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**Strategic Management & Information Systems**  
*Department of Informatics*

**Case A: ELANCE.COM**  
*Projects vs. Personell*

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## CASE A: ELANCE.COM *PROJECTS VS. PERSONELL*

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eLance.com is a new trading platform founded in 1999 and based on the vision started in the articles “The Dawn of the E-lance Economy” by Thomas Malone and Robert Laubacher in 1998, stating that in the future won’t be controlled and done within one corporation only, but carried out by autonomously connected individual freelancers.

eLance.com is dedicated to services provided during projects with focus on small to medium size companies or private persons. It provides the virtual environment for both, buyers (service providers) and sellers (project providers), allowing them to connect, communicate and complete their projects. Buyers can post a product description and receive bids from the service providers or choose from fixed price service listings. Sellers have a virtual global market gaining easy access to thousands of possible customers.

In addition to the solution to exchange details of offered projects and services provided, eLance.com provides a virtual work space for project development, project communication (messaging) and delivery. Finally, buyers can profit from the service provider certification and availability of feedback ratings ensuring quality of the services, whereas service providers can build up reputation and have more reliable payments through an international payment system.

### **Q1: What is the key strategic issue for eLance.com?**

Already during the first three days of the beta phase, not only projects are posted as planned, but 33% of the postings are listings for temporary job positions.

The founders and managers of eLance.com now have to make the decision *either to stick to their original strategy and business model, thus allowing only projects postings by buyers to service providers, or change the business model (temporarily) allowing requests for (onsite) freelance opportunities, thus entering the (online) staffing industry*. Shortly speaking the key issue is whether the strategy should be orientated to projects only or should it encourage liquidity by allowing recruitment postings. As a result, this decision will not only affect the future Website development but also the complete (strategic) positioning in the market.

**Q2: Specify the possible solutions to the issue and discuss the pro-s and con-s of the different alternatives and motivate the solution you would recommend.**

On a first glance, the option “**include freelance opportunities**” seems to be a great chance, providing an easy way to reach “liquidity”, a critical mass of buyers and sellers, and making more people aware of the existence of eLance.com faster than with projects only, as people are used to staffing but not to project work. In the short run, this will lead to more transactions and thus higher revenues.

However, a more detailed analysis reveals that there are many downsides. There is a competition with 7.000 firms in the US\$72 billion staffing market with an expected growth rate of 6% (24% for professionals recruiting), thus according to the BCG’s growth share matrix, eLance.com would be a question mark or even a dog, having low market share in a moderately growing market.

According to the model of Amit & Zott (2001) they won’t have neither a first mover advantage nor a way of efficient operations (compared to the competitors) as most of the infrastructure and features, including “lock-in” services, have to be developed, whereas competitors already profit from scaling effects and set up services to keep freelancers and position offering companies on the site. The complementary nature of the freelancing opportunities to the projects might be an advantage in the model, however the drawbacks is that it will be hard to educate buyers as well as sellers to change to a project oriented way of working according to the original strategy, if the traditional way they are used to is still offered, thus endangering the long term success of the main project business.

Due to the lack of differentiation possibilities the generic strategy would have to be cost leadership. For internet based services this is however – according to Porter’s article on “Strategy and the Internet” (2001) nearly impossible to achieve as operational improvements can be copied very easily.

With the option “**projects only**”, eLance.com will be in or even create a new market for selling projects online by means of auctions as well as fixed price services. The information known about this market is limited, so this business model is risky. However, the market is expected to grow fast (see. “The Dawn of the E-lance Economy”) if customers can be educated to work in a project oriented way.

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Thus, according to BCG’s growth share matrix, eLance.com could be a star, being market leader in a fast growing market.

In the short run focusing on “projects only” will leave a large portion of the buyer market out of the market place, hence resulting in lower “liquidity” and thus lower revenues.

According to Amit & Zott (2001) eLance.com will be a first mover in a new market with unique, efficient operations for the project business already set up in a beta version. It will be not complementary to its own services but to existing services and markets. The works space and rating system are strong “lock-in” services to keep most of the customers on the site for the whole transaction (project).

The generic strategy is differentiation with focus on a special (sub-)market (small and medium size projects), giving the possibility as first mover to profit from higher prices as well as being able to establish itself as the brand for project selling and building up entry barriers for following competitors.

The main pros and cons for both alternative solutions are showed in the table below.

<b>Projects only</b>		<b>Projects and recruitment</b>	
<u>Pros</u>	<u>Cons</u>	<u>Pros</u>	<u>Cons</u>
Really distinguished strategy	Customers need to be educated toward project oriented work	Higher number of possible postings and thus higher “liquidity” and revenues	Confused customers
New approach to online-auctions (first mover advantage)	Lower “liquidity” and thus lower revenues in the short run		Conflict with customer education plans
Possibility to build a brand due to lower competition			High competition in the established market
New market			Difficult to differentiate from existing companies

According to the arguments above, the recommendation is to **have the discipline to keep the strategy “projects only” focusing on differentiation and profitability in the long run**, even if it is risky and has trade-offs with respect to liquidity in the short run (see Porter 2001).

