

**Marketing and Electronic Commerce
Marketing 227, Section 002
Fall 2002**

Course Syllabus and Schedule

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|---------------------------|---|
| <i>Instructor:</i> | Professor Patti Williams Office: 700 Jon M. Huntsman Hall email: pattiw@wharton.upenn.edu Phone: 8-0670 E-mail is the best way to reach me. I will usually respond to your email within 24 hours. |
| <i>Secretary:</i> | Meredith Wickman Phone: 8-8243 |
| <i>Class Schedule:</i> | Mondays & Wednesdays 10:30am-12pm Location: TBA |
| <i>Office Hours:</i> | TBA |
| <i>WebCafe:</i> | Includes syllabus, reading list, instructions for 1-page essays, Powerpoint slides, etc. |
| <i>Required Text:</i> | - Course Bulk Pack |
| <i>Group Project Due:</i> | December 4, 2002 |

Overview and Objectives

The goal of the course is to jointly investigate with students the fundamentals of Electronic Commerce to develop a deeper understanding and ability to evaluate the major changes occurring in marketing as a result of the expansion of the Internet. The course is organized into two parts focused on: 1) Business Models; and 2) Consumer Behavior and Customer Management.

1. Most traditional selling formats rely almost exclusively on posted prices by a limited number of sellers. With significant reductions in e-search and transactions, the Internet already has spurred the development of numerous new selling formats where not only sellers post prices (e.g., Amazon) but so do buyers, both statically (e.g., Priceline) and interactively (e.g., ebay). While some require buyers to compete, others encourage them to collaborate for gaining quantity discount (e.g., coshopper). Enthusiasts of e-commerce argue that these new business models can dramatically increase efficiency by appropriately matching buyers' willingness-to-pay with sellers' willingness-to-sell. In this course, we will evaluate several of these business models based on a set of performance metrics (e.g., profit, customer satisfaction, and etc.).

2. In addition, the Internet is changing the way that many marketers reach and interact with consumers. For example, the web offers unique opportunities for learning about customers as individuals and, as a result, the development of long-term relationships between buyers and sellers. However, consumers do not always behave the same way on-line as they do off-line. Understanding the differences and similarities between traditional consumer behavior and on-line consumer behavior has important implications for developing customer-based marketing strategies. In this course, we will investigate the way consumers interact with websites and the way they make decisions, among other topics, to inform marketing actions. In addition, we will discuss issues regarding consumer privacy and marketer ethics in managing customer information.

In sum, we will investigate the strengths and weaknesses of several Internet-based business models. We will also explore consumer web psychology and the ways that such knowledge can be applied to enhance things such as brand equity, consumer trust, and consumer satisfaction.

Course Materials and Approach

In the course we will use a variety of readings, cases, and actual visits to many websites. The most important readings and complete list of cases are contained in the course bulk pack. In addition, lecture notes and handouts will be made available throughout the quarter via the course webCafe. The readings are designed to introduce electronic commerce concepts and principles. Cases will allow us to examine, in detail, the application of particular concepts and principles. The web visit exercises are designed to give you “hands-on” experience with real business models and Internet-based customer experience. A complete list of readings is included at the end of this syllabus.

Assessment

Your final grade in the course will be based on both individual and group work. The evaluation is as follows:

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|-------------------------------------|-----|
| A. Class Participation (individual) | 25% |
| B. Individual 1-page Essays | 35% |
| C. Group Assignment (Project) | 40% |

Please note that no late assignments will be accepted.

Course Outline

In most instances I will not lecture from the assigned readings, but will assume that you have prepared the relevant material prior to coming to class. Nevertheless, we will discuss issues related to assigned material during the class and there will be opportunities for clarification. When a one-page essay is due in class, those essays will often form the basis for class discussion. You are expected to read at least 3 other essays, besides your own, in preparation for class.

