TABLE OF CONTENT

Executive Summary

E-Business is no longer about promising future profitability based on aggressive financial projections relying solely on the benefits of the internet technology. E-business is about using Internet technologies to transform key business processes. It is about strengthening the company's relationship with stakeholders, capitalizing on new business opportunities, increasing efficiency and becoming more customer-centric.

This paper attempts to identify, analyze and compare the factors and common themes that separate the successful e-businesses from those that failed in different industries. The e-businesses selected for the review are: Staples.com, Boo.com, Amazon.com, etoys.com, Landsend.com, iTexhub.com, Priceline.com and Toysmart.com.

Important lessons would be drawn from the analysis and comparison to propose recommendations and strategies to ensure the continual survival and profitability of e-businesses in the ever-changing business environment. After all, e-business is about doing business.

I. Background Of List Of Companies

The background of the e-businesses is outlined in this section.

1. Company at a Look

Company	Business	B2B	B2C	B2B/ B2C/ C2B	Success	Failure
Staples.com	Online office supplies delivery provider	✔			✔	
Amazon.com	Online retailing business. Started as book retailer			✔	✔	
Landsend.com	Online retailer selling clothing for man and women.		✔		✔	
Priceline.com	Consumer e-marketplace			✔	✔	
Boo.com	Selling fashion and sports clothing online		✔			✔
etoys.com	Online Toy retailer		✔			✔
iTexhub.com	Textile e-marketplace	✔				✔
Toysmart.com	Online Toy retailer		✔			✔

<u>Staples.com</u>

Staples.com, is a B2B (business-to-business) office supplies delivery provider, which owns and operates its own fleet of trucks, but also uses third-party logistics providers. The Staples.com website creates greater flexibility for these business customers, and values its brand and repeat business from these customers. Their clearly stated value proposition is “next day delivery guaranteed”.

Amazon.com

Amazon.com started out as an online book retailer. It is a startup company with little knowledge about the retailing business but had sunk in huge expenditure on building the IT infrastructure and distribution network in the early stage of the business. By 2000, Amazon adopted a horizontal portal business model with a diversified online retailing business, a marketplace and an exchange business strategy.

Landsend.com

Lands' End company is a direct merchant of traditionally styled, casual clothing for men, women and children, accessories, footwear, home products and soft luggage.

The company saw the potential for the internet and launches the e-commerce site, landsend.com.

The site offers a comprehensive B2C e-commerce site offering every Lands' End products (with over 269 million catalogs and web sites have been launched in the United Kingdom, Japan, Germany, France, Ireland and Italy).

Priceline.com

Priceline.com is a consumer-to-business (C2B) dotcom company. Priceline reverses the normal flow of trade by having customers post what they want in the website and having businesses accept or reject their offers. Using its value proposition, Name Your Own Price, the Company collects consumer demand for a particular product or service at a price set by the customer.

Boo.com

Boo.com was a business-to-consumer (B2C) pure-play Internet company. The concept was to create a website selling fashion and sports clothing to the hip, young Internet audience. The site would use state-of-the-art technology.

The plan also called for establishing global Web retailer offering service in seven languages and 18 different currencies. The Boo Web site enabled shoppers to view every product in full-color, three-dimensional images. Unlike almost other e-commerce business, Boo.com would flaunt its e-snobbery by charging full price for everything.

etoys.com

eToys was one of the biggest online toys retailing store, offering thousands of toys rivaling the brick and mortar companies such as Toys “R” us. Huge amount of funds was sunk into the startup to enable the technology. More was spent on advertising and marketing the brand. However, the margin of selling toys online was paper-thin and with the strong competition from the brick and mortar companies, it was not a profitable business.

During the 1999 Christmas holiday season, etoys could not handle the orders during the busy Christmas season and received a bad reputation with parents and the press.

Group Assignment

iTexhub.com

iTexhub.com was founded as a Business-to-business E-Markeplace site . iTexhub.com made use of the great potential to use internet as the source to generate high volume business transactions by signing up members (potential buyers and sellers) to trade and exchange textile and apparel goods. iTexhub started the project without much thinking and analysis. Instead, they spent more time thinking ideas of putting more weights for the web site features and functionalities.

