

E-BUSINESS & E-COMMERCE

Session #3

Marketplace Analysis for E-Commerce

Learning Objective

1. Students able to *complete* an online marketplace analysis to assess competitor, customer, and intermediary use the digital technologies and media as part of strategy development;
2. Students able to *identify* the main business and marketplace models for electronic communication and trading;
3. Students able to *evaluate* the effectiveness of business and revenue models for online businesses, particularly online start-up businesses.

Online Marketplace Analysis

- Understanding the online elements of an organization's environment is a key part of *situation analysis* for digital business strategy development.
- There is also the need for a process to continually monitor the environment, which is often referred to as *environment scanning*.
- Knowledge of the opportunities and threats presented by these marketplace changes is essential to those involved in defining *business*, *marketing*, and *information system strategy*.
- To inform e-commerce strategy, the most significant influences are those of the immediate marketplace of the micro-environment that is shaped by the needs of customers and how service are provided to them through competitors and intermediaries and via upstream suppliers.

Macro-environment

International

- Economic factors
- Legal constraints
- Cultural factors

Micro-environment



Society

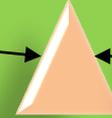
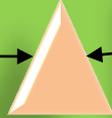
- Public opinion
- Moral constraints
- Ethical factors

Country specific

- Economic factors
- Legal constraints
- Cultural factors

Technology

- Innovation
- Trends



Key



Suppliers



Competitors



Intermediaries



Customers

Source: Chaffey, D. 2015

Strategic agility

- The *capacity to respond* to these environmental opportunities and threats is commonly referred to as strategic agility
- Strategic agility is a concept strongly associated with knowledge management theory and is based on developing a sound process for *reviewing marketplace opportunities* and *threats* and then *selecting the appropriate strategy options*

A process for online marketplace analysis

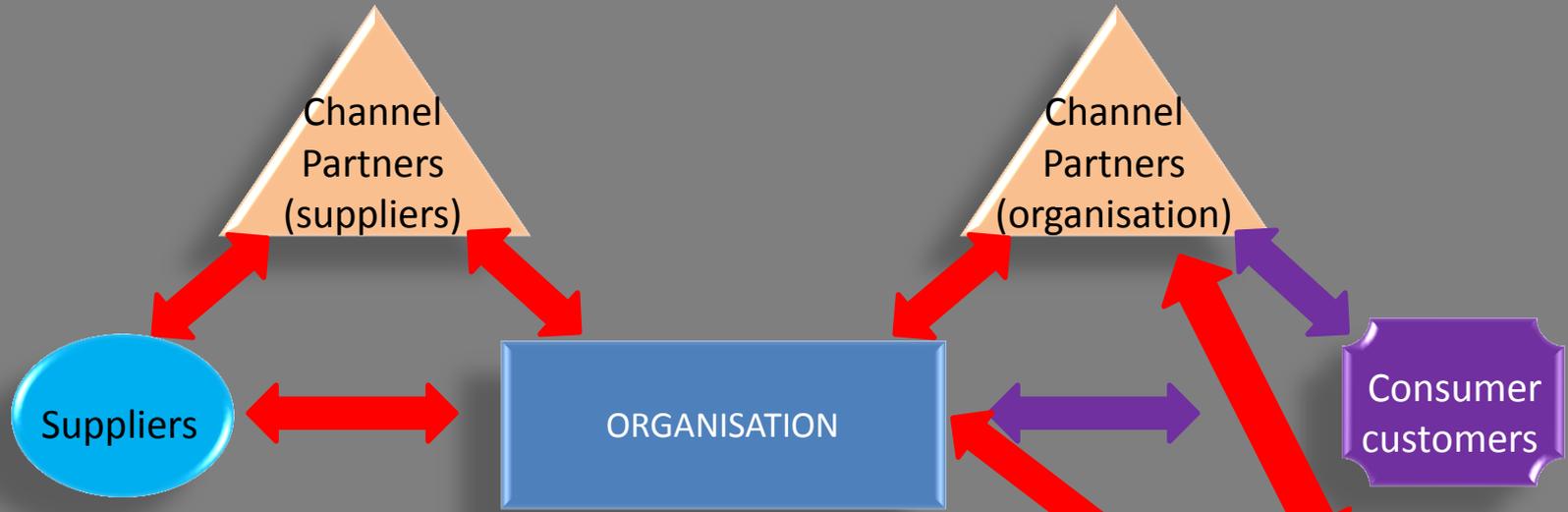
- Analysis of the online marketplace or marketspace is a key part of *developing a long-term digital business plan* or *creating a short-term digital marketing campaign*.
- Completing a marketplace analysis helps *to define the main types of online presence* that part of a **click ecosystem** which describes the *customer journeys* or flow of online visitors *between search engine, media sites* and other *intermediaries* to an organization and its competitors.
- Prospect and customers in an online marketplace will naturally turn to search engines to find products, services, brands and entertainment.
- **Search engines** act as a *distribution system* which connects searchers to different intermediary sites for different phrases, so the flow of visitors between sites must be understood by the marketer in their sector

