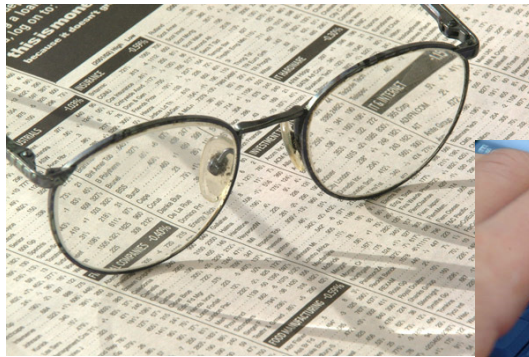
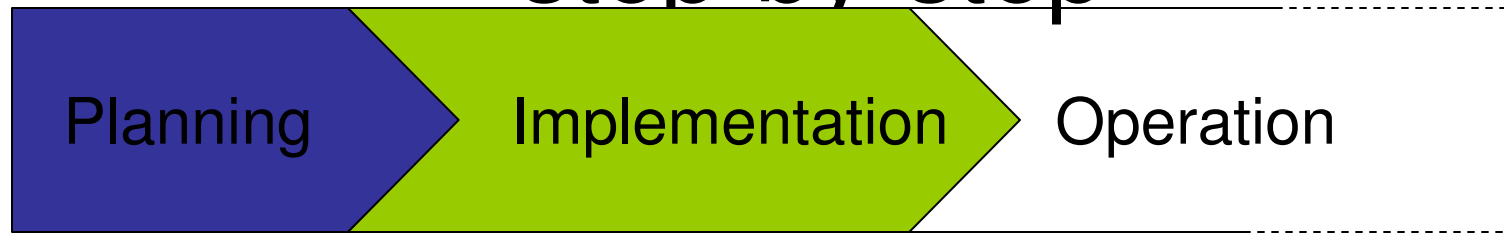


5.4.e-Business Strategy Development

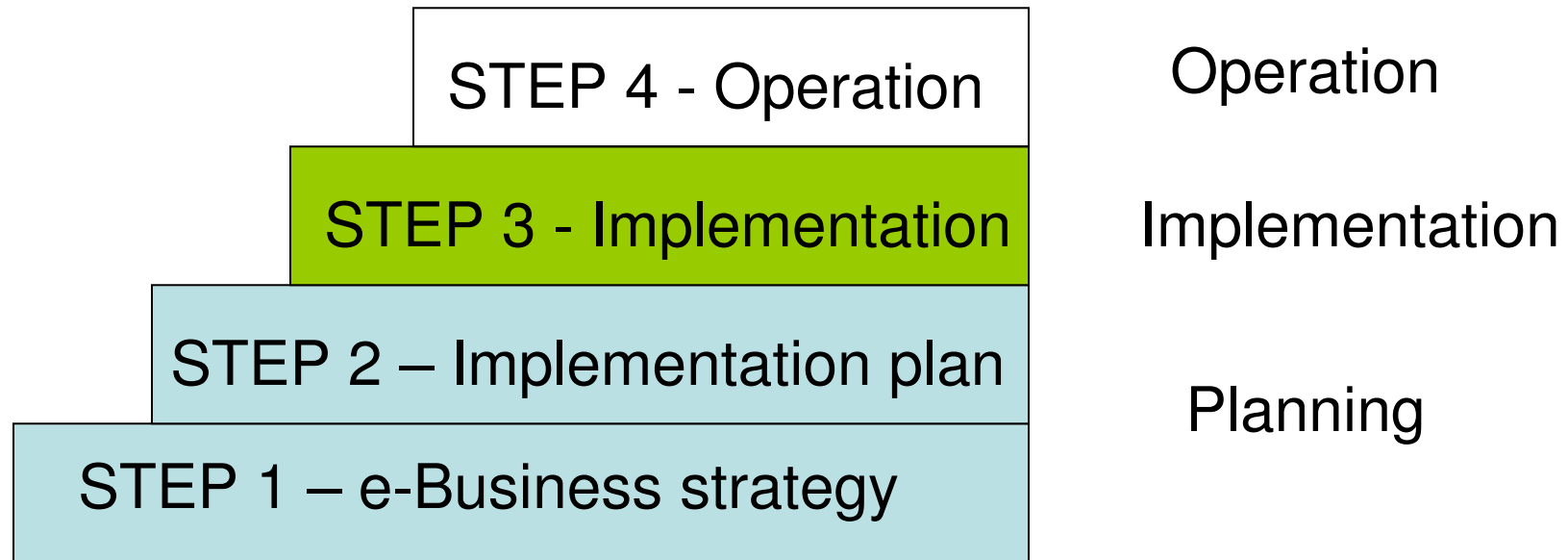
E-business development step-by-step



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E-business development step-by-step

What are the steps to success ?

