E-Commerce - 5

Merchant System

Requirements

User logon required?
Remember credit card details?
Same price for everone?
Special offers (free delivery if over $100 spent)
Backend integration?
Help desk support?
Online credit checking?
Order picking?
Online stock shown?

Examples

Microsoft Biztalk, OpenMarket, Intershop
Stripe, Square, PayPal, Sage
Amazon payment, Amazon fulfillment

Pricing

More complex than it seems
confusion pricing

Service levels
matrix

Special cases
government, students, …

Special offers
time limited

Service	Blue	Silver	Gold
Basic	✔		
Advanced		✔	✔
Fancy case			✔

The Business of Software

Don't Just Roll the Dice

A usefully short guide to software pricing

Neil Davidson
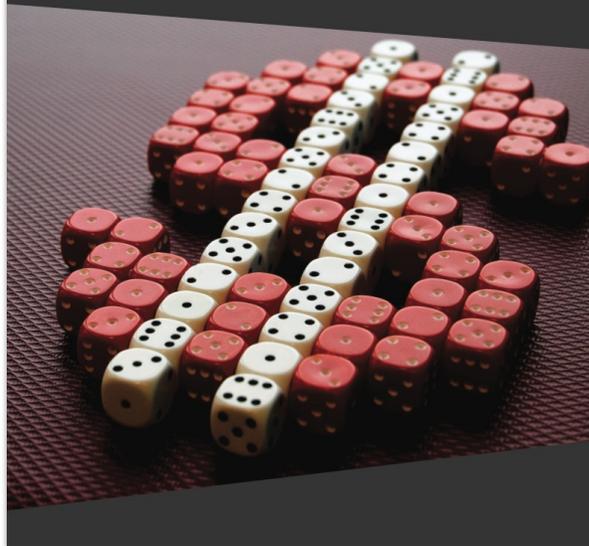
http://download.red-gate.com/ebooks/DJRTD_eBook.pdf

Legacy Integration

Nightmare
> stock, picking, billing, customer care, marcom…

Legacy-based to realtime
> Sainsbury's mainframe is busy 6-10pm every day
> Attempt to run shopping system off this

Incompatible nomenclature

COBOL connecting to JAVA

Batch

Online credit card systems

Customer care issues

XML helps

Payment

Credit card horror stories
>	has your card been compromised?

Not everyone has one
>	Italians prefer post offices

Services such as WorldPay, PayPal

Fraud 40%
>	but the merchant pays (at least in the UK)

Only deliver to card address
>	Irrelevant: eTickets, Telegraph Crossword, downloads

Tax horror stories

Customer Relationship Management

CRM must be good

Empowering the Customer Service Representative
"I'm sorry our terminals are down this morning"

Call centre hell
Sainsbury's have 80 call centres

Good Morning Dr King, please tell me your dog's name

If you know my mother's maiden name then so does the whole world

Continuity of customer experience

Sly TV suggests turning box on and off to cure database fault

Personalisation

Make site more interesting, and hence sticky

User database
      Address / postcode -> socio economic indicator
      Gender
      Age
      Register with Information Commissioner's Office

Profile typical users
      Disposable income
      Disposable leisure time

Customer and User profiles

Pen portraits of typical user
      Hot buttons
      Influencers (media)
      Disposable budget / time

70 Profile 'bins'
      2 Gender +LBGT

      5-8 Social-economic class
       income / postcode
         www.neighbourhood.statistics.gov.uk/dissemination/
         www.acorn.caci.co.uk

      7 ages
         kids
         teens
         dinky
         married with kids
         empty nesters
         retired
         seniors

The National Statistics Socio-economic Classification (NS-SEC)

8 classes

1. High managerial and professional occupations
2. Lower managerial and professional occupations
3. Intermediate occupations
4. Small employers and own account workers
5. Lower supervisory and technical occupations
6. Semi-routine occupations
7. Routine occupations
8. Never worked and long-term unemployed

5 classes

1. Managerial and professional occupations
2. Intermediate occupations
3. Small employers and own account workers
4. Lower supervisory and technical occupations
5. Semi-routine and routine occupations

Never worked and long-term unemployed

3 classes

1. Managerial and professional occupations
2. Intermediate occupations
3. Routine and manual occupations

Never worked and long-term unemployed

Internationalisation

Not as simple as you may think
    e.g. German nouns, Yen

Fulfilment

Taxes

Legalisty e.g. Gambling, porn, alcohol, guns

Payment mechanisms
    Credit cards unusual in Italy, for example
    Different liability rules re bad debt

Free Business Models

For the Fun of it

Donation funded (wikipedia)

Land grab to gain early users

Funded by adverts
> That you can pay to turn off (spotify)
> That you can pay for the premium service (downloads)

Funded by selling information about users

Funded by sellers (eBay)

Part of the wider service (BBC, cars)

Free software, pay if you like it (guiltware)

Free software, pay for maintenance (Linux, AVG)

Paid-for Business Models

Try before you buy
>   Poor quality short clips
>   Free trial - but licence key cracks are common

Pay per use
>   Software as a service
>   Genealogy sites
>   Betting

Licence / subscription
>   Digital Rights Management (everlasting vs annual)

Per item
>   Amazon, eBuyer

Value your business
>   Cost per Acquisition (CPA) - how much to get a user
>   Customer Lifetime Value (LTV) - how much they spent
>   Average Revenue Per Customer (ARPU)