Online market ecosystem

- **Online market ecosystem** connects websites through data exchange, giving opportunities to enhance the customer experience and extend their reach and influence.
- As part of marketplace analysis, companies *have to evaluate* the relative importance of these ecosystems and the resources they need to put into integrating their online services with them, to create a plan.
- Analysing the impact of different ecosystems on online consumer behavior or **customer journeys** is, today, as important as observing their physical behavior in the real world

Location of trading in the marketplace

- While traditional marketplaces have a physical location, an Internet-based market has no physical presence – it is a **virtual marketplace** or electronic marketplace.
- This has implication for the way in which the relationships between the different actors in the marketplace occur.
- The new electronic marketplace has many alternative virtual locations where an organization needs to position itself to communicate and sell to its customers.
- We need to understand the relative importance of different types of sites and consumer and business interactions and information flows.



Key



Business-to-Consumer (B2C) transactions



Business-to-Business (B2B) transactions



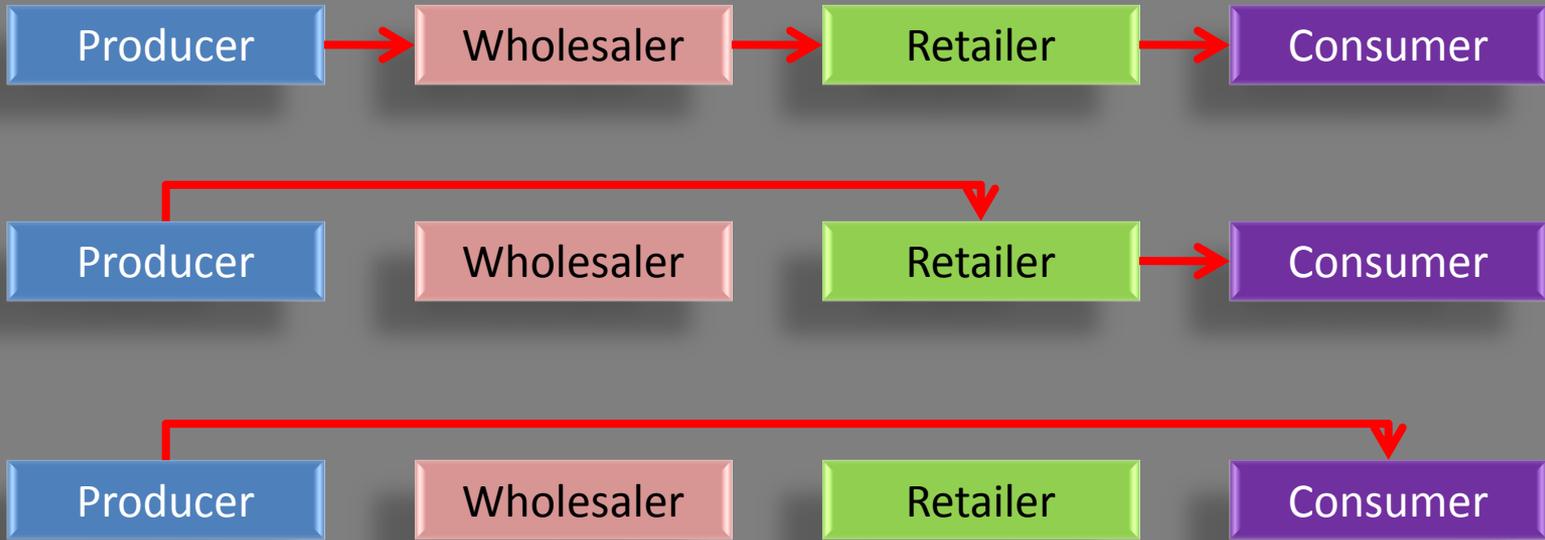
Suppliers



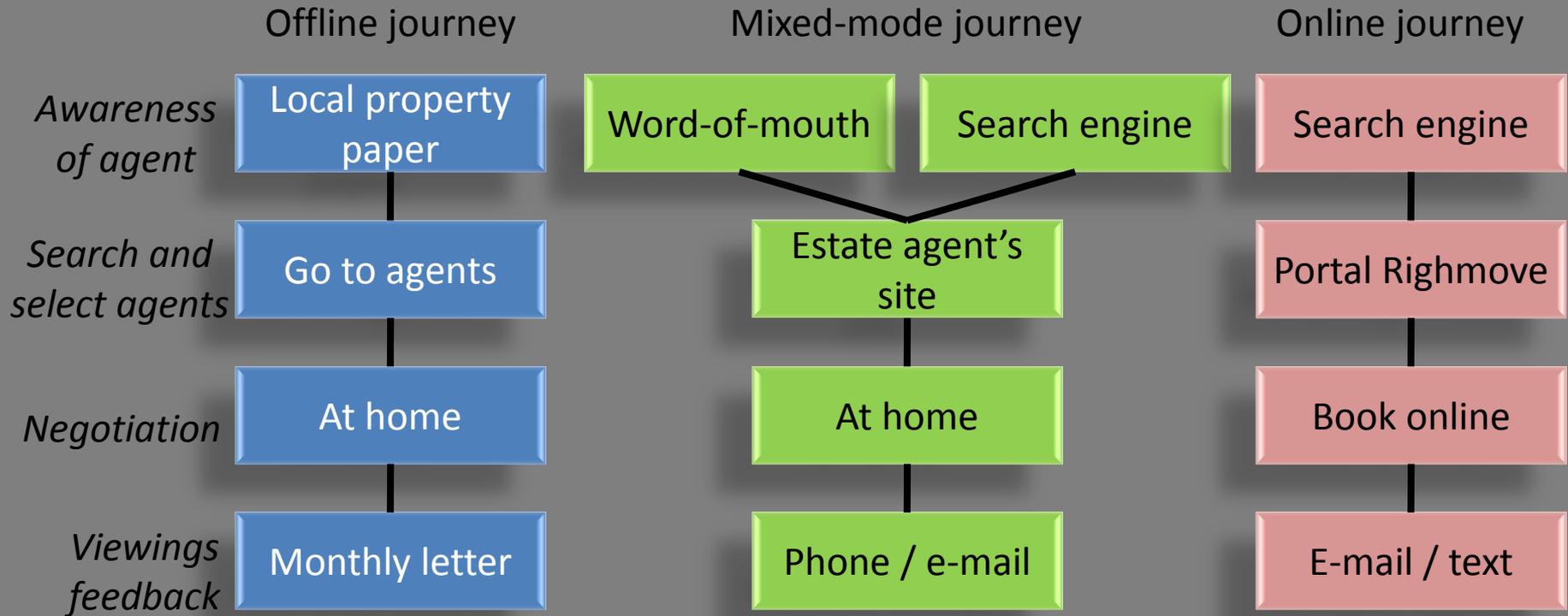
Intermediaries



Customers



Disintermediation of a consumer distribution channel



Channel chain map for consumer selecting an estate agent to sell their property

Business models for e-commerce

[KP]: KEY PARTNERS

- Experts – sector specialities
- Marketing agency and freelancers
- Online Publishers
- Publishing / conference organisers
- Industry influencers and bloggers
- Trade organisations

[KA]: KEY ACTIVITIES

- Content creation
- Experience creation
- Service promotion
- Sales maximisation

[KR]: KEY RESOURCES

- Content creation X2
- Development X2
- Marketing X1

[VP]: VALUE PROPOSITION

- Help businesses grow value by improving cross channel marketing communication using recommendations from e-books, courses and software
- Support individual learning and development
