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Learning Objectives

Upon completion of this chapter, you will be able to:

1. Understand the fundamental requirements for initiating an online business.
2. Describe the process of initiating and funding a startup e-business or large e-project.
3. Understand the process of adding EC initiatives to an existing business.
4. Describe the issues and methods of transforming an organization into an e-business.
5. Describe the process of acquiring websites and evaluate building versus hosting options.
6. Understand the importance of providing and managing content and describe how to accomplish this.
7. Evaluate websites on design criteria such as appearance, navigation, consistency, and performance.
8. Understand how search engine optimization may help a website obtain high placement in search engines.
9. Understand how to provide some e-commerce support services.
10. Understand the process of building a webstore.
11. Know how to build a webstore with templates.

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OPENING CASE: I AM HUNGRY: CHEAP EATS IS NOT THE SOLUTION

There are many e-commerce startup success stories such as Facebook (the closing case) and Alibaba (Case 16.2), among others. However, failure can constitute a large part of entrepreneurship. According to di Stefano (2010), over 70% of online businesses fail within 10 years. I Am Hungry is not a success story and the company is not in operation any longer. However, there are lessons to be learned from the creative Web 2.0 project.

The Problem and Opportunity

One of the major issues that e-commerce has been dealing with is local relevance. It is an attempt to offer EC services that are relevant to users based on their location. For example, Groupon offers restaurant discounts in specific cities. I Am Hungry was created as a result of an observation that it was difficult to find information about local eateries and cafes, and advertisers were not offer the type of information that users were looking for (Lowman 2010). This means that there was a market gap between what consumers wanted (real-time, local information about good food availability, coupons when you need them and recommendations created by actual visitors), and what online marketing and advertising were offering (generic information). Note: today Yelp and several other companies have closed the above gap.

The Solution

I Am Hungry was a Facebook and iPhone app that provided detailed information about restaurants, cafes, and other eateries in the Boston area (Lowman 2010). However, the app went beyond simply advertising the presence of restaurants. Instead, it offered specific deals, including

coupons and limited time only specials, through its app-based platform. The app, which had over 80 member restaurants in 2010, also had other offerings such as notifications of expiring deals. Once again, Groupon and others closed this gap.

The Startup

I Am Hungry, Inc. was founded in January 2010 by young entrepreneurs Alex Kravets and Mike Markarian, who had been developing the idea for three years prior to launching the company (Lowman 2010). The two men performed most of the management and operational activities (Zinsmeister and Venkatraman 2011). Angel investors initially funded the company, offering \$150,000 in order to finance the development of the app. Markarian was in charge of most of the capital raising activities, while Kravets performed most of the other management duties.

There were eight additional employees in the operation, including six salespeople (all undergraduate students) and two system developers. These two activities operated under the direction of Kravets, with the sales staff focusing on signing up more restaurants to offer deals, and the development team was working on improving the apps. There were no marketing or advertising professionals on the team. The main advertising activities were performed through university events like CollegeFest (collegefest.com), which offered a low-cost opportunity to reach the core audience of the app.

In 2010, they had 400 users. The company had two main groups who took advantage of the app: restaurant patrons (who used the app) and restaurants (that advertised through it). The main restaurant patron group that the app targeted was college students, who eat at different hours. To target this group of customers, the firm advertised at venues such as CollegeFest, and had some success, attracting around 17,000 end users in its first six months of marketing. The other set was restaurants, which offered deals and advertised through the app in order to reach the hungry customers. Thus, I Am Hungry was essentially an advertising platform, allowing restaurants to reach app users.

The Revenue Models

The company used three distinct revenue models during its operation (Zinsmeister and Venkatraman 2011). All three of these models concentrated on the restaurant as the main revenue source. Initially, the company allowed restaurant owners to sign up to the program for a fee, so they were able to offer their deals to the consumer. However, this was very difficult to sell to restaurant owners, who did not understand the potential benefits of the model and only considered it as another method of advertising. In order to overcome this resistance, I Am Hungry offered, another model, a limited-time no subscription fees to restaurant owners, who eventually would switch to a paid subscription. Yet, a third model that the company considered was a redemption model that would allow restaurants to list offers for free, and then pay I Am Hungry promised to generate operating capital to significant operating income.

All above three revenue models were problematic. As previously noted, the app did not attract sufficient interest from restaurant owners in its initial subscription form. While the trial free subscription had promise, it did not have enough conversion potential at the company's current sign-up rate to generate operating capital – even if 500 restaurants signed up (or six times the initial subscription number), it would not be sufficient. While the redemption model could have been potentially lucrative for the company, it would not be possible to implement since it required technological integration with the restaurant's POS. The failure of all three of the revenue models explored by the firm meant that there was no realistic way that the company could have met its revenue requirements.

The Results

As expected, given the inability of the company to monetize its services, I Am Hungry no longer exists as an ongoing business. Little information is available about the firm's failure. Its social media presence was originally robust (including Facebook and Twitter). However, this has not

been updated since 2010. The I Am Hungry app is no longer available on Facebook. Despite the company's ambitions, the app was abandoned shortly after its initial announcement, and it never expanded beyond the Boston market.

Since the app is no longer alive, I Am Hungry is out of business. Competitors such as Groupon and Living Social have demonstrated that the advertising model offered by I Am Hungry is viable only if a business can find a way to monetize its services. If the app were to re-emerge, the most important strategic need would have been to find a way to attract restaurant owners who would be willing to pay enough money to support the app.

Sources: Based on Lowman (2010), Zinsmeister and Venkatraman (2011), and di Stefano (2010).

LESSONS LEARNED FROM THE CASE

The case of I Am Hungry offers a key strategic lesson for e-commerce businesses and startups. This lesson is that any company must have a business model that allows for a generation of revenues in a sufficient amount to support development and operations, preferably even before it begins to seek external funding. In order to do this, the company needs a firm idea of who its customers are and what its value proposition is, and understand the competitive market and the needs of its customers (see Chapter 13). Without this information, a good idea may not translate into a money-making opportunity.

This chapter addresses the basic requirements for launching an e-commerce business, including the financing foundations. It provides a guide on how to convert a bright idea into a sustainable e-business and how to implement a business plan. These, as well as the description of how to turn ideas into realities and how to provide the necessary support services, are the major topics of the chapter.

16.1 GETTING INTO E-COMMERCE AND STARTING A NEW ONLINE BUSINESS

As described in Chapter 1 and throughout the book, it is great to be an e-entrepreneur. The availability of inexpensive computing resources, smartphones, and other mobile devices with Internet access and high-speed bandwidth, has created a powerful infrastructure for launching a new e-business or adding e-commerce capabilities to existing organizations. Belew and Elad (2011) and Holden (2013) provide complete guides on how to start an online business. This chapter describes some of the major steps involved in setting up an e-business.

Getting into E-Commerce

Now that you are familiar with EC and its potential, you may want to know how to get started in EC yourself. You can start an e-commerce venture in any number of ways; your only limit is your imagination. Specifically, this chapter presents the following topics:

- Starting a new online business (a startup; see Section 16.1)
- Adding e-commerce initiative(s) to an existing traditional business (i.e., becoming a click-and-mortar organization; see Section 16.2)
- Transforming to a complete e-business (Section 16.2)
- Opening a webstore (Section 16.8)

Almost any e-commerce initiative will require support activities and services, as well as plans for attracting visitors to a website. This chapter presents the following with regard to these types of activities:

- Developing a website (Section 16.3)
- Hosting the website and selecting and registering a domain name (Section 16.4)

- Developing, updating, and managing the content of a website (Section 16.5)
- Designing a website for maximum usability (Section 16.6)
- Providing support services (Section 16.7)

Starting a New Online Business

Having an online marketplace does not guarantee success. Just like brick-and-mortar business, many startups will fail. The questions to ask are: Why do so few online companies succeed while many others fail? What do entrepreneurs need to know to launch a profitable online business?

Online businesses may be pure-play companies or click-and-mortar companies that add online projects. Projects can be, for example, e-procurement, or selling online.

An E-Startup Is a Startup

Before we start our discussion, we need to emphasize that an e-startup is basically a regular startup and, as such, we must consider the same issues facing a physical startup and some more. Many books, magazines, and articles are dedicated to describing the startup of a new business. Magazines such as *Entrepreneur* are fully dedicated to startups. Nagy (2010) provides some practical guidelines to avoid e-commerce failures. Specifically, he suggests looking at: (1) easy navigation website design, (2) customer loyalty and trust, (3) easy and logical order processing, and (4) appropriate method of payment.

Remember that it is advisable for new business owners to seek the guidance of a professional tax consultant, accountant, and/or an attorney to verify that all legal and other requirements have been met before starting and operating a business.

One of the major steps in launching any startup is finding a feasible product (service). This may take a long time, especially for a new product, because the concept comes first, followed by a prototype, and then a market test.

In addition, finding the correct *business model* is critical but not easy (see the opening case). A **business model** as defined in Chapter 1 expresses the manner in which the business from the website is done to generate revenue and create value. This value is usually revenue that hopefully results in profit. A well-defined business strategy picks up where the model leaves off. All of this is designed to help a business thrive.

Peterson et al. (2013) and Holden (2013), among others, provide practical guidelines for initiating and implementing a successful e-business. They cover topics such as setting up the website, getting a domain name, managing the website, initiating accounting, and running the online business. For a free 14-session guide to starting a business, see myownbusiness.org/course.html. Several centers for information technology startups exist; some are sponsored by major software companies.

Creating a New Company or Adding an Online Project

Most new businesses – brick-and-mortar, pure play, or click-and-mortar – begin in a similar manner. The following three typical steps describe the process:

1. **Identify a consumer or business need in the marketplace.** Successful businesses must begin with a good idea. A magazine article, a personal observation, an unsolved marketing problem, or a friend's suggestion may trigger an idea for an online business. The entrepreneur then examines if there is a gap between what people need and what is available on the market. If there is such a gap, an assessment is made to see if e-commerce can fill this gap. In addition, an idea can be derived from new technology, such as in the case of Amazon.com (Case 16.1). Note that the key here is *innovation*.
2. **Investigate the opportunity.** The idea needs to be realistic. Namely, there should be enough potential to attract customers as soon as the business starts to run. In addition, the cost of manufacturing, marketing, and distributing the product or providing the service cannot be excessive. This requires appropriate

pricing of the product or services. For example, online grocery shopping would seem like a wonderful opportunity – relieving busy people from having to spend time leaving the house to shop. Unfortunately, many have tried to provide large- and small-scale online grocery ventures, but most have failed or continue to lose money because they misjudged the logistical problems associated with grocery warehousing and delivery (see discussion in Chapters 3 and 12). This is why it is so important to develop a business plan. One of the purposes of a *business plan* is to determine the viability of a business opportunity in the marketplace.

3. **Determine the business owner's ability to meet the need.** Assuming that a realistic business opportunity exists, does the prospective business owner have the ability to convert the opportunity into success? First, the availability of resources needs to be checked. Second, the personal qualities are important: Is the business in an industry that the prospective entrepreneur knows well and likes? Business skills in recruitment, planning, management, negotiation, marketing, and financial management are required, as well as entrepreneurial attitudes such as innovation, risk taking, and being strategic. Finally, government regulations must be considered.

The process for developing EC projects in existing companies is similar, except Step 3 changes to: "Determine the organization's ability to meet the need."

CASE 16.1: INNOVATION AND CREATIVITY AT AMAZON.COM

It is well known that having the right person with the right idea at the right place and time is a key success factor for any new business. At the start of e-commerce, Jeff Bezos, with his creative mind, was the key to the success of Amazon.com (see opening case in Chapter 3).

As a young entrepreneur, Bezos promoted a summer camp for exchanging new ideas in old areas.

