

## ONLINE FILE W14.1

## LONELY PLANET TRAVELS FROM PLACE TO SPACE

## The Problem

Scan the luggage of independent travelers anywhere in the world and you will find that most of them have something in common—they depend on a Lonely Planet guidebook to tell them how to get to their destination, where to sleep, the best places to eat, and what to see and do, all at a price they can afford. The Lonely Planet (LP) library includes more than 500 book titles as well as maps, travel videos, and a television series. Lonely Planet's primary assets are its global brand name; the dedication of its writers and editorial staff; its vast library of text, maps, photos, and images; and the community of global travelers who buy LP products and contribute to the company's knowledge base.

Lonely Planet faces many of the dilemmas that confront businesses that have been successful in the physical marketplace and are now migrating to the electronic marketplace. These opportunities and threats are especially challenging for companies in the information industry, those that sell newspapers, music, magazines, pictures, software, and books. How can Lonely Planet apply electronic technologies to its vast library of travel information to reinvent the travel guide? How can LP sell its content electronically and not create channel conflict with its traditional outlets, the bookstores? What changes should Lonely Planet make in the way it collects information, stores it, and uses it to publish travel guides?

## The Solution

The Lonely Planet EC strategy must consider the combination of business models that make up LP's current value proposition and revenue model. These models include the following:

- ▶ **Content provider.** Lonely Planet creates branded and unbranded travel content that is distributed through a number of distributors, including bookstores, travel sites (e.g., Travelocity), and publishers of in-flight magazines. Although a significant portion of this content carries the LP brand, only rarely does LP have a relationship with the purchaser or reader; instead, that relationship is owned by the bookstore, travel site, or publisher.
- ▶ **Virtual community.** The LP brand and Web site create a virtual community of independent travelers that LP management recognizes as a key asset. This community, when traveling or preparing to travel, has information and communication needs that LP can use in formulating its online strategy.
- ▶ **Direct to consumer.** Lonely Planet traditionally has sold its products through bookstores and other intermediaries. The Internet enables LP to add the direct-to-consumer business model to its e-strategy. However, LP must be cautious with this approach because of the opportunities and threats presented.

In moving online, Lonely Planet has launched the following initiatives:

- ▶ Lonely Planet Online (*lonelyplanet.com*) includes an online store (LP shop), access to brief destination overviews (WorldGuide, Theme Guides), free updates to currently pub-

lished guides (Upgrades), various forms of travel news (Scoop, Postcards), a traveler's bulletin board (Thorn Tree), and links to related sites (SubWWWay). Collectively, these features represent the primary implementation of LP's direct-to-consumer business model. All products sold online are priced at the recommended retail price so as not to undercut bookstore sales and alienate what is still the company's most important sales outlet. A key to leveraging the virtual community business model is Thorn Tree, an electronic bulletin board for travelers to share up-to-the-minute travel information with other travelers or provide feedback to LP.

- ▶ CitySync (*citysync.com*) is branded "the personal digital guide to urban adventure." It allows owners of handheld computers to load their devices with LP city guides; in these electronic versions, the information is searchable, hyperlinked, and can be annotated and sorted by the traveler. CitySync can be purchased and downloaded from the LP Web site (i.e., direct-to-consumer model) or bought on a CD-ROM from retail outlets (i.e., content provider model).
- ▶ Knowledge Bank is an internal knowledge management project that aims to transfer all of LP's intellectual property into a standardized and centralized digital database. The Knowledge Bank will enable LP to more easily maintain and update current information, to tailor information for specific products (i.e., content provider), and to eliminate duplicate research and storage.

## The Results

According to electronic publishing manager Rob Flynn, Lonely Planet seeks nothing less than to use the Internet to "reinvent the travel guide." So far, its steps toward this strategic vision have been cautionary and in line with its core competencies in gathering and distributing travel-related information. When it has stepped outside its core competencies, it has done so with strategic partners.

Perhaps the most successful of LP's initiatives thus far is its award-winning Web site, which offers a successful sales and information distribution channel to its customer base. The site also is the most visible presence of its virtual community. LP now must consider how to successfully use this strategic asset, and its 2 million visitors per month, to generate revenue and further promote its branded products, but at the same time avoid channel conflict and ally anxiety.

