

Business to Consumer Peer to Peer Commerce

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Overview

- Definitions
- Consumers and Driving Forces
- Critical Components
- Evolutionary Patterns
- Primary Examples

Definitions

- A Business to consumer site is defined as a site that provides one or more of the following functions
 - Online product information
 - Online ordering
 - Online product tracking
 - Online customer support

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Breakdown of Classes

- Stores
 - Amazon.com
- Auctions
 - www.ebay.com
- Information sites
 - www.nytimes.com
- Malls (consumer portals)
 - Eshop.msn.com

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Likely Scenarios for E-Businesses

- A brick business testing the waters by establishing a click presence
- A mail-order/catalog house exploring on-line as an alternate channel
- Wholesalers exploring if they can go directly to consumers
- New businesses marketing either traditional or bit age products

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B2C Site Trends

- The traditional bricks and mortar stores are beginning to make inroads
 - Sears
 - JCPenney
 - Staples
- Women and men are developing separate profiles
 - After books and CDs
 - Women prefer toys, health and beauty, apparel
 - Men prefer electronics, entertainment, office supplies

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B2C Sites Sample Statistics

Top Web Sites(April 2000, PC Data Online)			
Site	Users (000s)	Buyers (000s)	Buy %
Amazon	16,260	1,506	9.3%
Ticketmaster	5,674	633	11.2%
BarnesandNoble	5,663	439	7.8%
CDNow	6,797	367	5.4%
Sears	2,627	303	11.5%

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B2C Sales Categories

Top Four Areas of Online Sales (April 2000, Forrester)			
Small Ticket Items (,000s)		Large Ticket Items (,000s)	
Apparel	\$173,938	Air Tickets	\$607,981
Books	\$155,894	Computer Hard	\$317,116
Software	\$112,732	Hotel Reserv.	\$274,045
Health & Beauty	\$112,117	Consumer Elec.	181,779

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On-line Consumers

- US Population over 12
 - 64% used the internet last year
 - 31% goes online every day
- Internet users
 - 86% of internet users use it for email
 - 50% have made a purchase online
 - 44% are online for more than an hour when on
 - 69% go online at home

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On-line Consumers

- 50% of users don't purchase online for fear of stolen credit card information
- 95% of web purchasers are accepting follow up email advertising
- For every dollar spent online, about three dollars are spent offline based on online research
- Cold weather seems to have had an impact this year in shifting purchases online

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On-line Consumers

- On-line shoppers have low loyalty to a site – 35% of shoppers who had a problem shifted
- 97% of those shopping online reported plans to do it again
- 95% of respondents indicated that their experience was a positive one
- Shipping and handling costs were the main reason people planned not to shop online again

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Reasons why consumers purchase on-line

- First time online consumers have researched four to five products before purchasing
- Reasons why first time purchasers do so:
 - “deep price discounts”(80%)
 - Assurance of privacy(67%)
 - Ability to return purchase to a brick and mortar facility (25%)
 - Real time customer support (12%)

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Problems experienced online

Problem	% of Buyers
Item out of stock	64%
Product not delivered on time	40%
Paid too much for delivery	38%
Connection or download trouble	36%
No confirmation or status report	28%
Selections were limited	27%
Site difficult to navigate	26%
Site didn't provide enough information	25%

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Comparison to Other Channels

Comparison among shopping channels			
	Internet	Catalog	Store
Offers most competitive prices	21%	10%	13%
Everything from one source	12%	7%	13%
Convenience	59%	41%	12%
Saves time	62%	33%	3%

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Dramatic Channel Preferences

Item	Internet	Catalog	Store
Books	47%	15%	34%
Music	42%	15%	34%
Toys	48%	33%	57%
Clothing	29%	41%	81%
Jewelry	3%	--	24%
Appliances	17%	12%	34%

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Business Reasons for On-line

- Provide a significant cost savings
 - Must be total cost of purchase
- Provide a cost savings based on a significant acceptable cost displacement
 - Video on demand versus drive to a video store
- Provide a significant service
 - Drugstore .com
 - Peapod.com

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Critical Components

- An online and offline marketing plan
- Enough information about products to allow a confident decision
- Information about product availability
- A mechanism to allow easy purchase
 - Secure channel
 - Credit verification
- Customer relations management

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www.amazon.com

- The most noteworthy of all pure web stores
 - Conceived by Jeff Bezos in 1994
 - Started operation in July, 1995
 - Went public in May of 1997
 - Valued at more than \$5 billion
- Business plan was to operate as a broker between publishers and readers
- Amazon is now extending its reach via syndication bringing in additional vendors

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Amazon.com Environmental Factors

- The number of books being published exceeded normal bookstore capacity
 - An average bookstore holds 100,000 titles
 - Amazon started with 1.1 million(now 3 million)
- The margin on books was high – allowing discounts
- Book buying is an information intensive decision which can be supported electronically

