placing ads in third-party e-newsletters or the use of an in-house list for customer activation and retention.
- 6 Social media marketing.** Social media marketing is an important category of digital marketing which involves encouraging customer communications on a company's own site, or a social presence such as Facebook or Twitter, or in specialist publisher sites, blogs and forums. It can be applied as a traditional broadcast medium, for example companies can use Facebook or Twitter to send messages to customers or partners who have opted in. However, to take advantage of the benefits of social media it is important to participate in customer conversations. These can be related to products, promotions or customer service and are aimed at learning more about customers and providing support, so improving the way a company is perceived. (In Chapter 9 we identify six main applications of social media.)

Mini case study 1.3 gives an illustration of how a small start-up business can use the combination of marketing tools illustrated in Figure 1.8.

Mini case study 1.3

Tatu uses paid, owned and earned media to expand its global reach

Start-up brand Tatu Couture designs and manufactures luxury British lingerie which is sold through stockists in the UK, Paris and New York. Tatu Couture has a unique vision to push the boundaries of design and innovation with its trend-setting luxury lingerie and designer body wear. All its goods are manufactured and hand finished in the UK.



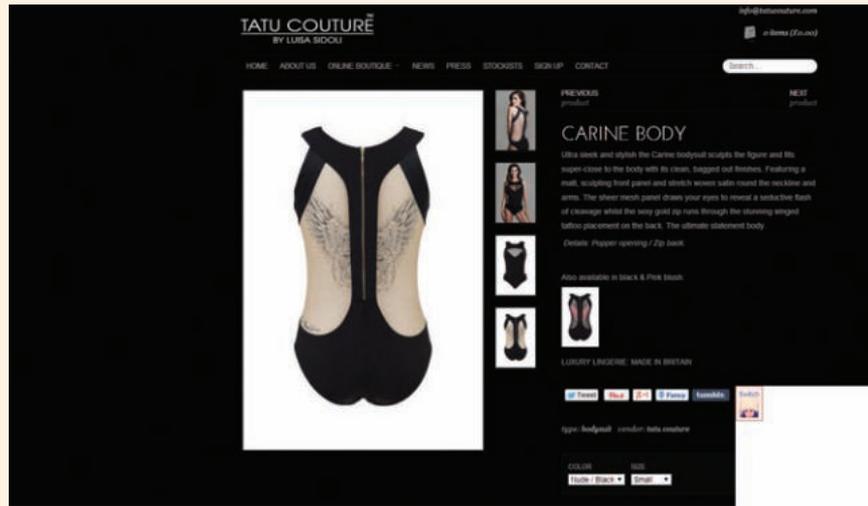


Figure 1.9

Tatu Couture

Source: from www.tatucouture.com, Tatu Couture.

Overview and digital strategy

Agency Tonica supported Tatu Couture by creating a four-stage strategy to increase digital presence. In addition to the stockist route, Tatu Couture was keen to increase its own direct sales, so it had two simple objectives for the work – to increase visits to tatucouture.com and increase sales from the site. The steps to develop the reach of the company are explained by the agency as:

Step 1 – Take Control

Like many small to medium-sized enterprises (SMEs), Tatu Couture had employed a web designer to create their site, but were unfamiliar with some of the standard tools that could help them track success. In this phase of work, we focussed on empowering Tatu Couture to take control so that they could cost-effectively develop their site without spending budget on external resource:

- Suggesting Tatu Couture gain full account control of their Shopify website
- Assisting Tatu Couture in having Google Webmaster Tools access in order to access information about the health of their site
- Setting up Google Analytics in order to track website performance.

Step 2 – Make the Most of your Contacts

In this phase, we were keen to ensure that Tatu Couture could conduct their own email campaigns using free provider, Mailchimp. During this process we also consolidated their contact data into a new Tatu Couture Mailchimp account, and set up a website 'sign up' so that new prospects could be captured.

Step 3 – Promote (for free when possible!)

In addition to the email campaigns, we identified several low-cost or no-cost promotion options:

- Google Merchant (aka Google Shopping/Google Product Search). In order to increase online presence we were keen to feed Tatu Couture products into Google Shopping, particularly as this was still a free

service in the UK (prior to March 2013). Luckily Shopify had a fairly easy integration option for this, so we were able to activate the integration and add a few settings (such as Shipping) for products to be regularly submitted.

- Google Places – a free local service which helps Tatu Couture stand out regionally.
- Google AdWords (pay-per-click advertising). Since the launch campaign, low-cost Google Adwords campaigns have been used at key events in the calendar, continuing to lower the cost per click, increase click-through rates and utilise the best-performing keywords. We have also used micro-geographic targeting in Google AdWord campaigns as a proxy for income – for example, targeting South Kensington and Chelsea postcodes.
- Facebook. Tatu Couture is using this investment to reach the most likely recipients to purchase. The challenge in promoting a luxury product online is reaching an audience likely to purchase and this is where the beauty of Facebook could help. By targeting Facebook profiles who already liked other luxury or designer products, our Facebook campaign could reach a more tailored market than using Google alone. During the campaign we were able to double Facebook likes for Tatu Couture. In the last three months, Facebook has driven 16% of the traffic to the site.

Step 4 – Search Engine Optimisation

As well as suggesting search engine optimisation changes along the way, we suggested a more formal SEO review as Step 4. Tatu Couture has begun to implement these SEO changes in an effort to drive more organic traffic to the site. The changes included incorporating more keywords into the product descriptions in addition to the unique Tatu Couture copy.

Source: Smart Insights (2013)

Multichannel and omnichannel marketing

Customer communications and product distribution are supported by a combination of digital and traditional channels at different points in the buying cycle. Omnichannel references the importance of social media and mobile-based interactions in informing purchase.

Multichannel marketing strategy

Defines how different marketing channels should integrate and support each other in terms of their proposition development and communications based on their relative merits for the customer and the company.

The second part of the definition of digital marketing shows that it should not be the technology that drives digital marketing, but the business returns from gaining new customers and maintaining relationships with existing customers. It also emphasises how digital marketing does not occur in isolation, but is most effective when it is integrated with other communications channels such as phone, direct mail or face-to-face. The role of the Internet in supporting **multichannel and omnichannel marketing** and **multichannel marketing strategy** is another recurring theme in this book. (Chapters 2 and 5 in particular explain its role in supporting different customer communications channels and distribution channels.) Online channels should also be used to support the whole buying process or **customer journey** from pre-sale to sale to post-sale and further development of customer relationships. This clarifies how different marketing channels should integrate and support each other in terms of their proposition development and communications based on their relative merits for the customer and the company.

The final part of the description summarises approaches to **customer-centric marketing**. It shows how success online requires a planned approach to migrate existing customers to online channels and acquire new customers by selecting the appropriate mix of e-communications and traditional communications. Gaining and keeping online customers needs to be based on developing **customer insight** by researching their characteristics and behaviour, what they value and what keeps them loyal, and then delivering tailored, relevant web and email communications.

Web 2.0 and user-generated content

From 2004, the **Web 2.0 concept** increased in prominence amongst website owners and developers. The main technologies and principles of Web 2.0 have been explained in an

Customer journey

A description of modern multichannel buyer behaviour as consumers use different media to select suppliers, make purchases and gain customer support.

