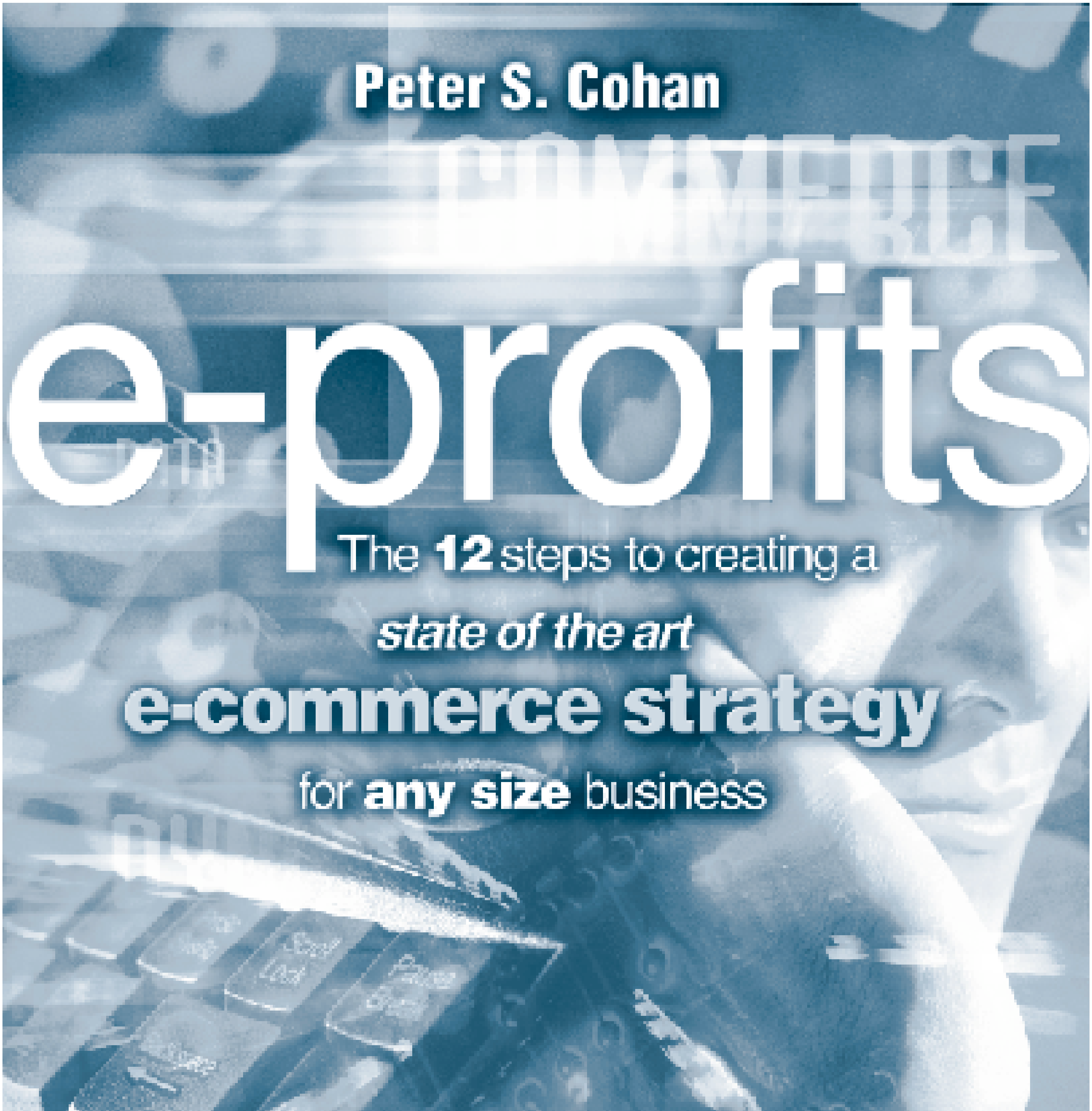

Peter S. Cohan

e-profits

The 12 steps to creating a *state of the art* e-commerce strategy for any size business

G U I D E B O O K

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GUIDEBOOK FOR E-PROFITS:

The 12 Steps to Creating a State-of-the-Art E-Commerce Strategy for Any Size Business

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Producer: Dave Kuenstle
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DISCLAIMER: The contents of this workbook and on the audio are solely the opinions of the author. Individuals who are interested in starting or investing in e-commerce business are advised to seek the expertise of a professional lawyer and an accountant.

In this powerful program, Peter S. Cohan introduces us to the exciting world of e-commerce and the powerful opportunities that are available to us in the world of e-commerce, the Internet. He explains that there was a recent revolution in the e-commerce world in which many became very successful in e-commerce business, and others suffered great losses. Peter will take you through a step-by-step process of how you can create and successfully maintain an e-commerce business and flourish in the new world of technology.

Session 1: Introduction to E-Profits – What's in It for You

In this session Peter gives us an overview of the climate of the e-commerce market, from its revolutionary beginnings to its current status. He outlines the competitive advantages at your disposal, should you create and maintain a successful e-commerce business in today's ever-changing technological world. Five key concepts in choosing your e-profit strategies are discussed:

1) Strategic Balance Sheet Analysis (aids you to think through what you are adding to your company by using e-commerce and how e-commerce actually helps unlock some of your company's inherent value)

2) The benefits through changing customer relations, changing customer information

3) Using the Internet to change your competitive position

4) Some of the risks that e-commerce introduces into the business

5) Enterprise value assessment (how getting involved with the Internet changes the market's perception of your company's value)

If you currently have a business and would like to enhance your e-commerce opportunities, then use that business model as you go through this guidebook. If you do not currently have a business in which you could apply the e-commerce technology, choose a business that you would like to start as your model throughout this guidebook.

1. Describe the business that you will be using as your model as you go through this guidebook.

2. Are you familiar with any Internet businesses that flourished in the 1990s and have recently gone under? If so, list them in the space provided below.

3. Were you directly affected by the e-commerce revolution of the 1990s? How? Describe any related experiences you had, in the space provided below.

4. What has been your past experience with Web-based advertisements? Did you consider them an annoyance? Did you ever follow a Web advertisement to buy a particular item? Describe your experience, in the space provided below.

5. Peter encourages you to broaden your perception of the Internet as a tool to transform all of your business relationships with your suppliers, employees, and shareholders, beyond merely the customer. Have you considered the advantages of the Internet beyond your customer relationship?

