

## **Parts Project 2**

### **Creating a New Internet Business**

#### **Teaching Objectives**

- To understand the benefits derived from using the Web for business.
- To learn to develop an Internet strategy for a Web business.
- To identify the Internet business models.
- To use the Internet to research and analyze markets and competitors.
- To design part of the Web site for a Web business.

#### **Teaching Suggestions**

Students should understand that there are many benefits to putting your company on the Web.

Divide the class into groups, assigning each group one of the businesses in the Parts Project. Examples of the cases are shown below.

#### **Portable Energy Incorporated**

Portable Energy is a company whose founder found a niche in the market of portable communication products and electronics. Almost everyone with a portable device uses a battery and when that battery wears out, it must be replaced. This is sometimes a hassle because there are so many different types of batteries for these products and almost every kind of device takes a different type of battery. The heart of the business is a database that lists more than 5,000 batteries, and the coordinating product that they are used in. The company now has one retail store, a catalog and a 1-800 customer service number for ordering and technical support. In an effort to reduce the costs of the sales team that it has and the customer support team that it has, the company decided to establish a Web site that will reach more people geographically and expand their customer base.

This company could benefit greatly from the use of a Web site. They can supply the user with an easy to use database to search and find their particular battery, supply a technical database that helps answer customers questions about technical issues, and an easy way to place their orders. The database that aids the customer in finding their particular battery can save the company money in a couple of ways. First, it can save money on expensive catalog costs. If the company has this Web site that lists all of the products that it offers, they would not have to print and mail the catalog to their customers. The site would list all of the products, prices and shipping times that are available. Another way that this database could save money is not having the expense of live customer service support. The Web site is not a way to get rid of customer service completely, but they could slim back their personnel because the customers can find the part themselves from the database. Customer service personnel can also be reduced because the customer can place his or her order on-line instead of calling a 1-800 number to order their batteries.

Portable Energy can also use this Web site for internal communications. A part of the site can be secured for an intranet site for their employees to get up-to-date information regarding the company and any important paperwork, or files that they need.

A Web site for Portable Energy is only the first way that they can begin to use the Internet. They can use the Internet for advertising that they were spending a lot of money for in magazines. Advertising on the Internet can be cheaper, depending on where you put your ads. Another option for Portable Energy is to

pay to have their Web site come up on the top of a search by a popular search engine. Many search engines like Yahoo! and Search.com allow companies to pay a fee and have their Web site come up in the top percentage of a search when the user puts in certain keywords. For instance, if a person did a search for a battery for their Palm Pilot, they may search for "batteries," or "Palm Batteries." If they requested those words, Portable Energy's site would be at the top of the list, and the person will more than likely pick that site first.

Portable Energy's site should be easy to navigate, with buttons for each link that a customer would want to visit. There should be a link to "Find Your Battery," "Troubleshooting Tips," "Online Ordering," "Check the Status of your Order," "Browse our Catalog," "Request a Catalog," "Contact Information," and "Customer Service." If Portable Energy can make their site easy to use it will have an aspect of stickiness that is desired by many on-line companies that brings people back to their Web site. Pleasing colors, easy-to-find information and pictures of products will help ensure that the customer will return to the site.

Portable Energy's decision to go to a Web site rather than the traditional sales that they are accustomed to will prove to be a benefit to the customer and the shareholders. See the attached Cost Benefit Analysis, as it will prove that Portable energy will save as half as much money by selling via a Web site as they would with traditional sales. Although there may be a large expense up-front, their profits will definitely increase after the Web site is implemented.

<b>Portable Energy Inc.</b>		
<b>Cost Benefit Analysis</b>		
<b>Web-site verses Traditional Sales</b>		
	<b>Traditional Sales</b>	<b>Web-site</b>
<b>Cost of Catalog</b>	\$100,000.00	\$0.00
<b>Cost of Web-site Creation (includes Hardware/Software)</b>	\$0.00	\$100,000.00
<b>Cost of Web-site Maintenance</b>	\$0.00	\$50,000.00
<b>Cost of Support Personnel</b>	\$100,000.00	\$50,000.00
<b>Cost of Customer Service Pers</b>	\$100,000.00	\$50,000.00
<b>Cost of Free 1-800 Number</b>	\$20,000.00	\$0.00
<b>Advertising</b>	\$50,000.00	\$20,000.00
<b>Cost of Sales Staff</b>	\$200,000.00	\$0.00
<b>Total Costs</b>	\$570,000.00	\$270,000.00
*All values are based on cost per year		
	<b>One Year Savings</b>	<b>\$300,000.00</b>
	<b>5 Year Savings</b>	<b>\$1,500,000.00</b>
	<b>10 Year Savings</b>	<b>\$3,000,000.00</b>

Columbiana

Columbiana, an island in the Caribbean, could profit greatly from an on-line Web site. Columbiana would best benefit from a Content Provider. This type of Internet business model would be appropriate

because they simply need to make their island's information available to possible buyers and investors. Sales transactions would not take place on their Web site.

The Columbian government could not only offer information about their island but they could receive feedback from what would be the best near future investment. Those who hit the site may offer information of a common interest. This could be as simple as a corporation that wants to extend their business to the island or those who wish to open a new kind of business.

Marketing a tourist spot involves a lot of different areas of business. These areas, such as entertainment, lodging, food, and travel are all very important to provide to potential tourists. The government could sell advertising space to help pay for the site. There are many businesses that would love to get their name on a government-supported Web site.

The government would definitely benefit economically, socially, and culturally. Columbian would use their site to promote present business and encourage future business. They would also advertise their hotels, resorts, restaurants, airlines, agriculture, culture, and trade. This investment could not cost Columbian anything close to what revenue it will bring in. The easier their site is to come across, via links or search engines, all determines the effectiveness of their Website.

### Infoinc

Infoinc is a supplier of information. Remind students that Infoinc would benefit from using an Information broker. This is the Internet business model they should use since they are dealing in information and not a physical product. One other example of this type of business design is Auto-by-tel.

Also, point out to students that this company is a small start-up company. Having a Web presence will benefit Infoinc; it will help expand the company's reach from the local location to the global marketplace. This will give Infoinc much more reach and will expand the company's clients. Infoinc will have to revamp its entire marketing theme. Right now it is a company that goes door-to-door or sends out pamphlets. Suggest to students that the company may need an IT staff to keep everything up and running. These people will have to be able to prove themselves to the existing employees.

The most important opportunity for this company is the new growth of its customer service department. Remind students that when businesses go on-line, customer service will need to be effective and efficient. Infoinc will need to monitor the Web presence to see that they are doing their work in a timely and quality manner.