Customer-centric marketing

An approach to marketing based on detailed knowledge of customer behaviour within the target audience which seeks to fulfil the individual needs and wants of customers.

Customer insight

Knowledge about customers' needs, characteristics, preferences and behaviours based on analysis of qualitative and quantitative data. Specific insights can be used to inform marketing tactics directed at groups of customers with shared characteristics.

Web 2.0 concept

A collection of web services that facilitate interaction of web users with sites to create user-generated content and encourage behaviours such as community or social network participation, **mashups**, content rating, use of **widgets** and tagging.

Microformats

A simple set of formats based on XHTML for describing and exchanging information about objects including product and travel reviews, recipes and event information.

Mashups

Websites, pages or widgets that combine the content or functionality of one website or data source with another to create something offering a different type of value to web users from the separate types of content or functionality.

influential article by Tim O'Reilly (O'Reilly, 2005). Behind the label 'Web 2.0' lies a bewildering range of interactive tools and social communications techniques such as blogs, podcasts and social networks which are still in use today.

Web 2.0 also references methods of exchanging data between sites in standardised formats, such as the feeds that merchants use to supply shopping comparison sites with data about products offered and their prices. The main characteristics of Web 2.0 that are still key characteristics of successful online brands typically involves:

- (i) Web services or interactive applications hosted on the web such as Flickr (www.flickr.com), Google Maps™ (<http://maps.google.com>) or blogging services such as Blogger.com or Wordpress (www.wordpress.com).
- (ii) Supporting participation – many of the applications are based on altruistic principles of community participation best represented by the most popular social networks such as Bebo, MySpace and Facebook.
- (iii) Encouraging creation of user-generated content – blogs are the best example of this. Another example is the collaborative encyclopaedia Wikipedia (www.wikipedia.org).
- (iv) Enabling rating of content and online services – for example social commerce on e-retail sites.
- (v) Ad funding of neutral sites – web services such as Google GMail™ and many blogs are based on contextual advertising such as Google AdSense™.
- (vi) Data exchange between sites through XML-based data standards. RSS is based on XML, but has relatively little semantic mark-up to describe the content. Data can also be exchanged through standard **microformats** such as hCalendar and hReview which are used to incorporate data from other sites into the Google listings (see www.microformats.org for details). New classes of content can also be defined and **mashups** created.
- (vii) Use of rich media or creation of rich Internet applications (RIA) which provide for a more immersive, interactive experience. These may be integrated into web browsers or may be separate applications like that downloaded for Second Life (www.secondlife.com).
- (viii) Rapid application development using interactive technology approaches known as 'Ajax' (Asynchronous JavaScript and XML). The best-known Ajax implementation is Google Maps which is responsive since it does not require refreshes to display maps.

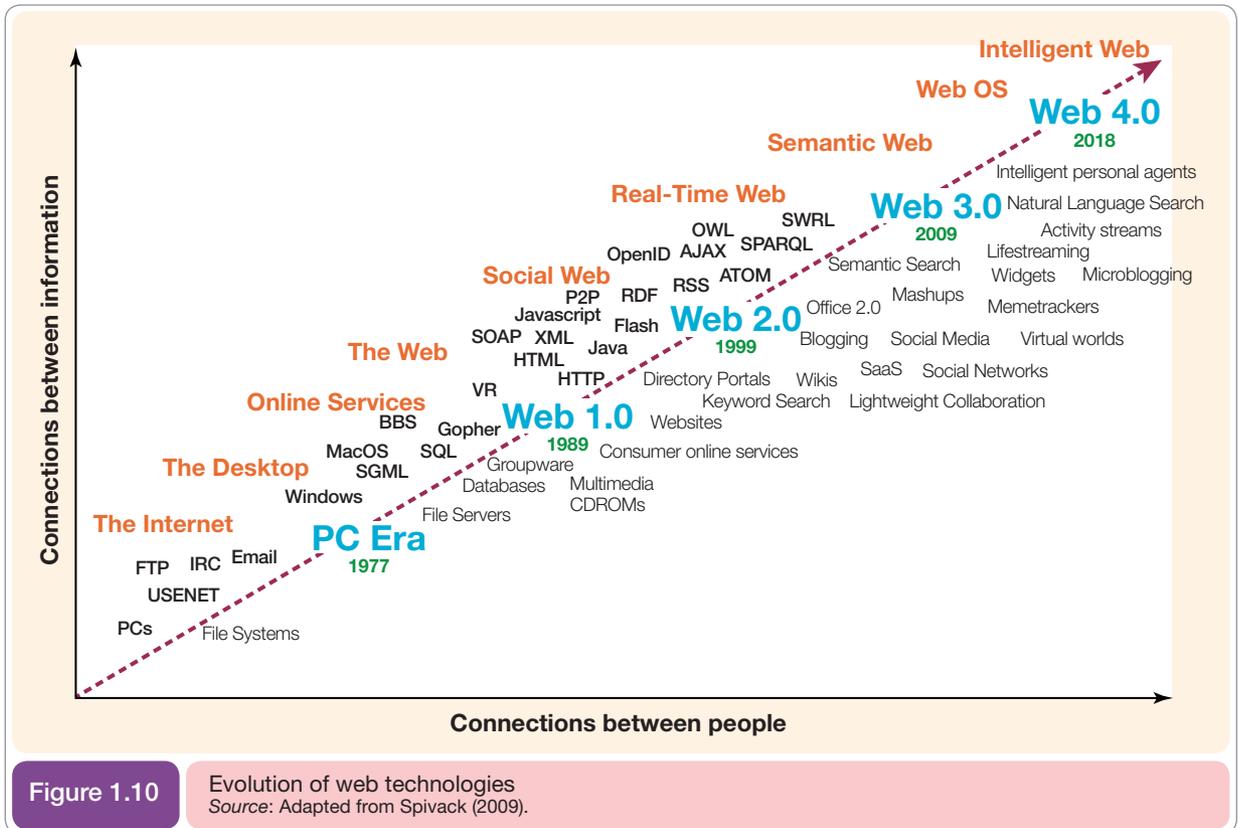
Figure 1.10 summarises the evolution of digital and web-related technologies. Note that the terms Web 2.0, 3.0 and 4.0 are not terms commonly used today, yet it's useful to understand the principles of Web 2.0 in particular since they are important to creating interactive, integrated desktop and mobile experiences (as explained in Chapter 11). Many sites still don't have these characteristics.

Supply chain management

When distinguishing between buy-side and sell-side e-commerce we are looking at different aspects of managing an organisation's supply chain. **Supply chain management (SCM)** is the coordination of all supply activities of an organisation from its suppliers and delivery of products to its customers. (The opportunities for using e-commerce to streamline and restructure the supply chain are described in more detail in Chapter 6.) The **value chain** is a related concept that describes the different value-adding activities that connect a company's supply side with its demand side. We can identify an *internal* value chain within the boundaries of an organisation and an *external* value chain where these activities are performed by partners. Note that in the era of digital business a company will manage many interrelated value chains, so we also consider the concept of a **value network** (see Chapter 6).

Business or consumer models of e-commerce transactions

It is now commonplace to describe e-commerce transactions between an organisation and its stakeholders according to whether they are primarily with consumers (**business-to-consumer – B2C**) or other businesses (**business-to-business – B2B**).