6. In discussing Strategic Balance Sheet Analysis, Peter lists three intangible assets that are not on the balance sheet but can be monitized through e-commerce. These assets are:
   1) Customer relationships
   2) Technical service information
   3) Purchasing volume in economies of scale

7. Peter discusses how the Internet can be used as a personalization technology in which recommendations are made to customers to purchase products that fit their profiled needs and desires. In what ways do you feel that your business or potential business could benefit from this personalization software? Describe the potential benefits, in the space provided below.

8. One of the most important points that Peter makes is that in order to really get value out of the Internet, you have to understand how the bricks and clicks strategy that you use is going to create superior value for your customers. Whether it lowers the prices to the customer or increases the value you provide them, write a "superior value" strategy, in the space provided below.

9. Peter cites companies such as Cisco Systems, General Electric, and IBM describing how each of these companies has saved a great deal of money in utilizing the Web to cut company costs. Can you think of at least three similar means by which you could cut costs for your company? Describe them in the space provided below.

Session 2: Getting Your E-Commerce Business Started

In this session, Peter discusses the Business-to-Customer, and Business-to-Business models of e-commerce. He informs us that the Business-to-Customer model is not nearly as lucrative as the Business-to-Business model. Cisco Systems utilizes many e-commerce tools to improve on its services and success rate, both within the organization and with customer-based applications. Peter describes how Cisco Systems has created a highly successful business model, using the Internet as a central tool in its strategies. He then takes you through the necessary steps to building and implementing a successful Web business strategy for your business.

10. Peter describes how the CEO of Cisco Systems, John Chambers, used a t-shirt ordering system created by one of the employees and mainstreamed it as an ordering system throughout the organization. Is there a way that you could create a similar system within your organization?

11. Another powerful strategy implemented by Cisco Systems was a bonus compensation program, in which employees would receive bonuses based on quarterly ratings given by customers on Internet surveys. This program created an overall team effort to support the corporate sales force, creating an incentive initiative throughout the organization. What kind of incentive initiative could you create within your organization utilizing e-commerce technology? Describe it in the space provided below.

12. Companies like Cisco Systems and IBM created an electronic procurement system within their organization to show customers how time and cost effective it was. Could you set up such a system within your business? If so, give an example of how you could initiate this, in the space provided below.

13. Peter lists a pyramid of different Web business models, starting with brochure-ware at the bottom. In this model the business creates a Web page that has its marketing brochure on it, saving the costs of printing, mailing, and updating it. Have you created such a Web page for your business? If not, write out a strategic plan to do so, in the space provided below.

14. The next step on the pyramid is an online ordering system. Does your business currently have such a system? If not, what has kept you from implementing it? Cost? Complications to the company's infrastructure? List any blocks in creating such a system, and then list the benefits, in the space provided below.
    Blocks:

    Benefits:

15. In the space provided below, create an implementation strategy for an online ordering system.

16. Peter lists the steps for building a Web business strategy:

1) Put together a team of key functional managers, consisting of people from the different functions in the organization.

2) Included in this team should be the CEO, sales department, marketing, manufacturing, engineering, finance, and any other key functions within the organization.

3) Bring in an outside expert who has experience working on this type of project.

4) Have the team strategize on what the key initiatives are, what the objects of this process are, and what the team wishes to accomplish.

5) Talk to stakeholders whom you will be working with (customers or suppliers) so that you can fully understand their decision-making process. (How do they look at your firm in comparison to your peers in deciding whether or not to buy a particular product or service from you? What is the process that they go through to make that decision? What criteria do they use to make up their minds as to whether they're going to buy from you or your competitor? Price? Delivery time? Quality of service? Quality of product?)

6) Search for the unmet needs of your customer, and implement a strategy that will fulfill that need; create a superior value proposition.

7) Design an e-commerce architecture that will make that value proposition real, creating a linkage of activities including brochure-ware, online ordering, or integrated ordering.

8) Implement the plan by taking the architecture and finding suppliers (Web consultants, software or hardware vendors) who can deliver on all components of that architecture.

9) Be sure to send a request for proposal to those vendors and **check out their references**.

10) Implement the Website and e-commerce strategies in a timely manner, remembering that changes and adaptations can always be made at a later date. It's important to stay on top of the market, not allowing it to get too far ahead of you.

17. What initial steps do you need to do to implement this plan in your business? Write down your plan, key management team, goals, and key dates for implementing this plan, in the space provided below.

Session 3: High Payoff E-Commerce Applications

Peter begins this session again by using Cisco Systems as the model of a company that manages technology and uses the Web as an integral part of its business in a very successful manner. He lists the six principles that they follow as:

1) Learning from failure
2) Building switching costs through interoperability
3) Focusing on customer advocacy
4) Making acquisitions that add value for customers
5) Creating aggressive direct sales strategies
6) Hiring and maximizing the productivity of the entrepreneurs

18. Are there any failures that your company has struggled through? If so, what have you learned from them? Describe any, in the space provided below.

19. We are reminded time and again that non-adaptive companies suffer. Is your company adapting successfully to changes in the industry? How is it doing so? What could you do to improve it in this area?

20. Peter discusses how companies like Cisco Systems that are highly sales oriented are the most successful. How strong is the sales force in your business? Are there any strategies that you can put in place to make that sales force even stronger? Discuss this, in the space provided below.

21. Peter defines principle 2, building switching costs through interoperability as establishing an operating system like the one that Cisco Systems created that enable its technology to work with other people's technology. This resulted in clients being comfortable enough that they were not required to throw out their existing network in order to buy Cisco Systems' technology. Have you created such a system in your company? If not, create a strategic outline, in the space provided below.

22. In the third principle, building customer advocacy, the company streamlines each department within the company so that their technology aligns with the needs of and value to the customer. Is the technology within your organization in such an alignment? If not, what changes do you need to make to implement this principle? Discuss any ideas, in the space provided below.

23. In order to more effectively service their customers, companies such as Cisco have also acquisitioned other related companies such as Crescendo, thus integrating them into their organization, ultimately paying off for Cisco customers and Cisco shareholders. If your business were in a position to acquisition related businesses, which ones would you consider valuable acquisitions? List any, in the space provided below.

24. Aggressive direct sales are key in running an effective business. Does your business currently have a strong direct sales force? If not, what changes do you need to strengthen it? Discuss any ideas you might have, in the space provided below.

25. The final principle involves hiring and maximizing the productivity of entrepreneurs within your business. Peter cites an example in which the founder of Granite Systems sold his company to Cisco and ended up becoming a vice-president at Cisco because the company fulfilled his professional drive. Is there anyone that your business is involved with that would be an asset to your organization? If so, can you offer that individual any incentives that could convince him or her to become employed within your organization? Discuss this, in the space provided below.