**Q3: What would be the consequences in the short and the long run for the design and implementation of a website to support the recommended solution?**

For the purposes to follow the suggested solution we will have to make further improvements to the website in order to reflect the strategy better. We use the model “Sources of value creation in e-business” by Amit & Zott (2001) to identify the features that will contribute most to the value creation. Therefore we analyze the four dimensions: Novelty, Efficiency, Lock-In and Complementarities.

eLance.com provides a new way to connect project sellers and service providers allowing them to build world wide virtual networks that would not be possible in a physical market. Beside detailed project descriptions and robust profiles, trust is the third most important resource for eLance.com as only trust makes online transaction between unknown business actors possible. Thus the enhancement of the existing feedback tool to an advanced quality control tool is one of the most important steps.

eLance.com is aimed at improving efficiency for service providers and project sellers by helping them to find and connect each other with lower cost and less time. Thus with increasing number of profile registrations and projects postings a search engine providing selection capabilities will be required. With an increasing number of bids received it is also important to provide a tool to keep the overview over running project auction, thus a Response Management Tool needs to be developed. These tools are crucial for the created value, thus we recommend implementing them in the short run as they support the project based strategy.

For the future enhancements in the long run, lock-in tools to build up loyalty, keeping customers on the site and thus increasing switching costs will be very important. Specialized content for particular audiences could not only attract new customers but also increase the loyalty of existing ones due to regular site visits even if currently not looking or bidding for projects. Advancing the profile to include work history and samples as well as references (not limited eLance.com projects). Quality reviews and feedback and thus reputation build up on eLance.com should be time dependent, ensuring that eLance.com is continuously used for projects negotiation and not only one to start business relations.

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Finally, continuous enhancements will have to be made in the work space, including (instant) messaging and online meeting capabilities for the communication during the project and providing the possibility to log this communication for auditing purposes. Implementing the tools mentioned above should help eLance.com become an important and desirable medium in online project selling market and be a trust and quality guarantor.

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**Case B: CFFI Inc**  
*Using GSS for strategic planning*

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## **CASE B: CFFI INC USING A GSS FOR STRATEGIC PLANNING**

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Clearwater Fine Foods Incorporated (CFFI) is one of the world's leading seafood producers. They are the world's largest producer and exporter of live lobster, sea scallops, shrimps, surf clams, ground fish, tuna and shark. They have sales offices in Canada, USA, U.K. and China. In 1995 they defined a five-year-strategic-plan, which is called "CFFI Vision 2000". It included amongst other things a yearly update meeting. In 1996 they had ascertained that there were problems with communications and collaboration in the company. They established a corporate Intranet, an upgrade to Microsoft Exchange for e-mail and they search for brainstorming and consensus-building software to resolve these problems. One of the CFFI's managers attended a course at Queen's University School of Business Executive Decision Centre (QEDC) discovering a Group Support System (GSS), called GROUPSYSTEMS, which tools comprise what CFFI was looking for, such as a brainstorming tool. So CFFI decided to send a group to QEDC evaluating the GSS.

A GSS is a collection of tools aimed at improving the "performance" of solving unstructured problems. Therefore communication, computer and decision technologies are combined in such a suite to facilitating meetings by allowing better collaboration and parallel work of the people involved, resulting in more "right" decisions in less time.

Beside the technology, the key success factor is an independent facilitator who has two tasks. The first is to introduce new users to the GSS involving demonstration and training exercises. The second is to guide the team through the GSS supported meeting, which can involve many different tasks ranging from encouraging people to participate, stating the agenda and chairing the meeting to assigning tasks and responsibilities or even work on meeting reports.

The GROUPSYSTEMS provided by QEDC is the most popular example of a GSS suite, providing 12 tools, among them the following: an electronic brainstorming tool that allows rapid generation of ideas; a vote tool that helps to evaluate and vote on ideas; an idea organizer providing a structured method to categorizing data; a topic commenter allowing in depth exploration of an issue. More advanced tools like a questionnaire, group matrix,

group outline, group writer, group dictionary and stakeholder identification are also included in this GSS.

**Q1: Should Clearwater Fine Foods Inc (CFFI) adopt a Group Support System (GSS) for ongoing use in their strategic planning process? Give the major reasons why (pro-s) and why not (con-s)!**

Most CFFI projects are very complex, have many interdependencies and typically require extensive discussions, so there is the need for a tool to facilitate this process. Thus *our recommendation for CFFI is to adopt a GSS* for ongoing use in their strategic planning process as a GSS addresses exactly these issues.

As with any decision, there are pro-s and con-s and introducing a new IT-System is never simple, so serious analysis requires considering cognition, culture and knowledge:

A new IT-System always affects and changes existing activities, processes and organization, so people fear deviation from habit, seeing their cultural embodiments of values and norms in the current situation at risk, while having to unlearn what they are used to and learn new, maybe uncommon, things [1]. Thus, it is important to state relative advantages, for example, enhancement of social status of the user, and – as far as possible – allow compatibility with existing values (Moore & Benbasat, 1991). Also individual differences (Zmud, 1979) such as extroversion versus introversion, will to achieve something and risk-taking propensity have to be considered, because IT systems can only be introduced successfully through an incremental innovation and learning process involving the users (bottom-up) and not by a fully designed top-down approach (Ciborra, 1994).