| Date | Topic | Case | Assignments |
|-------------|--|---|---|
| 10/23 | <i>Introduction:</i> | | |
| 10/28 | <i>Naming Your Own Price</i> | Priceline.com | -List of group members |
| 10/30 | <i>Flexible Pricing: Understanding Auctions and the Role They Play on the Internet</i> | Ebay.com | -Ebay essay |
| 11/4 | <i>B2B Marketplaces</i> | Freemarkets online | |
| 11/6 | <i>Comparing E-Commerce with Traditional Commerce</i> | Webvan.com <i>and Online Grocery Retailing: Building the Last Mile to the Customer</i> | Drugstore.com versus traditional drugstore essay. |
| 11/11 | <i>Integrating e-Commerce Into Existing Ventures</i> | E-Commerce at Williams-Sonoma <i>and Merrill-Lynch: Integrated Choice</i> | 1-page project definition due |
| 11/13 | <i>How do Consumers Search and Make Decisions on the Internet?</i> | | -MovieLens essay |
| 11/18 | <i>Building Sticky Websites: How do Consumers Interact with the Internet?</i> | | -Media Equation examples essay |
| 11/20 | <i>Internet Brand Building</i> | | |
| 11/25 | <i>Guest Speaker</i> | | |
| 11/27 | <i>Effective Use of the Internet (and e-mail) as a Communication Tool: Methods and Measurement</i> | Yesmail.com | -Banner advertising essay |
| 12/2 | <i>Creating Individual Relationships with Internet Consumers</i> | Amazon.com: Evolution of the e-Tailer | |
| 12/4 | <i>Building Communities of Internet Users & Marketer Ethics: Managing Customer Information and Protecting Customer Privacy</i> | | -Community essay -Group project report |

Assessment Details

A. Class Participation/Preparation (25%)

Every session of the course will involve interaction in the form of class discussion. I expect each class member to be prepared at all times to comment in any class session. To reinforce this expectation, I will “cold call” throughout the ensuing discussion (whether or not the class member’s hand is raised).

Some class sessions in this course follow a case discussion format. The case method is not always an efficient learning vehicle, but it is one of the most effective means of sharpening your decision-

making abilities, requiring you to be an active participant in resolving a marketing research problem. The assigned cases are intended to give you practice in assembling data to support a decision. Further, the case method provides a vehicle by which to apply the theories, concepts, and analytical devices discussed in a class or in the reading materials. Finally, the discussion forum provides an opportunity to argue your position and to learn from others by listening to their comments and criticisms.

As part of your preparation for class, we ask that you form discussion groups to prepare the assigned case studies. The purpose of these groups is to assist each participant in developing his or her understanding of the issues and topics raised in the cases. The discussion group is a useful and informal forum in which to test your ideas. Further, your discussion group should also be the same group you work with on the marketing research project, thus allowing you to build your problem solving skills as a group as the quarter progresses.

We expect class members to select their own project groups and to be responsible for managing the division of labor within the group. Experience indicates that the best group size is four persons; groups larger or smaller than this are strongly discouraged. ***Please submit a typewritten list of the persons comprising your group to me at the beginning of the second class session (October 28).***

Evaluating class participation. Grading class participation is necessarily subjective. Some of the criteria for evaluating effective class participation include:

1. Is the participant prepared? Do comments show evidence of analysis of the case? Do comments add to our understanding of the situation? Does the participant go beyond simple repetition of case facts to provide analysis and conclusions? Do comments show an understanding of theories, concepts, and/or analytical devices presented in class lectures or reading materials?
2. Is the participant a good listener? Are the points made relevant to the discussion? Are they linked to the comments of others? Is the participant willing to interact with other class members?
3. Is the participant an effective communicator? Are concepts presented in a concise and convincing fashion?

Keep in mind that your grade for class participation is not simply a function of the amount of "air time" you take up. In general, we will evaluate you on how well you respond to questions and on how effectively you take into account the comments and analyses of your classmates.

In order to obtain a grade for class participation you must attend the class sessions. Each absence will result in a 3-point deduction from your final grade, except in case of emergency or religious holiday. If you must miss a class, please notify me in advance. With only 14 sessions, missing even one day will have an impact on what you take away from the course.

Case preparation. In preparing for cases prior to class, I recommend that you read the case more than once. The first reading should give you a feeling for what the case is about and the types of data contained in the case. Many people like to underline or otherwise mark up their cases to pick out important points relating to the business and the situation; e.g., customer behavior and trends, marketing research problem, feasibility of obtaining information, etc. Be sure to pay attention to the

exhibits in the case; these often contain information that will be useful in analyzing the situation. A second reading should be more focused on identifying the key business issue (issues) the firm in the case is facing, and on identifying important analytical information from the case to address this issue and to build a case for your proposed solution to the issues the firm is facing.

