Week 3: Internet Strategy

The three articles I chose for this week dealt with the Internet and strategy. Gallaugher’s article demystifies the myth about disintermediation, Riggins’ article provides a relatively comprehensive framework for business opportunities created by the Internet, and Porter’s article, a classic in the e-commerce literature, points out the importance of solid strategy in the Internet age.

As Gallaugher pointed out, disintermediation might be a successful strategy in certain situations (e.g. ebay.com and Dell), it certainly was not a fool proof strategy for all scenarios. Middlemen provide an important service to the distribution channel that cannot be easily replaced by the Internet. Some examples in the article showed that companies even reintermediate sometimes in order to succeed in e-commerce. Therefore, the key in disintermediation and reintermediation in e-commerce is to bring in extra and sustainable value to end customers, thus the players in the channel.

All the teams have provided excellent examples of how their companies are taking advantage of the opportunities offered by the Internet. Another good exercise to go through is to find out the opportunities that your organizations can take advantage of but have not. The framework proposed by Riggins is a relatively comprehensive one, and the author provided extensive evidence to support the validity of the model. However, the majority of his examples came from B2C e-commerce. The author failed to address how some of these opportunities could be realized in B2B e-commerce.

In Porter’s article, he emphasized that the Internet was merely a technology, not a strategy. The Internet “is the latest stage in the ongoing evolution of information technology”, and the history of business has taught us that information technology rarely creates sustainable competitive advantages for companies. Today, information technology products and services can be easily acquired. Competitive advantages created by IT will quickly disappear as competitors acquire similar or even more advanced technologies (e.g. the case of online shipment tracking by FedEx). All the teams provided good examples of how your organizations can create competitive advantages using the Internet, but all of these advantages are not sustainable because other organizations either have already done it or can easily do it. However, this does not mean that IT is no longer important. It is something that a company cannot afford not to have if it wants to stay competitive in today’s business environment. The keys to create sustainable competitive advantages using IT are to develop good business strategies and create unique organizational culture that can be enhanced by IT.
E-Commerce and the Undulating Distribution Channel

By John N. Gallaugher

Discussion Question:

How has e-commerce help restructure distribution channels? Are there situations in e-commerce in which disintermediation proves to be successful?

Team1:

- **Contract** – Contracting distribution channels can also be referred as reducing or collapsing some or all of the intermediaries between the buyer and the supplier. In the e-commerce world, this concept of disintermediation was caused primarily because the supplier was able to access a wider spectrum of companies offering overnight delivery services, and also because Internet was now used by more and more people. This process has not worked pretty good for those firms that have missed to balance the opportunity cost of abandoning intermediary relationships versus the potential revenues of dealing directly with customers. Different intermediaries offer different benefits along the supply chain, such as distribution, market coverage, management of product complexity, or selection at the point of purchase. Value gaps have then been created in companies that decided to go through the path of disintermediation if the overall value added of “no intermediaries” did not offset the value that these intermediaries added to the company. Therefore, this fact represents the key why companies have either succeeded or failed while collapsing their distribution channels.

- **Shift** – E-commerce had also offered the possibility of a new marketplace that does not have physical boundaries and is purely virtual. With this, some existing distribution channels have shifted their scope to a more virtual world where the saving costs had offset the potential loss of reducing exposure throughout the retail channel. Sometimes this switch has not been possible due to channel pressures from strong brick-and-mortar retailers. Other times, companies have lacked to realize of the potential benefits of developing markets causing them to miss the train of innovation and market penetration. Therefore, the key in this case relies on balancing physical and virtual marketplace exposure and engaging in future markets where the opportunities for growth and innovation may be significant. Nevertheless, some other companies had decided to opt through a third way, such as auction markets. This has been proved especially successful markets where the goods or services being offered are scarce.

- **Expand** – In this situation, the introduction of e-commerce had meant a distribution channel broadening, placing companies into existing channel structures that address some of the weaknesses of traditional channels and arranging buyers and suppliers into new markets. The result of this is a larger customer base, and is here where companies had focused their attention: they were willing to sacrifice part of their profit margin in exchange of reaching a larger population (more customers mean more suppliers, which in turn means also more customers). Equally as before, competitive advantage relies on those players that enter these markets first. Bottom line is that of the
success or failure of these practices depends on multiple factors as already seen: industry
players, type of products being offered, and market power.

