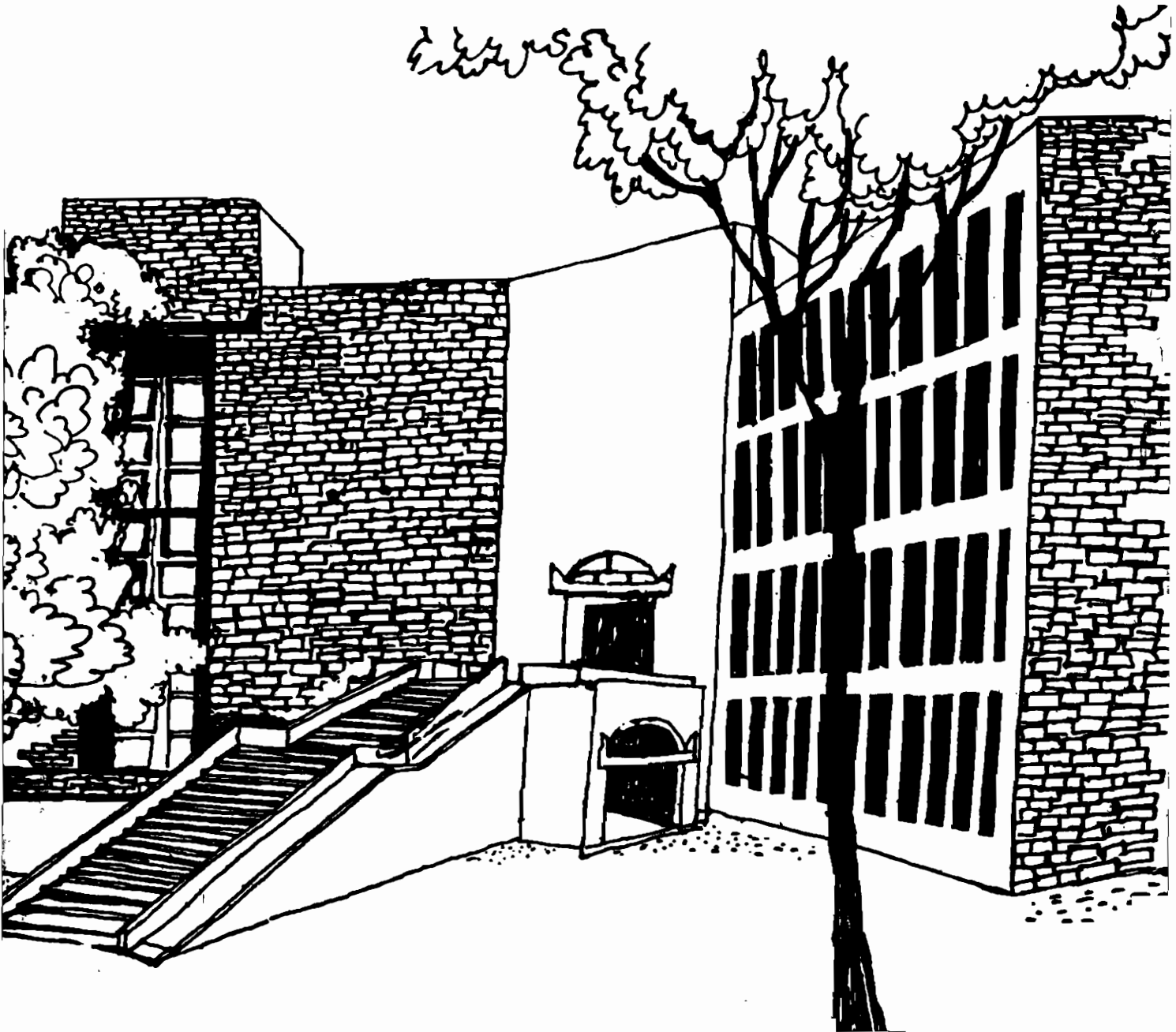




Working Paper



THE BUSINESS LOGIC FOR DOTCOM BUSINESSES

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THE BUSINESS LOGIC FOR DOTCOM BUSINESSES