Toysmart.com

Toysmart.com is a business-to-consumer (B2C) dotcom company. It specialized in selling safe and educational toys over the internet and has spent about $45 million in private financing since it was founded. In addition, the site offered curriculum guides, teacher resources, classroom decorations, and art supplies. However, in less than a year, Toysmart becomes another e-retailer to suffer from increased competition, a slumping market and depleted cash reserves.

II. Analysis Of Common Factors Of Failure Themes

(Summarize in Appendix A)

1. Lack of Sound E-business Model / Strategy

We found that in all of the four failure companies: Boo.com, iTexhub.com, etoys.com, Toysmart.com, their business models exist key weaknesses which are not properly addressed.

BOO.COM was a B2C business model focused on selling fashion and sports clothing on the Internet. Such online business will need to convince people to buy clothes without first trying them on. This was not clearly addressed in their business approach.

It spent too much money to build its brand name. It was overly focus on getting a first class portal thus forgetting what actually the customer needs. Hence the long-standing relationship with customers was never established.

ITEXHUB.COM was a B2B business model whose revenue depends on collecting commission based on buyers and sellers performing transactions over the Internet. They did not manufacture or carry any end products. Such business model fell into the trap of over dependence on external sources.

Its business strategy was too narrowly dependent on the walk-in customers. They never seek to form any alliance with other textile chains

TOYSMART.COM and eToys, were both B2C business models trying to sell toys online. Such businesses will need to attract children or convince parent to buy toys without even seeing and touching the toys physically. This was not well answered by both firms. Instead, both firms spend tons of money building its brand name. This caused them to loose control on cost and forget the needs of its customer and thus did not build close relationship with their customers.

2. Unable to control Cost

In a speedy launch to grab a share of the market space, the launch was often accompanied by massive campaigns and advertisement to sell the high technology front-end only. These massive marketing efforts resulted in a huge drain on their financial resources. In addition, the money spent on the development of the network infrastructure and the salaries of their executives were too high to be commercially viable. BOO.com, etoys and TOYSMART.COM all fall under this category.

Itexhub.com fared badly on ensuring a timely portal launched. The firm has basically zero business for the 1st 9 months of operation and cost of operation totals up to US$400,000.

	Boo.com	ITEXHUB.COM	TOYSMART.COM	eToys
Losses	Spent £125 million in the 20 months of operation.	Loss of US$400,000 in the first 9 months of operation.	Loss of US$25 million in the first 9 months Operations	Loss of US$17.5 million in the first years of operation
Losses Per month	US$10.2 Million	US$44.444 (Zero business transaction)	$2.7 Million	$1.45 Million

3. Lack of Customer Bond

The four companies failed to focus on creating bond with customer and ensure customer satisfaction and loyalty.

They should identify customer needs and define a distinctive value proposition that will meet them at a profit. The value proposition must then be delivered through the right product or service and the right channels. The aim of the process is to build a strong, long-lasting brand that delivers value to the company marketing it.

However, in the rush to launch its newly startup dot.com, Boo.com, launched a beta version of its portal with the required features missing. At launch time, 40 percent of the site's visitors could not even gain access. The site was also full of errors. ItexHub web, after a delay of 3 months, launched its web site with the critical functions missing. Toysmart.com suffered from order fulfillment and logistics inefficiency. eToys too suffered from order fulfillment and logistics inefficiency.

All these inefficiencies resulted in customer dissatisfaction and thus a break/loss of customer bond towards the firm. Ultimately, the customer's satisfaction and loyalty is the key to long-term success.

III. Analysis Of Common Factors Of Success Themes

From the case study analysis of the 4 companies: Priceline.com, Amazon.com, Landsend.com and Staples.com, there are 4 common factors that contribute to their success.

1. Effective Strategy & Business models

A functional "sound" business model and strategy is important to any business. The key objective of their e-business models are to provide good product, competitive pricing, and services to customers in a online site that offers stability and enriching experience.

Competitive pricing is a key to attract shoppers either by negotiated pricing with partners or passing savings to customers with low operating cost that would normally not enjoy if customers were to buy off the web.

This includes rapid turnaround time for delivery, strong partnership with logistics and fulfillment service providers. Importantly, with both short term and long term strategic plans, these companies are able to sustain their business growth and stay ahead of other competitors. Such plans would include acquisition and expansion, change management, innovation and involvement from stakeholders.