In every situation as described before we can find examples of companies that have
proved to be successful while watching very closely the factors listed above. Probably
the best known of them is the case of Dell. Dell has not focused exclusively on sales
over the web (phone sales is also part of their business), but they sure constitute a big
percentage of total sales. Dell has proved to offer high quality products in the PC,
notebook, and workstation markets, which has increase brand image across customers in
return.

There are also companies that had adventured in developing markets that had made them
successful pioneers. Diamond Multimedia believed in the MP3 music format and started
developing portable MP3 players. Other big companies like Sony decided not to enter in
this market, decision that has caused them to loose market leadership as more people
were migrating from tapes or CDs to the new music format. eBay’s case is another good
example of disintermediation by entering the auction market. eBay started as an online
trading place for collectibles (i.e., rare or scarce items market), extending soon enough
their customer base and hosting auctions for other day-to-day products, such as cameras,
PCs, or even cars. Charles Schwab’s example has also proved to be successful in
extending their distribution channel by adding “OneSource” to their web services. With
“OneSource,” Charles Schwab offers no-load mutual funds to its clients, a market as well
known as the stock market where people feel comfortable trading in contrast to the
annuity one (as Liberty failed trying to start it in the past).

Team2:

E-commerce helps restructure distribution channels by attempting to collapse the
distribution channels. According to the paper, this concept is called disintermediation.
Various e-commerce ventures tried to restructure distribution channels. However, not all
of them were successful. The first example was the FlowerNet. It ignored the value of
brand recognition. As a result, consumers were not aware of FlowerNet’s existence.
Liberty Financial Cos did recognize the importance of brand and creation of product
awareness. However, it failed to fill the value gap, which was offered by traditional
intermediaries. Liberty Financial Cos’s products included stocks and mutual funds which
were very complicated items. Before customers are ready to purchase these, they need to
be educated about them, and traditional intermediaries provided consumers with the
necessary information. However, this vital information was skipped by Liberty’s direct
method.

E-commerce’s attempt to disintermediate the distribution channels are blocked by
channel pressure, namely the bargaining power of buyers and suppliers. Manufacturers
who rely on traditional outlets received strong pressure from retailers not to go online to
do direct sales. An example of this is Compaq. It had to stop sales from deep-discount
online retailers due to pressure from its traditional retailers. Another example of channel
pressure is Levi resigning from direct-to-consumer sales due to channel pressure from
Macy’s.
The internet is an excellent tool to bring various suppliers and consumers together, therefore the auction format was a natural fit for the internet operation. There are two types of auction markets. One offers a liquidation auction as in Priceline. It sells products, which couldn’t be sold at regular market, at a below market price. This type of market is considered by suppliers as markets of last resort since suppliers try to improve its efficiency to sell its entire inventory at the regular market so that they wouldn’t need to rely on the liquidation auction market.

The other example of auction market is that it provides rare products or services. Since these commodities cannot be acquired through the traditional channel, both suppliers and consumers regard this auction market as markets of first choice. A prime example of this is eBay.com. It is consistently profitable. Its success is due partly from its rating system for evaluating auction participants which provides buyers more confidence and trust in the system. This created a switching cost for participants of eBay, because if they wanted to do a similar business at other auction sites, they would have to re-establish their reputation.

OpenIPO was created by the firm W.R. Hambrecht, which hoped to provide more efficient IPO (initial public offering) than the existing system. The reason for that system being inefficient is mainly due to the price gap between the initial offer price and the closing price which the market is willing to pay for the new shares. Therefore, Hambrecht thought the OpenIPO would be able to fill the gap. However, the firm neglected the value where the existing system can provide to customers. The lack of the solid and diverse customer base by OpenIPO led to its inability to set the offer price at market equilibrium. OpenIPO failed to attract sufficient amount of analyst coverage due to its size of issue handling which was relatively small as compared to the existing system. This led to lack of attracting stock awareness. OpenIPO also was not able to emit a prestige factor as Wall Street does. The stock price increase in the first day at Wall Street does draw public attention to the firm, but not as much at OpenIPO. For the above reasons, this e-commerce auction, OpenIPO was not able to fill the value gap which was offered by the existing system.

The last e-commerce system presented by the paper was the Channel Extending Intermediaries, CEI. They position themselves between the existing suppliers and buyers, especially in a new market where a traditional system wasn’t able to provide enough value added activities. An example of CEI is mutual fund supermarkets, Schwab’s OneSource.