Bezos graduated from Princeton University with a degree in computer science, and his first job was building a financial EDI network for cross-border transactions. A few years later, he became senior vice president at a stock market fund firm D. E. Shaw, responsible for exploring new Internet-related business opportunities. Using his intelligence, entrepreneurial talents, computing education, and e-commerce experience and after titles led him to the idea of selling products online. He then made a list of possible products to sell. Books were #1 on the list since a virtual bookstore could offer millions of different titles and books are a standard commodity. He then decided to create his own company (selling books). Several years later, he added dozens of other products. Today millions of different products are available on Amazon.com.

Why did Bezos decide to sell books? Bezos was willing to bet that many people who buy books would be willing to give up the browsing environment of the local bookstore and the attached coffee shop if he could offer them a huge selection of books at significantly discount prices. In addition, it would be less expensive to offer outstanding customer service and features that one would not find at a physical bookstore, such as book reviews by customers and experts, author interviews, and personalized services such as book recommendations. Bezos wanted to establish a “virtual community” where visitors could “hang out.” Bezos also knew that in 1992 the Supreme Court had ruled in *Quill Corp. v. North Dakota* that retailers were exempt from charging sales tax in states where they did not have a physical presence.

Bezos started by writing the Amazon.com business plan. He built the website in his home garage (similar to the way Microsoft and Apple Computer started). When Amazon.com was launched in July 1995, it was nothing more than a few people in the garage, packing books on a table. When Amazon opened its “virtual doors,” it offered millions of titles (books). Today, Amazon.com sells millions of items each week.

In the late 1990s and early 2000s, Amazon.com invested \$2 billion in physical logistic system, including warehouses. This was in line with Bezos’s broader vision for Amazon.com and its

strategy to sacrifice short term profit as an investment for the long run.

After years of substantial losses, Amazon.com announced its first small profit in the fourth quarter of 2001. In 2009, Amazon.com was one of the few companies to report increased sales and earnings. Amazon.com’s revenue reached \$74 billion in 2013, and it is growing rapidly.

Since its inception, Amazon.com has changed its business model several times, adding innovative ideas. It also has acquired other companies took stakes in different companies in several countries (e.g., [amazon.cn](#) – a large e-tailer of books, music, and videos in China, but without Kindle). Amazon Instant Viewing offers users the ability to watch videos and Internet TV shows on compatible devices (e.g., TV, any Internet-connected computer, Kindle Fire, iPad). In 2007, Amazon.com released the Kindle (1st generation) and began selling downloadable books (recall the Kindle e-book reader in Chapter 5), music, and movies. A major change in the company occurred when Bezos decided to go into the cloud computing business (AWS), providing cloud-based computing to hundreds of thousands of companies (e.g., the U.S. Department of Defense).

Bezos is indeed an innovator. His most original idea is his vision of Blue Origin ([blueorigin.com](#)), a futuristic center for suborbital spaceships. During the last few years, he has worked on commercializing space travel. The most recently publicized timetable states that Blue Origin was being tested for flight in July 2012. Other interesting 2013/2014 innovations are the use of thousands of robots in the company’s warehouses (Chapter 12), the use of drones for order fulfilment, and the creation of the first 3D smartphone.

Sources: Based on Quittner (2008), press releases during 2013 and 2014, and [amazon.com](#) (accessed June 2014).

Questions

1. What were the opportunities and needs in the consumer market that inspired Bezos to create Amazon.com?
2. What factors, at both personal and business levels, led Bezos to his brilliant idea?
3. Describe some recent innovations from Amazon.com.

Some Tips for Success

Many people provide tips on how to succeed in EC (for examples, see Condra 2014). A good source for EC ideas is *Practical Commerce*, practicalecommerce.com, where you can find articles and commentaries (and a free e-book) to help online merchants.

There are some requirements and constraints that an owner of an online business must consider. The first requirement is to understand the culture of the Internet. For example, the correct use of graphics in website design attracts visitors, while intrusive pop-ups are counter-productive. Additionally, there is a need to consider the characteristics of the products and services you plan to sell. For example, digital products (e.g., information, music, software), services (e.g., stock brokering, travel ticket sales), and standard item commodities (e.g., books, CDs) have been quite successful. In contrast, grocery products, such as fresh vegetables and ice cream do not sell well online. One of the greatest opportunities the Internet offers is niche marketing. Unique concepts, such as antique Coke bottles (antiquebottles.com), gadgets for left-handed individuals (anythinglefthanded.co.uk), and toys for cats and dogs (cattoys.com and dogtoys.com), would rarely succeed doing business a physical storefront (due to not having enough customers), but the Internet offers the owners of these sites an opportunity to reach much larger markets.

Cloning

Entrepreneurs all over the globe try to clone or copy the Web's most successful websites, such as Facebook, Twitter, eBay, Pinterest, and Amazon.com. Examples are Amazon.gr (no longer live), which called itself "Greece's Biggest Bookstore," and had much the same look and feel as Amazon.com's site at the time when Amazon.com referred to itself as the "Earth's Biggest Bookstore."

Planning Online Businesses

Planning an online business is similar to planning for any startup venture in that it centers on a business plan (see Berry undated).

Business Plan

Every new online business needs at least an informal *business plan*. Medium and large businesses, or those seeking external funding, must have a formal business plan. A **business plan** is a written, formal document that specifies a company's goals, and outlines how the company intends to achieve these goals. The plan describes the nature and characteristics of the business. It includes both strategic elements (e.g., mission statement, business model, value proposition, and competitive positioning analysis) and/or operational elements (e.g., production and operation plans, financial projections) of how a new venture intends to do business. For details, see Peterson et al. (2013) and the U.S. Small Business Administration (sba.gov/content/what-business-plan-and-why-do-i-need-one).

The primary reason an entrepreneur writes a business plan is to use it to secure funding from a bank, an angel investor or a venture capitalist. Similarly, in an existing business, a *business case* needs to be written for any new large EC project. For all aspects of business plans for start-up companies, see HJ Ventures International (hjventures.com).

For a sample of business plan software, see PlanWare (planware.org), PlanMagic Corporation (planmagic.com), and Atlas Business Solutions, Inc. (abs-usa.com). Palo Alto Software (paloalto.com) offers online access to more than 500 sample business plans, in their LivePlan, for a monthly fee of US\$19.95. For more on getting started with writing a business plan for a small company, see small-business.yahoo.com. See also Session 2: The Business Plan at My Own Business, Inc. (myown-business.org/outline.html).

The Business Case

An existing brick-and-mortar business looking to move online (either to add EC projects or to

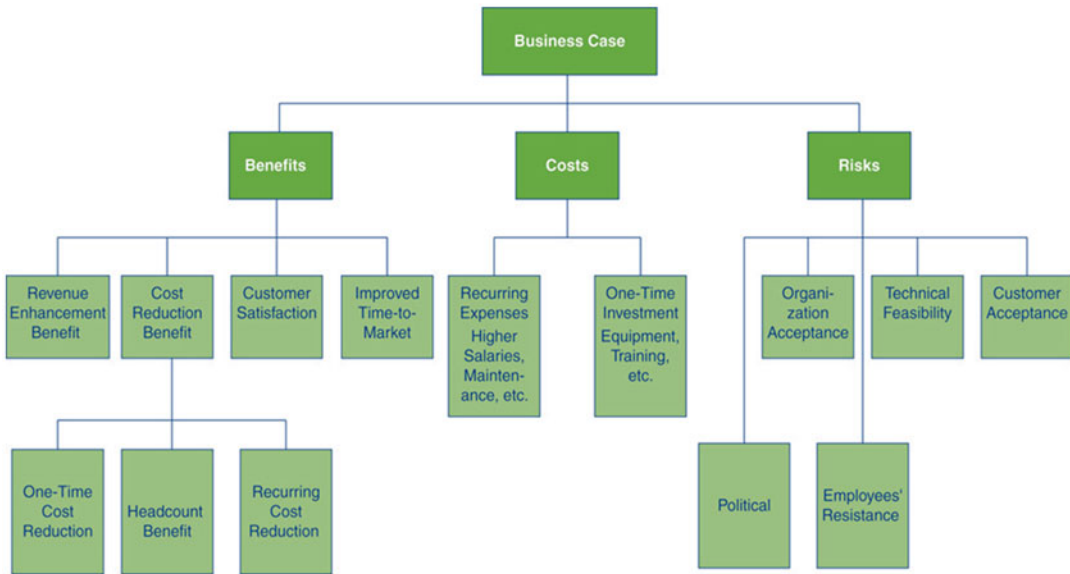


Figure 16.1 The cost-benefit elements of a business case

transform itself to an e-business) needs a **business case** – a document that is used to convince management to approve the investment of organizational resources in specific EC or other projects (see Figure 16.1). A business case supports the decision to go or not to go with an EC project. For a large, resource-intensive EC project, a business case resembles a business plan. For a small or medium-sized project, the business case can be much simpler and less formal. If a business is considering several initiatives, there should be a separate business case for each one.

The Major Advantages of Business Case

Business cases develop a systematic financial justification for projects; they assist in organizing and not forgetting all the necessary data; they point to drawbacks, constraints and risks; assist in collaboration with relevant partners, and help determine who needs a business case and how to use one. The business case structure is assisted by templates.

Business Case Templates

Several business case templates are available online. In general, they include the elements

listed in Figure 16.1. For examples of business case templates, see score.org/resources/business-planning-financial-statements-template-gallery. Free templates and tutorials are available at projectmanagementdocs.com/project-initiation-templates/business-case.html. For more on business cases, see know.about.com/Business_Case.

Funding a New Online Business

Launching an online business can be expensive. The entrepreneur is expected to invest personal funds from savings, personal lines of credit, or taking a second mortgage on his or her house, but these sources of “bootstrap funding” may not be sufficient. Entrepreneurs should “bootstrap” as long as possible, before tapping into the venture capital market. If the new venture involves a significant risk, traditional sources of debt financing, such as a bank loan, can be difficult or impossible to obtain. See Rutgers (2014) for financing a startup business. For an introduction to sources of e-business funding, see the Business Partners Network (business-partners.com).

First Round of Initial Funding: Angel Investors and Incubators

When an entrepreneur's personal funds are insufficient, he or she will go to friends, family members, or to *angel investors*. An **angel investor** is a wealthy individual who contributes personal funds and possibly advice at the earliest stage of business development usually in exchange of equity in the business. Angel investors can be found through organizations such as the Angel Capital Association (angelcapitalassociation.org), newspapers, magazines, and business-oriented social networks (e.g., LinkedIn).

Another important source of support, if not direct funding, for pre-venture-capital firms is an *incubator*. An **EC incubator** is a company, university, or nonprofit organization that supports promising EC businesses in their initial stages of development. Although some incubators offer startup funding, the primary purpose of most incubators is to offer a variety of support services – office space, accounting services, group purchasing programs, reception services, coaching, and information technology consulting – at little or no cost. In return, the incubator receives a modest fee, startup equity in the company, or both.

A special case of angel investors is using crowdfunding.

Crowdfunding

A new approach to the financing of startups and small businesses is *crowdfunding*.

Crowdfunding, also known as *crowd financing*, is based on using investors to fund startups. Each individual invests a small amount of money; the collection channels are Internet-based social networks (see Young 2013).

The concept is implemented via online portals, which connect small investors with entrepreneurs. For details, see Neiss et al. (2013). There are numerous companies that manage such portals (e.g., Kickstarter, and Spot.us). For an overview, see Prive (2012).

Second Round Financing: Venture Capital

One major source of funding new ventures is *venture capital*. **Venture capital (VC)** is money invested in a business by an individual, a group of

individuals (venture capitalists), or a funding company in exchange for equity in the business.

The downside for the startup business to acquire VC is minimal; it loses some control over the business in return for funds it is unlikely to acquire from any other source. The more difficult problem is finding VC. Due to the many dot-com failures since 2000, many VC sources have disappeared, and competition for venture capital is fierce. However, currently there is a surge in VC financing social media and social commerce companies.

