

BUY THE BOOK: ELECTRONIC COMMERCE IN THE BOOK TRADE

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1. LEARNING OBJECTIVES

Exploitation of the Web is a pipe dream for many businesses, as they do not or cannot analyze their motives for having a web site. There is more to a successful site than a corporate logo on a home page. Firms do not foresee the effort in maintaining a site, the increased competition from exposure to a “global market,” or the impacts on the existing business.

This discussion case analyses the opportunities and risks of launching electronic commerce services at the Co-op Bookshop. The case describes Co-op’s difficult progression to a profitable web presence. It will allow students to consider the strategic issues underlying any web presence. They will also have the opportunity to discuss the type of site, timing, and content appropriate to the firm and the economics of being on-line.

2. CASE OVERVIEW

Selling books over the web is one of the most competitive areas of electronic commerce. The Co-op Bookshop is Australia’s largest academic book retailer.

Co-op has had an on-line presence since 1991 with the launch of a Telnet service that provided library customers with electronic database access. This service gave Co-op a distinct advantage. Since the Internet grew in Co-op’s established academic markets, it provided them with an advantage over the competition. Co-op’s mail order and book research departments were already well established so “ordering via the Internet” required minimal new equipment and no additional staff.

In late 1995, a decision was made to establish a web site as a user-friendly interface to the database. The site allowed existing customers to order more easily and provided mail order customers with a new medium. When planning the site, Co-op soon discovered few internal people understood what the technology involved; no standards or comparators were available. The solution was to develop a web-based front-end to the existing database that generated an e-mail order which was manually entered into Co-op’s system.

The site was launched in January 1996 and started slowly, although it was considered a success. The site changed Co-op's culture; PCs became mandatory, e-mail became a vital communication tool. By late 1996, 2,500 people accessed the site each month.

After a year, it became obvious that a major redesign was required. The numbers accessing the site meant that support resources were stretched. The site was incompatible with new technology and a "secure server" was a necessity. In addition, competition increased; other on-line bookshops appeared on the web. The new site was to be the Co-op Virtual Bookshop and was to boast a more personalized and faster service, secure transactions, a large searchable database, book reviews, and on-line literary events. Orders generated would be automatically fulfilled.

The project was major; the investment and expectations were high. Plans included a database of 1.3 million titles with fast searching and an advanced shopping mechanism, a "visitors lounge," a special event page, and a "specialist services" area.

The virtual bookshop was launched in May, 1997. Monthly orders were 600 but there were many unexpected problems. The order volume required extra staff and highlighted bugs in the mail-order system. Negativity toward the site quickly developed among staff, mainly caused by a lack of understanding and a fear that the site would "steal" branch sales. Staff had to deal with customers who ordered from the web and expected the book later that day, but Co-op's smaller branches did not have the facilities or staff to provide this.

These problems were unforeseen as the system was designed to be integrated with Co-op's existing mail order system. It was a mistake to launch the site without proper consultation, training, and communication. By September, hits and orders began to decline due, *inter alia*, to increased competition from other on-line bookshops. Orders were processed quickly, new books were added. Functionally, the site was working well, yet Co-op got little repeat business. The static design of the home page was a major problem.

A decision was made in October 1997 to redesign the home page to make it more dynamic. For this, Co-op looked back to its roots. A "Student Center" was instigated and, to replicate impulse buying, a new section called "Browse Our Shelves" developed. Co-op attracts customers by offering a member discount but it was problematic to become a member on-line. Forms had to be printed, completed and returned; the process took two weeks. This was redesigned; customers were automatically assigned a number and could obtain discounts immediately.

The revamped site was launched in January 1998. With about 650 orders per month, it is a success. The new home page, which is now changed every couple of days, attracts customers for repeat business. Since January, web sales have reached AUS\$40,000, but this only just covers the running costs.

3. TEACHING GUIDE

To stimulate initial discussion, some consideration of the following organizational questions is suggested. These are vital issues that any organization should consider before getting into the technical complexities of designing a web site.

- What is the core goal of the business? How will a web presence help to meet this? Will the introduction of a web site change the direction of the business?
- Why does one want a web site? Is the site simply going to be an on-line company profile or is it going to provide a specialized web-based service?
- Who are the current customers/existing markets? Why do they do business with us? Which markets is one trying to attract through the web?

- What resources are required to set up and maintain a web site? How much is one willing to invest? How will the site be integrated into the existing business? How should the site grow?

One lesson from Co-op's experience is that analysis of marketing strategies for electronic commerce services is imperative. Improvements to web sites will always be necessary to make them easier to use and to carry more information.

After this discussion, the class may think about the economics of a web presence. The case outlines the four possibilities by which firms can profit from Internet activities. Specifically, Co-op's efforts are analysed from the perspective of increasing the number of books sold, increasing margins, advertising space, and electronic commerce as an additional product line.

Extended customer service can be provided at lower costs. Customers like to surf Co-op's database themselves, a task which traditionally required significant staff time. However, company size and using the web as an complementary sales channel sets constraints on Co-op's efficiency. In contrast, Amazon can offer a 30% discount because it does not carry any stock and exists exclusively on-line. Rather than moving a real-world business model on-line, Amazon has developed a far more efficient system.

Finally, the class might discuss whether, before considering expansion of its web presence to electronic publishing (EP) activities, Co-op needs to make decisions on

- timing—innovate or learn from others?
- the EP value chain activities to be offered?
- digitalization of traditional products versus new product creation?

Bookstores and publishers will increasingly publish on-line, probably first by allowing sections of texts to be downloaded separately and charged for. EP could be used to position oneself beyond being a book retailer, i.e., to supply innovative content, especially differently packaged, more targeted information. This combines communication with content.