There are two successful situations. The first is the auction market as in eBay.com not a liquidation auction as in Priceline.com. As mentioned above, with the help of Internet technology, eBay is able to attract sellers who is able to provide rare collectible items and buyers who seek these rare items. eBay’s rating system towards auction participants enhance customer trust in its system. Also, this created switching costs among participants since their established rating will be lost if they start from scratch at other auction sites.

Another successful situation is the channel extending intermediaries as in Schwab’s OneSource. Its success is due to several factors. Being the largest discount brokerage firm, Schwab was able to offer fund firms access to its large pool of customer base. Limitation of the concentration of supplier power due to highly fragmented mutual fund industry reduced the channel pressure to the OneSource’s e-commerce operations. The
last factor that helped Schwab’s success was a tolerance of comparison among rival funds, which was promoted due to the uncertainty of returns within a fund category.

Team3:

Distribution channels have existed in the economic world for centuries and strengthened in the industrialization era. The old pattern is still useful and influential with its considerably significant role, in which distributors alleviate suppliers from marketing burdens, and help to set up brand awareness and increase coverage. Distributors also offer consumers convenience in product selection, purchase, deliveries, returns, etc. However, the efficiency of e-commerce in exchange and transaction is making more and more companies move to integrate e-commerce into their distribution channels, in order to cut down traditional distribution costs or reach new markets. E-commerce helps businesses to restructure distribution channels, but in different industries and context, confronting the traditional value of distribution channels, the result can be either success or failure.

One of the key influences of web-based e-commerce on distribution channel is that it makes it possible for suppliers to bypass resellers, or forward integrate them, to reach end customers directly. E-commerce is a powerful tool to shorten the traditional distribution channel, forcing some wholesalers or retailers out of business. Dell is a good case to illustrate the possibility of doing business with global customers directly, with online e-commerce portal, back-end support systems, and global delivery partners. Nevertheless, we all notice that shortening channel only works well when the benefits of disintermediation is greater than the removed values from intermediation, or the result can be sending customers away to the competitors.

Some companies also attempt to restructure distribution network by employing both traditional and virtual channels, which provide consumers more options to purchase products conveniently either from local retailers or Internet. Businesses may also benefit from accessing remote markets where distribution network hasn’t accessed, for example, foreign markets. This benefit is more substantial when the intangible products and services, such as software, are valued by end customers. However, the coexistence of both channels incurs channel conflicts, which should not be ignored if the company has strong reliance on traditional outlets, and if the outlets have many substitute suppliers to turn to.

By bringing together geographically dispersed buyers and sellers together to a common transaction and exchange platform, e-commerce gives life to online auction, either for liquidation or market efficiency. Online auction has become an important distribution channel for many organizational suppliers.

In addition, channels can be lengthened with third party e-commerce distributors, called channel extending intermediaries (CEI), to address the efficiency and weakness in the existing channel systems, such as high searching costs and low customer satisfaction. One example of such CEI inserted into the traditional channel is Schwab’s OneSource in the mutual fund markets. Transaction fees are reduced significantly for mutual fund holders, who now have soly access point to handle the purchase and sale of various funds, creating a more liquid and efficient market. As a first mover, benefited by the network effect of e-commerce, Schwab has gained the critical mass to make itself competitive and profitable, with strong and loyal customer base. Again, e-commerce
itself can’t eliminate the threat that CEIs face from the channel-shortening force. Which direction to go - shortened or lengthened - depends on whether the resulted channel can bring more values for all relative players and end customers.

When the force of shortening channel is overwhelming, disintermediation in e-commerce can be very successful. For instance, the start up companies that have less reliance on traditional distribution channels can wed itself to less costly e-commerce channel, when real time information, fast response to customers’ requests and feedback, and direct knowledge base from the supplier are essential. Dell sells assembled computers online since its foundation. With no bargaining and restrictive power from traditional distributors, its online channel and business practice have proved to be a huge success hitherto. Another situation under with disintermediation succeeds is the elimination of self-owned channels. Even though companies may confront resistance from their employed agents and salespeople, the internal conflict is easier to settle down with redeployment and other means than external channel pressure. With e-commerce systems, Haier reduced its own outlets in China and shifted to online channel without too much obstacles, and the traditional outlets network has become its customer service network to handle returns, repairs, maintenance and etc.