Some well-known VC companies are vFinance, Inc. (vfinance.com), Westlake Securities (westlake.securities.com), and Garage Technology Ventures (garage.com). For more information, see the National Venture Capital Association (nvca.org), Venture Capital (v-capital.com.au), and VC Fodder (vcfodder.com).

Additional Funding: A Large Partner

As part of a VC investment or after the depletion of VC money, one or more large companies may offer financial assistance. For example, Yahoo!, IBM, eBay, Microsoft, Facebook, Motorola, Google, Time Warner News Corp., and Oracle have invested in hundreds of EC startup companies. Eventually, they may acquire the startup completely. Such investments are done frequently in complementary or competing areas. For example, Yahoo! is a major investor in Alibaba.com. Microsoft purchased a stake in Facebook in 2008, and eBay owns 25% of Craigslist.

The closing case discusses the management challenges faced by Facebook as it has grown. A major dilemma of a startup is: Should it collaborate with larger partners or should it stay independent? Facebook eventually went public in June 2012. It is important for a startup to make the right decision at the right time. Some EC startups like Friendster waited too long and saw disastrous results.

The Initial Public Offer (IPO)

Once a company is well known and successful, it will go to a stock exchange to raise money via an *initial public offering* (IPO). In such offerings, investors will pay a much larger amount of money per share than would be paid by an initial and

secondary funding source, sometimes 5 or 10 times more per share. A well-known example is the launch of Alibaba.com (see Case 16.2); its IPO was valued in the billions of dollars on the Hong Kong stock exchange in October 2007. Then the owners repurchased all the publically traded shares. In 2014, Alibaba group went public on the New York Stock Exchange, raising its valuation to \$150 billion. In 2011, several social commerce startups took the IPO route (e.g., LinkedIn, Groupon, and Pandora). Finally, in 2012, Facebook went public. Some successful recent IPOs are Yelp, Tripadvisor, and HomeAway.

SECTION 16.1 REVIEW QUESTIONS

1. List the major steps in the process of building an online business.
2. What special requirements must an online business consider in its formation? In e-business planning?
3. Describe a business plan.
4. What is a business case and how does it contribute to the success of a business?
5. Describe initial, secondary, and IPO funding options available to a startup.
6. What is an angel investor? An incubator?
7. Define crowdfunding and describe how it works.
8. How does a VC company support a startup?

16.2 ADDING E-COMMERCE INITIATIVES OR TRANSFORMING TO AN E-BUSINESS

Creating an e-business startup certainly is exciting, but it also is very risky. As with any other new business, the failure rate is very high. However, in cyberspace the risks and uncertainties, plus lack of experience, may result in an even higher rate of failure. Nevertheless, hundred thousands of new, mostly small, online businesses have been created since e-commerce started in 1995.

Another common strategy to get involved in EC is adding one or several EC initiatives to an existing business.

Adding EC Initiatives to an Existing Business

Almost all medium-to-large organizations have added or plan to add EC initiatives to their existing business. The most common additions are:

- **A webstore.** Adding an online sales channel is common in both B2C (e.g., godiva.com, walmart.com) and B2B (e.g., ibm.com/us/en). The required investment is low, because inexpensive webstore hosting and software is available from many vendors (see Sections 16.4 and 16.6). A webstore can be built quickly, and the damage in case of failure may not be too great. Because the required investment is usually not too large, it may not be necessary to expend the time and money in developing a formal business case. This is a practical strategy for a *small- and medium-sized enterprise* (SME). For a large-scale webstore, a company will need to follow the steps suggested in Section 16.1, especially the preparation of a business case, in order to secure internal funding from the top management. For further details on developing webstores, see the Yahoo! Small Business site (go to smallbusiness.yahoo.com/advisor/getstarted). A major issue in developing a webstore is deciding what support services to offer and how to provide them.
- **A portal.** There are several types of corporate portals. Almost all companies today have one or several portals that they use for external and/or internal collaboration and communication. A webstore for employees or for external customers will include a portal. Adding a portal (or several portals) may be a necessity. Issues of content and design, as well as security, are of utmost importance. Because many vendors offer

portal-building services, vendor selection might be an important issue.

- **E-procurement.** This EC initiative is popular with large companies, as described in Chapter 4. E-procurement frequently requires a business plan and extensive integration (both internally and externally with business partners), so EC architecture must be in place.
- **Auctions and reverse auctions.** Large corporations need to consider building their own auction or reverse auction (for e-procurement) sites. Although forward auctions can be added to a webstore at a reasonable cost, a reverse auction usually requires more integration with business partners, and, consequently, a larger investment and a business case. You can learn more about reverse auctions at whatisareverseauction.com.
- **M-commerce.** Many companies are embarking on the usage of internal wireless applications as well as on selling and advertising via m-commerce technologies. The resounding effect of this policy can be seen in sites that have gone wireless. With the increasing popularity of tablets and smartphones, posts on Twitter, LinkedIn, and Facebook are effective tactics and strategies for e-commerce.
- **Social commerce.** Many large companies now offer blogs and wikis; others (e.g., Toyota, Coca-Cola and Starbucks) operate enterprise social networks, and social CRM is offered by Best Buy. For more, see Chapter 7. Learn about the explosive growth of social commerce from bazaarvoice.com/research-and-insight/social-commerce-statistics and in Turban et al. (2015).

Organizations may consider many other EC initiatives, following the business models presented in Chapter 1. For example, Qantas Airways (qantas.com.au) sells tickets online directly from

its website. From a B2B exchange, Qantas buys supplies and services by using e-procurement; provides e-training for its employees; operates several corporate portals; offers online banking services to its employees; provides eCRM and e-PRM; manages its frequent-flyer program; supports a wireless notification system to customers; and so forth. Large companies, such as GE and IBM, have hundreds of active EC projects.

Transformation to an E-Business and Social Business

As a brick-and-mortar organization implements more EC projects, it becomes a click-and-mortar organization, and eventually an e-business. Being an e-business does not imply that the organization is a pure-play company; it just means that it conducts as many processes as possible online. A rapid or large-scale change from brick-and-mortar to e-business involves organizational transformation.

What Is Organizational Transformation?

Organizational transformation is a comprehensive concept that implies a major organizational change. A *transformation* is not only a major change, but also a sharp break from the past. The key points in understanding organizational transformation are as follows:

- The organization's thinking is fundamentally modified.
- There are major changes to processes and business models.
- The change makes organizations completely different from the past practices.
- The behavior of management and employees is completely changed.
- The change will create new organizational structures and possibly different chains of command.

How an Organization Can Be Transformed into an E-Business

An e-business transformation is not solely about new technology. Technologies must be integrated with possible changes in business strategy, processes, organizational culture, and infrastructure. For details, see Gloor (2011). A discussion regarding transformation to e-business is provided in Chapter 1.

Transforming an organization, especially a large company, into an e-business can be a very complex endeavor. For an organization to transform itself into an e-business, it must transform several major processes, such as procurement, sales, customer relationship management (CRM), and manufacturing, as well as handle *change management* efforts.

It is suggested that companies spin off EC activities as part of the transformation process.

Software Tools for Facilitating the Transformation to E-Business

Several vendors offer methodologies and tools to facilitate the transformation to e-business. IBM is one, but there are many others, such as Cisco and Oracle. Using special methodologies, organizations in the public sector can achieve significant cost and cycle time reductions.

Change Management

Transforming an existing business into an e-business or adding a major e-commerce initiative means a manager must change business processes and the manner in which people work, communicate, and are promoted and managed (see Kotter 2012 for details).

SECTION 16.2 REVIEW QUESTIONS

1. Which EC initiatives are brick-and-mortar organizations most likely to add?
2. Describe the steps in becoming an e-business and the major activities involved in the process.
3. List some of the issues involved in transforming to an e-business.
4. Describe the major characteristics (key points) of organizational transformation.

16.3 BUILDING OR ACQUIRING A WEBSITE

Every online business needs a website. A website is the primary mechanism where any firm doing business on the Internet advertises its products or services and attracts customers. Many websites also sell products and services. The website may be a webstore, a portal, an auction site, and so on (See Rutgers 2014). How can an organization build or acquire such a site? First, let us examine the major types of websites.

Classification of Websites

Websites can be classified according to the level of functionality of the site. Here are the most common levels:

- An **informational website** provides information about the business and its products and services. The major purpose is to have a *presence* on the Web.
- An **interactive website** provides opportunities for the customers and the business to interact, converse and present information (as in information website). It may include an e-newsletter, search engine, video product demonstrations, wikis, blogs, feedback from customers, discussion forums and value added features.
- **Attractors** are websites with features that do more than the previously described sites do. Attractors include puzzles, competitions, and prize giveaways. They are designed so that visitors will like them so much that they will visit again, and recommend the site to their friends. For example, Ragú's website (ragu.com; an easy name to remember) does not sell Ragú products, but the recipes and customer interaction provided attract visitors

and contributes to the brand recognition. Coca-Cola, Whole Foods Market, and Disney have similar sites.

- A **transactional website** sells products and services. These websites also include information and interactive features, but they concentrate on selling mechanism features (Chapter 2), such as shopping carts.
- A **collaborative website** is a site that allows business partners to interact and collaborate (i.e., it includes many supportive tools; see Chapter 5). B2B *exchanges* may also provide collaboration capabilities.
- A **social-oriented website** is a site that provides users with online tools for communication and sharing information on common interests. It empowers consumers to utilize their time around the converged media experience for social participation. Social-oriented websites like Facebook (see the closing case) have emerged as one of the most powerful marketing channels.

Building a Website

Once a business completes all preliminary tasks, it can construct the website.

Steps in Building a Website

These are the typical steps in building a website:

1. **Select a Web host.** One of the first decisions that an online business will face is where to place its website on the Internet. The website may be included in a virtual shopping mall, such as 3d-berlin.com, the-virtualmall.com, or pointshop.com/mall. Alternatively, a webstore can be hosted in a marketplace that is a collection of independent webstores like Yahoo! (smallbusiness.yahoo.com), Amazon.com, Etsy, or eBay (even if it is not an auction business). However, many medium and large-sized businesses build their own websites with either
 - an independent hosting service or through self-hosting arrangements (see Chapter 14).
2. **Register a domain name.** In a mall or webstore, the business's name may be an extension of the host's name. A stand-alone website will need its own domain name, and decisions will have to be made about which top-level domain name to use and whether the domain name includes the business name or only some aspect of branding. Registering domain names is essential to a business (see iregistry.com/what-is-a-domain.html).
3. **Create and manage content.** The website also needs content – the text, catalog, images, sound, and video – that delivers the information that visitors need and expect. Content can come from a variety of sources, but getting the right content in place, making it easy for viewers to find, delivering it effectively, and managing the content so it remains accurate and up-to-date are critical success factors (see discussion in Section 16.5). Hosting services may provide advice and services (Section 16.4). Table 16.1 lists the major criteria website visitors use to evaluate the content of a website. More criteria are provided in Section 16.4.
4. **Design the website.** This important task is described in Section 16.6. Stores in a mall or those using storebuilders may have limited options, but the stand-alone websites have many options. Table 16.1 lists the primary criteria that visitors use to evaluate the usefulness of a website.
5. **Construct the website and test.** Businesses must also decide whether to design and construct the website internally, contract it out to a Web design firm, or a combination of both. When the business owners are satisfied with the website, it is transferred to the website host. At this point, the website is open for business, but it requires final testing to ensure that all the links work and that the processes function as expected (e.g., acceptance of credit cards).
6. **Market and promote the website.** At this stage, the business promotes the location of the website, both online and offline. A business can use any of the advertising strategies discussed in Chapter 9 – banner exchanges, e-mail, chat

Table 16.1 How website visitors evaluate websites

How website visitors evaluate content	
Criteria (and related subcriteria)	Explanation
Relevance (applicable, related, clear)	What is the relevancy, clarity, and quality of the information?
Timeliness (current, continuously updated)	How current is the information?
Reliability (believable, accurate, consistent)	How accurate, dependable, and uniform is the information?
Personality	Is there any personalized content? Is it pleasing to the customer?
Scope (sufficient, complete, covers a wide range, detailed)	What extent of information, range of information, and amount of detail does the website provide?
Perceived usefulness (informative, valuable, instrumental)	What is the likelihood that the website’s information will facilitate a visitor’s purchasing decision?
How website visitors evaluate website design	
Criteria (and related subcriteria)	Explanation
Access (responsive, loads quickly) (see w3.org/WAI)	How long does it take to access the website, and is it always available?
Usability (simple layout, easy to use, well organized, visually attractive, fun, clear design)	Is the website visually appealing, reliable, and easy to use?
Navigation	Are the links to needed information appropriate and active on the website?
Interactivity (customized product; search engine; ability to create list of items, change list of items, and find related items)	Is there an ability to utilize the search engine and the personalized features of the website?
Attractiveness, Appearance	Are multimedia and colors used properly?

