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<th>Title</th>
<th>The internet challenge.</th>
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Paper No. 4
The Internet - a media like no other

The Internet offers a unique framework for in-depth communication and interaction with customers. Successful companies on the Internet must therefore develop a new approach for interacting with customers that balances the needs of information flow and market contact.

<table>
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<tr>
<th>Information amount</th>
<th>Customer interaction portfolio</th>
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<tbody>
<tr>
<td>Reach</td>
<td>Internal potential</td>
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<tr>
<td>Information richness and audience reach</td>
<td>Internal potential</td>
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The Internet Challenge

Strategies for Successful Internet Publishing

1. The Internet - a media like no other
2. Internet Statistics and Trends
3. E-Business
4. The publishing industry worldwide
5. Publishers - where do you want to go tomorrow?
6. Altered demand for information
7. New competitors
8. Changed patterns of media usage
One of the main reasons why companies establish an Internet presence is its demographics, i.e. the profile of the average user. Although the Internet is increasingly accepted by all age and population groups, it is still dominated by the following users:

**Internet average user profile**
- **Age:** 18-40
- **Gender:** Male
- **Income:** $50,000 per year
- **Education:** University
- **Personality:** Active, open, flexible
- **Consumption habits:** Likes new trends and products

From a marketing point of view, Internet users are an extremely appealing marketing segment. Due to their advanced knowledge and higher status, it can also be assumed that many Internet users act as opinion leaders and influence other people in their buying behavior.

**Internet Statistics and Trends**

With regard to the number of users, the Internet has been growing faster than any other media in history.

- **Years to reach 50 million U.S. users:**
  - 1930: 11,000
  - 1946: 2,000
  - 1962: 1,000
  - 1970: 500
  - 1978: 15
  - 1986: 1
  - 1994: 1

- **CAGR worldwide:** 17.5%

**Internet Statistics and Trends**

The number of Internet users will continue doubling within the next few years. Growth will be the highest in the Asia/Pacific region.
Among the Top 11 countries by Internet users were four Asian countries at the end of 1999.

Top 11 countries by number of Internet [Mio] users:

- USA: 118.8
- Japan: 14.0
- Germany: 12.3
- France: 12.3
- China: 9.3
- Russia: 6.8
- India: 6.2
- Brazil: 5.7
- Latin America: 5.7
- France: 4.0

The USA is ahead considering an indicator that maps a country's Net penetration with the average person's propensity to purchase online.


- United States
- Germany
- Sweden
- United Kingdom
- Netherlands
- France
- Japan

Internet Penetration as a percentage of Total Population:

- Early 1980's
- Late 1980's
- Early 1990's
- Late 1990's

Business Model:
- Remain stable
- Re-engineer
- Re-invent

New Tools:
- Java
- New Database Invoicing
- SAP Business
- New Desktop Inventories
- Anytime Anywhere

Business Models:
- Mainframe
- Very Limited PC
- PC-based
- Mainframe
- UNIX
- ERP
- CRM

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The growth of productivity is a major driver of the new economy and supposedly guarantees its continuous growth.

<table>
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<th>Early 1980's</th>
<th>Late 1980's</th>
<th>Early 1990's</th>
<th>Late 1990's</th>
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</thead>
<tbody>
<tr>
<td>0.8% annually</td>
<td>almost 2% annually</td>
<td>5% (estimated) annually</td>
<td>?</td>
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</table>

Despite the huge investments of the US service industries in IT of USD 500m (45% of USA total), measurable productivity growth remained low.

Restructuring a company around e-business means combining powerful software solutions with strategic decisions at all levels of influence.

Digital goods and services are the most affected firm industry structure due to the high degree of interactivity and a high concentration of information.
The impact and the possibilities of e-business are surfacing; it is predicted to happen from 2000-2005. Businesses will have to leap and embrace new models to run and manage their business.

Eventually, companies will have to leap and embrace new models to run and manage their business.

**Quantum Advantage**

- Distribution
- Automation
- Self-Service
- Collaborative Commerce
- Direct Identity Site
- Incremental Advantage

**Increasing Level of Corporate Risk**

**Market Maker Models**

1. **Aggregators**
   - Products from multiple suppliers to provide one-stop shopping sites for buyers in one place and one format.

2. **Trading Hubs, Catalogs**
   - Build buyer/seller communities for multiple verticals, horizontal or diagonal groups.

3. **B2B Community, Post and Browse**
   - Aggregated bulletin board where buyers and sellers can post “meet” and negotiate deals.

4. **Auctions**
   - New pricing model, multiple buyers/sellers bid competitively on a contract.

5. **Fully Automated Exchanges**
   - Centralized markets for standardized products. Competitive bidding between multiple buyers/sellers, with automated matching of orders, creation of an automated order entry & matching mechanism online.

**Value Chain Transformation**

- Additional Features
  - Industry Apps
  - Function Apps
  - Customer

- BPR Costs
  - Value
  - Industry

<table>
<thead>
<tr>
<th>IT Costs</th>
<th>Cost $0K-$50K</th>
<th>Cost $500K-$1M</th>
<th>Cost $5M-$50M</th>
<th>Cost $50M-$500M</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Costs</td>
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</tbody>
</table>
Successful Exchanges

- Aggregators
- Trading Hubs
- Post and Browse
- Auctions
- Direct Match
- Electronic Marketplaces

E-Business (8)

B2B may take place between one and many buyers and sellers. Only for many-to-many, the term marketplace applies.

