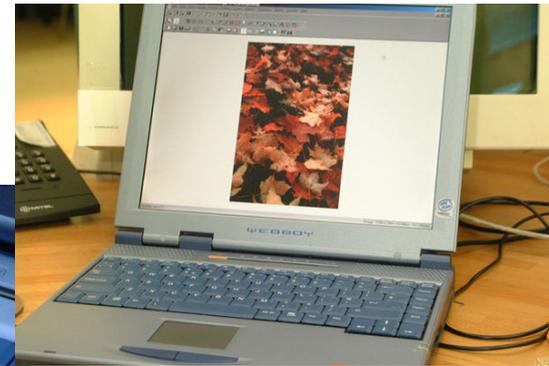
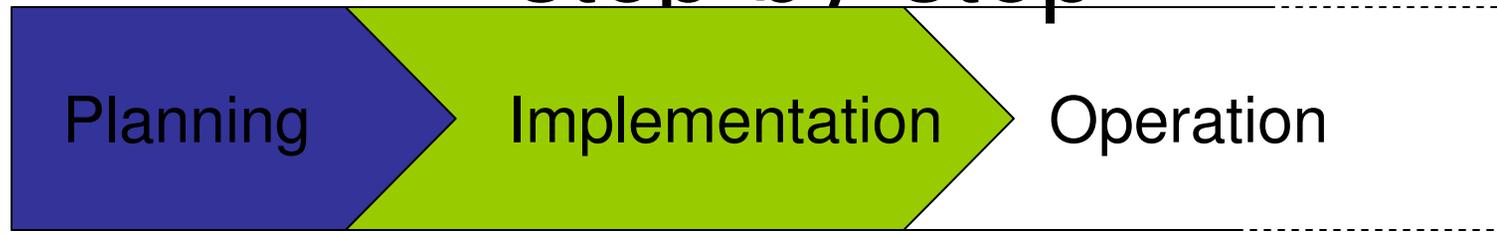


# 5.4.e-Business Strategy Development

# E-business development step-by-step



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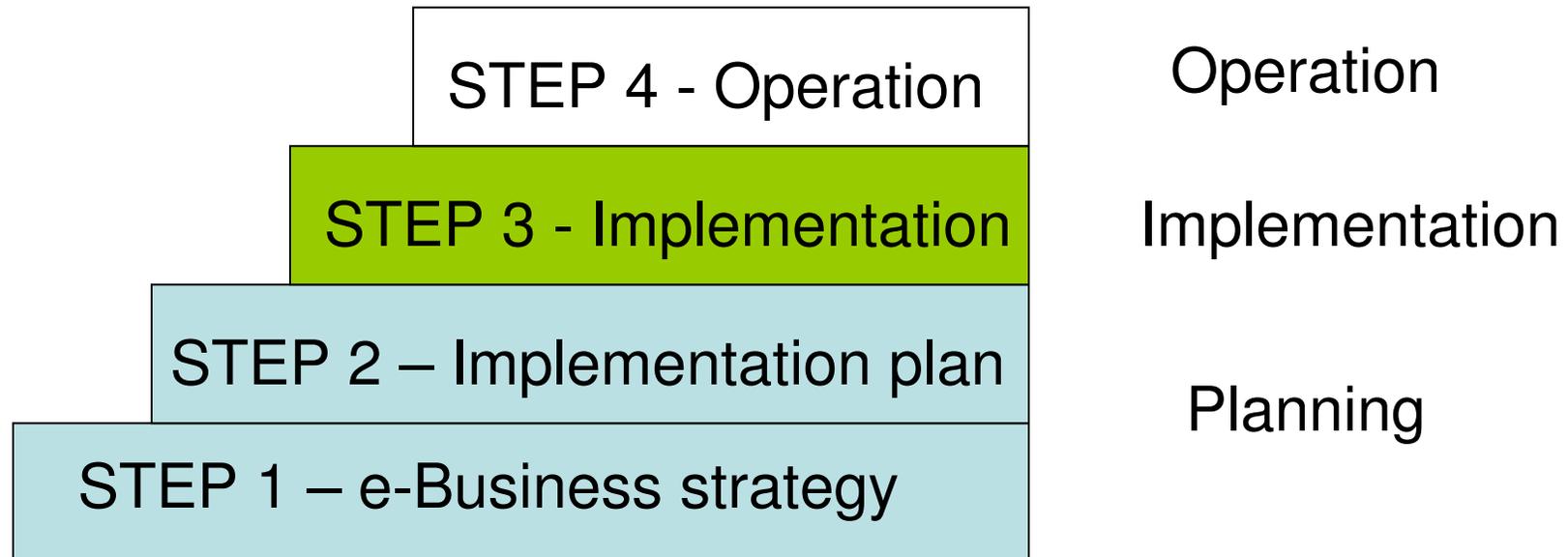


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# E-business development step-by-step

What are the steps to success ?



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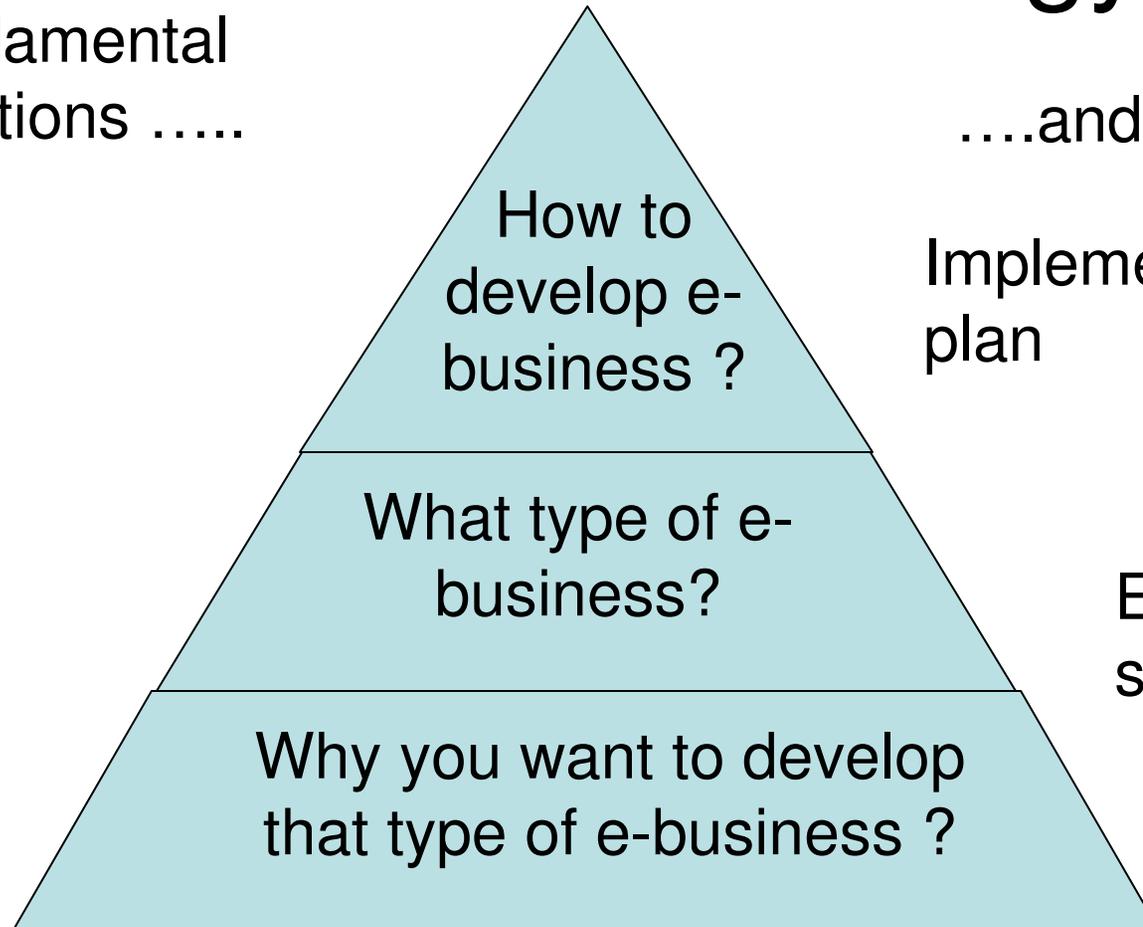
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# E-Business Strategy