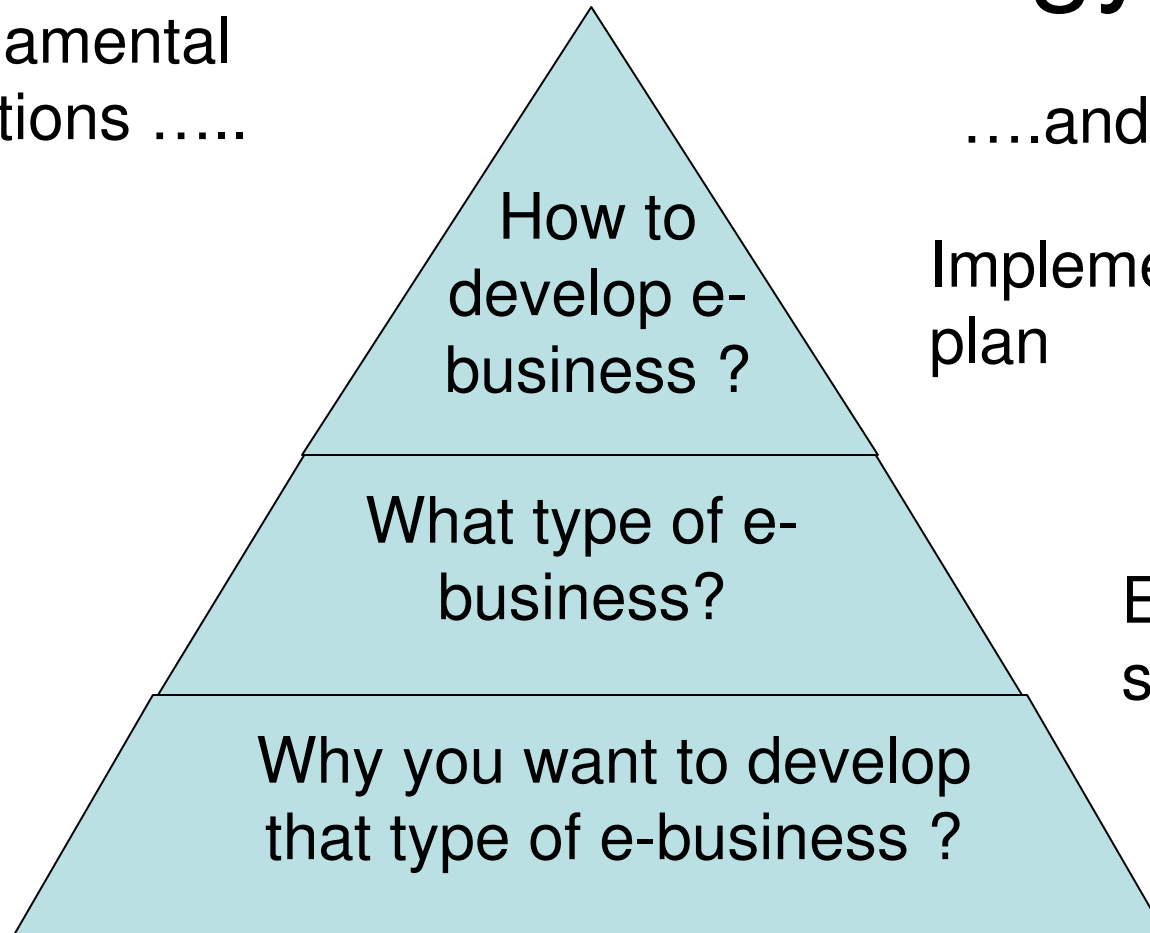


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E-Business Strategy

Fundamental
questions

....and answers.

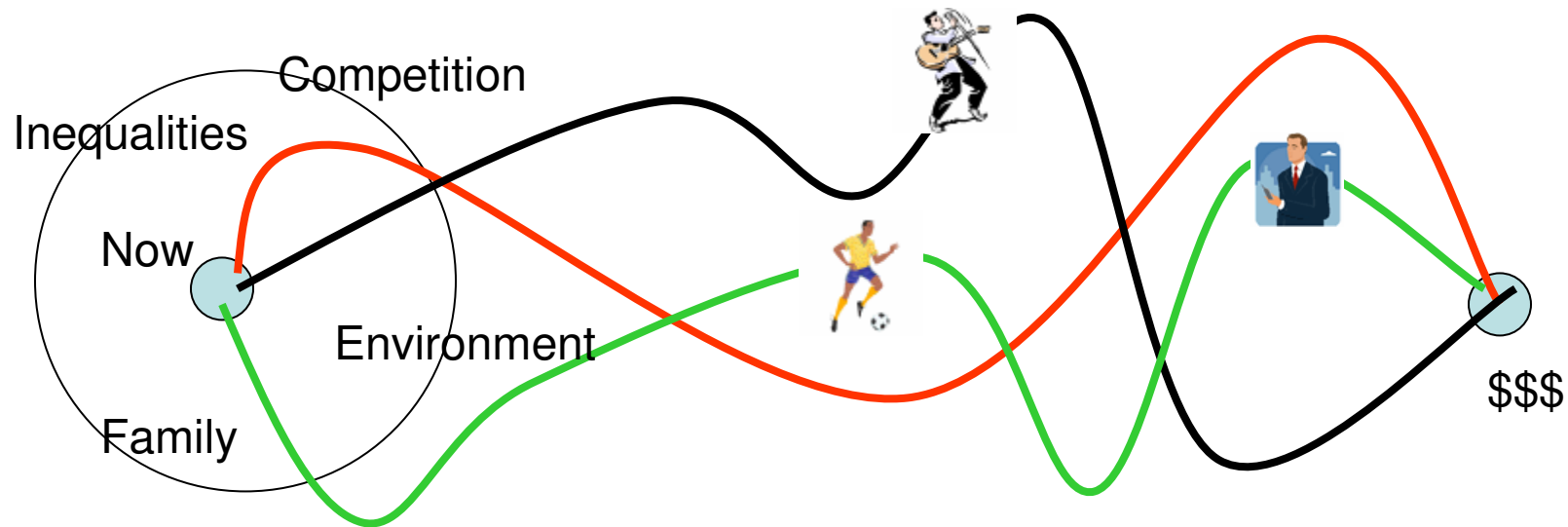


Implementation
plan

E-business
strategy

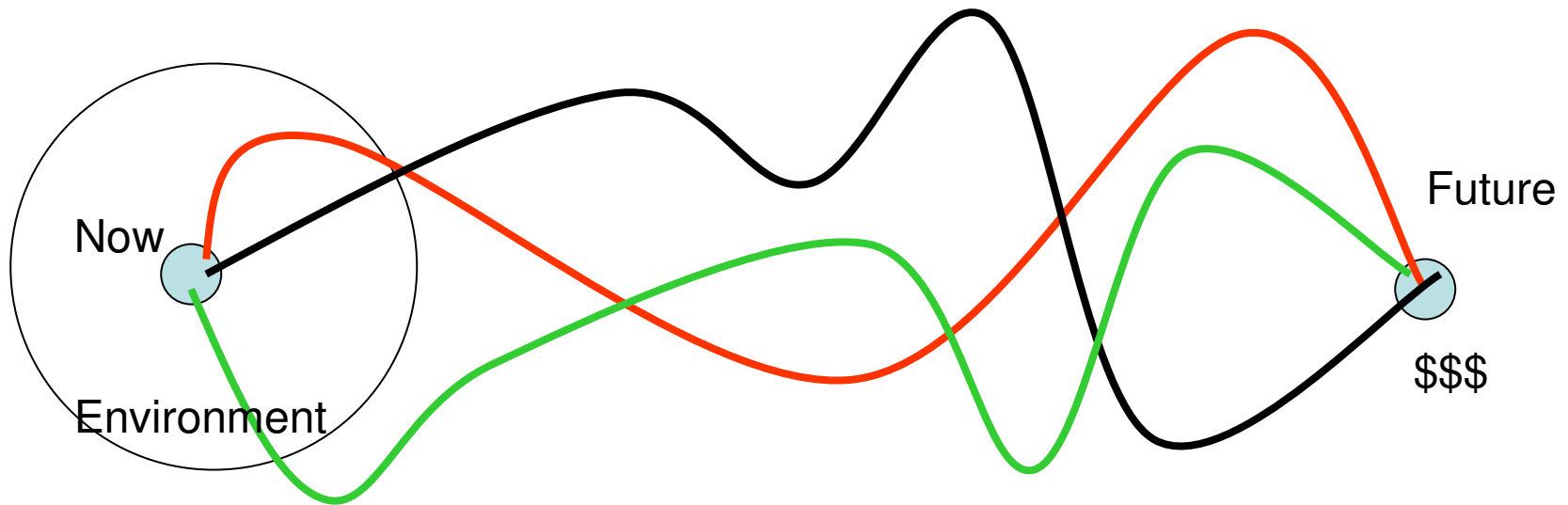
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E-Business strategy



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E-Business strategy



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E-Business strategy

Propose your 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

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



SWOT Diagram

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

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?