- Deliver specific consulting or training advice or mentoring

[CR]: CUSTOMER RELATIONSHIPS

- Self-service
- Dedicated mentoring and consulting
- Co-creation – blog post and forum

[CH]: CHANNELS

- Search marketing
- Email marketing
- Partner arrangement
- Social media marketing
- Paid advertising

[CS]: CUSTOMER SEGMENTS

Businesses wanting to improve their return from marketing

Role:

- Company owners
- Marketing managers
- Digital marketing manager
- Consultants

Company type/sector

- Consultant
- Business type
- Agency
- B2B
- Ecommerce / retail
- Not-for-profit

[C\$]: COST STRUCTURE

Fixed Cost

- Salary
- Hosting and software costs

Variable costs

- Content creation
- Agency marketing fees
- Advertising fees

[R\$]: REVENUE STREAM

- Annual subscription to companies and individuals
- Individual product purchase
- Ad revenue
- Consulting and training (direct and affiliate)
- License content revenue

The main types of online revenue model

1. **CPM** display advertising on-site
2. **CPC** advertising on-site (pay-per-click text ads)
3. **Sponsorship** of site section or content type (typically fixed fee for a period)
4. **Affiliate revenue** (CPA, but could be CPC)
5. **Transaction-per-view access** to documents
6. **Subscriber data access** for email marketing

Six criteria were used to assess an online business

1. Concept

- Potential to generate revenue including the size of the market targeted;
- Superior customer value, in other words how well the value proposition of the service is differentiated from that of competitors
- First-mover advantage

2. Innovation

3. Execution

- Promotion
- Performance, availability and security
- Fulfilment

4. Traffic

5. Financing

6. Profile

Main source

1. Chaffey, D. (2015) E-Business and E-Commerce Management: Strategy, Implementation and Practice, 6th Edition. Pearson Education Limited, Harlow, UK.

Other sources

1. Rayport, J. And Joworski, B.J. (2003) Introduction to E-Commerce, 2nd edition. McGraw-Hill/Irin, New York, USA.
2. Osterwald, A. and Pigneur, Y. (2010) Business Model Generation. John Wiley & Sons, Inc., Hoboken, New Jersey, USA.

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