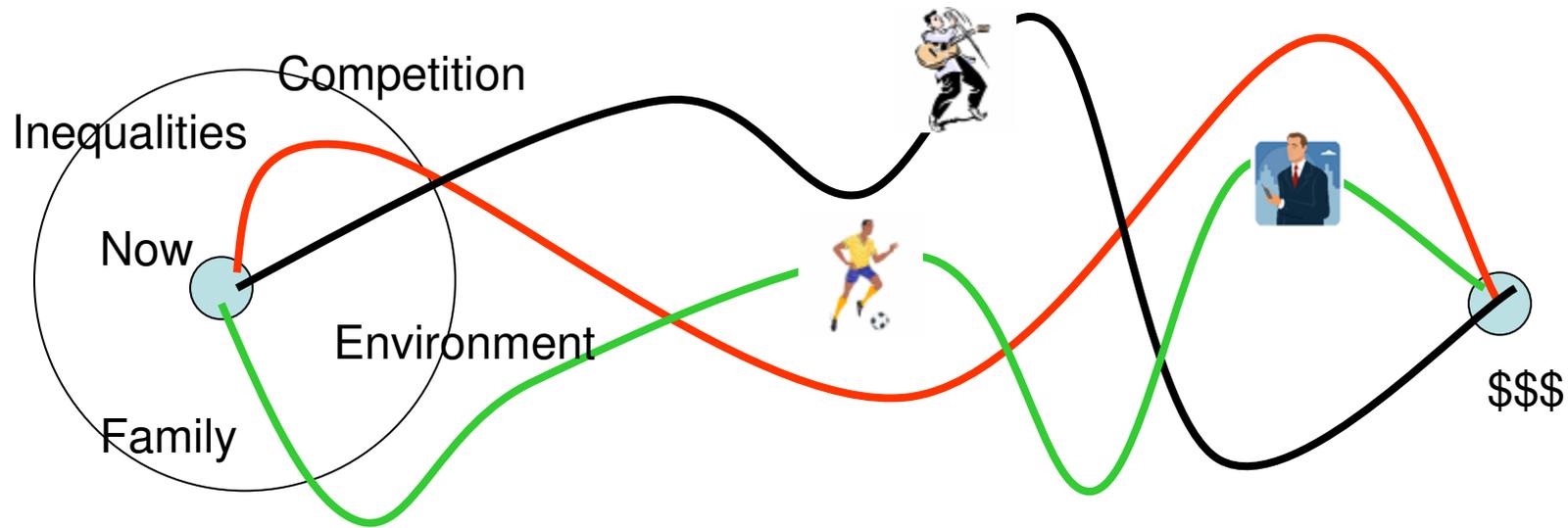
Fundamental  
questions .....

....and answers.



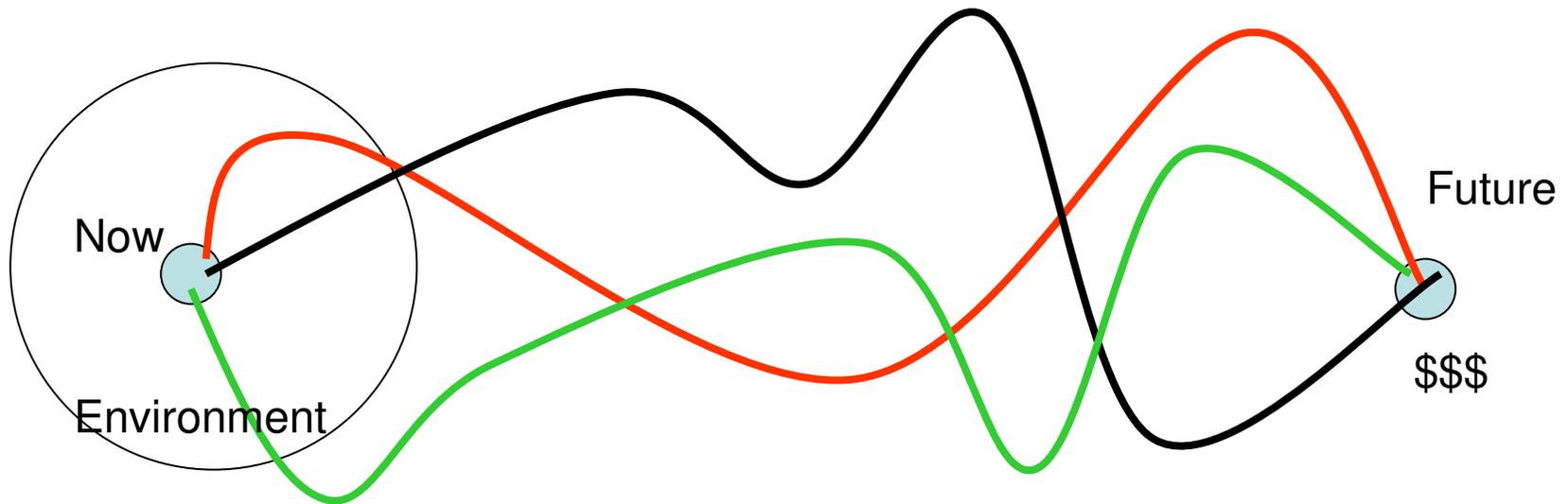
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# E-Business strategy



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# E-Business strategy



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# E-Business strategy

Propose you future situation

- Should be specific (time and figures)
- Profit oriented
  - “Increase revenue by 30% in 2 years” ←
  - “Increase market share by 50% in 1 year”
- Cost oriented
  - “Reduce cost by 20% in 1 year” ← **Efficiency**
- Client oriented
  - “Increase client satisfaction by 50% in 2 years”  
**Improve customer services**

# E-Business strategy

Assess your current situation

- Internal factors
  - Strengths
  - Weaknesses
- External factors
  - Opportunities
  - Threats

SWOT

Analysis

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# E-Business strategy

To conduct the SWOT Analysis you should consider:

- What is your business sector?
- Who are the customers?
- What are the current practices of selling and buying?
- Who are the major competitors? (How intense is the competition?)
- What e-strategies are used, by whom?
- What are the major opportunities and threats?
- What are the existing and potential partnerships for developing e-Business?

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# E-Business strategy



## SWOT Analysis

- Internal factors

### Strengths

- Original product
- Popular product
- High quality

### Weaknesses

- Lack of IT expertise
- No WEB presence

- External factors

### Opportunities

- External market
- New trend
- B2B market places

### Threats

- Competitors

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# SWOT Diagram

<p><b>INTERNAL FACTORS</b></p> <p><b>EXTERNAL FACTORS</b></p>	<p><b>Strengths (S)</b> Original product Popular product High quality</p>	<p><b>Weaknesses (W)</b> Lack of IT expertise No WEB presence</p>
<p><b>Opportunities (O)</b> External market New trend B2B market places</p>	<p><b><u>SO Strategies</u></b> Generate strategies here that use strengths to take advantages of opportunities</p>	<p><b><u>WO Strategies</u></b> Generate strategies here that take advantage of opportunities by overcoming weaknesses</p>
<p><b>Threats (T)</b> Competitors</p>	<p><b><u>ST Strategies</u></b> Generate strategies here that use strengths to avoid threats</p>	<p><b><u>WT Strategies</u></b> Generate strategies here that minimize weaknesses and avoid threats</p>

# Issues in e-Business Strategy

To be a first mover or a follower???