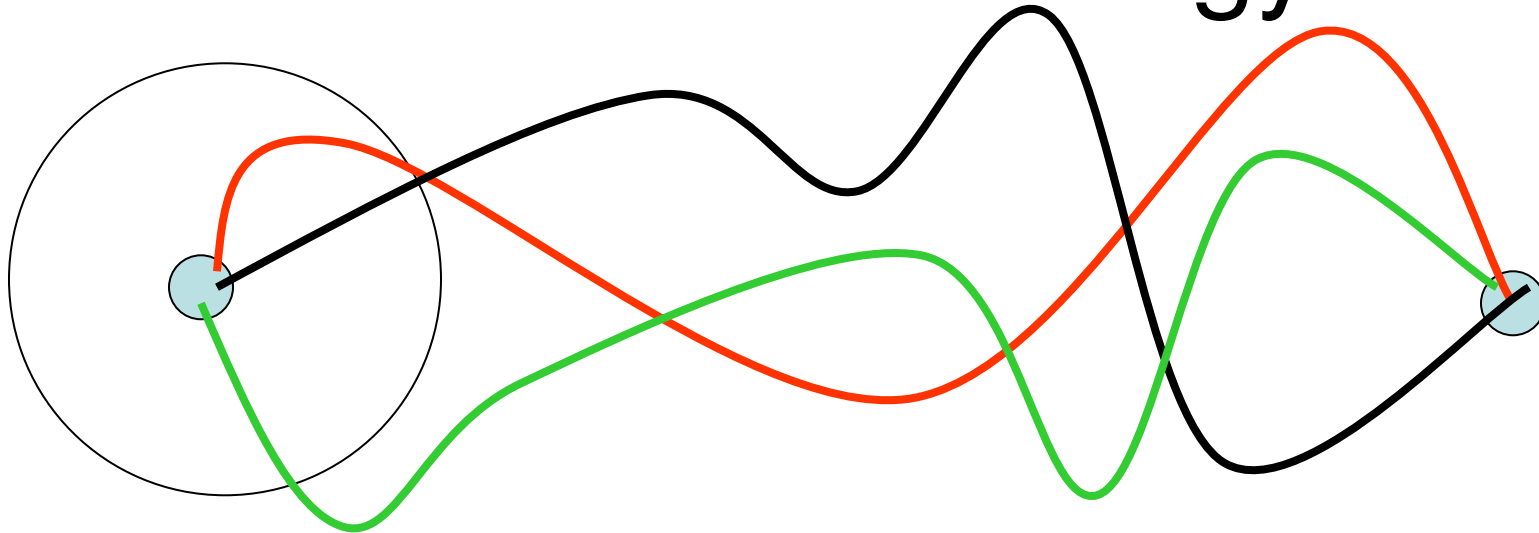
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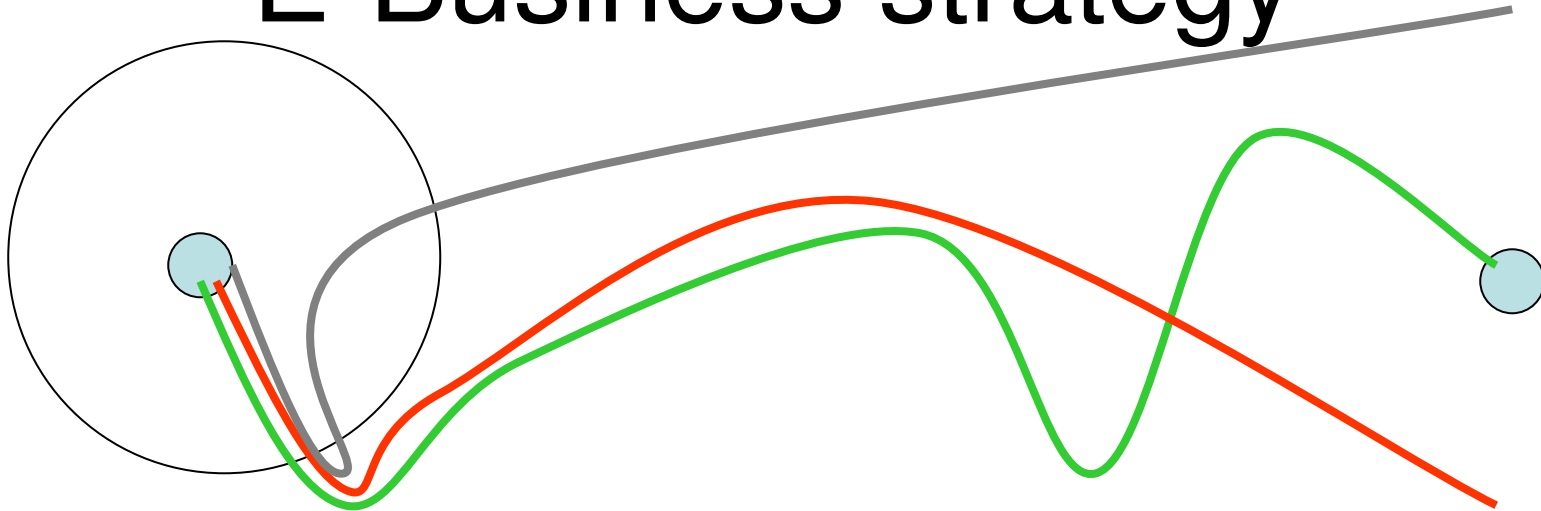
E-Business strategy