Peter discusses the following ten important principles for implementing and managing an effective e-commerce strategy for your business:

1) Management should create an environment that encourages people at all levels in the business to engage in frugal experimentation.

2) Management should create an environment that encourages customer satisfaction.

3) Management should encourage an effective working partnership between the IT department and the business units.

4) Managers should start thinking in nontraditional ways, e.g. Cisco's HR innovative "Friends" program.

5) Management has to recognize that the e-commerce initiatives require less rigorous upfront financial analysis.

6) Management should adopt a pioneering spirit, take some chances in its e-commerce efforts. It's better to plant a lot of different seeds than to create a beanstalk that takes 2 years to build.

7) Management should understand the significant source of organizational and customer pain.

8) Management should integrate and test back-end and front-end systems before e-commerce application goes live.

9) E-commerce applications have to be marketed aggressively to reach critical mass.

10) Management needs to adopt higher payoff marketing channels and avoid low payoff e-commerce applications (by avoiding e-commerce initiatives without doing any analysis of how they will create value for customers and by avoiding deployment of untested e-commerce technology).

26. Go through the previous list of criteria, and note which of the strategies you currently implement and which you do not. If you have not implemented any of the principles, write out a strategic plan to do so, in the space provided below.

27. The four emotional reactions that most companies have had when considering e-commerce were listed as:

   1) Fear of missing out on a great moneymaking opportunity or fear of having your business eaten alive by dot com-only companies.

   2) After some e-commerce education, tremendous hope about the future of this technology, and how it will benefit your business is gained.

   3) Anger, deep frustration, and disappointment because your hopes haven't been realized the way that you had planned.

   4) Satisfaction, once you have overcome the anger and disappointment stage and are able to look at the technology more realistically. At that point on the emotional roller coaster, you can actually start to achieve the goals that you had set.

   Which of the above stages are you and your business currently experiencing? Make note of the emotional climate around creating an e-commerce business, and remember that you are only in a stage of progress that may eventually lead to fulfillment.

28. Peter notes that you must create a key team that understands how e-commerce will change the dynamic of your company, in order to sell it within the organization. You must do a careful analysis of the benefits, especially to stakeholders. If you have already successfully sold e-commerce to your business, how did you do so? If not, list the necessary steps that you will take to integrate e-commerce into your business, in the space provided below.

Session 4: How E-Commerce Creates Competitive Advantages for You

Peter discusses how e-commerce is going to change the relationships between you and your customers, as well as your competitive positioning. To effectively make these changes, you must create a superior value proposition in which you either lower your customer costs or create superior value so that your customers are willing to pay you more money. This proposition must be better than your competitors'. He uses Amazon.com as a model, relating it to Barnes & Noble retail stores and Barnes&Noble.com as a standalone subsidiary. He also dispels some of the great myths about the Internet and its effect on the world.

29. Peter constantly emphasizes that it is very important to respond to the threats of competitive business not from the perspective of trying to replicate what the threatening company is doing, but rather to take a fresh look at how you can create greater value for your customers. Thinking outside the box and giving your business a fresh look at greater value opportunities for your customer base, list at least five ways in which you could better service your customers, in the space provided below.

    Opportunity 1:

    Opportunity 2:

    Opportunity 3:

    Opportunity 4:

Opportunity 5:

30. Peter states that a fundamental issue with e-commerce is people's reluctance to disclose their credit card information on the Web. Have you experienced this personally or in your business at all? If so, is there a way in which you could create a greater trust from your customer base? List any ideas, in the space provided below.

31. Looking at the Internet as an irritant that makes you think about your business in a different way can create some solutions for doing a new way of business that is very, very valuable. List at least three ways that you could create greater solutions for your business utilizing the Internet, in the space provided below.

Solution 1:

Solution 2:

Solution 3:

32. Peter discusses some of the myths about the Web, the first of which is that the world after the Internet is going to be totally different (the new economy versus the old economy). He informs us that not all industries have radically changed because of the Internet. On a scale from 1 to 10, how much do you believe your industry has changed and will continue to change because of the Internet?

How much has your industry changed due to the Internet? _____ (1=very little, 10=a great deal)
How much will your industry change due to the Internet? _____ (1=very little, 10=a great deal)

Session 5: Managing Your Transition to E-Commerce

In this session Peter discusses how a business can most effectively integrate e-commerce into its current system. He challenges an existing theory that stipulates that the dot-com should become a separate subsidiary, rather than integrating it into your core business. He discusses the two dimensions to look at this issue as being: 1) What was the source of the e-commerce strategy (from the CEO or within the company, or from an outside source?) 2) How big an impact would e-commerce have on the company itself? (would it fundamentally change the competitive position of the company or just help make the company operate more efficiently?)

33. Peter explains two models of exploring e-commerce opportunities in a company, the first being to re-invent the company (as Charles Schwab did), and the second, to create a subsidiary arm in the company that experiment with e-commerce opportunities (as W.W. Grainger did). It is clear that the decision to follow either model is very individual, based on the specifics of your company and its place in the business and e-commerce world. Based on the two above examples, which do you feel would be the most effective to implement in your company and why? Discuss your views, in the space provided below.

34. Peter cites Cemex as a company that creatively turned its business around by applying Internet technology internally, and subsequently externally among its client base. How much do you feel that your
    business uses creativity to expand the business? How could this be improved upon? Discuss your ideas and strategies, in the space provided below.

35. Peter suggests that management needs to ask some pertinent questions regarding e-commerce: How are you going to use this technology in a way that makes sense in your generation? How are you going to evaluate potential e-commerce applications? In order to come to any conclusions, he introduces us to the Seven Step Methodology for Evaluating E-Commerce Applications.

1) Senior management should be engaged in this evaluation process so that they can recognize where the e-commerce strategies are going to create value.

2) The team has to have a clear statement of what the corporate values are.

3) It is important to work with customers to identify ways to use the e-commerce to create superior value for them.

4) Study current and potential competitors' e-commerce strategies (from the perspective of the customers and how they perceive current and potential competitors).

5) Do war-gaming in which the e-commerce evaluation team pretends it is a particular competitor to understand the company's goals, objectives, and strategies, and then you assess how that competitor will attack your business model and how you can retaliate.

6) Develop potential e-commerce options consistent with the values, the customer needs, and competitive advantages that you looked at in the previous steps.

7) Implement the selected e-commerce initiatives.