- ***Advantages***

- Chance to capture large markets
- Establishing a brand name
- Exclusive strategic alliances

- ***Disadvantages***

- Cost of developing initiative is usually very high
- Chance of failure is high
- System may be obsolete as compared to second wave arrivals
- No support services are available at the beginning

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# Issues in e-Business Strategy

- **E-Business Awareness / Owner commitment**
- **Senior managers tend to:**
  - Know the whole spectrum of business
  - Possess knowledge and authority to lead
  - the e-business adoption

# Issues in e-Business Strategy

## Should you join an e-Business Portal?

- Several benefits
- Costs and limitations
- E-Marketing
- sell-side and buy-side infrastructure
- Which Portal to join?



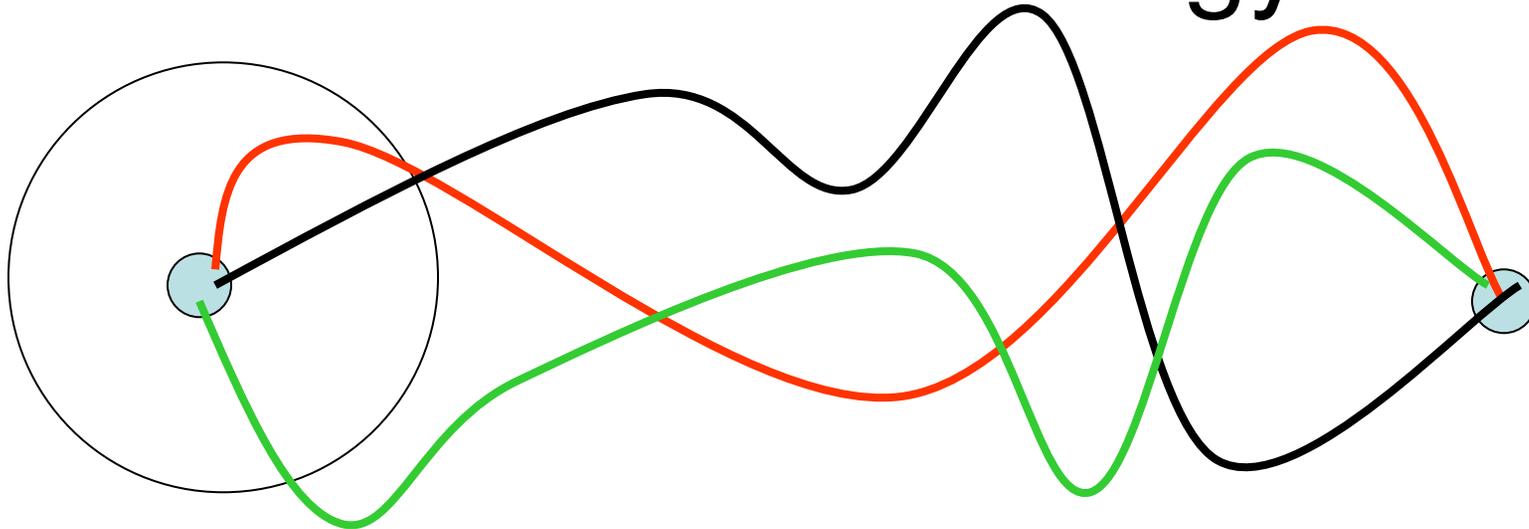
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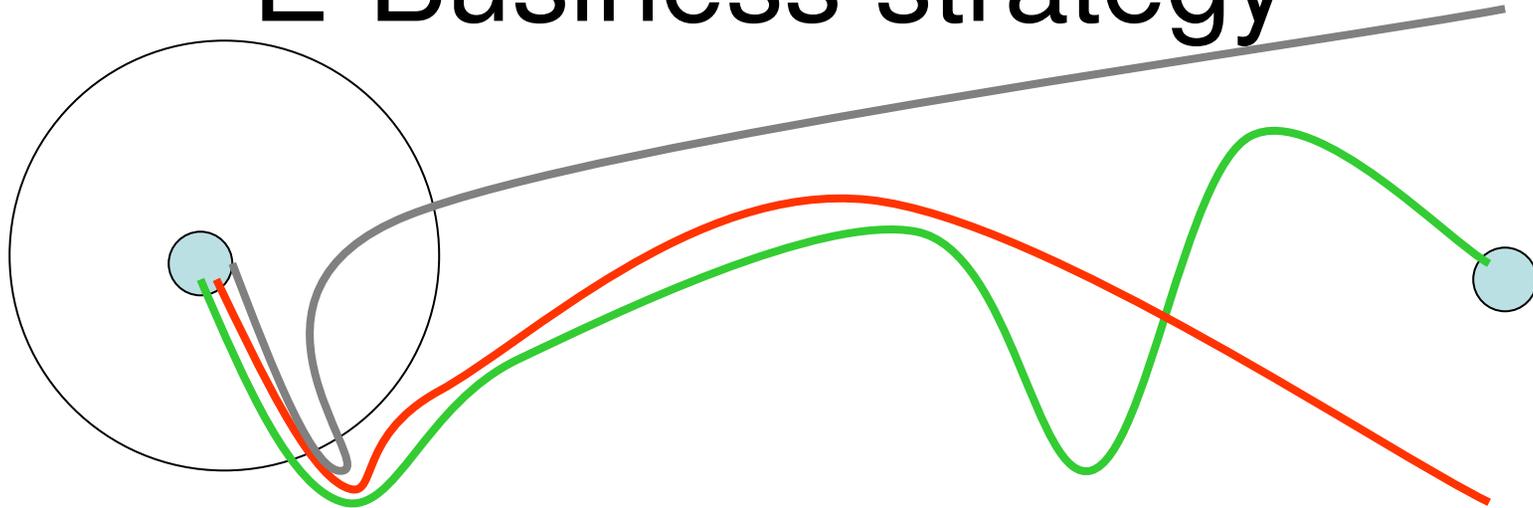
# E-Business strategy



