Store Models

Innovation and Variation

- Innovative ideas like LivingSocial
- Also a lot of variations on the same idea

Electronic Catalogs

- Electronic Catalog: the presentation of product information in an electronic form: the backbone of most e-selling sites
- Objective: advertise and promote products and services
- Quick search with search engines
- Early online catalogs were replica of the printed catalogs
- They evolved, and become integrated with shopping charts
- Often used in the early day of e-commerce (very crude)

Advantages of e-catalogs over print catalogs?



Electronic Catalogs Classification

- Electronic catalogs can be classified by the following dimensions:
 - The dynamics of the information presentation
 - The degree of customization
 - Integration with business processes

"

Online Catalog: e-commerce - step 0

"

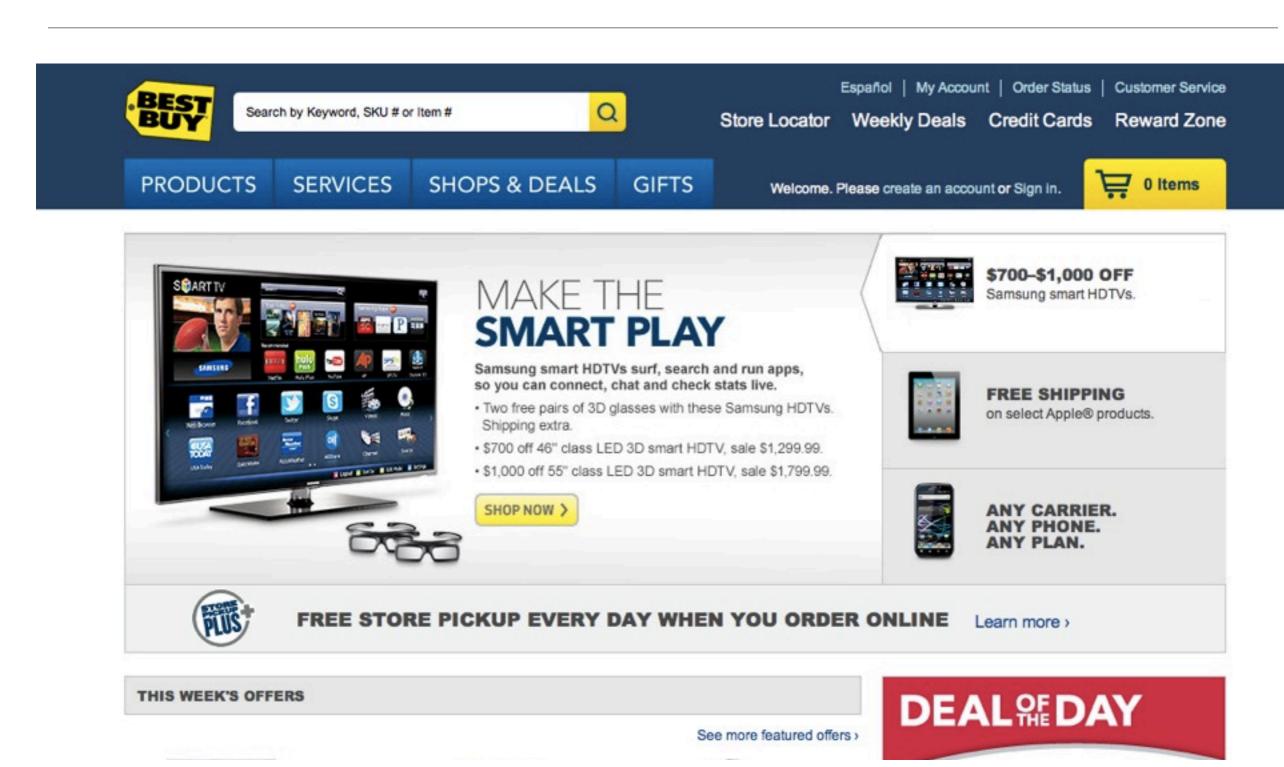
EXHIBIT 2.6	Comparison of Online Cata	
Туре	Advantages	Disadvantages
Paper catalogs	 Easy to create without high technology Reader is able to look at the catalog without computer system More portable than electronic 	 Difficult to update changed product information promptly Only a limited number of products can be catalog displayed Limited information through photographs ar textual description is available No possibility for advanced multimedia such as animation and voice
Online catalogs	Easy to update product information Able to integrate with the purchasing process Good search and comparison capabilities	 Difficult to develop catalogs, large fixed cos There is a need for customer skill to deal with computers and browsers
	 Able to provide timely, up-to-date product information Provision for globally broad range of product information 	
	Possibility of adding on voice and animated pictures	
	Long-term cost savings Easy to customize	
	More comparative shopping Ease of connecting order processing, inventory processing, and payment	

