

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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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



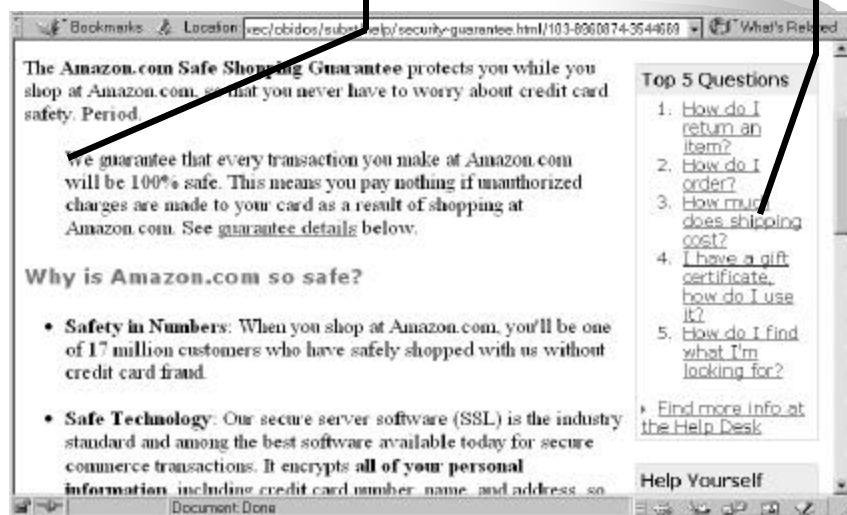
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Guaranteed safe

Consumer oriented information

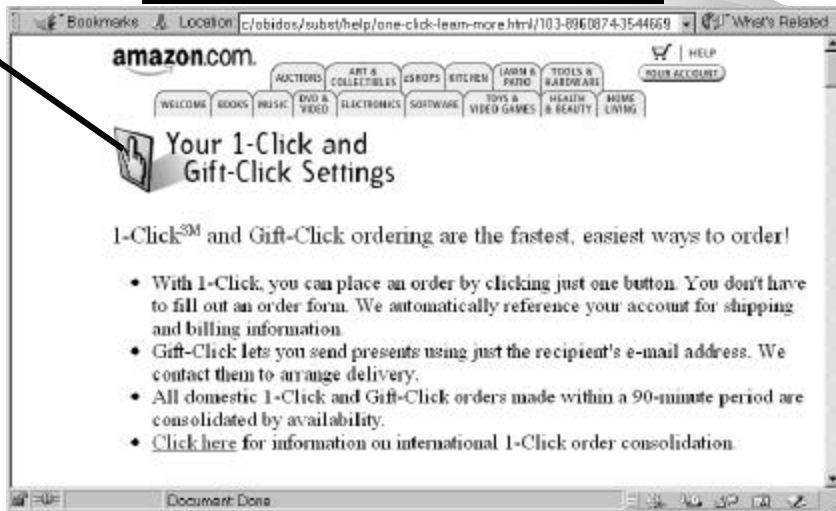


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The 1-click technology along with its shopping cart are important innovations brought by amazon



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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

Search results for "direct drive turntables". Showing items 1 to 4.

Item#	Item	Price	Bids	Ends
339368559	2 DJ direct drive turntables with needles !	US \$10.00	1	06/01 16:07
341125270	2 GEMINI DIRECT DRIVE DJ TURNTABLES	US \$222.50	20	06/03 17:57
344039224	NUMARK TT-1910 Direct Drive DJ Turntables (2)	US \$211.37	9	06/04 15:23
342488644	Numark Direct Drive Turntables \$\$\$SAVE 200	US \$217.50	13	06/05 12:32

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

Item #344039224

Photo & Electronics Consumer Electronics Audio DJ Equipment

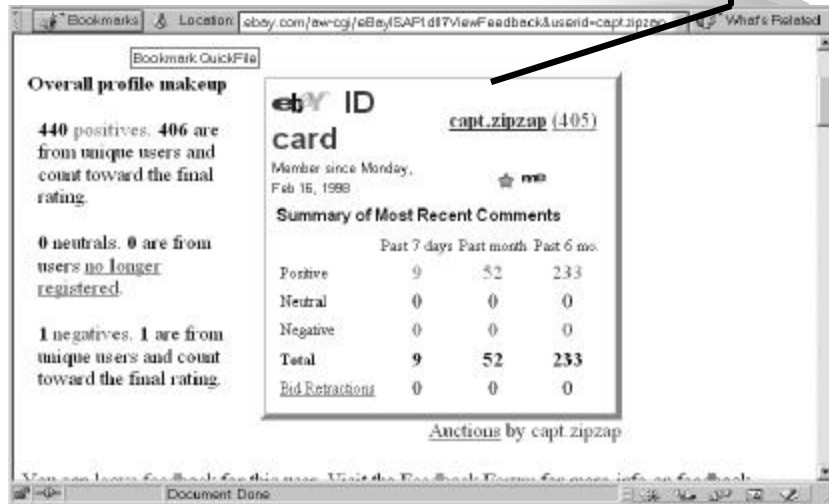
Currently	\$211.37	First bid	\$150.00
Quantity	1	# of bids	9 (bid history) (with email)
Time left	5 days, 2 hours +	Location	San Francisco Bay Area, California
Started	May-28-00 15:23:58 PDT	Country	United States
Ends	Jun-04-00 15:23:58 PDT		(mail the auction to a friend) (request a gift alert)
Watch this item	Seller (Rating)	capt.zipzap (405) ★	
		(view comments in seller's Feedback Profile) (view seller's other auctions)	
		(ask seller a question)	
Flash bid	none		

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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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