36. Regarding Step 1, list the team of senior managers in your business whom you believe should be involved in this evaluation process, in the space provided below.

37. Referencing Step 2, the team has to have a clear statement of what the corporate values are. To establish this, the following questions need to be answered:

    Does this value statement contain a list of corporate objectives?

    Does it describe how the company might achieve the objectives?

    Is it sufficiently general so that it can be meaningful as technology changes and as business models evolve over time?

    Does this statement of values motivate senior managers and their employees?

38 In Step 3 identify ways to use the e-commerce to create superior value for the customer the criteria would be:

    Pricing:

Customer Service:

Response Time:

Wider Product Selection:

Service Selection:

Ability to Customize Products or Services:

39. In Step 4, "study the current and potential competitors' e-commerce strategies (from the perspective of the customers and how they perceive current and potential competitors)", he suggests analyzing two kinds of current potential competitors, "dot-com competitors" and "bricks and clicks competitors." List and analyze your current competitors for each category, in the space provided below.

    1) Dot-com Competitors:

    2) Bricks and Clicks Competitors:

40. As Peter suggests in Step 5, do a little war-game in which your e-commerce evaluation team pretends that it is that particular competitor to understand that company's goals, objectives, and strategies, and then try to assess how that competitor will attack your business model, and how you can retaliate and respond so that you will continue to have a superior value proposition for customers. Try this with two different competitors, and record the results in the space provided below.

    Competitor's Name:

    Competitor's Attack Strategies:

    Your Retaliation Strategies:

Competitor's Name:

Competitor's Attack Strategies:

Your Retaliation Strategies:

41. As suggested in Step 6, with the aid of the Matrix below, list any of the potential e-commerce options consistent with the values, the customer needs, and the competitive advantages that you looked at in the previous steps. Be sure to estimate the cost, and time required to implement the e-commerce initiative, in the space provided below.

Framework for assessing CEO's attitude toward e-commerce.

Strategic Impact of E-Commerce	CEO Comfort with the Internet: *High*	CEO Comfort with the Internet: *Low*
High	Move Aggressively	Experiment
Low	Be Creative	Ignore

42. As Step 7 suggests, write out a preliminary e-commerce implementation plan, in the space provided below. Note that further details on how to implement an e-commerce initiative will be discussed in a later session.

Session 6: Successful Strategies for Web Design and Content

Peter discusses the basic principles of how to design an effective Website, in this session. He suggests that you look at your Website from the perspective of the users of that Website. He cites three examples in Yahoo.com, RedHerring.com, and Amazon.com. Based on these three Websites, he lists the principles of a good Website:

1) The site should be reviewed from the perspective of the user, not the provider.
- Consider how long it will take to download the content on a 28.8K machine with a cable modem or T-1 line.

2) The user experience should be organized in a way that will help the user or customer get the answers the fastest, rather than by your own corporate organization chart.
- You need to understand what kind of decision the person visiting that Website is trying to make and create a Website, sequencing, and an organization of information in such a way that the user can make his or her decision in the most efficient and effective way.

3) The Website should be linked with the fulfillment systems.
- It is very important to make sure that you can deliver on the promise of enhanced customer satisfaction by picking good partners to work with.

4) The Website should help the customer to overcome any resistance to e-commerce.
- It would be beneficial to have security guarantees so that if a credit card is used and somehow stolen, there would be a limit to how much the customer would be liable for.

43. If you have already created a Website, does it fulfill all of the above principles to the fullest? If not, how could it be improved? If you do not have a Website yet, how could you begin to design it based on the above criteria? Discuss any ideas you may have, in the space provided below.

44. Peter informs us that the current methodology of advertising on the Web has become very ineffective and suggests that you find innovative ways to advertise on the Web. In the space provided below, write out a couple of potential advertising strategies that you might consider trying on the Web.

45. Peter lists some of the absolute "don'ts" in creating your Website:

- Don't make your Website depend on downloading software that people generally don't have on their computer already.

- Don't create a Website that depends on being linked to your internal fulfillment systems (don't create a site on the anticipation that you are going to eventually get the linkage between the order and delivery done at a later date). Be sure to sufficiently test it out beforehand, so that you are confident that you will be able to fulfill any order on the terms that you had promised.

- Don't design the Website from the inside out instead of from the outside in (don't base the site on your internal organizational structure. Focus on the customer's perspective and needs).

Have you met all of the above criteria in designing your Website? In the space provided below, list any changes that you would like to make, based on this additional information.

Session 7: Building Your E-Commerce Infrastructure

Peter details how you actually build the e-commerce infrastructure, in this session. He outlines the three levels of e-commerce architecture as being:

1) The experiment (e.g. Creating an online store where a customer can place simple orders)

2) Back-office re-architecting. In this case an element of the business that does not face customers directly, but faces some other stakeholder, such as the supplier, is changed (E.g. Electronic procurement of office supplies).

3) Front-office re-architecting. You basically take the part of your business that is facing customers, and you change it in a very fundamental way by using the Internet (e.g. Online trading, such as Merrill Lynch's re-architecting).

46. Has your business implemented any of these three levels of e-commerce architecture? If so, how? Were they successful? How could they become even more successful? If not, devise a plan to investigate each of the three levels in your business, and chart your goals and strategies, in the space provided below.

47. Peter notes that the role of the senior management is to set the performance standards that the technology will adhere to. He discusses the Seven Key Performance Standards that senior management needs to address when they set forth the architecture for the e-commerce system:

    1) How many users can the system support?

2) How smoothly can the system adapt to rapid demand growth?

3) How much uptime does the system have to have (how much time is the system working, as opposed to being broken)?

4) What is the level of system security? How can we minimize the number of incidents that may occur?

5) What is the speed of the system response? Namely, how slowly or quickly can a person download a page from the Website or send a request and get a response?

6) What is the level of customer service? What kinds of response times are users of the site going to have if there is a problem and they need to e-mail or telephone someone within your organization to get that problem solved?

7) What will be the cost to build and maintain the system? (Note that the costs of the systems integration consulting services are often two or three times higher than the cost of the hardware and software that go into the system.)

48. Peter cites several examples in which employees within a business can do their ordering of required goods themselves through an electronic procurement process. Does such a system exist within your business? If not, could such a system be established in your business? What goods could be purchased in this manner? Discuss any ideas you may have, in the space provided below.

49. Peter lists the six e-commerce architecture performance criteria that companies who are doing back-office re-architecting need to concern themselves with as being:

1) Cost-effectiveness (companies often save up to 20% of their costs on purchased items).

