

CHAPTER 16

E-SUCCESS ON THE INTERNET

E-Success is far more complex than any other website project. It is a successful e-Commerce.

There is no special formula for e-Business success - good idea can turn into insanely great thing. Moreover, there is still no consensus on how best to approach e-Business. Is spending more important, or is there a mix of business practices that can make an enormous difference? What role does partnering play in achieving e-Business success? Acquisition? Spin off? These are issues and strategies even the most advanced E-biz-ambitious companies are grappling with.

Success in e-Business may be in the eye of the beholder, but most of the metrics are objective. Page views, click-throughs, and online transactions are some of the measurable criteria. Yet, these do not begin to capture the range of aspirations executives hold about their e-Business investments or what they hope to achieve. Three of the most common achievements reported by companies engaging in e-Business are difficult to measure,

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though it is generally obvious (at least to company officials) when they are amiss.

We will try to define various aspects of e-Commerce in the first part of this chapter. That will help us to better understand information from the research on the best e-Business practices in second part of the chapter. We will then explore real-world e-Business examples and their different ways of selling through Internet as well as techniques or technologies through which those sites are adding value. We will also try to explore the value of site metrics in planning and analyzing the e-Commerce. Finally, we will summarize with some e-Commerce secrets and the ways to survive in this business.

16.1 Essence of E-Commerce

Electronic Commerce is an emerging concept that describes the process of buying and selling or exchanging of products, services, and information via computer networks including the Internet. Four ways in which e-Commerce could be perceived are: Communications, Business Process, Service, Online [Hui00].

Communication Perspective: EC is the delivery of information, products/services, or payments over telephone lines, computer networks or any other electronic means.

Business Process Perspective: EC is the application of technology toward the automation of business transactions and workflow.

Service Perspective: EC is a tool that addresses the desire of firms, consumers, and management to cut service cost while improving the quality of goods and increasing the speed of service delivery.

Online Perspective: EC provides the capability of buying and selling products and information on the Internet and other online services.

According to the market segment or field in which it is engaged e-Commerce could be categorized like:

Business-to-business (B2B), most of EC today is of this type. It includes the electronic market transactions between organizations.

Business-to-consumer (B2C), these are retailing transactions with individual shoppers. The typical shopper at Amazon.com is a consumer, or customer.

Consumer-to-consumer (C2C), Consumer sells directly to consumers. (e.g. www.classified2000.com, and selling residential property, cars, furniture, advertising personal services on the Internet and selling knowledge and expertise.

Nonbusiness EC, an increased number of nonbusiness institutions such as academic institutions, not-for-profit organizations, religious organizations, social organizations, and government agencies are using various types of EC to reduce their expenses or to improve their operations and customer service.

Intrabusiness (Organizational) EC, it includes all internal organizational activities, usually performed on intranets, that involve exchange of goods, services, or information. Activities can range from selling corporate products to employees to online training and cost-reduction activities.

Figure 16.1 sheds more light on the different dimensions in financial services that could emerge through the use of e-Commerce.

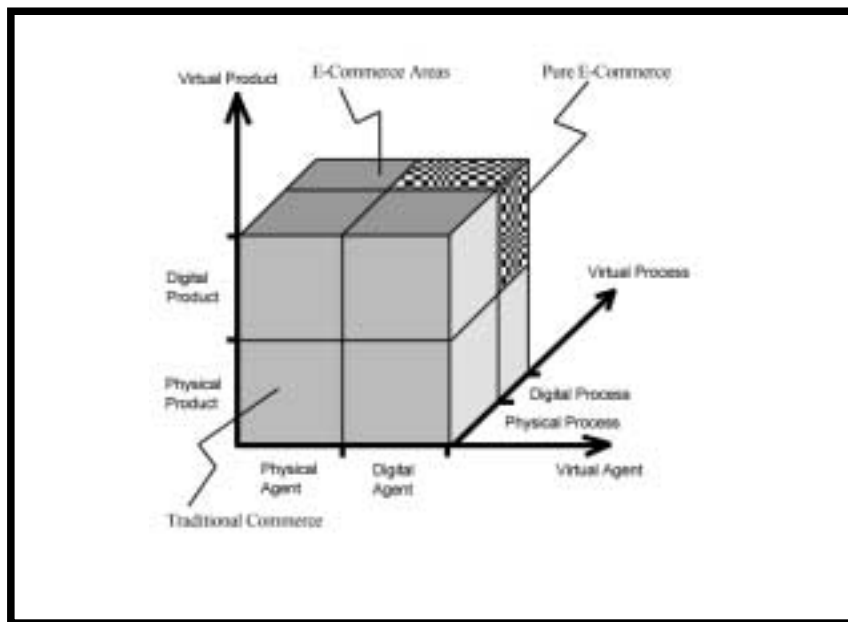


Figure 16.1 Dimensions of e-Commerce [Hui00]

Comment: E-Commerce and its advantages open up a new dimension in financial services.