Paper and Online Comparison

Storefront Model

- A storefront refers to a single company's website where products and services are sold
- May belong to manufactures, retailers, or to individuals
- Several components necessary to carry out the sale: electronic catalog, search engine, shopping cart, payment gateway, shipment, customer service
- Typically fixed prices
- Very common

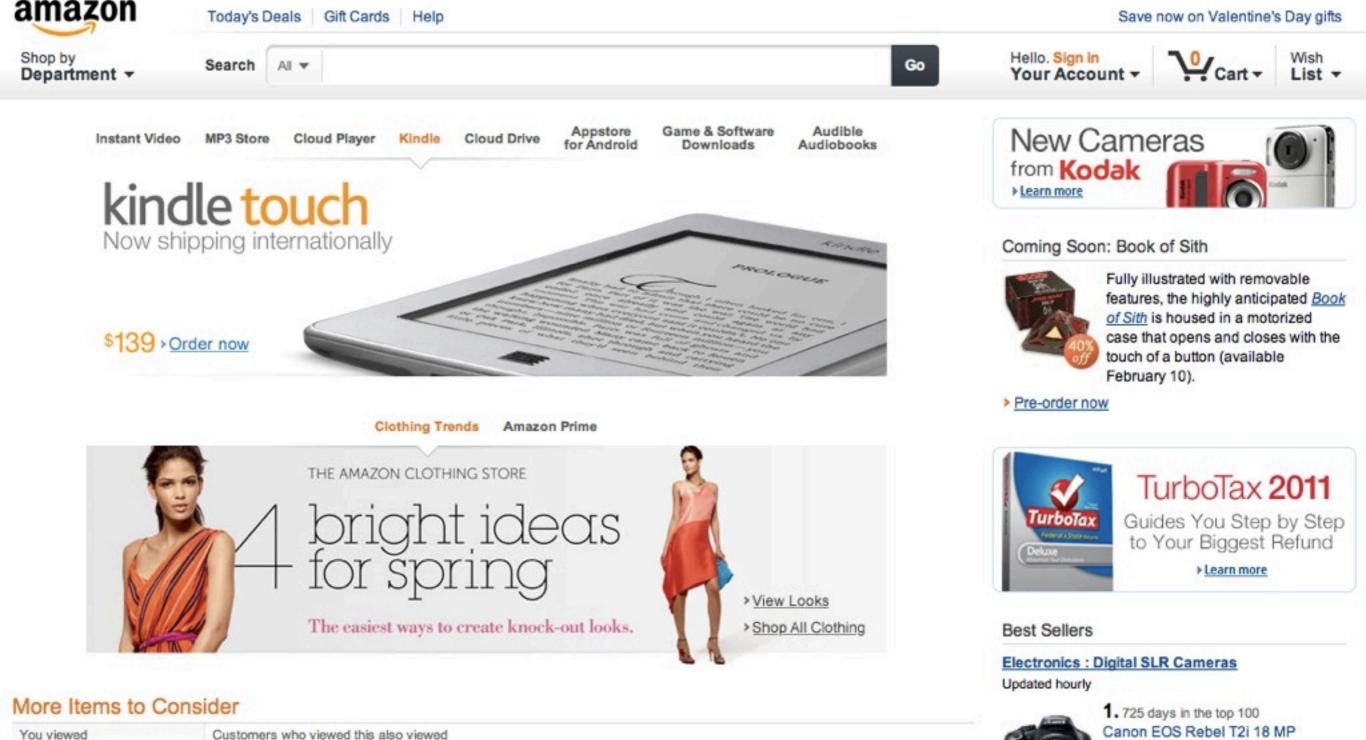
Storefront Example - Bestbuy.com



9

Storefront Example - Amazon.com

- Gold standard in e-commerce
- Amazon.com
 - n'1 online retailer since many years



Amazon.com

Golden Standard in e-commerce

CMOS APS-C Digital SLR

Camera... Canon

(short) Amazon History

- Not always in the position they are now
- Open July 1995
 - 15.7 million dollars in sales in the first year
 - seems low now, but... 95!
- 1996
 - 600 million dollars in sales!

