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Comprehensive Analysis and Approach of e-commerce in a business

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ABSTRACT

This work identifies and examines evidence of e-commerce in business focusing on their Internet branding strategies, the impact of management actions and how those actions contribute to e-commerce success. The data received from respondents were transcribed, codified into thirteen key words. These were analysed using Cohen Kappa method of content analysis. The findings show different impact of management actions and prioritisation of management functions are evident at different stages of the adoption process. Consumer behavior is an important factor in the current eCommerce boom. However, popular eCommerce brands have realized that consumer behavior is not the only ingredient in the online retail formula. Retailers will have to seek to improve eCommerce capabilities by aligning several strategies. The 'quantity to quality' tendency of eCommerce is gradually becoming more prominent in this growing age of globalization. The primary objective below is to reflect the growing eCommerce trend and its impact on the business.

In addition, the application of management function differs at different stages suggesting expected changes in management competency as the adoption process matures. This work argues that as we move to a more interactive mode of working with customers and competitors using Internet technology, the role of marketing is critical; within marketing, brand management is seen as a particularly important activity. The work reported is based on the evidence that brand management is indeed important, and a maturity model is presented to guide brand management activities at different stages of e-commerce adoption. Internet-related partnering opportunities with large firms remain a concern for smaller firms. It reveals that although much Internet research has taken a technical viewpoint, some experts have begun to make connections between Internet success and brand management.

INTRODUCTION

In recent years, businesses have made huge investments in Internet related technologies, but often with little or no benefits. Few areas of human endeavour have led to such a rapid and dramatic change in fortunes. Following the excitement of the late 1990's, the experiences of the early years of the new millennium caused many experts to conclude that the Internet bubble had burst and things would revert to a more traditional mode of business activity. This has not happened, of course. What has happened is that many businesses have adopted a mixed approach, maintaining a traditional "high street" presence but supporting or extending it using the capabilities of the Internet. Hence, it has become a matter of adapting current management practices rather than undertaking radical change. The question arises: do we understand what adaptations are actually needed? This question is the seed from which the idea for this work grew. This work is not about the Internet itself (after all, the Internet is really just the basic technologies that support the technical interconnection of networks). It is about the evolution of new business practices that take advantage of the opportunities that are consequent upon the Internet. The World Wide Web is what makes the Internet useful, through easy access to Internet-connected computers and by the elimination of distance, time, and cost in so doing. However, in this work the term "Internet" will continue to be used to embrace all of these things, most of which are important to the actual work.

And so it may be surmised that there is real change at hand, and that much of it is related to e-commerce. Business management needs to react to this new opportunity but the learning curve is much longer than was once imagined. In order to gain the most benefit for sustainability, the application of management principle compatible with ecommerce would be helpful. Though not all businesses are the same; some are smaller with unique needs and others bigger with specific interest. What are the different opportunities/needs and interests of different kinds of businesses? Are small businesses facing the same opportunities and challenges as large businesses? Are partnerships and relationships really changing? In which sectors are these changes most evident, and most interesting?

E-commerce and small business

The growing convergence of business activities and increased interdependence of management functions are presenting some strategic challenges to all types of businesses. These activities are particularly challenging to small businesses that now have to negotiate business with their larger business counterpart. As technology-induced convergence continues across all sectors, it is important to understand the management competency of larger businesses to empower small businesses with a suitable management solution. The e-commerce needs of small firms are understood through an exploration of the unique aspects of small businesses and their practices. Zorn (2002) argues that technology-induced convergence increases the chance of human-technology interaction. This interaction provides small businesses with the opportunities to access information about larger businesses – a cost effective source of market intelligence.

However, the real benefit of this process is not just information access but effective use of information. Whilst communication remains an important aspect of any management function, the competency needed to engage business partners for the purpose of business negotiation is and will continues to be, a vital skill for small businesses in this new business domain. The engagement of business partners across different channels (now that we have the Internet as well as established traditional channels for business) may add to the challenges of brand management and compromise partners' brand identity within the various channels for different brands. Without the engagement of business partners in e-commerce, the management relationships across multiple channels would not have become the challenge it now is, especially for small businesses and their customers and partners.