Overall, we all agree that the key in disintermediation and reintermediation in e-commerce is to bring in extra and sustainable value to end customers, thus the relative players in the channel. The interaction of industry players, products characteristics, and market power influences the resulted value that ultimately determines the direction of industrial structure.
A Framework for Identifying Web-Based Electronic Commerce Opportunities
By Fred Riggins

Discussion Question:

Is the framework proposed by the author comprehensive? Can you think of any other e-commerce opportunities that are not included in the framework? Which opportunities have your organization taken advantage of?

Team1:

By combining the 5 dimensions (distance, time, relationships, interaction and product) with the 3 types of value (efficiency, strategy and effectiveness) the framework can be interpreted in some way to satisfactorily cover e-commerce opportunities.

By eliminating many of the barriers that companies face when starting up, maintaining business practices or reaching potential customers, the framework has shown 15 actions that are improved with e-commerce thus allowing the explosion in companies and electronic presence that we have seen in the past 10 years.

A methodical business variation to the model would encompass functions of business such as Marketing, International Trade and Distribution, Sales, Manufacturing/ Product Delivery, Customer Support Product Development and Purchasing/Procurement, then cross these functions with Time, Distance, Relationships, Interaction, and Product to determine the precise effects within the business.

Some areas that could be better defined are data mining and data organization/retrieval. As computing power has increased along with increased information flow speed, e-commerce has embraced the ability to transfer marketing patterns and customer information to focus in and capture the desired consumer by determining the profile and segmenting that profile from the potential customer base for marketing efforts.

This is an advancement that was briefly touched on in the “altering the structure of business relationships” as a tool to personalize or make a business seem “small”.

By creating personalized customer pages and account access, our company has eliminated distance, time and created a stronger dealer/customer relationship over seas. By allowing access to accounts 24/7, dealers located in countries with different time zones have access to their accounts any time. With personalized accounts and web pages for dealers, each dealer is assured privacy, and real time information that in the past took hours to obtain.

This has created dealer loyalty and increased dealer efficiency for management decisions, sales leads and product developments to fit the appropriate markets.

Team2:
Fred Riggins does propose a fairly comprehensive framework for web-based electronic commerce opportunities. The author proposes that there are “five dimensions of commerce” (2). These five dimensions are: interaction, time, distance, product and relationships.

The Internet, coupled with certain applications, gives businesses the ability to take advantages of applications that are both time-saving and low-cost and allow users or clients to interact with the business in new ways. The Reinert Alumni Library (RAL) at Creighton University does utilize some applications that could fit into several dimensions of the framework that Riggins proposes. There is something called Inter-Library Loan in which a patron can request materials not held at RAL for the cost of copying from another library that is within a consortium. It used to be that this process could take three to five business days and cost was ten cents per page copied. The process used to be: the request had to be sent out, picked up by a library that was willing to copy or lend the material, process it and then send it out to RAL.

Certain applications that the Inter-Library Loan (ILL) person uses now, due to the Internet, have shortened both the time and the cost for the patron. Now the ILL person can fill out one form in an application to request the item or article from the member libraries online and can specify by which medium the item is supplied (fax, paper, ARIEL, etc.). Then the application goes about requesting the item from the libraries that have been ranked in a list. The application keeps going down the list in rank order until the item is picked up by a member library or the list is exhausted, at which point the application returns a message that the item is unavailable. If a member library can supply the article or the item, they can send back an electronic response to RAL’s ILL person and the process can continue. Faxes can often be sent the same day, which cuts down on the time aspect that Riggins mentioned, and the patron is then notified to pick up his/her article at the circulation desk for a minimal cost. If the member library has the ability to use an application called ARIEL, the document can be sent electronically, often within a couple of hours. At this point, the ILL person can now post the article to a secure website. Then the ILL person notifies the patron that his/her document can be accessed electronically. This fits well into Riggins’ dimension of interaction because it is up to the patron to access the document at his/her convenience. Also, this fits well into Riggins’ dimensions of time and cost because the patron can now get the article sooner, often the same day or next day, and there is no direct cost to the patron for this service.

