Class announcements

- Assignment 3 due Tuesday 4/27
- Project Proposal due Today
- Reading for next class
  - Messerschmitt Ch 4
Student Presentations
Cisco Review

- Team of people from all types of departments
  - “cross-functional team”

- Was this necessary?
Cisco Review

- Vendor Selection
  - KPMG consultants
  - Oracle ERP

- Good selection? Why were they “hungry?”
Cisco Review

- Top Management made it a priority

- What effect did this have?
Cisco Review

- Rapid Iterative Prototyping?
  - What was this?
  - Was it a good strategy?
  - Was aggressive pace good, or reckless?
Cisco review

- Project justification

  - Did they do a RoR or NPV analysis to justify the project?
Cisco Summary

Success Factors

- Cross-Functional Team of top people
  - People from across the company involved
- Hungry Vendors
  - Oracle and KPMG needed this to succeed
- Strong Support from Top Management
- Favorable Hardware Contract
- Rapid Prototyping
- Aggressive pace

Challenges

- Poor testing Strategy
- Inadequate Hardware
- Software required more modifications than originally hoped.

Good management or luck?
Cisco Summary

What did it cost?

Costs Beyond original budget:

Non-IT Personnel In Project
- 80 personnel X 8 months X 160 hours / month X 100 hour = $10 million

IT-Personnel beyond original 20
- 80 personnel X 4.5 months X 160 hours / month X 100 hour = $5.7 million

Actually cost more than 15 million more than the original budget of $15 million!

Was this really a success?!
E-Commerce

**Major Categories**

- **Consumer (B2C)**
  - Example: Amazon.com sells books to consumers.

- **Inter-consumer (C2C)**
  - Example: eBay

- **Inter-enterprise (B2B)**
  - Example:
E-Commerce Principal Steps

- Matching buyers and sellers
- Negotiating terms
- Consummation
- Customer service
Matching Buyers and Sellers

- **Catalog**
  - Seller publishes a catalog of goods and services
  - Willing buyers access at their initiative

- **Advertising**
  - Attach advertisements to other publications or web pages
  - Example: Spam

- **Intermediary Recommender**
  - Examples?
Intermediaries?

- What rolls should intermediaries play in the networked age?

- What intermediary rolls may change or even be eliminated?
  - Travel Agents?
  - Others?
Negotiating Terms

- Fixed price
- Price based on buyer characteristics
  - History
  - Demographics
  - Behavior
  - Sequential versioning
  - Examples?
    - (Airlines, Hotwire, TurboTax)
- Auctions
Consummation

- **Order**
- **Fulfillment**
  - Seller conveys goods to buyer
- **Payment**
  - Buyer conveys payment to seller
- **Security?**
  - Need to ensure both fulfillment and Payment occur.
Payment options

(Topic of Chapter 14)
Account transfer authorization
Credit/debit card
Digital cash

Micropayments
- Low transaction costs
- Consolidation
Customer Support

- Often need to provide post-sales service to the customer
  - In person
  - Over telephone
  - Via Network
    - Email
    - Remote conferencing
    - FAQ board
    - Automatic distribution of new versions or patches
The challenge of maintaining the relationship with a customer is called **Customer Relationship Management** (CRM).

CRM software applications seek to provide customer facing employees a complete view of each customer.

- What they’ve bought and returned.
- What problems they’ve reported.
- What other agents they’ve talked to in the past.

An opportunity to add value.
E-Commerce

- **Major Categories**
  - Consumer (B2C)
  - Inter-consumer (C2C)
  - Inter-enterprise (B2B)
Consumer e-commerce (B2C)

- What have you bought on the Internet, or what do you buy most often?
- What are the advantages and disadvantages compared to a retail store or direct mail catalog?
Some Advantages

- **For the Consumer**
  - Check prices at many vendors with minimal effort
  - Price many options
  - Anonymity
  - Order tracking

- **For the Business**
  - Global reach
  - Automate order taking (cost savings)
  - Price Discrimination
Inter-Consumer (E-commerce)

- Prime Example
  - E-Bay

- Other examples?

- What value does something like E-bay add over a simple classifieds listing like craigslist?
Inter-Enterprise E-Commerce (B2B)

- **Procurement**
  - One enterprise purchases goods or services from another

- **Direct Procurement**
  - Ongoing, consistent, and scheduled procurement

- The relationship between firms involved in direct procurement often called a *Supply Chain*

- The set of problems associated with managing a supply chain is called *Supply Chain Management* (SCM)
SCM

- Need to manage the procurement of parts
  - Don’t run out of any one
  - Don’t order too many
  - Order far enough in advance
- Ideally
  - Know in advance
    - # cars
    - features
Thousands of orders per day, each with different requirements!

Adjusting orders from suppliers constantly according to demand

Minimal inventories
  - Cut costs
  - Much more sensitive to errors or disruptions

mass customization requires sophisticated SCM
Networked Computing in direct Procurement

- History predates Internet
- **Electronic Data Interchange** (EDI)
  - Exchange order information between firms involved in direct procurement
  - Usually large firms who could who afford proprietary communication links
  - Initially order and invoice
  - Existed since 70’s
- **Financial EDI** (FEDI) later added EFT payment capability
Networked Computing in direct Procurement

- XML (Extensible Markup Language) is another data interchange format making an impact on inter-enterprise commerce.

- We will talk more about this later in the quarter.
Indirect Procurement

- Sporadic purchase of goods and services to support organizational objectives
  - Example: Office Furniture
Break
Student Presentation

Bradon Espinoza
Alibris

- Why did Interloc succeed so early on?
If Interloc is so successful, why change it?

What will change as Interloc becomes Alibris?
Alibris

- Why did Manley feel they needed the Sparks facility?

- How does the Sparks facility keep them from becoming disintermediated?
Alibris

- Should Alibris actually buy books and fill up the Sparks facility?
Alibris

- Why is Alibris having so much trouble setting up simple e-commerce capabilities?

- Is this really that hard??

- Is it rare for a new-software product from an established, reputable vendor not to work properly?
Alibris

- Should Alibris stick with Oracle? Or switch back to Thunderstone?
Should Manley take the “white knight’s” offer and fire the whole IT staff??!
Alibris

- Rejects “white knight” offer
- Manley secures another bridge loan
- Goes Live 1998
- Thunderstone’s software works ok
- 1 million books at Sparks warehouse by 2000
  - Originally all on consignment from dealers
  - Later, purchases books
- 2002 - Revenue $31 million, loss $7.2 million
- 2003 - Revenue $45.5 million, loss $4.8 million
- March 2004 files for “auction based” IPO
  - May 2004, withdraws IPO after price too low
  - Still Relying on Private Financing