

LOG 206

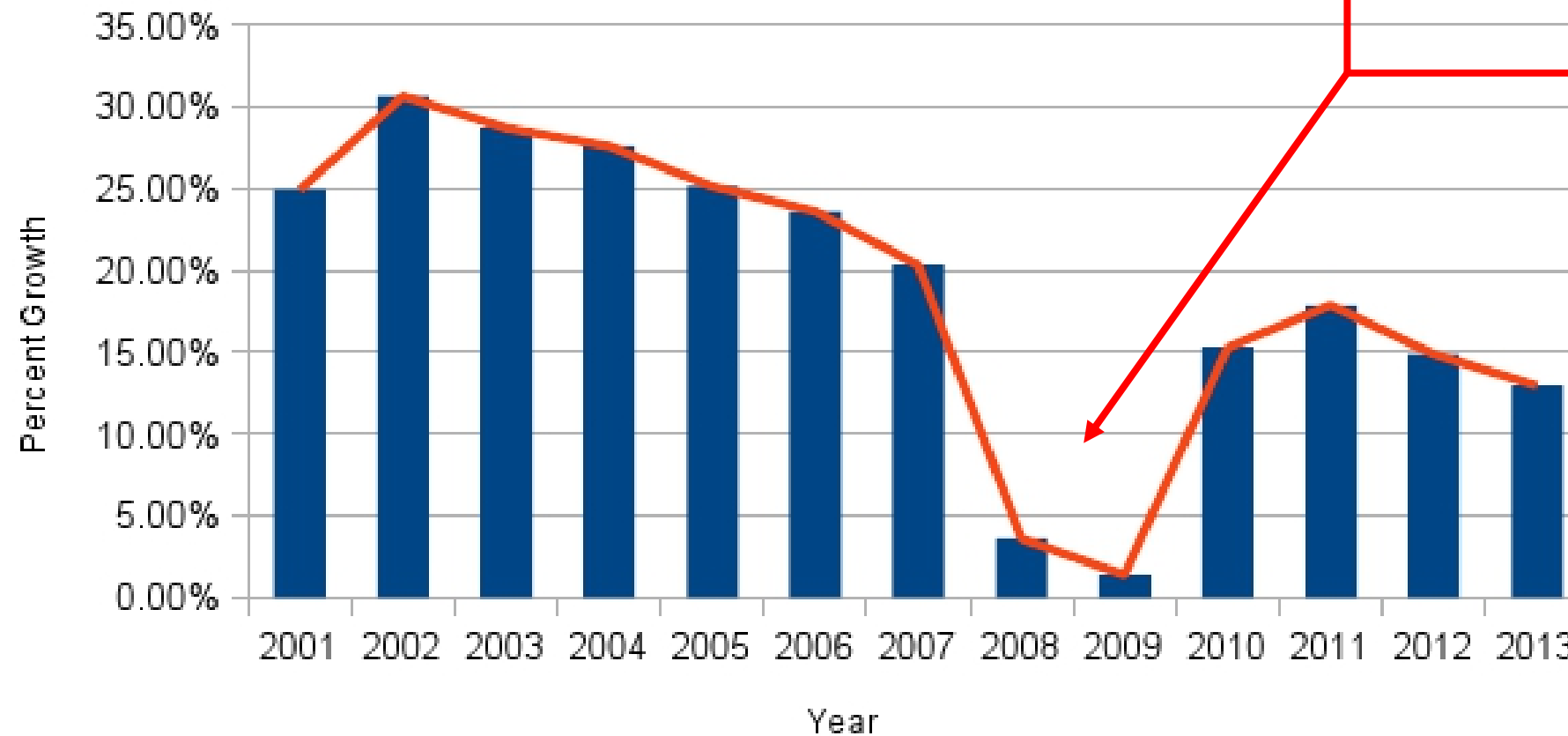
M₃: Macro environment of digital business

Department of Logistics

Molde University College

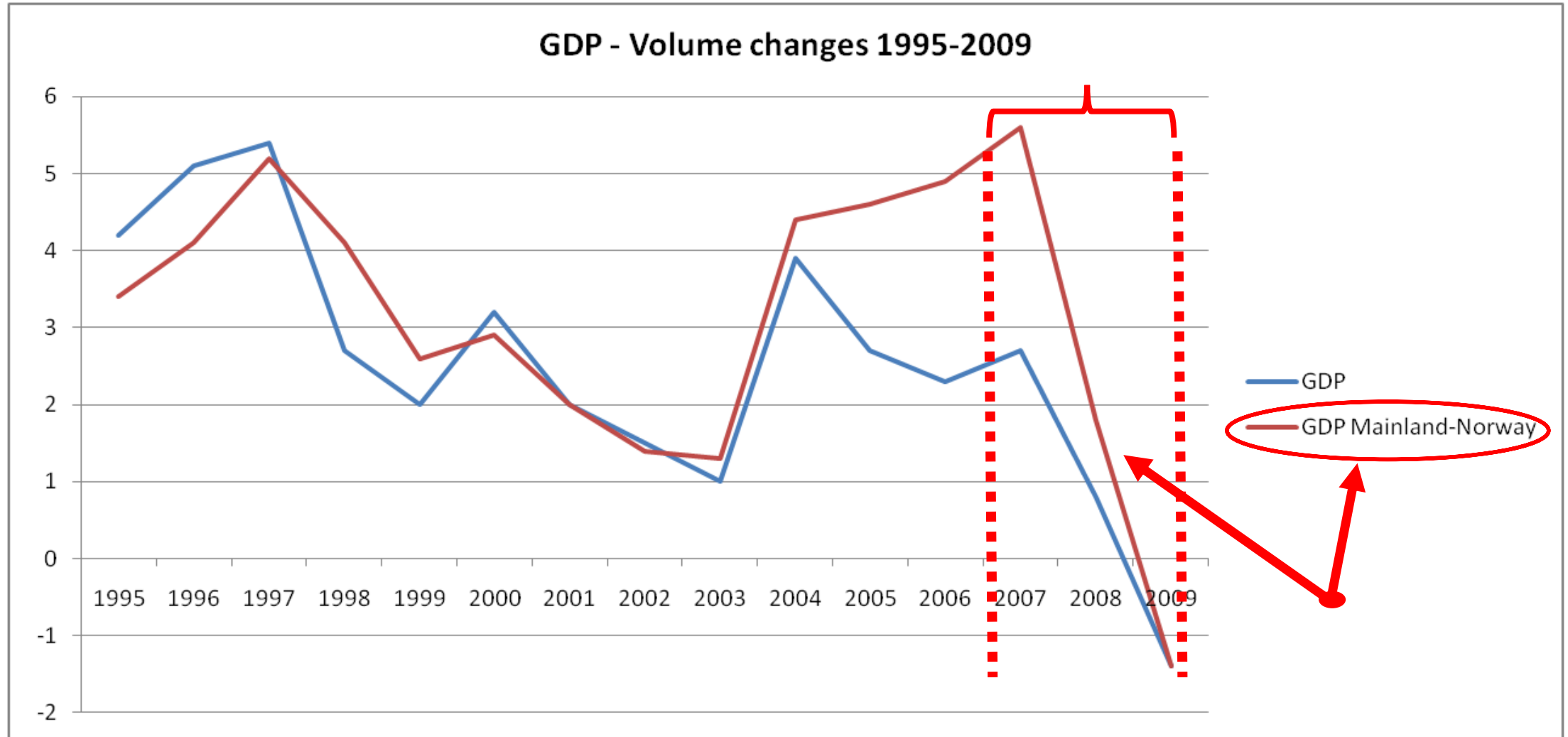
Spring 2018

Projected U.S. E-Commerce Growth Rates



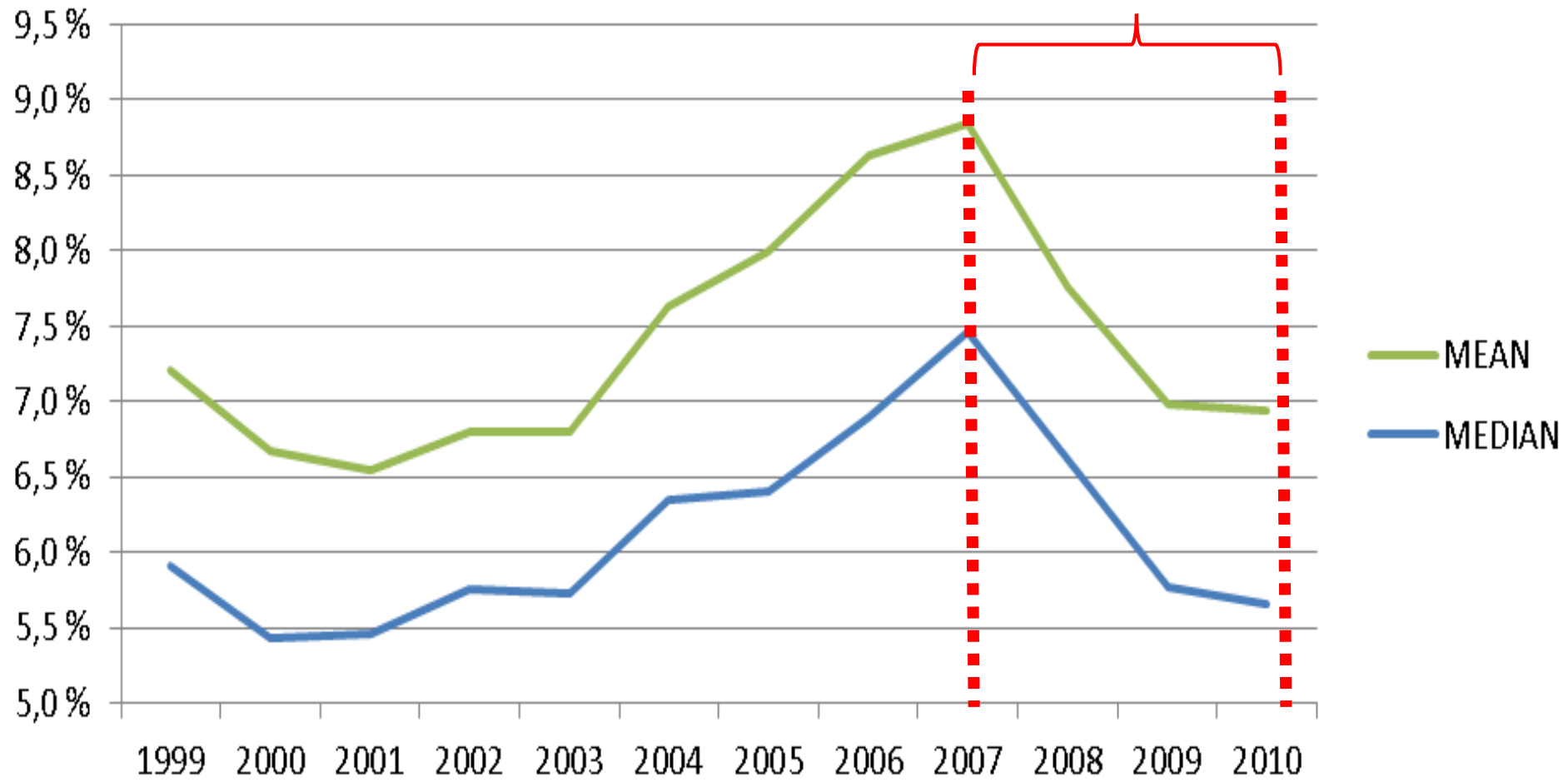
Global financial crisis:
Considered by many
economists to have been the
worst financial crisis since
the Great Depression of the
1930s.