There is another service that RAL provides to its patrons that fits with the author’s ideas about “competing on Internet Time” (5). The library has quite a few databases that patrons from the Creighton community can access, whether on campus or at home. Quite a few of these databases provide full-text access to journals, newspapers and other scholarly publications. The patron can choose a database and search for his/her topic and this coincides with Riggins’ “prepurchase interaction” (5). Next the patron can choose which full-text articles to view, e-mail or print and this parallels the author’s idea of “purchase interaction” (5). Lastly, the reference staff provide support for patrons if they should need help accessing articles or who need to do a more refined search in a database and this is just like Riggins’ idea of “postpurchase interaction” (5).

The framework that Fred Riggins proposes with his five dimensions of interaction, time, distance, products and relationships is fairly comprehensive. It is also flexible enough to apply to an academic institution that engages in electronic commerce
by supplying patrons, items and services electronically use the library website as a
gateway for interaction.

Team3:
Yes, we do believe that the authors proposed framework of interaction, time, distance,
product, and relationships is comprehensive. The initial statement of framework is broad
enough to cover a large content (using various modes of interaction, firms compete over
time and distance to provide some product or service to their customers through a chain
or relationships) and leaves it up to the reader to interpret it. However, as the article goes
on, the author breaks each of these factors down and shows the details that the statement
can cover.

If the reader interprets the statement broadly enough, we believe most e-
commerce opportunities are included. If one sees the “customer” as one of a few options:
the paying customer, employee or business partner, then the framework covers a large
portion of e-commerce capabilities. Also, any additions we would make to the structure
of e-commerce (various modes of communication) can be covered by the “various modes
of interaction” part of the framework statement.

When looking at the noted changes the new authors have made to the original
framework by Hammer and Mangurian, we feel they made the appropriate adjustments
that time and technology advances have offered to e-commerce. Things such as the nature
of interaction (technology has added a large range of communication methods for e-
commerce such as e-mail, instant messaging, chat rooms, xml documents, etc…) and the
potential to offer entirely new products and services e-commerce has become a main
success factor in companies of all sizes, in all regions of the world.

Kelly currently works at ConAgra and has seen many of the mentioned opportunities
mentioned put into place. Of the dimensions of commerce themselves, the one that sticks
out the most is distance. Because of it’s corporate nature, and headquarters being here in
Omaha, ConAgra had to find a way to “cover all distances” for it’s many companies
nation-wide and world-wide. The most apparent way they have done that is to use the
internet and intranet for internal and external communication. In fact, next week a new
“portal” system will be implemented network-wide to allow all employees of ConAgra -
regardless of division or company-breakdown – to have a central communication system.
Employees of all branches of the company will be able to not only contribute information
about their department, but also have a central location to find out news about ConAgra
and any other department in the company. With this portal implementation, they will
successfully be applying the value of effectiveness to distance to ‘Present Single Gateway
Access.’ (Figure 6-1, E-commerce value grid), and aid in creating relationships among
otherwise un-related employees.

Another way in which ConAgra utilizes e-commerce to be an opportune function in the
company is for efficiency in time. ConAgra has created many web sites and
communication tools to aid customers in finding what they need quickly: to accelerate the
user tasks. For instance, many of their websites offer helpful food tips – from cooking
instructions, to recipes, to grocery lists. By giving their online customers the option to
generate and print a grocery list straight from the recipes they have selected (using
ConAgra food products of course) they save the user a lot of time. They also are
strategically using the relationships with their customers in this same process because
they are including other items they sell (possibly under a different brand name) in the recipe, therefore on the grocery list, and getting the user to try their other products. This aids in creating dependency to lock in the user to other products.
Strategy and the Internet
By Michael E. Porter

Discussion Question:

Porter suggests that instead of the Internet making strategy less important, as some have argued, it has actually made strategy more indispensable than ever. Do you agree with Porter’s view? Why? How can the Internet help enhance the competitive advantage of your organization? Please provide an example.

Team1:

Porter states that the key question is not whether to deploy Internet technology – companies have no choice if they want to stay competitive – but how to deploy it. Throughout his article, he gives several examples of why it is that strategy is important, whether you are a brick-and-mortar company, a dotcom company or a mixture of both.

I have been working at Gateway for about 7 years now. During my entire tenure, there has always been a Gateway.com presence. However, this site has changed over the course of the years. Initially it was used as an information site, and Gateway was jumping on the Internet bandwagon that other companies were using. The site could be used to find out information about the company, such as its history, location, etc. Over time, this site became an electronic catalog for displaying possible computer configurations, but then directing the customer to dial an 800-number to actually place an order.