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Amazon.com Success Factors

- Amazon has identified four success factors:
 - Develop brand position
 - Provide value and service to the customer
 - Achieve sufficient sales volume
 - Achieve economies of scale

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Amazon.com Acquisition and Growth Strategy

- Amazon expanded geographically by acquiring Bookpages (UK) and Telebook (Germany)
- Amazon acquired the Internet Movie Database to catapult its position in the video sales arena
- Amazon acquired Junglee Corp to develop its database technology
- Amazon acquired Sage Enterprises which provided addressbook, calendaring, and reminder services

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Amazon.com Partnerships

- Amazon provides for “syndicate” selling which allows sites such as Yahoo.com and others to use amazon as the backend for searching
- Amazon provides a mechanism for small independent publishers to post offerings and use some of amazon’s warehousing
- Amazon “partners” program offers links off the amazon site to other e-tailers

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Amazon.com Technology Strategy

- Amazon uses an internally developed system
 - Order management
 - Cash and credit card processing
 - Purchasing
 - Inventory management
 - Shipping
- It uses Netscape Secure Commerce Server for order nad customer accounts and Real Audio Server for streaming audio and video.

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The image shows a screenshot of the Amazon.com website from September 28, 2001. The browser address bar shows the URL: http://www.amazon.com/exec/obidos/subject_lists/best/best_sellers.html/ref=.... The website features a navigation bar with categories like 'WELCOME', 'BOOKS', 'MUSIC', 'DVD & VIDEO', 'ELECTRONICS', 'SOFTWARE', 'TOYS & GAMES', 'HOME & LIVING', 'ART & ARCHITECTURE', 'AUDIOBOOKS', 'BUSINESS & INVESTING', 'COMPUTERS & INTERNET', 'CHILDREN'S BOOKS', 'AWARD WINNERS', 'FEATURED IN THE MEDIA', 'BESTSELLERS', 'BROWSE SUBJECTS', and 'SEARCH BOOKS'. A search box is visible with the text 'Books' and a 'GO' button. A callout box points to the search box with the text 'Multiple methods of locating materials are supported'. Another callout box points to the 'Partners' link in the navigation bar with the text 'Access is provided to "Partners"'. The main content area includes a 'WELCOME TO Amazon.com Books' message, a sign-in prompt, and a section titled 'Our Editors Suggest' featuring 'French Twist' by David Sedaris. A sidebar on the right contains a 'Don't Get Left Behind' section.

Multiple methods of locating materials are supported

Access is provided to "Partners"

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Reminders, wish lists and e-cards all a part of customer service

Communities of interest for purchasing



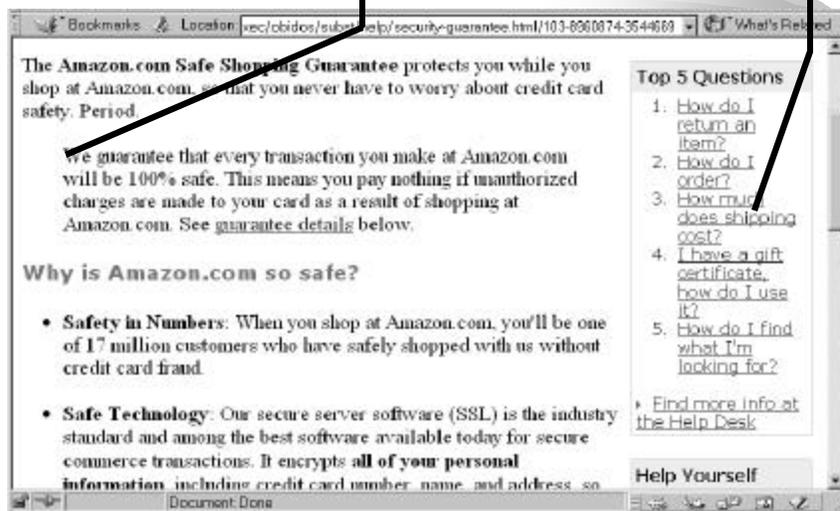
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Guaranteed safe

Consumer oriented information



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The 1-click technology along with its shopping cart are important innovations brought by amazon



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Details

Other books by author

Other books buyers are reading

Who the buyers are



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www.ebay.com

- Extension of the usenet barter systems in place for twenty years
- Launched in September 1995
- More than 1 million items for sale
- More than 40 million auctions completed
- A sell through rate of more about 60%
- More than 20 million hits per dayEbay takes a commission on transactions regardless of outcome

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Ebay Strategy

- Overcome the problem of risk and trust
- Use of a complex rating system
 - Establish competitive pricing
 - Establish seller and buyer credentials
- Sellers are rated on each transaction
 - Reviews are positive (+1), negative (-1) or neutral (0)
 - Net negative score of -4 bars seller
 - Number of net positive comments result in *'s