(short) Amazon History

- Started by selling books
- 1998
 - expanded in toys, electronics, computers, etc.
 - products they knew sold well online
- Amazon was born from a list of things its founder tought would sell well online
 - books was n. 1 on the list
- In 2000
 - 10 millions books titles available

(short) Amazon History

- Among the first to sell something they did not have
- Amazon actually lost money until 2002
- 2004
 - first annual profit
 - once they started making money, they never stopped
- 2011
 - net profit estimate 1.7 billion \$

Remarks

- Every time there was a tradeoff between making money or growing faster, they grew faster
 - expand the products
 - move into different countries
 - acquire a market
- A typical book seller turns their inventory 2.1 times an year
 - Amazon: once a week (42 times an year)
- 2 million unique visitors a month

Amazon.com on doubleclick adplanner

https://www.google.com/adplanner/#siteSearch? uid=domain%253A %2520amazon.com&geo=US&lp=false

Amazon Warehouse

http://www.youtube.com/watch?v=i6H7nfHjHtY

E-Mall

- An online shopping center where many stores are located
- Physical mall
 - Attractors, Interceptors
 - Does not make sense online



E-malls

- The value provided by an e-mall is different from a mall
- Main benefit:
 - one location and a search engine that search and unify many stores

- Different types of malls
 - Simply a directory
 - Shared services



Yahoo Shopping

http://shopping.yahoo.com/





notebook HP 630 p7570 4gb 500 win P

€ 384 nuovo da 7 venditori

+1 Consiglia questo indirizzo su Google

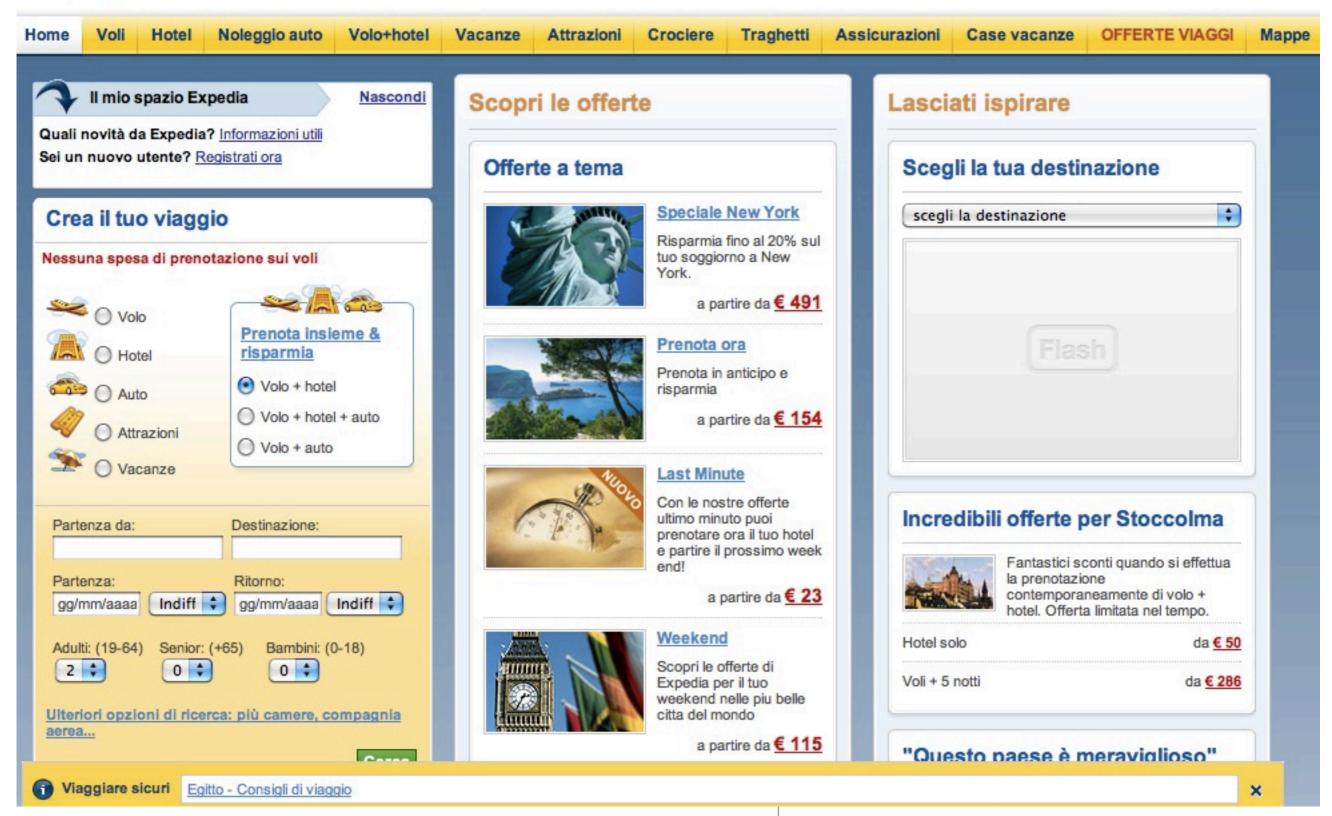
Hard Disk 500 GB Serial ATA II con 5.400 rpm. Fornito con sistema operativo Windows 7 Home Premium 64 bit.