A few years back, a “dotcom” VP was added to the corporate structure. One of his first tasks, once he had created an IT division to develop and maintain a dynamic web site, was to alter the site to add customer service options. Initially, this included a page to track the progress of an order previously placed, and eventually became a site where customers could place an order on-line, without having to communicate with a sales rep. When Gateway launched this site, they became the first major PC manufacturer to allow a customer to perform all tasks associated with placing an order, from seeing configuration information, placing an order, paying for the order and ultimately tracking of the order, all on-line. Of course, others followed. The biggest difference between the Gateway.com site and what other dot com or brick-an-mortar companies was doing is there was no differentiation in product from what could be purchased on-line versus the other two distribution channels of retail and direct. From the very beginning, Gateway used this site and just another vehicle to sell PCs, not a competing channel to what they had already set up.

The overall corporate strategy did not change as a result of jumping onto the Net, nor did existing channels change, they simply added another channel to the mix, thus allowing a higher exposure to potential customers, resulting in higher revenue.

Porter indicates that the Internet has changed a dimension in the way a business does business. For example, more companies can enter the field due to lower entry barriers. In part, this helped to lead to the dotcom boom. However, once the hype of the new e-business was over, and the normal customer (such as you and I) realized that the Internet was just another way of doing shopping, those new entrants without a strategy or a competitive advantage over others, disappeared, the dotcom bust.
Other factors that have changed as a result of the Internet include supplier/buyer partnerships, and a quicker and easier way for the typical customer to find what they are looking for. These two factors have resulted in lower selling price and lower profit margins for everyone. Only those companies with a strategy resulting in retained customer loyalty or other competitive advantages will win out. Eventually, those companies without a sound business strategy will not only lose whatever competitive advantage they might have had once, such as a first mover advantage, etc., but will also lose business to competitors, thus driving them out of business. There are many examples where companies sold products outside of their core business or other products that they had not offered before, over the internet, simply because they could, not because they had any sound business strategy for doing so. The end result is that most, if not all, of these companies are no longer in business, or have been forced to change or adopt a strategy for using the Internet that has then kept them in business.

To sum up, without an ongoing sound business strategy, any company (an established brick-and-mortar or Internet startup) will eventually go out of business. “The Internet does not represent a break from the past; rather, it is the latest stage in the ongoing evolution of information technology.”

Team2:
Yes, in general we agree with the view of Dr. Porter. Internet marketing and availability of the databases have undoubtedly integrated the potential of information and communication technologies. This has become an integral part of marketing practice and strategy. Indeed consumers want convenience and Internet shopping has provided the ultimate in convenience. As Dr. Porter stated, “Companies have no choice if they want to stay competitive”. However, it depends upon whether a company utilizes proven principles of effective strategy in the deployment of Internet technology. Several dot-coms did not survive because these companies did not effectively utilize marketing strategies especially the tradeoffs between Internet and traditional approaches.

In general, there are five flows in marketing channels. These include: (i) Product flow, (ii) Negotiation flow, (iii) Ownership flow, (iv) Information flow, and (v) Promotion flow. The Internet is excellent in handling all of these flows except Product flow (which is often processed by human) because it cannot be digitized, need to be selected, packed and shipped. Other flows can be digitized and moved at the speed of light. Therefore, if a firm follows six principles of strategic positioning (right goal, value proposition, distinctive value chain, trade-offs, fit of the firm’s elements together, and continuity of direction), it will sustain operational and competitive advantages. Although Internet has become indispensable in marketing, strategic positioning is extremely important to achieve competitive advantage. This can be achieved by doing things differently from competitors by delivering a unique type of value to customers. A firm has to consider several aspects of distribution channel strategy such as technology versus buyer behavior, convenience and efficiency strategy, multi-channel strategy and channel segmentation strategy. It has now been realized that sustainable competitive advantage has become more difficult to attain through product, price or promotion strategies. A firm has to look at the customer behavior, needs and wants, which often cannot be satisfied by the technology of Internet-based electronic distribution channels. Therefore, the fourth P, place (channel strategy) has become the basis for gaining a sustainable competitive advantage.
In the case of B-to-B marketing, despite some non-rational motives e-commerce via the Internet will be virtually the only way businesses deal with each other because of the cost effectiveness and efficiency of the technology.