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

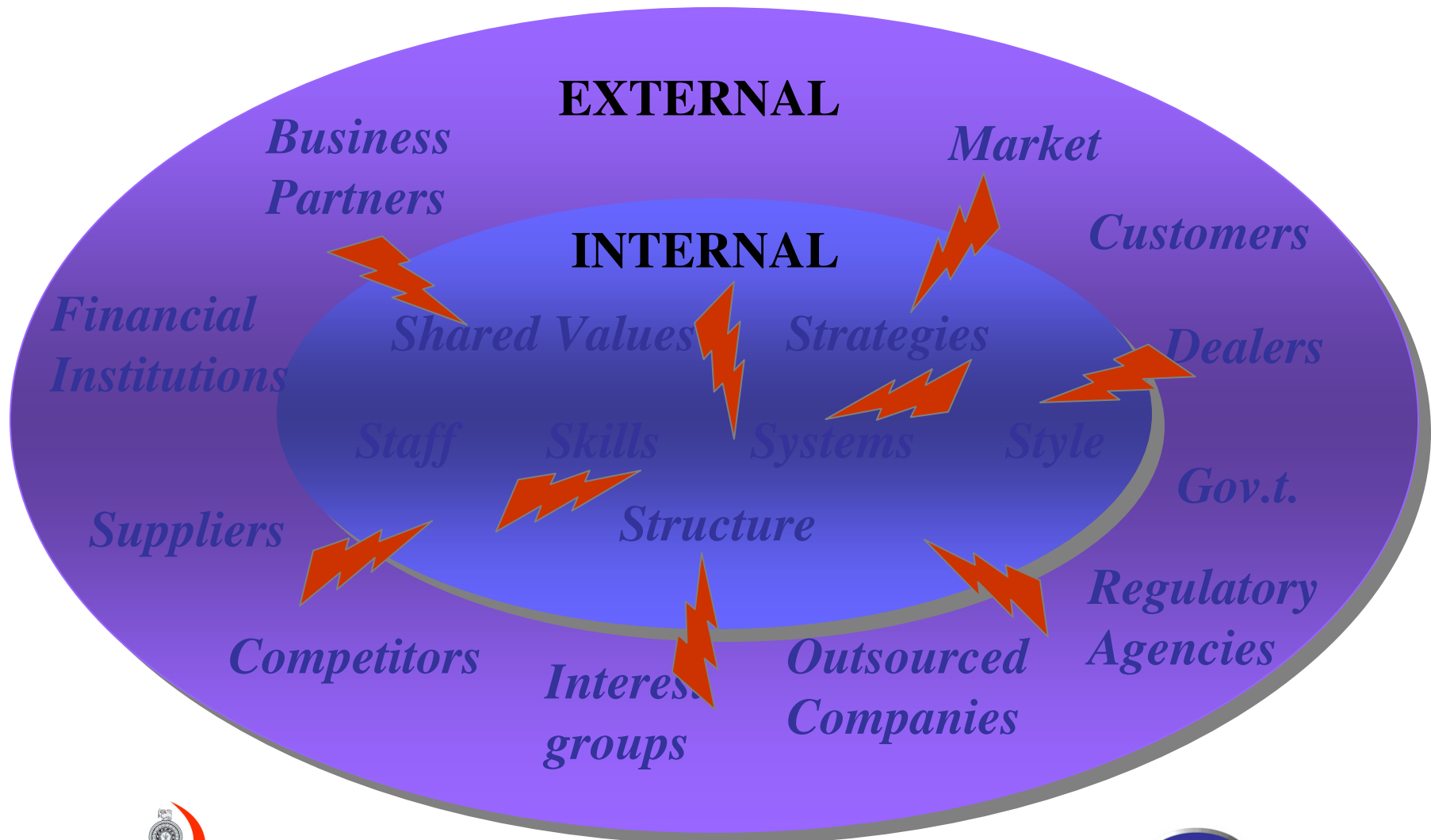


How to know if the strategy will achieve the proposed result?

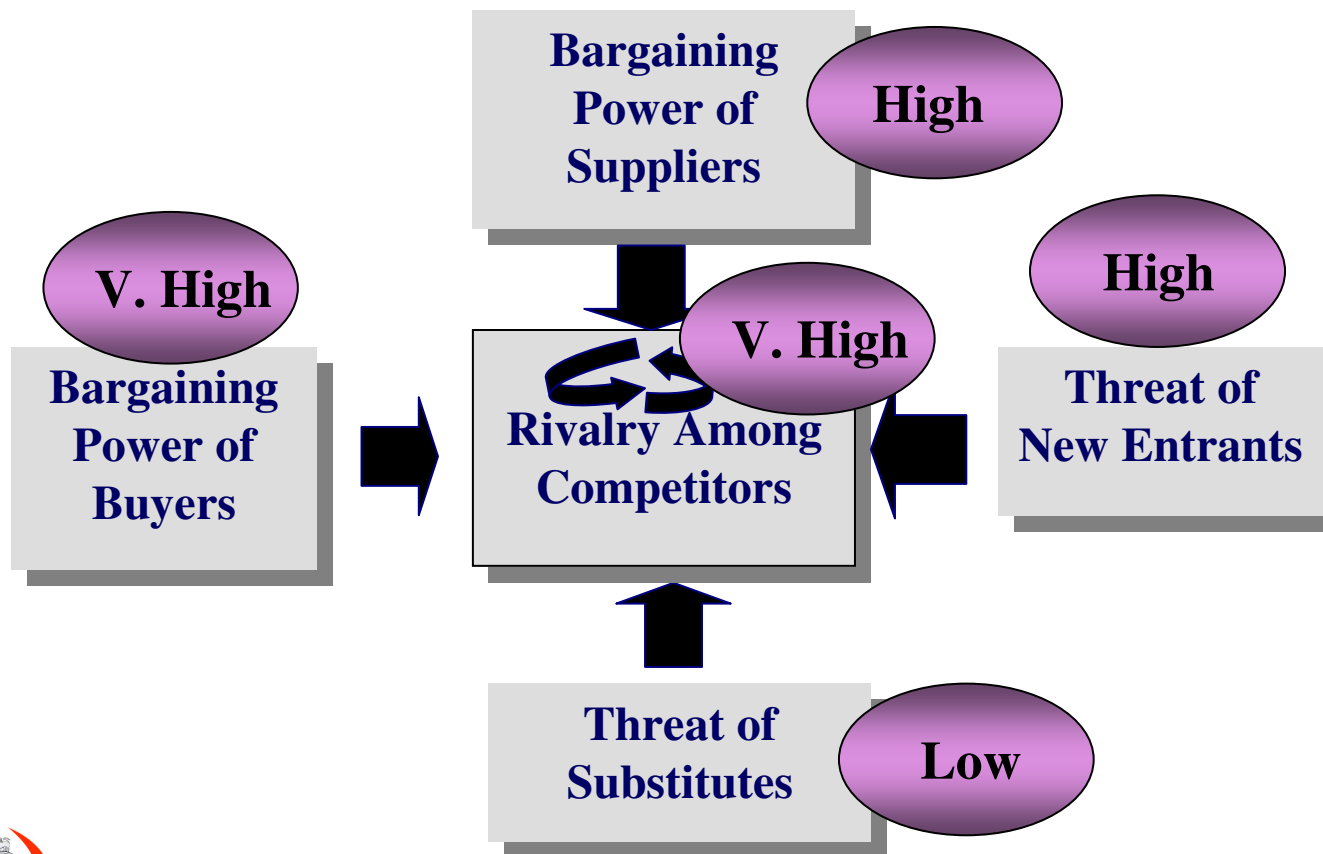
“Increase revenue by 30% in 2 years”