GDP Growth declined



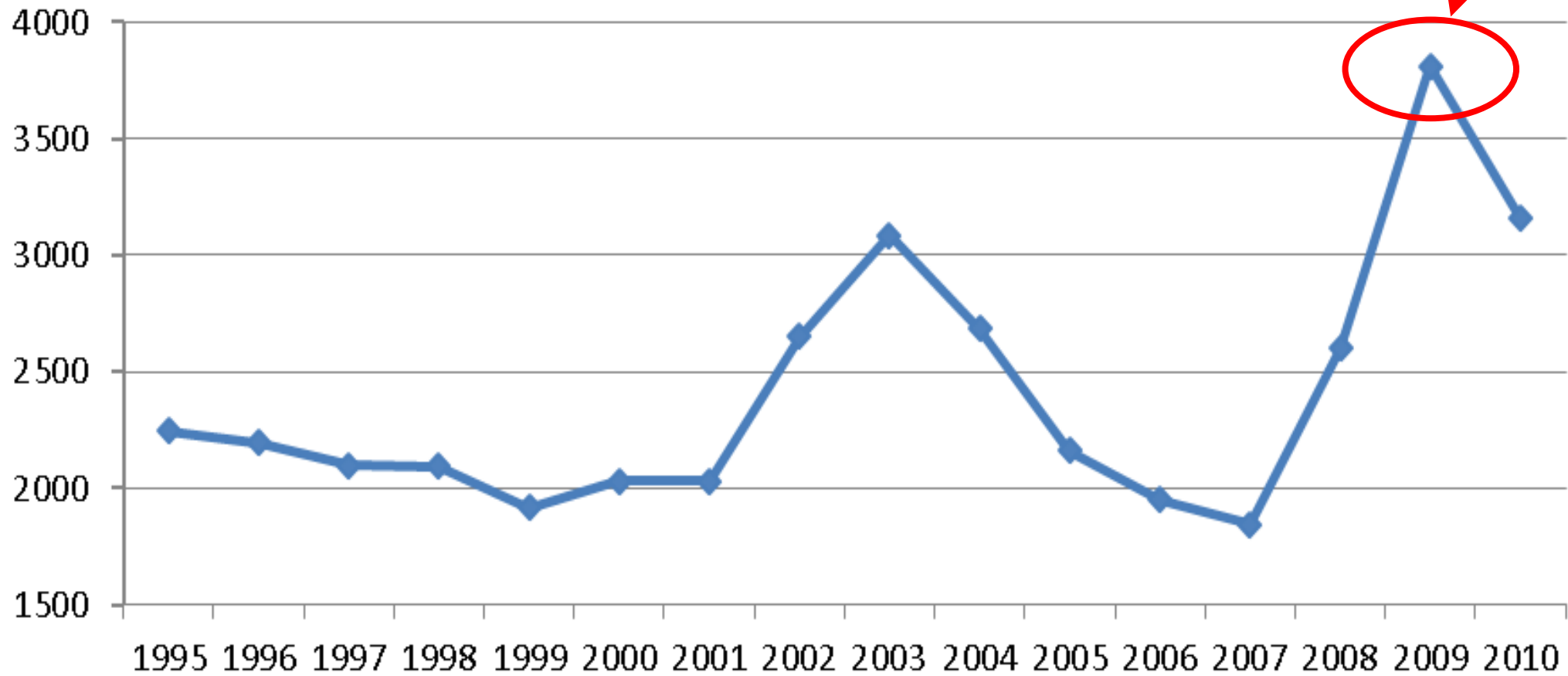
Profits declined

EBITDA margins 1999-2010

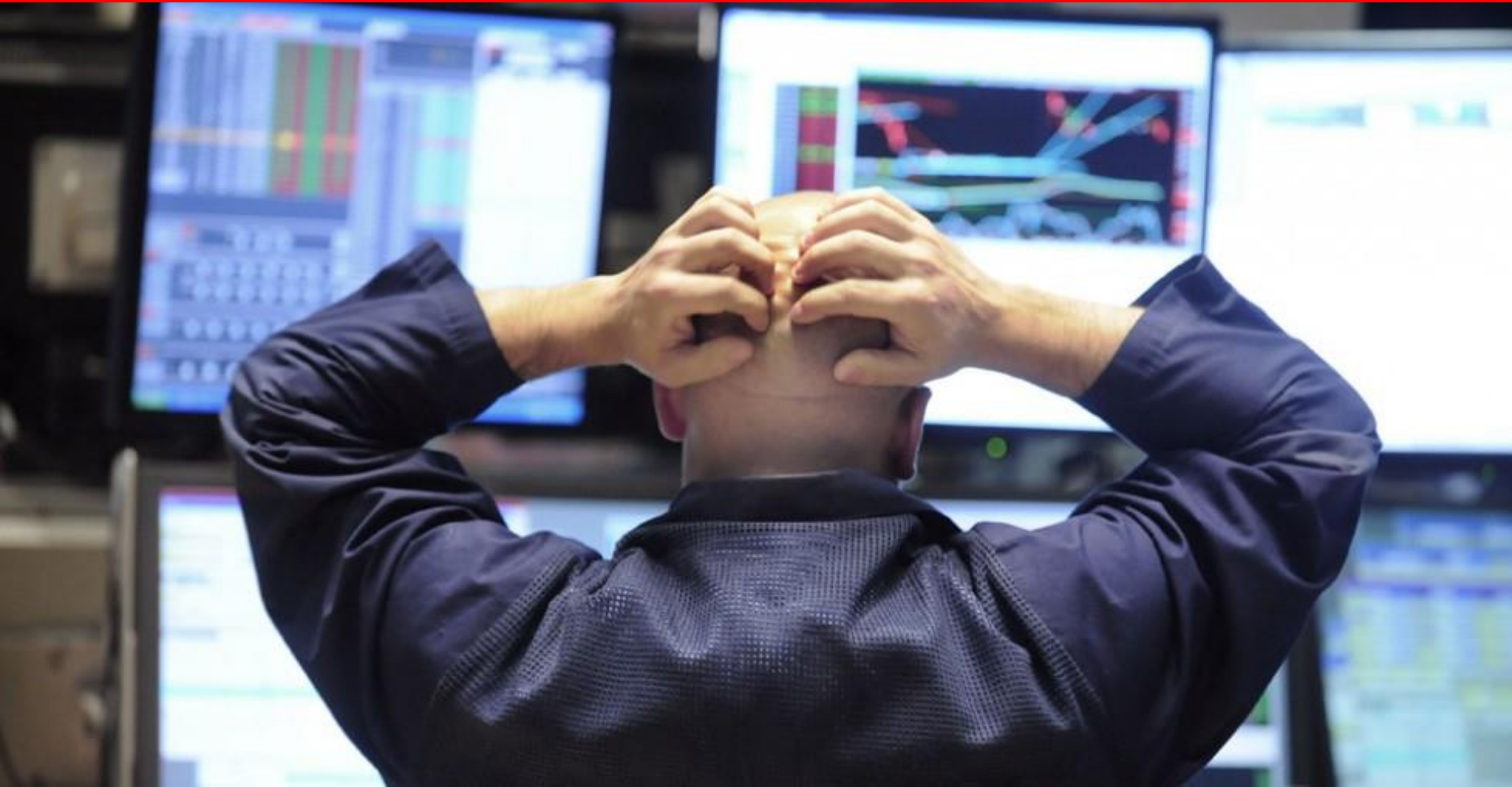


Bankruptcies spiked

Bankruptcies 1995-2010



Business managers got confused...



**The
Economist**

SEPTEMBER 27th 2008

www.economist.com

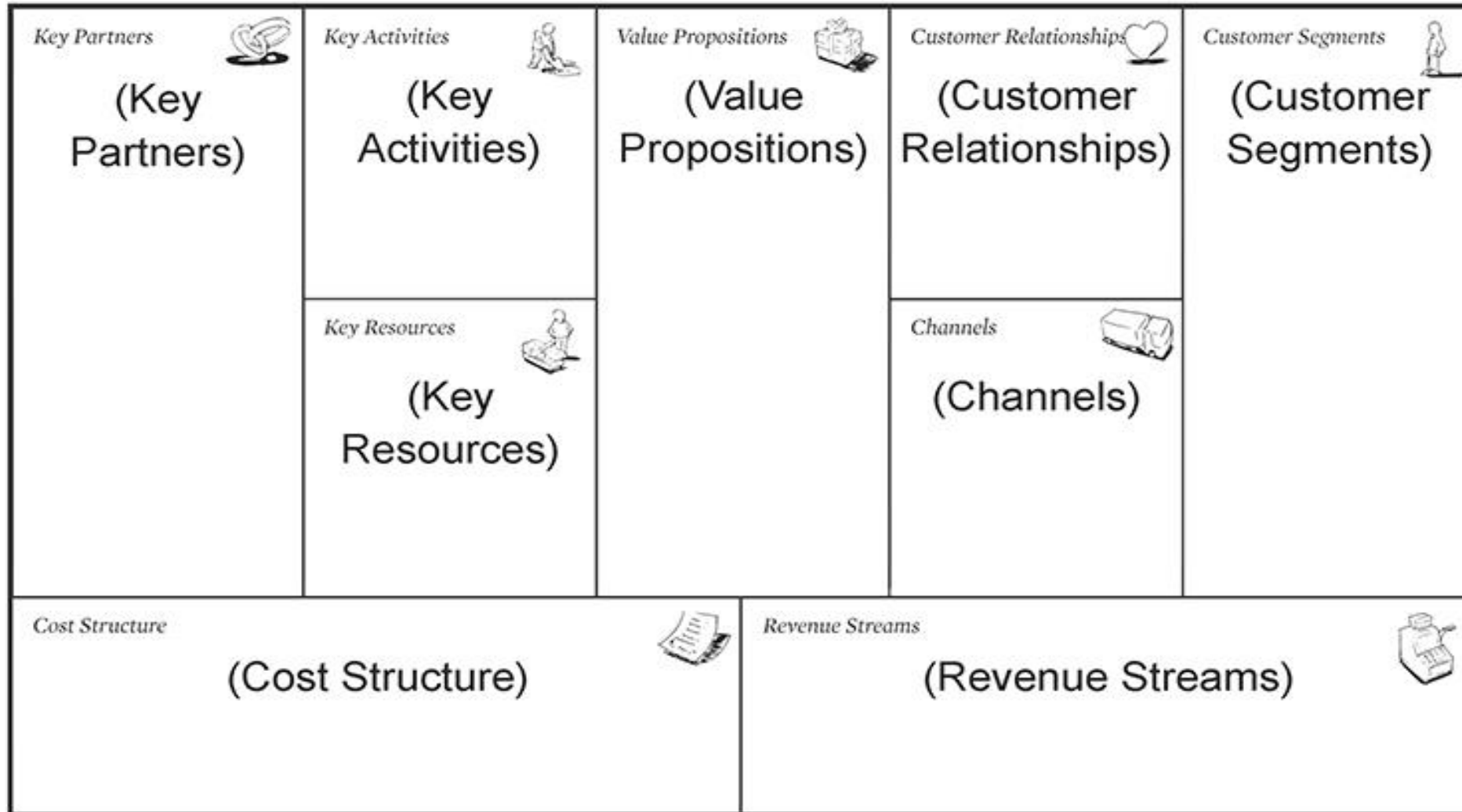
This is how the Economist described
the financial crisis.....

**OH
FUCK!**

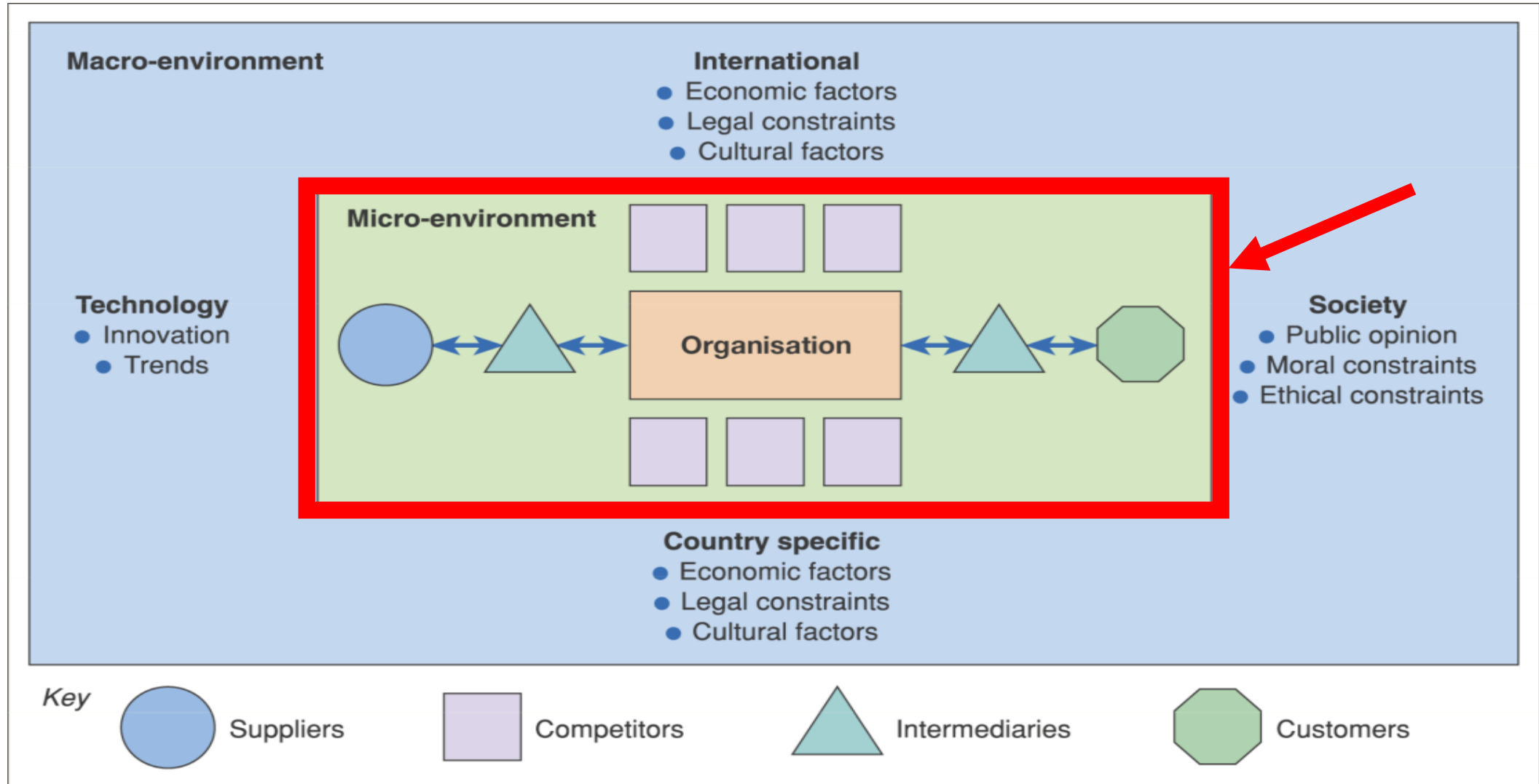


THE ECONOMIST COVER SEPTEMBER 2008

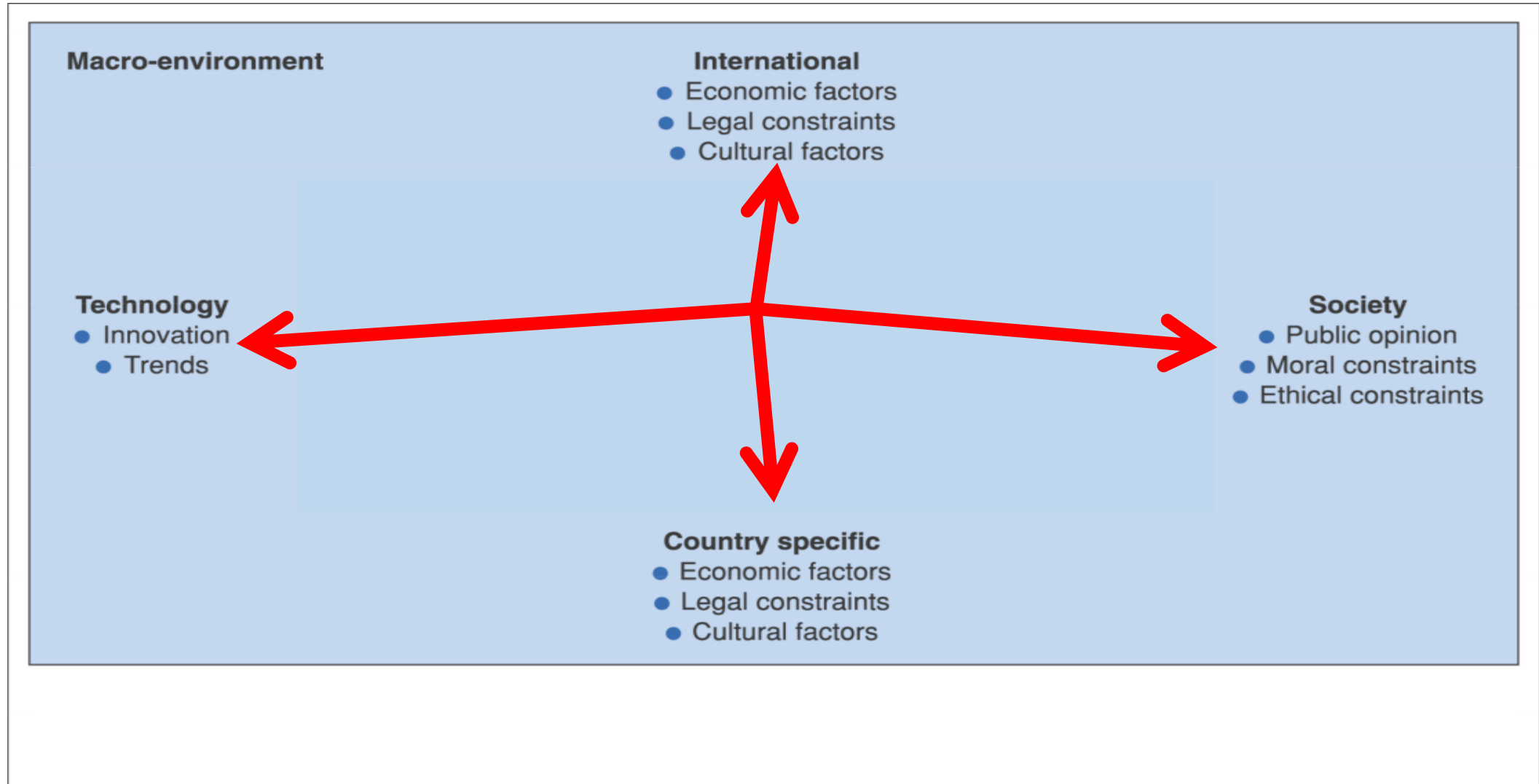
Last week in LOG 206.....



