

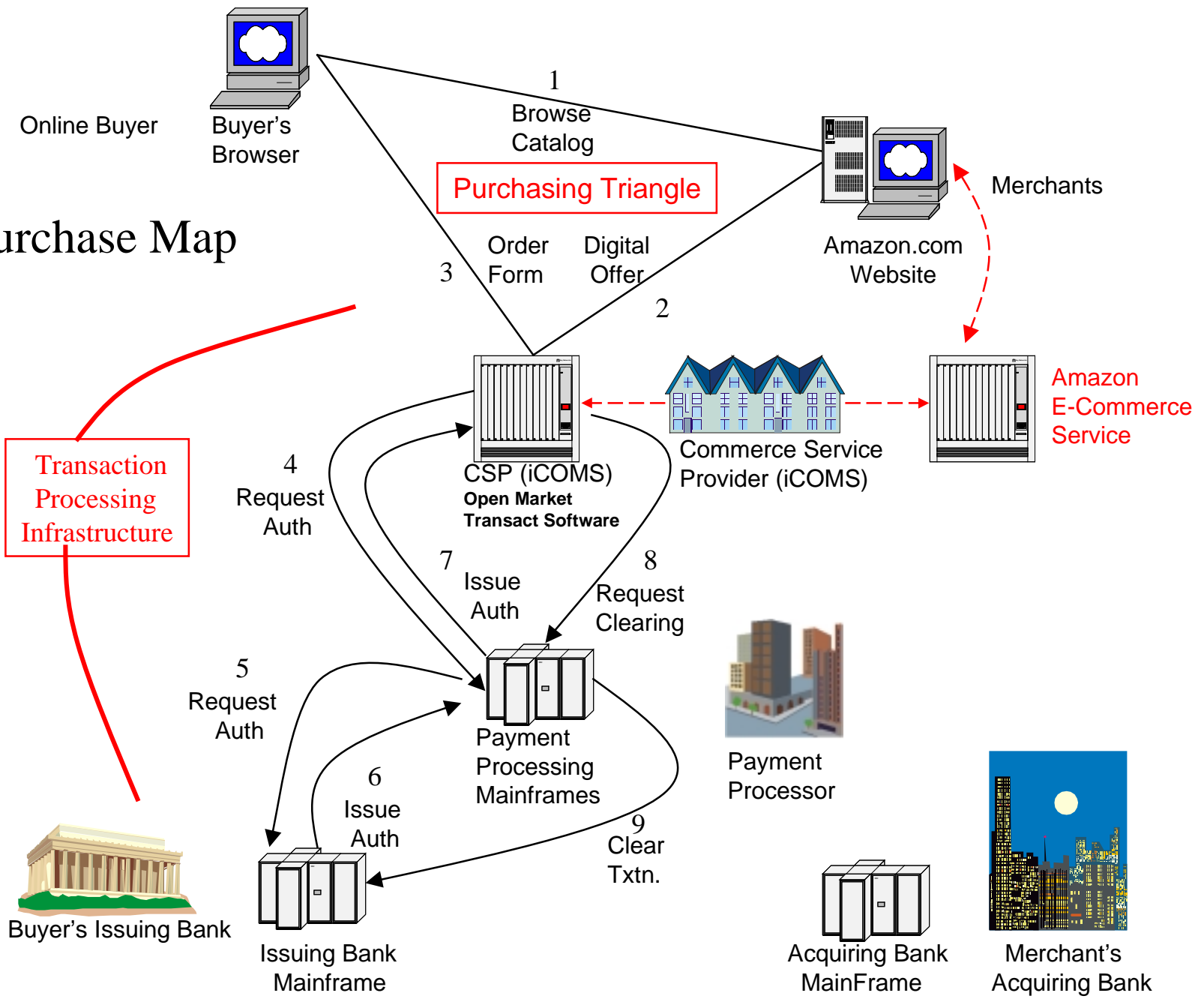
# CS155b: E-Commerce

Lecture 19: April 19, 2001

B2C E-Commerce (continued)

(Acknowledgement Helen Chiang)