The system itself might affect the nature of the made decisions as the evaluation pointed out. Ideas might be overlooked by the bigger picture and people might feel to be rushed due to the continuous input by many other people so that they cannot formulate their ideas which thus are lost for the group. In addition as communication completely occurs by means of electronic devices and not personally, some participants might feel isolated.

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Another disadvantage is the need for a special conference room with special computer equipment, either in-house or having to travel to an appropriate location. Finally, a learning process involving time and money is necessary to be able to make use of all features in order to gain operational and strategic improvements.

However there are several crucial advantages which suggest using the GSS system. A major advantage is that every participant in the meeting can contribute his ideas equally without having to care about hierarchy and status. The system together with the facilitator allows ideas to be expressed without interruption making “talkers” loose their dominance and giving more introverted people also the chance to contribute thus generating more different ideas. This continuous feed of shared ideas enables people to get an insight into what the other participants are thinking thus allowing the development of synergies. Another major advantage is that the system allows effective grouping and consolidation of ideas and facilitates the decision making process thus enabling effective and productive group work.

<b>Group Support System (GSS)</b>	
<u>Pros</u>	<u>Cons</u>
anonymous input of the ideas	participants feel rushed and isolated from the group
equally input of the ideas	special conference room with special computer equipment needed (in-house or other location)
“talkers” loose their dominance	Learning all features of the system costs time and money
develops synergies by getting an insight what other participants are thinking	
effective grouping and consolidation of the ideas (effective and productive group work)	

### **Q2: If they will adopt that kind of GSS technology, should they acquire and manage the technology for themselves or make an outsource arrangement?**

According to Hedman, J. & Kalling, T, outsourcing IT work is a very common way to attempt to enhance IT activities. However success of outsourcing heavily depends on various factors which should be taken into account before making decision whether or not to outsource. E.g. outsourcing might be risky if IT is a strategic resource providing advantage over competitors.

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In our case the major problem is the possible dependence on the third parties in the long run. If QEDC fails to provide and continuously support their GSS, CFFI might require changing the service provider and adapting to the new system. Despite of some possible risks and disadvantages we consider outsourcing to be the best solution and thus we **recommend CFFI to outsource GSS**. The advantages of outsourcing GSS are as follows:

According to the resource based explanation (Barney, 1991) firms outsource IT to be able to strengthen their core competencies. Outsourcing enables a company to free up resources and save money which could be spent for the acquisition of technology. In CFFI situation outsourcing can help concentrate on their strategic planning and other core business activities, while leaving administration and support of GSS to professionals from QEDC. By doing that CFFI avoids the costs of implementing and updating the system as well as teaching or hiring personnel to support it. Outsourcing GSS enables CFFI to access qualified external services and equipment when needed without additional effort.

Let's assume that CFFI is not outsourcing GSS but implementing it themselves. This would result in high costs for buying the system and necessary equipment, as well as educating personnel how to support and use it. There would be additional cost to maintain and update the system, as the technology evolves. These high investments creates the commitment to use the system, thus leading to high switching costs in case it does not approve itself in long term. Commitment and switching costs as well as human energy spent would be much less in outsourcing GSS.

In this case outsourcing involves only low sunk costs in the first learning phase (according to Cash & MacLeod) in which decision to invest in this new technology has to be made. This allows entering the second learning phase in which the management teams can now test and try out the group support system in their regular meetings for real business cases with low risk. And finally learn how to use it to create strategic advantages in the third phase.

Another pro for outsourcing is time, which can be crucial factor. Instead of using the GSS to make strategic decisions CFFI would loose time and recourses for implementing the system on their own.

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To sum up outsourcing allows CFFI to learn how to improve their strategic planning for their core activities using GSS with low initial investment and no additional efforts to support and maintain this new system.

<b>Outsourcing the GSS</b>	
<u>Pros</u>	<u>Cons</u>
concentration of their core competencies	dependent on others
save costs of implementing and updating the system and hiring personnel to support it	
loose time when they implementing the system by itself	

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**Case C: OP4.com**  
*Choosing a Web Site Design Agency*

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## CASE C: OP4.COM CHOOSING A WEB SITE DESIGN AGENCY

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OP4.com was founded by three persons. Their vision was that they want to build a “portal” for youth with multiple features where they can congregate, discuss about topics with each other through chat rooms, e-Mail, posting messages in reply and submitting articles. OP4.com wanted to position itself as the premier youth-oriented site – teenager’s “place for everything”.

One of the co-founders, Stuart Saunders, describes his OP4.com vision as “a positive Web community for kids” with a proprietary content as the main feature.

So they authorized a web agency, named MillenPro, to build this portal. Now they doubt if it was the right decision to engage MillenPro, because of the arising problems and conception misunderstandings. To hedge their bets, they decided to approach BaseSync, a company for innovative interactive Web design, to bid on the project. They are now under compulsion to make the right decision.