Another asset with huge strategic potential is the Knowledge Bank. Not only does it promise increased internal efficiencies in information handling, it also offers numerous long-term business possibilities, including the ability to license and syndicate content to outside organizations. It also will be key to the strategic vision of reinventing the travel guide, such as personalized travel guides that allow travelers to make selective choices about the information they need.

**Sources:** Weill and Vitale (2001) and *lonelyplanet.com* (accessed May 2003).

## ONLINE FILE W14.2

## BANKDIRECT: NEW ZEALAND'S VIRTUAL BANK

For four decades, ASB Bank (formerly Auckland Savings Bank) has had a reputation as a technologically savvy bank that knows how to use information technology for competitive advantage. In the mid-1960s, ASB Bank was a first mover into real-time processing of banking transactions. In the 1970s, ASB Bank replaced its account-oriented database software with a customer-oriented data model. This enabled ASB Bank to be New Zealand's first bank to introduce a comprehensive customer-account product in 1986, a competitive advantage that took other banks more than 2 years to counter.

Despite this reputation, ASB Bank's launch of its virtual bank, BankDirect (*bankdirect.co.nz*), in 1997 took the Australasian banking world by surprise. Initiated by CEO (and former CIO) Ralph Norris as a skunk works project several months earlier, BankDirect was launched as a flexible, innovative bank in an increasingly competitive banking market. Norris' IT background contributed to the BankDirect vision. As a virtual bank, BankDirect has no bank tellers and no bank facilities. Instead, the bank uses the Internet, a telephone call center, ATMs, and mobile mortgage managers to conduct business. The target market is the online customer who is willing to forgo face-to-face bank transactions and receive cost savings and innovative services in return. For example, BankDirect consistently offers one of the lowest interest rates for home loans. Despite the lack of face-to-face contact, an October 2002 survey by the Consumers Institute of New

Zealand ranked BankDirect third in customer satisfaction, ahead of all "Big 5" New Zealand banks, including ASB Bank.

BankDirect remains ASB Bank's "virtual bank brand." It competes directly against ASB Bank's Fastnet and Fastphone services. However, any ASB Bank customers who have been lost to BankDirect have been more than compensated for by the BankDirect customers who have switched from one of ASB Bank's competitors. By launching a separate company and a new brand to fill an obvious gap in the banking market, ASB Bank has been able to increase its customer base and further enhance its reputation as New Zealand's leading technology bank.

**Sources:** Barton and Peters (1992), *asbbank.co.nz* (accessed April 2003), *bankdirect.co.nz* (accessed April 2003), and *consumers.co.nz* (accessed April 2003).

### Questions

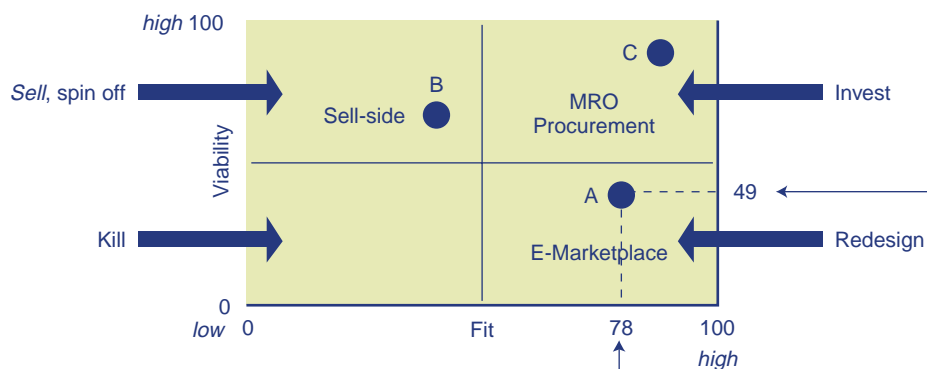
1. Why did ASB Bank launch BankDirect as a separate company rather than within ASB Bank itself?
2. Describe BankDirect's value proposition to its customers.
3. How has ASB Bank benefited from creating a separate online company as its virtual bank brand?