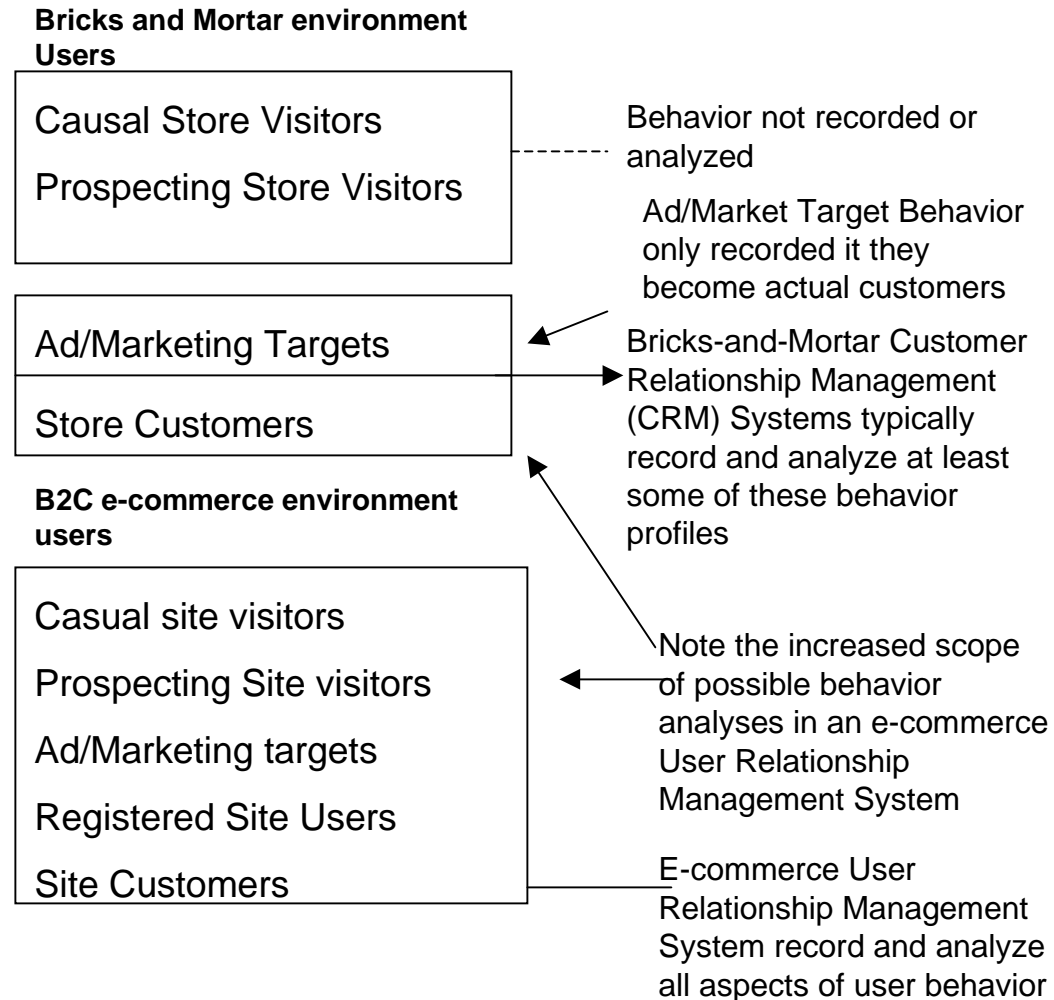
# B2C Purchase Map



# B2C E-Commerce Information Systems

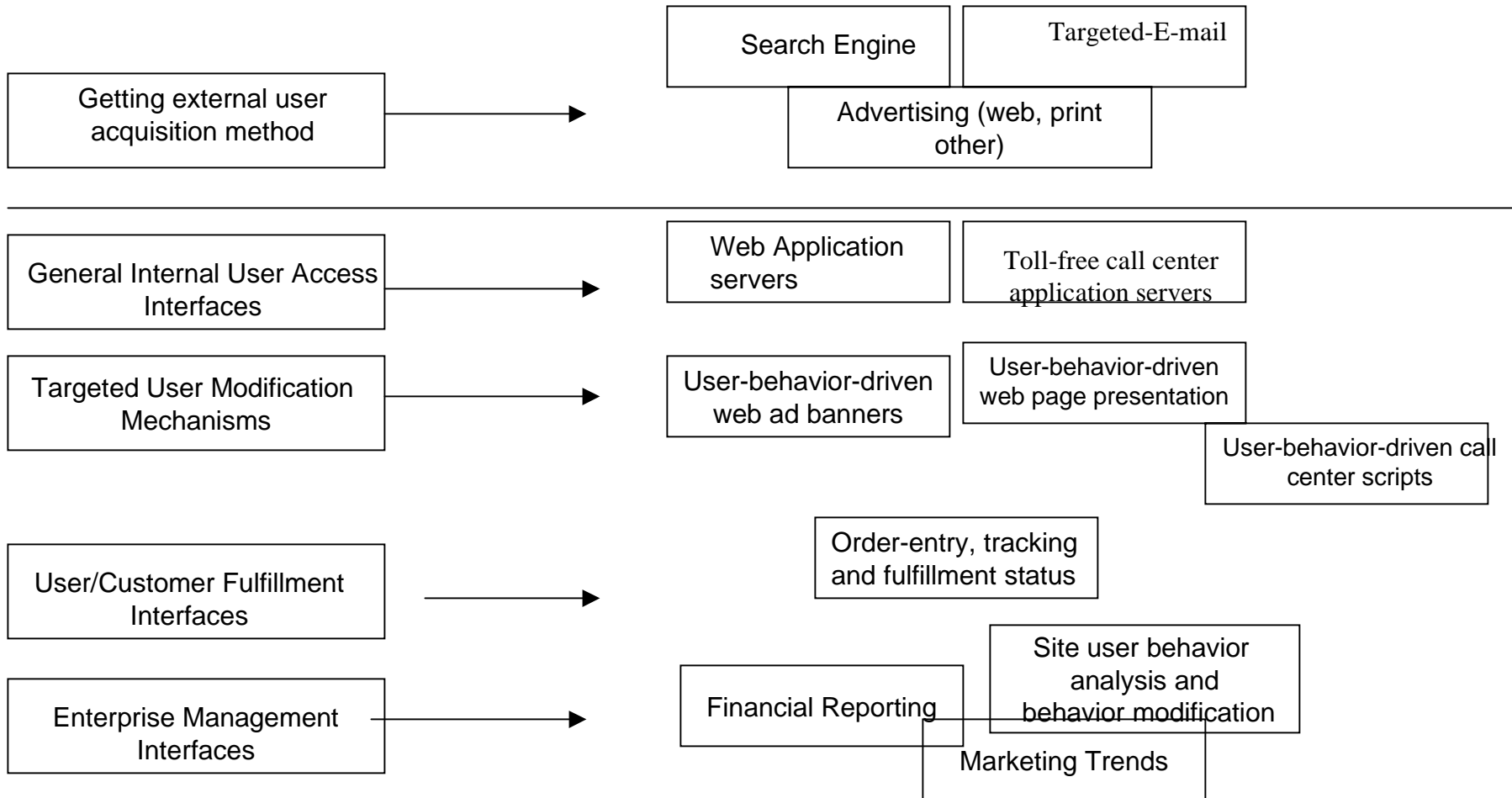
Millions of users on day one

- Functionality
- capacity
- continuous availability

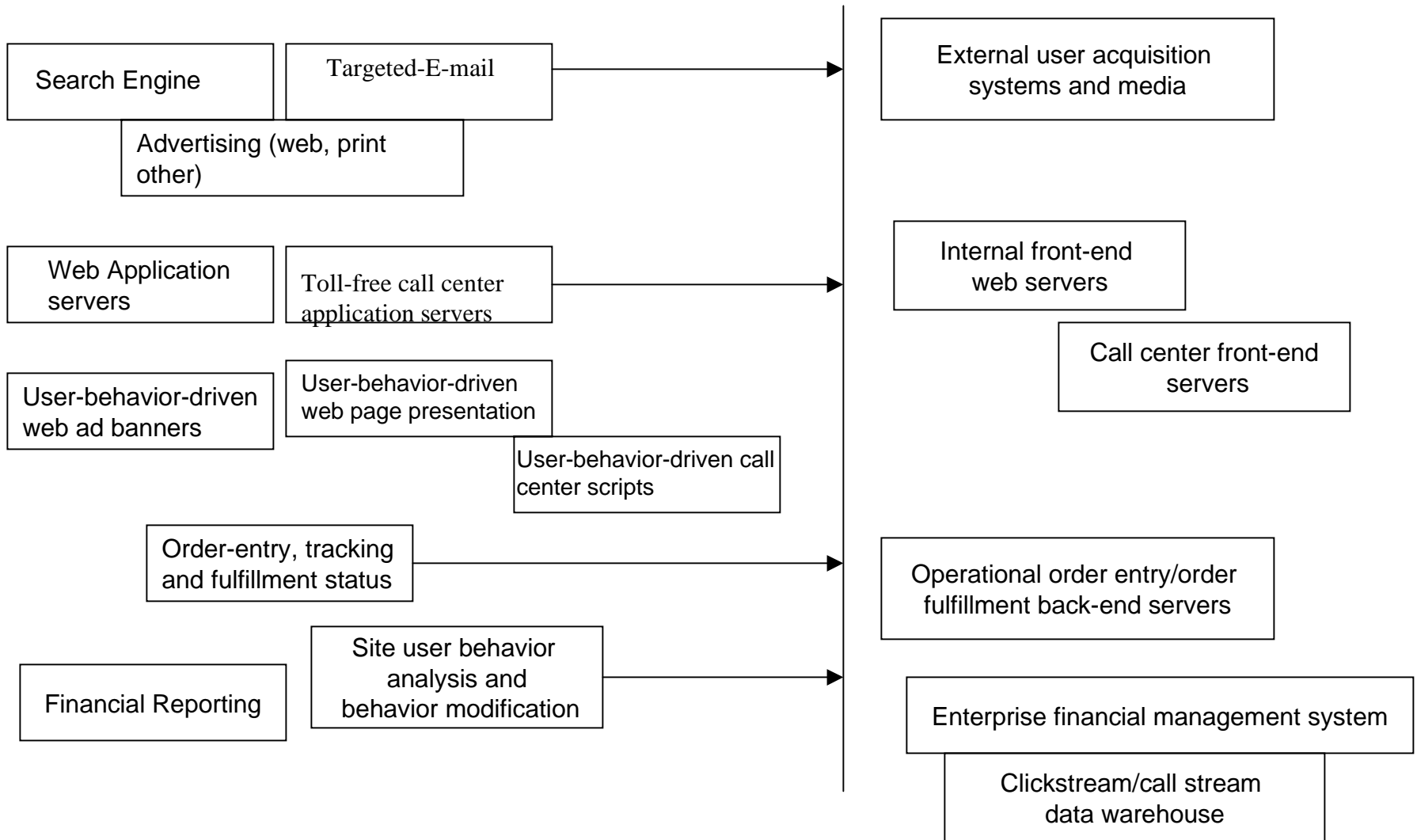


# 5 Business Activity Categories

# 12 Fulfillment Mechanisms



# Life After Fulfillment



# Principle Goals of E-Commerce Information Systems

- Highly available and highly scalable operational infrastructure
- \* Massive-scale clickstream/call stream data warehouse
- Alignment of information technology vendor and e-commerce enterprises business goals

# Trends in E-Commerce Solutions

- Early adopters of B2C information systems spent large amount of time and money to customize solutions.
- Now, merchants and Web-application-server vendors are focusing on vertical markets and tailoring offerings to meet specialized business needs.