1. B2B e-business
2. Target external market
3. Develop own website and join a B2B Portal
4. Use ISP to host website

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# E-Business strategy

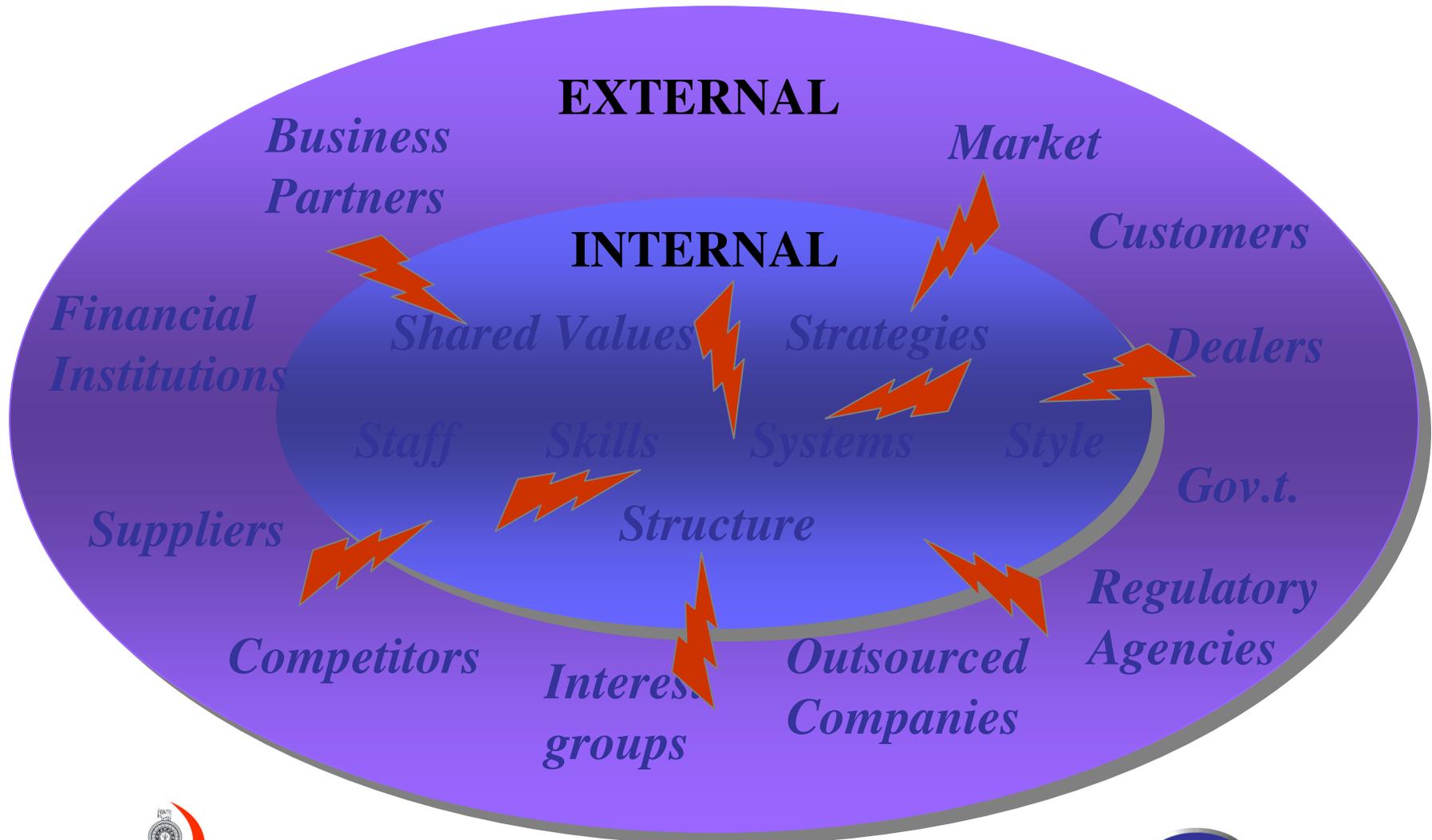


How to know if the strategy will achieve the proposed result?

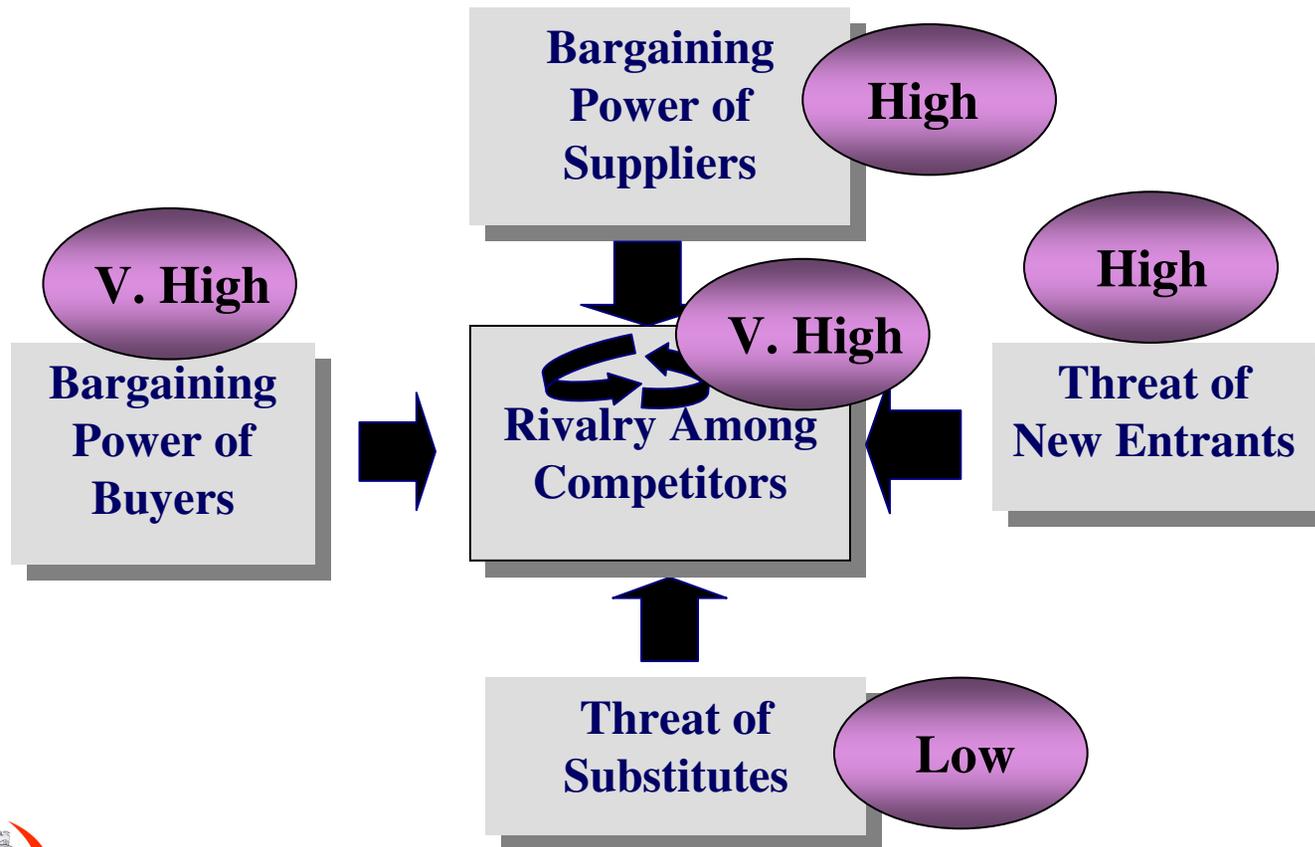
“Increase revenue by 30% in 2 years”

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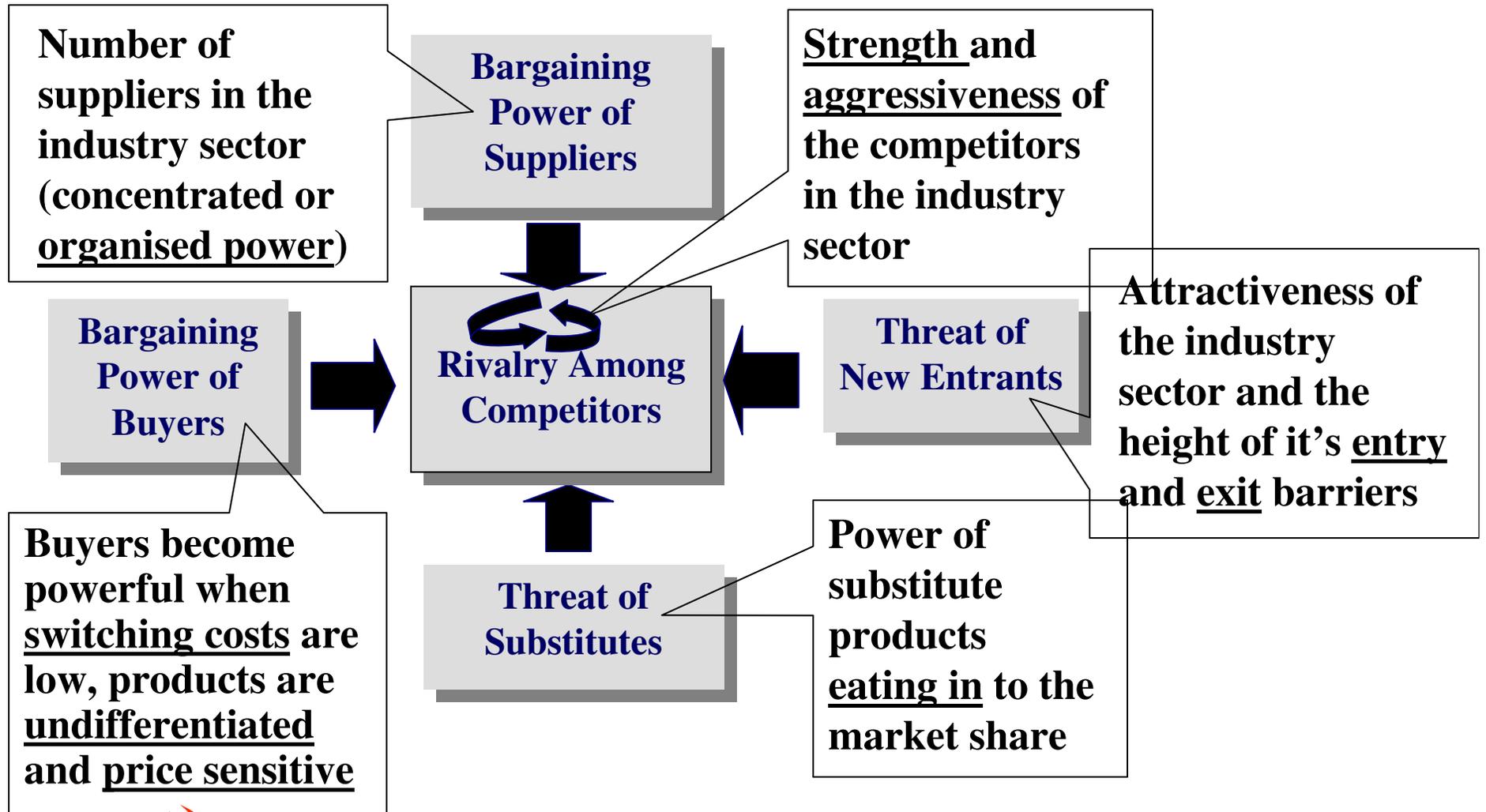
# The Business Environment