B. Individual one-page Essays (35%)

The purpose of these essays is to expose you to a variety of websites and to illustrate both managerial issues as well as consumer behavior issues associated with those sites and others that are similar. Below is a detailed list regarding each one-page essay, including a variety of questions that you should address.

While these essays may seem trivial, it will not be simple to accurately and meaningfully sum up your entire experience and provide managerial implications in just one page. Your essays should be more than mere chronologies of what happened to you as you completed each exercise. In fact, I prefer that they not be organized chronologically (So don't tell me: "First I did this and that happened. Then I did something else and this happened." Rather, your essays should include discussion of important insights about your own behavior, about the websites or about other issues that may be relevant. To effectively include all of this in your essays, you will need to organize your thoughts carefully and write very concisely.

I recommend that you not turn in your first draft of these essays. Instead, take time to write one draft and then look it over, making sure it is as complete as it can be, given your space constraints, and allow yourself some time to edit it. While each of the essays counts for only a small portion of your grade individually, as a whole, they are a significant part of assessing your performance for the class. They will be graded on a 1-5 scale, where 5 represents the highest grade.

These essays should be single-spaced, 12 point font, with at least $\frac{3}{4}$ inch margins on all sides. Your name should be on the essay itself, rather than on a cover page.

1. E-bay

- Join E-bay and find something (*anything!*) you would actually like to own and bid on it.
- Bid to win—be serious about what you are doing.
- How did you find the item you were interested in?
- Were there a lot of choices for this item? Were you surprised by this?
- Describe your bidding experience from beginning to end. (Even if you are outbid for this item, track its bid history until it is sold and include some discussion of that in your essay).
- If you won the item, bring it to class.
- In your essay, discuss any insights you might have gained about auctions and price-setting mechanisms, consumer behavior in auctions and the eBay community.
- Note, you will probably have to begin bidding at least a week before this is due in order to complete the process entirely. You may want to limit the items you bid on to those whose auctions will close within a few days.

2. Drugstore.com versus bricks and mortar drugstore

- Visit a real drugstore and purchase something that you really need or want. It can be anything that is available for purchase in the store. Describe your in-store experience.
- Visit drugstore.com and try to buy the same product online. Carry out the transaction online, up until the point at which you would have to enter your credit card information and

actually purchase. (Unless you actually do want to buy the item, then continue your essay to cover the receipt of your purchased item). Describe your on-line experience.

- Compare and contrast your in-store and on-line experiences. Which was better (how do you define better)? Why?
 - Compare and contrast the in-store and on-line business strategies. Make managerial recommendations.
3. MovieLens (<http://www.movielens.umn.edu/>)
- Join and try out MovieLens. Rate 5 movies, at which point you will begin to get recommendations made to you.
 - How good are these recommendations?
 - Rate 5 more movies. How good are the recommendations now?
 - Rate 5 more movies. How good are the recommendations now?
 - Overall, how effective do you feel MovieLens was in providing movie recommendations for you?
 - Compare your experience with your group members and share the “lessons” you’ve learned from this experience in your essay.
4. Media Equation
- Identify a website that is using some or all of the rules which Reeves and Nass discuss. (Application of these rules does not have to be necessarily intentional).
 - Describe the website and how it applies these rules.
 - Does the application of these rules make the website more or less rewarding/engaging to interact with?
 - What other Media Equation rules might the website employ in order to enhance its “stickiness”? How would these rules be implemented?
5. Banner Advertising
- Visit a website which has banner ads (i.e, media sites, portal sites such as Yahoo, etc.) and poke around for a while (at least 20 minutes) until you have encountered a number of banner ads.
 - Choose several ads and click through.
 - How many ads did you encounter while you were surfing the site? Who were they for?
 - Which ones grabbed your attention? Why? Did the ad appear to have anything in common with the content of the page you were visiting when it appeared? Could it have been targeted to you in some other way than via context?
 - Have you ever clicked through on a banner ad before? What happened when you clicked through this time? Was it what you expected?
 - Discuss your overall impressions about how banner advertising works and when it might be effective. Compare it to email advertising.
6. Building 1 to 1 Relationships with Consumers
- Find a website that is attempting to build a 1 to 1 relationship with its consumers—ideally you would discuss a site that is trying to build such a relationship with you. The only site you may not discuss is Amazon.com
 - Discuss the method by which this website attempts to build this relationship.
 - Provide examples about how the material in the website (content, goods to be sold, prices, etc.) are customized. Discuss how this does or might change over time, as well.
 - To what degree is this site successful in building the intended relationship? What could it do to be more successful? Can you refer to any “best practices” that this site is not yet using that