- Software solutions will differentiate themselves by focusing on different vertical markets and by the way they choose to link components of their solutions.

# B2C Infrastructural Software

- \$3.1B market in 1999
- Projected to grow to \$14.5B by 2003
- Broad price range
  - Low-end to mid-range products: <\$50K
  - High-end: \$100K - \$1M
- Two types of vendors
  - “Usual suspects”: IBM, Microsoft, Netscape
  - Start-ups: Blue Martini, Open Market, Broadvision



# Technical and Business Challenges

- Ideal: Platform core and customized periphery.
  - Core still not standardized
  - Customization still very expensive (because it's labor-intensive)
- Patents
  - “One-click shopping” (Amazon)
  - Online credit-card verification (Open Market)
- Legacy technology, especially dbs and other “back-end” modules

# Blue Martini

- Blue Martini Software, Inc.
- 2000 Sales (mil): \$74.3
  - 1-Year Sales Growth: 561.1%
- 2000 Net Income (mil.): (\$62.1)
- 2000 Employees 473
  - 1-Year Employee Growth: 101.3%

# IPO

- IPO
  - 25 July 2000
  - 7.5 million shares
  - Offering Range - \$16.00-18.00
  - Actual offering price - \$20.00
  - First day closed - \$54.78
  - Offering Amount \$150 million
  - Price at Close (4/18/01) = \$2.48 (52 week low)

# Products and Services

- Develops and sells software for e-marketing, e-merchandising, e-service
- Also offers training, consulting, and support services
- Software provides eCRM applications
  - Helps companies understand, target, and interact with customers and business partners across multiple “touch points.”
  - Touch points include websites, mobile wireless devices, online trading exchanges, traditional touch points (stores, call center).