Implementation of e-commerce

An implementation in an organization refers to the adoption and management of a new innovation and an innovation is "an idea, practice, or object that is perceived as new by an individual or other unit of adoption". E-commerce can therefore be seen as an innovation by organizations that are not familiar to the concept. Turban (2011) on the other hand, writes about implementation of a strategy as the execution of a strategic plan. There are certainly many perspectives of implementation, but it is clear that it involves changes in organizational systems, structures and most often great impact on staff and culture, and that is requires change management (Chaffey, 2011). Lee (2001) argues that the biggest challenge the majority of the organizations face when attempting to implement an e-commerce strategy is how to change the mindset of how to operate a traditional business.

The process of implementing an e-commerce strategy is complex, much because a large number of locations, processes, users and managerial levels in the organization are usually involved (Nasirin, Thanasankit, & Corbitt, 2001). As early as 1987, McLaughlin proves that a successful implementation typically requires a balanced combination of pressure and support from top management. This indicates what a fine line there is between failure and success, and the considerable responsibility of the managers for the outcome of the implementation. When implementing an e-commerce strategy there are a wide variety of different factors influencing the process, and those can be divided into two broad categories labeled 'internal' and 'external' environmental factors (Chong & Bauer, 2000). External factors can for instance be competitive pressure, the government (Zhao, 2010), institutional influence, partners and other factors related to the industry (Chong, 2008). Internal factors are limited to what happens within the organization. From this point, the external factors are beyond the scope of this work and henceforth attention will exclusively be focused on internal factors, which will be introduced later in this chapter.

LITERATURE REVIEW

This chapter starts by discussing how searches of various databases were conducted in the field of management. Through these searches, relevant literatures were obtained from databases such as (Emerald and Ebsco Host) which are available on the university website. Other literatures were obtained through cross-referencing of academic materials. These materials included books, journal articles and conference papers obtained from Internet search engines. A substantial amount of the materials used in this chapter were obtained from a carefully selected collection of e-commerce and brand management textbooks. In most instances, the search focused on key branding materials within the e-commerce context. During the search, topics such as e-commerce strategies for businesses, and Internet marketing strategies came up frequently. These provided opportunities for a wider perspective of the study area and laid the foundation for branding strategies within the context of e-commerce.

The articles selected from the literature review were relevant to the key areas of the study – branding strategies for successful e-commerce in businesses. These issues are important as South African businesses continuously search for strategic economic solutions to support and grow the economy. While the review of literatures shows different aspects of this study and provides evidence to support economic development, there was a lack of evidence of a strategic brand management model that is suitable for businesses doing e-commerce. Some instances within the literature review show that brand management activities are common in traditional businesses but there is little emphasis on online brand management. E-commerce benefits and business success are commonly used when making reference to e-commerce activities of large businesses. The major focus of this chapter is therefore to understand e-commerce benefit factors of large firms, by identifying and analysing the findings of other researchers to guide the development of a framework compatible with business doing e-commerce. The analysis of findings from a previous study is used to formulate a theoretical framework for this study.

Developmental framework for e-commerce

The use of e-commerce – especially the Internet – is changing the way that businesses, governments and civil societies work. It is challenging our managerial ability to build and manage strong online brands. Although, technology has been used to improve the quality and speed of human communication, it has not been effective in ensuring successful development of small businesses in South Africa and Africa where there is limited infrastructural and managerial capacity compared to the US and UK. This field of research is referred to by Gurstein (1999) as community informatics – "the social appropriation of information technology for business and local benefits". He promotes a direct approach to the problem so as to associate community development more effectively with business success using the opportunities presented by information and communication technologies. Other experts introduce other new ideas; for example, a model developed by Romm and Taylor (2000) is based on the idea that community informatics project success depends on social harmony within communities. The interaction between modern technology and human development is important and is examined and analysed in this section of the work. This review of the literature examines a relevant sample of reported academic papers in the broad areas of brand management and e-commerce and the following sub areas:

- The Internet
- Brand management
- Partnership management
- Customer Relationship Management (CRM), and
- Case studies

Case studies are highlighted where appropriate, and some background evidence is used to introduce the review

Analysis of the strategic importance of Internet usage

The emergence of the Internet has created a situation of strategic uncertainty. As a consequence of this, the strategic importance of the Internet to businesses has become elusive. For businesses entering this environment, a management strategy that defines and manages the firm as a brand could be helpful. Angehrn, (1997) argues that Internet activities can be categorised into three stages: (1) Internet presence, (2) interactive and, (3) full e-commerce. At what stage of the Internet activities do we need to involve branding? The answer to this question is provided at the end of this three-staged-analysis.

Stage one

At stage one, a business typically mounts a web page or two in order to disseminate product and service information to customers and potential customers alike. Not only is the medium new, but so is management intent, and there are basic lessons to be learned. Therefore, a lack of insight into the critical strategic issues of brand management will quickly reveal itself, at this first stage. To deliver true and consistent product and service value to customers the whole organisation and all its activities should be managed as a brand (Knox, 2004). The change in communication medium therefore, is introducing changes in the relationship between perceived organisational values and, perceived customer values to be satisfied. Even a few web pages that establish a presence (no transactional capability, no e-commerce) can convey the wrong messages and undermine efforts to establish a consistent and coherent brand identity.

Stage two

Stage two provides transactional interactivity through the web browser using forms and Application Server Pages (ASP) or Graphical Command Interface (GCI) scripts at the server. Waterman (2000) argues that stage two has the potential for two-way communication. Even though other technologies like cell phones can be used for two-way communication, this research is focussed on the Internet and ecommerce. At this point, a lack of trust on the part of the customer and a lack of strategic overhaul of management philosophy continues to inhibit relationship management effort (Gillen et al, 2000; Howcroft and Durkin, 2000; Durkan et al, 2003). Businesses depend on personal network and social interaction as a way of building trust and managing customer relationship. The implication is that the trust that is so important to relationship management and so traditionally dependent on face-toface interaction, cannot be developed in a context like the Internet (Durkin and McGowen, 2001; McGowen et al, 2001 and Durkin, 2002). More research is required in the area of remote relationship management, and the building of online trust, separate from or in parallel with face-to-face relationship management.

Stage three

This stage of Internet activities offers more dynamic features such as bulletin boards, chat rooms as well as the use of audio and video facilities to improve the Internet activities. An improved management philosophy is needed to develop and deploy creative brand management tools for effective and efficient customer relationship management. Brand management should start from the first stage and progress with more intensity into stage three. Internet brand equity can be realised with full implementation of the branding exercise at the e-commerce stage. Branding activities increase once web-sites have become full e-commerce sites. Hays, (1997); Kelly, (1995); Angehrn, (1997); Baranoff et al, (1997) all argue that Internet branding is beyond the general focus of business which was in fact supposed to view all management actions holistically together with their ability to contribute to brand equity.

BUSINESS STRATEGIES AND E-COMMERCE

Business strategies

According to Watkins, business strategies are the basis of the decision making pattern which guides people in one company to allocate resources to achieve the key target. Strategy is not to be mistaken for vision, mission or value of a company. Business strategies are the way that resources are allocated to achieve goals (mission) to create value for stakeholders (value) in order to provide incentives and reasons why people in companies should perform at a high level (vision). Meanwhile, Johnson and Scholes define corporate strategy as the way to achieve advantage of an organization by employing resources to meet the needs of customers and stakeholder's anticipation (Johnson & Scholes, 2006). Electronic business strategy also shares similarities with corporate and common strategies in general. Dave Chaffey describes e-commerce strategy as the approach by which applications of internal and external electronic communications can support and influence corporate strategy. However, companies often incorporated e-business strategies within the functional strategies, which is dangerous that E-business strategies may not be recognized at a management level.

Porter's generic strategies In general, Porter's generic strategies are the combination of the competitive advantage of a firm and the scope of the market that firms are doing. The strength of the firm is proposed by Micheal Porter as cost advantage and differentiation. Together, the generic strategies comprise of 3 different ways to follow: cost leadership, differentiation and focus strategy.

