

New Technologies in Marketing

Lecture 6: Place in the digital age & B2C e-commerce

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Place is about channels

- Channels of communication (cf. previous lecture)
- Channels of distribution
- Key dimensions include availability, convenience, channel power, interaction
- E-commerce and m-commerce have a profound impact on 'Place'

E-commerce; two era's

A definition: 'digitally enabled commercial transactions between and among organisations and individuals' (Laudon & Traver, 2002)

E-commerce I:

- an era of explosive growth, beginning in 1995 with the first widespread use of the Web to advertise products, and ending in 2000 when stock market valuations for dot-com companies began to collapse

E-commerce II:

- the current era, beginning in January 2001, following a sobering reassessment of e-commerce companies and the value of their stock

E-commerce taxonomies

- The 4 C's of e-commerce sites
 - Sites can be characterised by whether they deliver one or more of the following C's: Content, Community, Commerce, and Customer service
- The ICDT model
 - Sites can be characterised by whether they create one or more of the following: an Information space, a Communication space, a Distribution space, and a Transaction space (cf. <http://members.aol.com/aleong1631/icdt.html>)

Five primary revenue models

- Advertising
 - Fees from advertisers
- Subscription
 - Fees from subscribers in exchange for access
- Transaction fee
 - Fees for enabling or executing a transaction
- Sales
 - Sales of goods, information, or services
- Affiliate
 - Fees for business referrals

Business models (B2C)

- Portal
 - General portals; specialised portals
- E-tailer
 - Virtual merchants; clicks and mortar; catalog merchant; online mall; manufacturer-direct
- Content provider
- Transaction broker
- Market creator
 - Auctions; reverse auctions
- Service provider
- Community provider

E-tailing models

- Virtual merchants: single channel web firms that generate almost all their revenue from online sales (generalists and specialists)
- Clicks and mortar: physical store companies that have added online offerings
- Catalog merchants: offline catalog retailers that have added online capabilities
- Online malls: online companies that generate revenue from rents and services paid by retailers who sell under the mall umbrella
- Manufacturer-direct

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Profitability of online retailing

	Books	Drug-store	Apparel manuf.	Grocery	Toys
Avg per-order revenue	37.82	19.50	85.00	81.30	52.00
Shipping revenue	7.18	4.00	9.70	0.00	10.00
Total per-order revenue	45.00	23.50	94.70	81.30	62.00
Cost of product	27.92	20.75	43.60	66.20	40.04
Shipping costs	7.18	4.88	7.80	0.00	12.00
Gross margin	9.90	-2.13	43.30	15.10	9.96
Fulfillment costs	5.00	14.29	10.70	28.00	14.00
Contribution margin	4.90	-16.42	32.60	-12.90	-4.04

Source: Laudon & Traver, 2002

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Transaction brokers

- Travel brokers
- FIRE brokers
- Infomediaries
- Shopping agents

Auctions

- Auctions
- Reverse auctions

E-commerce best practices

- Strong Branding
- Affiliation with an Established High-Traffic Site
- Real-world Promotional Programs
- Reduce the Cost of Acquiring Customers
- Easy Site Navigation
- Reduce First-time Purchase Risk
- Reduce the Cost of Servicing Customers
- Offer Valuable Ordering Applications
- Quick Order Processing
- Providing Order Status Information
- Develop Incentives for Repeat Purchases

Source: <http://members.aol.com/aleong1631/icdt.html>

Issues and challenges

- Learn from others' successes and failures
- Profitability
- Customer inhibitions
- Channel conflict

The near future?

- Location-based m-commerce
- Digital tv: the Program is the Place

Key topics for lecture 6

- Two e-commerce phases
- E-commerce taxonomies
- E-commerce revenue models and business models
- E-tailing
- E-commerce best practice

Readings for lecture 6

Required reading:

- O'Connor & Galvin, chapter 11.
- Reading pack with Chaffey et al. (2000) pp. 324-35 and Laudon & Traver (2002), pp.24-31 and pp.67-76.

Supplementary readings:

- Laudon & Traver (2002), *E-Commerce*, chapters 1, 2, 10, 11. About basics of e-commerce and strategic analyses of retailing and services on the web.
- For an extensive list of e-tailers see www.verdict.co.uk/online.htm
- The ICDD model explained + e-tailing best practices on <http://members.aol.com/aleong1631/icdd.html>

What I will look for in the report

- More marketing than technology
- A balanced view of advantages/opportunities and disadvantages/limitations of new technologies in marketing
- What it means for us (as a seller) AND what it means for the customer
- What it will take to make it happen
- Realistic choices backed up by arguments
- Concise and to-the-point, no waffle
- Applied theory