E-Commerce could be used for numerous functions inside companies. Following are some of the examples that show the scope of e-Commerce: marketing, sales and sales promotion; pre-sales, subcontracts, supply; financing and insurance; commercial transactions: ordering, delivery payment; product service and maintenance; co-operative product development; distributed co-operative working; use of public and private services; business-to-administrations (e.g. customs, etc); transport and logistics; public procurement; automatic trading of digital goods; accounting; dispute resolution [Schneider00].

Important aspects from which e-Commerce could be defined are benefits that it e-Commerce brings to businesses. Some of the major ones are:

- Enabling and supporting changes on a global scale
- Enabling companies to be more efficient and flexible in their internal operations, to work more closely with their suppliers, and to be more responsive to the needs and expectations of their customers.
- Allowing companies to select the best suppliers regardless of their geographical location and to sell to a global market.

Additional benefits could be:

- **Reduce advertising costs** by providing timely information in response to specific question, customer can easily click on the online ad and immediately find more about the advertised product or service.
- **Reduce delivery cost**, notably for goods that can also be delivered electronically reduced design and manufacturing cost.
- **Improved market intelligence and strategic planning** by implementing personalization and other tracking techniques.
- **More opportunity for niche marketing** since company is responding to specific customers behaviors and preferences.
- **Equal access to markets** (i.e. for SMEs – Small and Medium-sized Enterprises and larger corporations)
- **Access to new markets** doesn't cost a lot and it might be sometimes built with few additional pages
- **Customer involment in product and service innovation.**

Some of the most common businesses where e-Commerce is being used are:

- **Financial services** (wide range of financial services from online banking, to online mortgage approvals, online investments, credit applications, bill payments, etc)
- **Real estate** (selling or buying house online is becoming more popular as customized search helps to reduce unnecessary visits or open house events)
- **Travel and transport** (no more waiting on the phone for agent to gather all customers preferences)
- **Automotive industry online** (it became very convenient to find your new or used car online instead of surfing dealers and car lots)
- **Online publishing** (they let you download your favorite books and carry your cyber library anywhere, anytime)
- **Online entertainment** (online video games, online radios, and online magazines are among the first to use Internet as their primary channel of distribution)
- **Healthcare industry** (getting advice about your health problem online could be faster than waiting for the appointment with your doctor)
- **Professional services online** (from lawyers to florists, there are numerous opportunities in which Internet could be used)
- **Online retail** (full range of retail selling from electronics to food)

16.2 E-Business Best Practices – Interviews

According to a newly released study by *InformationWeek* Research, the Redefining Business 2000: E-Success study, based on 600 interviews with IT and business-titled executives, reveals significant business improvements among companies that adopt at least three of four ambitious e-Business practices: implementing new customer-facing information systems; transforming legacy electronic processes to e-Business models; refining value or supply chains; and reinventing corporate culture around e-Business.

Above-average IT spenders practicing at least three of the four e-Business best practices and initiatives are designated in this study as "deeply E-committed," while "lightly E-committed" companies deploy two or fewer of these.

Does increased investment in e-Business pay off? In examining the differences between deeply E-committed companies and those that are lightly committed, *InformationWeek* Research found a wide gap in terms of results. Figure 16.2 shows questions and respective percentages of respondents in categories of lightly and deeply E-committed companies. Nearly four in five deeply E-committed sites say they achieved increased