### **Q1: What characteristics should OP4’s Web site have to become the portal for teenagers and make them consider OP4.com as “Our Place for Everything”?**

To describe characteristics for the OP4’s website we are going to use the 7C model that distinguishes 7 main factors for website success: Context, Content, Community, Customization, Communication, Connection, Commerce.

*Context.* The site features that create an aesthetic and functional look-and-feel should appeal the targeted audience while taking into account the available hardware, especially the display (colors, resolution) and the short attention span. The youth-oriented site should look funky, fun, genuine, exciting. The site’s design and layout should give a clue of what features members can expect from it. In other words the site should be “transparent” and show its possibilities however do not reveal them too much in order to keep the intrigue thus inviting new users to become members of the site.

*Content.* The proprietary content is stated to be a cornerstone in OP4.com. We distinguish two elements that are essential factors determining the successful content: freshness and attractiveness. In order to appeal the targeted audience the content should be fresh and daily updated. Attractiveness stands for intriguing the users and keeping their attention as well as letting customize the content according to their needs. Interesting,

relative, interactive and continuously updated content can be a crucial advantage if implemented correctly.

However here we see a potential danger and difficulties of creating such content. As the OP4.com positions itself as a place for everything, the content should be very wide as are the interests of the targeted audience thus creating and managing such content can be a real challenge. Also users can find only a small piece of content relevant to their needs and prefer the more differentiated portal which is more relevant to their particular interests. As the OP4.com positions itself as a place for everything, the content should be very wide as are the interests of the targeted audience thus creating and managing such content can be a real challenge (“What fits everything fits nothing”). This can be solved by high level of content customization (see below). It is also important to let the users create and contribute the content. However it should be done under controlled conditions in order to prevent dishonest or hatred based content.

*Community.* The implementation of such features like a chat, bulletin boards, instant messaging and e-Mail can be useful tools for creating and maintaining the virtual community.

Members can use these tools to discuss about topics which they are interested in. Virtual communities can be a crucial for retaining large percentage of visitors.

OP4 assumes that youth is homogenous audience and should be interested in the same activities or topics, however this is naïve assumption. The possible diversity of youth demographics should be taken into account. The existence of communities, both real and virtual, is based not on the diversities, but on similarities. Thus creating and retaining a community might be difficult while focusing on youth in general without any common characteristics besides being “a youth”.

*Customization.* In order to appeal the users the look and feel of OP4.com should be highly customizable. In order to create a feeling like home, OP4 should be customizable and appealing to each and every member, depending on their preferences or mood. Customization should include the tailored content, design and layout.

*Communication.* Communication is crucial factor in creating and retaining virtual communities. Thus there should be implemented tools that allow easy and convenient

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communication between the members of OP4.com, such as chats, postings, comments, instant messages, forums etc. There should be a possibility to allow users seeing the other users' (e.g. friends') mood and/or preferences, recently viewed content, comments etc. This feature might encourage communication and involve more users into the process, while making the communities bigger and stronger.

*Connection.* OP4 should provide their members links relevant to the content or user profile. For example if user is interested in games the links to the online shop for computer games might be welcome.

*Commerce.* With commerce OP4 earns their money. There are different ways of commerce like sponsorships, advertisements and e-commerce opportunities. We suggest implementing advertising system which could show relevant banners, advertisements or PR messages according to the user profile, field of interest and usability habits, thus making advertisements less annoying and even attractive to the audience. This should also increase the sponsor sites visits and sales.

### **Q2: What characteristics should OP4's Web site design agency have?**

The main issue is to understand the OP4 vision and target audience space. Thus it is crucial for the design agency to understand the requirements and the vision of OP4's in order to create a successful portal. The site design agency should have experience in working with similar projects and should have knowledge about the targeted audience, the youth. Having a lot of experience with similar audience and knowing the youth's demographical habits, they can also contribute to the OP4 vision itself, as it is still not consistent enough and lacks of pragmatism. OP4.com has a funds of half a million dollars. Therefore they may allow themselves to have more expensive and comprehensive development if it will give better results. The project requires good understanding and coordination between both sides thus the design agency (the project group) should concentrate on the design of the OP4.com site and not work on other projects alongside. Tom Pressello, one of the co-founders of OP4, suppose, that "it is hard to create a win-win situation" if the design agency is extremely busy. A well known brand name would be an advantage because well established and famous company would not put them selves in risk of becoming notorious of failing

successfully accomplish some dot.com project. Responsibility and respect of the deadlines are very important characteristics of the design agency as the time is limited and every delay can cause loss of potential users.

**Q3: As an adviser to OP4 discuss and motivate your recommended choice of agency for their website design?**

The competitors from OP4 obtain daily new users which become members and they also getting press coverage. So it is important for OP4 to make a rapid decision which design agency they choose.

However, this is difficult to accomplish on the basis of the provided information as there are neither detailed information about the MillenPro's offered features, the project price and additional costs for support, further changes or improvements nor do we have any theory for selecting a design agency.