	Confronta prezzi Dettagli					
Confronta prezzi	Spediz. gratuita Articoli nuovi		La tua città: Padova - Modifica			
Pertinenza -		Condizione	Spedizione (stima)	Prezzo totale	Prezzo base	
Wireshop		Nuovo	€ 9,75	€ 403,34	€ 393,59	
ePRICE.it		Nuovo	€ 9,98	€ 526,47	€ 516,49	
HW1.it		Nuovo	€ 9,92	€ 394,41	€ 384,49	
Electronics.sm		Nuovo	€ 9.00	€ 496.00	€ 487.00	
	Google Sho	oogle Shopping http://www.g		google.it/shopping?hl=i		

E-mall

- Easy setup if you don't know programming, HTML, etc.
- Yahoo Merchant: fixed price + 1.5% revenue
 - problem: identical to other stores, based on templates
- Physical Malls goal: provide different stores, park, etc.
- Goal: easy for smaller business, provide infrastructures, etc.





Expedia.com

Shared services

Types of Stores and Malls

- General (amazon.com)
- Specialized (1800flowers.com)
- Regional (parknshop.com)



PARKNSHOP, a division of A. S. Watson Group (HK) Limited (a BVI company)

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Portals

- A portal is a mechanism used in e-marketplaces, e-stores, etc.
- A portal is an information gateway
 - jumping off service to other resources
- it enable people to search and access relevant information from disparate systems and the Internet
- many portals can be personalized by the users

Portals

- Commercial Portals: the most popular type on the Internet, broad audience, diverse communities, personalization
- Corporate Portals: organized access to a narrow set of company and partners informations
- Medical portals
- Publishing portals: communities with specific interests, little customization, great search
- Personal Portals: narrow content very personalized
- Mobile Portals: portals accessible from mobile devices (!!)
- Voice Portals: portals with audio interfaces

Types of portals

- Horizontal and vertical portals
 - how the portal is specialized, what the are of specialization is
 - vertical: very focused on one thing (e.g. surfing, pricewatch.com)
 - horizontal: wider variety of things (e.g. yahoo, pricegrabber.com)