# Strategy

- Provide a comprehensive packaged software application
  - simplify deployment
  - accelerate time-to-benefit
  - reduce total cost of ownership
- Target large, vertical markets where brand management is paramount
  - retail, manufacturing, financial services, telecommunications, consumer goods, media

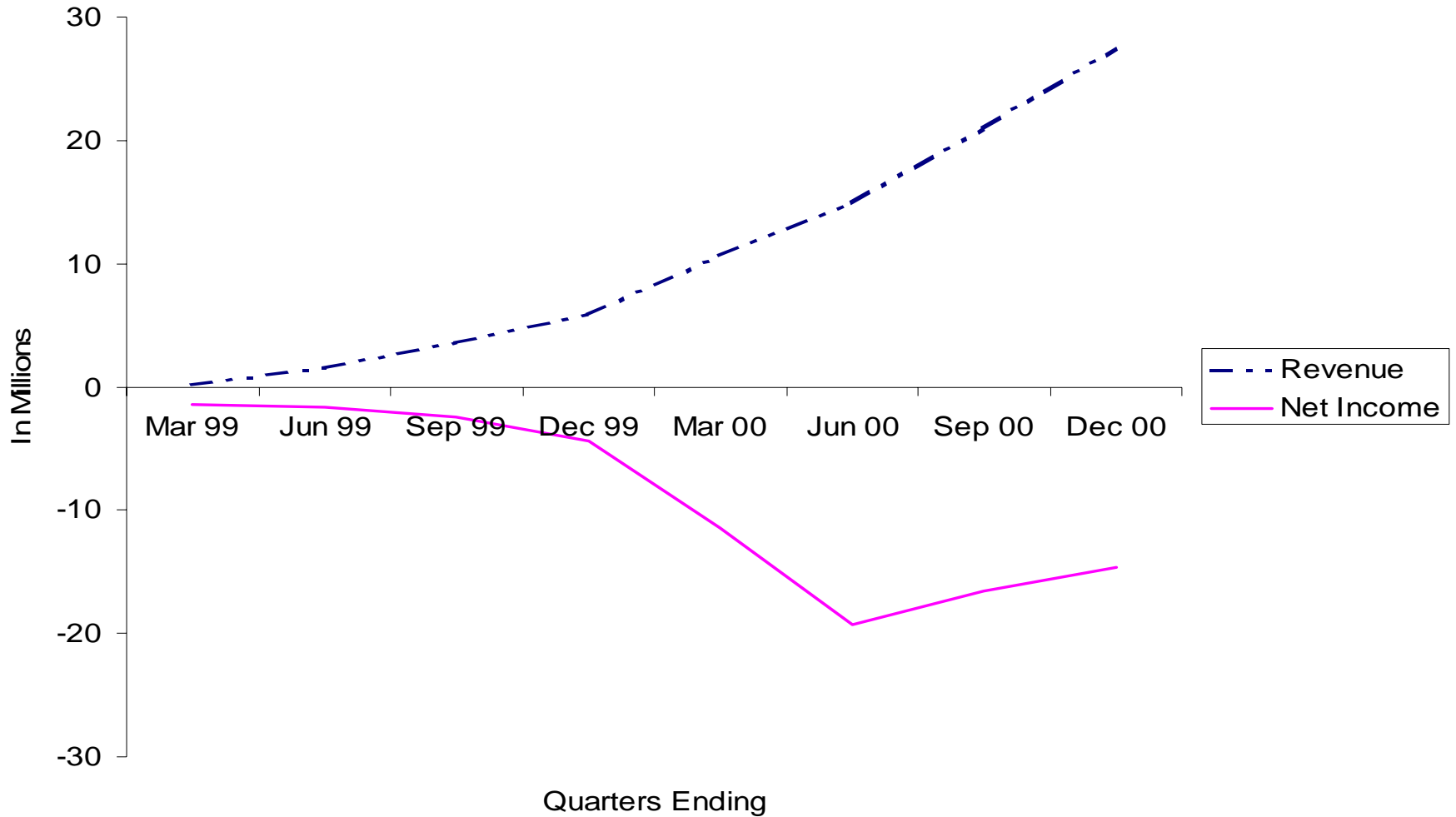
# Software Functionality

- Enables companies to author, manage, approve, and track development and use of content *e.g.*, graphics, text, video, audio)
- Enables companies to conduct business over multiple channels, including taking orders and managing returns
- \* Software analytic capabilities increase companies' abilities
  - to identify market segments
  - to target customers by analyzing purchase histories and modeling customer behavior
  - to target customers across multiple touch points with meaningful and relevant products, promotions, content