Abstract

The rise and fall of a number of dotcoms has attracted a lot of attention in business press, but there does not seem to have been any in depth study to understand the economic logic of dotcom businesses. A close analysis of these businesses would show that many of them actually do not have any sound business model. Many of their assumptions are questionable. This paper attempts to provide an explanation to it using original concepts such as latent want, zero customer dissatisfaction and customer dissatisfaction elimination chain. It is argues that many firms fumbled because they did not try to see whether there existed any customer dissatisfaction and subsequent need for a dotcom firm to eliminate the dissatisfaction. It is also found that firms did not see their capabilities to provide overall positive value when they focused on eliminating dissatisfaction at one point.

Prof.K.Ramachandran

THE BUSINESS LOGIC FOR DOTCOM BUSINESSES

Many dotcoms have come, some stayed but many have gone forever, and most analysts tend to brush it aside as an aberration, which is possible, when a paradigm shift takes place. Millions of dollars have evaporated into the thin air without leaving a trace. Many have made quick bucks in the process through IPOs. Ad companies have gained and lost. A number of business models from 'eye ball' to 'revenue' have made their appearances. Is there something beyond?

A close analysis of these businesses would show that many of them actually do not have any sound business model. Many of their assumptions are questionable. There is indeed a method in this madness. We need to understand the economic logic for the Internet and how it enables customers to reduce if not completely eliminate their dissatisfaction with the existing processes of doing business. Such an analysis indicates a number of conceptual flaws in the business models of dotcoms across the spectrum. We need to revisit basics of economics and break new theoretical ground to find explanation to the current dilemma. This paper makes an attempt to do so; it applies to the Yahoos, Amazons, Pricelines and Boos equally. Indeed, there may be other reasons for the failure of dotcoms, which really never got started in the first place with malafide intentions.

Background: customer want, Internet and related concepts

For customers, products and services* are means to satisfy their needs; they do not buy them for the sake of having them. While some of the products meet with their wants, some do not completely, leaving behind elements of dissatisfaction. There are also possibilities for the customer to be not very satisfied with the steps involved in buying, again leaving elements of dissatisfaction. These steps include collection of information to ascertain product features, developing confidence in the name of the firm and quality of the product, payment procedures, usage clarity and so on. The accumulated effect of all the different elements of dissatisfaction creates latent want for alternatives for a product.

Based on the value chain logic of Michael Porter, we notice that customer dissatisfaction also gets built up on the chain, which is supposed to create only value. This means, there exists a chain creating customer dissatisfaction, with the sources of dissatisfaction being one or more links on the chain, all/organisations interested in retaining customers should try to make the dissatisfaction chain non-existent. The role of the Internet is to eliminate a number of dissatisfaction customers have, since wants are unlimited, customers have new areas of dissatisfaction ignited by their new

* Here after 'products' means both products and services

knowledge (say, about the potential of the Internet) or change in the mix of wants. We will now discuss in some detail the conceptual base for this paper.

1) Dynamism in latent want

As mentioned above, customer wants are dynamic. This also means that latent wants are also dynamic. Since the intensity of latent want is not uniform, we can say that it is a continuum with immature latent want at one end and mature latent want at the other as shown in Exhibit 1. Existence of latent want is a reflection of the pent up frustration or dissatisfaction customers have with the existing products and services.

Conceptually, when we say immature latent want, it means that customers do not have any dissatisfaction or frustration with reference to a particular product. This also means that there is no demand for a new product since nobody will buy it even at very low prices. Though such situations are remote, they do exist as in the case of products promoted exceedingly well but without creating any spark in the minds of the customer. It is not easy to move customers on this continuum through promotional efforts alone, unless customers intuitively feel the need for that product. Conceptually, customers have achieved zero of customer dissatisfaction (ZCD) when they are at the immature end of latent want. All successful organisations attempt to follow their customers like a super imposed image, meeting their wants as they emerge and thus achieving ZCD. It is when, organisations fail to do so constantly, that customers get dissatisfied on some counts and desert them if they have better options.