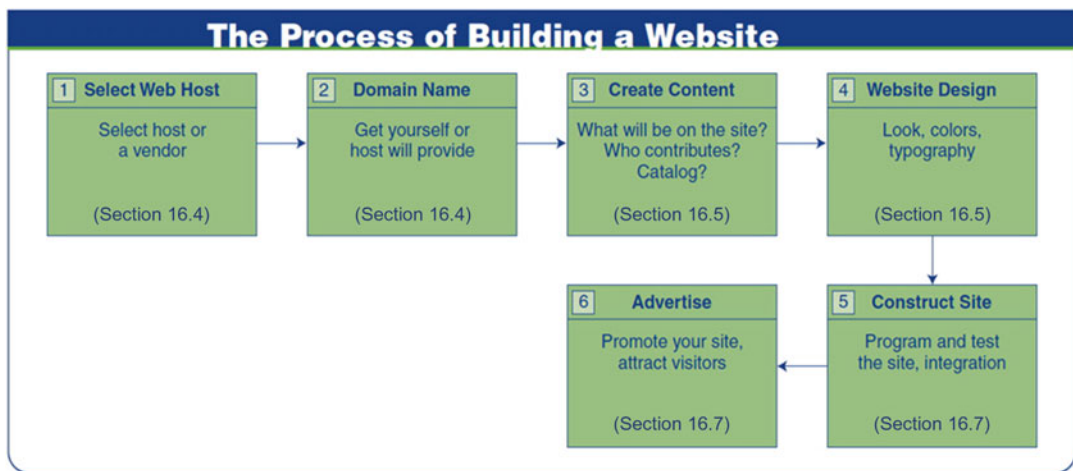


Figure 16.2 The process of building a website

rooms, viral marketing, and so forth. The process of building the site is illustrated in Figure 16.2. Templates are available at smallbusiness.yahoo.com/ecommerce. The forthcoming sections discuss each of the steps illustrated in Figure 16.2.

SECTION 16.3 REVIEW QUESTIONS

1. Distinguish among informational, interactive, transactional, collaborative, and social-oriented websites.
2. List the six steps in building a website.

16.4 WEBSITE HOSTING AND OBTAINING A DOMAIN NAME

Selling online requires a webstore. An e-business either owns, or rents the webstore in a mall, or at an independent location. The decisions about whether to own (self-host) or rent, where to host the website (e.g., storebuilder service, ISP, use a pure Web hosting service, or self-hosting), and the site's domain name are some of the initial decisions an e-business owner has to make. This section discusses the considerations in making these decisions. For details, see Rutgers (2014), and Holden (2013).

Web Hosting Options

The following are the major Web hosting options.

Storebuilder Service

A **storebuilder service** (also called a *design-and-host service*) provides Web hosting as well as storage space, templates, and other services to help small businesses build a website expeditiously and inexpensively. An example of a company that offers comprehensive storebuilding services is Yahoo! (smallbusiness.yahoo.com/webhosting). However, using a storebuilding service has certain disadvantages, one being the lack of certain functionalities (e.g., accepting payments through PayPal may not be possible). In addition, the client's website tends to look like other sites because everyone is using the same set of templates. Despite the disadvantages, storebuilder services are popular. However, today's storebuilders offer services similar to those offered by dedicated hosting services, which are the leading choice of small and sometimes medium-sized businesses. These services are usually inexpensive unless you want them upgraded (to a premium level).

A Dedicated Hosting Service

A **Web hosting service** is a type of hosting service that allows individuals and organizations to

make their website accessible on the Web (providing websites with space on the Internet). Companies such as Go Daddy, iPage, Shopify, Web.com, and BlueHost offer more and better services than a storebuilder service offers. Almost all Web hosting companies also have internal Web design departments to help the clients. In addition, features such as shipping, tax calculators, and comprehensive site statistics are likely to be available. Comprehensive services are also offered by large vendors such as Microsoft (see microsoftbusinesshub.com), IBM (ibm.com/us/en), and Adobe's Dreamweaver (adobe.com/devnet/dreamweaver.html). For a list of the top 10 Web hosting companies for 2014 and for a discussion on how to select one, see top10bestwebhosting.com. For a comprehensive site offering resources and references, articles and newsletters on Web hosting, website design, domain names, etc., see thesitewizard.com (to see a list of categories and a topical index, go to thesitewizard.com/topics/index.shtml).

Self-Hosting

With **self-hosting**, a company is doing the job in-house (build your own website). For this purpose, it needs hardware, software, IT staff, and dedicated telecommunications services. Self-hosting is beneficial when a business has special requirements, or a large and complex site. Some of the disadvantages of self-hosting are the high cost and the low speed of construction. The other Web hosting options enable the hosting company to share the costs of site hosting among many of their customers.

Free Web Hosting Services

Several companies offer free web hosting, but they do not offer the many features offered by the dedicated web hosting companies (e.g., Google "sites" is used to support the website of this book). For a comparison of some free Web hosting services, see en.wikipedia.org/wiki/Comparison_of_free_web_hosting_services. With these sites, you can get free hosting, a free domain name, and build your website very quickly.

Selecting and Registering a Domain Name

A **domain name** is a name-based Internet address (owned by a person or an organization) that identifies a specific website and its Internet-connected server. It is an “online identity,” which allows users to identify one or more IP addresses. Most domain names are assigned by an agency called Domain Name Systems, or DNS. Usually, a domain name is designated by the portion of the address that comes right before the “.com” or “.org” (or other top level designation), and it includes the “.com” or “.org” portion.

For more information and details about Web hosting, domain names, and website builders, see midphase.com/website-hosting/what-is-web-hosting.php.

Selecting a domain name is an important marketing and branding consideration for any business (an example is Alibaba.com, as presented in Case 16.2).

CASE 16.2: ALIBABA.COM OPENS DOORS TO E-COMMERCE ENTREPRENEURS

We presented the case of Alibaba Group and its B2B subsidiary, Alibaba.com, in Chapter 4. Here we describe a few additional topics related to the content of this chapter.

Alibaba.com has grown into a global provider of online trading solutions, initially serving only small- and medium-sized enterprises in China, but is now serving many types of companies and individuals worldwide. Founded in 1998 by Jack Ma, it has successfully adapted to the challenges of e-commerce and seized opportunities brought by technological innovation over the years. Its name is derived from the classic Arabian story “Alibaba and the Forty Thieves.” Ma deliberately chose this name, believing in its potential for brand recognition, as he envisioned the company’s international expansion. In addition, people associate the name with the saying “Open Sesame!” (per usatoday.com/story/money/2014/05/07/alibaba-name/8805805). Perhaps more profoundly, the story of

Alibaba.com reflects the type of success that results from practicing honesty and integrity similar to that depicted in the fairy tale.

Where Technology Meets Business

The Alibaba Group is committed to supporting the growth and success of SMEs. Alibaba.com is a B2B site where small companies can conduct transactions. As superior technology with advanced security features is essential to such dealings, the website utilizes TrustPass, a certificate given to companies assuring that they are a real and legitimate business (see img.alibabacom/hermes/trustpass.html).

The details of Alibaba.com are provided in the opening case to Chapter 4. In addition, the site provides an efficient search engine and members can subscribe to news alerts on the latest products. Alibaba members can join online forums that discuss relevant issues in online global trading. Additionally, the Alibaba instant messaging tool TradeManager (trademanager.alibabacom) allows real-time chat between buyers and suppliers online.

The website interface is simple and user-friendly, designed to attract even non-technical users.

An Inspiration to SMEs

Now a household name in e-commerce, Alibaba.com proves the importance of brand recognition, especially with the large number of companies competing for customer attention. The site is popular among SMEs, owing to the customized membership packages that it provides in exchange for a minimal membership fee. This approach stands in stark contrast to the complex and costly maintenance of a self-maintained company website. Member firms gain access to the advanced technology utilized by Alibaba.com, yet they can choose only certain features within their limited budget. Furthermore, members can benefit from the extensive network of trading partners. Alibaba emphasizes popular issues on trading and offers helpful advice through discussion groups or forums. Alibaba.com empowers SMEs to contribute to China’s economic growth.

Despite its enormous success, Alibaba.com, which began as a small start-up company, has maintained its goal: to support SMEs. With its wide community of buyers and sellers today, Alibaba.com not only boosts e-commerce but also serves as an inspiration to other start-up companies, urging them to aim for global success.

Sources: Based on Lai (2010b), Farhoomand and Lai (2010), and alibaba.com (accessed July 2014).

Questions

1. Alibaba.com has a strong commitment to assist small and medium enterprises (SMEs) in B2B e-commerce. What are the advantages and disadvantages of this strategy to Alibaba Group and to the network member?
2. Go to alibaba.com and examine the layout and features of the site. Do you think the interface design is appropriate for SME users? Why or Why not? Explain.
3. Compare and contrast the business model of Alibaba.com with other B2B business models (e.g., of Ariba.com).
4. What lessons does the Alibaba.com case offer to e-commerce startups and entrepreneurs?

The Essentials of Domain Names

A domain name should be easy to remember. The *domain name system* (DNS) maps a domain name to a corresponding IP address (e.g., 211.180.338). Each domain name must include a top-level domain (TLD) (e.g., .com, .net, .org), or a country-code top-level domain (ccTLD; e.g., .au for Australia, .jp for Japan). Most ccTLDs also have a *second-level domain name* that indicates the type of organization (e.g., yahoo.co.jp). On the left side of the domain name is the organization's name (e.g., ibm.com), or a brand name (e.g., cadillac.com).

A useful resource for learning more about domain names and the registration process is Domainmart (domainmart.com), which offers “guides and resources for successful Internet presence,” including a domain name glossary and a registration FAQ file. See also, “How to

Register a Domain Name” at 2createawebsite.com/prebuild/register_domain.html. You can also get a domain name at smallbusiness.yahoo.com/domains and other hosting services.

SECTION 16.4 REVIEW QUESTIONS

1. What are the advantages and disadvantages of the different Web hosting options?
2. What is a domain name? Why is selecting a domain name an important step for creating an online business?

16.5 WEB CONTENT CREATION AND MANAGEMENT

Web content is content (the text, images, sound, and video) that is included on a Web page. Creating and managing content is critical to website success because it presents the company and its products to customers. In Web design, “Content is king!” This section describes the essentials of Web content. For details, see Rutgers (2014). For more about the importance of content, including an infographic, see simplycompelling.com/content-is-king.

Categories and Types of Content

Providing content to EC sites may be a complex job due to the variety and quantity of the contributing sources. In addition, content may include foreign languages and must be updated frequently. Content may include all types of media. Finally, content may involve security, quality, privacy protection, and permission issues.

Frequently changing content (e.g., weather news) is referred to as **dynamic Web content**, which is constant and may be updated infrequently (standard HTML pages) as distinguished from *static Web content*.

Up-to-the-minute dynamic content is what attracts new and returning customers (“eyeballs”) and makes them stay longer (“stickiness”). Therefore, dynamic Web content contributes to customer loyalty.