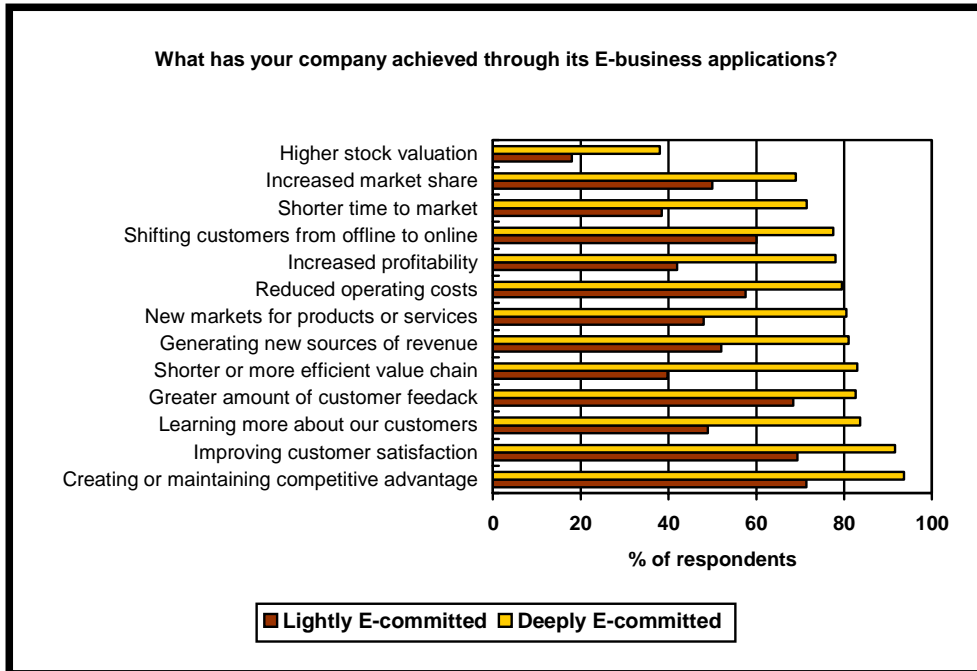


Figure 16.2 Company achievements, through their E-Business applications [Chabrow00]

Comment: Based upon 111 Deeply E-Committed sites and 68 Lightly E-Committed sites. Both groups spend above average on IT products services. InformationWeek Research study of 600 executives. Multiple responses allowed.

profitability through e-Business applications, while only 43% of those less committed claimed a similar achievement. The gap between the two groups also applies to establishing more-efficient supply chains (44 percentage points difference), learning more about customers (36 percentage points), achieving shorter time to market (34 points), creating new markets for products or services (32), and generating new sources of revenue (29).

Yet, the highest e-Business achievers are companies that combine above average IT spending with a deep commitment to e-Business best practices.

But one thing is sure, companies with Internet initiatives: get competitive advantage, improved customer satisfaction, reduced operating costs, generate new sources of revenue, create new markets for products, and most important, increase profits.

"There's a lot of buzz about the Internet giving businesses a competitive advantage, but I don't know if businesses can claim victory yet. The battle's still on," says Mani Subramani, an assistant professor of e-Commerce and knowledge management at the Carlson School of Management at the University of Minnesota in Minneapolis. "All the traditional measures come into play in the e-Business arena, such as the quality of business, the brand, the quality of fulfillment processes. They're as important to competitive advantage as a Web site."

The process of changing and evolving business models is unlikely to be smooth, even for well-managed companies. While business issues are significant, survey respondents say they trail the challenges posed by rapid changes in technology (83%) and adjusting to the pace of change (81%). Partnering with a dot-com business is a model more than one-third of the surveyed executives cite as an effective way their companies transform their businesses. Consider this pairing of a brick-and-mortar company and a dot-com partner.

Whether an e-Business unit remains inside or outside a company's walls, adopting an Internet solution to eliminate paperwork and other manual processes is one of the more successful e-Business efforts. Nearly six of 10 executives say their companies are instituting e-Business processes to replace analog or conventional procedures.

Using e-Business solutions to help make the customer experience simpler and more effective is a key concern for business and IT executives. Customer-oriented initiatives also scored high on the e-Success survey--

utilizing e-Business applications to improve customer satisfaction (78%), solicit customer feedback (71%), learn more about customers (68%), and conduct customer research (63%).

The chart in the Figure 16.3 shows what are the most highly transformational efforts under way in the companies of the surveyed executives.

In terms of overhauling a company's strategy, the single most-effective effort is IT's more active role in the overall business, cited by 91% of the survey respondents. Using IT to create greater customer value was second, cited by 84% of respondents. More dramatic changes to a company's business model were cited by a smaller but still significant percentage, changes that range from partnering with dot-com companies (37%), to acquiring e-Businesses to improve offerings (33%), merger or acquisitions (32%), spinning out e-Businesses (30%), and equity offerings or IPOs (12%).