Exhibit-1

Latent Want Continuum

Immature

Mature

The other end of the continuum is mature latent want, which reflects total dissatisfaction of the customer with whatever is existing in the market. Customer frustration may be related to the product features, buying process and price. The intensity and overall magnitude of the dissatisfaction depends on the extent to which some of these variables are critical to the customer. This is the dream situation for any firm to enter the market, as there will be an immediate pull created from the market for such products provided they eliminate customer dissatisfaction on important dimensions. The run away success of Hotmail and several other email services and the spectacular growth in demand for mobile phones in recent years illustrate this very well.

It is important to remember that mature latent want does not mean existence of actual demand for the product in the market. It is not automatic. It is only when the product is priced appropriate to the value expectations of the customer that a mature latent want becomes expressed demand.

2) Internet and Zero Customer Dissatisfaction

Information forms an important component of decision making for customers starting from the point of creating awareness and interest in a product up to final purchase decision covering several steps on the way. Lack of information naturally leads to dissatisfaction. Hence, elimination of any constraint in that direction has major implications for customers in their pursuit to achieve ZCD. A major contribution of the Internet is its proven potential to remove constraints in the flow of information and creation of knowledge bases for all the stakeholders involved. The intuitive logic for the entry of all dotcoms is exactly this. They all realised the potential attractiveness of the Internet to customers and believed that their early entry would give them a head start and success. This was not to be, as we will see later.

3) Internet creating mature latent want

As discussed above, mature latent want signifies total customer dissatisfaction with the products and services available now. Normally such situations emerge over a period of time when latent want moves from the immature to mature end. This assumption has changed rapidly in the Internet era primarily under the influence of five conditions as described below:

- a) Customers who are content with the existing products and services may suddenly grow totally dissatisfied when they come to know of some significantly better end products. Conceptually, this means that customers' latent want suddenly moves from immature to the mature end. When colour TV entered the market, customers en masse switched over to it though till then they were all apparently very satisfied with black and white TV. So is the switch over from conventional manual typewriters to electrical and electronic typewriters, and then to PCs. Customers deserted pagers as soon as mobile phone came on the scene. Similarly, interest in customised suit is found to be picking up with the arrival of digitised technology at Levis in their San Francisco store for mapping a human body in a shop and sending it online to a garment-making unit.
- b) Hope can create mature latent want. Efforts to educate customers on the advantages of Internet in terms of savings in time, convenience and flexibility of shopping flexibility, cost and ease of use of the Internet for shopping or education or entertainment can create new wants. Customers will get suddenly dissatisfied with the existing means of meeting those wants. This would be particularly so if some elements of dissatisfaction existed already.

- c) Though related to 'a' above at a different level, customers get dissatisfied with the auxiliary products too (as against core products in 'a') once they know that possibilities for improving them exist. For instance, the moment the e-mail facility became available, users of fax suddenly got dissatisfied and wanted to have e-mail services. This grew further when scanners came on the scene. The same happened when fax replaced telex and snail mail earlier. Such changes may occur anywhere on the value chain providing auxiliary value to the product. For instance, it may be in the process of delivery of a product, say in terms of improved courtesy, speed and product handling. A major contribution of Internet is in terms of adding substantial value to the customer in processing multiplicity of information with ease.
- d) Latent want gets mature also when new awareness about market opportunities emerges on an extended value chain. This means, latent want matures not only for the final product, and services, but also for their inputs bought from outside on the extended value chain. Here the existing supplier of inputs is influenced by a new demand for higher quality end products, which use the supplier's product as input. For instance, the demand for high quality IT professionals impacts not only high end institutions of learning but also the quality of primary and secondary level schooling. This means, customers of schools will have mature latent want if the quality of schools is below requirements, and they miss opportunities for career advancement in IT in the process. The fate of customers of schools which otherwise is excellent but without adequate IT orientation is also the same. Similarly, when satellite telecasting became real, there was sudden shift in latent want for multichannel (say 25 – 30 channels) TVs in many parts of the world. Pressure for technology upgradation on sub-contracting firms when the buyer firm moves into a high technology orbit is exactly of the same nature.
- e) Latent want may move on the continuum because of a change in the mix of customer needs. This could be under the influence of changes in personal preferences of a person and or changes in external environment. We would like to disagree with Mallow's well-known hierarchical needs theory; actually there is always a mix of all categories of needs in each individual. Indeed the proportion varies from people and from time to time. This mixture gets changed normally over a period of time due to changes in personal preferences, likes and interests. For instance, the mature latent want for having a guitar may suddenly become immature for a person if the individual suddenly finds excitement in Internet games. Though the customer still focuses on entertainment, the latent want for Internet games suddenly moves to the mature end, and that for guitar the opposite way.