Primary and Secondary Content

Content should include more than just information about the product itself (the *primary content*). A website also should include *secondary content* that offers marketing opportunities, such as the following:

- **Cross-selling.** Using content for **cross-selling** means offering complementary or related products and services to increase sales. Amazon.com offers people who read personalized recommendations such as “customers who bought this book also bought...” and items “frequently bought together.” Accessories, add-on products, extended warranties, and gift wrapping are examples of cross-selling opportunities that companies can offer to buyers on the product pages or in the purchase process. Another example of cross-selling is if you buy a car online, you may be offered insurance and financing.
- **Up-selling.** Creating content for **up-selling** means offering an upgraded version of the product in order to boost sales and profit. Amazon.com offers “great buy” book combinations (buy two related books for slightly more than the price of one). (It also practices *down-selling* by offering visitors used copies of a book at a cheaper price than the new book.) Up-selling activities usually include offering products with a different design, color, fabric, or size.
- **Promotions.** A coupon, rebate, discount, or special service is secondary content that can increase sales or improve customer service. Amazon.com frequently offers reduced or free shipping charges, (e.g., to Prime members or with a purchase of \$35 or more).
- **Comments.** Reviews, testimonials, recommendations, or ‘how to use the product’ supplement content. Amazon.com book pages always have editorial and customer reviews of the book, and the “look inside this book” feature sometimes allows website visitors to preview some book chapters.

Content Management and Maintenance

Content management is the process of collecting, publishing, revising, updating, and removing content from a website to keep content fresh, accurate, compelling, and credible. Almost all sites begin with a high level of relevant content, but over time material becomes dated, irrelevant, or incorrect. Content management makes sure a site remains relevant and accurate long after it was placed on the site.

Content Management Software (System)

Content management software enables nontechnical contributors to create, edit, and delete content on a company’s website. This way, companies empower and induce content owners to manage their own content. There are numerous software packages available on the market that help with content management. For more information, see slideshare.net/abelsp/content-quality-management-using-software-to-manage-quality-and-track-metrics.

Catalog Content and Its Management

Much of the content in B2B and B2C sites is catalog based. Chapter 2 discussed the benefits of electronic catalogs. Although there are many positive aspects of e-catalogs, poorly organized ones may deter buyers. Companies need to make sure that their catalog content is well created and managed.

For B2B internal catalog creators (Chapter 4), who aggregate suppliers’ catalogs on their own websites, content management begins by interacting with suppliers and then collecting their relevant content. That is no small task, considering that most large buying organizations have hundreds, or even thousands, of suppliers, each

of which may use different data formats and nomenclature to describe their catalog items.

SECTION 16.5 REVIEW QUESTIONS

1. What is website content? Dynamic content? What are the major categories of content?
2. How can a business use content for cross-selling? For up-selling? For promotion?
3. What is the purpose of content management?

16.6 WEBSITE DESIGN

The website owner's next task is website design, which includes information architecture, navigation design, use of colors and graphics, and maximizing site performance. The purpose of this section is to enable users to understand and possibly contribute to the design of a website when working with Web designers. For details, see Rutgers (2014) and Jenkins (2013).

Successful website design is about meeting the customers' expectations and enabling the selling of the products or services. Design starts with identifying the customer's needs, expectations, and problems. A site is then designed to meet those needs and expectations. Jenkins (2013) and

McNeil (2013) provide some practical guidelines for a successful website. For a comprehensive collection of tutorials, templates, articles, and more, see Web Design Library (webdesign.org). For elements of a successful business website, including a discussion on content, SEO, and website design, see businessexposuregroup.wordpress.com/2012/07/25/elements-of-a-successful-business-website.

Table 16.2 shows a list of important website design criteria, with relevant questions. For a large collection of images, click on 'web design' in a Google image search.

Examples of well-designed sites are those of Intel, Sears, HP, Express Scripts, Whole Foods, Procter & Gamble, Johnson & Johnson, IBM, Pfizer, and Bank of America.

Information Architecture for a Website

A website's **information architecture** describes how a site is organized. It lists all the components of a site and how they are connected together. The most common site structure is *hierarchical* (see Figure 16.3). Most hierarchical websites are built

Table 16.2 Website design criteria

Navigation	Is it easy for visitors to find their way around the site?
Consistency	Are design elements, especially look, terminology, icons, and users' feeling, consistent across all pages? Does everything match?
Response time	How long does it take to access the site? Does the site comply with efficient rules (e.g., the 12-second rule?)
Appearance	Is the site aesthetically pleasing? Are the colors visually pleasing? Does the site's look express the company's desired image? Is the content easy to read, easy to navigate, and easy to understand?
Quality assurance	Are the site's calculators, navigation links, visitor registration processes, search tools, etc. in working order?
Availability	Are all broken links fixed promptly? Is the site always available to access?
Interactivity	Does the site encourage the visitor to play an active role in learning about the business's products or services? Are all appropriate contact details available on the website for visitors to submit feedback and ask questions? Is the information (contact names, e-mails, addresses, telephone numbers, etc.) current?
Content	How much multimedia is on the site? How current and relevant is the content? Is it easy to read? Informative?
Usability	How easy is it to use the site? How easy is it to learn to use the site?
Security	Is the customer's information protected? Does the customer feel safe accessing and using the site and, for example, submitting credit card information?
Scalability	Does the site design provide an easy format for future updates? Will the site's growth and increased usage protect the initial investment in site construction?

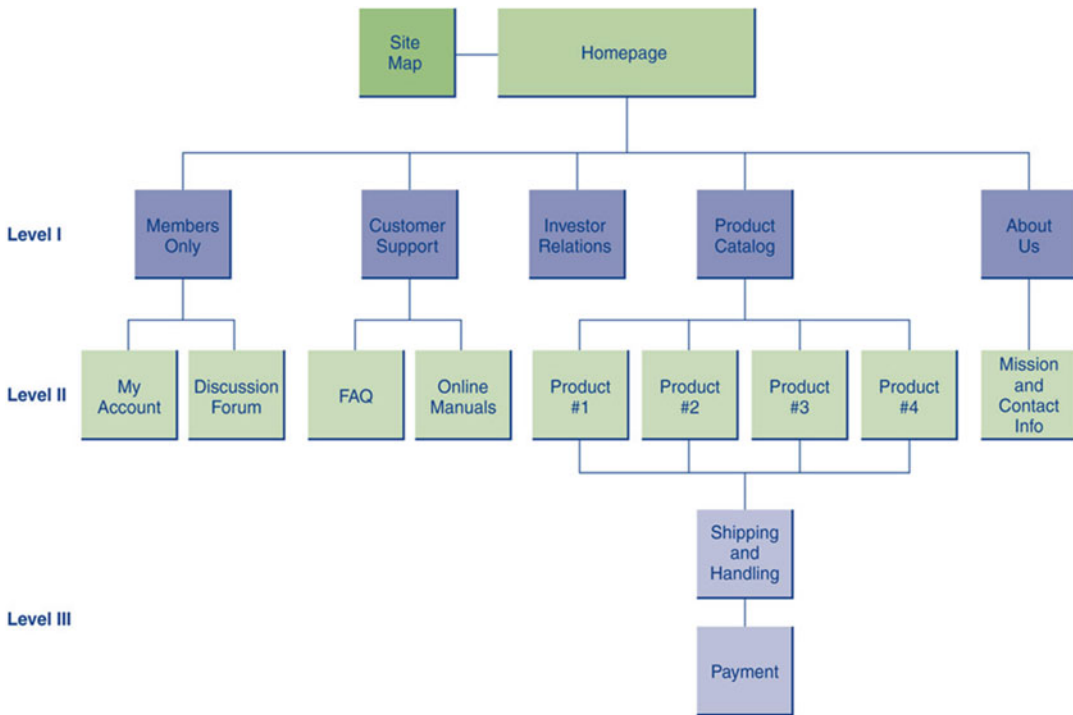


Figure 16.3 A simple hierarchical website structure

with wide and shallow structures, putting 3–10 components in level II (see figure) and limiting the components in most other levels. Other, less frequently used structures are circular and linear. A circular structure is useful for presenting training materials. A linear structure is useful for tutorials.

A website typically includes a *homepage* that welcomes visitors and introduces the site; *help* pages that assist the visitor in using or navigating through the site; *company* pages that give the visitor information about the e-business; *transaction* pages that lead the customer through the purchase process; and *content* pages that deliver information about products, services, and related topics.

Site Navigation

The purpose of **site navigation** is to help visitors quickly and easily find the information they need on a website. Among the questions considered in the creation of site navigation are: How will visitors access a site? How will visitors use the site? How will they find what is available at the site?

How will they go from one page to another and from one topic to another? How will visitors find what they are looking for? Site navigation has to help visitors find information efficiently, because visitors do not want to take the time to figure out how to access a site.

A simple navigation aid is a navigation bar. A navigation bar (see Figure 16.4) provides the visitor with an opportunity to link to frequently accessed destinations (e.g., homepage, “about us”) and major sections of the website (e.g., product catalog, customer support).

Site Map and Navigation

A navigation bar usually appears at the top of the page where it will load first in the browser window and be visible “above the fold.” However, if the page contains banner ads, then the navigation bar may be placed below the ads. Why? Frequent Web users develop “banner ad blindness” and they ignore banner ads. A duplicate navigation bar may appear at the bottom of every page.

Figure 16.5 summarizes the major concepts discussed here.



Figure 16.4 A typical navigation bar

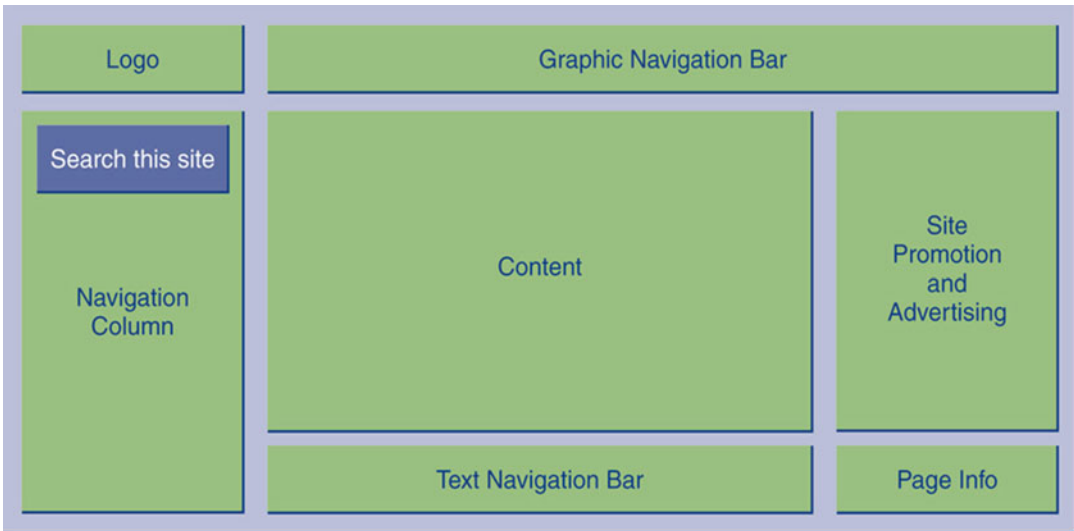


Figure 16.5 Web page layout grid

Performance (Speed)

Speed is a major design success factor. Visitors who have to wait more than a few seconds for a Web page to load might leave the site.

A number of factors affect the page speed, some of which are out of the control of the Web designer (e.g., the visitor's modem speed). The factors that are under the control of the Web designer relate to the content and design of the page. For example, videos and large images should be minimized.

Colors and Graphics

Rich media that includes colors, images, sound, and videos can improve the attractiveness of websites. Therefore, designers try to find what visitors like in rich media and give it to them.

For example, dashboards need to use multiple colors, and so do maps and videos.