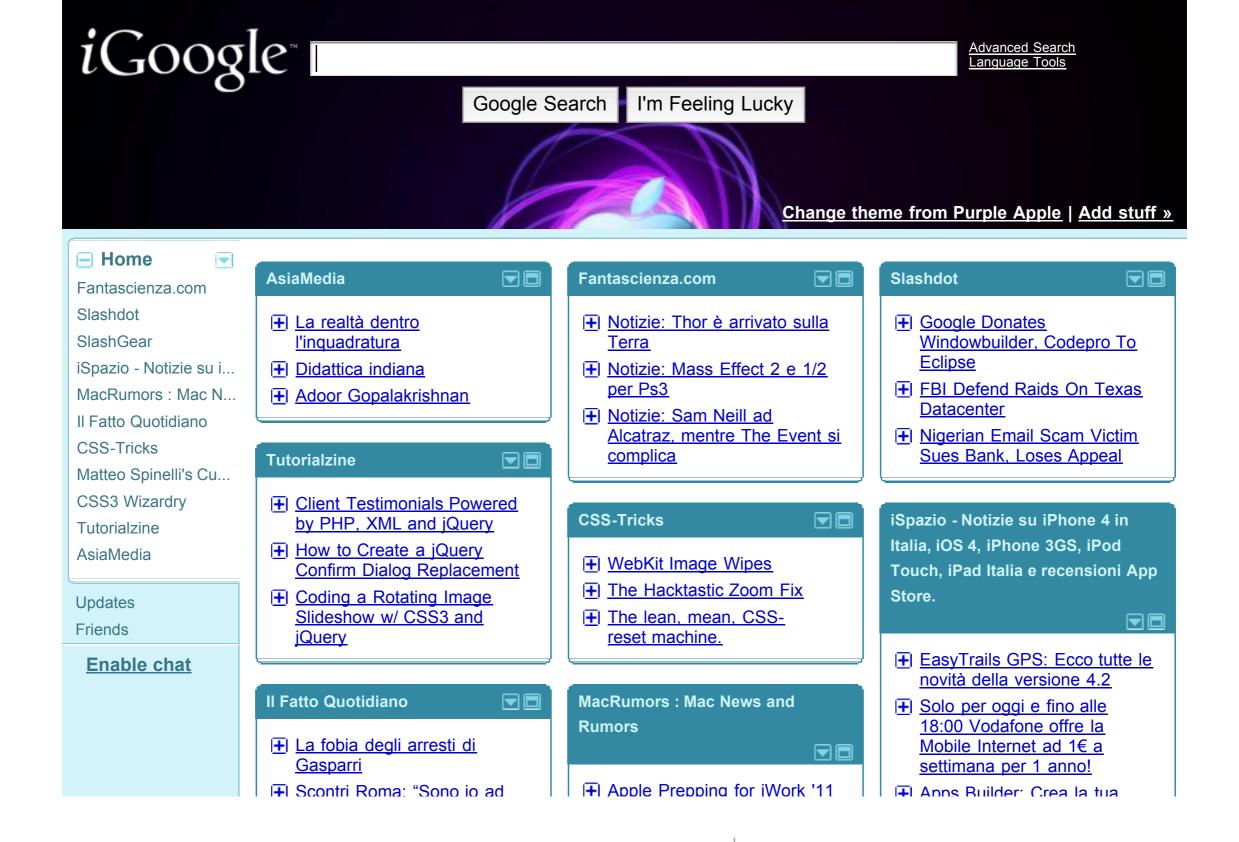
Portal and e-commerce

- How are portals related to e-commerce?
 - Even if portals do not sell directly, they often want to make money
 - Usually: money from advertising



Publishing Portal Example

www.zdnet.com



Personal Portal Example

www.google.com/ig

Mobile Portal Example

www.google.com/ig

on Safari Mobile



Auctions

- Discussed later
- Internet gave new life to the auction business model
- Ebay: 88% market share in auctions (USA) !!
- Yahoo auctions: competitor outside USA
- Ebay: around for just 14 years
- Based on the idea of dynamic pricing
 - the buyer pays the most he can, the seller makes the most it's possible (in theory)