2) The importance of integratability (once placing an electronic order, it must go into your ERP system, which then places the order with the preferred supplier and issues payment upon delivery of that item).

3) Scalability or the ability of the system to adapt to increases in volume in the use of that system and to changes in the nature of the users of that system.

4) The ease of end-use. How can the system be easier for somebody who does not have the technical expertise to use the system?

5) Supplier participation. The supplier should be linked into the purchaser's system.

6) The ease of maintenance. The system should be managed internally and easily maintained by the internal IT department to handle routine network maintenance.

50. Run through the above list and make note of any criteria that need to be addressed in each category for the implementation of a back-office re-architecting system for your business. Make notes in the space provided below.

51. Peter lists the six principles of developing an e-commerce architecture, both through the perspective of senior management and of individuals who aspire to become management. Go through the following list, and make any relevant notes in reference to each criterion.

1) Set the vision. Do an in-depth study of examples of visions that really worked. (Include the company, its business, the results it's gotten, and the actual process it went through to develop and implement its e-commerce strategy).

2) Create a networking opportunity in which senior management can meet with the senior management of a successful company for education.

3) The company should match its architecture to the extent to which it embraces e-commerce, making a rational approach and staying away from knee-jerk reactions.

4) It is important to balance the e-commerce architecture with the needs of the organization. Do case studies of successful companies in this area.

5) Senior management's role is to establish performance standards for the e-commerce architecture (return on investment, system uptime, security).

6) Senior management must drive the company's compliance with performance standards by creating management systems for communicating performance standards to those who are accountable for those standards, measuring and reviewing their performances, taking corrective action when necessary, and creating compensation rewards for meeting those standards.

7) The company should build e-commerce capacity to anticipate rapid demand growth.

8) The company has to respond decisively to network interruptions and take responsibility for its failures in order to maintain customer loyalty.

SESSION 8: MARKETING YOUR E-COMMERCE BUSINESS

In this session Peter informs you how to best market your e-commerce business. He states that if you want to create a profitable business on the Web, you need to come up with something that cannot be done in the offline world, but can be done better in the online world (e.g. eBay). He introduces the network effect, in which individuals will go to a Website because it is the largest network. The network effect will continue to snowball as people are drawn to the Website; because of its size, it consequently continues to expand.

52. Peter cites eBay as a good example of a company that has emerged as a substantial business that has been profitable because it has economic structure and a business model that allows it to take fees for transactions (people pay just to list on the site), but does not have to be responsible for delivery of the inventory. Are there any similar ideas that you could come up with for an e-commerce-based business. Write any ideas you might have, in the space provided below.

53. Many of the most effective methods of marketing e-commerce businesses are through non Web-based marketing techniques. An example is America Online and its massive mail outs (carpet booming) of diskettes and, later, CD ROMS. Can you think of similar marketing strategies that may be less costly but could boost your business? Try to think outside the box and introduce at least three new potential marketing strategies, in the space provided below.

    Marketing Strategy 1:

    Marketing Strategy 2:

Marketing Strategy 3:

54. Attracting media attention is one of the best ways to market your business. It is free publicity. Is there a special function that your business provides, a niche market that it caters to, or any other newsworthy character traits that it has? If not, how could you make it so? Write out a strategy to create a newsworthy aspect of your business (perhaps some innovative ideas), in the space provided below.

55. Peter introduces companies like Accrue Software, Inc. and Net Perceptions that allow you to measure the performance of your Website, measure the responses to advertising, and see what parts of a Website people visit. This aids you in dynamically reconfiguring the Website, giving you an opportunity to personalize or tailor the site to the customer needs. Is there a way that you could make use of these services to better your Website? If so, devise a strategic plan, in the space provided below.

56. In the space provided below, write advertising ideas for your company's flyer that are creative, fun, and innovative. Then draft the flyer, make copies, and hire students to put the flyers on windshields in parking lots.

Session 9: Leading and Sustaining the Change to E-Commerce

Peter discusses the most important aspect of making a profitable transition to e-commerce, namely leading and sustaining the change to e-commerce. He reiterates the four major emotions that businesses go through when starting an e-commerce initiative: fear, hope, disappointment and anger, and finally satisfaction (if the initiative is successful). He then stresses the importance of putting these emotional waves into the context of the different change management processes that take place within the organization.

57. It is suggested that you pick an application that will generate a quick hit when figuring out which e-commerce application to go into (e.g. Cisco System's distribution of promotional t-shirts). Can you come up with a comparable application for your business? Describe it, in the space provided below.

Nature of change management process by source of e-commerce strategy and extent of business model change.

Source of E-Commerce Strategy		Business Model Change: *Low*	Business Model Change: *High*
	External	Imitative	Reactive
	Internal	Incremental	Controlled

58. While observing the above matrix, note the two dimensions.

    The first one is the source of the e-commerce strategy. Is it external or internal to the company?

    The next dimension is the extent of business model change. Is it low or high?

59. Peter lists three different case scenarios for when a company implements an e-commerce strategy:

A reactive approach exists in the case of an external source of the e-commerce strategy, and results in a high business model change (e.g. Merrill Lynch).

An incremental approach exists when the source of e-commerce change is internal to the company, but the extent to which it changes the business model is low (e.g. Microsoft's electronic procurement process).

A controlled approach exists when the business model change is high and that change comes from inside the company. This, Peter lists as the best possible outcome (e.g. HealthAxis.com).

Under which approach does your business fall in relation to e-commerce implementation? If it has not yet implemented any e-commerce initiatives, then study the models in this session, and write out a strategy, in the space provided below.

60. Peter lists the five principles of successfully managing e-commerce-induced change as being:

1) Senior management must have a vision that should be backed up by an independent analysis of their industry.

2) Senior management needs to learn more about e-commerce and develop a greater understanding of the technology.

3) Senior management ultimately must develop the vision for how e-commerce will change the business, sharing it with colleagues, acquiring company-wide support.

4) The company should implement the vision as a series of experiments.

5) The company must communicate its vision to employees and customers.

61. Do a check on the above principles. If any are not being successfully implemented in your organization, make note in the space below and take some initiatives to act upon them.

62. Peter identifies key principles of management that successful technology leaders follow, enabling them to sustain the change and the pace of change as new technologies emerge:

    1) Develop new services and products in close conjunction with customers (e.g. Microsoft's customer usability labs).

    2) Go outside your company if necessary for new technologies and products if the customer demands them.

    3) Win the war for talent. The most valuable asset that your company has may not be the physical assets of the company, but the talent of the people in the organization.

