Class announcements

Reading for next class

- Messerschmitt Ch 4
Student Presentation
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

Good management or luck?

Challenges

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

Challenges
- Poor testing Strategy
- Inadequate Hardware
- Software required more modifications than originally hoped.
What did it cost?

Costs Beyond original budget:

Non-IT Personnel In Project
- 80 personnel \times 8 \text{ months} \times 160 \text{ hours / month} \times 100 \text{ hour} = $10 million

IT-Personnel beyond original 20
- 80 personnel \times 4.5 \text{ months} \times 160 \text{ hours / month} \times 100 \text{ 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: e-bay
  - **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
Customer Relationship Management

- 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 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
Alibris

- Why did Interloc succeed so early on?
Alibris

- 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?
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