2. Customer Intimacy

Understand customer needs and shopping patterns are what the 4 companies did best. Sites design is geared towards customers in mind – offering ease of use and user friendly interface (priceline.com, staples.com), personalized shopping tools (landsend.com), product review and recommendation (amazon.com) are common attributes among the 4 companies. Good customer relationship management (CRM), which includes 24x7 customer support facilities and one-to-one relationship handling, is another feature.

3. Operations Excellence

Operations excellence is important to e-business because it needs to keep price competitive, maintain good quality and ease of use. The 4 companies are able achieve good operations excellence because they have excellent supply management system which includes just-in-time delivery, low level inventory and leverage on their strong network of partners for delivery and fulfillment.

IV. Comparison and Contrast Between The Success and Failure themes

1. Business Strategy / Model

The crucial factor in determining whether it is a success or failure is the business model and strategy. By investing in an unsound model without first testing it, can cause the business to become disastrous, eg selling toys and clothes online. Overspending on advertising or technology solutions can also cause a company to lose sight of real competencies.

2. Customer Relationship

The difference between a success and failure theme is how the company manages its customer relationship. Success companies emphasize on offering value added services and constant update of products to their customers. Failure companies neglect this aspect, instead loses its customers because of poor portal usability.

3. Operational Excellence

A success company is able to deliver the correct product on time and in good condition. It must have an excellent supply chain management competency. All these contribute to the operational excellence of the company. The company that failed often does not emphasized on operational excellence to fulfill its promises to the customers.

4. Comparison Summary

✓ Adopted
× Not Adopted
Some Adopted in some company

	Success Companies	Failure companies
Business strategy/model		
Strategic alliance & negotiated agreement with services providers(logistics, payment fulfillment)	✓	× (Some)
Pricing Strategy	✓	×
Innovative	✓	×
Change Management	✓	×
Diversity	✓	× (Some)
Viable Business plan	✓	×
Customer Intimacy		
Usability	✓	× (Some)
CRM facilities	✓	×
Value added services	✓	×
Personalized Shopping	✓	×
Operations Excellence		
JIT Delivery	✓	×
Excellent Supply Chain Management	✓	×
Low Inventory	✓	×
Quality product, support & services	✓	×

V. Lessons Learnt

From the above analysis of the comparison of the success and failure themes, we can learn some lessons.

First, Dotcom companies must focus on profitability. To survive in the competitive industry, the business models must be sound and well supported by a good business strategy.

Second, by building a strong customer base and retaining them, the company will have ensure long term competitive advantage

1. What could the success companies have done differently that might make it a failure?

- **Technology First Solutions**

The first thing wrong with some e-Business strategies is that that they are usually focused around a specific software product or tool. Many vendors do not understand or consider the implications surrounding the other business or technical components of an e-Business solution. In many cases the technology takes over before the proper resources (people, processes and technology) are in place or stabilized.

All the 4 successful companies has spent hundreds of hours evaluating users' work environments, decision-support needs, and tendencies when browsing and buying products and small business services through the Web. This detailed analysis has assisted them to escape this pitfall.

- **Lack of Vision or Strategy**

Many failed E-business companies have a common factor, a lack of strategic vision for e-Business. Without engaging a customer driven strategy on its portal, the 4 successful companies might have already been left behind by its competitor or file for chapter 11.

2. What could the failure companies have done differently that might make it a success?

- **Technology First Solutions**

  The technology that was supposed to power Boo.com/iTexHub.com did not work. As with everything else, the concept for its Web site was extraordinarily ambitious, with complex global distribution and multiple currencies and dazzling interactive features.

- **Poor Management cost control**

  Management spending was unprecedented for all the failure dot.com companies. Most of the analyzed failure companies spent without control huge amount of money on advertising, executive salary and establishment of “first class portal” that ignore the needs of customer.

VI. Recommendation to develop and implement an e-business strategy

The e-commerce strategy must integrate into the strategic vision and core business of the company. We feel that having formulated a developmental and implementation process flow for an e-business strategy is not sufficient. The organization will require a logistics strategy to move forward and repel off future competition. The will be covered under section3.

1. Developing an E-Commerce Strategy

There are several considerations before a company embarks on an e-business strategy.