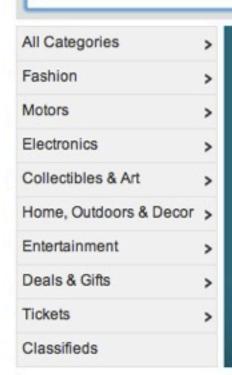


My eBay | Sell | Community | Customer Support









PURCHASE PRICE + ORIGINAL SHIPPING

eBay Buyer Protection

IT'S FREE

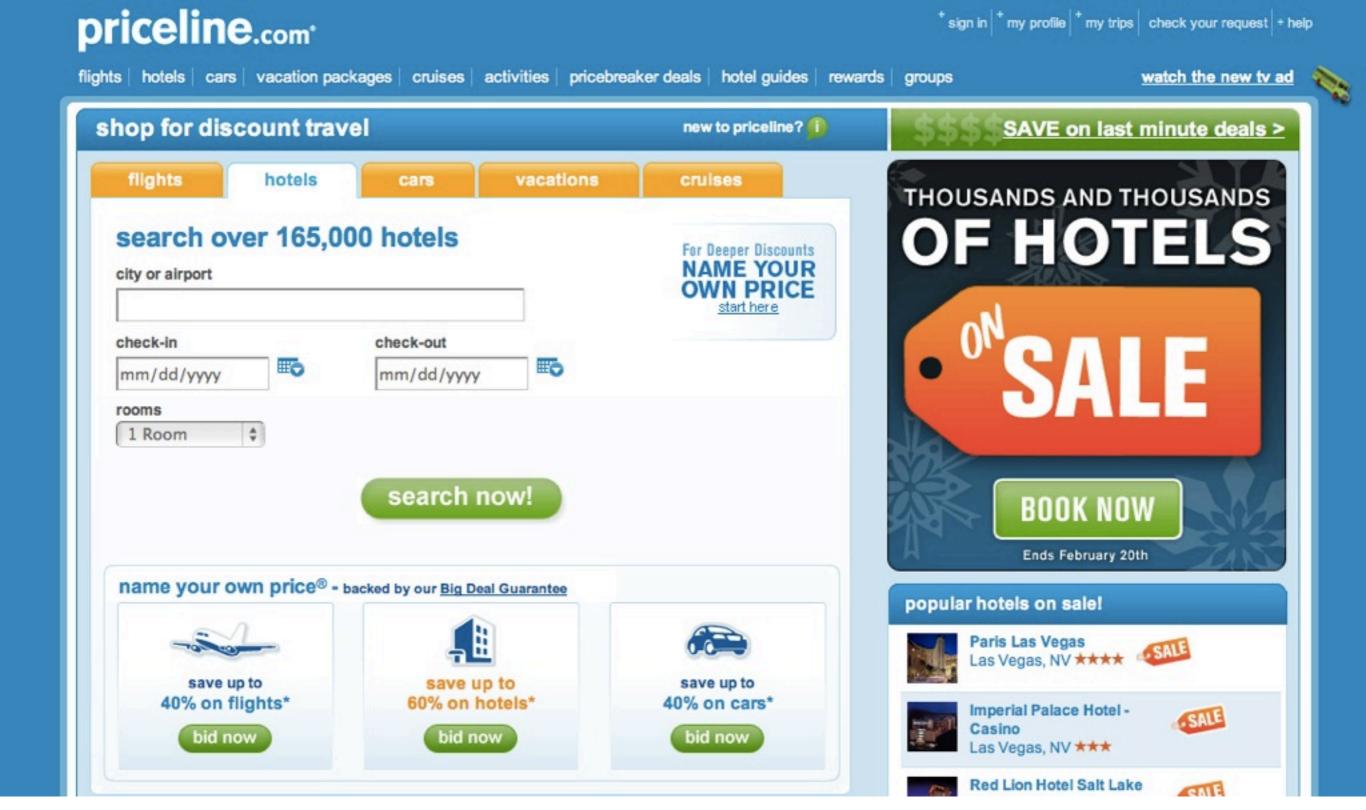
learn more >





Ebay.com

Online Auctions



Priceline

Dynamic Pricing

Priceline.com

- Interesting business model
- Priceline was able to *patent* their business method
 - highly criticize
- Flights, hotels, car reservation, cruise
- Business model: forge relationships with suppliers, focus on unreserved inventory
- Idea: help companies close out unreserved inventory

Priceline.com

- Opaque bidding opportinuty
- Name your own price machanism
 - buy something, you don't really know what until you buy

- Priceline
 - 7\$ per bid + the difference!!
- Companies
 - 4 price points (e.g. 25\$, 35\$, 45\$, 55\$)

Priceline.com

- Can consumers exploit it?
 - Forums and online places where you can discuss the lowest bid to get an hotel

- Companies: sell an unreserved spot for an acceptable price
- Priceline: fee + overbid
- Consumer: a knowlegble consumer can usually get good prices