Last week in LOG 206.....



This week.....



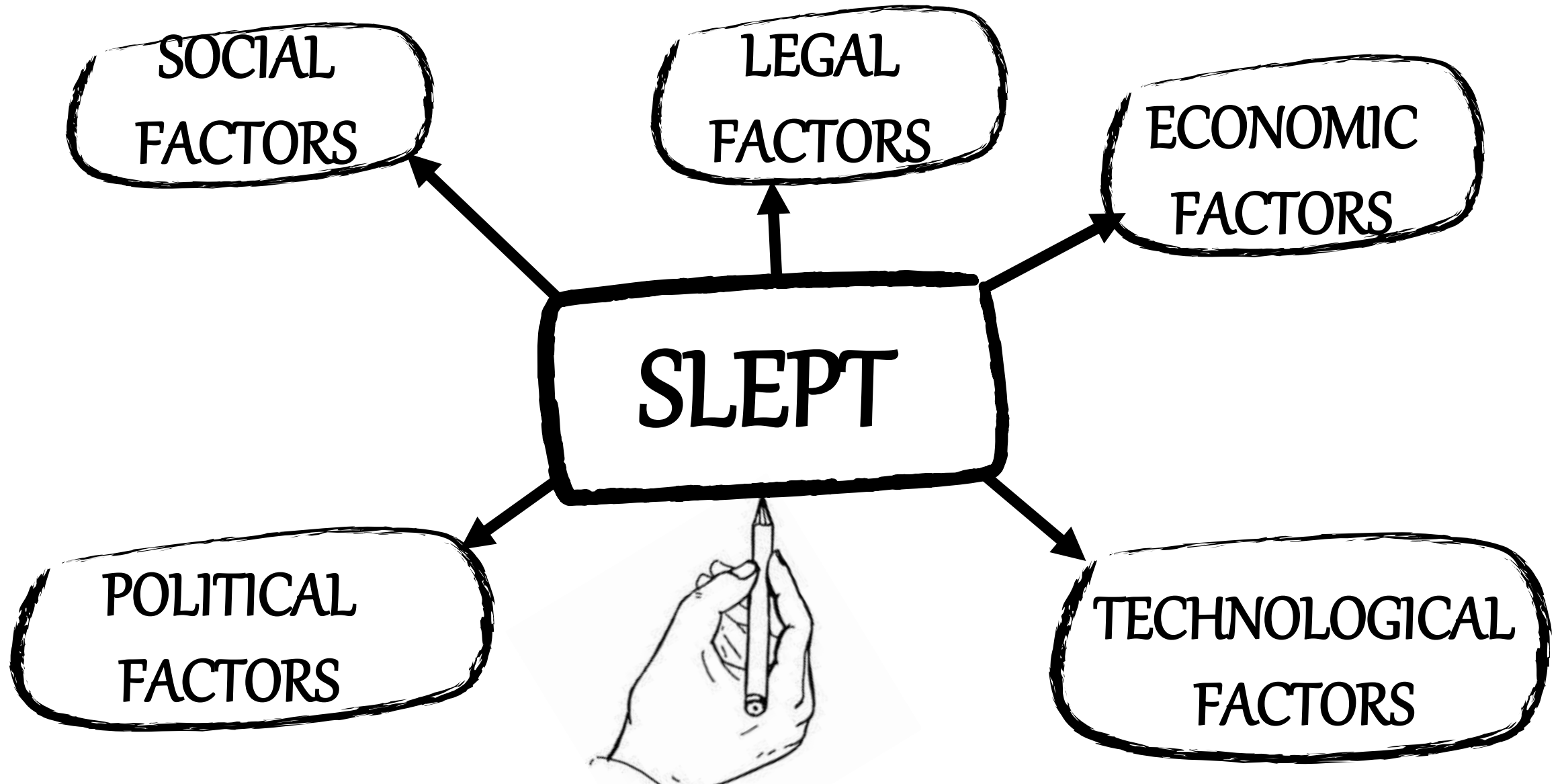
Introduction....

- In this module we will focus on the macro-environmental factors that affect digital businesses
- We will use **SLEPT** framework to emphasize the importance of law in influencing internet marketing practices.

External Factors



SLEPT framework.....



Social factors

These include factors such as:

- Lifestyle trends
- Consumer attitudes and opinions
- Media views
- Brand, company, technology image
- Consumer buying patterns
- Fashion and role models
- Major events and influences
- Buying access and trends
- Ethnic/religious factors



Social factors

- These factors are important from digital business perspective since they govern demand
- It is important for managers to understand the different social factors that affect digital business
- By identifying and consideration of social factors, companies can innovate products that are in tune with consumer needs and preferences



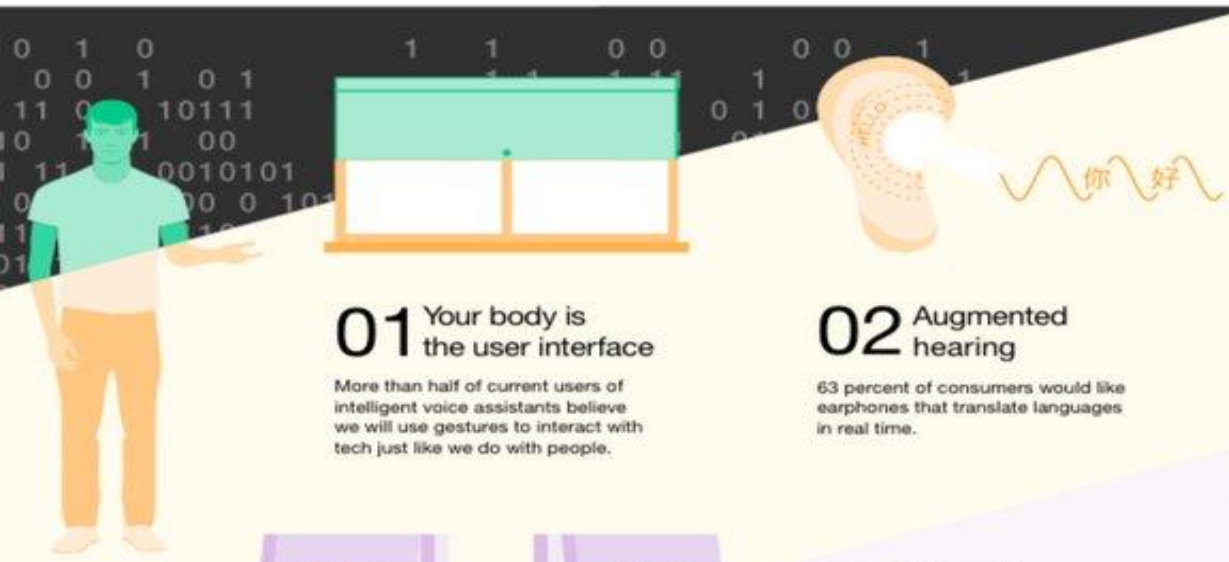
Social trends

- Social trends are great opportunities for entrepreneurs and businesses, and they can profit from it if they are the first to spot and adapt to them
- The knowledge of social trends is only a first step towards understanding your future opportunities, next step is to translate the trends to opportunities
- Consumer trend reports can be very useful in identifying current and emerging consumer preferences

What's trending?



10 Hot consumer trends 2018



01 Your body is the user interface

More than half of current users of intelligent voice assistants believe we will use gestures to interact with tech just like we do with people.



02 Augmented hearing

63 percent of consumers would like earphones that translate languages in real time.



03 Eternal newbies

46 percent say the internet allows them to learn and forget skills faster than ever.



04 Social broadcasting

55 percent think influential groups are using social networks for one-sided broadcast messages.



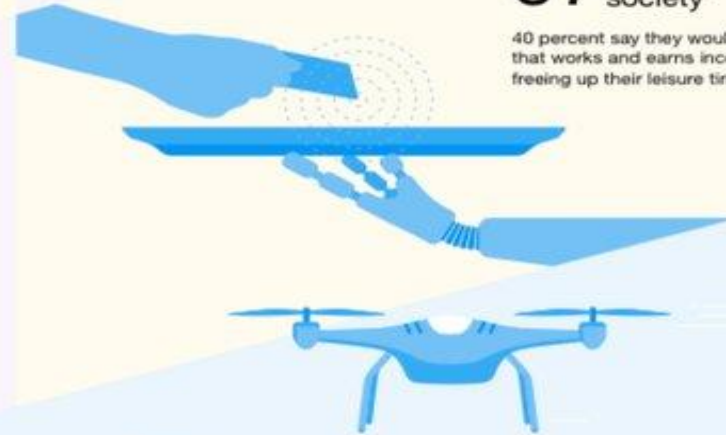
05 Intelligent ads

More than half of AR or VR users think ads will become so realistic they will eventually replace the products themselves.



06 Uncanny communication

50 percent of respondents think not being able to tell the difference between human and machine would spook them out.



07 Leisure society

40 percent say they would like a robot that works and earns income for them, freeing up their leisure time.

08 Your photo is a room

Three out of four believe that in only five years they will use virtual reality to walk around in smartphone photos.



09 Streets in the air

39 percent think their city needs a road network for drones and flying vehicles.

10 The charged future

More than 80 percent believe that in only 5 years we will have long-lasting batteries that put an end to charging concerns.

Social factors affecting e-commerce

- Trust related issues
 - ✓ Security concerns
 - ✓ Privacy concerns



Security concerns

- Most customers are quite concerned about how their transactions can be protected against fraud
- For example, will credit card numbers remain secure after making payment online?
- Customers need to be assured of their “safety” in the course of engaging in online transactions

IS IT SAFE?



Privacy concerns

- Privacy refers to a moral right of individuals to avoid intrusion into their personal affairs
- Private info can be either *Personally Identifying Information* (PII) or non-PII information such as a site visitor's behavior on a website
- PII refers to any information that can be used to identify an individual. For example, age and physical address
- Confidentiality of personal data such as our identities, like and dislikes is a major concern to consumers



Privacy as an ethical and legal issue

- Ethical standards are personal or business practices or behaviors generally considered acceptable by society
- Ethical issues and associated law constitute important elements of the internet business environment
- Consumer privacy is a key ethical issue that affects all types of online businesses
- The right to privacy is widely acknowledged and well-supported in many country



Information types governed by ethics and legislation

1. **Contact information:** Name, postal address, email address
2. **Profile information:** Information about customer characteristics that can be used for segmentation such as sex, social group and company characteristics and individual role for business customers
3. **Behavioral information across multiple sites:** This can show how a user accesses multiple sites and responds to ads across sites.
4. **Behavioral information on a single site:** This includes purchase history, but also includes, the whole buying process.
5. **Platform usage information:** Through web analytics systems it is possible to collect information on type of computer, browser and screen resolution



Technology

Internet

Mac and Android Users Charged More on Shopping Sites Than iPhone and Windows Users

Look Out, You Might be Charged More If You Shop Online Using a Mac or Android Device



By Mary-Ann Russon

November 12, 2014 11:42 GMT



What data can we process and under which conditions?



General Data Protection Regulation



Principles of the GDPR

1. Lawfulness, fairness and transparency

- Personal data must be processed in a **lawful and transparent manner**, ensuring fairness towards the individuals whose personal data you're processing ('lawfulness, fairness and transparency').
- Data subjects have the right to require information about data being processed about themselves, access to the data in certain circumstances, and correction of data which is wrong.



