

PGDM-RM, Batch-2016-18

E-Commerce

RM-308

Trimester – III, End-Term Examination: March 2017

Time allowed: 2 Hrs 30 Min
Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		Total Marks	50

Section A

Short questions (5 Marks each)

1. Explain the advantages of e commerce companies over traditional retail companies.
2. How can we use Facebook and other social networks in our business?
3. Why is B2B e-commerce so essential and successful?
4. Explain viral marketing and affiliate marketing.
5. Analyse the USPs of Amazon.com, Flipkart.com and, snapdeal.com

Section B

Long Questions (10 Marks each)

6. Explain various e commerce business models with some examples.
7. Explain various methods of Building an Digital Marketing Strategy.
8. Explain the advantages, disadvantages and various challenges of e commerce. What is the future of e commerce in India.

Section C

OPENING CASE: HOW STARBUCKS IS CHANGING TO A DIGITAL AND SOCIAL ENTERPRISE

Starbucks is the world's largest coffee house chain, with about 20,800 stores in 63 countries. Many people view Starbucks as a traditional store where customers drop in, enter an order, pay cash or by credit card for coffee or other products, consume their choices in the store, and go on about their business. The last thing many people think about is the utilization of computers in this business. The opposite is actually true. Starbucks is turning itself into a digital and social company (Van Grove 2012). For a long time Starbucks was known as appealing to young people because the free WiFi Internet access provided in its U.S. and Canada stores. But lately the company embarked on several digital initiatives to become a truly technology-savvy company.

THE PROBLEM

Starting in 2007, the company's operating income declined sharply (from over \$1 billion in 2007 to \$504 million in 2008 and \$560 million in 2009). This decline was caused by not only the economic slowdown, but also by the increased competition (e.g., from Green Mountain Coffee Roasters), which intensified even during the recession. Excellent coffee and service helped but only in the short run. A better solution was needed. Starbucks realized that better interaction with its customers is necessary and decided to solve the problem via digitization.

THE SOLUTION: GOING DIGITAL AND SOCIAL

In addition to traditional measures to improve its operation and margin, the company resorted to *electronic commerce*, meaning the use of computerized systems to conduct and support its business. The company appointed a Senior Executive with the title of Chief Digital Officer to oversee its digital activities. It also created the Digital Venture Group to conduct the technical implementation.

The Electronic Commerce Initiatives

Starbucks deployed several e-commerce projects, the major ones are follow.

Online Store

Starbucks sells a small number of products online at starbucksstore.com. These offerings include coffee, tea, and Starbucks equipment and merchandise. The store was in operation for years, using typical shopping cart (called My Bag), but the company completely redesigned the webstore to make shopping more convenient and easy in August 2011. In addition, customers (individual or companies) can schedule deliveries of standard and special items. Customers can order rare and exquisite coffee that is available only in some U.S. stores. Now customers around the U.S. and the world can enjoy it too. Finally, online customers get exclusive promotions.

The eGift Card Program

Customers can buy Starbucks customized gift cards digitally (e.g., a gift card for a friend's birthday is auto delivered on the desired date). Payments can be made with a credit card or PayPal. The gift card is sent to the recipient via e-mail or Facebook. The recipients can print the card and go shopping at a Starbucks physical store, transfer the gift amount to their Starbucks' payment card, or to Starbucks Card Mobile.

Loyalty Program

Like airlines and other vendors, the company offers a Loyalty Program (My Starbucks Rewards). Those who reach the gold level receive extra benefits. The program is managed electronically.

Mobile Payments

Customers can pay at Starbucks stores with prepaid (stored value) cards, similar to those used in transportation, or conduct smartphone payments.

Paying from Smartphones

Starbucks customers can also pay for purchases in

physical stores with their mobile devices. Payments can be made by each of two technologies:

• **Using Starbucks mobile card .**

Shoppers have an app on their mobile device. Payment is made by selecting “touch to pay” and holding up the barcode on the device screen to a scanner at the registrar. The system is connected automatically to a debit or credit card. The system works only in the company-owned store.

• **Using Square mobile payment .** The Square revolutionary system (Chapter 11) allows merchants to accept credit or debit card payments by attaching a small device (a card reader) to their Internet-enabled mobile device (e.g., iPad, iPhone). The merchant then swipes the customer’s credit (or debit) card to get immediate approval. The cost to the Starbucks stores is significantly lower than when the company uses traditional credit card services. For details see Magid (2012).

The Social Media Projects

Starbucks realized the importance of social media that uses Internet-based systems to support social interactions and user involvement and engagement Chapter 7). Thus, it started several initiatives to foster customer relationships based on the needs, wants, and preferences of its existing and future customers. The following are some representative activities.