Web 3.0 concept

A description of the web around 2009 incorporating high-speed connectivity, complex cross-community interactions, full range of digital media (text, voice, video) and an intelligent or semantic web where automated applications can access data from different online services to assist searchers to perform complex tasks of supplier selection.

Supply chain management (SCM)

The coordination of all supply activities of an organisation from its suppliers and partners to its customers.

Value chain

A model for analysis of how supply chain activities can add value to products and services delivered to the customer.

Value network

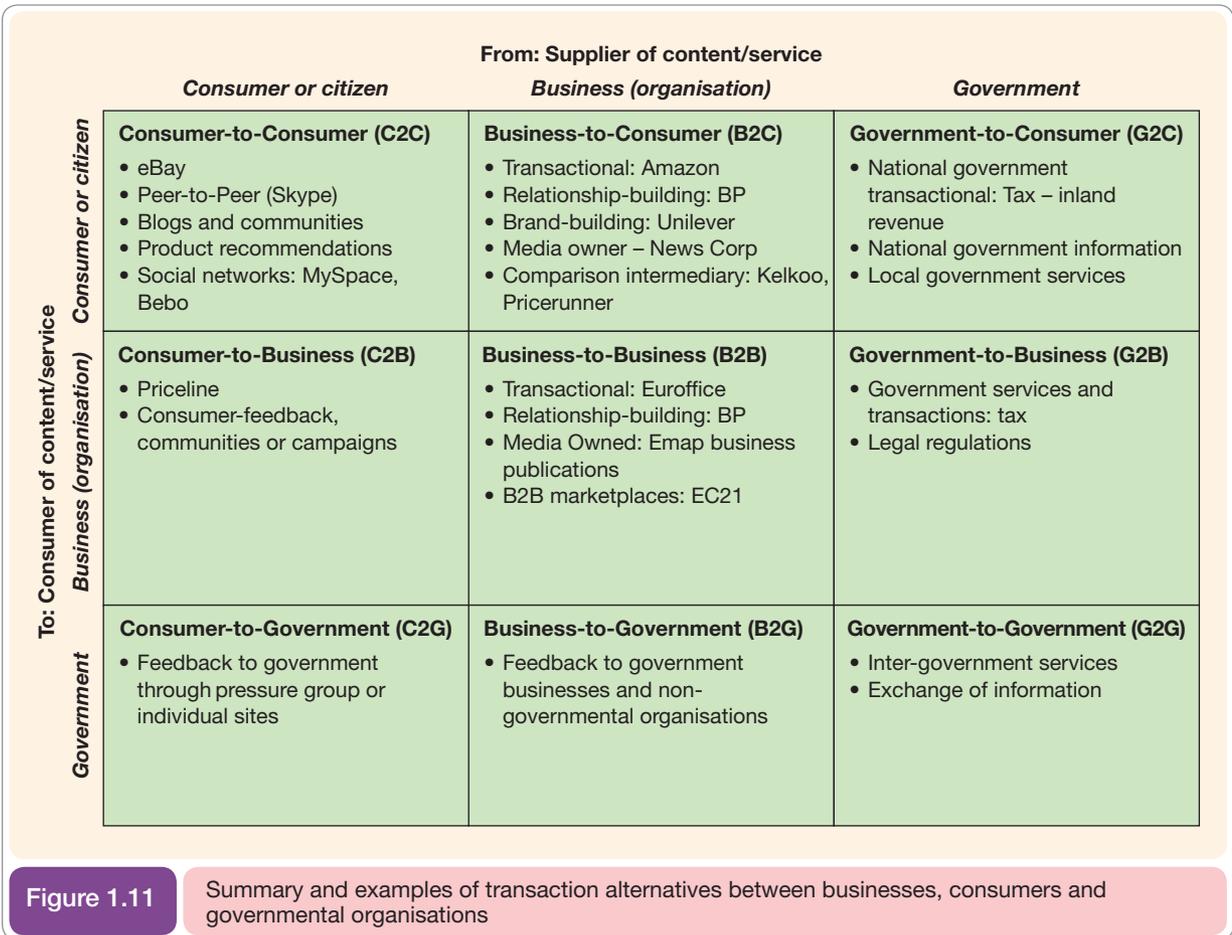
The links between an organisation and its strategic and non-strategic partners that form its external value chain.

Figure 1.11 gives examples of different companies operating in the business-to-consumer (B2C) and business-to-business (B2B) spheres. Often companies such as BP or Dell Computer will have products that appeal to both consumers and businesses, so will have different parts of their site to appeal to these audiences.

Referring to the well-known online companies in Table 1.1 initially suggests that these companies are mainly focussed on B2C markets. However, B2B communications are still important for many of these companies since business transactions can drive revenue, as for example eBay Business (<http://business.ebay.com/>), or the B2C service may need to be sustained through advertising provided through B2B transactions; for example, Google's revenue is largely based on its B2B AdWords (<http://adwords.google.com/>) and advertising-based revenue is also important to sites such as YouTube, MySpace and Facebook.

Figure 1.11 also presents two additional types of transaction, those where consumers transact directly with other consumers (**C2C**) and where they initiate trading with companies (**C2B**). These monikers are less widely used (e.g. *Economist*, 2000), but they do highlight significant differences between Internet-based commerce and earlier forms of commerce. Consumer-to-consumer interactions (also known as peer-to-peer or person-to-person, P2P) were relatively rare, but are now very common in the form of social networks. Hoffman and Novak (1996) suggested that C2C interactions are a key characteristic of the Internet that is important for companies to take into account, but it is only in recent years with the growth of always-on broadband connections and mobile access to the web that these have become so popular. P2P transactions are also the main basis for some online business models for digital businesses such as Betfair (see Mini case study 1.4) and eBay (www.ebay.com, see Case study 1.2) which are still run on a business basis, and some blogs which are not run by companies but by individuals.

Finally, the diagram also includes government and public services organisations which deliver online or e-government services. As well as the models shown in Figure 1.11, it has also been suggested that employees should be considered as a separate type of consumer through the use of intranets; this is referred to as employee-to-employee or E2E.



Mini case study 1.4

Betfair profits with C2C online gambling service

Betfair provides a great example of the creation of a digital business with an innovative business model. It holds licences to operate in the UK, US, Australia, Austria, Germany, Italy and Malta with just under 50% of all new registrations coming from outside the UK and Ireland. Its 2012 Annual Report notes that it has identified Italy and Spain as priority markets attractive in terms of scale, growth potential and regulatory outlook. It is looking to achieve a top-three position in this market. In this year it had around 744,000 active customers with average revenue per user (ARPU) of £360. Twenty-three per cent of customers made an overall profit in the year. Commercial and marketing spend was £87.5 million representing 25% of revenue. Technology and product development costs were £67.2 million.

Betfair is the world's biggest online sports betting company and pioneered the first successful betting exchange in 2000. Driven by cutting-edge technology, Betfair enables customers to choose their own odds and bet even after the event has started. The company now processes over 6 million transactions a day from its 3 million registered customers around the world (the 3 million mark was passed in 2010).