Table 1: Porter Generic Strategies (Porter, 1980)

Target Scope	Advantage	
	Low Cost	Product Uniqueness
Broad (Industry wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy	

Cost Leadership Strategy

This particular strategy guides the firm to reduce cost as much as possible without damaging the quality of the products. The company can sell a product with a price lower than the industry average, thus obtain more market share and customers and may even force small, low-tech firms out of the market. In order to achieve these results, the firm needs to apply in industry-wide scale. Moreover, internal strengths and potential powers are required to succeed in this strategy. By gaining access to a huge deposit of low cost material, achieving Sig-sigma improvement and lean manufacturing, the company can sustain a competitive advantage over competitors based on cost leadership.

Differentiation Strategy

Unlike a cost leader, a differentiator can offer customers innovation and amazement. Firms that follow this strategy have to develop a product or service that is unique and brings added values, which are perceived by customers. Normally, firms want to charge a premium price to cover the cost R&D and to be also unique. In order to accomplish this target, firms have to be reputable and excellent in their product qualities. Moreover, firms also have to spend strongly in R&D and have a highly-creative development unit, which combines with a robust sales team, will together generate immense ROI.

Focus Strategy

Lastly, if firms cannot maintain strong advantage in a broad, wide market; they will have to focus on a niche market where customers can be better served and more satisfied. Targeting a small market and following either cost leadership or differentiation strategy can discourage other firms from competing directly. This strategy applies well to firms who do not have enough resources or accesses to dominate an entire market and who can tailor-make a broad range of products to adapt to a narrow market segment. However, firms are under serious threats of ever-changing segmental preferences and the adaptation of market leader to compete directly.

Value disciplines

The three value disciplines are a recent development from generic strategies of M.E. Porter. It is comprised of three generic disciplines which are operational excellence (delivering quality, price, and ease of payment), product leadership (providing best products/ services) and customer intimacy (meeting customers' demand). Many companies have pursued only one of 3 strategies, but the possibility of employing both two disciplines is still an open choice. For example, P&G and Pepsi have combined customer intimacy and operational excellence to reduce cost and increase profit through tailor-made processes and efficient operation.

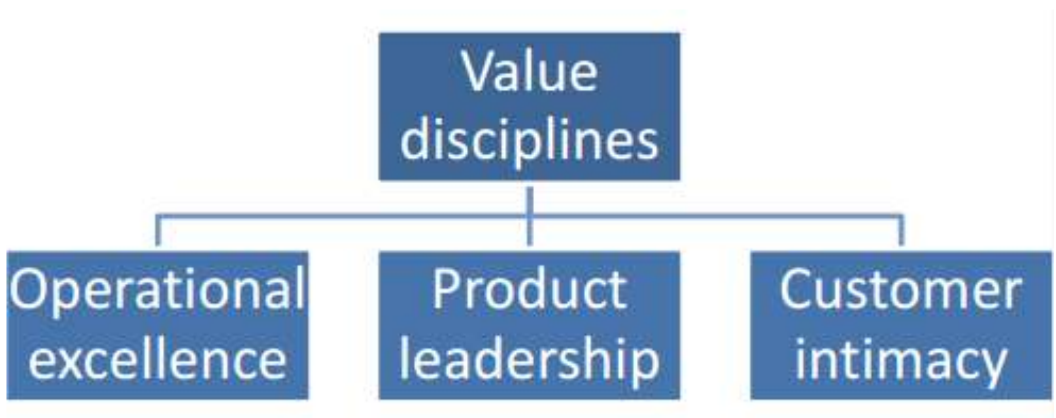

Figure 1: Value disciplines

Operational excellence is the strategy in which companies aim to excel in operation, resulting in optimal business processes across organizational and functional limit. Companies that follow this discipline pursue a cost leadership position in which friction and transaction costs are reduced, and disintermediation is occurred. For examples, in the past, Dell Computer has outmaneuvered both IBM and HP by optimizing delivery system. Dell has provided build-to-order service, which removed the middleman of the supply chain, making the products cheap and quickly available to customers.