    4) Become focused on what your company is doing wrong and engage in objective self-criticism.

    5) Tie employee compensation to improvements, customer satisfaction, and shareholder value.

    Does your company currently follow the above criteria to sustain the pace for upcoming changes in technology? Go through the list and mark any stipulations that your company does not actively and aggressively follow, and work out an action plan, in the space provided below.

63. Listed below are the five principles that companies follow to inhibit change:

    1) The company puts the corporate outcasts on the change projects.

    2) The company allows the opponents of change to secretly undermine its success. This is a situation in which staff may appear to fully support the e-commerce changes, while secretly reporting negatively to senior management.

    3) Executives undermine these initiatives by denying these projects all the resources they really need to be successful.

    4) Once the project is viewed as a failure, management promotes those individuals who resisted the change and fire those who led the failed change initiatives.

5) The company may choose to delay the change until it starts to lose major customers.

Does your company currently follow any of the above principles? If so, list in the space provided below, some strategies to rectify the situation.

Session 10: Negotiating Deals and Managing Implementation

In this session Peter gets down to the nuts and bolts of negotiating deals and managing the implementation of e-commerce initiatives. He discusses the six points of successful e-commerce purchase negotiations, based on his extensive research. He lists these points as being:

1) The company and its vendors need to have a great deal of communication and a clear understanding of the e-commerce systems architecture. It is suggested that the company double the amount of time it budgets for communicating, to ensure that vendors understand the purpose and objectives of its e-commerce architecture.

2) In order to have a successful e-commerce purchase negotiation outcome, the company needs to have a very specific understanding of how the system components will work together. Often it is useful to hire an outside Web consulting firm who can help manage the integration of the different products.

3) Choose the best vendors to supply the system components (the product should be able to handle a high volume of data, highly reliable, interact well with other pieces of equipment, be inexpensive, and have very good technical support service).

4) The vendor costs and implementation deadlines need to be detailed. It is very important to have a clear understanding of how much you're going to pay the vendors and the specific conditions under which you will provide them with the payment.

5) It is important to articulate the risks and who is going to address them, perhaps using a lawyer to do so.

6) It is important to link vendor compensation to explicate performance standards. You may want to introduce the concept of the SLA (Service Level Agreement), which specifies the standards that the outsourced workforce needs to live up to in order to get paid (e.g. What percentage of time must the network be working? How many rings on the telephone before someone picks up a customer service call?).

Has each of the above points been covered in your e-commerce purchasing negotiating strategies? If not, list them in the space provided below, and create an implementation plan to incorporate them into your strategic plan.

64. It is strategically smart to anticipate some of the significant risks your company may face in e-commerce purchasing negotiating. Listed below are some of the questions you might ask a potential vendor, to alleviate some of the risks that your company might encounter in dealing with the vendor:

1) What are the different e-commerce architecture options and examples of how the vendor worked with them in the past?

2) What specific measures are most effective in measuring the types of e-commerce architectures being proposed?

3) Is the timeline for the architecture reasonable?

4) Does the vendor have a bias toward one type of technology or another? Is the vendor objective or does he or she have some type of sales relationship with another vendor, which could compromise your network architecture?

5) What provisions would be made in the contract to update technologies as they change during the life of the project?

6) What are the specific metrics used for that particular function or service, and where does the e-commerce vendor stand in terms of performing relative to competition?

Be sure to cover the above questions when interviewing a potential vendor. List any responses that may need further attention or negotiation, in the space provided below.

65. Other suggestions that Peter cites to aid you in the negotiation process are:

1) Call in a consultant to help evaluate the situation and define the scope of the project.

2) Create an RFP (Request For Proposal) when dealing with vendors, which basically sets forth what the objectives are of the process and what the process is going to be for vendors who will apply for an opportunity to work with you.

3) Make the contract as specific as possible, developing a matrix in the contract that stipulates who is going to be doing what.
4) Include the right to use third parties, to talk about termination conditions, to adjust the service level agreements and periodic industry benchmarking, and to ensure updated technology standards and competitive pricing.

5) Do not sign any ten-year agreements. It is better to take advantage of the greater flexibility inherent in shorter-term deals of three to five years.

6) Understand what the costs and penalties might be if the vendor's actual performance doe not progress as outlined in the contract.

7) Where systems components are particularly critical to the success of the operation, it may be important to hire an outside law firm to help in contract negotiations.

8) Define the scope of the project and retain control of the pieces of the architecture that are going to be strategic to the business. When outsourcing, it is important to understand what kinds of activities you do not want to delegate and wish to keep in house.

Note the above guidelines, and make reference to anything that is in need of attention, in the space provided below.

66. Peter has developed a methodology defining how senior management can actually manage the process of negotiating with vendors in a way that actually works:

1) Develop an internal consensus – the objectives and business requirements for the e-commerce system. Ultimately a document should be created that actually articulates clear understanding in areas such as the applications in business processes that the system will support; the current network service levels; the architecture of the network, including the various components and how they are linked together; the technology; the help desk and what it would do; the current budget for the system in terms of how much the company is spending on people, hardware, software, telecommunications, and network management; and the contractual obligations that the company has with other vendors.

2) Draft your Request For Proposal. A good RFP should include the following:

The first part of the RFP should include:
• General information, like an Executive Summary
• The scope of the RFP and the schedule of events
• The timing of when responses have to be provided
• When the vendor presentations are scheduled
• When the contract will be rewarded
• When the letter of intent will be rewarded.

The second part of the RFP should include:
• Proposal specifications that should set forth the proposal format
• The content and how it should be organized

The third part of the RFP should include:
• Technical requirements
• General considerations – equipment specifications, software, installation, configuration management, etc.

The fourth part of the RFP should include:
• Contract terms and conditions, including when products and services have to be delivered, the quality level, the timing of payments, etc.

3) Having sent out the RFP to potential vendors, develop a vendor assessment framework. This contains the criteria that you are going to use to evaluate the RFPs, such as the cost of their proposal, their reliability, their management capabilities, and the quality of their account support. Put together simple spreadsheets (matrixes) that lay out a side- by-side comparison of each of the vendors on these different criteria, to simplify evaluations of the vendors' bids.

4) Decide on vendors, based on your review the RFPs that you receive. Have the vendors that you are interested in come in for presentations.

5) Finalize the contract, identifying things like escalation (if there's a problem with how you will work with the vendor's organization to get the situation resolved), customer service management, and billing processes.

6) The managers and aspiring managers in your organization should meet with the outsourcer's management center.