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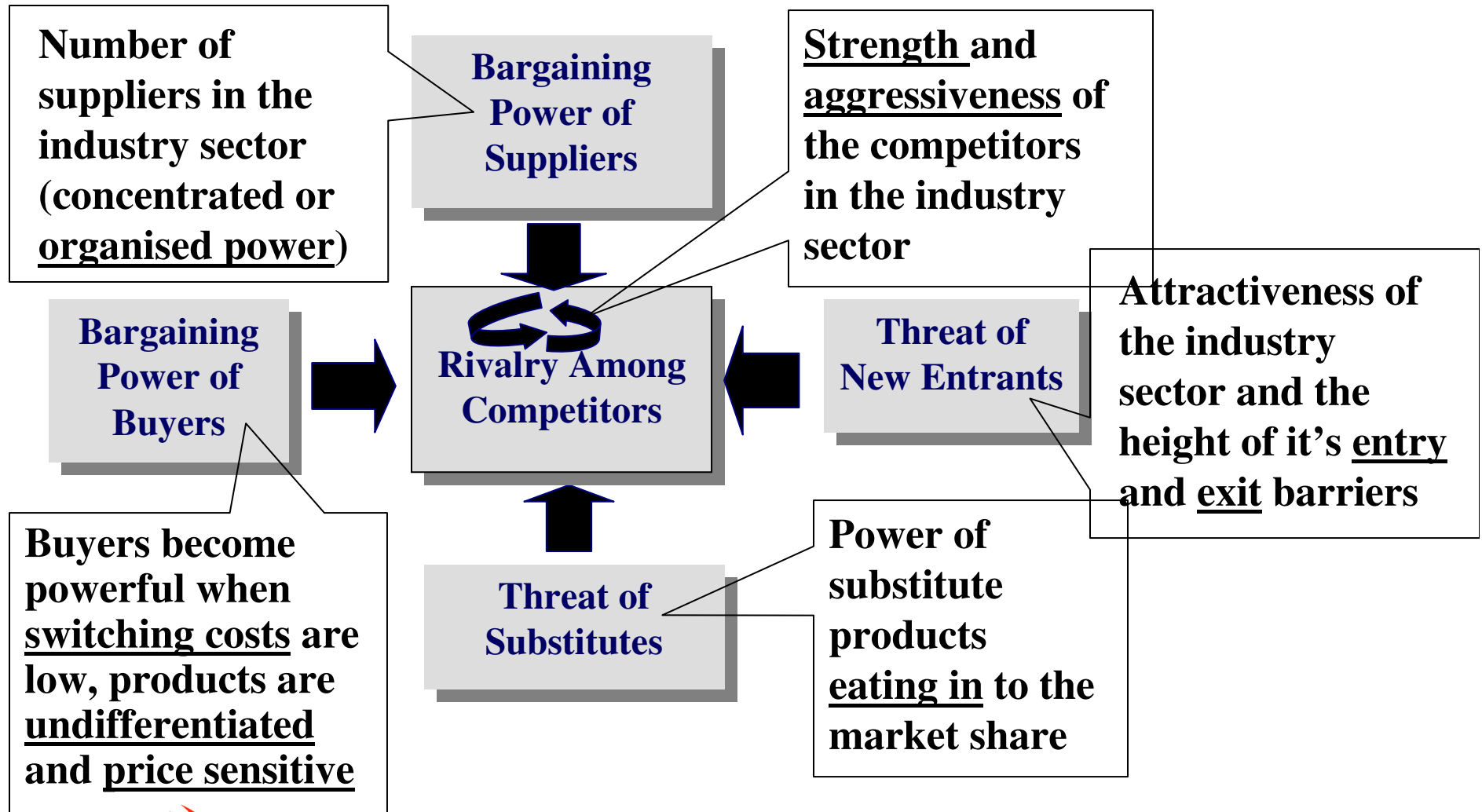
The Business Environment



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

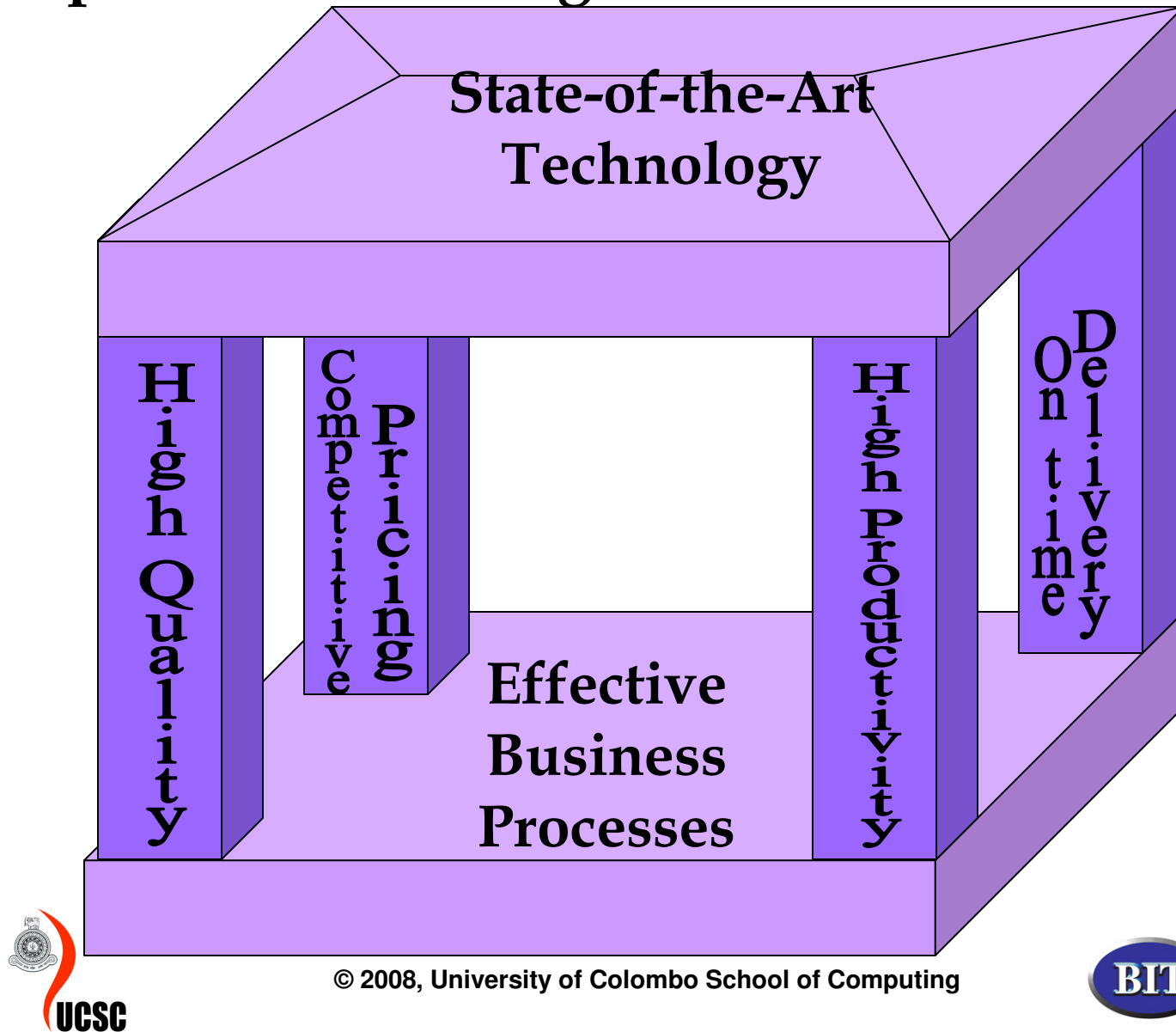
Reducing the Threat of Rivals

- 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.