Website Usability

According to usability.gov/what-and-why/index.html, **usability** refers to how well users can learn and use a product to achieve their goals. It also refers to how satisfied users with that process. Usability measures the quality of a user's experience when interacting with a product or system, including:

- Websites
- Software applications
- Mobile technologies
- Any user-operated device

Usability Is a Combination of Factors

It is important to realize that usability is not a single, one-dimensional property for visitors to the website. Usability factors include:

- **Intuitive design:** a nearly effortless understanding of the architecture and navigation of the site
- **Ease of learning:** how fast a user who has never seen the user interface before can accomplish basic tasks
- **Efficiency of use:** how fast an experienced user can accomplish tasks
- **Memorability:** after visiting the site, if a user can remember enough to use it effectively in future visits
- **Error frequency and severity:** how often users make errors while using the system, how serious the errors are, and how users recover from the errors
- **Subjective satisfaction:** if the user likes using the system

For additional concepts, see Nielsen (2012).

On the Web, usability is a necessary condition for success. If a website is difficult to use, visitors will leave. For further details, templates, guidelines, and methods, see usability.gov. Usable sites need to meet customer demands.

Software for Helping Web Designers

Several companies provide software to facilitate Web designs. Some are free. One example is Google Web Designer (free download). If you want to design your own website, you can do a Google search and find information about ideas, templates, tips for success, images, and more. Several tutorials are available as well.

What Annoys EC Customers?

One approach to a good Web design is to eliminate things that annoy site visitors, such as: pages

loading too slowly, pop-up ads, the need to install extra software, mandatory complex registration requirements, confusing navigation, out-of-date content, and poor search tools. For details, see Kyrnin (undated). For important criteria for a quality website, see Clay (undated).

SECTION 16.6 REVIEW QUESTIONS

1. Describe 10 criteria used to judge a website design.
2. Name four site navigation aids.
3. Why is performance a key design criterion? What slows performance? What can decrease download time?
4. What is usability? List the major criteria used to determine usability.
5. Describe five EC annoyances.

16.7 PROVIDING E-COMMERCE SUPPORT SERVICES

Determining how the website actually will be built and by whom are the implementation parts of website construction. Website construction can be done in one of the following options: In-house development, outsourcing, and partnering. In addition, construction is done during both start up and maintenance.

Who Builds the Website?

The online business owner has to decide among the above-cited options or some combination(s) of them. This involves considerations such as available resources, urgency, budget, and existing computing systems.

Payments: Accepting Credit Cards

Another important service is payment (see Chapter 11). No business can exist without a payment system. Thus, every online business has to make decisions about electronic payment systems. The dominant form of B2C payment is accepting credit cards over the Internet. Paying for goods and

services in the physical world is moving to mobile devices, including conducting micropayments.

Chapter 11 described the process for accepting credit card payments. As noted there, processing credit card payments on the Internet differs only slightly from the process in traditional, face-to-face transactions.

Website Promotion

Chapter 9 discussed website promotion through advertising (e.g., banner ads, pop-up ads) and marketing strategies (e.g., banner swapping, use of video ads, use of blogs, chat rooms, or groups in social networks and virtual worlds). This section focuses on internal website promotion, i.e., conducting marketing communications on the site itself. The related topic of search engine optimization also was described in Chapter 9.

Internal Website Promotion

Internal website promotion begins by including content to attract customers so that they will return and refer others to the site. To do this, the website needs compelling content, useful links to other websites, and features that will make customers want to return (e.g., provide entertainment).

The results derived from Web analytics are used to plan promotions and ads. *Web analytics* is defined and described in Chapter 14. Web analytics vendors include IBM, Oracle, Microsoft, MicroStrategy, SAS, and Webtrends.

Search Engine Optimization (SEO)

How do customers find a specific website in cyberspace? How does a new e-business get noticed and beat established competitors? In addition to promotional and advertising strategies discussed in this and other chapters, perhaps the most important and cost-effective way to attract new customers is *search engine optimization*. *Search engine optimization (SEO)*, as defined in Chapter 9, is the use of strategies intended to position a website at the top of Web search engine results.

Several SEO services, such as [webposition.com](#) and [searchsummit.com](#) will manage the entire SEO process for a website. However, SEO requires constant monitoring to be effective. For comprehensive coverage of SEO, see Harris (2014).

An Example: How Does Baidu Succeed?

Case 16.3 describes the rise of Baidu ([baidu.com](#)) from a small startup to the top search engine in China.

CASE 16.3: EC APPLICATION: Baidu's STRATEGIES FOR SUCCESS

Baidu is a Chinese language Internet search provider, offering a Chinese-language search platform on its website. It provides Chinese language Internet search services to enable users to find relevant information online (e.g., images, news, Web pages). Founded in 2000 by software developers Robin Li and Eric Xu, Baidu.com is known as "China's Google." However, it has differentiated itself from Google by targeting Chinese users. Chinese Internet users search for content in a different way than the way people do in the West (see [clickz.com/clickz/column/2288982/search-in-china-how-baidu-is-different-from-google](#)).

According to Li, the name of the company "Baidu," meaning "hundreds of times," is from a Chinese poem written during the Song Dynasty. The company initially relied on financing provided by venture capitalists. In August 2005, Baidu went public in the U.S. (debuting at \$27/share).

The Business Model

Baidu's strategy of focusing on the local market has allowed it to dominate the Chinese market for search engine users. Its revenues increased by 76.4% in 2010, with its share of Chinese search

traffic reaching 73% compared with Google's 21% (China Daily 2010). In Q1 2014, Baidu led the search engine market with 77.1% market share (channel revenue included), compared with Google China's 11% (per chinainternetwatch.com/7375/china-search-engine-market-q1-2014). For Baidu's annual revenue from 2007 to 2013, see statista.com/statistics/269032/annual-revenue-of-baidu. For the company's annual revenue and other statistics, see their financial reports at ir.baidu.com/phoenix.zhtml?c=188488&p=irol-reportsAnnual.

A leading formula for Baidu's success is its focus on several search services, which are geared to the Chinese culture and to mobility. Other strategies likewise have proven effective for Baidu. The company offers paid search, where the client chooses keywords that their customers may use to search for their products. Their ads then appear at the top of the related search results page. In terms of advertising, Baidu uses in addition to PPC ads, third parties to sell ads, unlike Google, which sells only PPC ads directly.

Google's withdrawal from the Chinese market in 2010, due the Chinese Government's refusal to stop censoring Google's content, further improved Baidu's customer base. Its stock price in May 2010 doubled the level it was trading at in January of the same year (see Wells 2010), and in 2014 it was much higher. Because Google could not afford to miss out on the world's biggest Internet market, it began its push to return to the Chinese market in 2012. As of June 2014, Google is intermittently available in China.

Note: Google (including YouTube) is frequently blocked in China (e.g., in June 2014, ahead of the anniversary of Tiananman).

In 2013, Baidu began promoting its mobile advertising, recognizing that this is the area of most growth. In 2014, net profit was up more than 24% in Q1 2014 and average revenue, and their CEO anticipates that within the year, the company's mobile traffic will surpass its PC-based traffic (see pcworld.com/article/2148260/baidus-profit-boosted-by-mobile-ad-revenue.html). The company has been acquiring EC companies or a stake in EC and IT companies in mobile ads and related fields.

Competitiveness and Constraints

Baidu was awarded the "China Internet Self-Discipline Award" in 2009, due to its strict monitoring and censorship of online information. Despite this recognition, Baidu was not spared lawsuits for copyright infringement. In June 2005, the company was sued by Shanghai Busheng Music and Culture Media Company for allegedly allowing downloads of pirated music. Likewise, popular film companies presented similar charges against Baidu for unauthorized downloading of movies. These lawsuits were settled.

Despite being initially recognized as "China's Google," Baidu has adopted several strategies to differentiate itself from the competition. Over the years, its range of services has expanded to include news, multimedia, and image searching. By stressing its competitive advantage – use of the Chinese language – Baidu has effectively reached and gained the loyalty of Chinese users.

In 2014, Baidu was in stiff competition with Alibaba Group's companies and other large Chinese EC companies.

For an overview of Baidu, including its products and services for users and customers, see reuters.com/finance/stocks/company/Profile?rpc=66&symbol=BIDU.O.

Sources: Based on Lai (2011b), Wells (2010), China Daily (2010), and baidu.com (accessed July 2014).

Questions

1. Baidu is also known as "China's Google." How is Baidu's business model different from Google's?
2. Baidu offers paid search placement. Do you think such website ranking services will promote unfair competition?
3. Baidu's strategy that uses Chinese language for its search engine is considered its biggest competitive advantage. Explain why (start by reading Lai 2011b).
4. What lessons does the Baidu case offer to e-commerce startups and entrepreneurs?
5. Investigate Baidu's activity in using mobility and m-commerce.

Customer Relationship Management (CRM)

Customer relationship management (CRM) refers to a customer service approach that focuses on building long-term and sustainable customer relationships that add value for both the customer and the company (see Online Tutorial T1). In building an EC website or an EC project, one needs to consider CRM. This section focuses on what every startup e-business needs to know in order to initiate an effective CRM program.

In EC, we concentrate on eCRM, as described in Online Tutorial T1.

Using Content to Build Customer Relationships

The first step in building customer relationships is to give customers good reasons to visit and return to the company's website. In other words, the site should be rich with information, provide entertainment whenever appropriate, and have more content than a visitor can absorb in a single visit. Online Tutorial T1 lists some ways in which online businesses can build customer relationships through content.

SECTION 16.7 REVIEW QUESTIONS

1. List the three options for website construction.
2. What factors are more suitable when considering internal development of a website? What factors are suitable for external development considerations?
3. List four types of website content that can promote the website internally.
4. What is search engine optimization (SEO)? Why is it important?
5. List some ways websites can use content to manage customer relationships.

16.8 OPENING A WEBSTORE

The most common EC project on the Internet is the *webstore*. Millions of webstores exist on the Internet, mostly those of small businesses. However, large corporations, as well as many

individuals, including students, also have webstores. As we have seen throughout the book, most online entrepreneurs, such as the initiators of GrubHub.com, Amazon.com, CatToys.com, and JetPens.com, started with a small website or a webstore. Webstores vary in appearance, and their construction and operating expenses vary greatly. Webstores primarily sell products or services, yet their functionalities differ considerably.

Options For Acquiring Webstores

Webstores can be acquired in several ways:

- **Build them from scratch.** Pioneering webstores, such as hothothot.com, wine.com, and amazon.com, built their initial stores from scratch. Specifically, they designed them and then hired programmers (if they did not had their own) to program all the necessary software. The major advantage of this approach is that the site owner can customize the site to his or her liking. The disadvantage is that the process is slow, expensive, error prone, and requires constant maintenance. Consequently, today, only large corporations build their webstores from scratch. Most companies use other alternatives, as described next.
- **Build them from components.** This option is faster and less expensive than building from scratch. The site owner purchases off-the-shelf components (or sometimes obtains them for free), such as a shopping cart, an e-catalog, and a payment gate, and then assembles them into a website. The site owner needs to replace the components if they become obsolete; therefore, the site owner can save on maintenance (replace rather than repair). The downside is that the resulting site may not fit the online business owner's needs very well.
- **Build with templates (storebuilders and dedicated Web hosting).** As described earlier in the chapter, using storebuilders is one of the most viable options for starting an online business. Several vendors provide storebuilding templates. Some provide them free of charge, free for 30 days, or for a nominal monthly fee

that includes hosting the site on their servers. Using this approach is especially attractive for small- and medium-sized businesses because the cost is relatively low, the business can construct the webstore in a few hours or a few days, and it does not require extensive programming skills. The site owner uses templates, fills out forms, and attaches pictures. Another major benefit of this approach is that Web hosting and support services such as payment collection, shipping, and security are usually provided (see the “Judy’s store” example in Chapter 13). Furthermore, the vendor will update its templates.