7) Articulate in the contract an understanding of what you discussed regarding the terms of the service level agreements and how the vendors will report their progress on those service level agreements that will indicate compliance with them.

Write out a checklist of the above criteria and be sure to follow each of the seven steps when negotiating with vendors. Make any relevant notes, in the space provided below.

67. Managing the implementation of e-commerce in your business requires that you ask the following questions. Answer the questions to the best of your knowledge.

    1) What elements of project management are unique to e-commerce?

    2) What project management principles work most effectively for implementing e-commerce systems?

3) What methodology should executives follow to implement e-commerce projects successfully?

68. Peter also emphasizes the need to:

- Assign clear accountability.

- Build a team that includes all the Stakeholders - Systems people, business managers, systems users, and a project manager from the outside firm (if working with a consulting firm).

- Have senior management support so that they can effectively communicate to others the importance of the project to the company's future, and back that support up with the allocation of capital and people to complete the project.

- Set firm deadlines and concrete budgets, including when the project needs to be done and how much is going to be paid for it.

- Plan for contingencies, anticipating problems, and think through a process for managing them before they arise.

- When dealing with Web consulting firms, your company has to understand how the firms have dealt with these kinds of contingencies in the past.

Has your company taken care of all of the above needs. If not, mark those that require further attention and take the necessary action steps to introduce them into your implementation program. Make any notations, in the space provided below.

69. Peter lists the four-step methodology for implementing e-commerce systems as being:

1) Define the business objectives, acquiring all the information necessary to define the key business success factors and prioritizes the e-commerce projects in a clear understanding of the e-commerce objectives.

2) Define the scope of the applications, and design the applications so that the company can achieve its objectives as articulated in the first phase, resulting in a blueprint for the e-commerce systems development, identifying in detail the objectives and the tasks necessary to meet the overall goals.

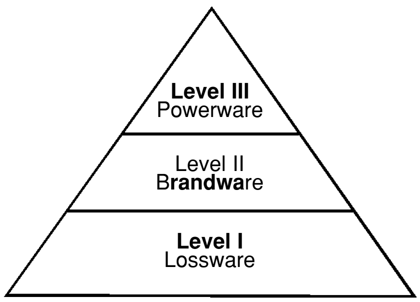
3) The co-test and delivery stage. This involves the actual computer programming, the writing of the Website, and the integration of that Website with the ERP systems. The phases are:
   a) Detailed design (in which the company adds specific details to the requirements including what the user interface will look like and the key technical designs.
   b) Implementation (in which the applications are actually built, the software or the application is actually written).
   c) Testing (to ensure that they actually work and meet the functional technical and user requirements). Upon completion of this stage, the e-commerce application is actually ready to operate.

4) Planning for future enhancements, when you actually get feedback on the system and you also think about what is going to happen next. This phase is broken into five distinct phases: Definition, transition, management, infrastructure, and evolution. During application innovation, the company incorporates new features into its e-commerce system.

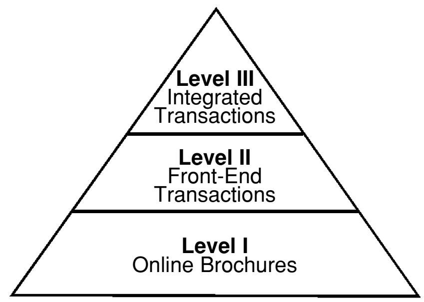
Be sure to employ each of the above four steps in the implementation of your e-commerce systems. Make note of any significant areas that may require further investigation or planning, in the space provided below.

SESSION 11: INVESTMENT STRATEGIES IN E-COMMERCE

E-commerce is looked at from the perspective of the investor in this session. Peter is renowned as an investment strategist in e-commerce, having had the role of a visitor commentator on CNBC since 1997.



The Web Business Pyramid



The Web Applications Pyramid

Lossware: Companies that start out at the bottom level of the pyramid that are struggling to gain leading market share and basically in many cases give away their product for free.

Brandware: Often a consolidation stage in which there is a shake out period; companies close down or other companies acquire them. Five or ten companies now start to compete very intensely on the basis of branding, trying to gain the dominant market share in their segment so that they can ultimately emerge as the leading company.

Powerware: The top of the pyramid, where even more companies shake out and are either closed down or get acquired. There is perhaps a handful, three to five companies that tend to dominate the industry, and there may be one company that actually has a great deal of economic bargaining power, and therefore can charge a high enough price to actually make good profits.

70. At what level of the pyramid does your company currently exist?

71. Peter breaks the Internet into nine distinct business segments:

Network Infrastructure	Electronic Commerce
Web Consulting	Web Content
Internet Venture Capital	Internet Service Providers
Internet Security	Web Commerce Tools
Web Portals	

Internet Business Segment 1: **Network Infrastructure**

These businesses deal in computer hardware that is specialized for moving data around networks (e.g. Cisco Systems, Lucent Technologies, Nortel, Juniper Networks, RedBack Networks). This area is very profitable because the company is selling something that is very core to the operation of the network by companies that are building networks. This area is located at the Powerware part of the pyramid, because companies in this business are profitable.

Internet Business Segment 2: **Web Consulting**

This area provides services for company executives to help them build Websites, and they work with the executives designing the Website, setting the objectives, building it, changing it, adapting it as the business needs of that particular client change (e.g. Sapient, Scient). Once in the Powerware stage of the pyramid, this area has recently moved to the Brandware level as these consulting businesses begin to consolidate more.

Internet Business Segment 3: **Internet Venture Capital**

These are often privately held venture capital firms, organized as limited partnerships. Large institutions will invest money in the limited partnerships and then the general partners of the firm will go out and invest money in Internet companies. This particular industry has been very, very profitable. (e.g. Kleiner Perkins Caufield and Byers, Benchmark Capital).

Internet Business Segment 4: **Internet Security**

These businesses provide software to help protect networks from people inside or outside the company backing into the system and stealing information (e.g. CheckPoint Software, Internet Security Service - ISSX). They create technology like firewalls (to protect from external parties breaking into a company's system) and authentication software (to ensure that the individuals the company is dealing with online are actually who they say they are). These companies are in the Brandware level of the pyramid.

Internet Business Segment 5: **Web Portals**

These companies set up the part of the Internet where you can start off your Internet experience and stay throughout the day if you want to. They organize your Internet experiences (e.g. Yahoo, Excite@Home, Lycos). They traditionally make their money through a combination of advertising revenues and Web portal product transactions. These companies are in the Brandware level of the pyramid.