Betfair introduced a novel form of betting which replaces the typical role of the bookmaker such as Ladbrokes or William Hill who provide fixed odds and take their own risk on the outcome. With Betfair, all bets placed are with other Betfair customers rather than with Betfair, which has no risks on the outcome. As with all forms of gambling, there is a risk of corruption 'throwing the bet'; to reduce this risk Betfair has a transparent approach where evidence of corruption may be shared with the governing body of a sport.

Through providing an online service, there are additional aspects of its proposition:

- You can either place bets conventionally or request your own odds.
- You can choose the odds you want to play at.
- You can bet while the game is in play.

Betfair's revenue model

Betfair charges a commission (typically 5%) on each player's net winnings on a market. If a player loses, there is no commission. There is a discount on commission; when you place more bets this rewards regular punters.

Betfair's growth

This outline history of Betfair shows how it has extended its product range and partnerships to support its growth:

- 1 2000 – The Sporting Exchange Ltd launches Betfair.com from Russell Square, London. At launch, funds were limited, so the company used 'guerrilla marketing' to promote it, such as a procession through the City of London with coffins with banners 'death of the bookmaker' and fake demonstrations with 'Betfair – unfair' banners.
- 2 2001 – Betfair matches £1 million in seven days for the first time.
- 3 2002 – Betfair announces a merger with competitor Flutter and sponsorship of Fulham Football Club.
- 4 2003 – Betfair launches sites in German, Danish, Greek, Italian, Swedish, Norwegian, Finnish and Chinese.
- 5 2004 – Betfair launches Betfair poker, which today has 60,000 registered players. Betfair signs joint venture with Australia's Publishing and Broadcasting Limited.
- 6 2005 – Betfair sponsors the Channel 4 Ashes Cricket coverage and records the highest-ever single market turnover, matching £36 million on the Fifth Ashes Test Match alone! Betfair signs exclusive deal

The screenshot shows the Betfair mobile website interface. At the top, there is a navigation bar with 'Home', 'Devices', and 'Help' links. The main heading is 'Get Betfair on your mobile'. Below this, there is a form to enter a country (set to 'United Kingdom') and a phone number (starting with '+44'). A 'Send a link to my phone' button is visible. Below the form, there is a section titled 'BET ON THOUSANDS OF MARKETS WITH BETFAIR MOBILE' with the tagline 'Place back and lay bets on the move - Fast and secure - Bet In-Play'. At the bottom, there is a section for 'BETFAIR MOBILE APPS' with four columns for different devices: Android, iPhone, iPad, and Blackberry. Each column provides a brief description of the app and a link for more information.

Figure 1.12

Betfair mobile proposition and activation (www.betfair.com)

with Yahoo! UK and Ireland to launch a simplified betting exchange as well as a co-branded betting exchange.

- 7 Betfair's key performance indicators are suggested by an annual report for year ending 30 April 2007 when it had an annual turnover in excess of £180 million with operating profit of £35 million based on 18 million 'active player-days', which is a key performance measure derived from the 433,000 active customers and an average 9 player-days per month per active customer. International revenues grew most rapidly and contributed 23% of exchange revenues compared with 18 per cent in the previous year.
- 8 By 2010 Betfair employed over 1,700 people globally. Its headquarters are in Hammersmith in West London, while its international business is based in Malta. It also has large operational bases in the UK in Stevenage and Australia in Tasmania and Melbourne, a software development hub in Romania and offices in Los Angeles and San Francisco.
- 9 Technology challenges are indicated by the 6 million transactions a day processed, equating to 360 bets a second. Using Oracle database technology, Betfair processes 99.9 per cent of bets in less than one second.
- 10 In April 2010 an iTunes app was released, with Betfair noting that their registered mobile users increased 40% in 2009 with a 50% increase in year-on-year mobile revenues.
- 11 Betfair's API allows customers or software developers to interact with, and develop applications linked to, the Exchange directly, without the need to use its website. The first site to go live with an app cloud betting service was Manchester United's official website, manutd.com.
- 12 Mobile bets doubled between 2011 and 2012, to 44 million in total in 2012 based on apps and the mobile site (Figure 1.12).

Source: Corporate site (www.betfaircorporate.com).

Business-to-consumer (B2C)

Commercial transactions between an organisation and consumers.

Business-to-business (B2B)

Commercial transactions between an organisation and other organisations (inter-organisational marketing).

Consumer-to-business (C2B)

Consumers approach the business with an offer.

E-government

The application of e-commerce technologies to government and public services for citizens and businesses.

E-government defined

E-government refers to the application of e-commerce technologies to government and public services. In the same way that e-business can be understood as transactions with customers (citizens), suppliers and internal communications, e-government covers a similar range of applications:

- *Citizens* – facilities for dissemination of information and use of online services at local and national levels. For example, at a local level you can find out when refuse is collected and at national level it is possible to fill in tax returns.
- *Suppliers* – government departments have a vast network of suppliers. The potential benefits (and pitfalls) of electronic supply chain management and e-procurement (described in Chapters 6 and 7) are equally valid for government.
- *Internal communications* – this includes information collection and dissemination and email and workflow systems for improving efficiency within government departments.

E-government is now viewed as important within government in many countries. The European Union set up 'i2010' (*European Information Society in 2010*) whose aims included

providing an integrated approach to information society and audio-visual policies in the EU, covering regulation, research, and deployment and promoting cultural diversity. (eEurope, 2005)

Digital business opportunities

Digital business has introduced new opportunities for small and large organisations to compete in the global marketplace. As we observed at the start of this chapter, many commentators have noted that one of the biggest changes introduced by electronic communications is

how approaches to transmitting and transforming information can be used for competitive advantage. A significant commentary on the disruptive, transformational nature of electronic communications is provided in Box 1.1.

The Internet also provides significant opportunities for many businesses to build closer relationships with their existing customers and suppliers online to help achieve customer retention. Encouraging use of online, digital business services by customers and suppliers can significantly reduce costs while providing a new, convenient channel for purchase and customer service. Through providing high-quality online services, organisations can build lasting relationships with their stakeholders. While it is sometimes said that '*online, your customers are only a mouse click away from your competitors*', this is a simplification, and encouraging use of online services can help achieve '**soft lock-in**'. This means that a customer or supplier continues to use a service since they find the service valuable, they have invested time in learning the service or integrating it with their systems and there are some costs in switching. Think of online services you use for different purposes. How often do you switch between them? Of course, the ideal is that the service meets the needs of its users so well and delivers value such that they are satisfied and do not consider switching.

Soft lock-in

Customers or suppliers continue to use online services because of the switching costs.