- Many vendors also offer store and inventory management as well as other capabilities, as described later in this section. Finally, and perhaps most important, if the site owner uses a vendor such as Yahoo!, eBay, or Amazon.com, the site will be included in that vendor’s e-marketplace, which provides a great deal of exposure. The downside of this approach is that it limits the site owner to the available templates and tools. However, some vendors provide, for a fee, a professional version that allows customization and other advanced services. Representative vendors that provide templates are:
 - Yahoo! Small Business offers Yahoo! Merchant Solutions (smallbusiness.yahoo.com/ecommerce)
 - Hostway (hostway.com)
 - GoMerchant (gomerchant.com)
 - StoreFront eCommerce (storefront.net)
 - 1&1 Hosting (1and1.com)
 - Go Daddy (godaddy.com)
 - Amazon.com ProMerchant (services.amazon.com)
 - ShoppingCartsPlus (shoppingcartsplus.com)
 - Shopify (shopify.com)
 - iPage (ipage.com)

For a comparison and evaluation of these vendors and others, see ecommerce-software-review.toptenreviews.com. The major criteria used for comparison are: ease of use, ease of installation, ease of setup, available capabilities, documentation, and fraud protection.

Identifying Requirements and Selecting a Development Option

Before choosing the appropriate development option, you need to consider a number of issues in order to generate a list of requirements and capabilities. The following is a list of representative questions that need to be addressed when defining requirements:

- **Customers.** Who are the target customers? What are their characteristics? What are their needs? What kind of marketing tactics should a business use to attract customers to its website? How can a business increase customer loyalty and trust?
- **Merchandising.** What kinds of products or services can be sold online? Which products or services can be digitized?
- **Sales service.** How easy is it to order and pay online? Can customers track their orders? How are customer inquiries and complaints handled? What kind of service agreements and guarantees are available? What are the return and refund procedures?
- **Promotions.** How are the products and services promoted? How will the site attract and keep customers? Are there coupons, manufacturer rebates, or quantity discounts available? Is cross-selling, upselling, and so forth possible? Is it beneficial?
- **Transaction processing.** How are taxes, shipping and handling fees, and payments processed? What kinds of shipping methods will the site offer? What kind(s) of payment methods will the site accept? How will the site manage order fulfillment? How it will deal with returned items?
- **Marketing data and analysis.** What information, such as sales, customer data, and advertising trends will the site collect? How will the site process and use such information for future marketing?

- **Branding.** Compare and contrast the webstore with the competitors' webstores. How does the online brand relate to the offline brand?

The initial list of requirements should be as comprehensive as possible. It is advisable to validate the list using experts. The business can then prioritize the requirements based on the customers' preferences.

In the remainder of this section, we will introduce the Yahoo! Small Business Web Hosting service.

Yahoo! Small Business

Yahoo! offers one of the most popular e-commerce plans at smallbusiness.yahoo.com. It offers three levels of merchant solutions: starter, standard, and professional. The features and fees of each plan are available at smallbusiness.yahoo.com/ecommerce. Yahoo! offers a step-by-step guide that explains how Yahoo! Merchant Solutions works and how you can use it to build, manage, and market an online business. Yahoo! also offers related services such as Web hosting and sponsored advertising. The essentials of how to develop a webstore are provided next.

Take a Tour and See the Videos

To see all the features that Yahoo! Merchant Solutions has to offer, take a tour at smallbusiness.yahoo.com/ecommerce. Notable features (in July 2014, they keep changing) include the following: Web hosting and domain name registration; e-mail; EC tools (shopping cart, payment processing, inventory management); business tools and services (site design, marketing, site management); order processing tools; site development tools (site editor, templates, uploading content, for example, with Yahoo! SiteBuilder); finding and keeping customers; payment acceptance tools; tax calculators; order notification and confirmations; and performance-tracking tools

(statistics, drill-downs, measuring the effectiveness of marketing campaigns). Finally, read the success stories of small businesses that now use Yahoo! Merchant Solutions.

Using the Templates

You can build your webstore in several ways. Your primary tool is the easy-to-use Store Editor. You can create a homepage, set up various store sections, and add to them. You can upload content developed in Microsoft Expression Web (msdn.microsoft.com/en-us/expression/jj712700.aspx), Adobe Dreamweaver (adobe.com/products/dreamweaver.html), or Yahoo! SiteBuilder (secure.webhosting.yahoo.com/ps/sb/index.php).

SECTION 16.8 REVIEW QUESTIONS

1. List the various options for acquiring a webstore.
2. What are the advantages of building with templates? What are the disadvantages?
3. List the typical features of a webstore.
4. What are some of the website building selection criteria?

MANAGERIAL ISSUES

Some managerial issues related to this chapter are as follows:

1. **What does it take to create a successful online business?** The ability of a business to survive and thrive depends on the strength of the business model, the capabilities of the entrepreneur, and successful execution of the business plan. Creativity, entrepreneurial attitudes, and management skills represent a human capital investment that every potentially successful business needs. This is true for both online and offline businesses. However, to succeed in online business, management needs to consider additional factors, such as e-business models, revenue models, synergy and conflict between the online and offline channels, website management, and integration of information systems for EC and back-end systems.

2. **Is creating a website a technical task or a management task?** It is both. Although somewhat expensive, the technical skills required to build a website are readily available in the marketplace. The prerequisite managerial skills are somewhat more difficult to find. In order to be able to hire and work with information architects, Web designers, and website hosting services, online business owners need to possess traditional business skills as well as understand the technical aspects of building a website. Management should be able to map the business goals with a combination of solution sets, such as e-marketplaces, CRM, SCM, and ERP. The integration policy should connect the internal entities and enable collaboration with external partners.
3. **How do we attract visitors to the website?** Search engine optimization is important, but the key to attracting visitors, getting them to return, and encouraging them to tell others about the site is to offer credible content that fulfills a value-exchange proposition. That is, both the site owner and the customer must receive value from the visit. Web design delivers content in a compelling manner that enhances the readability of the content and the quality of the customer experience. Personalized support services are important in order to provide relevant information and to motivate users to revisit.
4. **How do we turn visitors into buyers?** Getting people to visit the website is only half the battle. Visitors become buyers when a website offers products and services that they need. A website could also offer promotions and bargains that entice visitors to buy at that site rather than shop elsewhere. Customer service for complaint resolution will contribute to retaining the customer and generating repurchases. A well-designed CRM system needs to support the services.
5. **Are best practices useful?** For an inexperienced EC person or company, the best practices of others can be extremely useful. The experiences of vendors, buyers, companies, academics, and others are most useful. Free advice is available from many sources, including E-Commerce Partners (ecommercepartners.net).
6. **What should my new business submit to money suppliers?** It depends on the stage of the business life cycle. In the early stage, funders are concerned about the sales growth rate and market share. Losses may be tolerated as long as the growth is high and the vision of future profit is clear. However, the eventual concern will be the realized profit and stock price. The important thing is to maintain control, with the company retaining 51% of the shares (at least up to the time of the IPO).
7. **What are important factors for successful website management?** To manage the website successfully, the e-business owner needs to select an appropriate Web hosting service, maintain up-to-date and useful content, and promote the website so that new customers will visit, and existing one will revisit. The alternatives to Web hosting are storebuilder services, dedicated hosting, ISP hosting services, and self-hosting. To maintain the quality of the site's content, a policy for acquiring, testing, and updating content should be established. Personalization is also important. Social networking may be adopted as an important source of interactions and feedback from users.

SUMMARY

In this chapter, you learned about the following EC issues as they relate to the chapter's learning objectives.

1. **Fundamental requirements for initiating an online business.** A good idea becomes a successful online business when owners with the required skills, attitudes, and understanding of Internet culture execute a powerful business plan.
2. **Funding options for a startup online business.** Incubators usually provide support services, whereas angel investors and venture capitalists provide funds for a prospective online business. The business and business owners usually benefit greatly from these arrangements, but the funding sources are scarce and competition for funds is formidable.

3. **Adding e-initiatives.** Adding e-initiatives (or projects) is common. A large project requires a business case. Additions are made gradually that eventually make the business a click-and-mortar. Common projects are e-procurement, eCRM, and a webstore.
4. **Transformation to e-business.** In an e-business, all possible processes are conducted online. Achieving such a state in a large organization is a complex process involving change management.
5. **Website hosting options for an online business.** Storebuilder services, ISPs, dedicated website hosting services, and self-hosting give online business owners a range of options in deciding how and where to host the website. A well-chosen domain name is an “address for success,” a way of making the site easy to find and remember. Choosing a domain name is an important step in setting up the hosting site.
6. **Provide content that attracts and keeps website visitors.** Content is a major factor in attracting visitors to website. Content can be created, purchased, or acquired for free and used for site promotion, sales, and building customer relationships. Successful websites offer content that the site’s target audience wants and expects.
7. **Design a visitor-friendly site.** Although text is content rich and inexpensive, a text-only site is a boring and unmemorable site. Select graphics and colors with the site’s business goals and visitors’ needs in mind. Website owners and designers should never misjudge the attention span of the site visitor, so it is best to include small graphics that can load fast and add attractions. The key to visitor-friendly navigation is to project a visitor’s mental map on the website: where they are, where they were, where they should go next, and how to get to where they want to be.
8. **Search engines optimization is a critical success factor.** It is necessary to design strategies for search engine optimization. The higher the placement of your brand in a search result, the more traffic to your site.
9. **Provision of support services.** Like offline businesses, online businesses need support services. These include payment, security, content creation, website design, advertisement (promotion), search engine optimization, and CRM.
10. **The process of building a webstore.** Assuming that you know what you want to sell, you need to obtain a domain name and arrange for hosting. The next step is to design the site and fill it with appropriate content. Your webstore needs to have support services (such as payment) and be secure. You must also promote the site in order to attract buyers.
11. **Using templates to build a webstore.** Small sites can be built expeditiously, easily, and inexpensively using templates. The disadvantages are that the site will look like many others that use the same templates and it might not fit the needs of the company.

KEY TERMS

Angel investor
 Attractors
 Business case
 Business model
 Business plan
 Collaborative website
 Content management
 Cross-selling
 Crowdfunding
 Domain name
 Dynamic Web content
 EC Incubator
 Information architecture
 Informational website
 Interactive website
 Self-hosting
 Site navigation
 Social-oriented website
 Storebuilder service
 Transactional website
 Usability (of a website)
 Up-selling
 Venture capital (VC)
 Web content
 Web hosting service

DISCUSSION QUESTIONS

1. Compare and contrast setting up a traditional brick-and-mortar business and an online business. Consider factors such as entrepreneurial skills, facilities and equipment, and business processes.
2. How is an e-business plan different from a traditional business plan?
3. Describe organizational transformation and discuss some of the difficulties involved.
4. How would you decide which website hosting option an online business should use? List and briefly explain factors to consider in your decision.
5. Who should be on a website development team for a small business? For a large business?
6. Why is a webstore such as cattoys.com not economically feasible offline?
7. What are the advantages and disadvantages of using templates to build a webstore?
8. Yahoo! provides many services, including website hosting, storebuilding tools, and an online marketplace that hosts many independent vendors. List the benefits of these services. What are the drawbacks, if any?
9. How is usability related to website design?

TOPICS FOR CLASS DISCUSSION AND DEBATES

1. Compare and contrast the creation of a new online business and the establishment of an online initiative in an existing company. Consider factors such as resource acquisition, startup processes, and competitor analysis.
2. Enter shopify.com and find out what they do. Compare it to Google Analytics. Write a report.
3. What are the potential conflicts and trade-offs in giving the customer everything possible (e.g., personalized content, high-resolution graphics, a feature-full site) and the fundamental rules of website design?
4. What are the merits and drawbacks of taking a startup public (initial public offering [IPO])?
 - When is a good time for entrepreneurial startups to go public? You may refer to the cases of Alibaba.com (Case 16.2), Baidu (Case 16.3) and Facebook (the closing case) for your discussion.
5. Debate: Could the success of Facebook (the closing case), Amazon.com (Case 16.1), Alibaba.com (Case 16.2) and Baidu (Case 16.3) be traced to the entrepreneurial attitudes of their founders? Would it be possible for other EC entrepreneurs to duplicate Zuckerberg, Bezos, Ma, and Li's success on the strength of similar traits and characteristics?
6. Debate: Should a small business maintain its own website? Why or why not? Should a large business maintain its own website? Why or why not?
7. Discuss the benefits of crowdfunding and its limitations.