Internet Business Segment 6: **Electronic Commerce**

These are consumer online sales and retailing (e.g. Amazon.com) or business-to-business sales. These companies are in the Brandware level of the pyramid.

Internet Business Segment 7: **Web Content**

Some of these are consulting firms that provide conferences and reports on what is going on in the Internet business (e.g. Forrester Research, Gartner Group). Other Web content firms have an online site that provides free information on what is going on in the Internet business, making money on advertising on the site (e.g. RedHerring.com, Standard.com). These companies are in the Brandware level of the pyramid.

Internet Business Segment 8: **Internet Service Providers**

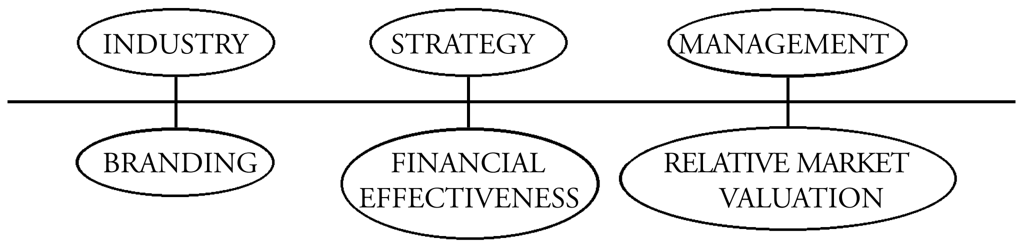
These companies provide people with access to the Internet (e.g. Earthlink, MindSpring, Juno, AOL). Generally, with the exception of AOL, many of these businesses are losing profits because of the heavy competition (6,500 businesses) and the cost of maintaining and building the infrastructure that provides Internet access. These businesses are at the Lossware level of the pyramid.

Internet Business Segment 9: **Web Commerce Tools**

This segment consists of a myriad of businesses, from Web browsers, which are given away free (e.g. Netscape, Microsoft), to larger, more complex tools, which allow companies to build their Websites (e.g. Broadvision, Macromedia, Ariba, Inc.). Some of the more complex tools can make a profit, but generally the Web commerce tools businesses are at the Lossware level of the pyramid.

Under which of these Internet Business Segments does your current company fall? Are there any that you would be interested in pursuing for future endeavors? If so, discuss the possibilities, in the space provided below.

72. Peter has created a tool, which he calls the Internet Investment Dashboard that will aid you in assessing companies within each of the above nine business segment categories. Think of this dashboard as basically six circles on a page, three on the top and three below, with a little bar in the middle that connects them all. In each circle there is one of six different tests that you can use to see whether or not a particular company is a good investment.



INDUSTRY: Does the industry have economic bargaining power? Does the company have the ability to charge a price that's high enough to offset its costs?

STRATEGY: Does the company offer its client a "closed loop solution"? (The company provides the customer with a high return on investment.)

MANAGEMENT: Does management have integrity and adaptability? Do they do what they say they are going to do? Can management change their business as the market changes?

BRANDING: Does the company have a compelling branding family? Has it collected a set of investors, underwriters, managers, customers, and partners who are well known?

FINANCIAL EFFECTIVENESS: How well does the company use its resources, particularly the gross margins (the money generated after their cost of selling)? How effectively do they spend their money? How productive is their sales force? How high is their overhead? ...All relative to their competitors.

RELATIVE MARKET VALUATION: Looking at the company in the context of its industry, what are the sales in the company in relationship to its earnings growth rate, or its revenue growth rate.

Practice this assessment with at least three different e-commerce companies. Write your findings, in the spaces provided below.

73. One of the most important questions that Peter suggests you ask yourself is, “How does this e-commerce technology help your stakeholders to lower their costs and get more value?” List any benefits, in the space provided below.

74. Peter cites a couple of different options to finance your venture now that venture capitalists are not as eager to invest in e-commerce business after the April 2000 decline of the market. The first that he suggests is that you approach angel investors, a new and growing category of investors who are wealthy individuals finding themselves in the position of having money that they would like to invest in startup businesses. There are a number of different angel groups located on the West Coast, and common angel groups are located in Massachusetts. These investors are ideal, especially for writing smaller checks to get the prototype of your concept started, at which point you may be able to acquire major venture capital firms to invest. Do some research and locate at least two different angel groups that you could approach. List the groups and their corresponding information, in the space provided below.

Angel Group 1:

Angel Group 2:

75. Peter introduces the four principles for future profitability as being:

    1) In the beginning stages of a new industry or product, you need to look at who is going to buy your product. You need to assess what they need and how you can make the industry evolve in a way that will favor your strengths, so that you can become the dominant player in the industry.

    2) Companies must be very careful to weigh the benefits and the costs of partnerships. Some companies may pose as interested investors, when, in fact, they are interested in stealing your ideas and may not be legitimate partnership businesses at all.

    3) Rivalry among direct competitors could have less of an impact on long-term profitability than competition from potential entrants. Thus, you have to look not only at your existing competitors, but also at potential competitors. Who is trying to get into the business? How hard would it be for them to get into it? Can you build barriers to entry that will keep these threatening competitors out of your business?

    4) Investors should bear in mind that momentum and industry dynamics are very important in placing bets. Know the company that you are investing in. Do not blindly invest because the stock price is rising. Do your research and do not rely on the momentum of the stock market to carry your investment decisions.

Go through the above list and make notes as to whether you have covered all four principles in strategizing for the future profitability of your company. In the space provided below, list any areas that need attention and tend to them as required.

Session 12: Financial Evaluation and Future Profitability

In this session Peter does an overview of the many concepts that he covered in this audio series. He also shares how the Internet technology has powerfully affected his life and how it can do the same for you.

To summarize, he discussed:

1) Sticky eyeballs — drawing and keeping customer interest
2) Blasting many e-commerce myths
3) In-depth case studies of successful e-commerce businesses
4) The two stages of e-commerce business — pre-April 2000 and post-April 2000
5) Cannibalizing your business
6) The distinction between "business to business" and "business to consumer"
7) The innovator's dilemma
8) The role of branding online, finding inexpensive ways to brand
9) Web strategies having to be based on value to the customer
10) Investment opportunities

76. To conclude, Peter shares how the Internet has changed his life for the better. He talks of the advantages in terms of being able to balance all the things that you want to do and are good at doing in your life, having greater control over your schedules and how we spend your time, being able to balance business and personal objectives, having access to worldwide information from a simple, inexpensive source, and having connection and linkage throughout the world. In the space provided below, list all of the benefits that you have acquired through the use of the Internet.