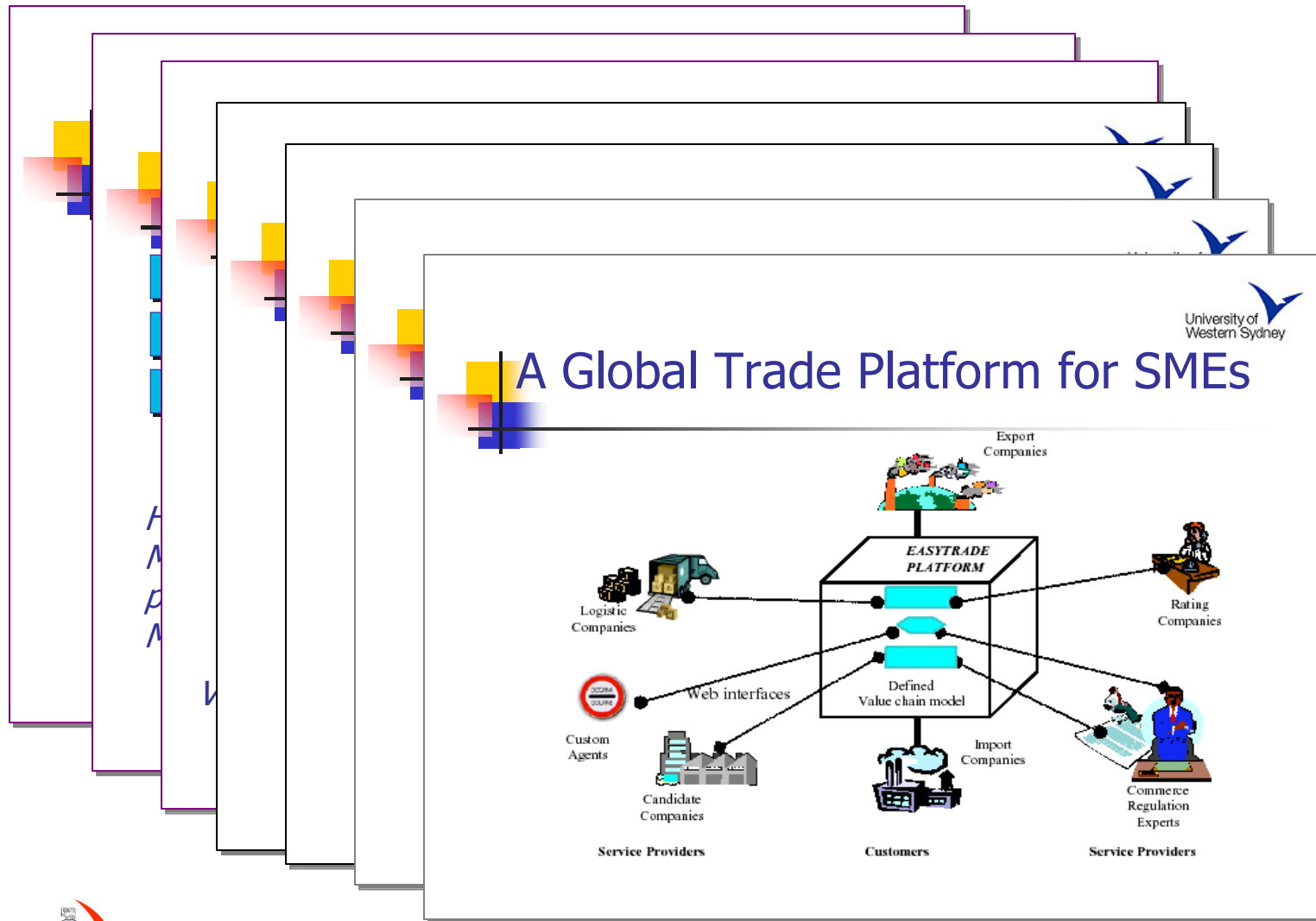
Business Goals & Strategies

- **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

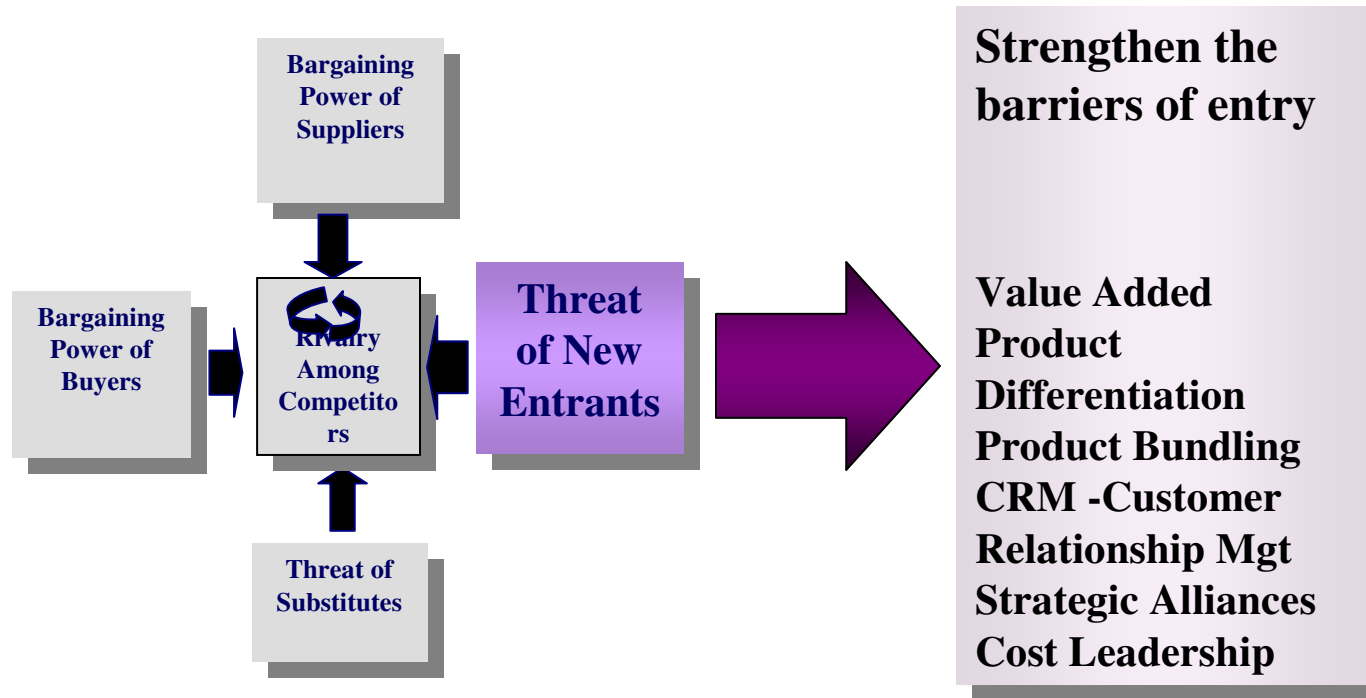
- Outputs:
 - Where you want to be in the future
 - Why e-business
 - What type of e-business (Estimated Scope)
 - Business case
 - Estimated Time
 - Estimated Cost



What are Business Strategies ?