To overcome some of these issues, we will assume that the website from MillenPro would have the similar features as in the BDD from BaseSync and apply theory (findings) from the adoption of ERP systems. The latter is reasonable, as while ERP systems are "the [...] largest project[s] in cost and time [for manufacturers]" (Davenport, 1995), the same is true for the Website and OP4.com. Further, whereas for the ERP implementation vendors and consultants for a long-term cooperation have to be selected the same applies for the design agency and OP4.com.

Learning from ERP experience (Nelson, 2003) three important factors for the long-term success of the relation to the agency and the project itself can be defined: compatibility, dependence and cost .

During the implementation and the first changes, it turns out that MillenPro had problems to recognize the requirements of OP4 and its target group and it appears that there are communication problems between MillenPro and OP4. It seems that MillenPro has neither enough knowledge in the youth space nor have enough experience in similar projects. So compatibility is low. For MillenPro OP4.com would be an important project, so both would depend on each other in the long-run. Cost are (thus) expected to be lower than that of the competitor, but no figures are available.

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Considering BaseSync a serious concern is cost: The whole project (included BRD, usability design document, building the site and future changes on the user interface) is estimated to cost more than a half a million dollars which equals the total funding of OP4. So if they go for BaseSync they can't commission all parts of the project, but several documents/parts build up on each other. Thus they can maybe make no changes on the interface. Furthermore, BaseSync is a busy company with a large amount of customers, rejecting 95 per cent of their requests resulting in a one-sided dependence making it "hard to create a win-win situation" as Tom Pressello correctly stated.

However, there is a great benefit: BaseSync had worked for other firms, like Universal, Nike, Lego, Nintendo with the similar youth target group as OP4. So they have experience in these demographics. The provided BRD is convincing and clear what can indicate that BaseSync treats their customers with responsibility. It also shows that BaseSync understands the OP4 needs, so there is high compatibility.

Taking into account the pro-s and con-s for both design agencies we recommend to **choose BaseSync design agency as their portal developers** from the given options even if this is not an general optimal solution. According to Kalling (1999) cost are relative and figures are not complete, so the focus is on dependence and compatibility. Current research shows that according to Janson and Subramanian (1996) "a better fit with the software vendor is positively associated with [...] [project] success" and that according to Thong (1994) "organizations should attempt to maximize their compatibility with the vendor" while ignoring this factor "results in diminished performance benefits" (Burn and Szeto). Concerning the dependence it is a question of management (comp. Ross 2002). So a long-term maintenance contract should be included and OP4 should be in close contact to the developing team learning how to do simple site updates fast on their own, thus minimizing the vulnerability (Kalling) created through the dependency risk even though the risk of lacking resources of BaseSync remains a serious issue.

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**Case D: DoubleClick Inc**  
*Gathering Customer Intelligence*

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## CASE D: DOUBLECLICK INC. GATHERING CUSTOMER INTELLIGENCE

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DoubleClick is a company that offers an intelligent targeting internet banner advertising solutions for marketers and web publishers. Its vision is to get “get the right ad to the right person at the right time”. They are the leaders in this advertising business with a global headquarters in New York City and over 30 offices around the world. Their Software tool, DART, is a web-based advertising management software comprising tools to collect analyze and optimize online ads and their delivery. The key to serving ads tailored to the individual web surfers’ interest are cookies: If a user visits a DoubleClick site for the first time, a cookie is placed on the new user’s computer. When he later visits another site being part of DoubleClick banner network, the system identifies the users’ cookie and provides an advertisement suitable to their user profile. This user profile is identified by the cookie, thus it is actually a non-personally identifiable profile fixed to the computer (account) the cookie is stored in. The profile contains clickstreamdata that is information about the web surfer’s habits including which sites (serving DoubleClick ads) he visited when and how often and what banners he clicked.

In 1999 DoubleClick bought Abacus Direct, a direct-marketing service company, who owns a database with personal identifiable data from about 90% of US households about consumer purchase habits including names, addresses and detailed purchase information like item, amount price, date and payment method collected from and provided to the partners in the “Abacus Alliance”.

DoubleClick now wants to merge its database of non-personally identifiable data about web surfer’s habits with the database of Abacus with personal identifiable data about consumer purchase habits thus being able to deliver perfectly tailored ads to the web surfers allowing a kind of “online” direct mailing. Even though they need companies from the “Abacus Alliance” to merge cookie-id and personal data when users log into their online shops, the merger immediately triggered a firestorm of criticism:

**Q2: The Federal Trade Commission (FTC) has charged DoubleClick. For what – more precisely?**

The reasons of FTC to charge DoubleClick are user privacy policy violations:

Jason Catlett of Junkbusters Inc., David Banisar from Privacy International and the U.S. Electronic Privacy Information center filed a complaint with the FCT charging that DoubleClick was engaging in unfair deceptive trade practices by tracking online activities of internet users and now combining that data with detailed personally identifiable information from Abacus without asking for the users permission and thus in contravention of or against the purposes disclosed in its privacy policy while deceiving that its technology lets the web surfers remain completely anonymous as they expect to be in the internet.