INTERNET EXERCISES

1. Go to vfinance.com and nvca.org and identify any trends or opportunities in acquiring startup funding for an e-business.
2. Go to a Yahoo! category, such as tourist agencies or insurance companies, and pick 10 sites. Classify them as informational, interactive, transactional, or social-oriented websites. Make a list of any informational, interactive, transactional, or social features.
3. Many individuals try to make a living simply by buying and selling goods on eBay. Visit ebay.com and make a list of the ways in which these entrepreneurs use cross-selling and up-selling in their sales activities.
4. Visit the webmaster-forums.net. Register (for free). Compare the design rules offered in this chapter with some of the websites offered the site. Provide at least one design suggestion to a Webmaster who is soliciting feedback.
5. Enter 1and1.com. Examine its hosting, development, and other tools. Compare it with services offered by shopify.com. Write a report.

6. Enter willmaster.com. View its tutorials and comment on its usefulness to EC website builders.
7. Go to google.com/wallet and find the services offered to buyers.
8. Log on to facebook.com and socialize on the website. Compare and contrast Facebook with other social networking sites such as Google+, Hi5, and LinkedIn.
9. Enter godaddy.com/design/web-design.aspx and view the tutorials there. Summarize your findings.
10. Enter Kickstarter (kickstarter.com) and other crowdfunding portals. Compare their functionalities. Write a report.

TEAM ASSIGNMENTS AND PROJECTS

Assignment for the Opening Case

1. Read the opening case and answer the following questions.
 - (a) What benefits could I Am Hungry offer to end-users and restaurants?
 - (b) Using I Am Hungry as an example, discuss the business values of geolocation applications.
 - (c) What are the three revenue models of I Am Hungry? Explain the pros and cons of each model.
 - (d) Using I Am Hungry as an example, discuss the importance of revenue generation to small startups.
 - (e) What lessons does the I Am Hungry experience offer to e-commerce startups and entrepreneurs?
2. Identify a product or service that is suitable for marketing on Facebook. Draft a promotion plan. Present your plan to the class.
3. Enter entrepreneurs.about.com. Each team member should select two or three of the “browse topics” (on the left side of the page) and relate them to online businesses. Give a presentation to the class.
4. Enter myownbusiness.org/s2/index.html. Obtain a template and design a business plan for your class EC project.
5. Form two teams: a client team and a Web design team. After suitable preparation, both teams meet for their first website planning meeting. Afterward, both teams critique their own and the other team’s performance in the meeting.
6. Enter secure.webhosting.yahoo.com/ps/sb/index.php and download the SiteBuilder. As a team, build a webstore for your dream business. You can try it for free for 30 days. Use the design features available. Have visitors check out the site. The instructor and class will review the sites for design and usability. Awards will be given to the best webstores. Alternatively, you may use the equivalent tools from another sitebuilder.
7. Many companies offer software for e-commerce. Each team takes one of the following companies (you can find other ones), lists their offering and gives a presentation to the class. Then the class votes for the best site. The suggested companies are: Netsuite (netsuite.com), Volusion (volusion.com), ZippyCart (zippy-cart.com), Vendio (vendio.com; an Alibaba company), Vcommerce (vcommerce.com/vc-econnect), and Demandware (demandware.com). Distinguish between B2B and B2C software. Consult: “Top 10 Ecommerce Software Vendors Revealed” from business-software.com/ecommerce.
8. Compare some of the free website hosting services. Start with Google sites and Wix.com. In your comparison, develop five major criteria for evaluation. Each team will build a sample site.

CLOSING CASE: FACEBOOK: A COLLEGE PROJECT THAT TOOK THE WORLD BY STORM

When Facebook CEO Mark Zuckerberg was named Time Magazine’s “Person of the Year” in 2010, it reflected both his incredible achievement and the global impact of Facebook. Today, Facebook has radically changed the ways by which hundreds of millions of people interact and socialize online.

The Startup

Facebook started under the name of Facemash in 2003. The name was changed to The Facebook, and then to Facebook. Facebook (facebook.com) has evolved from a simple social networking site for Harvard University students to the world's largest portal for social networking. Mark Zuckerberg and his friends, then in college, started the site, which served as a platform that allowed their fellow Harvard students to interact with one another online. Enjoying instant success, they expanded the site to include students from Columbia, Stanford, and Yale Universities. Purchasing the domain name facebook.com for \$200,000, Zuckerberg and his partners officially adopted the name "Facebook" for the site in August 2005.

The Solution

Similar to most start-up companies, Facebook faced funding and infrastructure challenges to support its expansion. In August 2004, private investor Peter Thiel was granted 10% ownership for infusing \$500,000 into the site's expansion. With the help of this funding, the number of site users climbed rapidly, reaching 1 million by the end of 2004. In April 2005, another venture capitalist provided more funding, in exchange for a 13% stake. Facebook needed additional investments for its continued growth. They decided to look for venture capital. Venture capital firms invested \$27.5 million in April 2006. Within the same month, Facebook expanded its reach to include members from high technology companies. Finally, in September 2006, the site was opened to all users worldwide. Based on 2012 data, more than two-thirds of its users are non-students. Of these, those belonging to the over-35 age group comprise the fastest growing segment of users. As of October 2014, the number of active users had exceeded 1.35 billion, with 180 million logging in at least once each day, each spending 20 minutes per visit on the average. In late 2012, the rate of photos being uploaded to the site reached 3,600 per second.

The Business Model

Facebook offers various on-site features, many of which are being copied by other platforms such as Google. Facebook invites developers to build applications and allows them to earn advertising revenues. Zuckerberg believes that Facebook should not employ a strategy that is just about "winning all the content or owning all the applications." Instead, Facebook earns revenues from its sponsors and from banner advertisements (for an infographic, see ritholtz.com/blog/2014/02/how-does-facebook-make-its-money). The site charges ads based on cost per mille (CPM) or cost per 1,000 impressions, CPC or cost per click, CPA or cost per action, and CPI or cost per impression. In 2014, Facebook was exploring new advertising models. Facebook also receives money from Zynga's gamers and from Facebook Gifts (now only gift cards and digital gifts). For details, see Cutler (2013) and market-realist.com/2014/01/facebook (Parts 1–9).

Facebook IPO

In June 2012, Facebook released public shares, and its initial public offering was valued at approximately \$60 billion (in June 2014 the value was \$165 billion). Going public was evidently a smart move, especially since Microsoft previously offered to buy the site for only a quarter of the amount. Facebook's total revenue in 2014 exceeded \$10 billion, around \$3 billion of which was earned from ad sales. The IPO was not too successful during the first few months, but as of mid-2013, the price of the stock increased about 400% from its bottom.

LESSONS LEARNED FROM THIS CASE

Facebook's success can be attributed largely to its ability to connect users, and provide users with many effective ways to interact with their friends. This innovative form of connections is the major reason why Facebook founder and CEO Mark Zuckerberg was named Time's "Person of the Year" in 2010.

Initially a college project, Facebook has now grown into a world-renowned site for social networking and commerce. Facebook

does not just aim to provide innovative technology, it also responds to customer demands. Currently, it focuses on developing its own ad platform and operating system, as well as providing wireless services to enhance overall user experience.

Sources: Based on Kirkpatrick (2011), Lai (2010a, 2011a), Cutler (2013), Crager et al. (2014), Grossman (2010), and facebook.com (accessed July 2014).

Questions

1. What are the factors that have contributed to the rapid growth of Facebook's loyal user base for the past few years?
2. What tools does Facebook provide to promote selling and buying activities? Can Facebook be used as a marketing tool? How?
3. Do you agree that Facebook should open its internal operations to external developers? Why or why not?
4. Identify all of Facebook's sources of income and elaborate on the revenue models of social networking sites using Facebook as an example. (Consult Cutler 2013.)
5. What lessons can e-commerce startups and entrepreneurs learn from Facebook's experience?
6. Find out how many servers Facebook uses and how they are managed.

Note: Wikipedia provides extensive discussion about Facebook. Some of it may be inaccurate or incomplete.

ONLINE FILES

available at affordable-ecommerce-textbook.com/turban

No online files are available for this chapter.

COMPREHENSIVE EDUCATIONAL WEBSITES

bplans.com: Sample business plans.

libguides.rutgers.edu/ecommerce: A comprehensive EC guide.

smallbusiness.yahoo.com/ecommerce/#design:

Yahoo! Small Business e-commerce webstore features.

entrepreneur.com: Information on starting a business, social media, small business management, marketing, and more.

onlinebusiness.about.com: A guide for beginners.
entrepreneur.com/startingabusiness/startupbasics/index.html: All about starting a business (e.g., articles, videos).

webdesign.org: Tutorials, articles, news, templates, and examples.

sba.gov: The U.S. Small Business Administration; resources and information on loans and grants to help small businesses.

thesitewizard.com: Comprehensive guide to website design, promotion, web hosting, and more; topical index; free Web Wizards.

marketingdonut.co.uk: Provides reliable information and resources to help business owners. Includes free advice, tools, and marketing for small businesses.

GLOSSARY

Angel investor A wealthy individual who contributes personal funds and possibly advice at the earliest stage of business development usually in exchange of equity in the business.

Attractors Websites that include puzzles, competitions, and prize giveaways. They are designed so that visitors will like them so much that they will visit again, and recommend the site to their friends.

Business model The manner in which business is done to generate revenue and create value.

Business plan A written, formal document that specifies a company's goals, and outlines how the company intends to achieve these goals.

Business case A document that is used to convince management to approve the investment of organizational resources in specific EC or other projects.

Collaborative website A website that allows business partners to interact and collaborate (i.e., it includes many supportive tools).

Content management The process of collecting, publishing, revising, updating, and

removing content from a website to keep content fresh, accurate, compelling, and credible.

Crowdfunding A funding method based on using investors to fund startups. Each individual invests a small amount of money; the collection channels are Internet-based social networks.

Cross-selling Offering complementary or related products and services to increase sales.

Domain name A name-based address (owned by a person or an organization) that identifies a specific website and its Internet-connected server.

Dynamic Web content Frequently changing content that continuously needs to be kept up-to-date.

EC incubator A company, university, or nonprofit organization that supports promising EC businesses in their initial stages of development.

Information architecture How a site is organized. It lists all the components of a site and how they are connected together.

Informational website A website that provides mostly information about the business and its products and services.

Interactive website A website that provides opportunities for the customers and the business to interact converse and present information (as in information website).

Self-hosting When a business acquires the hardware, software, staff, and dedicated telecommunications services necessary to set up and then manage its own website.

Site navigation Aids that help visitors quickly and easily find the information they need on a website.

Social-oriented website A site that provides users online tools for communication and sharing information on common interests.

Storebuilder service A service that provides Web hosting as well as storage space, templates, and other services to help small businesses build a website expeditiously and inexpensively.

Transactional website A website that sells products and services.

Up-selling Offering an upgraded version of the product in order to boost sales and profit.

Usability (of a website) Refers to how well users can learn and use a product to achieve their goals. It also refers to how satisfied users are with that process. It measures the quality

of a user's experience when interacting with a product or system.

Venture capital (VC) Money invested in a business by an individual, a group of individuals (venture capitalists), or a funding company in exchange for equity in the business.

Web content Content (the text, images, sound, and video) that is included on a Web page.

Web hosting service A type of hosting service that allows individual and organizations to make their website accessible on the Web (providing websites with space on the Internet).

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