## Online File W14.3 Application Portfolio Analysis for a Toy Distributor

A toy distributor is considering three potential EC applications for implementation: (A) create an e-marketplace; (B) direct sale (sell-side); and (C) MRO procurement. Following Tjan's (2001) Internet portfolio map process, the senior management and other interested stakeholders at the distributor have assessed viability (top table) and fit (bottom table) on various criteria. These are averaged and plotted on the portfolio map, as is shown by the black arrows for application A. The results (center) are: invest in the MRO procurement; redesign the e-marketplace so it will become viable; and sell the direct sell application to someone else, because it does not pay to reengineer the company.

EC Application	Market-Value Potential	Time to Positive Cash Flow	Personnel Requirement	Funding Requirement	Average
E-Marketplace (A)	85	70	20	20	49
Sell-side (B)	70	70	60	50	63
MRO Procurement (C)	80	60	80	90	80

Viability Metric (on 1–100 scale)



EC Application	Alignment with Core Capabilities	Alignment with Other Company's Initiatives	Fit with Organizational Structure	Fit with Company's Culture and Values	Ease of Technical Implementation	Average, Overall Fit
E-Marketplace (A)	90	60	90	70	80	78
Sell-side (B)	10	30	30	40	60	35
MRO Procurement (C)	90	60	90	80	80	84

Fit Metric (on 1–100 scale)

## ONLINE FILE W14.4

## IBM'S E-BUSINESS STRATEGY

IBM has been a huge presence in the computer industry since its inception in the 1940s. In the face of increased competition over the years, IBM has revamped its business strategy continually. Even more important, though, is IBM's need to capture new business opportunities and technologies, such as EC, and to develop a business strategy for that purpose. Since 1999, IBM's declared strategy has been to transform itself into an e-business in order to provide business value to the corporation and its shareholders.

To ensure successful implementation of its e-business strategy, IBM formed an independent division, called Enterprise Web Management, that has the following four goals:

1. To lead IBM's strategy to transform itself into an e-business and to act as a catalyst to help facilitate that transformation.
2. To help IBM's business units become more effective in their use of the Internet, both internally and with their customers.
3. To establish a strategy for the corporate Internet site. This includes a definition of how it should look, feel, and be navigated—in short, to create the online environment most conducive to customers doing business with IBM.
4. To leverage the wealth of e-business information accumulated in case studies to highlight the potential of e-business to customers.

Like many other companies, IBM first used the Internet as a static digital brochure, basically a tool for posting information. IBM is now moving toward comprehensive e-business, carrying out business transactions of all kinds over the Internet, intranets, and extranets between IBM and its suppliers, among members of its Business Partner Network, among its employees, and so on. IBM wants to become truly e-business-oriented and to focus on how it can use powerful networking technology to fulfill the diverse needs of its customers and partners.

One of the major issues in moving to e-business was the redesign of many of its core business processes on the Internet—including sales, procurement, customer care, and knowledge management. Implementing EC frequently requires such a redesign. IBM adopted a strategy of streamlining its core business processes by simplifying its internal business processes (using BPR), eliminating redundant IT applications (reduced from 16,000 to 8,000), simplifying IT infrastructure (reducing the number of data centers from 131 to 16), introducing standardization, creating one global network (instead of 31), and more.

The company targeted EC projects at those areas in which IBM could earn the biggest ROI. It focused its activities initially around eight key initiatives:

1. Selling more goods over the Web—*e-commerce*
2. Providing customer support online, from technical support to marketing backup—*e-care for customers*
3. Support for IBM's business partners over the Web—*e-care for business partners*

4. Dedicated services providing faster, better information for IT analysts and consultants, financial analysts, media, and stakeholders—*e-care for influencers*
5. Improving the effectiveness of "IBMer" by making needed information and services available to them—*e-care for employees*
6. Working closely with customers and suppliers to improve the tendering process and to better administer the huge number of transactions involved—*e-procurement*
7. Using the Internet to better communicate IBM's marketing stance—*e-marketing communications*
8. Creating a visible and usable portal by modifying the old Web site—*enterprise portal*

The company later added two more initiatives:

9. Using Lotus Notes and Domino, the company created many knowledge management applications—*knowledge management*
10. Moving close to 50 percent of all training to the Web by 2003—*e-learning*

Some of these initiatives have already borne fruit. For example, the e-procurement system that spans IBM globally saved the company more than \$6 billion in 1999–2002, reducing maverick (unplanned) buying from 33 percent to 2 percent. Online sales were close to \$20 billion in 2002.