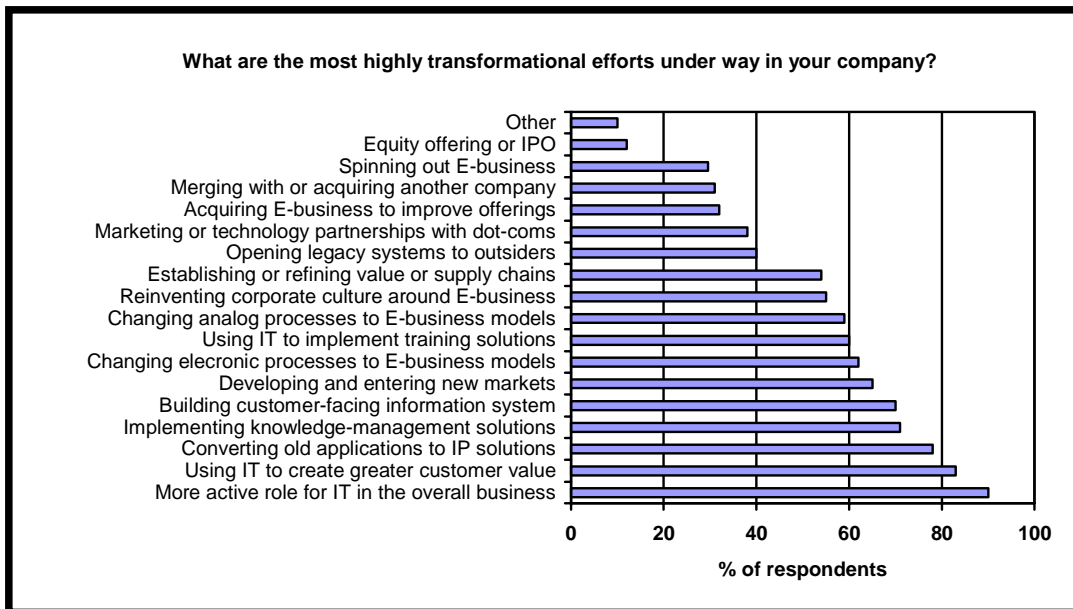


Figure 16.3 The most highly transformational efforts under way in companies [Chabrow00]

Comment: InformationWeek Research study of 600 executives. Multiple responses allowed.

The early faith of e-Business innovators is bearing out through hard-won experience. Meanwhile, the rest of the business world is quickly embracing the Internet religion.

"We consider it more risky not to do anything," says Mark Klopp, Eastman's director of digital business ventures. "If we wait and watch what happens, the rules will then be dictated to us."

16.3 E-Success? Let Us Count The Ways to Sell, Sell, Sell!

How do you like to shop? Do you take all day and browse around until something catches your eye? On the other hand, do you march right up to the clerk and say, "I need a cheap widget with a whoziwhatzit Got one?" See, the product that you are seeking often defines how you shop for it. This is an important concept to remember when creating your online presence. What exactly is your product? Who is your target audience? How will they want to interact with your company, and how can your site enhance this interaction?

Many Web-based stores allow you to search through their stock by category or by keyword. These methods are, for the most part, derivatives of the technologies that make the software work; databases and file systems are quite effective at categorizing things. However, are the customers at your site going to find shopping by category intuitive? Is that the best approach for you?

Let us take a look at the different kinds of products that are out there and how actual companies are custom-fitting their websites for maximum effectiveness.

There are many different ways to sell your product on the Web, but most techniques tend to fall into one of the following categories:

16.3.1 Services

This category is some how different then others. Although it is hard to say it is product, its importance is growing everyday. We will take a look at the two companies with remarkable achievements and ideas in this field.

The first one is Verizon [Verizon01], Verizon Communications, (NYSE:VZ), formed by the merger of Bell Atlantic and GTE, and is one of the world's leading providers of high-growth communications services.

Verizon companies are the largest providers of wireline and wireless communications in the United States, with more than 112 million access line equivalents and more than 27 million wireless customers.

The Verizon web solution facilitates ordering, payment, reporting, and repair service by implementing industry-leading customer tours and unmatched on-line interaction [Shaygan01]. E-brochures, learning centers, troubleshooting, and other innovative features provide clients with thorough information that ultimately leads to smarter buying decisions. Besides offering products and services Verizon.com's home page features a clean look. Visitors can navigate the site more easily, clicking their way directly to the specific company service or selection required. Whether you are ordering a service or checking a bill, key interactions are generally no more than a few clicks away.

The second company in this field is Biological & Popular Culture Inc. (Biopop) [Biopop01] and its technology performance monitoring service, IsItWorking [IsItWork01]. IsItWorking is a low cost, high-utility telemetry service that monitors user technologies such as phones, faxes, websites, email, servers, routers, applications and other electronic and computer equipment. The service quickly notifies the appropriate contact when a problem or service outage is detected.

Biopop has developed a comprehensive service that will test and monitor the functionality of companies' most crucial technologies. As businesses have become dependent on technology, there is a huge market opportunity to help companies ensure that critical systems and devices are operating efficiently. Internet has become a perfect channel for providing this kind of services. Innovative services offered through IsItWorking bring lot of benefits to its customers:

- Single source for monitoring and reporting
- Allows IT staff to focus on development and support
- Allows executives to focus on core business
- Detects problems not visible to internal network
- Can be utilized as third party auditing and adherence to service level agreements

- Compliments existing internal monitoring tools
- Reduces downtime by customized notification when a problem is detected
- Fully customizable and allows system verification system status from anywhere at anytime

Biopop President and Chief Executive, Fred Darnell, does not release revenue for the private company, which is self-funded. While interested in funding, the company is not now actively seeking it. His company receives advice from a high-powered board of directors and a scientific advisory board. Beyond isitworking.com, he plans to introduce two Internet-based services to the market over the next 18 months. These expansion plans mean isitworking really works.