Box 1.1

Evans and Wurster on the impact of disruptive Internet technologies

Evans and Wurster of Harvard argue in their classic 1997 paper 'Strategy and the new economics of information' that there are three characteristics of information which, when combined with disruptive Internet technologies, can have a major impact on a marketplace. These characteristics of information are reach, richness and affiliation:

- 1 *Reach*. Conventionally, 'reach' refers to the potential number of customers a business can interact with. The Internet enables reach to be increased nationally and internationally at low cost through making content available via search engines. 'Reach' also refers to the number of different categories and products a consumer interface (e.g. store, catalogue or website) can cover: witness the large range of products available through digital businesses such as Amazon, eBay and Kelkoo.com and existing companies such as easyJet.com and Tesco.com which have used the web to extend their product range.
- 2 *Richness*. This is a characteristic of the information itself. The Internet enables more detailed information about products, prices and availability to be made available. It also enables more interactivity and customisation to engage customers and to provide more up-to-date information. But, Evans and Wurster also note that richness is limited by bandwidth (the volume of information that can be transmitted using a communications link in a given time), the accuracy or reliability of information and its security.
- 3 *Affiliation*. This refers to the effectiveness of links with partners. In an online context, an organisation which has the most and richest links with other compatible organisations will be able to gain a larger reach and influence. Consider how digital businesses such as eBay, Google and Yahoo! have successfully formed partnerships or acquired other companies to provide new diverse information services such as social networking, mapping, voice communications and online photography, to name just a few.

In markets such as car sales which have been transformed by the Internet, understanding how to improve reach, richness and affiliation is crucial. This is not because a large proportion of people buy cars online, but rather the majority research online their preferred make, model and supplier.

Business adoption of digital technologies for e-commerce means that as managers, we need to assess the impact of e-commerce and digital business on our marketplace and organisation. What are the drivers of changed consumer and business behaviour? How should we respond? How much do we need to invest? What are our priorities and how quickly do we need to act? Answering these questions is an essential part of formulating a digital business and digital marketing strategy (and is considered in more detail in Part 2). To answer these questions, marketing research will need to be conducted (as described in Chapters 2 to 4) to determine the current levels of adoption of the Internet for different activities amongst customers and competitors in our market sector and in other sectors.

Drivers of digital technology adoption

Business adoption of e-commerce and digital business is driven by benefits to different parts of the organisation. First and foremost, businesses are concerned about how the benefits of digital business will impact on profitability or generating value to an organisation. The two main ways in which this can be achieved are:

- Potential for increased revenue arising from increased reach to a larger customer base and encouraging loyalty and repeat purchases amongst existing customers.
- Cost reduction achieved through delivering services electronically. Reductions include staff costs, transport costs and costs of materials such as paper.

At an early point in digital technology adoption, a government report (DTI, 2000) identified two main categories of drivers which remain relevant today for introducing new technology:

Cost/efficiency drivers

- 1 Increasing speed with which supplies can be obtained
- 2 Increasing speed with which goods can be dispatched
- 3 Reduced sales and purchasing costs
- 4 Reduced operating costs

Competitiveness drivers

- 5 Customer demand
- 6 Improving the range and quality of services offered
- 7 Avoiding losing market share to businesses already using e-commerce

More recently, in interviews with Australian businesses, Perrott (2005) identifies four key areas driving performance: cost-benefit, competitive pressures, market advantage and value-adding, i.e. improving customer satisfaction while building strong relationships.

When reviewing potential benefits, it is useful to identify both tangible benefits (for which monetary savings or revenues can be identified) and intangible benefits (for which it is more difficult to calculate cost savings). The types of potential benefits are summarised in Table 1.2.

Doherty *et al.* (2003) researched the drivers and barriers to retailers' adoption of Internet technologies to determine the most important factors. Table 1.3 summarises the ranking in importance for different degrees of Internet adoption from static **brochureware** (A), through an active website containing product information (B) to a transactional site where items can be purchased (C). You can see that the two most important factors which correlate with adoption are 'Internet target segment', i.e. customers in their market are typically adopters of the Internet, and 'Internet strategy', i.e. a defined Internet strategy is in place. This suggests, as would be expected, that companies that do not have a coherent Internet or digital business strategy are less likely to use higher levels of Internet services. Many larger organisations that have responded to the challenge of digital business have created a separate

Brochureware

Brochureware describes a website to which a company has migrated its existing paper-based promotional literature without recognising the differences required by this medium.

Table 1.2

Tangible and intangible benefits from e-commerce and digital business

Tangible benefits

- Increased sales from new sales leads giving rise to increased revenue from:
 - new customers, new markets
 - existing customers (cross-selling)
- Marketing cost reductions from:
 - reduced time in customer service
 - online sales
 - reduced printing and distribution costs of marketing communications
- Supply chain cost reductions from:
 - reduced levels of inventory
 - shorter cycle time in ordering
- Administrative cost reductions from more efficient routine business processes such as recruitment, invoice payment and holiday authorisation

Intangible benefits

- Corporate image communication
- Enhancement of brand
- More rapid, more responsive marketing communications, including PR
- Faster product development lifecycle enabling faster response to market needs
- Improved customer service
- Learning for the future
- Meeting customer expectations to have a website
- Identifying new partners, supporting existing partners better
- Better management of marketing information and customer information
- Feedback from customers on products

e-commerce plan and separate resources to implement it. This book covers what needs to go into such a plan and the issues to consider when implementing it.

Case study 1.2 illustrates the benefits of setting up an online operation for an SME. It also highlights some of the challenges of managing an online business and highlights the need for continued investment to refine online services and the marketing needed to attract visitors to the website.

Table 1.3

Summary of factors most important in encouraging Internet adoption amongst e-retailers

Factor influencing adoption		A	B	C
1	Internet target segment	3	2	1
2	Internet strategy	1	1	6
3	Internet marketplace	4	5	2
4	Infrastructure and development capability	2	3	5
5	Internet communications	5	6	4
6	Cost of Internet trading	8	9	10
7	Internet cost opportunity	6	8	7
8	Market development opportunity	7	4	3
9	Concerns	9	10	9
10	Consumer preferences	10	7	8

A = Internet adoption (static website), B = active website, C = online sales (transactional site)

Based on a compilation from separate tables in Doherty *et al.* (2003)

Risks and barriers to digital business adoption

Opportunities have to be balanced against the risks of introducing digital business services, which include strategic and practical risks. One of the main strategic risks is making the wrong decision about digital business investments. In every business sector, some companies have taken advantage of digital business and gained a competitive advantage. But others have invested in digital business without achieving the hoped-for returns, either because the execution of the plan was flawed, or simply because the approaches were inappropriate. The impact of the Internet and technology varies by industry. Andy Grove, Chairman of Intel, one of the early adopters of digital business, noted that every organisation needs to ask whether, for them:

The Internet is a typhoon force, a ten times force, or is it a bit of wind? Or is it a force that fundamentally alters our business? (Grove, 1996)

This statement still seems to encapsulate how managers must respond to different digital technologies; the impact will vary through time from minor for some companies to significant for others, and an appropriate response is required.

There are also many practical risks to manage which, if ignored, can lead to bad customer experiences and bad news stories which damage the reputation of the company. In the section on digital business opportunities, we reviewed the concept of soft lock-in; however, if the customer experience of a service is very bad, they will stop using it, and switch to other online options. Examples of poor online customer experience include:

- Websites that fail because of a spike in visitor traffic after a peak-hour TV advertising campaign.
- Hackers penetrating the security of the system and stealing credit card details.
- A company emails customers without receiving their permission, so annoying customers and potentially breaking privacy and data protection laws.
 - Problems with fulfilment of goods ordered online, meaning customer orders go missing or are delayed.
 - Email customer service enquiries from the website don't reach the right person and are ignored.

Debate 1.2

Limited SME adoption of digital business

'Adoption of digital business by established SMEs is generally less than that in larger businesses. This is principally a consequence of the negative attitude of managing directors and CEOs to the business benefits of information and communication technology (ICT).'