Exploiting Collective Intelligence

MyStarbucksIdea.com is a platform in which a community of over 300,000 consumers and employees can make improvement suggestions, vote for the suggestions, ask questions, collaborate on projects, and express their complaints and frustrations. The community generated 70,000 ideas in its first year, ranging from thoughts on the company’s rewards cards and elimination of paper cups to ways to improve customer service. The site also provides statistics on the ideas generated, by category, as well as their status (under review, reviewed, in the works, and launched). The company may provide incentives for certain generated ideas. For example, in June 2010, Starbucks offered \$20,000 for the best idea concerning the reuse of its used coffee cups. This initiative is based on the technology of *collective intelligence* also known as *crowdsourcing* (see Chapters 2 and 8)

and it is supported by the following blog.

Starbucks Idea in Action Blog

This blog is written by employees who discuss what the company is doing about ideas submitted to MyStarbucksIdea site.

Starbucks’ Activities on Facebook

Fully integrated into Facebook, Starbucks practices several social commerce activities there. The site was built with input from Starbucks customers. The company uploads videos, blog posts, photos, promotions, product highlights, and special deals. The millions of people who like Starbucks on Facebook verify that it is one of the most popular companies on Facebook with about 36 million followers

(February 2014), see current statistics at

starcourt.com/chart/wiki/Starbucks/today and at **facebook.com/starbucks** . Starbucks offers one of the best online marketing communication experiences on Facebook to date as well as mobile commerce

engagements. Starbucks posts information on its Facebook “wall” whether it is content, questions, or updates. The company is also advertising on its Facebook homepage. Note that Starbucks is assessing the cost-benefit of such advertising.

Starbucks’ Presence in LinkedIn and Google+

Starbucks has a profile on the LinkedIn site with over 50,000 followers (July 2012). It provides business data about the company, lists new hires in managerial positions, and advertises available managerial jobs. Starbucks is also active on Google+.

Starbucks Actions on Twitter

In February 2014, Starbucks had over 2.2 million followers (Follow@starbucks) on Twitter organized in 18,025 lists (e.g., @starbucks/friends).

Each ‘list’ has its own followers and tweets. Whenever the company has some new update or marketing campaign, the company encourages conversation on Twitter. By October 2013,

Starbucks was the number one retailer to follow Twitter. As of November 2013, Starbucks sends \$5 gift cards to Twitter friends and followers.

Starbucks' Activities on YouTube, Flickr, and Instagram

Starbucks has a presence on both YouTube (youtube.com/starbucks and Flickr (flickr.com/starbucks), with a selection of videos and photos for view. It also runs advertising campaigns there. Finally, Starbucks has about 250,000 followers on the photo-sharing company-Instagram (instagram.com).

Opening Case: How Starbucks Is Changing to a Digital and Social Enterprise

Starbucks Digital Network

To support its digital activities the company offers online content using Starbucks Digital Network in partnership with major media providers (e.g., *New York Times*, iTunes). It is designed for all major mobile devices including tablets (e.g., iPad) and smartphones. The network's content features news, entertainment, business, health, and local neighborhood information channels.

Early Adoption of Foursquare: A Failure

Not all Starbucks social media projects were successes. For example, the company decided to be an early adopter of geolocation by working with Foursquare (Chapter 7). The initiative simply did not work, and the project ended in mid-2010 (see Teicher 2010 for an analysis of the reasons). The company experimented in the UK with a similar location company called Placecast. As of fall 2011, Starbucks had a better understanding of the opportunities and the limitations, so it may decide to try geolocation again with Facebook's Places, or it may revive the Foursquare project.

THE RESULTS

According to Bryson-York (2010), Starbucks turned around sales by effectively integrating the digital and the physical worlds. In 2010, its operating income almost tripled (\$1.437 billion versus \$560 million in 2009) and so did its stock price. In 2011, the operating income reached \$1.7 billion. Since then the operating income is increasing rapidly. The company's social media initiatives are widely recognized. In 2012 it was listed by *Fortune Magazine* as one of top social media stars (Fortune 2012), and in 2008 it was awarded the 2008 Groundswell Award by Forrester Research. The site is very popular on Facebook where it has millions of fans, (sometimes more popular than pop icon Lady Gaga). Starbucks attributes its success to 10 philosophical guidelines that drive its social media efforts (see Belicove 2010 for details).

QUESTIONS:

- 1.1 Explain STARBUCK social media initiatives. How digital media initiatives helped in improving business profits.
- 1.2 Elaborate top 3 innovative digital marketing initiative of STARBUCK.