**Q1: What are the advantages and disadvantages of integrating DART technology with Abacus Direct from the web browsing customer's point of view?**

Evaluating the advantages and disadvantages in merging the two databases from the web user's point of view we consider psychological and sociological issues as important as the economical one because it highly depends on the user's values and attitude towards advertisements.

In this context we have to take into account, that people are quite different, thus there are people who like advertisements and the information or news provided by them, some that care not much about it and finally people who are not happy with being bothered with any advertisement at all. For the first two groups ads provide some benefit, however, in addition, we can distinguish different purposes they "use" ads for: with focus, that is for gathering information in advance and even for doing a purchase itself or without focus, just to get some information about new and possibly interesting things.

Thus there are different points of view towards advertisements and thus the following advantages and disadvantages have different weight.

By the integration of Abacus' database DoubleClick can now base its advertisement targeting not only on the derived information from web site visiting habits and response to shown advertisements (linked to a computer (account) ) but also on the user's (real person) shown interests in specific products and brands when actually buying them.

## CASE D: DOUBLECLICK INC. GATHERING CUSTOMER INTELLIGENCE

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This creates significant advantages as the user will get more relevant ads with again advanced impression frequency control thus limited the amount of annoying uninteresting ones. Especially in the case when many different persons use the same computer (account) this tailoring won't be able without the use of personal data as cookie based tracking would be mixed.

Further the ads are more focused and tailored to his individual (shopping) interests, his location and age giving him an easier way to get information about these products and services and finally purchase them directly through the links behind the ads.

However, there are of course also many disadvantages:

First, there might be increasing pressure to buy goods users like and now are exposed to more often due to advanced ad targeting resulting in dissatisfaction and possible even financial problems. Further, ads will be restricted to the current fields of user interest deduced from current data, resulting in time lags to adjust to changes in user interests which might result in wrong tailored ads which in his new situation bother him with focus.

The very detailed and extensive data compiled into the new combined database is very sensitive and valuable information, so there might be a high risk of hackers trying to get access to this data. Furthermore, the abuse of this sensitive data (by hackers or even people having official access) against other (publicly exposed) persons is also a serious danger.

The level of ad annoyance does not correlate with its relevance. The users are mostly annoyed not by the content itself but rather by the way it is presented, thus even very relevant ad might be annoying.

The greatest disadvantage is, however, the unnecessary and unwanted exposition of personal data resulting in the loss of the anonymity of the internet that is expected by "normal" internet users. This issues is even worse due to the complete ignorance of personal rights when merging the data without asking for permission while not providing the user with any possibility to control what personal data is when disclosed to what database and the opting-out feature is "hidden" from an average user on DoubleClick's website.

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User views to ads	Positive	Indifferent	Negative
<b>Advantages</b>	<ul style="list-style-type: none"> <li>- Relevant ads</li> <li>- Seeing images of interesting products</li> <li>- Gaining knowledge</li> <li>- Easier to buy</li> </ul>	<ul style="list-style-type: none"> <li>- Easier to buy</li> <li>- Gaining knowledge</li> </ul>	<ul style="list-style-type: none"> <li>- Gaining knowledge</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>- Loss of anonymity</li> <li>- Risk of data abuse</li> <li>- Risk of unauthorized access to sensitive data</li> <li>- Ignorance of personal rights</li> <li>- Increased pressure to buy</li> <li>- Restricted to current fields of interest</li> </ul>	<ul style="list-style-type: none"> <li>- Loss of anonymity</li> <li>- Risk of data abuse</li> <li>- Risk of unauthorized access to sensitive data</li> <li>- Ignorance of personal rights</li> <li>- Increased pressure to buy</li> </ul>	<ul style="list-style-type: none"> <li>- Loss of anonymity</li> <li>- Risk of data abuse</li> <li>- Risk of unauthorized access to sensitive data</li> <li>- Annoyance</li> <li>- Ignorance of personal rights</li> </ul>

**Q3: As a member of FTC would you consider the declared privacy policy of DoubleClick as good enough to close the inquiry into their ad serving and data collection practices?**

Kevin Ryan, the president of DoubleClick Inc., notified, that their privacy police “is the most aggressive Internet privacy police ever”.

We can agree with that. It is quite clearly formulated, describes the data collected for the different services and stages in detail and contains several important points protecting the users’ privacy:

For the delivery of ad banners only, no personally-identifiable information, like names, addresses, but only non-personally information, like server or browser-type of the user is collected.

If a user wants a personally-tailored advertisement to their interests, DoubleClick can match the non-personal with the personal information from the Abacus Database, but only when and after the user agreed explicitly on one of the websites of a member of the “Abacus Alliance” which also has to include information about the use of the data in its privacy policy. Especially there is no initial automatic merger.

They also describe in the new privacy the option of totally “opting-out” of any tailoring of ads with special cookies. DART will then treat the user always as a new one with no existing data.

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Finally, DoubleClick does not sell the information in the Abacus Database to any merchants, advertiser or Web publisher.

One problem is, however, the question, how a “normal” visitor of a website delivering ads can learn about the “opting-out” option as this information is only provided in the privacy policy and most users don’t even know that DoubleClick places a cookie on their computer. So it might be better if they get a notice about the place of a cookie having the option to reject this option.