# Analyzing the External Environment Using Porter's Forces



# Michael Porter's Five Forces



# ***Bargaining Power of Suppliers***

- Suppliers have the most power when:
- The inputs you require are available only from a small number of suppliers.
- The inputs you require are unique, making it costly to switch suppliers.
- Your input purchases don't represent a significant portion of the supplier's business.
- Suppliers can sell directly to your customers, bypassing the need for your business.
- It is difficult for you to switch to another supplier.
- You do not have a full understanding of your supplier's market.

# *Reducing the Bargaining Power of Suppliers*

- Reduce inventory costs by providing just-in-time deliveries
- Enhance the value of goods and services supplied by making effective use of information about customer needs and preferences
- Speed the adoption of new technologies
- Forming a buying group of small producers to buy as one large-volume customer.
- choose to integrate back and produce your own inputs by purchasing one of your key suppliers or doing the production yourself.

# ***Bargaining Power of Buyers***

- Buyers have the most power over you when:
- they are large and purchase much of your output.
- Many small customers acting as a group creates force.
- Your industry has many small companies supplying the product and buyers are few and large.
- The products represent a relatively large expense for your customers
- Customers have access to and are able to evaluate
- market information.
- Your product is not unique and can be purchased
- from other suppliers.
- Customers could possibly make your product themselves.
- Customers can easily, and with little cost, switch to another product.

# ***Reducing the Bargaining Power of Buyers***

- By increasing their loyalty to your business through partnerships or loyalty programs,
- selling directly to consumers
- Increasing the inherent or perceived value of a product by adding features or branding.
- select the customers who have little knowledge of the market and have less power, you can enhance your profitability.

# ***Threat of New Entrants***

- The threat of new entrants is greatest when:
- Processes are not protected by regulations or patents.
- Customers have little brand loyalty.
- Start-up costs are low for new businesses entering the industry.
- The products provided are not unique.
- Can easily liquidate their inventory & assets
  - if the venture fails.
- Switching costs are low.
- The production process is easily learned.
- Access to inputs is easy.
- Access to customers is easy
- Economies of scale are minimal.

# ***Reducing the Threat of New Entrants***

- Enhancing your marketing/brand image,
- utilizing patents
- creating alliances with associated products
- demonstrating your ability and desire to retaliate to potential entrants
- setting a product price that deters entry

# ***Threat of Substitutes***

- Substitutes are a greater threat when:
- Your product doesn't offer any real benefit compared to other products.
- It is easy for customers to switch.
- Customers have little loyalty.

# *Reducing the Threat of Substitutes*

- by using tactics such as staying closely in tune with customer preferences
- differentiating your product by branding
- collective advertising for an industry
- Value added products taking your products to a different market

# *Rivalry Among Competitors*

- The most intense rivalries occur when:
- One firm or a small number of firms have incentive to try and become the market leader.
- The market is growing slowly or shrinking.
- There are high fixed costs of production
- Products are perishable and need to be sold quickly.
- Products are not unique or homogenous.  
Undifferentiated products (commodities)
- Customers can easily switch between products.
- There are high costs for exiting the business

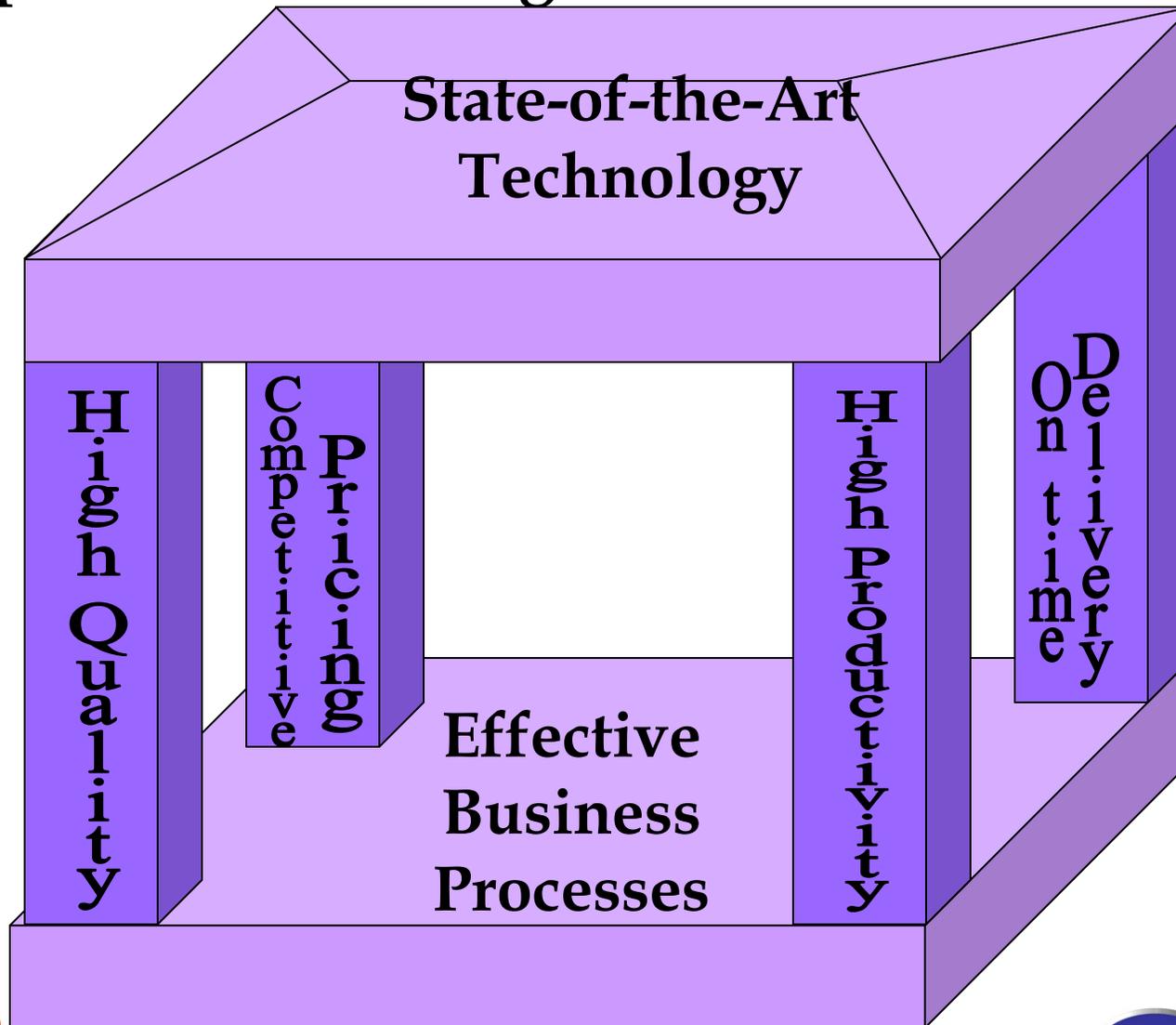
# *Reducing the Threat of Rivals*

- To minimize price competition
- distinguish your product from your competitors' by innovating or improving features.
- focusing on a unique segment of the market
- distributing your product in a novel channel
- trying to form stronger relationships
- Build customer loyalty.