it might use? (For example, how does it compare to Amazon.com's personalization strategies?) How "deep" is the relationship this site is trying to build?

- What benefits might this particular site reap from such relationships? As a marketer, do you believe in the value of building 1 to 1 relationships with consumers?
- What benefits might the consumers of this particular site reap from such relationships? As a consumer, do you believe in the value of building 1 to 1 relationships with marketers?

7. Community

- What *is* a virtual community?
- What does it mean to "build a virtual community?" How can a marketer do that?
- What is the role of the virtual community in a marketing plan (in other words, why would a *marketer* want to build a virtual community?)
- How can virtual communities generate revenue? What other marketing functions can virtual communities facilitate?
- What do consumers get out of joining a virtual community? Do you belong to any? If so, discuss them and why you chose to join.

C. Group Project (40%)

The group project will give you an opportunity to research a topic relating to electronic commerce of your own choosing. Since the research project will involve a considerable amount of time and effort, it is vitally important that you work on a project that you find interesting. I have included a list of possible topics below. You are not limited to these topics. However, if you choose to pursue a topic not on the list, you should discuss it with me before the project definitions are due.

On November 11, you will be expected to turn in a one-page project definition (single spaced, 12 point font, 1 inch margins all around) of an important topic relating to electronic commerce, which will be the focus on your study. In the one-page summary, you should clearly identify the problem you are working on, make a case for its importance to the world of e-commerce marketing, and translate this problem into a set of clear deliverables which you will provide in your final report. I will provide feedback on your proposals and ask that if necessary you revise the proposal.

On December 4, your final report will be due. The report should be no longer than twenty pages in total (double-spaced, 12 point font, 1 inch margins all around), with a maximum of 4 additional pages of appendices and/or exhibits.

Many of the topics listed below are covered in some fashion in a lecture. If you choose one of these topics for your project, be sure to go beyond what is done in class discussion. However, we do not have the time to cover every important topic in class. You are welcome to consider an area not discussed in class as the topic for your group project. You may also decide to analyze the e-commerce strategy of a particular company, or several companies in a particular industry. Finally, you may choose to try to develop a business plan for an e-commerce idea of your own. Remember, if you choose a topic not included on this list, please talk with me about it before turning in your one-page project definition.

Potential Group Project Topics:

- The Role of Search Agents
- Customer Relationship Management
- Trust Building
- Managing Customer Privacy
- Virtual Community
- Revenue Models
- Branding

- B2B Marketplaces
- Internet Advertising

- Disintermediation
- Mobile e-commerce

Reading List

**Note: All readings listed below will be found in the course bulkpack.*

10/23 **Introduction: The Significance of the Internet to Marketing and Overview of Business Models**

- “Has Growth of the Net Flattened?” Julia Angwin, *Wall Street Journal*, July 16, 2001, pg. B1

10/28 **Naming Your Own Price**

- Case: Priceline.com: Name Your Own Price, HBS Case # 9-500-070, April 4, 2000
- Case: Priceline Webhouse Club, HBS Case # 9-800-287, August 1, 2000
- “Pricing and Market Making on the Internet,” HBS 9-500-065, April 4, 2000

10/30 **Flexible Pricing: Understanding Auctions and the Role They Play on the Internet**

- Case: E-bay, HBS Case # 9-700-007, September 28, 1999
- “The Cutting Edge in Auctions,” *Harvard Business Review*, Reprint F00203
- “Will Auction Frenzy Cool?,” by Robert D. Hof, *Business Week E.BIZ*, September 18, 2000, EB140