The perception of these risks may result in limited adoption of digital business in many organisations, which is suggested by the data in Figure 1.11. This is particularly the case for SMEs. (We study adoption levels and drivers in this type of business further in Chapter 4.)

Another approach to reviewing the strategy issues involved with implementing digital business is the classic McKinsey 7S strategy instrument (Waterman *et al.*, 1980) which is summarised in Table 10.1.

Evaluating an organisation's digital business capabilities

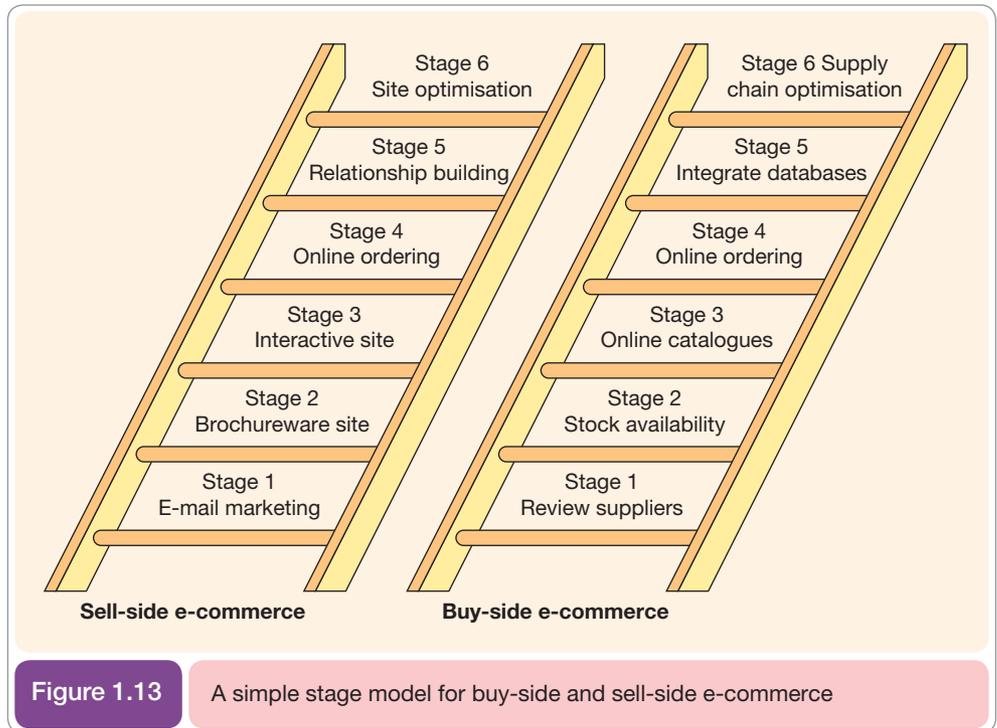
Assessment of an organisation's existing digital business capabilities is a starting point for the future development of their digital business strategy. We will see in Chapter 5 how different forms of **stage models** can be used to assess digital business capability. An example of a basic stage model reviewing capabilities for sell-side and buy-side e-commerce is shown in Figure 1.13. This shows how companies will introduce more complex technologies and extend the range of processes which are digital business-enabled. Stage 5 includes social commerce.

Stage models

Used to review how advanced a company is in its use of information and communications technology (ICT) to support different processes.

Drivers of consumer technology adoption

To determine investment in sell-side e-commerce, managers need to assess how to adopt new services such as web, mobile and interactive TV and specific services such as blogs,



Online value proposition (OVP)

A statement of the benefits of online services reinforces the core proposition and differentiates from an organisation's offline offering and those of competitors.

social networks and feeds. (In Chapter 4, we see how such demand analysis is conducted in a structured way.)

We will see (in Chapter 5 on strategy development for digital business) how it is important that companies offering e-commerce services create a clear **online value proposition (OVP)** to encourage customers to use their specific online services. Typical benefits of online services are summarised by the 'Six Cs', a simple mnemonic to show different types of customer value:

- 1 Content** – In the mid-1990s it was often said that 'content is king'. Well, relevant rich content is still king. This means more detailed, in-depth information to support the buying process for transactional or relationship-building sites or branded experiences to encourage product usage for FMCG brands.
- 2 Customisation** – In this case mass customisation of content, whether received as website pages such as 'Amazon recommends' or email alerts, and commonly known as 'personalisation'.
- 3 Community** – The Internet liberates consumers to discuss anything they wish through forums, chat-rooms and blog comments. (We will explore these techniques more in Chapters 2 and 3.)
- 4 Convenience** – This is the ability to select, purchase and in some cases use products from your desktop at any time: the classic $24 \times 7 \times 365$ availability of a service. Online usage of products is, of course, restricted to digital products such as music or other data services. Amazon has advertised offline using creative ads showing a Christmas shopper battling against a gale-swept street clutching several bags to reinforce the convenience message.
- 5 Choice** – The web gives a wider choice of products and suppliers than via conventional distribution channels. The success of online intermediaries such as Kelkoo (www.kelkoo.com) and Reevoo (www.reevoo.com) is evidence of this. Similarly, Tesco.com provides Tesco with a platform to give consumers a wider choice of products (financial, travel, white goods) with more detailed information than are physically available in-store.
- 6 Cost reduction** – The Internet is widely perceived as a relatively low-cost place of purchase. Often customers expect to get a good deal online as they realise that online traders have

a lower cost-base as they have lower staff and distribution costs than a retailer that runs a network of high-street stores. A simple price differential is a key approach to encouraging usage of online services. In the late 1990s, low-cost airline easyJet encouraged the limited change behaviour required to move from phone booking to online booking by offering a £2.50 discount on online flight bookings.

Note that the 7Cs of Rayport and Jaworski (2003) provide a similar framework of Context, Content, Community, Customisation, Communication, Connection and Commerce.

Barriers to consumer Internet adoption

An indication of some of the barriers to using the Internet, in particular for consumer purchases, is clear from a survey (Booz Allen Hamilton, 2002) of perceptions in different countries. It noted that consumer barriers to adoption of the Internet included:

- No perceived benefit
- Lack of trust
- Security problems
- Lack of skills
- Cost

This lack of demand for Internet services still present in every country needs to be taken into account when forecasting future demand.

To complete this chapter, read Case study 1.2 for the background on the success factors which have helped build one of the world's biggest digital businesses.

Case Study 1.2

eBay – the world's largest online business?

This case summarises the strategic approach used by eBay to take advantage of increased consumer adoption of the Internet. It summarises its objectives, strategy and proposition and key risks that need management. You will see that many of its success factors are similar to those for smaller retailers.

Context

It's hard to believe that one of the most celebrated dot-coms has now been established nearly 20 years. Pierre Omidyar, a 28-year-old French-born software engineer living in California, coded the site while working for another company, eventually launching the site for business on Monday, 4 September 1995 with the more direct name 'Auction Web'. Legend reports that the site attracted no visitors in its first 24 hours. The site became eBay in 1997. By 2012, eBay had 112 million active users globally, defined as users who have bid, bought or listed an item during the preceding 12-month period, with the total worth of goods sold on eBay \$60 billion, which is equivalent to \$2,000 every second. Total revenue was \$8.7 billion.