But finally this is a minor problem as this “hidden” “opting-out” feature does only concern non-personally identifiable data whereas for the use and merger of personally identifiable data a clear and obvious “opting-in” is necessary and no initial data merger without user permission will take place.

**So to us it appears that there was no use or disclosure of personal data for any purpose other than those stated in the new privacy policy and thus we will close the inquiry with the strong recommendation to continuously develop the privacy protection for consumers in the future.**



**INF651, Autumn 2006**  
**Strategic Management & Information Systems**  
*Department of Informatics*

**Case E: Learn Acts**  
*Strategy and ICT for eLearning*

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eLearning is about enabling an advanced environment for people in which they can learn most effectively by the use of information technology.

The need for academic institutions in higher education to adopt and provide eLearning arises from the changes of students' demands driven by changes of what or who a "normal" student is. More and more students are only studying part-time while still working nearly full-time, are financially independent, very mobile and busy. Thus they expect a high degree of customer service, including easy access to course materials and media as well as quick (online) answers to their questions. In addition, learning is requested "on-demand" not in terms of many years programs to allow a learning experience which can be described as "just in time, just enough, and just for me".

During the last years academic institutions started to use LMS Systems like WebCT or SAKAI on university, faculty or department level. This resulted in the existence of many different, incompatible and often amateurish systems, being not as efficient for the user (learner) and making a mesh up of multiple sources or learning objects hard if not impossible.

From his experience in the ELLIDA erasmus project, Erik Wallin realized that this situation won't have a future but that there is a great opportunity arising with the upcoming Microsoft Office Sharepoint Server 2007 to build an eLearning Platform build on this common shared state-of-the art software-architecture allowing better cooperation and thus higher productivity between different actors in the eLearning value chain within an university but also beyond.

**Q1: Make a suggestion of how LearnActs can establish and maintain a distinctive strategic positioning on the European eLearning market?**

In this context Erik used its experience to make a detailed analysis of the eLearning value chain with four phases: 1.) Content Design Phase, 2.) Implementation Phase 3.) Learning Phase and 4.) Evaluation Phase (comp. "LearnActs – Business Idea for details). Today normally all phases are conducted in the university, thus a professor (and his assistants) often design the course as authors, produce the course ware, give the course incl. practice sessions and tutorials and finally do the evaluation.

## CASE E: LEARNACTS.COM STRATEGY AND ICT FOR ELEARNING

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During his analysis Erik found that the implementation of course ware is – as well as the running of a eLearning platform – not a core “business” activity of academic institutions which thus obviously also lack experience, knowledge and scaling opportunities in this activities.

So Erik is currently evaluating the creation of a formal business unit called LearnActs in his company Conersity AB taking the role of a Education Application Service Provider to offer (in Phase 2) as Courseware Factory the setup and implementation of learning objects, learning spaces, instruments and executable learning acts from input provided by the authors and experts and running a centralized learning objects repository, allowing university members to focus on their core competencies in phases 1, 3 and 4.

The European eLearning market is very diversified, including providers of LMS, Consultants providing help in how to implement such systems within companies and providers of real (e)Learning objects. The (global) market of emerging eLearning industry is expected to grow at a rate of more than 60% per year.

The idea of LearnActs as Courseware Factory and European (academic) eLearning platform is, however, unique in the market, as currently no company seems to exist providing a similar service focusing on academic institution and their great portfolio of learning objects waiting to be exposed online through eLearning. Thus according to BCG’s growth share matrix, LearnActs can become a star, being market leader in a fast growing market.

The generic strategy is differentiation with focus on a special (sub-)market, giving the possibility as first mover (Armin & Zott (2001) ) to establish itself as a brand While offering tools and working environment for authors, experts and other participants of learning process, LearnActs provides unique medium to work in.

There are two key issues regarding the strategic positioning as value chain integrator: technology and partners. The selected technologies for the collaboration platform for eLearning have not only to fit the need of LearnActs as but also the requirements by all groups to be integrated, that is especially authors and teachers but finally also the students.

## CASE E: LEARNACTS.COM STRATEGY AND ICT FOR ELEARNING

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In order to accept LearnActs choice of technology, they will require that they can access the platform easily, that it increases their learning efficiency and that it can be integrated into their other working processes. Thus the partner providing the software and development services has to be selected carefully (see Q2), as due to the amount of different people connected to the platform a stable long-term alliance is necessary. As important as the technology partner are the partners, e.g. teachers and authors, in university. They have to trust LearnActs to understand their needs, be able to transform their input consisting of course (pre-)materials and learning objectives into learning objects and acts fulfilling their requirements and willing to pay for the later selected sets of learning acts while being assured that their Intellectual Property Rights of the input are assured.