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

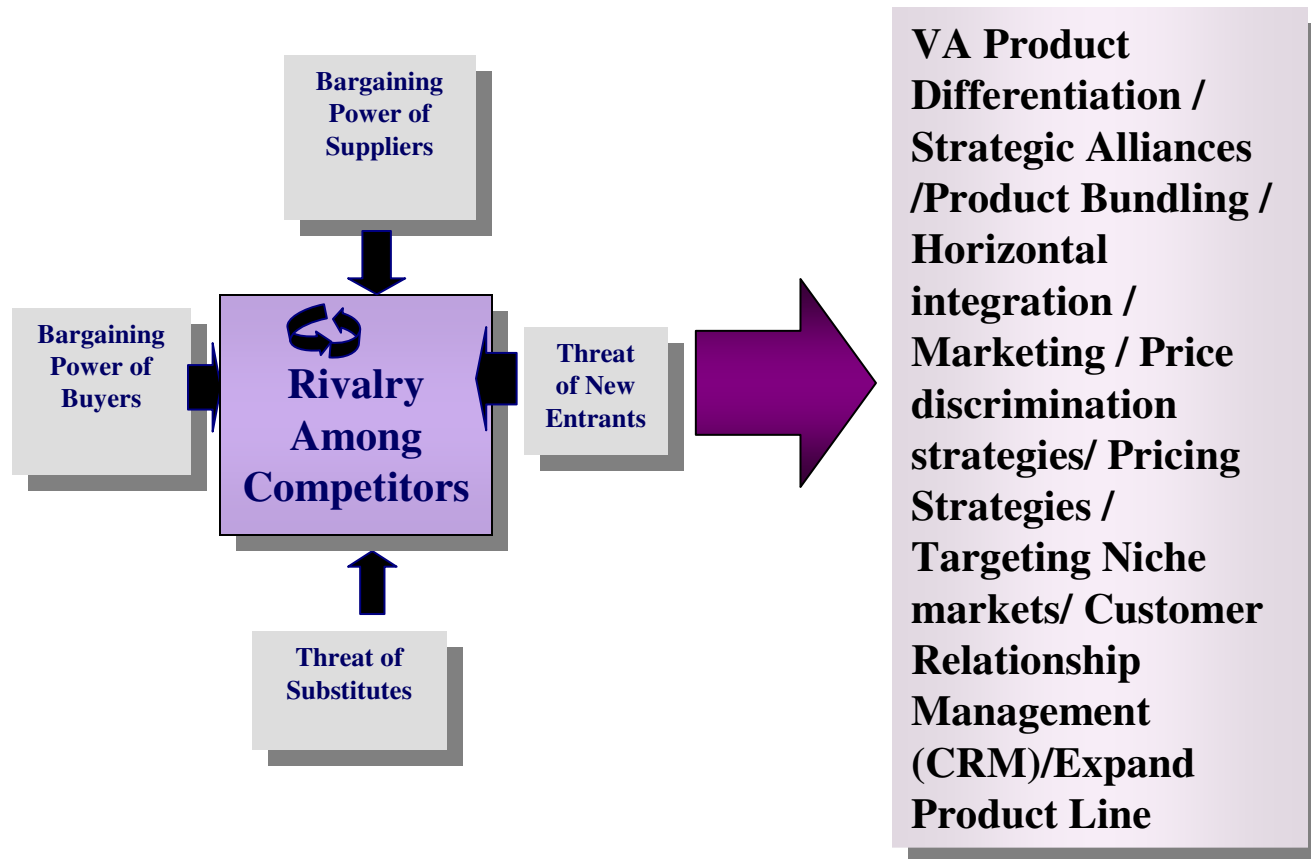
Threat of New Entrants



Micheal Porter's Five Forces

Business Strategies

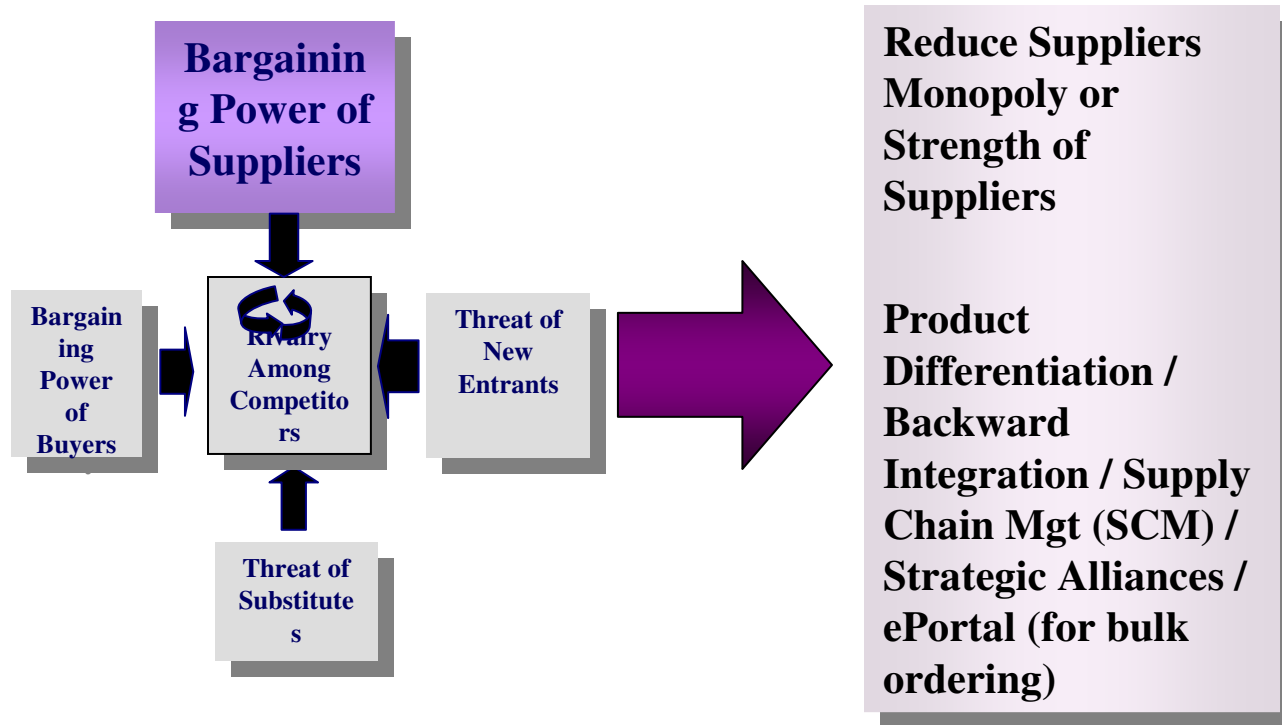
Rivalry Among Existing Firms



Micheal Porter's Five Forces

Business Strategies

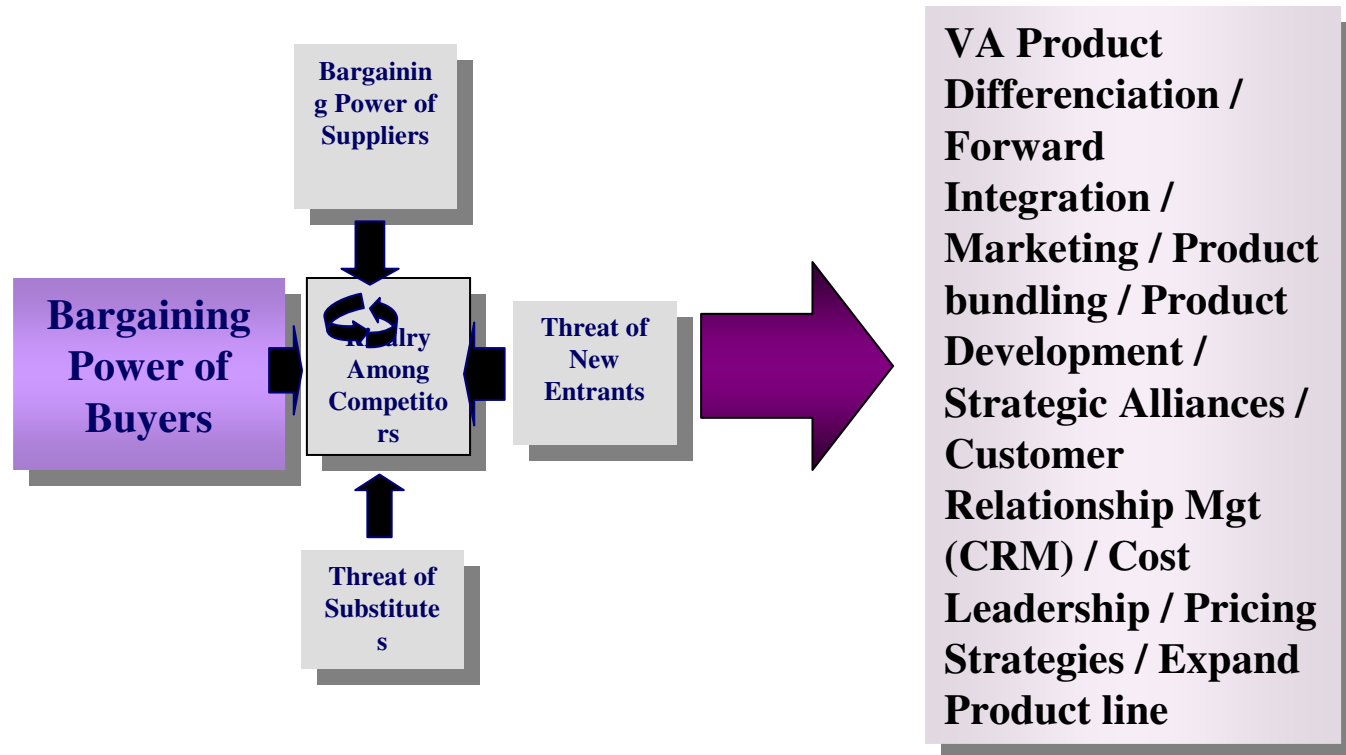
Bargaining Power of Suppliers



Micheal Porter's Five Forces

Business Strategies

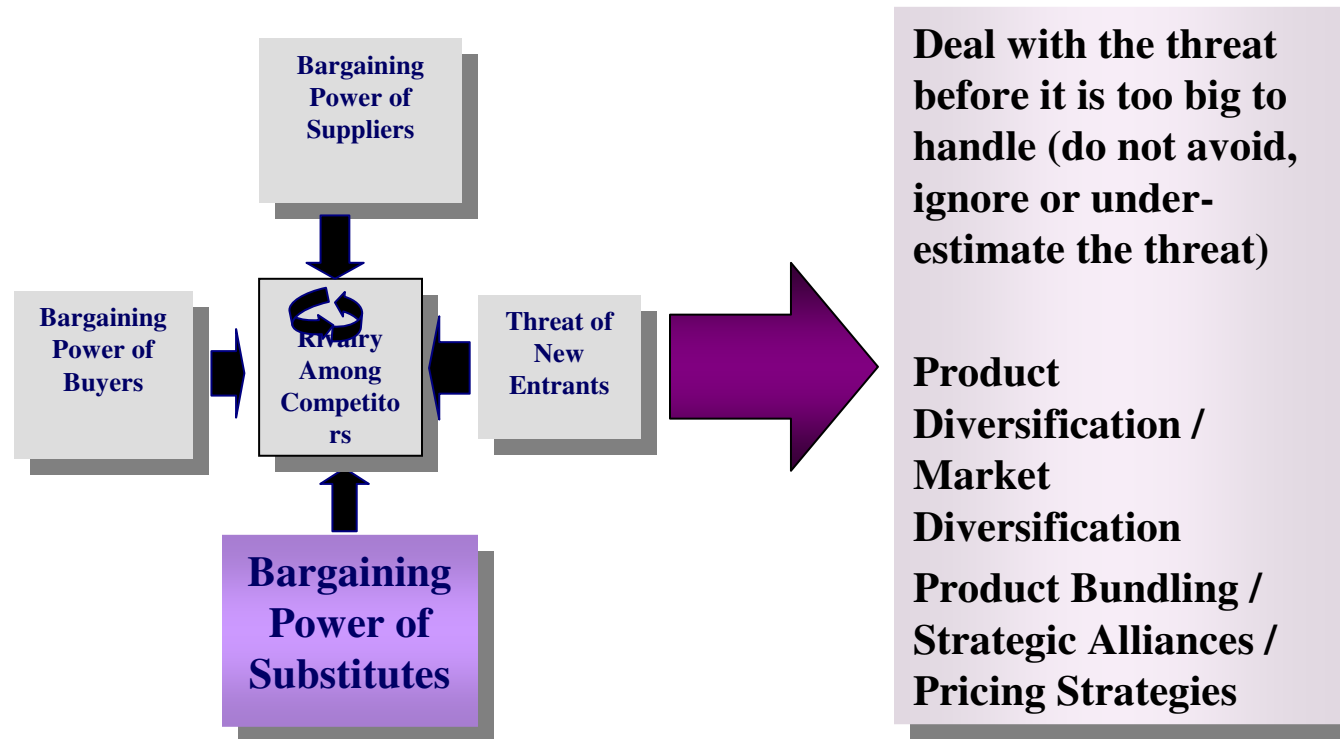
Bargaining Power of Buyers



Michael Porter's Five Forces

Business Strategies

Bargaining Power of Substitutes



Michael Porter's Five Forces

Business Strategies

Business Goals/Strategies

Force	Business Strategies
Threat of New Entrants	Product Differentiation / Product Bundling / Customer Relationship Mgt (CRM)/Strategic Alliances / Cost Leadership
Rivalry among existing Firms	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
Threat of Substitutes	Product Diversification / Market Diversification Product Bundling / Strategic Alliances / Pricing Strategies
Bargaining Power of Suppliers	Product Differentiation / Backward Integration / Supply Chain Mgt (SCM) / Strategic Alliances / ePortal (for bulk ordering)
Bargaining Power of Buyers	Product (Value Added) Differentiation / Forward Integration / Marketing / Product bundling / Product Development / Strategic Alliances / Customer Relationship Mgt (CRM) / Cost Leadership / Pricing Strategies / Expand Product line