In short, a sudden movement of the customers' wants for a product from the immature to mature end means opportunity for Internet based entrepreneurs to enter the scene. This opportunity is scattered all over the value chain. The impact with which low priced strategy is followed by dotcoms facilitates the conversion of mature latent want into latent demand. In all the above cases, a sudden movement of the customer from immature to mature end results in the level of maturity of

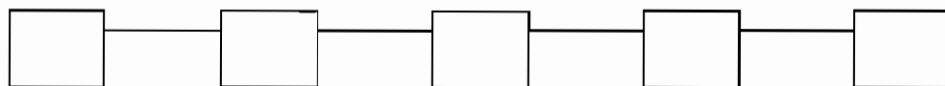
latent want and the resultant degree of dissatisfaction for the various links on the value chain. In essence, existence of demand for any product actually implies latent want, the extent of whose maturity depends on the extent of dissatisfaction customers have with the existing choices.

Analysis of Customer Dissatisfaction Chain

We have already seen that the sources of customer dissatisfaction can be any link of activity involved in providing value to customers. Though every link on this value chain is supposed to be adding only positive value, in reality this is not always true. Some of the value links actually create, if not entirely at least partly negative value or customer dissatisfaction. In that sense, there exists a customer dissatisfaction chain, which reflects the sources of dissatisfaction for customers. At the same time, customer dissatisfaction is also caused by deficiencies in some other links in the process of information collection, its synthesis, reliability of information, payment procedures and so on. These could happen for want of an appropriate value link. For instance, customers get dissatisfied with firms if, in their perception, their transaction could have been better completed via the Internet. In other words, there is an implicit chain of customer dissatisfaction running through the whole transaction, culminating in customer dissatisfaction. Let us call it Customer Dissatisfaction Elimination (CDE) Chain as shown in Exhibit 2. The word 'elimination' is added intentionally to emphasise the objective of this exercise as elimination of customer dissatisfaction. Firms have to construct this CDE chain to identify sources of dissatisfaction. It is when all links on this chain achieve ZCD that the customer also attains ZCD.

Exhibit 2

Customer Dissatisfaction Elimination Chain



We know that each link on the CD chain has its own independent bargaining power. The relative bargaining power of each link on the CDE chain depends on their contribution to achieving overall ZCD. For instance, an excellent programmer or someone with an excellent computer package has tremendous bargaining power provided it contributes to achieving overall ZCD. In the case of outside links, the firm should clearly spell out its norms for ZCD, and in several cases assist outside firms forming part of the chain to achieve ZCD in their given area of operation. In the process, the mother firm may have greater bargaining power if it is already close to achieving ZCD. However, a small outside firm can command high bargaining power if that firm eliminates a significant portion of customer dissatisfaction.

A firm trying to achieve ZCD should not only identify areas of customer dissatisfaction, but also categorize them based on their level of importance to customers, say into critical, essential and desirable. Firms should, then travel on the CD chain to identify areas for action with some sequencing for implementation. It is then that an analysis of the CD chain would show the links, which need reengineering.