Principles of the GDPR

2. Purpose limitation

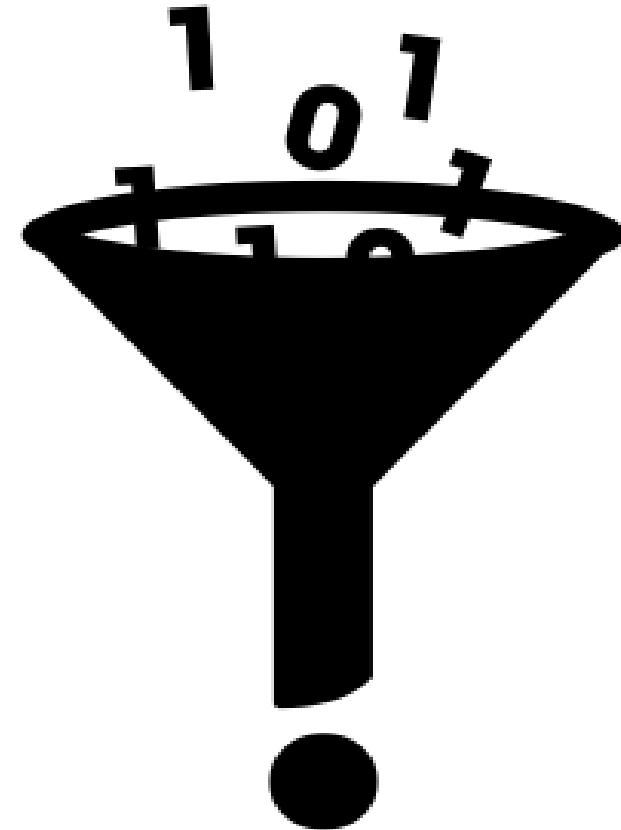
- You must have specific purposes for processing the data and you must indicate those purposes to individuals when collecting their personal data. You can't simply collect personal data for undefined purposes. you can't further use the personal data for other purposes that aren't compatible with the original purpose of collection.
- As a **data controller**, your company/organization will be responsible for determining the purposes for which and the means by which personal data is processed.
- Your company/organisation is a **joint controller** when together with one or more organisations it jointly determines 'why' and 'how' personal data should be processed



Principles of the GDPR

3. Data minimisation

- Collect adequate, relevant data and not excessive in relation to the purpose
- Minimum necessary amount of data is requested for processing
- The more details a company has about a customer, the better they can understand that customer and so develop relevant products and marketing communication
- The challenge is to strike a balance between the needs of the individual and the needs of the company



Principles of the GDPR

4. Accuracy

Inaccurate data are defined as “incorrect or misleading as to any matter of fact”. You must ensure the personal data is accurate and up-to-date, having regard to the purposes for which it’s processed, and correct it if not.



Principles of the GDPR

5. Storage limitation

You must ensure that personal data is stored for no longer than necessary for the purposes for which it was collected. If the relationship between data subject and the company ends then data should be deleted.

**How long do
you plan to
keep my data?**



Principles of the GDPR

6. Integrity and confidentiality

You must install appropriate technical and organisational safeguards that ensure the security of the personal data.

Appropriate technical and organisational measures should be taken to protect data against:

- ✓ Unauthorised or unlawful processing
- ✓ Accidental loss or destruction
- ✓ Damage

Data Security



Principles of the GDPR

7. Data received from a third party

- Before acquiring a contact list or a database with contact details of individuals from another organisation, that organisation must be able to demonstrate that the data was obtained in compliance with the GDPR and that it may use it for advertising purposes.
- For example, if the organisation acquired it based on consent, the consent should've included the possibility to transmit the data to other recipients for their own direct marketing.



Principles of the GDPR

8. Data protection officers (DPO)

- Your company/organisation needs to appoint a DPO, whether it's a controller or a processor, if its core activities involve processing of sensitive data on a large scale or involve large scale, regular and systematic monitoring of individuals.



Principles of the GDPR

8. Not transferred to countries without adequate protection

- Transfer of data beyond Europe is likely for multinational companies
- This principle prevents transfer of data to countries that do not have sound data processing laws
- If the transfer is necessary for concluding a sale or contact or if data subject agrees to it, then transfer is legal

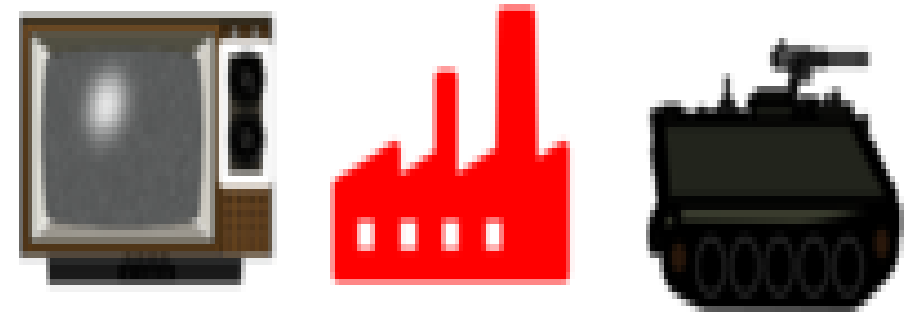
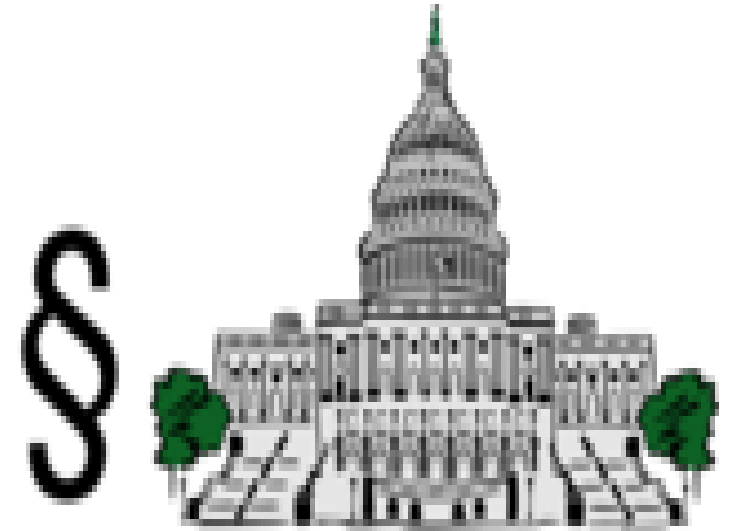


Political factors



Political factors

- The political environment is one of the drivers for establishing the laws governing e-commerce and digital business in general
- The political environment is shaped by the interplay of government agencies, public opinion, consumer pressure groups and industry-backed organizations
- Political action can include
 - ✓ Promoting the benefits of adopting the Internet
 - ✓ Legislation to protect privacy or control taxation
 - ✓ Providing organizations with guidelines and assistance for compliance with legislation
 - ✓ Setting up international bodies to coordinate the Internet such as ICANN (the Internet Corporation for Assigned Names and Numbers, www.icann.com)



#appfail campaign



Vi er nå ferdige med å lese
vilkårene til 33 apper.

Translation

We have now finished
reading terms and
conditions on 33 apps

Tiden det tok:

31:49:11

(Time taken)

Takk for at du så på!

#appfail

Tinder bends for consumer pressure

30. mars, 2017

After a complaint from the Norwegian Consumer Council and discussions with the Norwegian Consumer Ombudsman, the leading global online dating service Tinder announce comprehensive changes to their terms.

- This shows that it is possible to make big global actors such as Tinder willing to change in a consumer friendly direction, says Finn Myrstad, Head of section, digital services in the Norwegian Consumer Council.

The comprehensive changes are a result of negotiations between Tinder and the Norwegian Consumer Ombudsman, following a complaint filed by the Norwegian Consumer Council last year.

- We are thrilled that Tinder are changing their terms of service according to all the key points in our complaint, Myrstad says.

For example, Tinder can no longer employ user data for marketing without the users' consent, and the service no longer claims an unacceptable 'irrevocable' licence to user-generated content.



Guro Birkeland Tangen

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Abonner på vårt nyhetsvarsel

Economic factors



Economic factors

- Economic forces are factors such as inflation, interest rates, labor and government monetary policies that influence levels of production and demand for goods and services
- These factors dictate the availability and affordability of production resources, as well as the abilities of consumers to afford your end products
- The outcomes of digital business activities are affected by economic forces, as was evidenced by the 2007-2009 global economic crisis

ECONOMIC FACTORS every
businesses must consider...



Levels of Inflation

- Inflation refers to the sustained increase in the general level of prices for products
- Rising inflation affects the demand for goods or services
- This affects your digital business, particularly if you deal in nonessential items
- Consumers restrict their spending to essential items during periods of high inflation
- Inflation also increases the costs of your inputs, such as electricity, Internet etc
- High costs of operations + falling demand reduce profits





\$20.00



1998



\$20.00



2005



\$20.00



2013

INFLATION

Silently Robbing You Of Purchasing Power Since 1913

When the economy is good
consumers afford nonessential
or luxurious goods or
services.....



When the economy is bad consumers switch to cheaper products. Therefore, as a business manager you need to constantly scan the macro-environment and offer the right products to your target customers



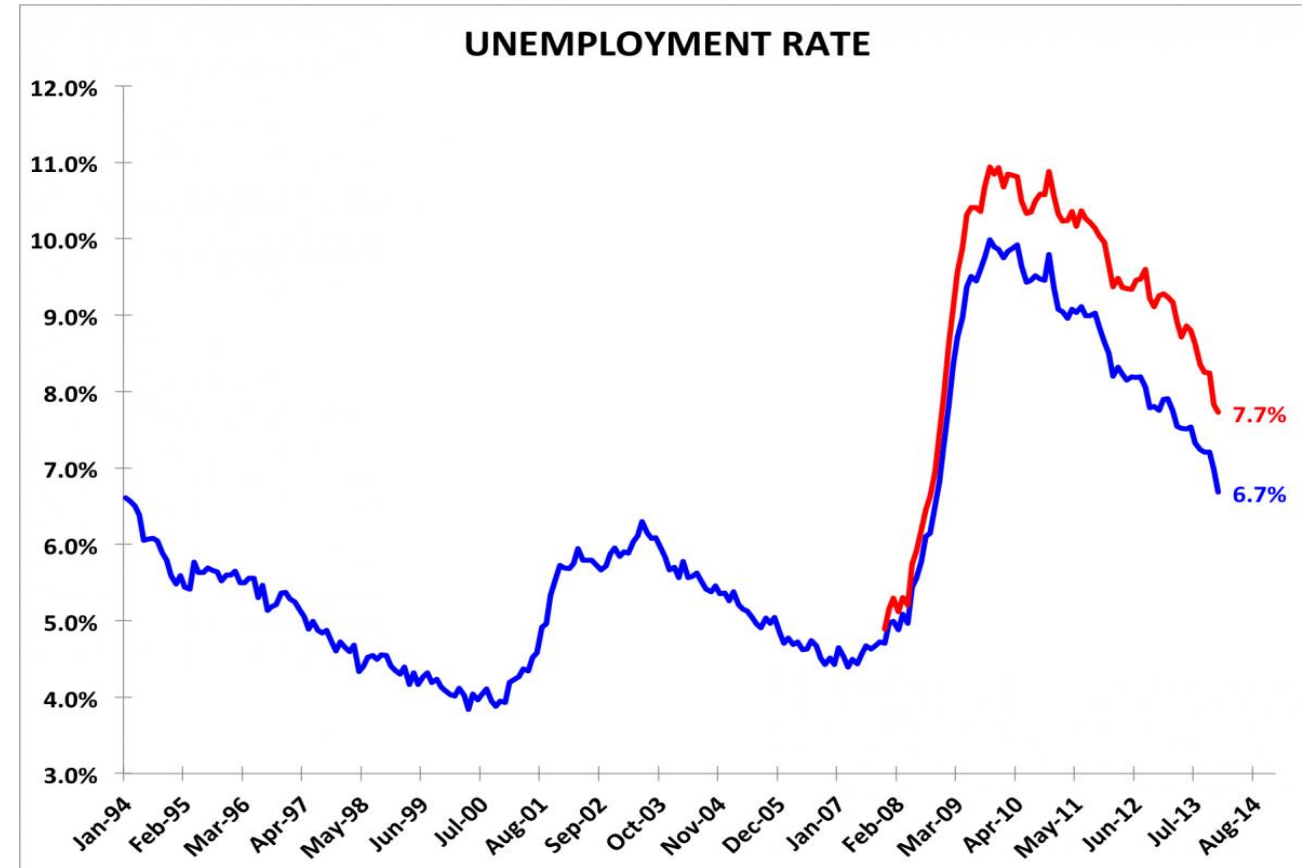
Rates of Interest

- Low interest rates encourage borrowing, while high interest rates discourage borrowing
- Prevalent low interest rates boosts business as it increases the amount of money in circulation
- Consumers can spend more on your e-commerce products when they have more money at their disposal
- In contrast, high interest rates stifle money circulation and suppress demand for e-commerce products
- They also increase the financing costs of your business, especially if you borrow loans with variable interest rates



Trends of Employment

- Trends of employment are important indicators of economic progress.
- Low unemployment rates translate to growing demand for e-commerce products because more people earn income
- High unemployment rates signal worsening economic conditions, as no new jobs are created and many people lose jobs
- As a result, the demand for e-commerce products declines with increased rates of unemployment and vice versa.



Taxation



Taxation

- Taxes is one of the sources of governments revenue
- E-commerce makes international business in particular so much easier
- Governments are clearly keen that taxes are paid when purchases are made online
- As a business manager you have to know tax regulations governing your business and constantly monitor the changes in tax regulations
- Respond accordingly to the changes in tax regulations; for example through 'location-optimized commerce on the Internet' - LOCI





REGJERINGENS FORSLAG FORTVILER: Økt grense for toll- og momsfri handel for utenlandske varer får Stormberg til å vurdere å flagge ut deler av nettbutikken.

FOTO: JAN RUNE EIDE / STORMBERG

Stormberg-sjefen: Vi legger planer om å flagge ut

Stormberg vurderer å flytte 70 prosent av nettsalget til utlandet.

MAREN LØHRE

13:40 - 14.10.2014

Nettbutikken til Stormberg selger sport- og turtøy til kunder i Norge, USA og flere EU-land.

Tross vekst i nettsalget til norske kunder legger nå Stormberg planer om å flytte denne delen av

annonse



Nettbutikken til Stormberg selger sport- og turtøy til kunder i Norge, USA og flere EU-land.

Tross vekst i nettsalget til norske kunder legger nå Stormberg planer om å flytte denne delen av virksomheten til utlandet.

I likhet med nettbutikken **Komplett**, som **skrinla planene om et nytt lager** i 200- til 300-millionersklassen, reagerer også Stormberg på regjeringens forslag om økt avgiftsfri import.

Ved å øke den såkalte 200-kronersgrensen vil det bli moms- og tollfritak på utenlandske varer opp til 500 kroner. Flere nettbutikker etablert i Norge frykter nå konkurransefordelen utenlandske nettvarer kan få dersom de slipper moms.

Summary in English

Stormberg, a Norwegian sports and outdoor apparel retailer, considers to move 70% of its online sales operations to overseas locations following government's proposal to raise tax exemption threshold for online purchases.