Mission

eBay describes its purpose as to 'pioneer new communities around the world built on commerce, sustained by trust, and inspired by opportunity'.

At the time of writing eBay comprises three major businesses:

- 1 The eBay marketplaces (approximately 50% of net revenues in 2012). Originally only offering auctions, by 2012, the fixed-price listing format accounted for approximately 66% of eBay's gross merchandise volume, or GMV, with the auction-style format accounting for the remaining 34% of GMV. Marketplaces also include other sites like comparison site Shopping.com and StubHub (event tickets). The mission for the core eBay business is to 'create the world's online marketplace'. eBay has also created vertical formats, such as Classifieds, Daily Deals, Fashion, Motors (vehicles, parts and accessories) and Electronics.

The marketplace platforms had more than 112 million active users at the end of 2012, compared to

100 million at the end of 2011. In 2012, nearly \$13 billion was transacted on mobile platforms, more than double the mobile commerce volume from the previous year, and expected to increase to \$20 billion. In 2007, eBay's SEC filing noted the success factors for this business, for which eBay sought to manage the functionality, safety, ease of use, and reliability of the trading platform. In 2010 the strategic priorities had changed to trust, value, selection and convenience.

- 2 PayPal (approximately 43% of net revenues in 2012). The mission is to 'create the new global standard for online payments'. This company was acquired in 2003 and is now a significant contributor to eBay revenue, with the service incorporated in many other e-commerce sites.
- 3 GSI (accounting for 7% of revenues in 2012) was acquired by eBay in June 2011. GSI is a provider of e-commerce and interactive marketing services, including websites and fulfilment centres, to enterprise clients that include some of the world's leading brands and retailers covering merchandise categories including apparel, sporting goods, toys & baby, health & beauty and home.

Revenue model

The vast majority of eBay's revenue is for the listing of and commission on completed sales. For PayPal purchases an additional commission fee is charged. Margin on each transaction is phenomenal, since once the infrastructure is built, incremental costs on each transaction are tiny – all eBay is doing is transmitting bits and bytes between buyers and sellers.

Advertising and other non-transaction net revenues represent a relatively small proportion of total net revenues and the strategy is that this should remain the case. Marketing services and other revenues accounted for an additional \$2 billion in 2012.

Another part of the business, Skype Internet telephony, was acquired in 2005 by eBay and sold to an investor group in November 2009, with a 30% share retained by eBay.

Proposition

The eBay marketplace is well known for its core service which enables sellers to list items for sale on an auction or fixed-price basis, giving buyers the opportunity to bid for and purchase items of interest.

Software tools are provided, particularly for frequent traders, including Turbo Lister, Seller's Assistant, Selling Manager and Selling Manager Pro, which help automate the selling process, plus the Shipping Calculator, Reporting tools, etc. Today, over 60% of listings are facilitated by software, showing the value of automating posting for frequent trading.

According to the SEC filing, eBay summarises the core messages to define its proposition as follows:

For buyers:

- Trust
- Value
- Selection
- Convenience

In 2007, eBay introduced Neighborhoods (<http://neighborhoods.ebay.com>), where groups can discuss brands and products with which they have a high involvement.

For sellers:

- Access to broad global markets
- Efficient marketing and distribution
- Opportunity to increase sales

In January 2008, eBay announced significant changes to its marketplaces business in three major areas: fee structure, seller incentives and standards, and feedback. These changes have been controversial with some sellers, but are aimed at improving the quality of experience. Detailed Seller Ratings (DSRs) enable sellers to be reviewed in four areas: (1) item as described, (2) communication, (3) delivery time and (4) postage and packaging charges. This is part of a move to help increase conversion rate by increasing positive shopping experiences, for example by including more accurate descriptions with better pictures and avoiding excessive shipping charges. Power sellers with positive DSRs will be featured more favourably in the search results pages and will gain additional discounts.

Risk factors

Fraud is a significant risk factor for eBay. The BBC (2005) reported that around 1 in 10,000 transactions within the UK were fraudulent; 0.0001% is a small percentage, but scaling this up across the number of transactions, this is a significant volume. To counter this, eBay has developed 'Trust and Safety Programs' which are particularly important to reassure customers since online services are prone to fraud. For example, the eBay feedback forum can help establish credentials of sellers and buyers. Every registered user has a feedback profile that may contain compliments, criticisms and/or other comments by users who have conducted business with that user. The Feedback Forum requires feedback to be related to specific transactions and Top Seller status was introduced in 2010 to increase trust in the service. There is also a Safe Harbor data protection method and a standard purchase protection system.

The fees model that eBay uses is often changed and this can cause problems with users, but the impact is



calculated such that it does not affect overall sales. In their 2012 SEC filing eBay note:

We regularly announce changes to our Marketplaces business intended to drive more sales and improve seller efficiency and buyer experiences and trust. Some of the changes that we have announced to date have been controversial with, and led to dissatisfaction among, our sellers, and additional changes that we announce in the future may also be negatively received by some of our sellers. This may not only impact the supply of items listed on our websites, but because many sellers also buy from our sites, it may adversely impact demand as well.

In common with other global platforms like Amazon, Facebook and Google, eBay note the potential threat of the shift to tablet and smartphone platforms, stating that one risk factor is: 'Our ability to manage the rapid shift from online commerce and payments to mobile and multichannel commerce and payments.'

There is also the common risk factors for online pure-plays of retaining an active user base, attracting new users and encouraging existing users to list items for sale, especially when consumer spending is weak.

Competition

Although there are now few direct competitors of online auction services in many countries, there are many indirect competitors. eBay (2013) describes competing channels as including online and offline retailers, distributors, liquidators, import and export companies, auctioneers, catalogue and mail-order companies, classifieds, directories, search engines, products of search engines, virtually all online and offline commerce participants, and online and offline shopping channels and networks.

In their SEC filing, eBay states that the principal competitive factors for the Marketplaces business include the following:

- ability to attract, retain and engage buyers and sellers;
- volume of transactions and price and selection of goods;
- trust in the seller and the transaction;
- customer service; and
- brand recognition.

Although eBay is one of the largest e-commerce businesses, these factors also need to be actively managed by the smallest online e-retailer. For their online and mobile competition, they describe additional competitive factors, including:

- community cohesion, interaction and size;
- website or mobile application ease-of-use and accessibility;

- system reliability;
- reliability of delivery and payment;
- level of service fees; and
- quality of search tools.

Before the advent of online auctions, competitors in the collectables space included antique shops, car boot sales and charity shops. Anecdotal evidence suggests that all of these are now suffering. Some have taken the attitude of 'if you can't beat 'em, join 'em'. Many smaller traders who have previously run antique or car boot sales are now eBayers. Even charities such as Oxfam now have an eBay service where they sell high-value items contributed by donors. Other retailers such as Vodafone have used eBay as a means to distribute certain products within their range.

Objectives and strategy

The overall eBay aims are to increase the gross merchandise volume and net revenues from the eBay marketplace. More detailed objectives are defined to achieve these aims, with strategies focussing on:

- 1 *Acquisition* – increasing the number of newly registered users on the eBay marketplace.
- 2 *Activation* – increasing the number of registered users that become active bidders, buyers or sellers on the eBay marketplace.
- 3 *Activity* – increasing the volume and value of transactions that are conducted by each active user on the eBay marketplace.