Concluding, the distinctive strategy should be to

- Select Microsoft as reliable technology partner and MOSS with customized extensions as ASP platform
- Concentrate on the sub market of academic eLearning
  - Starting at Lund university
    - with a subset of subjects, e.g. business, economics and informatics where courseware can be build by highly educated courseware experts that need not be real exports in the subject itself (as necessary to build a seminarierum for experimental quantum mechanics)
    - and partners (professors) who know Erik and LearnActs personally facilitating the gain of trust
  - expanding over the ELLIDA partner universities
- build a virtual author community
- build an easily searchable learning objects and acts repository storing them as SCORM and XML models

**Q2: What are the advantages and disadvantages of using Microsoft's software in comparison with Open Source as the basic ICT architecture for LearnActs?**

The Open Source Community that is people developing software in their free time for fun, gaining skills or reputation or just to be creative, has increased in the last fifteen years, since the development of Linux, providing for some software products serious alternatives to commercial ones.

There are several advantages of Open Source Software. The Open Source Software is available for free or at very low costs available for everybody through the internet or another delivery kinds, like CDs. The source code of Open Source Software is visible for everyone. Thus not only the original developers but anyone with programming skills, can improve, extend or bug fix on the software. All people work together in a community of voluntary programmers, bundling their knowledge and experiences of software development. If an open source project has the “right” community and leaders, this can result in very high quality. In the Open Source Community there is, as a result of involvement of many programmers, in general a quicker and more open feedback and support process than in a normal development studio.

Another positive issue towards open source software is the nature of the open source community itself that is open, diverse and learning community. Thus these values can fit more into the eLearning concept and provide more flexibility and feedback during the software creation process.

Many of the characteristics of open source communities can, however, be serious disadvantages. Open Source Programmers are often not interested in what the end-users want or look for but only work on projects in which they are interested in and as long as they want to. So if the programmers of the software loose their motivation for further developments, the future of improvements is uncertain, Also there is no guaranteed support, so if nobody feels (an longer) responsible to answer questions, users might have to stop using the software. Finally quality depends highly on the project leader(s) and thus depending on the project size more or less some few persons instead of an organization/company.

### **Open Source Software**

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<b>Advantages</b>	<b>Disadvantages</b>
free or with low costs available	not interested in what end-users want, only work on projects in which they are interested in
Open, learning community	
source code visible for everyone	uncertain future of improvements
community of voluntary programmers bundle their knowledge and experience	can be bad quality
can be high quality	If there is no (longer) a community behind the product the support is worse
quicker and more open feedback	

Microsoft is a very large, well established software company with well known and commonly used products that are all easy to use. Further, as commercial software provider, Microsoft takes serious care about interests giving its best to fulfil them.

So before starting the development of software a detailed plan about the customers needs is made together with a detailed specification of the product. This is continuously checked and updated by both, product and development managers. Further there are company wide quality measures and automated testing. Support is provided by Microsoft or specialized external consultants. Due to the many users and market potential, LearnActs has some guarantee that Microsoft does not stop the improvement of the software.

The main two disadvantages: First, there is no access to the source code and thus extensions can only be made in the context of available interfaces. Second, the software is not for free but license fees have to be paid.

### **Microsoft**

<b>Advantages</b>	<b>Disadvantages</b>
represents better the customers interests	expensive
exact planning and detailed specification of the software	No access to source code, thus limited extension possibility
learning time is shorter	Involvement of the clients in the product designing is limited
better support	
many users, so they do not stop the improvement	

The selection of ICT architecture for LearnActs, however, is not (actually) a question of Microsoft vs. open source.

As Erik concluded, traditional LMS systems won't be used in the future (and thus commercial LMS provider leave the market) but there will be a move towards using standard software for eLearning. Commercial standard software can e.g. be Microsoft's new Sharepoint Server 2007. But – as far as we know – no open source equivalent yet.

So the decision (for the web platform) has to be made between choosing standard common software, Microsoft's Sharepoint Server 2007 with some customization, and selection one of the most active traditional LMS open source projects trying to bring this into a direction fulfilling LearnActs requirements. The latter can – according to the considerations above – not be guaranteed. The main downside of Sharepoint is that Internet Explorer and thus Windows is required.

As the selection of the platform technology is a key strategic issue (comp. Q1) the decision is not so hard: selected Microsoft Sharepoint, an standard, widely spread and used software provided by a very large company guaranteeing support and further development as well as providing partners for individualisation as hoping for an open source system to evolve is unacceptable and (comp. Q1) the limitation to specific subjects due to other reason make the use of Windows as standard OS a reasonable assumption.

**Q3. Make a PowerPoint slide with one (1) question on an issue of strategic relevance where the answer could make a big difference for the further development of LearnActs and its business model!**

The question to be raised is whether the LearnActs have enough competence to create setup and implement the learning objects, learning spaces, instruments and executable learning acts as they require contextual knowledge of the subject matters. E.g. creating objects for eLearning of the molecular biology requires not only the content provided by authors, but also the background knowledge of the subject as the objects might be very complex and crucial in learning process. The issue of constraints should be evaluated and thus LearnActs

## **CASE E: LEARNACTS.COM STRATEGY AND ICT FOR ELEARNING**

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should focus on some particular fields and subjects as there might be a lot of problems while working in very broad academic fields.

Another part of this problem is the management of authorship rights. The question lays on the creation of authoring community that doesn't mind to give away their content to the third parties.