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Ebay Payments

- Ebay allows direct and third party payment strategies to facilitate transactions
- Ebay has now introduced its own mechanism to support transaction confidence – Billpoint
 - FREE to buyers.
 - Pay with a credit card or electronic check.
 - Payments endorsed by Visa, backed by Wells Fargo.
 - Save time and get your items faster.
 - Maximum privacy protection (encrypted/no disclosure)

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Multiple Entry Mechanisms

Support for new users

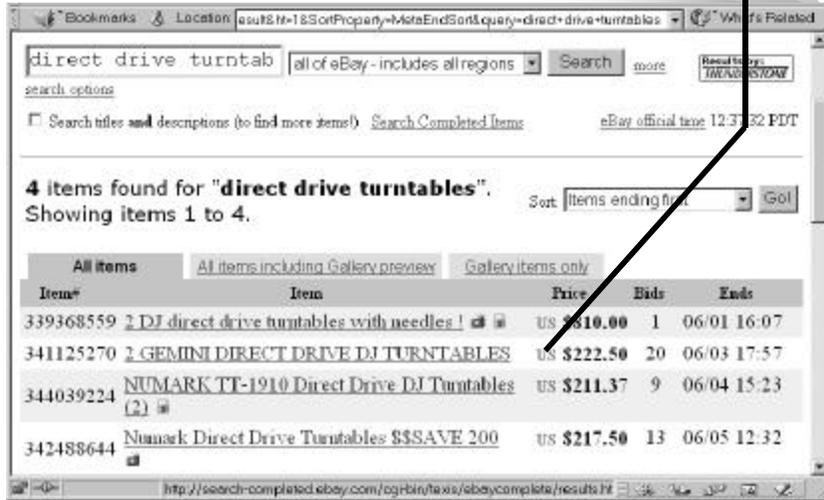


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Collaborative intelligence for products and pricing

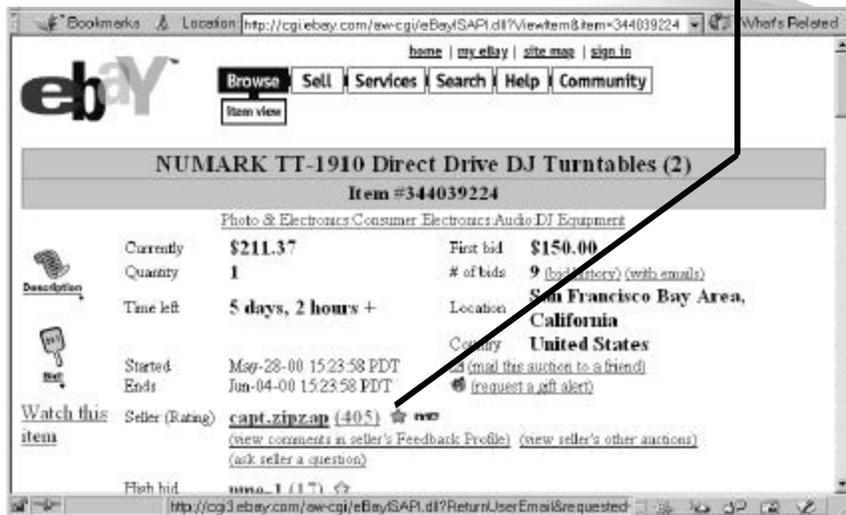


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Risk reduction and trust – 405 transactions with a net positive rating of between 100 and 499

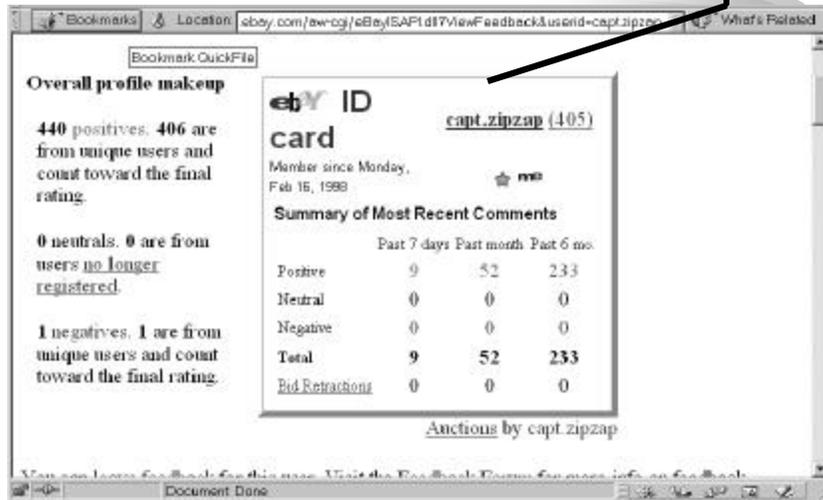


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Breakdown of feedback



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Case Studies

- www.nytimes.com
- <http://www.expedia.com/>
- www.yahoo.com
- <http://www.vehix.com/>

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