First is the **brand** issue. As branding on the Internet plays a significant part, it is important the company decides from the start what position it should take: be it brand reposition, follower, creation or reinforcement on the Internet. However cost control measurement to promote the brand must be in place.

Second is the **technology** issue. The company should leverage on the technology define a new service or creating barriers of entry.

Third is the **service** issue. The company should focus on the customer relationship management through three drivers on the Internet: content, format, and access, the service aspect of the strategy will be fulfilled.

In addition, the company should create a meaningful customer relationship at all points of contact. One must focus on providing pre-purchase support to acquire customers. After the customers are acquired, provide customer support during their purchase. Then provide customer fulfillment through purchase dispatch. Lastly, achieve customer continuance through post-purchase support.

2. Implementing an E-Commerce Strategy

Before the company implements an e-commerce strategy, the management should be involved, together with cross-functional team, in deciding whether to develop the **technology in-house** or **outsource** it. When assessing the technology know-how, they should consider the **cost** of such technology solutions and the **time** required to implement them.

Then, the team must **redefine customer relations**. The team must explore on how to win customers over, grab their loyalty and make them pledge allegiance to your Web site.

3. Logistic Strategy: On Demand Delivery Services (ODDS) Model

Through the analysis of the success and failure companies, we can see that an efficient delivery services model, which delivers products/services promptly, is crucial to the success or failure of both the click and mortar and e-business company. Hence we adopted an ODDS model.

The On-Demand Delivery Services (ODDS) model of E-commerce is one in which the physical products/services for sale are delivered directly to the customer by using a strategically formed logistics provider. The key common features of our ODDS models include:

(a) The control of delivery costs through strategic logistic partner is necessary to make the business model viable. Factors that play a major role in controlling the delivery costs include the minimum order size, a delivery fee, a subscription fee etc.

(b) The importance of Customer Relationship Management (CRM) is often linked to outbound logistics. The abilities to influence the control of delivery personnel and/or fleet present a unique opportunity for face-to-face customer interaction and information gathering which can be utilized to enhance CRM.

(c) Strong incentives for loyalty will ensure a strong basis for a reliable income stream. Potential competitors extend this with a variety of value-added services that enhance the interaction experience and create “switching costs” as barriers to entry.

VII. Conclusion

From the analysis and comparison of the successful and failed e-businesses, 3 conclusions could be drawn. E-business is about doing profitable business through suitable use of Internet technology. E-business is about gaining sustainable competitive advantage through good E-business model and strategy. E-business is about building bond with customers through a robust customer relationship management policy.

In short, E-business is all about business.

VIII. References and Bibliography

CNET News.com, eToys cuts staff by about 70 percent, This article is available at http://news.com.com/2100-1017_3-250541.html?tag=rn

CNET News.com, eToys issues earnings warning, prepares for sale, This article is available at http://news.com.com/2100-1017_3-250000.html?tag=mainstry

CNET News.com, eToys unable to pay some bills, This article is available at http://news.com.com/2100-1017_3-251207.html?tag=rn

E-Bankruptcy: The reason behind the recent downfall of the dot com companies and the post-bankrupt privacy issue
http://infosys-law.canberra.edu.au/e_business_law/e_business_law.htm :

E-Business Case Study: Amazon.com 2000 Case Study (2001), Harvard Business School

E-business infrastructure: Lessons from failure, Computer Finance, Dec 2000, p11

E-Commerce times online, Story of Amazon.com, This article is available at
http://www.ecommercetimes.com/perl/story/31308.html

E-Net News, The Phoenix: Back from the ashes of the dot.com crashes, This article is available at: http://www.expiry.com/enet/archive/2000/11-nov-2000-dotcomcrashes.shtml

Executive Technology Online, etoys back in play as KB Toys subsidiary, This article is available at http://www.executivetechnology.com/xref.cfm?ID=6642&xref=KB%20toys

Interactive Wall Street Journal, The Top 10 Reasons Business Plans Fail, This article is available at http://www.nasvf.org/web/allpress.nsf/pages/3533

Sources for Lansend.com, found at
http://www.landsend.com/
http://www-3.ibm.com/software/success/cssdb.nsf/CS/AWOD-4RQUXQ?OpenDocument&Site=default)

Sources for iTexhub.com found at
http://w3.ibm.com (intranet)
Project Archive database (IBM intranet)