In the Internet context, the key question is the extent to which it facilitates smooth flow of information through the systems and processes. This means, elimination of dissatisfaction on the CDE chain using the Internet technology. The same argument applies to a number of IT based products to enable managers take better decision.

Eliminate customer dissatisfaction, but be viable

The challenge for a successful firm is to follow the changing wants of customers like a super imposed shadow and offer modifications to existing features or introduce totally new products and services as latent wants mature. This way, an excellent organisation always tries to keep latent want at the immature end without allowing it to mature. It is when a firm achieves total overlap between its offering and latent wants that it achieves zero dissatisfaction for the customer. In other words, firms, newly created or existing, will be successful and gain customer support only when they offer products and services that eliminate all customer dissatisfaction.

It is also clear from the earlier discussion that the sources of dissatisfaction could be anywhere on the CDE chain, internal or external to the firm. After all, value is added or dissatisfaction eliminated in different measures at every link on the chain whether they are raw material suppliers, virtual shops or delivery agents of finished product. This also means that in order to achieve ZCD, the structure of the chain and the processes involved at different points may have to change from time to time. Sometimes the whole chain may have to be rebuilt to take advantage of technological changes (as in IT) and their applications in data management, delivery and packaging.

While technology can facilitate major changes in value addition to customers and achieve ZCD, survival of a firm depends on its ability to create surplus funds. Indeed, this has been the cardinal principle of business always with the three pillars of viability being market, finance and technology. Entrepreneurs, particularly those driven by technological enthusiasm, often forget this dimension. Investing in expensive technological tools to eliminate customer dissatisfaction is fine from marketing angle too, but may not be from that of finance. There are e-businesses, which are aware of the gestation period ahead of them before they start making profits. The question is about their capacity to sustain losses until the boom time arrives.

As noted earlier, mature latent want becomes mature latent demand under the influence of appropriate pricing. Accordingly, even if latent want is mature, it may not become mature latent demand in the absence of suitable pricing. Since price is elastic under the influence of a number of factors including the mixture of wants existing, it is important for firms to estimate mature latent demand at different price levels and determine their overall implications for viability before introducing modifications to value chain. It is in this background that we need to examine the erratic performance of e-businesses particularly the dotcom firms.

Customer Dissatisfaction and Dotcom Performance

As mentioned earlier, the sources of customer dissatisfaction are generally several under-performing links on the value chain. Naturally, the greater the intensity of dissatisfaction and the number of links affected, overall customer dissatisfaction will be high. Arrival of the Internet actually burst open opportunities for more efficient and effective collection and utilisation of information at several stages in the process of buying. Awareness about this potential at several value links pushed up the overall customer dissatisfaction, including for many products otherwise not having any dissatisfaction. There was sudden creation of mature latent want for a number of items. Possibility of substantial direct and indirect savings converted this into latent demand. However, most dotcoms were not able to eliminate customer dissatisfaction thus created throughout the value chain. Their focus was on some links while the others continued to have high level of ZCD. There are also instances where dotcoms failed to create any dissatisfaction at all through their new offerings. The net result is the questionable financial viability of the firms.

We shall analyse the performance of dotcoms taking different stages in value addition together. A change could be related to the core features of the product or its auxiliary features. In any case, what is important is to ensure that the overall package of value offered to the customer is not only superior to the existing alternatives but close to ZCD. Otherwise, the overall level of dissatisfaction will remain very high, and customers will not have any incentive to accept the new product. It is with this background that we examine the reasons for the erratic performance of dotcoms.

A) Features of the product / services

Though not in large in numbers, a number of firms introduced consumer products with Internet based features.