16.3.2 Gifts and Impulse Products

Sometimes you do not know what you want until you see it. Merchants who offer gift items are very familiar with this. If you are offering impulse buys, you may want to design a site that is easy and entertaining to explore; let them go Windows shopping.

Red Envelope [Billings01] makes its site as fun to explore, as it is to shop, creating impulses and ideas that drive sales. They started from a great idea that in Asian traditions, gifts are often presented in a simple red envelope – a timeless symbol of good fortune, love and appreciation. The company also shares a strategy: the creation of something called a "lifestyle brand".

One thing that RedEnvelope realized a gift ought to say is that the giver took the time to find something unique. Therefore, site design has to properly identify different gift giving occasions, recipients, lifestyles and shops. However, for a merchant, it is enormously complicated to provide such a service. You have to offer gifts for every occasion, from birthdays to bereavements, and from every category: games, gadgets, food, and flowers. This can create serious inventory problems, so RedEnvelope edits and updates their choices mercilessly. They also seize on universal sentiments, such as good luck, that can apply to many gift-giving occasions.

16.3.3 Commodity Products

Everyone knows what a CD or a book looks like. They are pretty low-risk purchases since you do not have to worry about whether they are the right color or compatible with your system. What matters is that the seller has them in stock at a good price. Merchants who offer commodity-type products are differentiated by their products' price, selection, and availability. CDNow [CDNow01] and Amazon [Amazon01] are working hard to be the killers in this arena.

Online selling (relative to traditional retailing) is a scale business characterized by high fixed costs and relatively low variable costs. This makes it difficult to be a medium-sized e-Commerce company.

Amazon.com passed many milestones in its short period of existence [Amzn00]. Up to the end of year 2000 they served 20 million customers, up from 1.5 million in 1997, yielding enormous revenue growth. Although their shares went down a lot, company is in a stronger position than ever. They served 20 million customers in 2000, up from 14 million in 1999 and their sales almost doubled to \$2.76 billion in 2000 from \$1.64 billion on 1999. Amazon early realized the need of content management and personalization. Their site stores previous customers choices and preferences and creates special offers according to other customers' reviews or sales volume.

But because competing on price alone would make their gross profits approach zero, these companies are focusing on adding value through personalized customer service and convenience. For example, music retailers have learned that many of their customers want to find albums based upon a half-remembered lyric. "You know ... the song that goes 'La la la'? I want that one." So, in response, they extended their search capabilities to include song lyrics. Now that is convenience! The better you can cater to your customers, the more business they are likely to do with you.

CDNOW has 4.8 million customers and sells over 500,000 items including CDs, movies and digital downloads. Behind the company's success is a well-articulated, multi-point strategy: offer the most comprehensive selection of music in the world at great prices and with the best service and delivery; build communities of music fans; and strive to always stay at the cutting edge of music distribution technologies.

16.3.4 Considered Purchase Products

Some products require a lot of deliberation before a purchase is made. Expensive items that come in various models, each with different options and different pricing, require customers to consider a number of factors before they buy. We're talking about consumer electronics, cars, cellular phone service programs, and something you should be thinking about in the near future: e-Commerce software packages. There are now a number of middleman services popping up to help consumers make their buying decisions. Sites such as mySimon [MySim01] offer side-by-side comparisons of different products. MySimon's Internet e-Commerce hub is the largest comparison shopping site on the Web, with over 2,000 merchants in categories such as Computers, Books & Music, Electronics, Fashion, Flowers, Sporting Goods, Toys and many more. MySimon's shopping service offers unbiased information on products and merchants, including price comparisons, availability and other merchant information. MySimon's shopping service features its exclusive patent pending, Web-based intelligent agent technology. This technology powers the most advanced information retrieval engine, enabling accurate price comparisons from the greatest number of merchants on the Web.

16.3.5 Configurable Products

Sometimes a product is all about the options it comes with. A case in point is computer workstations and servers. The basic components are the same, but you can choose how roomy or fast each of those parts will be. Computer manufacturers like Dell [Dell01] and Apple [Apple01] enable their customers to design their own products, blending one-on-one marketing with customizing mass-market products: Their motto is, "Tell us what you want and we'll build it for you." Concept of this site has again deep retail analysis in its basis. Dell and Apple are trying to satisfy customers hidden needs, i.e. complete control over the configuration of the machine, by allowing customers to select different size machines, add or remove parts that are not important for their business. Behind this freedom of choice are years of careful site engineering since customer is in reality only selecting well-tested parts and none of the choices can be wrong. Finally, presentation is done in the way that customer feels superiority over purchased computer. It is the customer who controls the creation of one of those "super computers".

These techniques are now showing up in other fields as well. Take a look at Smith & Noble [SmNob01], where you can design your own window treatments by selecting and combining different attributes and features.