APPENDIX A: Summarize of Analysis Of Common Factors Of Failure Themes

Lack of sound e-business model/strategy

Unproven Business Model	Selling fashion and sports clothing on the Internet	Collect Commission base on buyers and sellers transaction over the internet.	Selling Toys online.	Selling Toys online.
Weakness	Few people are happy to buy clothes without first trying them on.	Did not manufacture nor carry any products or form partner Alliance!	How to attract the children to buy the toys without even seeing and touching the toys physically?	How to attract the children to buy the toys without even seeing and touching the toys physically?
Poor Business Strategy	Spend too much money to build brand name. Over focus on getting a first class portal and forget what customer want. Lack in forming long-standing relationship with customers.	Too dependent on walk in customer. Did not formed any alliance with other textile chains	Spend tons of money to build brand name. Lack in forming long-standing relationship with customers.	Spend tons of money to build brand name. Lack in forming long-standing relationship with customers.

APPENDIX A: Summarize of Analysis Of Common Factors Of Failure Themes

Unable to control Cost

	Boo.com	ITEXHUB.COM	TOYSMART.COM	eToys
Losses	Spent £125 million in the 20 Months of operation.	Loss of US$400,000 in the first 9 months of operation.	Loss of US$25 million in the first 9 months Operations	Loss of US$17.5 million in the first years of operation
Loss Per month	US$10.2 Million	US$44.444 (Zero business transaction)	US$2.7 Million	US$1.45 Million
Reason	High Portal setup cost. Too high salary for its executive High Advertisement cost. Low revenue achieved.	Delay in Portal launch incurs huge operating cost.	Fierce Competition. Low margin of selling toys online. Unable to sustain turnover	Fierce Competition. Low margin of selling toys online. Unable to sustain turnover

APPENDIX A: Summarize of Analysis Of Common Factors Of Failure Themes

<u>Lack of customer bond</u>

	Boo.com	ITEXHUB.COM	TOYSMART.COM	eToys
Lack of Customer Relationship Establishment	Low Repeat customer. Poor Portal usability	Zero transaction in first 9 months. Poor Portal usability	Poor customer retention record. Sold products that were easily purchased elsewhere. No/Poor incentive from customer to come back.	Poor customer retention record. Sold products that were easily purchased elsewhere. No/Poor incentive from customer to come back.

APPENDIX B: Summarize of Analysis Of Common Factors Of Success Themes

Effective Strategy & Business Models – At a glance

Amazon.com (B2C/B2B/C2B/)	**Priceline.com (C2B/B2B/C2B)**	**Landsend.com (B2C)**	**Staples.com (B2B)**
Integration of Vertical & Horizontal portal model • Competitive pricing • Diversity thru business expansion and acquistion • Expand product line beyond books and CDs to electronic, apparels etc.	Demand collecting model • Find the best airline ticket prices that match the consumers want. • “Invisble” to customers as it monitors changes in airline ticket price on a minute-by-minute basis and buy at the cheapest rate before resell to customers	Direct mechant model • Cut down middleman and pass cost savings to customers • Involvement from stakeholders for ongoing business review and planning • Leverage on existing supply chain process	“On Demand delivery” services model • Rapid delivery without using 3rd party service providers • Greater control of cost and operations • Direct connection with customers

APPENDIX B: Summarize of Analysis Of Common Factors Of Success Themes

Customer Intimacy – At a glance

Amazon.com (B2C)	**Priceline.com (C2B)**	**Landsend.com (B2C)**	**Staples.com (B2B))**
• Site design with customers in mind • 2-way reviews • Product recommendation	• Strong reach and focus to customers by constantly adding new products, content and services	• Offering One to one customer relationship • Customization & Personalisation	• Understand customers shopping pattern • User friendly web site interface • CRM database

APPENDIX B: Summarize of Analysis Of Common Factors Of Success Themes

Operations Excellence – At a glance

Amazon.com (B2C)	**Priceline.com (C2B)**	**Landsend.com (B2C)**	**Staples.com (B2B))**
• Competitive price • On-time delivery	• Offering price that match what consumers want • No inventory help save operating cost	• Capitalise on existing processes • Just-in-time delivery	• Just-in time delivery service • Greater cost control of conducting business