

E-commerce: Voyage to the point of no return on investment?



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Internet and E-commerce are hot topics. Most organisations have the feeling that they should do "something" with this new medium. What are their chances? How can they succeed?

Especially after the Christmas and year-end period, successes of business-to-consumer E-commerce received a lot of visibility in the press. Stocks of various E-business oriented companies were (and still are) at an all time high. So it is no surprise that more and more "traditional" companies are planning to change/extend their operations to make use of this new medium. What are their chances to be successful and where are the pitfalls?

To E-business or not?

The title of this article might suggest that we do not believe in the value or the opportunities offered by E-commerce. The opposite is true. Ever since we made my first purchase at [Amazon UK](#), we are completely convinced that E-commerce is here to stay. Why?

Well, this first buying experience had lots of the characteristics of what a good deal should be: easy (search mechanisms, etc.), speed (ordered on Friday, delivered next Monday), convenience (we confess: done while at work) and the feeling that you were a real customer (confirmation mail messages, etc.). Mind you, the financial aspect of the deal was not really fantastic. We did buy at Amazon UK and, as we live in Belgium, the shipping costs eliminate most of the cost benefit.

So, this "Voyage to the point of no return on investment" statement on top refers to the reality that making some money on the web is far from easy. The reasons are very obvious: doing business on the web is not simply doing your typical business in a bit different fashion. NO, doing business on the web challenges you to do completely different things. An interesting aspect of this is the reality that well established companies hardly have any competitive advantage versus the start-ups while competing on the web. So let's explore some of the challenges that are waiting for you.

Not about web design or web technology

Of course, you have to think about your Internet marketing, the design of your website, the security aspects, etc. but in our view, this is still the easy part. Today, good technology is available and various companies can help you with advice and expertise on this. For most companies it is of course a completely new area and they feel uncertain while not yet "controlling" this new paradigm.

Another reason why these aspects of E-business are "easy" is the fact that these have more to do with the "external" aspects of setting up your web presence. Indeed, the beast is inside...

No business as usual

It might sound strange, but on the web, the strongest inhibitor for success can be your own company or the way this company is organised. Assuming that you want to bring some portion of your "traditional" business to the web, you will soon find out that the web is a different sort of game.

Let's go back to our buying experience at Amazon. As mentioned, one of the drawbacks of doing business with them was a bit the cost and, although this certainly was no inhibitor for the first purchase, the importance of this element grew as we intended to do more purchases. So, being an experienced surfer, we knew that there is also a similar Belgian company that provides this type of goods: [Proxis](#).

So, for our next purchase, we did check both websites and of course, Proxis won the business based on price (read: less additional shipping costs). The buying experience at Proxis was a bit less (e.g. no mail message when the goods were shipped), but you cannot have it all and we seemed off for a fruitful business relationship with the local Internet bookshop. Exit Amazon. Anyway, we do not own any stock of them...

However, when doing this same exercise some weeks later, with of course Proxis again offering the better total cost, we were also confronted with the reality that Proxis could only promise us a "Usually ships within three weeks" while Amazon clearly had the advantage with "Usually dispatched within 24 hours".

Now, taking into account the pile of books beside our bed that await reading, there is not a single chance that we will find the time to read this new book within the next 3 weeks, but guess where we did buy the book?

Mind your own company

OK, perhaps we are not completely normal, but it is an illustration of the fact that buying mechanics on the web can be very different from the well known behaviour patterns for your traditional business. Question to ask yourself is: when confronted with such a behaviour shift, is my company able to adapt its core business procedures, so that it can respond to these new demands? In the example of the book: how easy can we improve our supply chain, so that we can compete in this 24h-delivery scheme?

And this brings you suddenly into this other, perhaps less "sexy" but all too well known world of logistics, supply chains, order processing, warehousing, etc. While most companies are still working towards a better organisation and optimisation of the traditional supply chain, they will suddenly be confronted with the increased complexity and dynamics of this new business environment. Not only the technology will be important there, but also your internal processes and your personnel will be key factors in order to deploy a successful e-business solution.

Again, E-commerce (but then in the business-to-business context) might offer you a way to improve some of these business processes, but do think and plan for this in advance or you might find out that you have created an award winning web-storefront, without a suitable backend processing that can support it.

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