11/4 **B2B Marketplaces**

- Case: Freemarkets Online, HBS Case # 9-598-109, February 26, 1999
- “E-Hubs: The New B2B Marketplaces,” *Harvard Business Review*, by Stephen Kaplan and Mohanbir Sawhney, May-June 2000.
- “The Napsterization of B2B,” *Harvard Business Review*, by Andrew McAfee, November-December 2000, Reprint # F00601
- “Beyond the Exchange: The Future of B2B,” *Harvard Business Review*, by Richard Wise and David Morrison, November-December 2000, Reprint #R00614
- “Ways of Doing Business,” *The Industry Standard*, March 13, 2000, pp. 92-95

11/6 **Comparing E-Commerce with Traditional Commerce**

- Case: Webvan: Groceries on the Internet, HBS Case # 9-500-052, May 5, 2000
- Case: Online Grocery Retailing: Building The Last Mile to the Customer, IMD Case M 570, August, 2000

- “Can You Sell Groceries Like Books?” Linda Himmelstein, *Business Week E.Biz*, July 26, 1999, pp. EB44-EB50
- “The Future of Commerce, “ *Harvard Business Review*, Reprint # R00112
- “If at First You Don’t Succeed...Some Retailers are Finding Success in Industries Long Thought Off-Limits to e-Commerce, “ *The Wall Street Journal*, February 11, 2002, R6

11/11 **Integrating e-commerce into Existing Ventures**

- “The Future of Commerce, “ *Harvard Business Review*, Reprint # R00112
- Case: E-Commerce at Williams-Sonoma, HBS Case # 9-300-086, October, 25, 2000
- Case: Merrill Lynch: Integrated Choice, HBS Case # 9-500-090, March 14, 2001
- “Online Finance Hits Its Stride,” *Business Week*, April 22, 2002, pp. 86-87.

11/13 **How do Consumers Search and Make Decisions on the Internet?**

- “Cost Transparency: The Web’s Real Threat to Prices and Brands,” by Jay Sinha, *Harvard Business Review*, March-April 2000, Reprint # R00210

11/18 **Building Sticky Websites: How do Consumers Interact with the Internet?**

- *The Media Equation*, Chapter 1 (pp. 3-18) and 23 (pp. 251-258), by Byron Reeves and Clifford Nass, 1996, Cambridge University Press.
- Summary of *The Media Equation* “Rules”
- “Ecommerce in Context,” by Jane Hodges, *Business 2.0*, November 14, 2000, pp. 126-130.

11/20 **Internet Brand Building**

- “Building Brands—The Role of The Web,” from *Brand Leadership* by David A. Aaker and Erich Joachimsthaler, 2000, Free Press, pp. 228-259

11/25 **Guest Speaker: TBA**

11/27 **Effective Use of the Internet (and E-mail) as a Communication Tool: Methods and Measurement**

- “Chapter 2: Permission Marketing—The Way to Make Advertising Work Again,” from *Permission Marketing* by Seth Godin, 1999, Simon and Shuster, pp. 40-52
- Case: Yesmail.com, HBS Case 9-500-092, March 22, 2000

12/2 **Creating Individual Relationships with Internet Consumers**

- Amazon.com: Evolution of the E-Tailer, Stanford Business School, Case # SM-83

- “How Amazon Cleared that Hurdle,” *Business Week*, February 4, 2002, pp. 60-61.
- “One-to-(N)one?”, by Susan Kuchinskas, *Business 2.0*, September 12, 2000, pp. 141-148.
- “Personalization? No Thanks.” Paul F. Nunes and Ajit Kambil, *Harvard Business Review*, Reprint F0104E
- “Reflect: A Palatable Model?” Christine Bittar, *Brandweek*, April 2, 2001, pp. 18-24.

12/4

Building Communities of Internet Users & Marketer Ethics: Managing Customer Information and Protecting Customer Privacy

- Online Privacy, It’s Time for Rules In Wonderland,” *Business Week*, March 20, 2000, pp. 83-96.
- “Trust or Bust?” by Michelle V. Rafter, *The Industry Standard*, March 13, 2000, pp. 186-196.
- “Seeking Profits, Internet companies Alter Privacy Policy,” Saul Hansell, *The New York Times*, April 11, 2002