Evolving technology

- Technology is constantly changing, and for some businesses these changes can be intimidating
- Digital and web-related technologies are also evolving constantly with enormous impact on ecommerce
- The changes in digital and web-related technologies represent disruptions that change competition metrics



Technological innovation and technology assessment

- Due to fast changing in ICT, we see some more political, emotional and social changes in the world
- Businesses use ICT to develop competitive advantages in the economic marketplace
- Nowadays just companies that are familiar with digital business can compete in the marketing world
- One of the challenges of managing digital business is the ability to assess which new technological innovations that can be applied to give competitive advantage



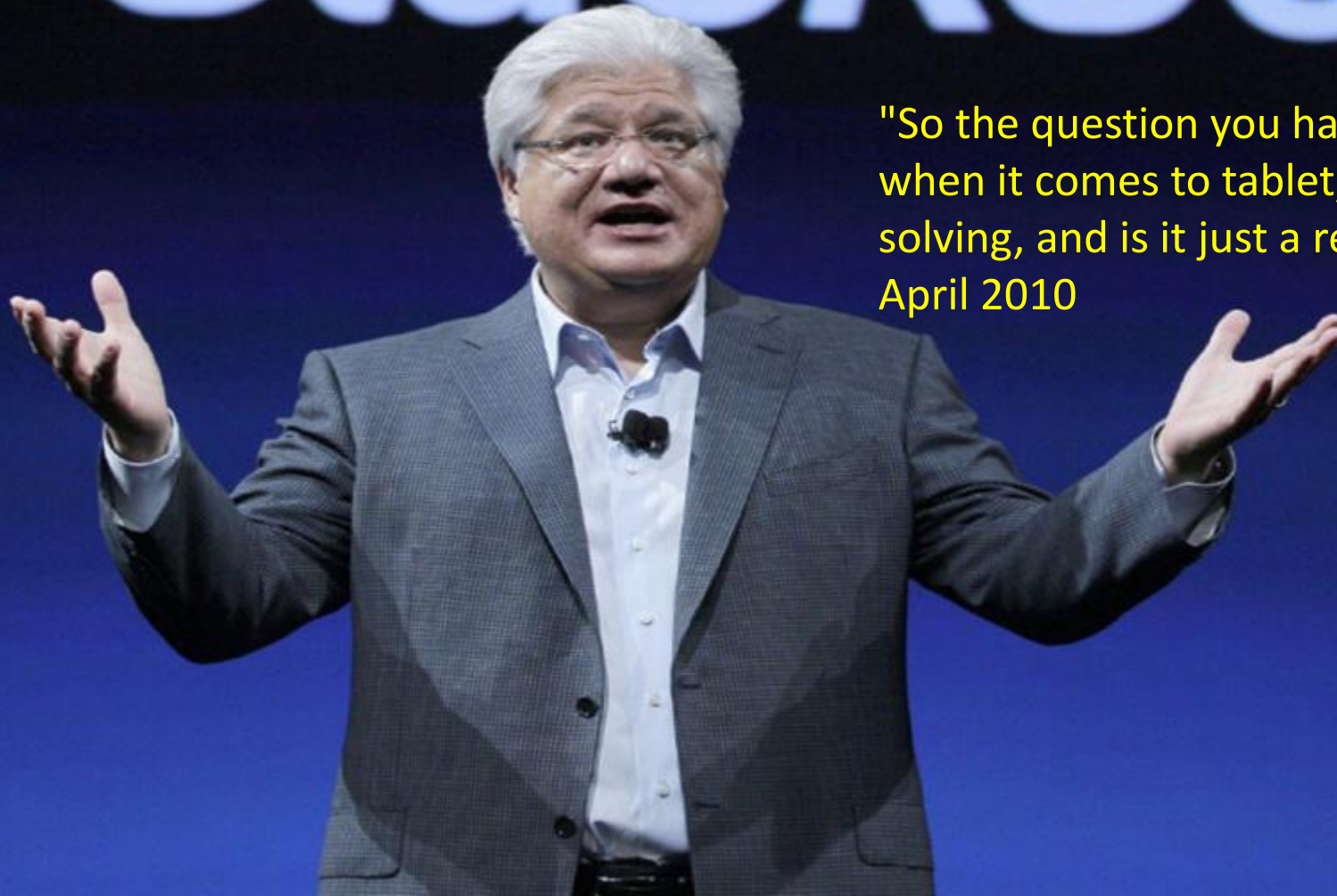
Mike Lazaridis, The co-founder of BlackBerry Ltd

 **BlackBerry.**



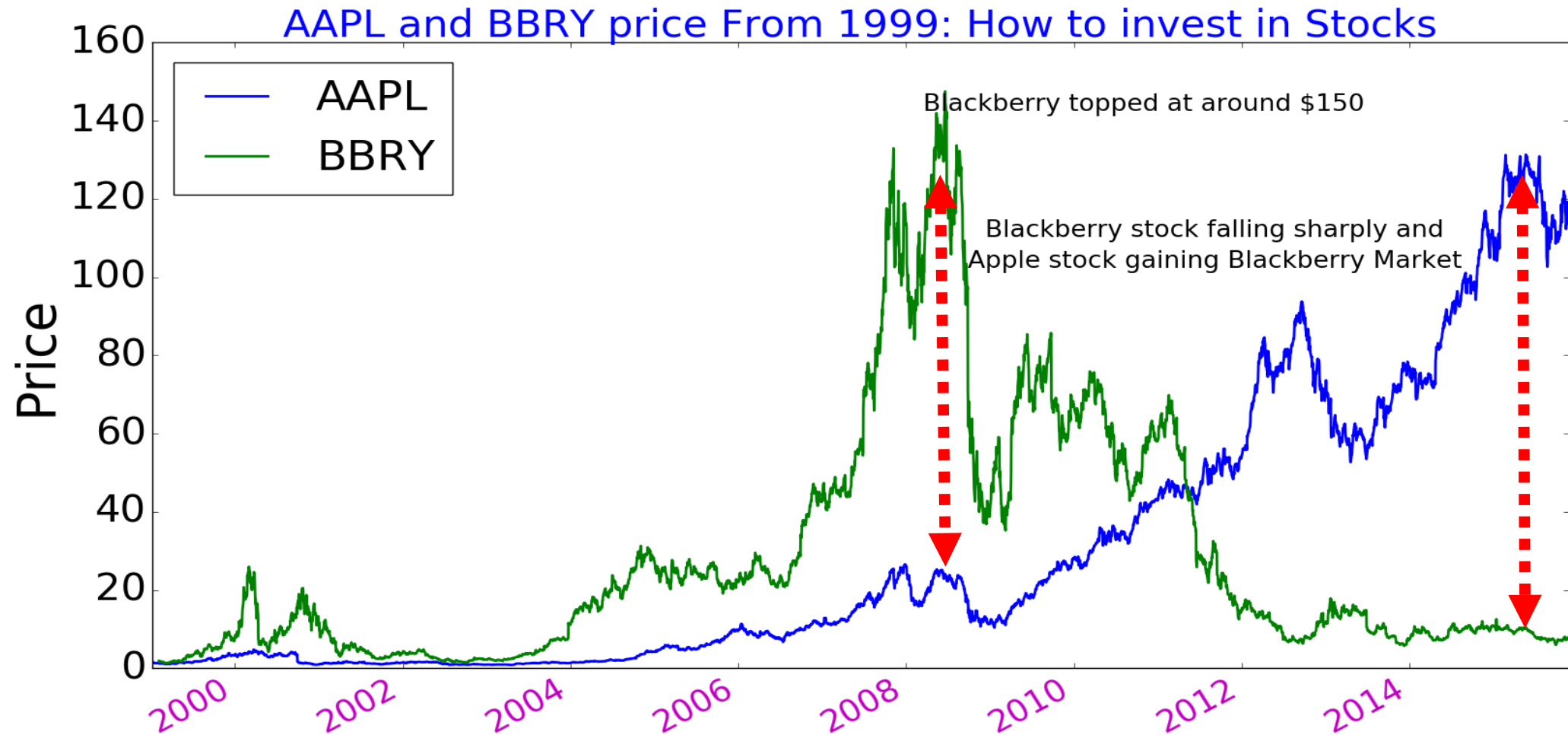


"The most exciting mobile trend is full Qwerty keyboards. I'm sorry, it really is. I'm not making this up." Lazaridis, May 2008.



"So the question you have to ask yourself is when it comes to tablet, what problem is it solving, and is it just a replacement laptop??" - April 2010

Apple versus BlackBerry Ltd on the stock market



Lesson: failure to adopt technological innovations soon enough can cause your business to lose its market share, in the worst case you can even get thrown out of the market.

Technology adoption

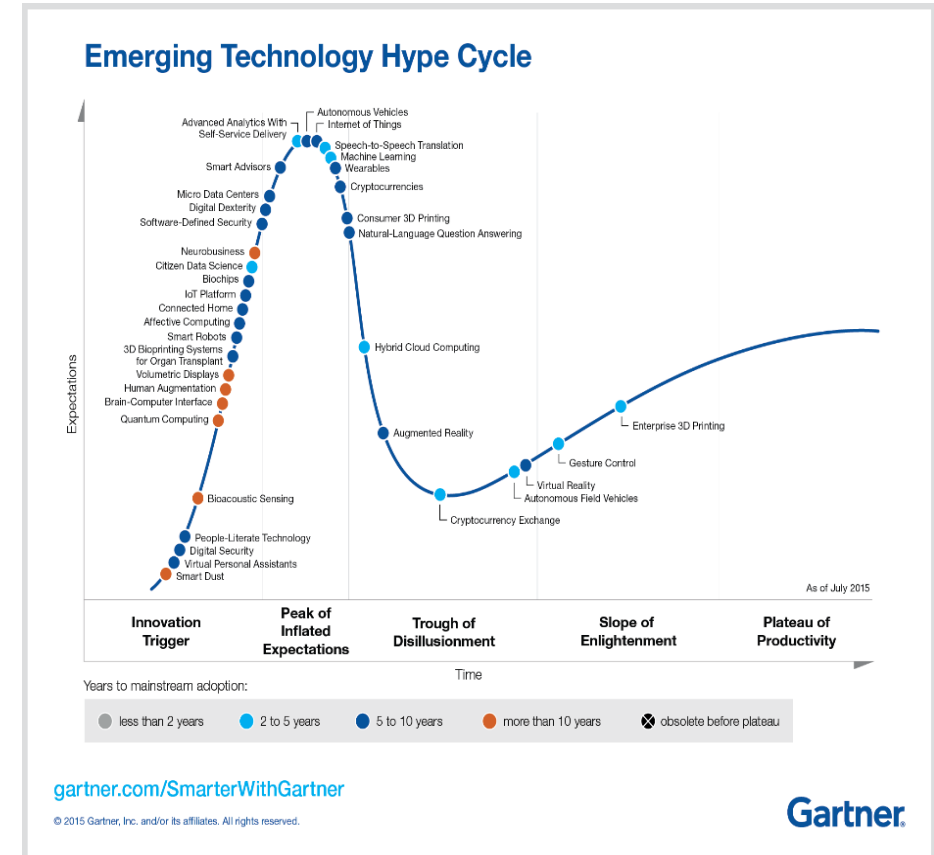
Business managers may have different attitudes towards technology adoption this behaviour can be summarized as:

- Cautious, 'wait-and-see' approach.
- Risk-taking, early-adopter approach.
- Intermediate approach.

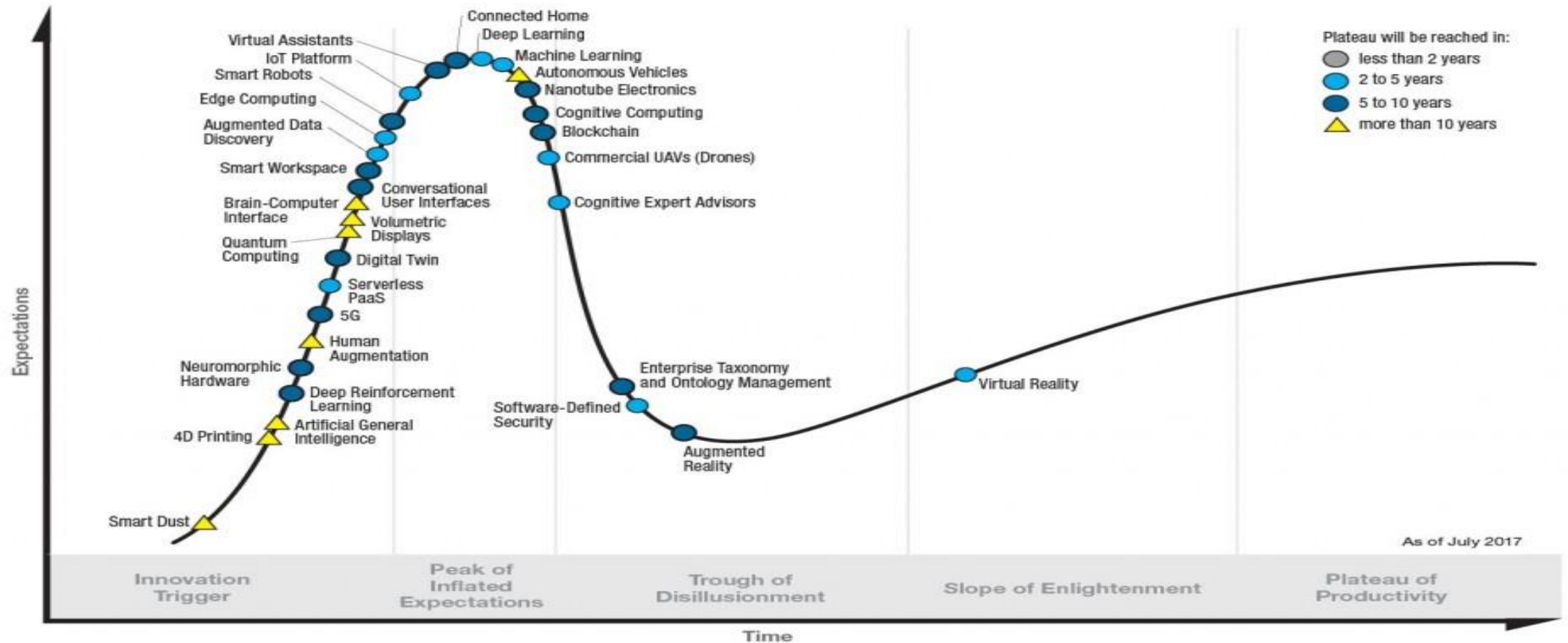


Technology adoption: Gartner's Hype Cycle

- Gartner Hype Cycles provide a graphic representation of the maturity and adoption of technologies and applications
- It also suggests how these technologies are potentially relevant to solving real business problems and exploiting new opportunities
- It is a representative set of still-maturing technologies that receive interest from clients, and technologies that Gartner feels are significant and should be monitored



