Amazon.com

- Founded in 1995 as an online retailer.
- Did not become profitable until Q4 2001.
- In 2007, generated $14.8 billion in net sales, $476 million in net income.
- Leveraged its competencies into different e-business models.
  - Amazon derives about 40 percent of its sales from affiliate marketing called "Amazon Associates" and third-party sellers who sell products on Amazon.
    - Established e-commerce partnerships with Target, Macy’s, and others.
    - Provided developer services.
    - Created the first affiliate program.

Amazon sales and profits boom in 2010
Total sales for the year and Q4 grew 40% and 36%, respectively.
Spending on marketing increased 47.1% to $1 billion from $680 million in 2009. Marketing expenses accounted for 2.9% of net sales.

Amazon.com, cont.

- Amazon’s success is based on selection, lower prices, product availability, innovative technology, and better product information.
- CEO Jeff Bezos is not interested in expanding to the physical world.
- Which of Amazon’s core competencies do you think will drive its strategy in the future?

Strategic Planning

- A managerial process to develop and maintain a viable fit between the organization and its changing market opportunities.
- Process identifies firm’s goals for
  - Growth
  - Competitive position
  - Geographic scope
  - Other objectives, such as industry, products, etc.
The e-marketing plan flows from the organization's overall goals and strategies.

The ESP framework illustrates the relationships among environment, strategy, and performance.

A SWOT analysis of the business environment (E) leads to the development of strategy (S) and the measurement of performance (P).

Strategy

- Strategy is the means to achieve a goal.
- E-business strategy
  - Strategy that deploys enterprise resources to reach performance objectives, competitive advantages.
  - Tchibo with two key strategies
    - Building new retail stores in selected European cities
    - E-business strategy of selling products on its Web site.
- E-marketing strategy
  - Strategy that capitalizes on information technology to reach marketing objectives.
- Strategic, operational, technical, financial justification

Business Models

- A business model is a method for long-term survival and a value proposition for partners, customers, and revenue.
- E-business models include the use of information technology to achieve long-term goals.
- Firm selects one or more models as strategies to accomplish enterprise goals.
Selecting a Business Model

- A firm will select one or more business models as strategies to accomplish enterprise goals.
- Components of business model selections:

<table>
<thead>
<tr>
<th>Customer value</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>Revenue sources</td>
</tr>
<tr>
<td>Connected activities</td>
<td>Implementation</td>
</tr>
<tr>
<td>Capabilities</td>
<td>Sustainability</td>
</tr>
</tbody>
</table>

Level of Commitment to E-Business

Activity-Level Models

1. Order processing
2. Online purchasing
3. E-mail
4. Content publisher
5. Business intelligence (BI)
6. Online advertising and public relations (PR)
7. Online sales promotions
8. Dynamic pricing strategies online

Business Process-Level Models

1. Customer relationship management (CRM)
2. Knowledge management (KM)
3. Supply chain management (SCM)
4. Community building online
5. Database marketing
6. Enterprise resource planning (ERP)
7. Mass customization
Enterprise-Level Models

1. E-commerce, direct selling, content sponsorship
2. Portal
3. Social networking
4. Broker models
   - Online exchange, hub
   - Online auction
5. Agent models
   - Manufacturer’s/selling agents
   - Shopping agent
   - Reverse auction

Pure Play Models

- Pure plays are businesses that began on the internet.
  - They represent the top level of the E-Business pyramid.
- Pure plays face significant challenges.
  - They must compete as new brands.
  - They may need to take customers away from established businesses.
- Some pure plays have redefined industries: E*Trade, eBay, Yahoo!, MySpace.

Performance Metrics

- Performance metrics are specific measures designed to evaluate the effectiveness and efficiency of operations.
- Performance metrics:
  - Provide measurable outcomes.
  - Must be easy to understand and use.
  - Must be actionable.
  - Can be utilized for employee evaluations.

Web Analytics

- Web analytics, commonly called metrics, is the study of user behavior on Web pages.
- Metrics measure activities such as:
  - Click throughs
  - Visitor patterns
  - Length of time spent on a page or site
  - Conversions to sales
- Web analytics software helps companies analyze data on server logs for marketing purposes.
Social Engagement Metrics

- Online measurement also includes metrics for evaluating Web 2.0 technologies.
- Social engagement metrics allow marketers to know how visitors participate, not just whether they landed on a page.
  - Time spent viewing a video, playing a game, or listening to music.
  - Writing a comment on a blog.
  - Downloading a MP3 file, ring tone, or other content.

The Balanced Scorecard

- The balanced scorecard provides a framework for understanding e-marketing metrics.
- The balanced scorecard provides 4 perspectives.
  - Customer perspective
  - Internal perspective
  - Learning and growth perspective
  - Financial perspective

The Balanced Scorecard: Customer Perspective

- The customer perspective scorecard includes ways to measure goals such as customer loyalty, satisfaction, appropriateness of target markets, etc.
  - Loyalty and satisfaction measures may include percentage of visitors who return to site and time between visits.
  - Transaction measures may include measurement of unique visitors, online sales abandoned, etc.
  - Exhibit 2.6 provides a list of customer goals and measures.

The Balanced Scorecard: Internal Perspectives

- The internal perspective scorecard includes ways to measure goals related to the quality of online services.
  - Quality of online technical help such as amount of time to answer e-mail
  - Web page loading time
  - Inventory levels, inventory turns
  - Exhibit 2.7 provides a list of internal goals and measures.
The Balanced Scorecard: Learning and Growth Perspectives

- The learning and growth perspective scorecard includes ways to measure goals related to online service innovation and continuous improvement.
  - Average time from concept to start
  - Speed to match a rival’s site
  - Time between site relaunches
  - Exhibit 2.8 provides a list of learning and growth goals and measures.

The Balanced Scorecard: Financial Perspectives

- The financial perspective scorecard includes ways to measure financial goals.
  - Sales growth and market share
  - Return on invested capital
  - Average order value
  - Individual customer profit
  - Exhibit 2.9 provides a list of financial goals and measures.

Overview of the E-Marketing Planning Process

- The e-marketing plan is a blueprint for e-marketing strategy formulation and implementation.
- The plan serves as a road map to guide the firm, allocate resources, and make decisions.
Seven-Step E-Marketing Plan

1. Situation analysis
2. E-Marketing strategic planning
3. Objectives
4. E-Marketing strategy
5. Implementation plan
6. Budget
7. Evaluation plan