16.3.6 Categorized and Indexed Catalogs

OK, I will admit it. As much as I harp on the problems with the category/subcategory/sub-subcategory thing, sometimes that method of organization is convenient, especially when shopping for supplies. Office Depot's site [OfDep01] does a good job of organizing things so you can get in and out quickly. Office Depot, Inc., is the world's largest seller of office products and an industry leader in every distribution channel, including stores, direct mail, contract delivery, the Internet and business-to-business electronic commerce.

Grainger [Grain01], the industrial supply catalog, has thousands and thousands of items. For a company like that, categorization is a must.

You need to figure out what is right for your company and your products; not necessarily what is easiest to build. To be competitive, you need to understand how your customers want to work with you, what levels of convenience they desire, and what features they will value in your online store.

16.4 Adding value

In addition to the methods previously described, a number of companies have taken advantage of new technologies to deliver even better service and environments to their customers. These are not storefront solutions in and of themselves, but they can work as excellent supplements to other systems. Before that, we will tell something more about design of the previously considered sites.

16.4.1 The Design of a Storefront

All sites described above, have some common approach when we consider their design. They have design that is clever and straightforward. The design that is bright, clean, simple, and uncluttered. The quick, readable, intuitive navigation, and fast respond, results in smooth experience to the users. All sites present a clear, concise message. Portrays a consistent, strong brand image, and as you can see, it **really sells**.

When choosing a color for design careful thought must be given to the psychological effect these colors will have on your customers. All colors affect us psychologically, emotionally and physically. To some colors we will react in a positive way, and to others we will react in a negative way, but we will never react indifferently. Choosing the right color does not cost any more than choosing the wrong color, and it will have a dramatic affect on physical and mental well being, improving sales, and creating the right image for you and your company. The correct color combination can attract extra customers, compel them to enter the site, spend more money, and feel better about it. Therefore, the modern businessperson must learn how to use color effectively [Wiki01]. The correct colors must be chosen to reflect the type of business you are in. The range of colors used must correspond to the needs (real or imagined) of the buying public. These colors below the level of consciousness make customers choose one product over another. They will leave with a feeling of satisfaction and will come again. Any selling establishment must be an invitation to enter, to see and to buy, and the whole environment should be designed to give the merchandise or service offered a strong visual impact, which will enable people to identify themselves with the concept.

The sales philosophy that achieves this aim should try to make potential customers feel drawn inside and encouraged to buy or to partake of the service. First impressions are vital, and initial reaction will attract or repel trade, depending on the emotions of the individual. Color plays a large part in creating a good initial impression because it is an emotional thing. For example, red color denotes success, gives a sense of power, and creates strong image. Therefore, it is a very energetic color with stimulating and exciting effect. Opposite effect have a green color, a relaxing one. The green has some additional effects, which are very similar to the ones that we have with a blue. Psychologically blue is the color of tidiness. If blue incline towards a gray, it express stability and good organizational capacity. On the other hand, a mind perceives a yellow and orange color as colors of friendship.

Good taste is one thing, but it has little to do with effective merchandising, marketing or promotion. The correct use of colors is critical in today's extremely competitive business environment. It can literally, make or break a business.

Colors have an important role in the design, but other elements must not be forgotten. It means that what counts is a whole experience, and not only a separate moments.

The first part of the shopping experience enables customers to quickly find the products they want and add them to their shopping carts. The second part processes the orders and securely sends them to the fulfillment center, where they are packed and shipped to the customers. The third section offers a summary of their orders and functions as a printable receipt. So, a simple interface can hide a complex and powerful set of tools.

16.4.2 Content Management

With an end goal of building long-term, sustainable relationships with customers, businesses need to communicate with customers anywhere they are, on any device. And because customers expect to access information anytime, businesses must collaborate within and across internal and external enterprise systems to deliver on real-time customer demands. One way of approaching these issues is Content management. Figure 16.4 shows essential moments in Content management.

Creation	<ul style="list-style-type: none"> ▪ Multiple sources ▪ Multiple formats of content/digital assets
Management	<ul style="list-style-type: none"> ▪ Workflow ▪ Archive & storage ▪ Administration
Publishing	<ul style="list-style-type: none"> ▪ Online publishing network
Distribution	<ul style="list-style-type: none"> ▪ Multi site network syndication

Figure 16.4 Content management [Starw01]

Comment: Web content management is a set of tasks and processes for managing managing content explicitly targeted for publication on the web throughout its life from creation to archive.

Content management has to:

- Manage and aggregate content
- Provide behavioral insight
- Deliver personalization
- Integrate business processes

Content management is becoming necessity of a serious EC solution.

Vignette [Vignette01] builds one of the most comprehensive integrated content management solutions. Vignette tools have specialized in providing B2B, B2C, e-Marketplace and Information Portal solutions. Vignette solutions can help businesses achieve successes limit.