# Stock Performance (Comparison Index: NASDAQ)



# Revenue and Net Income





# Revenues (cont.)

- Quarter Ended March 31, 2000
  - Revenue total = \$10.7 million
  - 57% derived from licensing
  - 43% from training, technical support, consulting services
- In 1999 (all quarters)
  - Revenue = \$11.2 million
  - 64% software licensing
  - 36% related services

# Open Market

- Open Market, Inc. (NASDAQ: OMKT)
- Founded, 1994

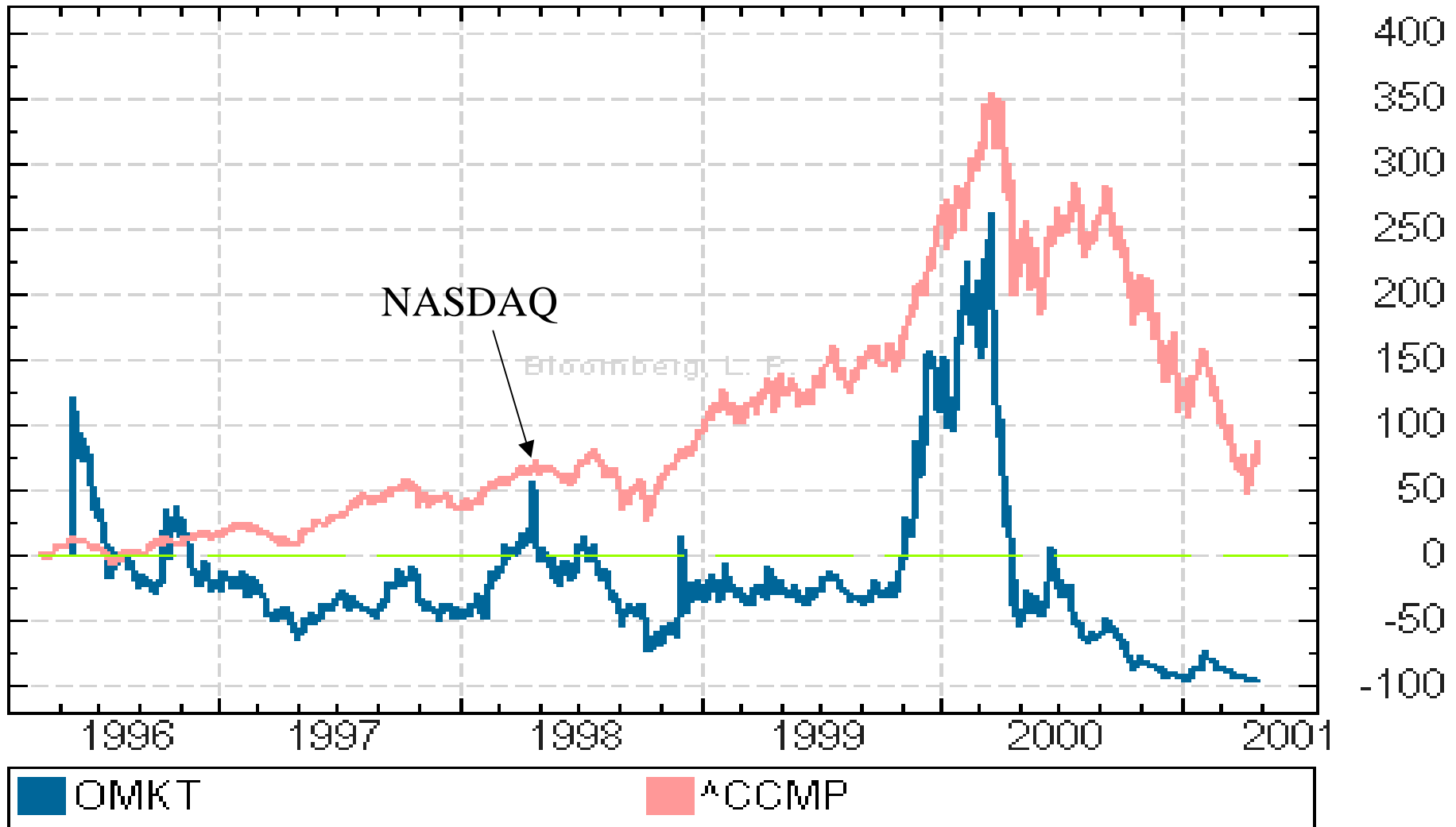
Anticipating growth of commercial side of Internet