DISCUSSION & FINDINGS

This work started by introducing the elements of e-commerce and it described how the understanding of these elements is used to support effective branding strategies and the benefits of establishing long term relationship with e-commerce partners. This chapter discusses the findings which are derived by analysis of the data from the three case study companies. These discussions provide a detailed explanation of respondents' perceptions of e-commerce in their respective companies, and it locates specific instances of management actions. It provides an overview of common features of the case studies and their impact on the management of e-commerce.

Common features of the case studies

As a result of the need for customer orientation, the introduction of ecommerce facilities has been seen as a strategic organisational imperative in the insurance and retail sectors of the economy. The introduction of e-commerce in the three companies introduces change to the way in which CRM, brand management and marketing communications function are seen and how they are perceived them at the different stages of e-commerce adoption.

Brand management in e-commerce

Branding and brand management is a discipline within marketing and not every business fully understand how to develop and manage it. However, the term image and personality and all the emotional feelings and consumer loyalty associated with a strong brand is understood by most businesses. Although branding is poorly understood, most businesses regard brand management as the management of business image. With globalisation and growing competition, the image of a business becomes very important and determines business success.

Apart from the management of business image, e-commerce can be used to enhance the relationship between brands' attributes and corporate brand image. A good brand image is so important for brand building and brand positioning as well as improving the competitive ability of businesses. Also, a good brand image can improve the relationship between business and its customers. This relationship can be relied upon and used to influence customers' behaviour and to determine the extent of customer loyalty. For example, the images and messages that are transmitted about a companies' brand should provide sufficient information on which consumers and investors determine their degree of association. The value of this association can be determined further by the quality of product, service and public image of the brand. The development of customer loyalty can be influence by consumer-brand association as presented in the figure below. This process requires exposure to and the exchange of information between the brand and the customer.

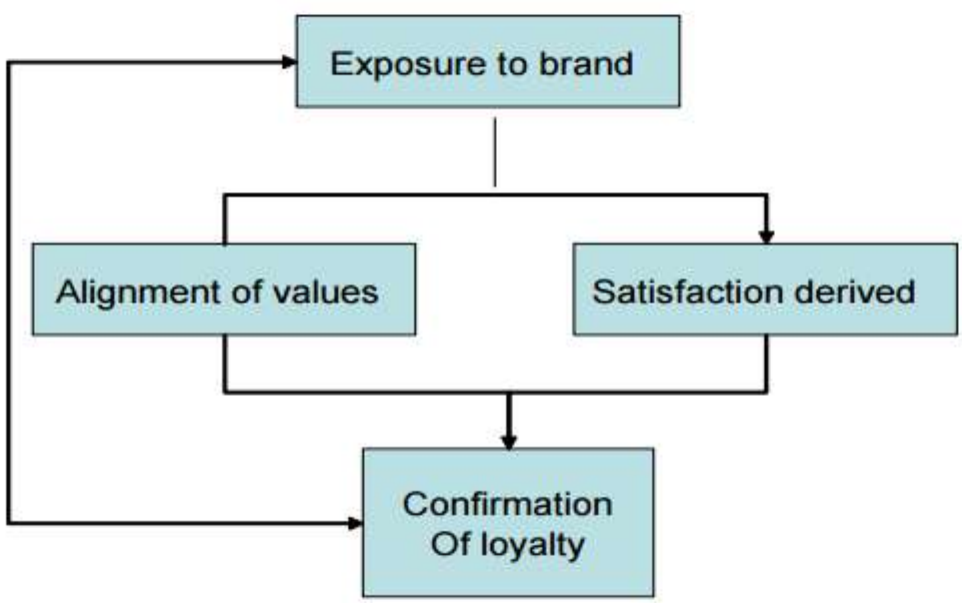

Figure 2: How loyalty is formed

Customer's alignment is based on the information exchange and exposure and confirmation of loyalty should be monitored based on customer buying behaviour. This information is necessary in assessing company's integrity and reputation and the shopping behaviour of customers.

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