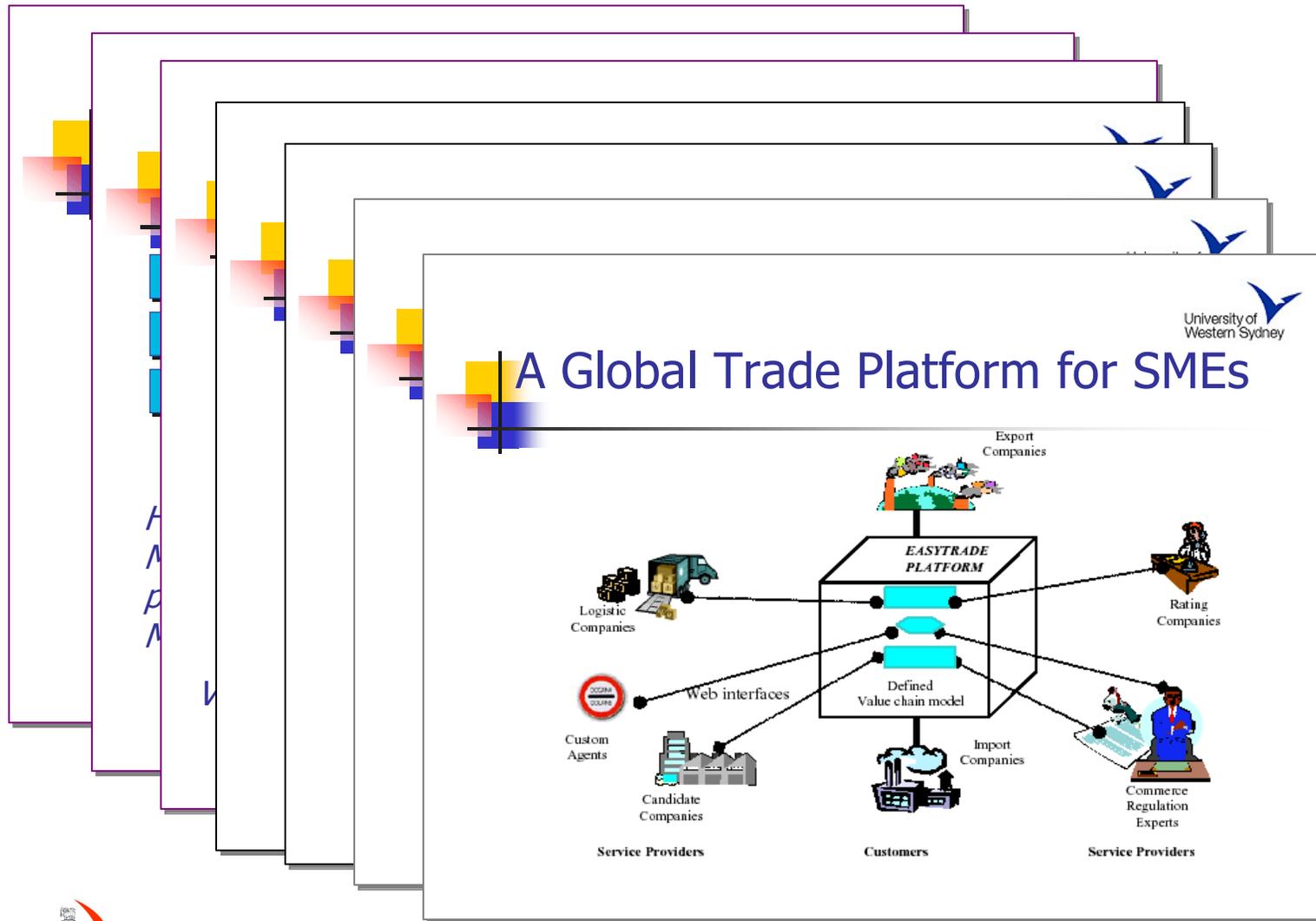
# Business Goals & Strategies

- **Survival - Companies in deep trouble and need re-engineering, they have no choice.**
- **Sustainability - Not yet in trouble, but, has the foresight to see trouble coming. They need to be proactive.**
- **Growth - Ambitious and aggressive. Reengineering is an opportunity to further their lead over the competitors.**

# Critical Success Factors which give the Competitive Advantage in the Garment Sector



# Virtual Collaborations



# Cost-Benefit and Risk Analysis

- **Revenue model**
  - Properly planned revenue model is a critical success factor
  - Revenues from sales depend on customer acquisition cost and advertisement
  - Must be figured into the analysis
- **Costs**
  - Implementation and operation costs
- **Recover the investment**
  - Should be able to recover the investment in up to 3 years

# E-Business Strategy

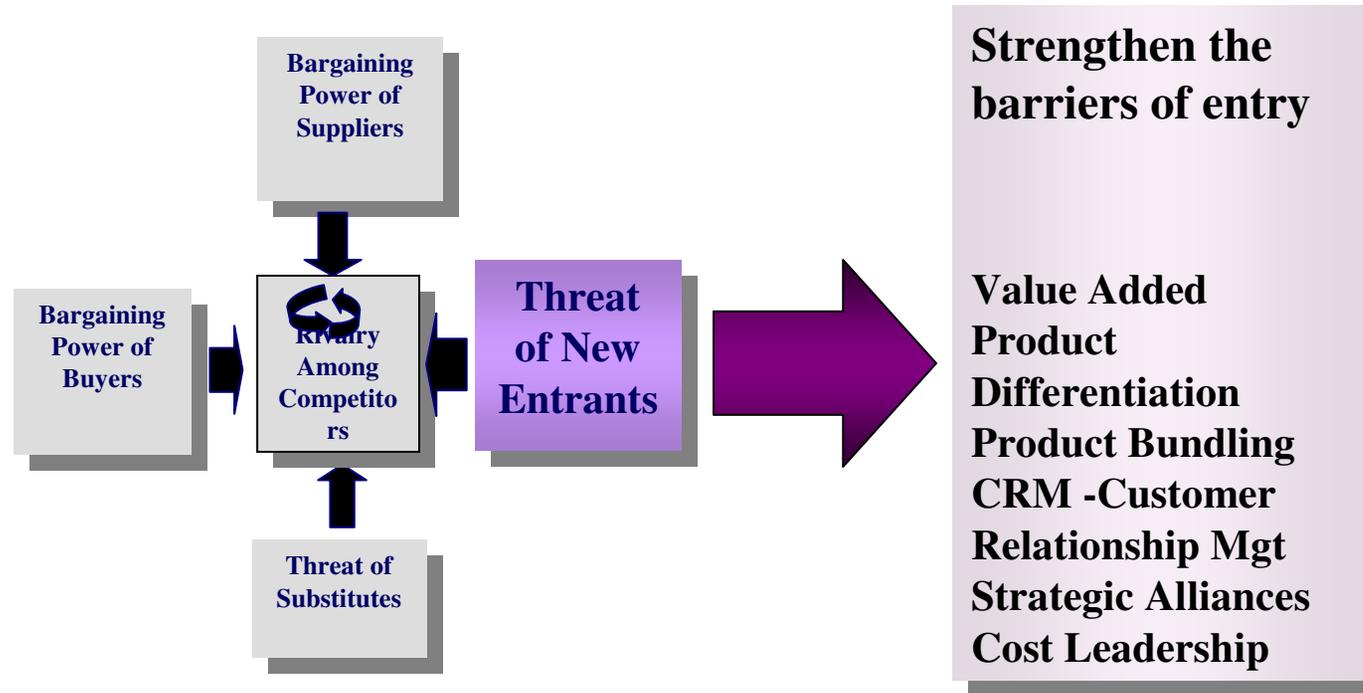
- Outputs:
  - Where you want to be in the future
  - Why e-business
  - What type of e-business (Estimated Scope)
  - Business case
    - Estimated Time
    - Estimated Cost