- 2000 Sales: \$89.0 million
- 2000 Net Income: (\$37.8 million)
- 52-Week High: \$19.63
- Current Price: \$0.88

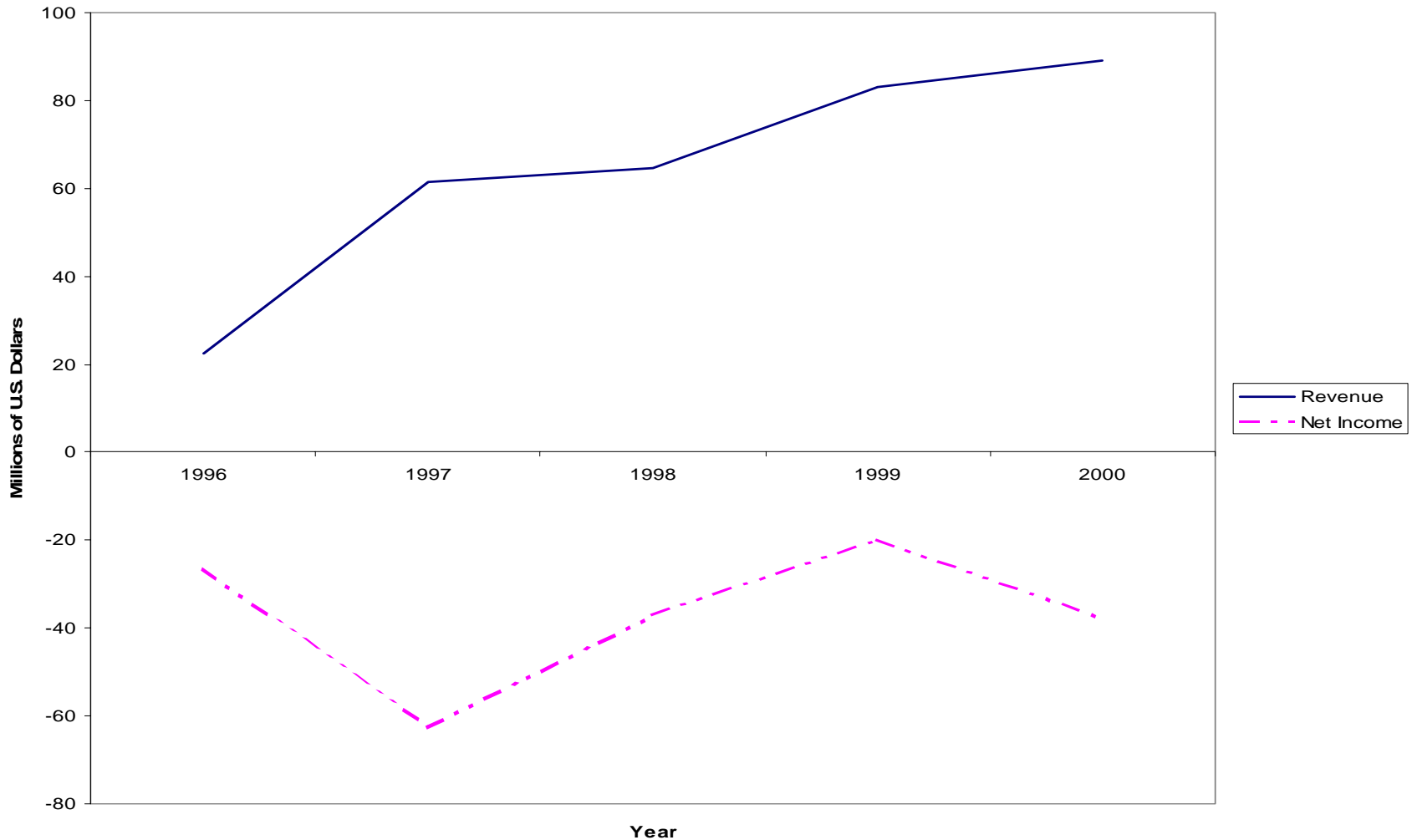
# Company History

- 1996
  - Despite sales of only \$1.8 million in 1995
    - Market capitalization skyrockets to \$1.2 billion on IPO
    - 4 Million Shares @ \$18.00 by Goldman Sachs
  - Product cost upwards of \$1 million, but customers who wanted to set up shop on Net had few alternatives
  - Industry Leaders and Market Leader