The focus on each of these three areas will vary according to strategic priorities in particular local markets.

eBay marketplace growth was driven by defining approaches to improve performance in these areas. First, category growth was achieved by increasing the number and size of categories within the marketplace, for example Antiques, Art, Books, and Business and Industrial. Second, formats for interaction. eBay Stores was developed to enable sellers with a wider range of products to showcase their products in a more traditional retail format, including the traditional 'Buy-It-Now' fixed-price format. eBay has constantly explored new formats, often through acquisition of other companies, for example through the acquisition in 2004 of mobile.de in Germany and Marktplaats.nl in the Netherlands, as well as investment in craigslist, the US-based classified ad format. Another acquisition is Rent.com, which enables expansion into the online housing and apartment rental category. In 2007, eBay acquired StubHub, an online ticket marketplace, and it also owns comparison marketplace Shopping.com. Finally, marketplace growth is achieved through delivering specific sites localised for

different geographies as follows. You can see there is still potential for greater localisation, for example in parts of Scandinavia, Eastern Europe and Asia.

Localised eBay marketplaces:

- Australia
- Austria
- Belgium
- Canada
- Singapore
- South Korea
- Spain
- France
- Germany
- Hong Kong
- India
- Ireland
- Sweden
- Switzerland
- Italy
- Malaysia
- Netherlands
- New Zealand
- Philippines
- United Kingdom
- United States

In addition, eBay has a presence in Latin America through its investment in MercadoLibre.

eBay's growth strategy

In its SEC filing, success factors eBay believes are important to enable it to compete in its market include:

- ability to attract buyers and sellers;
- volume of transactions and price and selection of goods;
- customer service; and
- brand recognition.

This implies that eBay believes it has optimised these factors, but its competitors still have opportunities for

improving performance in these areas which will make the market more competitive. According to its 2010 SEC filing: 'Our growth strategy is focused on reinvesting in our customers by improving the buyer experience and seller economics by enhancing our products and services, improving trust and safety and customer support, extending our product offerings into new formats, categories and geographies, and implementing innovative pricing and buyer retention strategies.'

Updates on eBay case study information

eBay company pages (<http://pages.ebay.co.uk/aboutebay.html>)

eBay investor relations (<http://investor.ebay.com/index.cfm>)

eBay SEC filings (http://investor.ebayinc.com/financial_releases.cfm)

eBay Wikipedia page (<http://en.wikipedia.org/wiki/EBay>)

Question

Assess how the characteristics of the digital media and the Internet together with strategic decisions taken by its management team have supported eBay's continued growth.

Summary

- 1 Electronic commerce traditionally refers to electronically mediated buying and selling.
- 2 Sell-side e-commerce or digital marketing involves all electronic business transactions between an organisation and its customers, while buy-side e-commerce involves transactions between an organisation and its suppliers. Social commerce encourages customers to interact to support sales goals.
- 3 'Digital business' or e-business is a broader term, referring to how technology can benefit all internal business processes and interactions with third parties. This includes buy-side and sell-side e-commerce and the internal value chain.
- 4 Digital marketing involves investment in paid, owned and earned media across the six key digital marketing media channels of search engine marketing, online PR and social media, partnerships, display advertising, email marketing and viral marketing. Inbound marketing describes the use of integrated content, social media and search marketing to influence consumers as they select products, sometimes referred to as the Zero Moment of Truth.
- 5 Web 2.0 is used to refer to web services that facilitate interaction of web users with sites to create user-generated content and encourage behaviours such as community or social network participation, mashups, content rating, use of widgets and tagging.
- 6 The main business drivers for introducing e-commerce and digital business are opportunities for increased revenues and reducing costs, but many other benefits can be identified that improve customer service and corporate image.



- 7 Consumer adoption of the digital technology is limited by lack of imperative, cost of access and security fears. Business adoption tends to be restricted by perceptions of cost, making return on investment difficult to quantify.
- 8 Introducing new technology is not all that is required for success in introducing e-commerce and digital business. Clearly defined objectives, creating the right culture for change, mix of skills, partnerships and organisational structure are arguably more important.

Exercises

Answers to these exercises are available online at www.pearsoned.co.uk/chaffey

Self-assessment questions

- 1 Distinguish between e-commerce and digital business.
- 2 Explain what is meant by buy-side and sell-side e-commerce.
- 3 Explain the scope and benefits of social media and social commerce to an organisation of your choice.
- 4 Summarise the consumer and business adoption levels in your country. What seem to be the main barriers to adoption?
- 5 Outline the reasons why a business may wish to adopt e-commerce.
- 6 What are the main differences between business-to-business and business-to-consumer e-commerce?
- 7 Summarise the impact of the introduction of digital business on different aspects of an organisation.
- 8 What is the relevance of intermediary or influencer sites to a B2C company?

Essay and discussion questions

- 1 Suggest how an organisation can evaluate the impact of digital technology on its business. Is it a passing fad or does it have a significant impact?
- 2 Explain the concepts of social media and social commerce and how they can assist organisations in reaching their objectives.
- 3 Similar benefits and barriers exist for the adoption of sell-side e-commerce for both B2B and B2C organisations. Discuss.
- 4 Evaluate how social media marketing techniques can be applied within an organisation and with its stakeholders.
- 5 The web presence of a company has similar aims regardless of the sector in which the company operates.

Examination questions

- 1 Explain the relationship between the concepts of e-commerce and digital business.
- 2 Distinguish between buy-side and sell-side e-commerce and give an example of the application of each.
- 3 Summarise three reasons why a company may wish to introduce e-commerce.
- 4 Describe three of the main barriers to adoption of e-commerce by consumers and suggest how a company could counter these.

- 5 Outline the internal changes a company may need to make when introducing digital business.
- 6 Summarise the benefits of applying social media marketing approaches to an organisation.
- 7 Name three risks to a company that introduces buy-side e-commerce.
- 8 Name three risks to a company that introduces sell-side e-commerce.

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Web links

Sites giving general information on market characteristics of digital business:

- ClickZ Stats** (www.clickz.com/stats/) The definitive source of news on Internet developments, and reports on company and consumer adoption of the Internet and characteristics in Europe and worldwide. A searchable digest of most analyst reports.
- European Commission Information Society Statistics** (http://ec.europa.eu/information_society/digital-agenda/index_en.htm) Reports evaluating digital business activity and consumer adoption across the European Union.
- Econsultancy.com** (www.econsultancy.com) Research, best practice reports and supplier directory for online marketing.
- Mary Meeker** (www.kpcb.com/insights) An analyst at Kleiner Perkins Caufield Byers who presents trends and forecasts on digital technology yearly with a focus on mobile channels.
- Ofcom** (<http://stakeholders.ofcom.org.uk/>) The Office of Communication has an annual Communications Market report on the adoption of digital media including telecommunications and the Internet (including broadband adoption), digital television and wireless services.
- Smart Insights** (www.smartinsights.com) Guidance on digital marketing best practice from Dave Chaffey to help businesses succeed online. It includes alerts on the latest developments in applying digital technology and templates to create marketing plans and budgets.