1) Latent Want continues to be immature:

The performance of a number of dotcoms has been erratic either because they did not examine their business potential from this angle or misjudged the pace and intensity of change in latent want. This happens when either customers are totally content with the existing methods of doing things or the overall value proposition is

no different from anything offered. For instance, Pentamedia-Sony joint venture NumTV.com has not taken off for the same reason. Their promise to get a number of TV entertainment channels digitalised over the Internet did not evoke any interest in customers who were otherwise satisfied with the performance of existing TVs. Besides, customers were not confident of NumTV's ability to ensure the quality in terms of screen resolution and smooth surfing of channels. Similarly, in societies where non-vegetarian food is a taboo, the latent want for non-vegetarian food is totally immature. People are totally happy with the existing variety of food, and such a situation will not change unless social values change dramatically.

Firms that believe that they will always be able to move customers to the mature end on the latent want continuum are making a grave mistake in this process. Many entrepreneurs and their advisors seem to believe that too much of advertising automatically results in selling the concept successfully and moving customers towards the mature end of the continuum. Unfortunately, it does not happen so always. All the money they have raised from own sources and venture capitalists are very often spent on selling the new web based shopping concept, resulting in nothing.

B) Buying Process

Marketing literature has mapped the buying process of any product in detail starting with an initial interest, its conversion into intent and final purchase. Going by the arguments of ZCD, a buyer should achieve ZCD on all points in this process. In the dotcom context at least three assumptions have gone wrong.

1. Dynamism in latent want:

Some dotcoms assumed that the buying process involved only convenience in shopping and the only significant variables there are flexibility of time to shop, location of shopping and availability of information about competitors. This turned out to be not true. It was wrong to assume that everyone would be comfortable using PC and such shopping culture through the Net was widespread. The promoters of such dotcoms presumed that all customers would be equally computer savvy as they were. It was not so, though it is happening now. A recent report for the Conference Board and NFO worldwide shows that 34 percent of US households have made at least one purchase over the Net this year compared to a mere 10 percent last year. It is significant that people in the 25-40 age group constituted most of it. Yet another dimension of dynamism in latent want is the expectation of customers that the Net performs as well as a TV where one gets one's choice channel just by pressing the remote control once. This means, searching on the Net should be as fast as searching for programmes on TV. This will happen once broadband becomes a reality.

2. ZCD of psychological elements of buying:

It is important to take care of the elements involved in every stage of the buying process. The level of dissatisfaction goes up the moment customers' comfort level with the existing mode of purchase drops. Customer confidence in the capabilities of the Net will be high only when it can assist in completing all the processes a customer is used to do otherwise while shopping. For instance, customers tend to buy toiletries and books over the Net but not apparels. There are three dimensions of buying we need to consider here such as inconvenience, price and risk of failure. Even when the Net eliminates dissatisfaction due to inconvenience and price, very often firms have not been able to eliminate the probability of failure significantly, which is linked to the process of buying greatly.

Drawing from the conceptual arguments made earlier, we can say that the cumulative effect of convenience, price and probability of failure is much different for these two categories of products. Toiletries and books move on the latent want continuum smoothly but for apparels, there are a number of constraints. The possibility of going wrong is generally high in the following cases, if adequate care is not taken while buying. These include knowledge about choices for non-standard or unproven products or brands and unproven capabilities of distribution. If one is used to the 'touch and feel' approach to buying, then discomfort with a screen based approach will remain high so long as they are not confident and comfortable either with the use of a computer or with the capabilities of the packages in the computer. This also means that mechanisms need to be evolved to eliminate the psychological fear of failure.

In short, though Internet has enabled elimination of dissatisfaction on some links on the value chain covering the process of buying, it has not been complete. This is particularly so in areas where the probability assigned to success is directly influenced by the customers' level of comfort with the process involved. For instance, Internet firms such as Boo.com offered products conventionally classified in the category of 'touch and feel'. They were actually successful in attracting many customers to their site, thanks to convenience of shopping and excellent advertisements, besides image of the promoters. However, customers' need for 'touch and feel' before buying remained in the same physical mode. There are other influential psychological factors coming in the way of real purchases such as mindset (perception that unless the customer sees and feels, the selection could be wrong, lack of confidence in switching to a new way of shopping, and feeling that something psychological is lost in the process). To add, for some products, such as designer dresses or furniture or decorative items, customers like to see a huge variety before choosing something to buy. Most web based firms have not been able to eliminate these kinds of dissatisfaction.