In summary, Internet provides a better technological platform than previous generations of information technology and is the means to reach billions of potential customers. As Porter argued, contrary to recent thought, the Internet is not disruptive to most existing industries and established companies, but complements them. The Internet does not nullify important sources of competitive advantage in an industry, but makes them more valuable. However, we must be careful and vigilant about ethical marketing criteria. Pop-ups, deceiving banners and hyperlinks and other forms of intrusive mechanisms which impinge on personal privacy must be avoided.

Use of the Internet in e-commerce has become a platform for integrating disparate information systems that is ubiquitous and open to all comers. The Internet can enhance the competitive advantage of our organization, Creighton University, in several ways. Although it is difficult to beat the power Jesuit traditions and education at Creighton, intense, changing, regional competition in today’s marketplace require a well-defined market strategy more vital than ever. Through the Internet and its technology, the Creighton University can maintain a distinctive strategic positioning by following six fundamental principles, as stated above. Internet-based courses are a good tool. However, when it is combined with occasional classroom teaching and regular informal meetings among the students and teachers, it will have tremendous impact on the attractiveness of the program. By continuing a proactive ethical attitude towards consumers within its e-marketing strategies and using the Internet as a complement to traditional ways of teaching, Creighton will enjoy competitive advantage in the market.

Team3:

In Michael Porter’s *Strategy and the Internet* he suggests, despite some arguments that the Internet is making business strategy less important, business strategies are now more essential than ever. It is his belief that companies no longer have the choice of whether or not they are going to be active on the Internet, because it is now a necessity, but they have the choice of how they are going to deploy their Internet technology in a strategic competitive manner. As a group, we agree with Porter’s view in this regard. We agree with him that, despite what channel a company is using, it is imperative they have an established business strategy.

According to Porter, the Internet is rarely a competitive advantage on its own. The Internet is most likely to be an advantage for a company when they use it as a compliment to, or in combination with, traditional means of competition. The author proposes five forces of competition as the basis and structure of traditional competition and business strategy. These five forces include “the intensity of rivalry among existing competitors, the barriers to entry for new competitors, the threat of substitute products or services, the bargaining power of suppliers, and the bargaining power of buyers.” We agree with this industry analysis and also agree that these five forces must not be lost sight of when a business begins to incorporate Internet technology into their business strategy.
Porter presents both negative and positive truths when relating these forces to the Internet and business. It is true that a negative result occurs for businesses when the rivalry among competitors, products, services, suppliers, and buyers is greatly increased as the access to information and to competitors increases. Past cases have shown this greater geographic market, achieved through the use of the Internet, using low prices as the basis for competition. The net effect on an industry is obviously going to be negative when companies are hardly turning a profit in order to remain competitive.

In the article, the author presents two ways for cost and price advantages to be achieved through Internet competitive advantage. The first is operational effectiveness and the second is strategic positioning. Operational effectiveness means that your company continues to work according to the industry standards in place, but your company is going to do what other companies are doing better than them. This can include better technologies, better structure, or better management and people. Porter used an online banking example in relation to operational effectiveness. The banking industry now has an online standard; Porter mentioned that traditional banking companies such as Wells Fargo and Citibank have achieved greater success than strictly Internet banks have seen. This may be due to the fact that customers are used to the industry standard of physical banks versus electronic banks. Wells Fargo and Citibank have developed a successful operational plan to tie together both their traditional strategy and a technological strategy. Strategic positioning suggests doing things different than competitors by offering a unique value to customers. Papa John’s pizza is using the Internet to allow for online ordering. Once a person places their order online the nearest pizza place is given the order and the pizza is delivered in 30 minutes or less, as if they used the standard phone order method. Initially, customers may just come to try this out for a new experience, but as customers have good experiences with this repeat business with occur.

In the end we believe that the relationship between business and the Internet is going to vary on the products involved, but as time goes on companies will not be able to survive without an Internet advantage. Hopefully, entrepreneurs, executives, investors, and business observers of traditional companies recognize that Internet technologies must compliment their traditional ways of doing business. As for companies that are strictly dotcom businesses, such as Alanah’s, Porter suggests that they try to break away from the past cases of online price competition and create a competitive advantage business strategy that focuses on product selection, product design, service, image, or other types of key business advantages. A step in that direction would help a dotcom, like Alanah’s, in enhancing the competitive advantage and meeting the needs of their customer set.