Creating the E-Business

Part A- Foundations of E-Business

(3)
E-Business Environment

Macro-environment
- International
  - Economic factors
  - Legal constraints
  - Cultural factors

Micro-environment
- Organization

Country-specific
- Economic factors
- Legal constraints
- Cultural factors

Technology
- Innovation
- Trends

Society
- Public opinion
- Moral constraints
- Ethical constraints

Key
- Suppliers
- Competitors
- Intermediaries
- Customers
Some Terms

**Situation analysis**
Collection and review of information about an organization’s **external environment** and **internal processes and resources** in order to inform its strategies.

**Environmental scanning and analysis**
The process of continuously monitoring the environment and events and responding accordingly.

**Online intermediaries**
Web sites which help connect web users with content they are seeking on destination sites. (Search engines, online directories and the like)
E-Business Environment

Practical Exercise 1.2
Online Marketplace Analysis

Main elements of the Online Marketplace (Marketspace)

1. Customer segments
2. Sellers
3. Products
4. Infrastructure (HW/SW)
5. Front End (How customer interacts with the company)
6. Back End (Inventory Management)
7. Intermediaries (?)
8. Other business partners
9. Support services
Online Marketplace Analysis

Intermediaries include:

**Aggregators**
Aggregators include product, price and service information comparing competitors within a sector such as financial services, retail or travel.

**Affiliates**
A company promoting a merchant typically through a commission based arrangement either direct or through an affiliate network
Online Marketplace Analysis

Intermediaries include:

**Infomediary**
A business whose main source of revenue derives from capturing **consumer information** and developing detailed profiles of individual customers for use by third parties

**Metamediaries**
Intermediaries providing information to assist with **selection** and discussion about different products and services
Online Marketplace Analysis

A distribution channel will consist of one or more intermediaries such as wholesalers and retailers.
Disintermediation

The removal of intermediaries such as distributors or brokers that formerly linked a company to its customers
Reintermediation

The creation of new intermediaries between customers and suppliers providing services such as **supplier search and product evaluation**.
Evans and Wurster (1999) have argued that there are three aspects of navigation that are key to achieving competitive advantage online:

**Reach**
How many customers a business can connect with and how many products it can offer to those customers

**Richness**
Depth or detail of information which is both collected about the customer and provided to the customer (personalization)

**Affiliation**
This refers to whose interest the selling organization represents
## Summary on Intermediaries

<table>
<thead>
<tr>
<th>Place of purchase</th>
<th>Examples of sites</th>
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<tbody>
<tr>
<td>A. Seller-controlled</td>
<td>• Vendor sites, i.e. home site of organization selling products, e.g. <a href="http://www.dell.com">www.dell.com</a></td>
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<td>• Intermediaries controlled by third parties to the seller such as distributors and</td>
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<td>agents, e.g. Opodo (<a href="http://www.opodo.com">www.opodo.com</a>) represents the main air carriers</td>
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<tr>
<td>B. Seller-oriented</td>
<td>• Intermediaries not controlled by buyer's industry, e.g. EC21 (<a href="http://www.ec21.com">www.ec21.com</a>)</td>
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<td></td>
<td>• Product-specific search engines, e.g. CNET (<a href="http://www.computer.com">www.computer.com</a>)</td>
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<td></td>
<td>• Comparison sites, e.g. MoneySupermarket (<a href="http://www.moneysupermarket.com">www.moneysupermarket.com</a>)</td>
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<tr>
<td></td>
<td>• Auction space, e.g. eBay (<a href="http://www.ebay.com">www.ebay.com</a>)</td>
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<td>C. Neutral</td>
<td>• Intermediaries controlled by buyers, e.g. Covisint used to represent the major</td>
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<tr>
<td></td>
<td>motor manufacturers (<a href="http://www.covisint.com">www.covisint.com</a>) although they now don't use a single</td>
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<tr>
<td></td>
<td>marketplace, but each manufacturer uses the technology to access its suppliers</td>
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<td></td>
<td>direct</td>
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<td></td>
<td>• Purchasing agents and aggregators</td>
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<td>D. Buyer-oriented</td>
<td>• Web-site procurement posting on company's own site, e.g. GE</td>
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<tr>
<td></td>
<td>• Trading Process Network (<a href="http://www.gxs.com">www.gxs.com</a>)</td>
</tr>
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*Source: Adapted from McDonald and Wilson (2002)*