# What are Business Strategies ?

- **Product Differentiation (Value-added)**
- **Strategic Alliances**
- **Product Bundling**
- **Horizontal Integration**
- **Marketing**
- **Pricing Strategies**
- **Customer Relationship Mgt. (CRM)**
- **Expand Product Line**

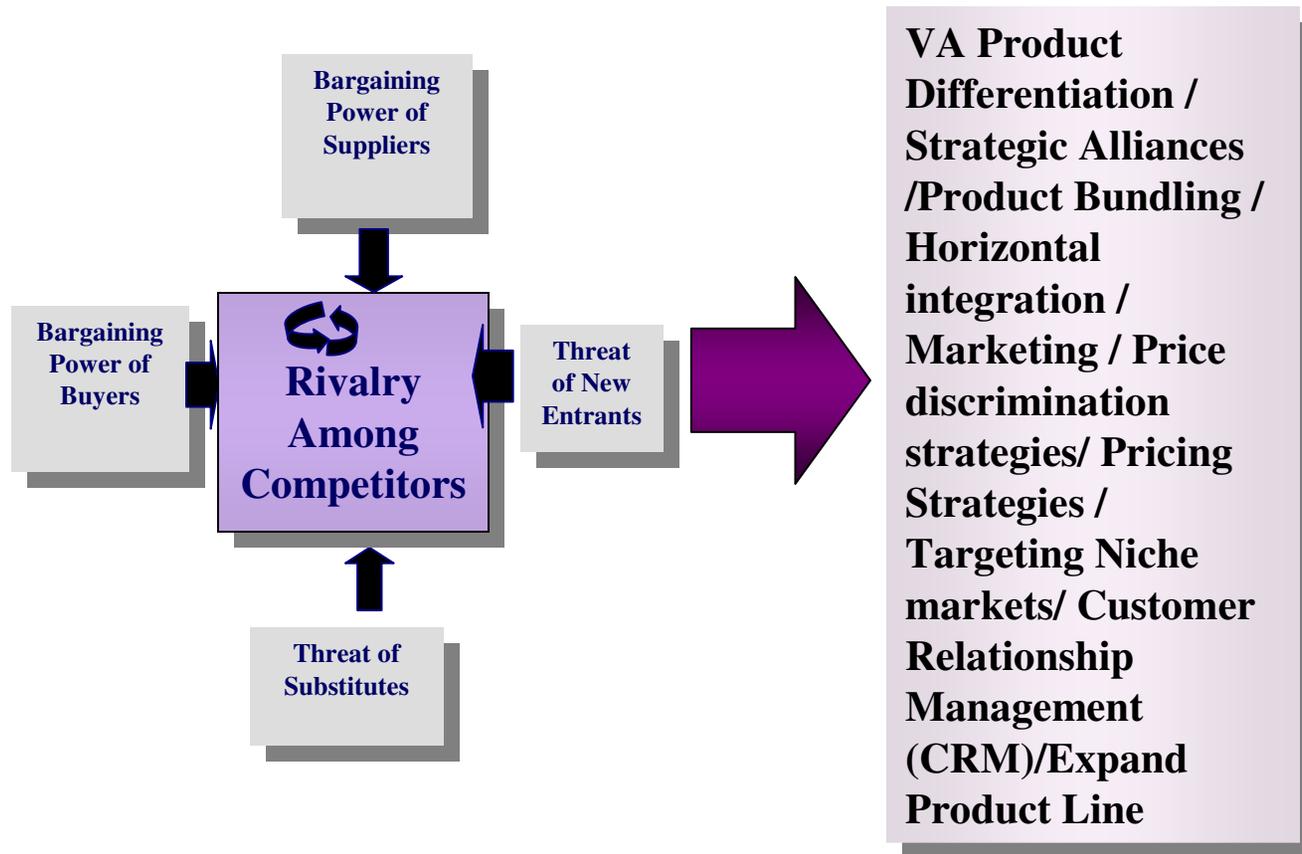
# Threat of New Entrants



Micheal Porter's Five Forces

Business Strategies

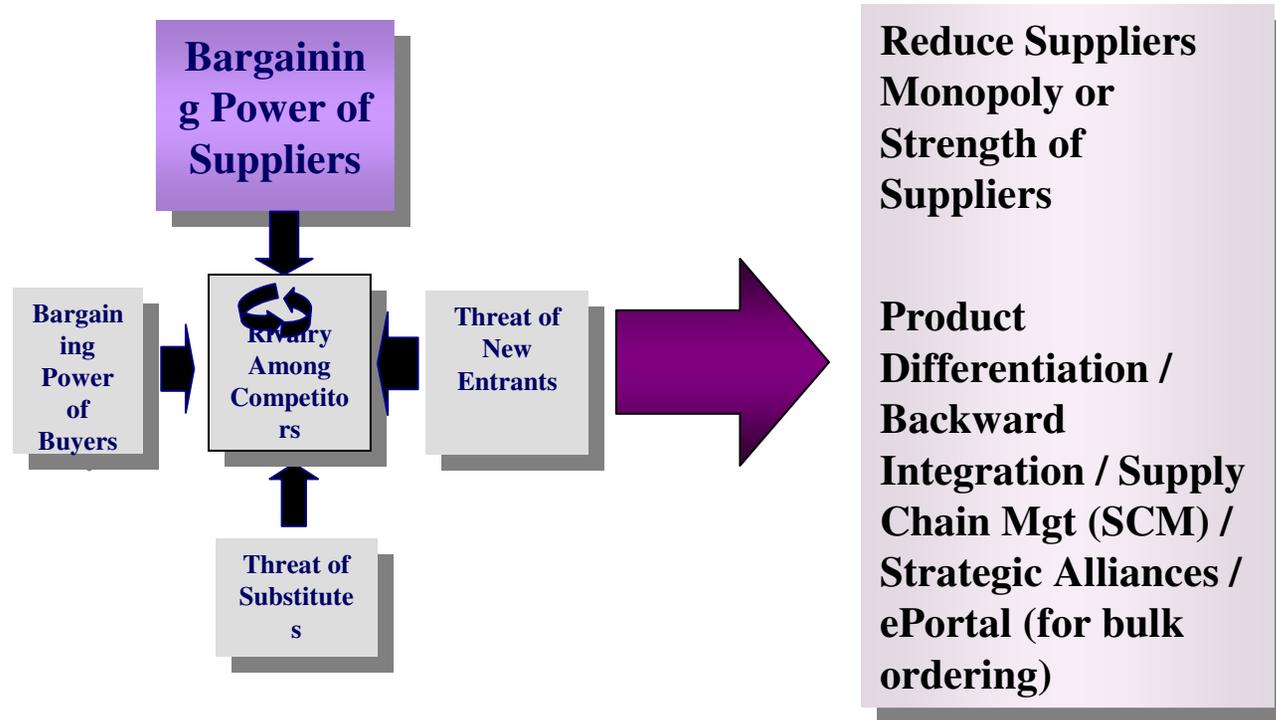
# Rivalry Among Existing Firms



Michael Porter's Five Forces

Business Strategies

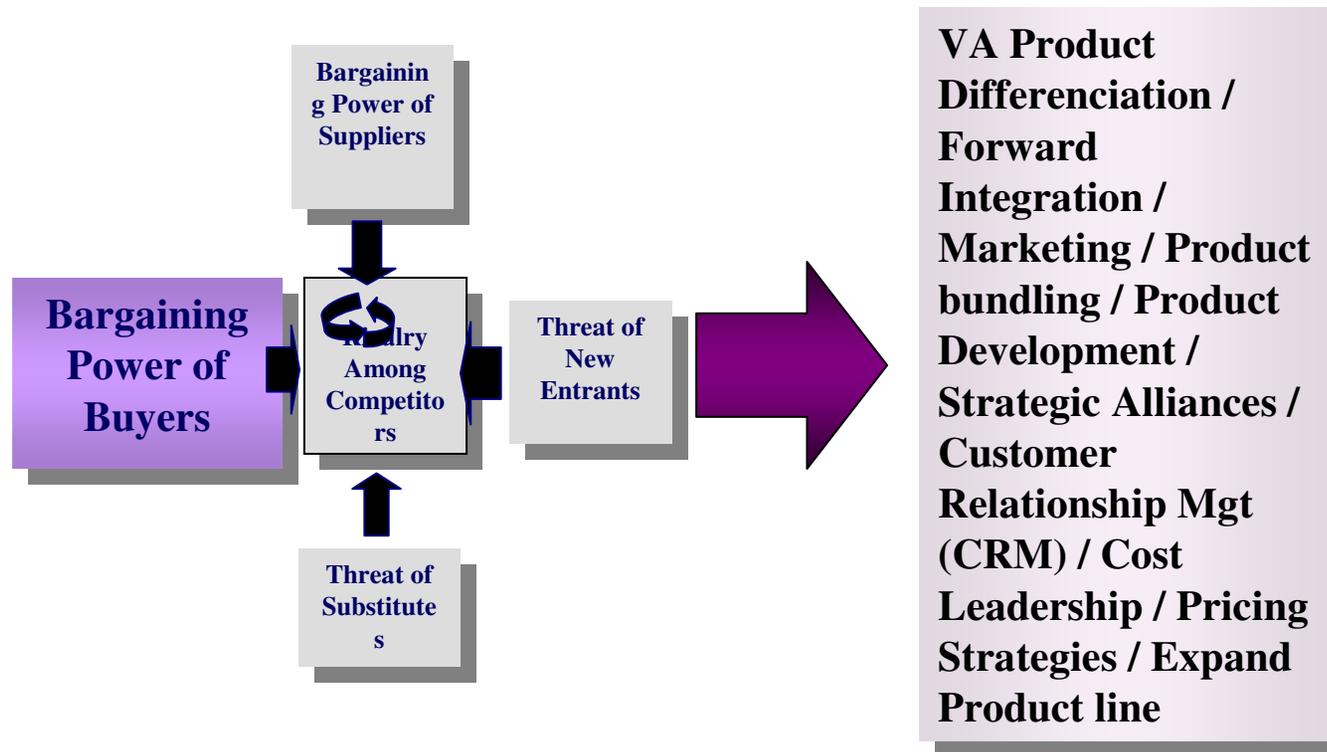
# Bargaining Power of Suppliers



Micheal Porter's Five Forces

Business Strategies

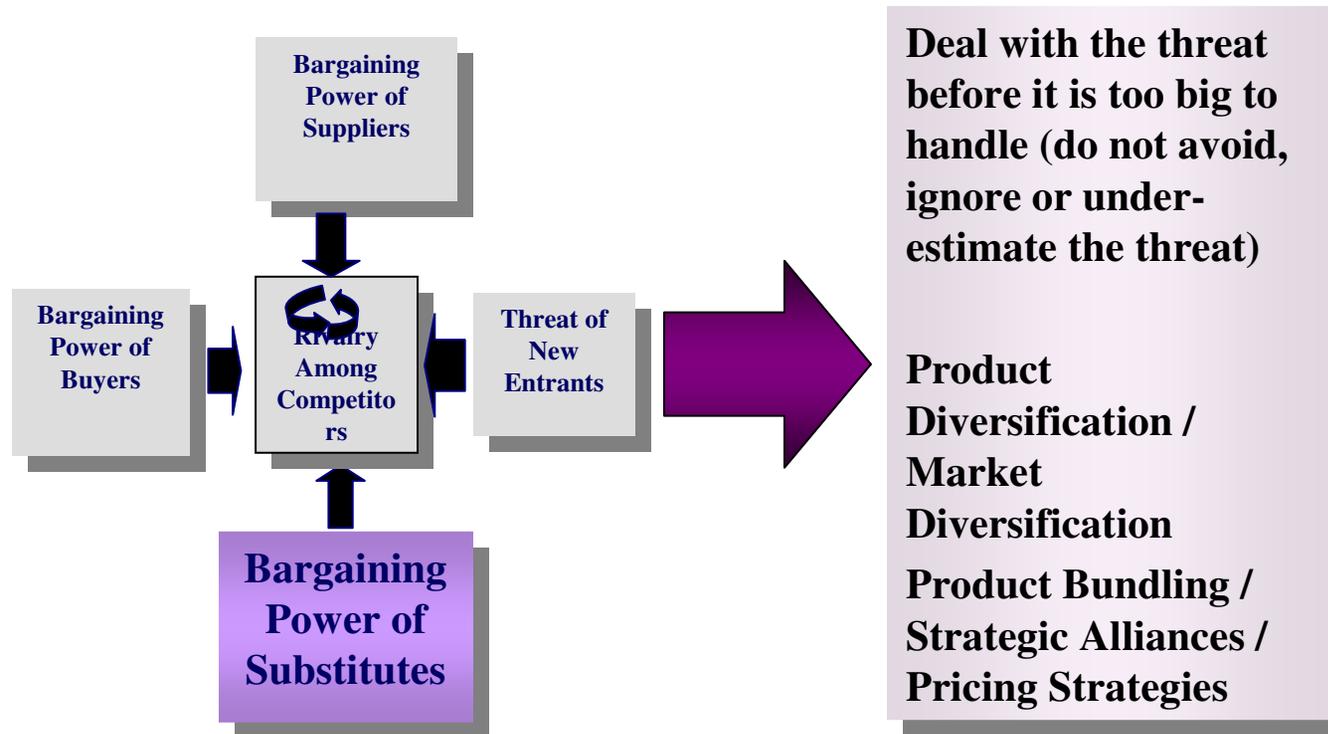
# Bargaining Power of Buyers



Micheal Porter's Five Forces

Business Strategies

# Bargaining Power of Substitutes



Michael Porter's Five Forces

Business Strategies

# Business Goals/Strategies

<b>Force</b>	<b>Business Strategies</b>
<b>Threat of New Entrants</b>	<b>Product Differentiation / Product Bundling / Customer Relationship Mgt (CRM)/Strategic Alliances / Cost Leadership</b>
<b>Rivalry among existing Firms</b>	<b>Product (Value-added) Differentiation / Strategic Alliances /Product Bundling / Horizontal integration / Marketing / Price discrimination strategies/ Pricing Strategies / Targeting Niche markets/ Customer Relationship Management (CRM)/Expand Product Line</b>
<b>Threat of Substitutes</b>	<b>Product Diversification / Market Diversification Product Bundling / Strategic Alliances / Pricing Strategies</b>
<b>Bargaining Power of Suppliers</b>	<b>Product Differentiation / Backward Integration / Supply Chain Mgt (SCM) / Strategic Alliances / ePortal (for bulk ordering)</b>
<b>Bargaining Power of Buyers</b>	<b>Product (Value Added) Differentiation / Forward Integration / Marketing / Product bundling / Product Development / Strategic Alliances / Customer Relationship Mgt (CRM) / Cost Leadership / Pricing Strategies / Expand Product line</b>