To eliminate perceptions of failure firms will have to provide innumerable choices such that the products will become almost customized. We need higher levels of

technology to provide better screen resolutions, showing the garment the way a customer looks at it, showing the texture the way a customer feels it and so on. At the end, customers should be able to return the product if they are not satisfied with it. One may have to have arrangements for this such as that of a courier in a modified way.

Another important aspect we need to consider here is the customers' tendency to 'satisfice' their wants instead of always maximising. This means, customers may compromise on some of their areas of dissatisfaction if most of their critical wants are fulfilled by a known brand and stay with it, avoiding risks involved in the use of unknown brands. Though customers attain ZCD at a single point, in practice there is always a range within which they tend to accept it as ZCD. This means, they do not keep on evaluating alternatives beyond a point, which is in the satisficing zone. In other words, customers feel comfortable once the choice is more or less close to their wants. This means taking a customer out who is already in the satisficing zone of ZCD by offering alternatives is not easy.

3. Security of Payment:

Many customers are still not sure of security of their payment, particularly with reference to the secrecy of their credit card details. A simultaneous fear that is growing now, leading to lack of confidence in the Net is the possible threat to privacy when firms, particularly those already failed, sell customer details without their permission.

4. Maturing latent want all right, but no ZCD:

Some dotcoms have been successful in shifting the latent want for their products towards the mature end. However, they failed to deliver what they promised. Firms such as Amazon.Com could sell books by moving customers from immature to mature end, thanks to the Internet. However, in its initial days, Amazon had disastrous experiences of non-delivery of books within the promised period, creating dissatisfaction among customers. Conceptually, Amazon tried to move book buyers to the mature end and then eliminate all their dissatisfaction through speedy delivery of their chosen books. In this process, customers could not only eliminate the hassles of visiting one or more shops when they are open, but also get price discounts.

However, a new source of dissatisfaction emerged when Amazon failed to stick to the delivery schedule they had promised. Customers' frustration multiplied when the suspense and excitement created during the period of waiting were not met in time. This means that the mix of values transferred to the buyer got changed in the process. It was only when Amazon was able to streamline the delivery system that customer dissatisfaction almost disappeared and reached the immature end of the new continuum. In short, even when some elements are changed to remove certain areas of dissatisfaction, the net result may not change much if there are other

elements existing or created anew in this process which create dissatisfaction. For instance, though Amazon was able to create new mature latent want for Internet based book selection and satisfy it, they initially failed in removing mature latent want for quality delivery that was created by their promises.

Many dotcoms failed to get orders for want of a new hassle free mechanism for customers to return items they were not satisfied with. Attempts are being made by some to bring in a brick and mortar component to take care of such problems.

C) Price Elasticity

Several dotcoms ignored the elasticity element of price while recognising that customers always wanted price to be low. They also ignored the fact that customers are interested in the aggregate level of satisfaction derived from a combination of product features, purchase process and price elasticity. Firms have to determine the extent to which price is a predominant factor and the extent to which it is elastic.

1) Latent want is maturing, but slowly:

Firms such as Value America and Priceline made an error when they assumed that customers would lap up their offer to sell a number of products at very low prices. They invested heavily in advertisement to promote their new business concept. In essence, intuitively they thought that their advertisements focusing entirely on price would move customers to the mature end quickly. When they misjudged the level of maturity existing, and the cost of extra effort required to move customers to the mature end, the result was shortage of funds. This is a clear case of price elasticity. Besides, as mentioned earlier, if the overall level of ZCD from the new offering is not much greater than the existing, customers would not make a switch. Very often such firms run out of funds and give up, since most such ventures are created by 'low cash capital – high intellectual capital' entrepreneurs. Venture capitalists also withdraw from the scene when the progress is not found satisfactory.