# Stock Price



# Revenue and Net Income



# Competitive Landscape

Key Numbers		Top Competitors				
	Open Market	<a href="#">BroadVision</a>	<a href="#">Microsoft</a>	<a href="#">Vignette</a>		
Annual Sales (\$mil.)	89	413.9	22,956.00	366.7		
Employees	509	2,412	39,100	2,330		
Market Value (\$mil.)	41.3	1,172.80	349,094.60	1,445.70		
Profitability	Open Market	<a href="#">BroadVision</a>	<a href="#">Microsoft</a>	<a href="#">Vignette</a>	Industry <sup>2</sup>	Market <sup>3</sup>
<a href="#">Gross Profit Margin</a>	57.87%	73.16%	<b>88.17%</b>	62.01%	48.67%	45.97%
<a href="#">Pre-Tax Profit Margin</a>	-41.69%	-33.49%	<b>63.04%</b>	--	-82.85%	8.27%
<a href="#">Net Profit Margin</a>	-42.47%	-39.04%	<b>41.93%</b>	--	-85.30%	4.99%
<a href="#">Return on Equity</a>	--	--	21.50%	--	--	9.80%
<a href="#">Return on Assets</a>	-53.90%	-14.10%	<b>17.30%</b>	-24.30%	-22.30%	1.90%
<a href="#">Return on Invested Capital</a>	-182.60%	-15.90%	<b>21.50%</b>	-26.30%	-30.60%	5.10%
Valuation	Open Market	<a href="#">BroadVision</a>	<a href="#">Microsoft</a>	<a href="#">Vignette</a>	Industry <sup>2</sup>	Market <sup>3</sup>
<a href="#">Price/Sales Ratio</a>	<b>0.46</b>	2.84	14.64	3.93	3.29	1.51
<a href="#">Price/Earnings Ratio</a>	--	--	36.35	--	-3.17	31.61
<a href="#">Price/Book Ratio</a>	2	1.16	7.52	<b>0.71</b>	1.41	2.95
<a href="#">Price/Cash Flow Ratio</a>	-1.49	28.73	33.38	<b>-7.62</b>	-8.01	14.2
2. Industry: Internet Software & Svcs						
3. Approximately 8,000 public companies trading on the New York Stock Exchange, the American Stock Exchange, and the Nasdaq National Market						

# Geographic Financials

TOTAL REVENUE						
In Millions of U.S. Dollars	12 Months Ending 12/31/2000		12 Months Ending 12/31/1999		12 Months Ending 12/31/1998	
North America	53.0	59.6%	58.3	70.3%	44.4	68.8%
United Kingdom	18.0	20.3%	7.2	8.7%	6.4	9.9%
Europe	9.0	10.1%	11.6	14.0%	8.1	12.5%
Asia-Pacific	5.2	5.8%	2.8	3.4%	3.1	4.8%
Japan	2.3	2.5%	1.6	1.9%	1.6	2.5%
Other	1.5	1.6%	1.5	1.8%	1.0	1.6%
<b>Segment Total</b>	<b>89.0</b>	<b>100.0%</b>	<b>83.0</b>	<b>100.0%</b>	<b>64.5</b>	<b>100.0%</b>

# Mistakes (in retrospect)

- 1997 and 1998
  - Too much emphasis on large, complex websites
  - Ignored huge emerging demand for easy, fast e-storefront creation
  - Spread too thin geographically (25 countries)
- Misguided acquisition of Folio
  - Directed effort toward “publishing tools” just as market for e-commerce software was taking off



# New Product Focus

- Announced March 2001
- Content Server Enterprise (CSEE)  
 (“Integrated Suite of E-business Solutions”)
- Built on top of mainstream Java tools sold by other vendors
- Two core technological components:
  - Content Server
  - Power Asset (“presentation neutral” content warehouse)