16.4.3 WAP

Mobility has become an essential part of today's business life. Constant availability is crucial for business competitiveness [Nokia01]. The WAP – Wireless Application Protocol is the leading standard for information services on wireless terminals like digital mobile phones. The WAP standard solves a number of problems in this area.

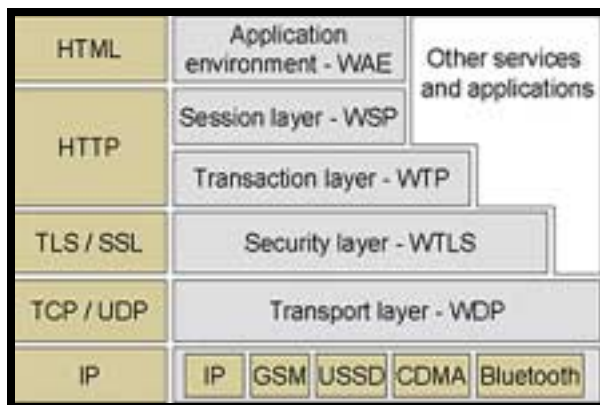


Figure 16.5 WAP Protocol stack [NetLig01]

Legend: WAE – Wireless Application Environment
WSP – Wireless Session Protocol
WTP – Wireless Transaction Protocol
WTLS – Wireless Transport Layer Security
WDP – Wireless Datagram Protocol

Comment: The WAP stack is an entity of protocols that cover the wireless data transfer.

First, it implements a protocol stack that can deliver a reliable packet service over radio links with high bit error rate.

Figure 16.5 shows the order of the different stacks and their protocols. This includes the stacks responsible for the layout as well as the stacks responsible for the actual data transfer. This diagram compare WAP with TCP, because TCP is not well suited for a reliable packet service over radio links with high bit error rate.

Second, WAP protocol is used to display sites in WAP browsers through WML – Wireless Markup Language. Third, WAP specifies how integration with existing web services should be done: through a protocol gateway normally called a WAP gateway. This means that WAP service providers only need to have a web server to be able to serve WAP content. For some providers, it may be desirable to have a WAP gateway, and this is easily accommodated. Depending on the configuration access to content can be granted from any WAP gateway, or only from specific gateways.

In 1997, Ericsson, Motorola, Nokia and Unwired Planet formed the WAP Forum [WAP01], and they set out the way that WML would work, making it an industry standard. Since then hundreds of companies have joined the Forum. According to the WAP Forum, over 90% of mobile phone manufacturers worldwide are members of the Forum. Although usually simply designed, WAP sites are fully functional tools [Lewin01]. The future of WAP is still unpredictable. Some usability studies have raised few concerns about it. However, one thing is sure, mobile services are here to stay and it is only the question of standard that will take over the market.

16.4.4 Automated Answers and Advice

Brightware, a Firepond company (NASDAQ: FIRE) helps companies build better customer relationships, one interaction at a time. Brightware [Bright01] uses its 20 years of artificial intelligence knowledge to interpret natural language, magically allowing its system to answer customer questions. Brightware claims that, with some training, its system can automatically reply to 80 percent of common service and sales inquiries, regardless of how the questions are phrased. Brightware can then route the remainder of the questions to your customer service department for answering. Firepond-Brightware products transforms passive Web site content into a dynamic sales or service advisor that helps customers find the products or solutions they need. This kind of value will drive new revenue

streams, increase margins and manage customer interactions across all channels and throughout the sales and service cycle.

This technology has also been used by financial, mortgage, and health care companies to determine their customers' needs and then actively recommend a prepared solution. Say goodbye once and for all to door-to-door insurance salesmen.

Similarly, Ask Jeeves [AskJee01] sells its question-answering software to other businesses so their users can get the answers they are looking for, which hopefully leads them to buy more products.

16.4.5 Automated Recommendations

Net Perceptions [Peterson01] is a purveyor of collaborative filtering, an automated merchandising technology that can cross-sell items to customers with similar purchasing histories. Say a customer wants to get caught up on his aquatic-adventure reading and buys *20,000 Leagues Under the Sea* and *Moby Dick*. Meanwhile, someone else buys *Moby Dick* and *The Hunt for Red October*. These collaborative filtering tools will connect that information and recommend *The Hunt for Red October* to the first customer and *20,000 Leagues Under the Sea* to the other customer. By using this system, you are basically letting your customers with similar interests make recommendations to each other. In addition, the more they buy, the more accurate the recommendations will become. Pretty cool, eh?

These are just few examples of ways you can add value to your site and stand out in a possibly crowded field. But before you start adding bells and whistles, you may want to begin simply and locally. Start by talking to your salespeople. Your front line knows a lot about what your customers need and, more importantly, how best to communicate with them. Find out what your sales team is doing that works most effectively.