Freemium Model

Free taster
>   Subset, or time limited or adverts
>   'try before you buy'
>>   Cf ACCTO

Premium content
>   Payment or subscription
>>   Register of users
>   Unlock key
>>   May be hacked

Street performer protocol
>   patreon.com

Brand awareness

Single most important piece of data
Hard to gain and easy to lose

People buy from a known name
Sense of trust
Marks and Spence
Perceived value
Cheap reliable airline => cheap reliable mobile
Peer pressure
Nike, Rolex, Dolce and Gabanna, Ferrari

Brand can exapand
Virgin
Active, Atlantic, Books, Bridges, Broadband, Cosmetics, Credit cards
Drinks, Galactic, Games, Holidays, Megastore, Mobile, Trains, Wine, and more
Apple
computers, iPods, iPhones

Advertising

Google AdWords
Ads are matched to keywords purchased

Buy your brand name
Coke
- Careers
- Corporate Responsibility
- The Coca-Cola company

Buy your supplier's brand name
Nike
- JDSports

Buy your competitor's brand name
Ford
- Advert for Toyota dealer

Buy your target
Nike (Boycott Nike)
Coke (KillerCoke)

Google AdWords

Select keywords and Ad Content
> Content Network and Search Network
> Each has a maximum Cost Per Click (CPC)

Actions when keyword(s) match search term
> Maximum CPC determines position (if at all)
> Actual CPC depends on auction results
> Daily budget stops runaway

Optimise via Click Through Rate (CTR)
> Less than 1% CTR may mean your keyword is removed

Make the ad match the keyword
> e.g. Ad says "Cheap electronics" searching "Digital Camera"

Users add value

Network externality
The effect a user has on the value of a site to other users
A site / service is more attractive if your mates us it
MySpace / Facebook; Yahoo / Google / Bing
Snapchat, slack, instagram

Produce content targeted at your users
You produce it (Newspapers, slate)
Let them produce it (Facebook, YouTube)

Chicken and egg problem
How to get the site started?
Twitter used two large monitors at SXSW
Provide superset of competitor

Disintermediation

Producer ⟶ Wholesaler ⟶ Retailer ⟶ Consumer			$50
Producer ⟶ Wholesaler ⟶ Retailer ⟶ Consumer			$40
Producer ⟶ Wholesaler Retailer ⟶ Consumer			$20
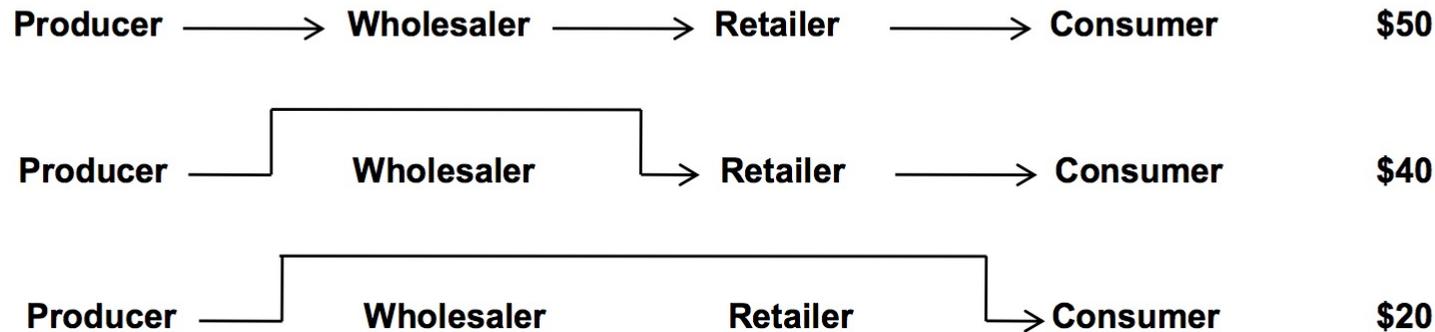
Supermarkets - dominant species

Consumer buys through local supermarket, even if chosen online. Producer must negotiate with supermarket to stock items who will only accept products via distribution chain.

Travel Agents - an endangered species

Airlines, holidays, hotels all sell direct. Customers can decide best time and prices.
Personal advice because they have been there - trip advisor, Lonely Plant far better
No commission paid to travel agent so far cheaper for consumer and larger margin for suppliers

Relationship with the customer is now sometimes with the producer

Analytics

Where do visitors from from and why
>> From another web site, via a search engine or direct
>> Google Analytics

Profile typical users when they visit a website
>> Time and path to make purchase decision
>>> Read ad, click ad, browse site, choose item, checkout, pay
>> Purchase history
>> Amount of research done

Profile users through loyalty cards in the real world
>> Nectar know everything you have ever bought

Different landing sites for different campaigns

Successful business models

Google

Acquiring DoubleClick gives it over 80% of web advertising
Acquiring YouTube gives it millions more viewers
Providing a simple way to advertise gets it plenty of customers
Has Microsoft Office firmly in its sights
Mobile and Android and voice and …

PlentyOfFish

For a long time run by a single guy from his apartment paid over $5m per year by google from
AdSence adverts
Free dating site
In the global top 40 websites

Bought by Match.com for $575m in 2015