Gartner **Hype Cycle** for Emerging Technologies, 2017

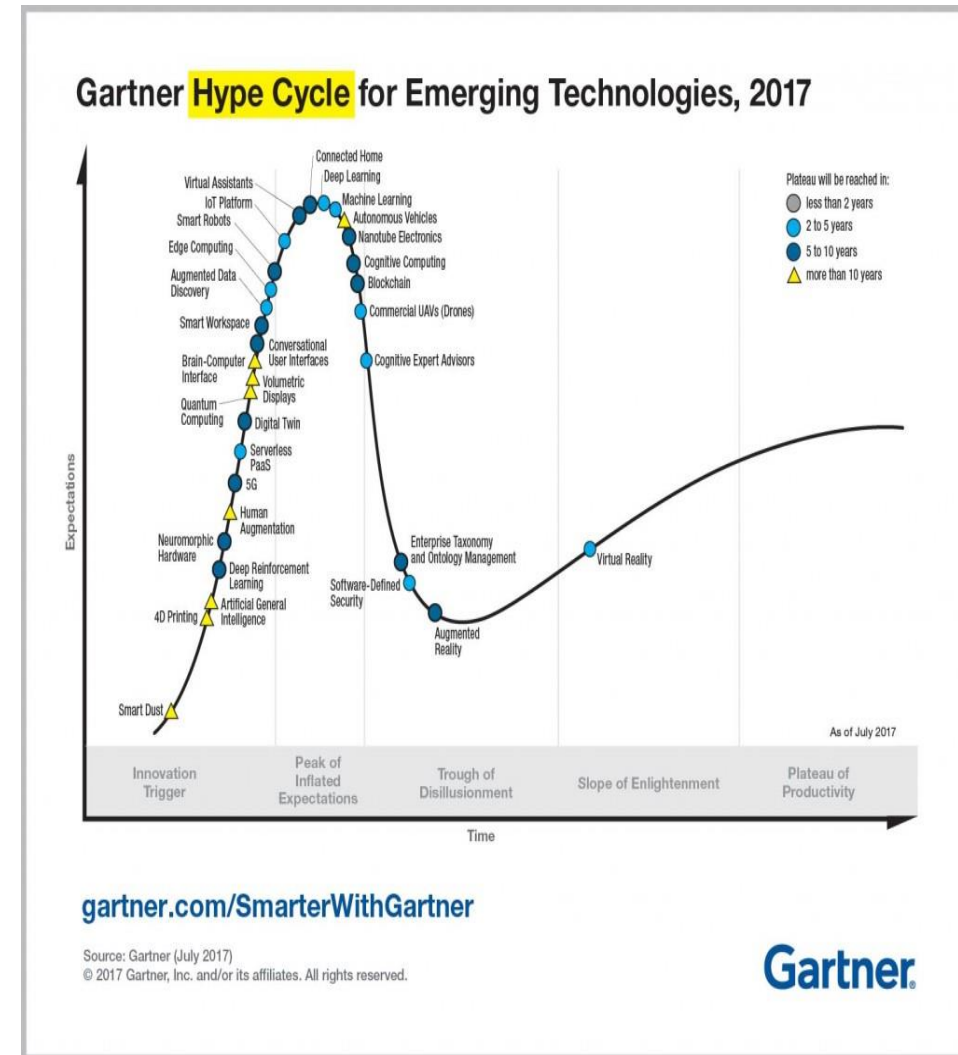


gartner.com/SmarterWithGartner

Source: Gartner (July 2017)
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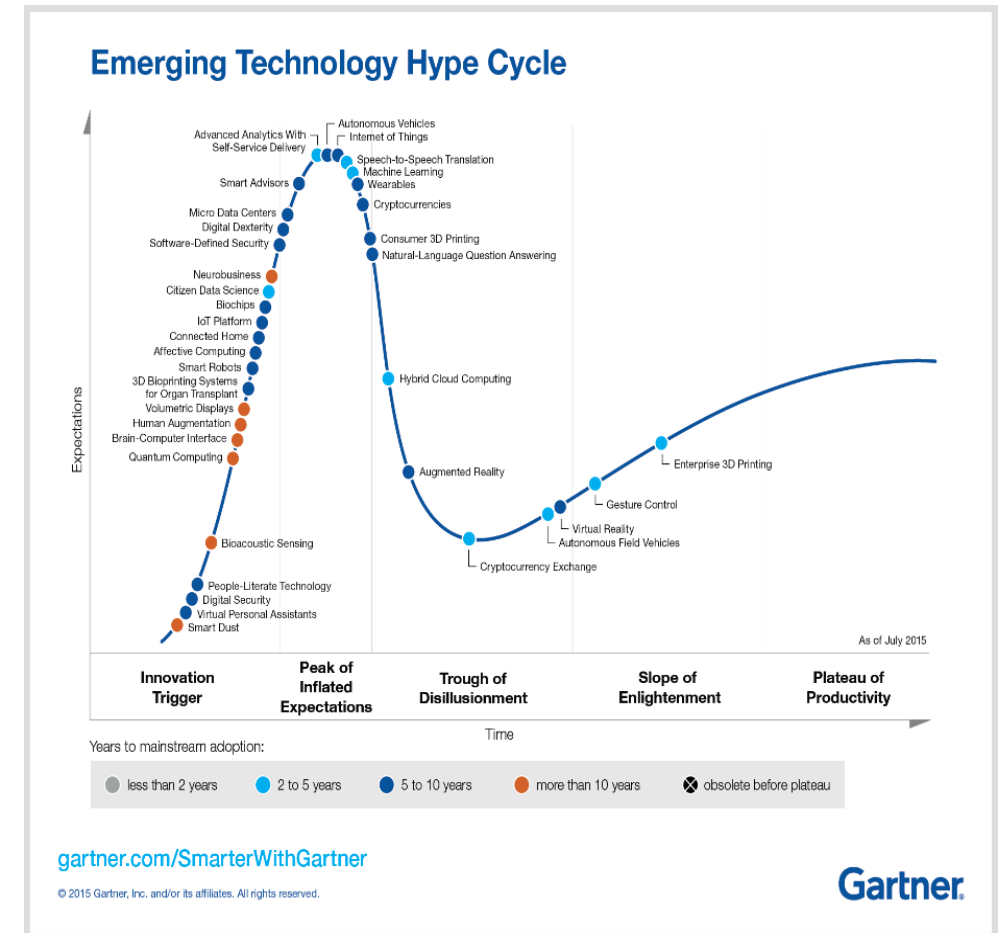
Gartner

- **Technology Trigger** – The first phase of a hype cycle is the ‘technology trigger’ or breakthrough, product launch or other event that generates significant press and interest
- **Peak of Inflated Expectations** – In the next phase, a frenzy of publicity typically generates over-enthusiasm and unrealistic expectations.
- **Trough of Disillusionment** – Technologies enter the ‘trough of disillusionment’ because they fail to meet expectations and quickly become unfashionable.
- **Slope of Enlightenment** – Although the press may have stopped covering the technology, some businesses continue through the ‘slope of enlightenment’ and experiment to understand the benefits and practical application of the technology.
- **Plateau of Productivity** – A technology reaches the ‘plateau of productivity’ as the benefits of it become widely demonstrated and accepted.



How Do You Use Hype Cycles?

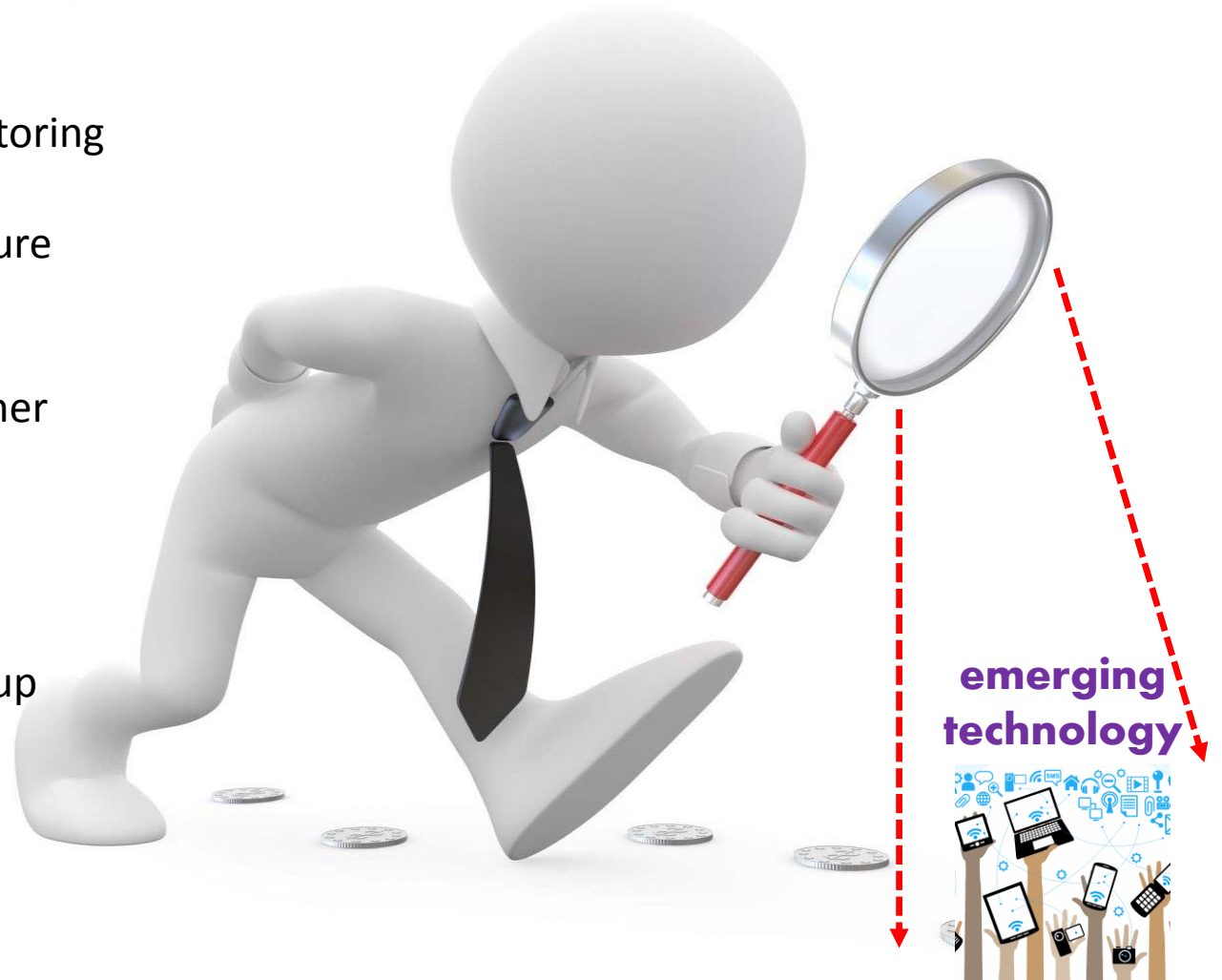
- Use Hype Cycles to get educated about the promise of an emerging technology within the context of your industry and individual appetite for risk
- Key questions:
 - *Should you make an early move?*
 - *Is a moderate approach appropriate?*
 - *Should you wait for further maturation?*



Approaches to identifying emerging technology

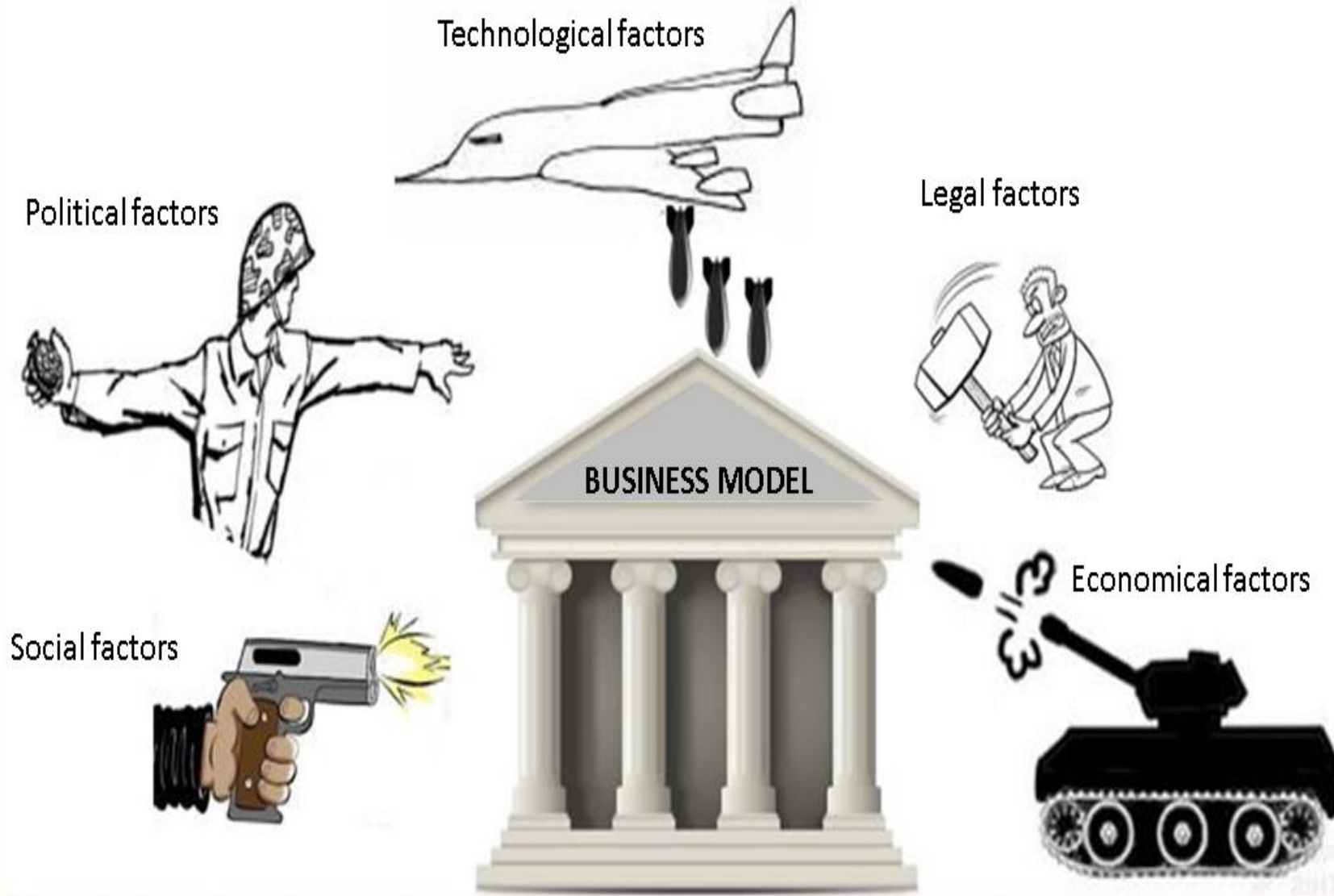
PMP (2008) describes four contrasting approaches to identifying new technologies

- **Technology networking.** This involves individuals monitoring trends through their personal network and technology scouting and then sharing them through an infrastructure and process that supports information sharing
- **Crowdsourcing.** Utilizing a network of customers or other partners to gain insights for new product or process innovations.
- **Technology hunting.** This is a structured review of new technology through reviewing the capabilities of start-up companies.
- **Technology mining.** A traditional literature review of technologies described in published documents.