16.5 Secrets of E-Success

Don't procrastinate	Implement a web site
Full Inventory	Customer go where the stock is

Searchable	First page search button
Fast	Connectivity and download time (8 seconds rule)
Low Prices	Offer value over cost
Availability	In stock and shipping time
Clean & Professional	Minimize frames and animated GIFS
Email the Customer	Keep apprised of order – reassure
Respond to Emails	The quicker, the better
Change	Dynamic site with new information
Exceptional Customer Service	Speaks for itself

Figure 16.6 Secrets of E-Success [Graham00]

16.5.1 Use those Log Files

Log files can give you valuable information about the shopping and surfing patterns of your customers, telling you how they found your site, which pages they visited, and who bought what. With careful tracking of the data generated by your log files (especially over the long-term), you can figure out which advertising and marketing tactics are the most successful with your customers. Information like this is valuable because it can tell you where to reinvest and how to change your media-investing tactics based upon what is performing and what is not.

One popular way to determine what marketing leads customers to buy your products is to track the sources of your sales leads all the way through to the order. Direct marketers have been doing this for years, long before the Web came into being. You will find source codes on almost everything they send out: postcards, coupons, the backs of the glossy catalogs, and that "address your letter to department AC8638" thing they do.

By assigning a unique code to each coupon or postcard, marketers can keep track of which placement yielded the most customer interest.

You can do the same thing on your site. If you know the source of the lead, the customer who responded, and the orders that customer placed, then you have a gold mine of data with which to determine your ROI (return on investment). More important, you can improve upon it by fine-tuning both your marketing and site design.

Do users stop clicking once they hit a certain page? Perhaps that page needs to be simplified, rewritten, or even repositioned to make it easier for your customers to get to the key part of your site: the bottom line.

To make sure you are using the most cost-effective marketing for your site, you must not only determine which ads are generating the most orders but also quantify a return on that investment. You may find that your direct-mail campaign is bringing all kinds of visitors to your site, but they are not buying anything. At the same time, a banner ad may attract only a few visitors, but those that do come to your site via the banner ad tend to make purchases. Which form of marketing is the most cost-effective? To find out, take a closer look at how much money your site's making and how much you are spending.

16.5.2 Keeping track of everything

The websites that are running your banner ads are giving you clickthrough reports, showing you how many people came to your site during certain time frames. But you still need to figure out which advertisements actually make money [Hakman01]. It is a good thing you picked an open application architecture for the site, because now it looks as though you have an additional requirement: You need to start tracking.

To track your customers, you need to assign each banner ad a specific code and use that code in the referring URL that links your site to the ad. The URL in the link looks like this:

```
http://www.YourCompany.com/index.cfm?MC=WM001
```

If you click around, you will see that the site keeps track of where you came from. That is because MC=WM001 is a media code set up specifically for inquiries that will come from this page. The media code is tracked throughout a customer's session on the site, and if the customer places an order, that code is attached to the order for later reporting. You can

embed unique media codes just like this in banner advertisements and outbound email messages.

You can also track customers that come directly to the site without the help of any specific ad. In this example, the media code "direct" shows that word of mouth is still the best resource for generating low-cost sales.

But that does not mean you should abandon all advertising and rely solely on word of mouth to keep your online business thriving. One fatal flaw of using log files to track user activity is that they make no allowances for customers who follow an ad simply to learn about your products and then, after doing some comparison shopping, *return* to your site to make a purchase. The tracking system will report this scenario as an advertising failure and a word-of-mouth victory, and that is just not the case. When it comes to site promotion, things usually are not all or nothing. Usually, the most cost-effective marketing for your site involves finding the right combination of a variety of advertising methods.

16.5.3 Staying in E-Business

To find the most cost-effective marketing for your site, experiment with your advertising while keeping a sharp eye on your sales. Try new things: Implement innovative banner ads, play around with things like affiliate marketing, consider sponsorships — and see how your sales are affected.

And keep at it. Your online storefront, like your business itself, must continue to grow and change to accommodate the evolution of your customers and products [Hakman01].

This flexibility is key to keeping your e-Business viable. Even if your products do not change much over the years, you need to constantly reevaluate and update your online presence. The quick and ever-changing nature of the Web can be daunting, but it can also bring customers, connections, and opportunities that never would have been possible otherwise.

As you set out to create your own e-Commerce site, keep in mind all that we have discussed here. With planning, hard work, and careful observation, you can build a site that is flexible enough to keep up with the ever-changing needs of your customers. And then you will really be in e-Business.

16.6 Conclusions

Although it did not define the exact formula for the e-Success, this chapter has presented the general principles and key ideas of adding values to your existent e-Commerce. One should look for an appropriate example among successful e-Commerce described here, and thoroughly examine the implementation of the ideas that were offered here. A full coverage of the topics introduced here would take another book about the size of this one. We refer the interested reader to the growing number of books on related topics. References appear in the next section.

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