However, there is more to e-business than just how many dollars per day IBM sells or saves on the Web. In the procurement area, for example, IBM is invoicing electronically to reduce the millions of paper invoices it sends out and to enable fast, competitive tendering from its suppliers. IBM has evaluated every step of the procurement process to determine where the use of the Web can add value. This has resulted in the identification of more than 20 initiatives—including collaboration with suppliers, online purchasing, and knowledge-management-based applications—in which the company is already reducing cost and improving purchasing. (For more information, see Bonnett 2000.) As a matter of fact, a new corporate culture has been created: People are sharing and collaborating and are happier in doing their jobs.

Sources: Bonnett (2000) and [ibm.com/e-business/doc/content/casestudy/46406.html](http://ibm.com/e-business/doc/content/casestudy/46406.html) (accessed January 2003).

### Questions

1. Why it was necessary to simplify business processes before doing EC?
2. Relate this case to strategy initiation, formulation, and implementation.
3. Review Section 14.7. Which factors contributed to IBM's success?
4. Do you think that IBM is becoming an e-business? Why or why not?

## Online File W14.5 Automatic Translation of Web Pages

Many vendors offer automatic Web translation applications. However, not all automatic translations are equally good, so some evaluation of these products is needed. According to Sullivan (2001), the best way to access machine translation is to use the following three criteria: (1) intelligibility—how well a reader can get the gist of a translated document, (2) accuracy—how many errors occur during a translation, and (3) speed—how many words per second are translated. Because the quality of automatic translation has not always been as good as human translation, many experts advocate use of the computer as a productivity booster, with human translation as a double-check. However, as time passes, automatic translation is becoming better (Sullivan 2001).

There are three Web page translation methods: (1) dictionary-based translation, (2) machine translation, and (3) methods using what in linguistic jargon is called *parallel corpora*. Direct dictionary-based translation is the simplest method. However, it suffers from some problems, among which are (1) the problem of inflection (a translation problem due to difference between written and spoken words); (2) translation ambiguity; (3) how to handle compound words and phrases; and (4) how to translate proper names and other untranslatable words (Hedlund et al. 2004).

Some popular translation products are:

- ▶ WorldPoint ([worldpoint.com](http://worldpoint.com)) offers a WorldPoint Passport multilingual software tool that allows Web developers to create a Web site in one language and deploy it in several other languages.
- ▶ AltaVista offers the free Babel Fish Translation ([world.altavista.com](http://world.altavista.com)) that translates Web pages, e-mail, and text. Babel Fish supports 19 language pairs. It is linked to Newstran.com ([newstran.com](http://newstran.com)), which translates online newspapers to English.
- ▶ Alis Technologies and Netscape developed AutoTranslate, which is offered in the Netscape browser. Available in the “view” menu (click on “translate”), users can translate a Web page to a desired language (out of 10 available languages).
- ▶ Google offers a service ([google.com/language\\_tools](http://google.com/language_tools)) that automatically translates the content of Web pages published in French, German, Italian, Spanish, Portuguese, and more to English. All you have to do is click on the “Translate this Page” button that appears after a title in a foreign language.
- ▶ Uniscape.com (now Trades.com) offers software that does multilingual translation for companies that want to provide translated Web pages from their URLs. Product documentation, Web sites, marketing materials, and software interfaces can be localized in many languages quickly and cost effectively. The company’s site ([translationzone.com](http://translationzone.com)) also is a portal for translation professionals worldwide and offers resources to help translators expand their customer base. Professional translators can purchase the latest releases of TRADOS software ([trados.com](http://trados.com)) as well as create online professional profiles, through which they can market themselves to potential clients. The portal currently has more than 12,000 registered users.
- ▶ Rikai.com is an online character translator that allows users to translate Japanese Web pages.

Sources: Sullivan (2001) and Hedlund et al. (2004).