Priceline.com

• Business model: patented + not public

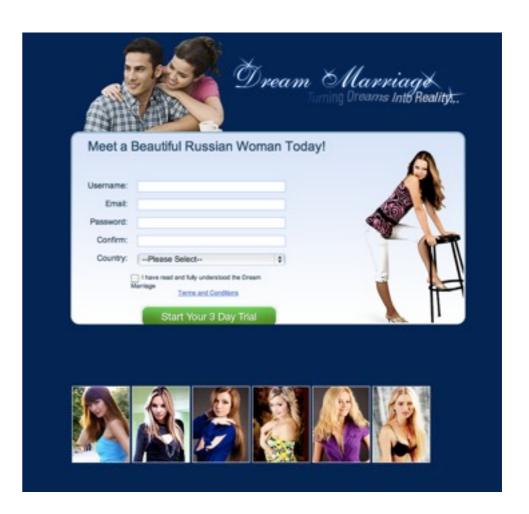
Intermediation

Intermediation in E-Commerce

- Intermediaries (brokers) provide value-added activities and services to buyers and sellers
- Infomediaries: electronic intermediaries that provide and/or control information flow in cyberspace, often aggregating information and selling it to others
- The infomediary <u>business model</u> recognizes that there is value in this personal data and the infomediary seeks to act as a trusted agent, providing the opportunity and means for clients to monetize and profit from their own information profiles. One of the first focused implementations of the infomediary concept was an online advertising company called <u>AllAdvantage</u>. (Source: Wikipedia)

Note

 AllAdvantage was an Internet advertising company that positioned itself as the world's first "infomediary" by paying its users/members a portion of the advertising revenue generated by their online viewing habits. It became most well known for its slogan "Get Paid to Surf the Web" a phrase that has since become synonymous with a wide array of online ad revenue sharing systems (see, e.g., paid to surf). (Source Wikipedia)



does not exist anymore (www.alladvantage.com in 2011)

Detour: Pay for Surf

- Pay to surf is a <u>business model</u> that became popular in the late 1990s, prior to the <u>dot-com crash</u>. Essentially, a company uses income from advertising placed on members' screens to pay them for time spent surfing.
- A pay-to-surf company would provide a small program, commonly called a "viewbar"
- Advertisers' banner ads were then displayed while the member was browsing the web. Since the viewbar tracked websites that the user visited, the pay-tosurf company was able to deliver targeted ads for their advertisers.
- Advertisers paid the pay-to-surf company a small amount (typically US\$0.50) for every hour of a member's surfing.

Una pay-for-surf italiana: NetFraternity

- Pay for surf classica
- Declino nel maggio 2001, prima offre solo crediti per uno store online, poi richiede la navigazione tramite il loro provider personale (a pagamento)
- Dura lotta con spammer e cheater
- http://www.repubblica.it/online/tecnologie internet/paytosurf/netfraternity/ netfraternity.html



Netfraternity Netspot on guadagnando.com

75 pixels + floating window

Roles of Intermediaries

- Intermediaries can address the following five important limits of direct interaction:
 - Search costs: by predicting demands or matching consumers with sellers
 - Lack of privacy: by protecting some information about the trade
 - Incomplete information: by providing additional information on the product or service sold
 - Contract risk: by reducing risks of non-payments, publicize bad behavior, holding payments until transaction is complete

Disintermediation and Reintermediation

- Disintermediation: Elimination of intermediaries between sellers and buyers
 - two types of intermediaries: the first provides information, the second add value
 - the first can be eliminated (airlines sell tickets online instead of using agencies)
- Reintermediation: Establishment of new intermediary roles for traditional intermediaries that have been disintermediated, or for newcomers
 - new intermediary roles can arise from disintermediated businesses

Market Mechanisms

Search Engines

- A computer program that access a database of Internet resources, search for specific information, and report the results
- Semantic search
- Case of study: 37signals' report on the usability and usefulness of search engines and search results from 25 of the Internet's leading online retailers

Usability and usefulness of search engines and search results

- Are the search results at this site accurate and relevant?
- If I misspell a search term, does the site know what I mean and provide useful results?
- Can I sort the search results by price, brand, availability, and/or other useful criteria?
- Will the site find related words and common synonyms for terms I use in my search (e.g. "soda" and "pop")?
- Can I search using mixed specifications such as gender, color, etc. (e.g. Will a search for "red wool men's sweater" show me red wool men's sweaters?)?
- What happens if the site returns no results? Will it help me or provide tips?

Shopping Carts

- Order processing technology to accumulate items they wish to buy
- B2C shopping carts are simple, B2B can be more complex

Many software implementations

Summary

- E-marketplaces and their components
- The role of intermediaries
- The major types of e-marketplaces
- Overview of catalogs, search engines, shopping carts