- One-to-one solution
- Many-to-one solution
- Many-to-many solution

Transaction Revenue
- 1996: $250 H
- 1997: $500 M
- 1998: $2 B
- 1999: $5 B
- 2000: $10 B
- 2001: $20 B
- 2002: $40 B
- 2003: $80 B

Marketplace trading volume and opportunity index will react between 45% and 70% of an industry's share based on product and industry readiness.

Marketplace trading volume and opportunity index will react between 45% and 70% of an industry's share based on product and industry readiness.

The number of market places will explode over the next two years, however it will be followed by a severe consolidation phase.

Estimated B2B marketplace evolution in Germany.
Strategy and organisation are the building blocks of future business. They can be formulated deliberately or emerge from within an organisation. The integrated approach is necessary to integrate strategies, operations, technology and the organisation.

1. Reconcile various SCM, CRM and e-commerce projects by defining common business objectives, organisational relationships, technical requirements within a single business strategy.
2. Choose your 10 most valuable customers, suppliers and business partners. Analyse their duration, degree of dependency and likeliness to change. Possibly interview them to define a common approach to e-business.
3. Work on building a complex, difficult to replicate business model, e.g. a powerful discriminating pricing model.
4. Analyse your competitors on the Web, then business models, website content and under-lying strategies.
5. Define 5 to 10 recommendations for your own organisation.
6. Focus not solely on e-commerce but also on efficiency gains, e.g. cost reduction, furthermore on improved customer service and new markets.
Wherever you go, beware of a too low budget.

- The Gartner Group estimates that 75% of enterprises will underestimate their budget by 50%.
- Mostly this is due to:
  - large scale rollout to trading partners
  - software upgrades
  - partner integration
- Ultimately, some of these items are hard to justify and hard to forecast. Thus they tend to get cut when passed to upper management.

E-business cannot just be bought in a package. It is not about simply automating processes or implementing application software, or even process integration or re-engineering.

- It is about an enterprise redefining its role in an industry and an economic environment.
- It is about top executives envisioning where the organisation is going, changing the culture of an established organisation to make it fit for the next challenge.
- It is about a new relationship between the enterprise and its environment, e.g., its business partners and its employees.
- It is not easy nor inexpensive.

The publishing industry worldwide:

In the course of the workshop we will concentrate on the following segments of the publishing industry:

- magazine
- newspaper
- book
- trade
- reference
- hobby
- romance
- school
- religious
- health
- children
- fiction
- travel
- home
- self-help
The following quotes pivot. Many self-proclaimed industry experts believe that the traditional players in the publishing industry will play only a minor role in the future Internet publishing business:

- Within 20 years, books, newspapers, and all other printed periodicals will be replaced by electronic versions. In the year 2006, newspapers and magazines in the year 2006 electronic versions will sell electronic newspapers and magazines. In the year 2008 electronic versions will outsell printed versions.

  Dick Brass, Vice President Technology Microsoft, 1998

- The year 2000 will signal the end for newspaper and magazine publishers.

  Bill Gates, CEO Microsoft, 1998

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### Altered demand for information (1)

Residents and Internet users have a number of different information requirements. The Internet will play a central role with regard to these changes.

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### Altered demand for information (2)

Residents and Internet users have a number of different information requirements. The Internet will play a central role with regard to these changes.

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New competitors (1)
Publishers are confronted with a number of new competitors on the Internet.

New competitors (2)
Portal sites are among the most successful Internet companies. By launching their initial search functionalities with content,.Fine services, local and customer-specific offers, they succeeded in generating traffic.

New competitors (3)
In the USA about 15% of all classified ads can be found on the Internet today. This development will continue over the next couple of years. Newspapers must be prepared to transfer a substantial part of their revenue to the Internet.


Online Auctions: dangerous competitors for newspapers

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New competitors (6)

Apart from online auctions, two other groups of Internet players are attacking the classifieds business of newspapers.

New online auctions have started to dominate the classifieds market, offering a wide range of products and services at competitive prices.

Online companies are also disrupting the job ads market, providing a platform for employers and job seekers to connect in real-time.

The online world is starting to dominate the traditional media world. AOL, founded only 15 years ago, will be the senior partner in the latest merger of AOL and the world's leading media company Time Warner. America Online's shareholders will own 55% of the new company, AOL Time Warner.

AOL.COM
- Founded: 1989
- Employees: 12,500
- Revenue (98): US$ 4.8 billion
- Brands: AOL, CompuServe, Netscape, etc.
- Operates two worldwide Internet services: AOL & CompuServe with more than 22 million members
- More than 71,000 Web sites
- More than 7 million messages daily
- Over 300 advertising and content partners

AOL Time Warner
- Founded: 1923
- Employees: 70,000
- Revenue (98): US$ 26.8 billion
- Businesses: cable networks, publishing, news, filmed entertainment, cable and digital media
- More than 52 minutes online per member daily
- More than 71 million emails daily
- Over 100,000 advertising and content partners
New competitors

The e-book market is dominated by Amazon.com. Although the company has not reached a profitable operating level, it generates revenues that are higher than that of all other e-book publishing companies combined.

Competitive advantages from Amazon.com:

- Market transparency
- Product information
- Product range
- Time and cost efforts
- Brand awareness

Changed patterns of media usage (1)

The Internet has already started to change the reading habits of magazine customers. More and more people are ready to read their favorite publications online.

Do you read online magazines?

- Yes: 50%
- No: 25%
- Don't know: 25%

Changed patterns of media usage (2)

Also, the newspaper reading habits have been affected by the Internet.

How has the Internet affected your newspaper reading habits?

- Significant increase: 11%
- Small increase: 23%
- No effect: 22%
- Small decrease: 21%
- Significant decrease: 11%