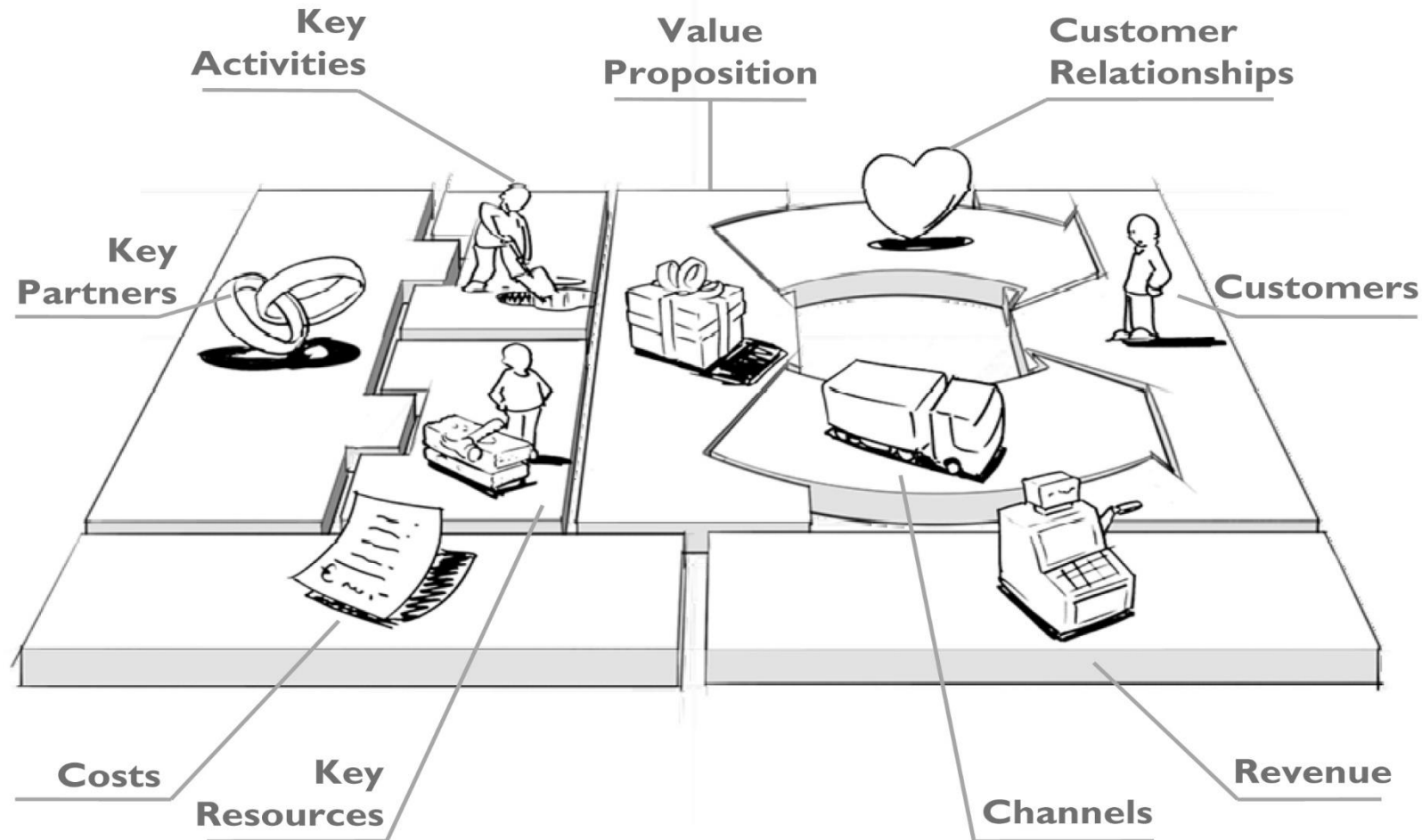
Business Model Stress Test

Business Model Stress Test



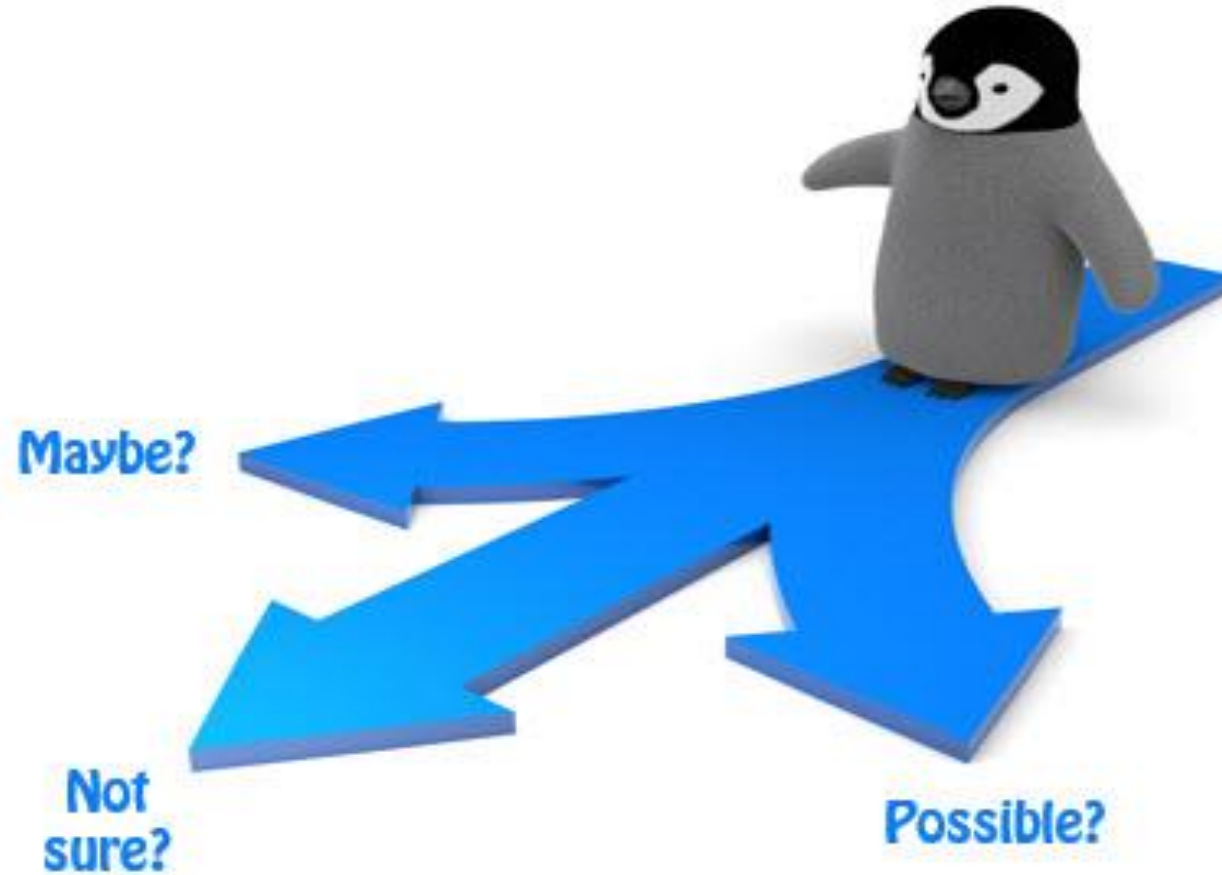
Performing Business Model Stress Test

Step 1: describe the business model



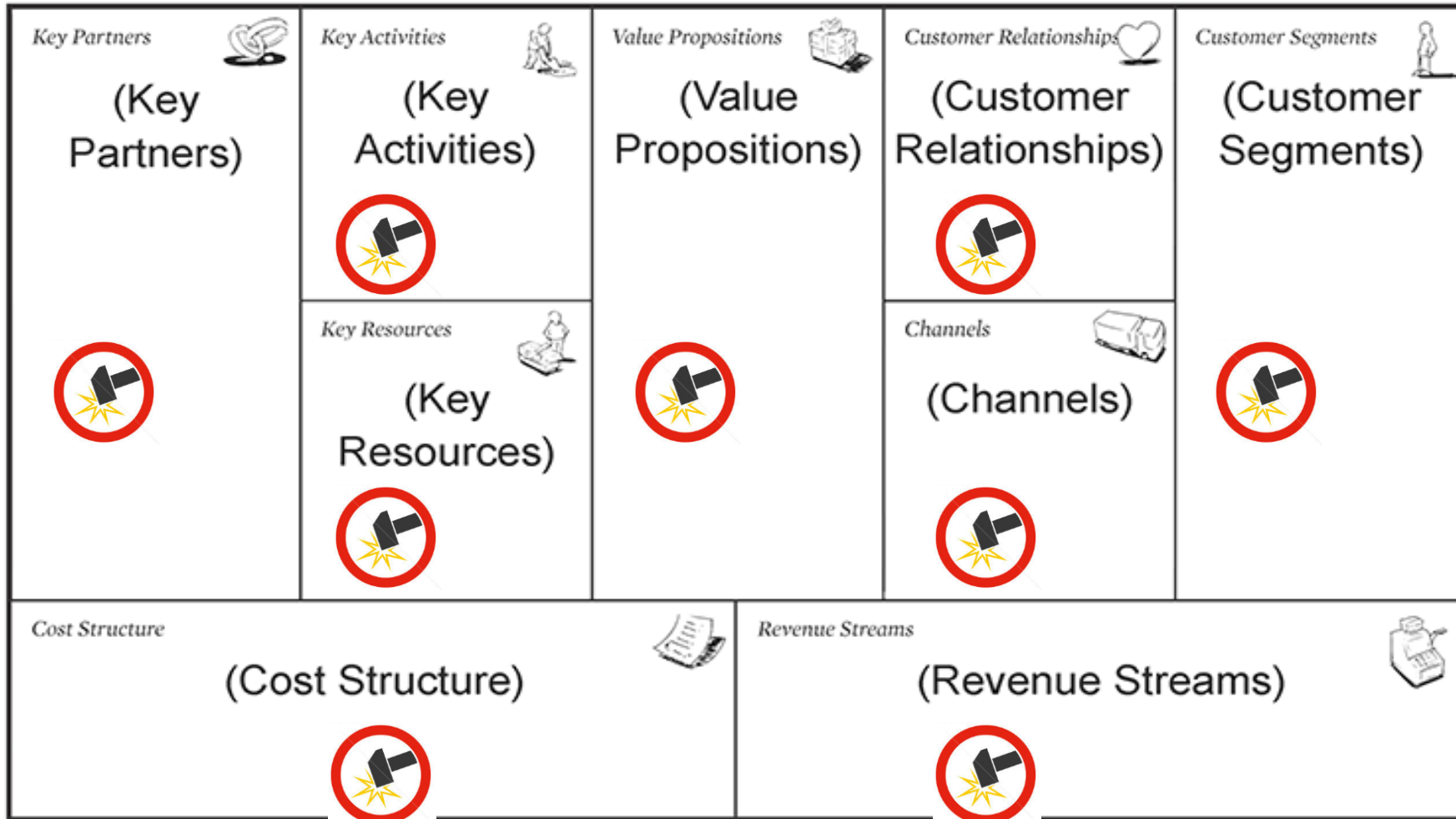
Performing Business Model Stress Test

Step 2: select the essential scenarios



Performing Business Model Stress Test

Step 3a: confront the business model with the scenarios



Performing Business Model Stress Test

Step 3a: confront the business model with the scenarios



Performing Business Model Stress Test

Step 3b: confront each component with each development in a 'heat map



Performing Business Model Stress Test

Step 4: analyse and improve

analyse & improve

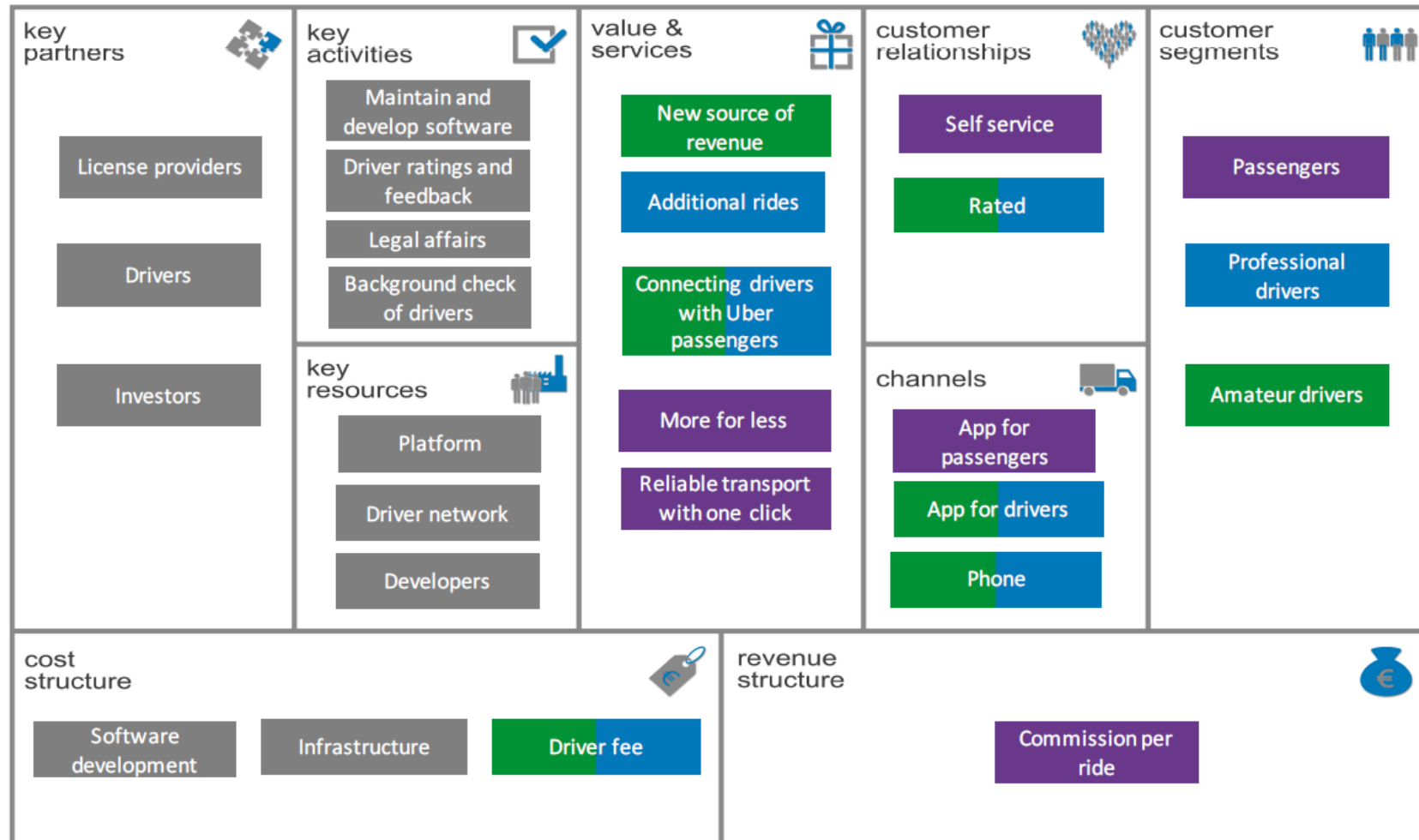


Example based on Uber

Step 1: describe the business model

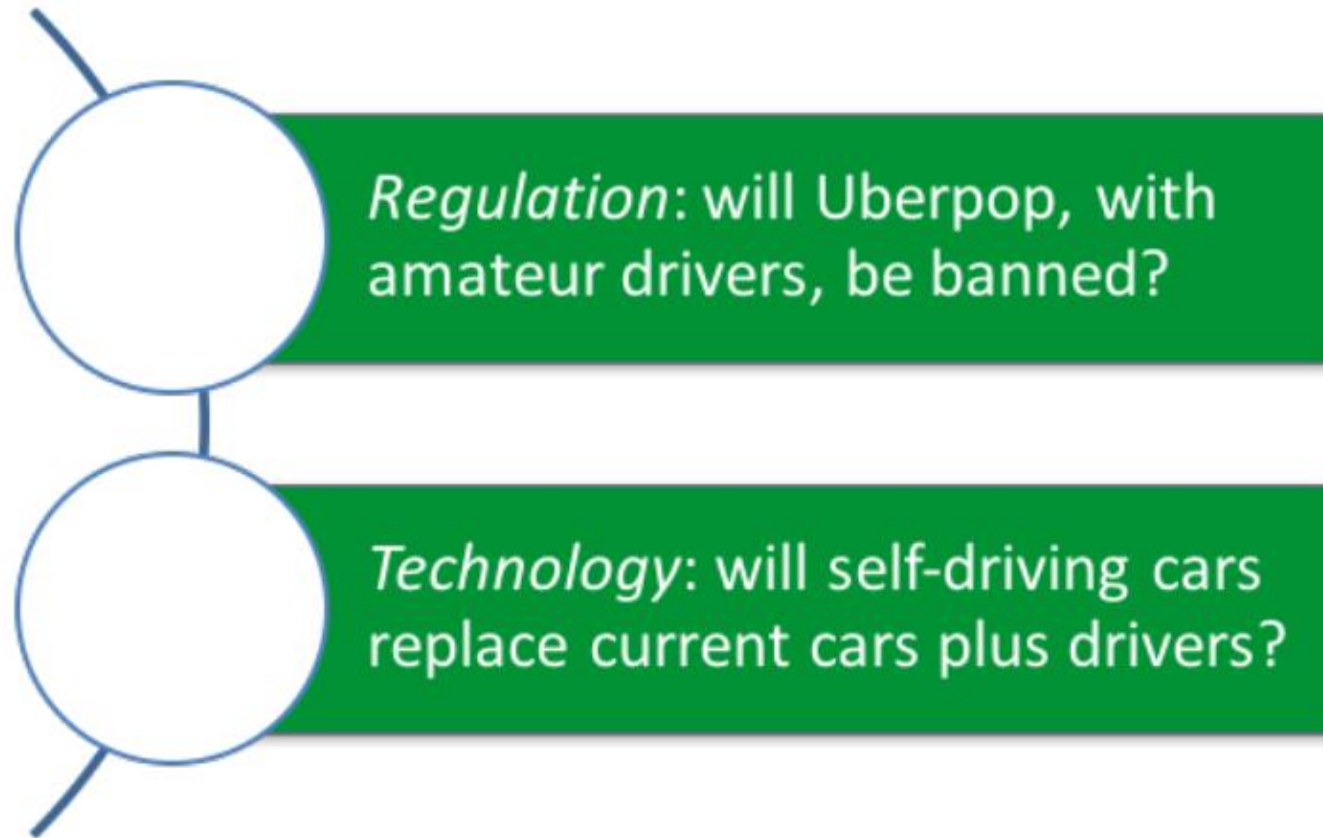
business model canvas

name Uber



Performing Business Model Stress Test

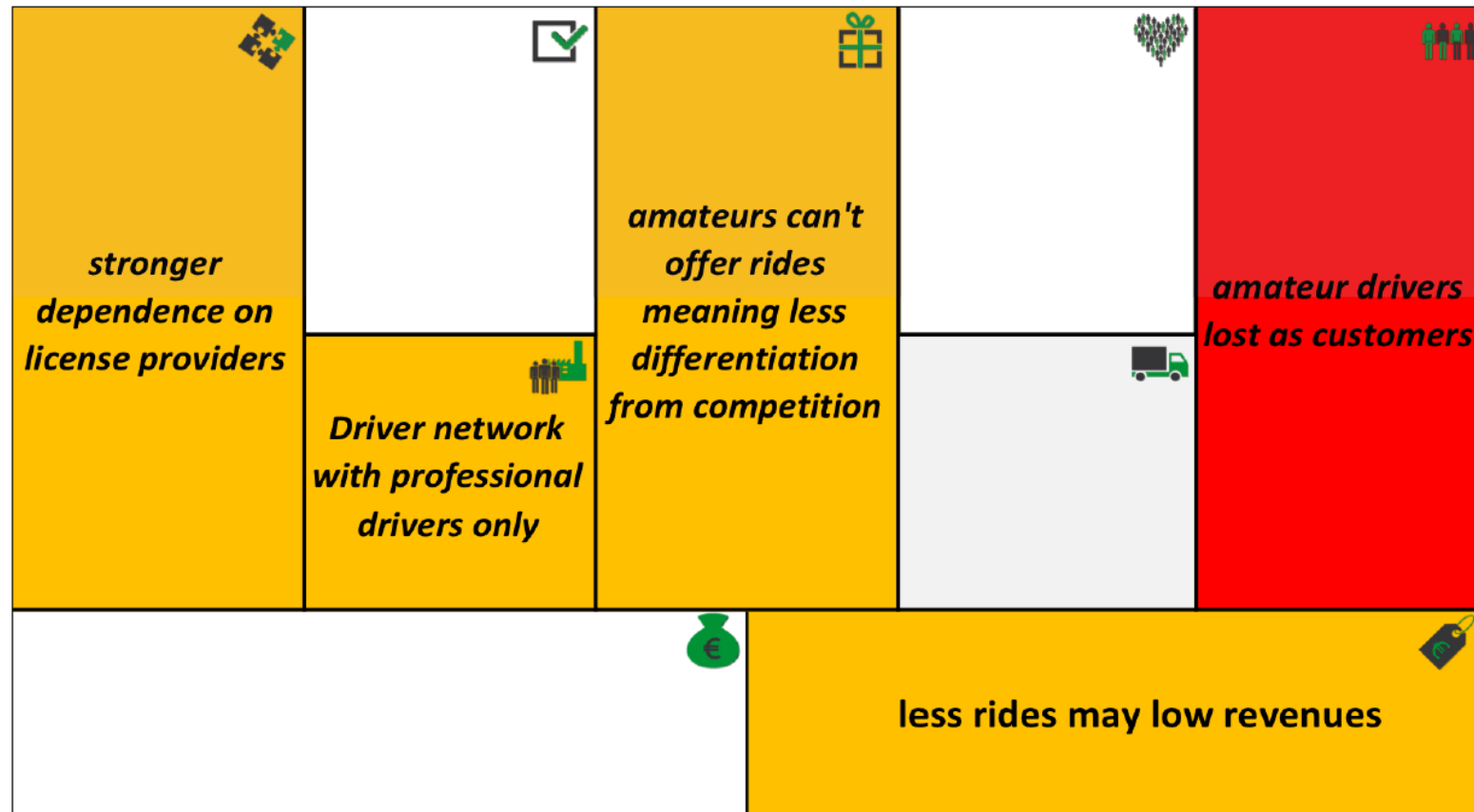
Step 2: select the essential scenarios



Performing Business Model Stress Test

Step 3a: confront the business model with the scenarios

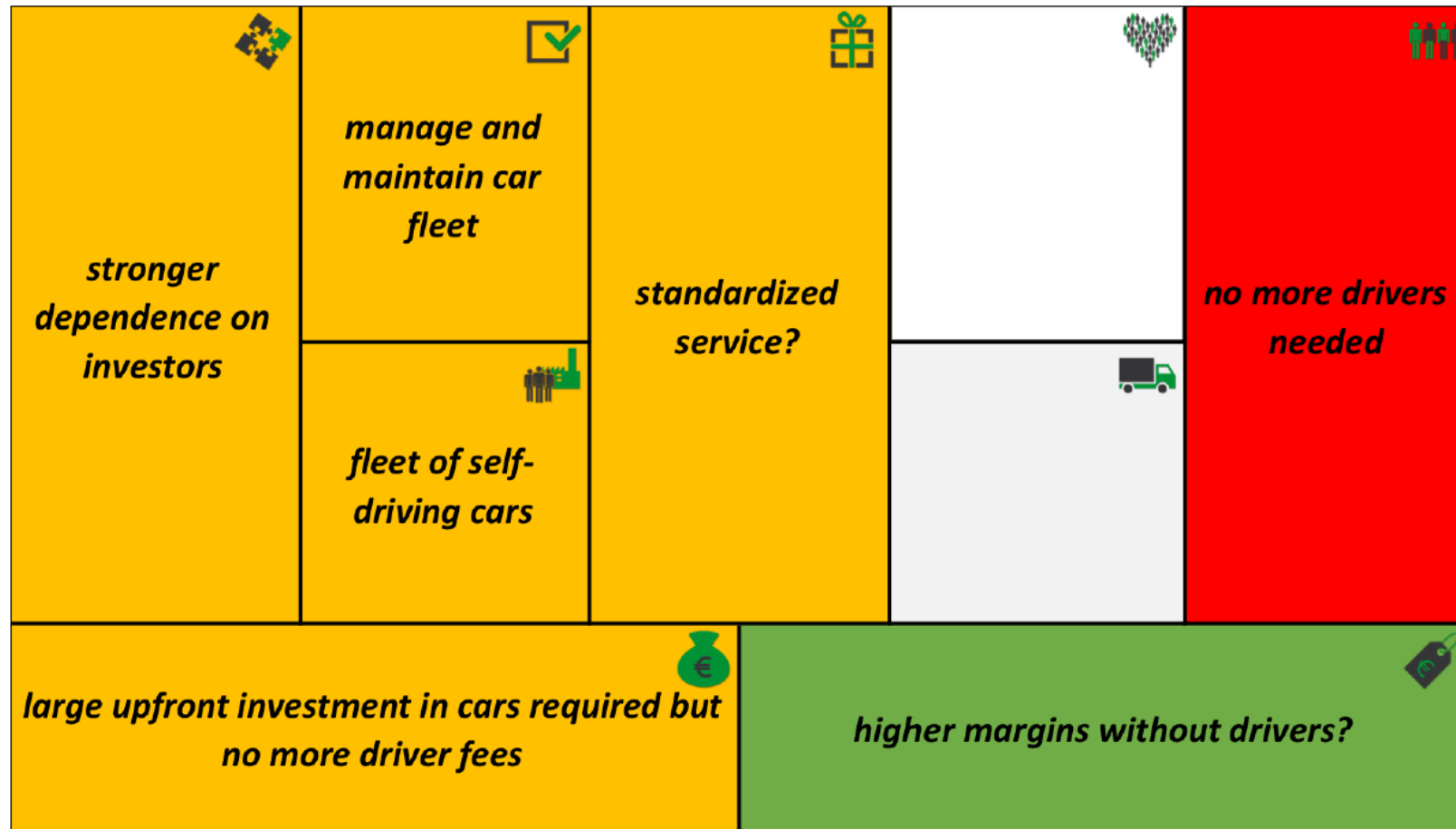
Mapping the impact of 'amateur drivers banned' on Uber business model



Performing Business Model Stress Test

Step 3a: confront the business model with the scenarios

Mapping the impact of 'self-driving cars' on Uber business model













Performing Business Model Stress Test

Step 3b: confront each component with each development in a 'heat map

business model stress test

name Uber

		Amateur drivers banned	Self-driving cars	
value & services		Amateurs can't offer rides meaning less differentiation from competition	Standardized service?	
customer segments		Amateur drivers lost as customers	No more drivers needed	
customer relationships				
channels				
revenue structure		Less rides may lower revenues	Higher margins without drivers?	
key activities			Manage and maintain car fleet	
key resources		Driver network with professional drivers only	Fleet of self-driving cars	
key partners		Stronger dependence on license providers	Stronger dependence on investors	
cost structure			Large upfront investment in cars required but no more driver fees	

Example based on Uber

Step 4: analyse and improve

The Washington Post
Democracy Dies in Darkness

Business

Uber signs deal to buy up to 24,000 autonomous vehicles from Volvo