D) Cost – Benefit relationship

Many a dotcom assumed that their success depended on their ability to attract customers to the Net, disregarding fixed and variable costs. Driven by technological advantages, they started business with the hope that volumes would come automatically. They failed to recognise that without having unique features and entry barriers, it would be impossible for them to restrict the number of players in the market.

1) Costs outweigh benefits:

Many firms including Amazon have been able to not only move customers to the mature end of latent want but also transform their want into mature latent demand through attractive pricing strategies. Often, in their excitement to win over

customers, they compromise on margins and hope that the break-even cost would come when volumes rise. They tend to believe that they would earn through high volumes. This does not happen always. The result, firm's economy suffers. It is also possible that in their anxiety to be the first in the market before anyone entered where speed is very important, entrepreneurs may not have analysed resistance to price levels on the elasticity slope.

Most entrepreneurs in their excitement to capture market often forget the fundamentals. In the Internet business, technology costs are huge, and obsolescence very fast. The current interest in Internet exchanges is a realisation of this truth (well, whether that model will succeed in the present format is also doubtful because of customer dissatisfaction with some other elements of the model). In short, when revenue streams do not thicken to meet with technology costs, firms fail. The logic for B2B exchanges lies in sharing technology costs.

2) Failed advertisement revenues:

Several firms went into the market with the assumption that their major or only source of revenue will be advertisement income. They believed that if customers could be attracted to their sites where they would keep hoardings of their clients, over a period of time their total revenue would go up when the number of people visiting their sites increased. This is the essence of the 'eye ball' model. Hotmail was the first to follow this model but was later followed by a proliferation of 'free' information providing portals. Looked at from the angle of latent want, people visit these sites not attracted by the advertisements (which means there is no mature latent want for seeing ads) but to satisfy the need for having free email or information search services. Often these ads have not been able to retain customer interest in noticing them. Most customers do not even bother to see anything other than their email messages. Naturally, when advertisement revenue did not pick up as per their projections, their business model collapsed. Many search engines particularly with narrow industry focus have folded up when their revenues from advertisement did not grow as expected. This is particularly so for small or niche players such as many of the medical websites as the scope for volumes is inherently limited. For instance, Most US health sites wound up except for some such as WebMD, which has reported \$517m loss in Quarter2 this year as against \$18 m last year. Some of the recent alliances such as Yahoo! With Kmart's Bluelight is to mutually support and encourage visitors to their sites. This scenario will change only when the scope for advertising on the Net is researched further and clearly understood.

To add, survival of firms such as Yahoo! com and Rediff.com will depend on their ability to persuade their site visitors to actually buy over the Net. Their ability to not only attract but also retain visitors depends on the nature and quality of services they offer (competitive advantage) and their sustenance over long periods of time. Customers can be retained so long as a firm achieves ZCD.

Conclusion

The sources of customer dissatisfaction could emanate from product features, process of buying, delivery and price elasticity. Most dotcoms have assumed that transition to e-business is mainly a function of front-end or back-end expertise. They forget to recognize that all the three sources of dissatisfaction namely product, process and price need to be addressed to understand their exact mix that will make a firm successful. They failed to notice that the pace of movement on the latent want continuum is a complex phenomenon. While Internet created new mature latent want for some aspects of the process of buying, firms did not notice that it was not capable of eliminating all other elements of dissatisfaction. Besides, they ignored that the Internet created new elements of dissatisfaction.

The theory of business has not changed in terms of its essence, even in the Internet era. Some of the fundamental principles such as SWOT and forces of competitiveness are equally relevant for the success of Internet based businesses. The core resource mix should have ingredients of domain expertise in the respective industry and technological knowledge to build uniqueness and entry barriers. Otherwise, we will have to continue to witness many more baptisms and obituaries.

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