Keeping E-Business in Perspective

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CACM, vol.45, no.8, pp.69-73
In 1999, many claimed that e-business would fundamentally change the conduct of business and commerce in the future.

The bubble burst in April 2000. The e-vangelists were premature.

IT professionals and consulting firms continue to promote and many firms continue to invest in its application

- We have learned to build sustainable e-businesses

Two questions concerned:

- Where is e-business concentrated?
- Why is e-business occurring as it is?
Where is E-Business Concentrated?

- E-business among consumers is still in a formative stage
  - Many people still lack or choose not to have Internet access
  - Many products or services must be “experienced”
  - Shopping is considered as pleasures, therefore, no intention of giving up the physical shopping experience
  - Barriers: security, privacy, uncertainty, low bandwidth, consumer protection, etc.
- Business are more willing than consumers to communicate, negotiate, buy and sell online
  - Better equipped to communicate electronically
  - More cost-conscious
  - Reducing cost and increasing efficiency
  - Organization that have invested substantially in developing IT supply chain infrastructures have a strong incentive to encourage others to do the same
Why Is Business Occurring As It Is?

- Four predictions made about e-business and assessment of the current reality
- Brands will die! The low set-up cost of e-business is a major threat to brands.
  - In an Ernst & Young survey, 69% of respondents stated that brand names played a significant role in their online buying decisions.
  - Customers do not employ exhaustive search strategies.
  - Internet provides no guarantee of lower search costs or customer attention.
  - Brand names act as substitutes for information gathering by helping online buyers locate specific products and thus reduce search cost.
  - Brands build trust, security, and expectations regarding product quality.
Middlemen will die! Disintermediation – from retailing to insurance, the computer-network revolution removes the intermediary

- Compaq Australia attempted to eliminate reseller margins by going direct to customer with a more price competitive product.
- Compaq’s success had been largely determined by its close channel relationship with resellers.
- All resellers tossing all Compaq products out of the country’s retail outlets.
- Compaq lost $100 million and was forced to backtrack.
- The combination of intermediary power and proximity to the customer explains why there are not many successful examples of disintermediation.
- The problem is how to move into a new distribution channel without jeopardizing existing channel relationships
• Scale is irrelevant! Size is less important for online firm
  – The larger the network, the more attractive it is to users.
  – Markets for portal companies, hardware, and software all provide recent examples of companies deriving increased value from wide reach.
  – Standardization of inter-organization systems will require governance mechanisms
    • Large firms will leverage their bargaining power to encourage cooperation among channel members
• Lower prices! E-Business will lead to efficient market and lower price
  – Reduced information exchange and coordinate cost have enabled firms to capture a larger part of the customer value proposition.
  – Price going up or down depends on the evolution of value in specific markets
Revolution?

• Technological revolution are characterized by their pervasiveness across all domains of human activity
  – Not simply their impact on what is done
  – They must change processes in some fundamental way.
• E-Business has not yet changed the way the vast majority of people shop or how most business is conducted on a day-to-day basis.
• Social requirements still govern technology and current efforts to virtualize commerce.
• In reality, E-Business automates existing B2B processes and extends a few B2C successes.