

# INB3104 E-Commerce and International Business

**Collection Editor:**

Ulrich Werner



# INB3104 E-Commerce and International Business

**Collection Editor:**

Ulrich Werner

**Author:**

Ishan Abeywardena

**Online:**

< <http://cnx.org/content/col11668/1.1/> >

**OpenStax-CNX**

This selection and arrangement of content as a collection is copyrighted by Ulrich Werner. It is licensed under the Creative Commons Attribution License 4.0 (<http://creativecommons.org/licenses/by/4.0/>).

Collection structure revised: June 27, 2014

PDF generated: June 27, 2014

For copyright and attribution information for the modules contained in this collection, see p. 20.

## Table of Contents

<b>1 Introduction to Electronic Commerce and E-Business</b> .....	1
<b>2 Categories of electronic commerce</b> .....	3
<b>3 The Attraction of the Internet for Businesses</b> .....	5
<b>4 Disintermediation</b> .....	9
<b>5 Electronic Payment Methods</b> .....	13
<b>6 Key motivators behind taking a business online</b> .....	15
<b>7 The role of the Web in the marketing communication mix</b> .....	17
<b>Index</b> .....	19
<b>Attributions</b> .....	20



# Chapter 1

## Introduction to Electronic Commerce and E-Business<sup>1</sup>

One of the major buzz words of the last decade of the 20<sup>th</sup> century was “e-commerce”. With the rise of mega online stores like [Amazon.com](http://www.amazon.com)<sup>2</sup>, online auctions such as [ebay](http://www.ebay.com)<sup>3</sup>, credit cards, plastic money and payment gateways such as [paypal](http://www.paypal.com)<sup>4</sup> the consumerism of the masses was taken to a whole different playing field. For the first time in history, people could buy stuff from the comfort of their homes or while having lunch in their work places. According to Turban et al. (2010)

*“Electronic commerce (EC) is the process of buying, selling, transferring, or exchanging products, services, and/or information via computer networks, mostly the Internet and intranets”*

This roughly means that e-commerce concentrates on getting the orders and the payments from the customers into a business. All other operations were conducted as usual in the old fashioned way. You can get a better understanding about e-commerce from <http://en.wikipedia.org/wiki/E-commerce><sup>5</sup>.

However, the 21st century and the rapid advancements in technology have given rise to a completely new paradigm which is known as e-business. Wikipedia defines it as:

*“...the application of information and communication technologies (ICT) in support of all the activities of business.”* (Electronic business)

With the rise of e-business, a complete business comprising of all the intricate operations can be taken online which results in the rise of virtual companies with virtual employees contributing from every corner of the globe. E-business has made geography insignificant when it comes to competing in the global market. To get a better understanding of e-business see [http://en.wikipedia.org/wiki/Electronic\\_business](http://en.wikipedia.org/wiki/Electronic_business)<sup>6</sup>

### References

*Electronic business.* (n.d.). Retrieved 01 06, 2011, from Wikipedia: [http://en.wikipedia.org/wiki/Electronic\\_business](http://en.wikipedia.org/wiki/Electronic_business)

Turban, E., King, D., Lee, J., Liang, T. P., & Turban, D. (2010). *Electronic Commerce 2010 A Managerial Perspective*. New Jersey: Prentice Hall.

---

<sup>1</sup>This content is available online at <<http://cnx.org/content/m42262/1.2/>>.

<sup>2</sup><http://www.amazon.com/>

<sup>3</sup><http://www.ebay.com/>

<sup>4</sup><http://www.paypal.com/>

<sup>5</sup><http://en.wikipedia.org/wiki/E-commerce>

<sup>6</sup>[http://en.wikipedia.org/wiki/Electronic\\_business](http://en.wikipedia.org/wiki/Electronic_business)



## Chapter 2

# Categories of electronic commerce<sup>1</sup>

Electronic commerce can be categorised into different types by identifying the transactions and the relationships between the key stakeholders. According to Turban et al. (2010), the most common categories are as follows:

### **Business-to-business (B2B)**

In this category, all the stakeholders (i.e. the buyers and the sellers) are businesses or organisations. One example for this type would be companies such as SAP<sup>2</sup> and Oracle<sup>3</sup> selling enterprise resource planning (ERP) software applications to manufacturing companies.

### **Business-to-Consumer (B2C)**

This category involves businesses or organisations selling products and services to the end consumer (i.e. businesses and organisations selling goods and services to the general public). Buying a book from Amazon.com can be categorised as B2C.

### **Business-to-Business-to-Consumer (B2B2C)**

A more recent categorisation is B2B2C where companies or organisations sell products and services to other companies and organisations; who in turn provides the product or service to its client base or staff. An example for this scenario would be a marketing company buying BlackBerry<sup>4</sup> smart phones from a telecoms service provider to give to the marketing staff or “road warriors” who are on the road promoting products.

### **Consumer-to-Business (C2B)**

With technology and access to technology becoming cheaper, end consumers who are the general public can now sell products and services to businesses. A housewife who sells cake recipes online to bakeries and a web developer selling his web design skills to a used-car dealership to set up an online catalogue are a couple of examples for C2B electronic commerce.

### **Intrabusiness EC**

This category relates to transactions taking place within an organisation where products and services are sold or exchanged between departments and employees. The professional education center of a University providing training on statistical analysis to the staff can be considered as an example for this category.

### **Business-to-Employees (B2E)**

This category can be considered as a subset of B2B2C and Intrabusiness EC. Both the examples of the company providing smart phones to road warriors and the professional education center providing training for University staff fall under this category.

### **Consumer-to-Consumer (C2C)**

C2C has become a major part of electronic commerce in the recent years due to platforms such as ebay<sup>5</sup>

---

<sup>1</sup>This content is available online at <<http://cnx.org/content/m42264/1.1/>>.

<sup>2</sup><http://www.sap.com/corporate-en/index.epx>

<sup>3</sup><http://www.oracle.com/us/products/applications/ebusiness/index.html>

<sup>4</sup><http://us.blackberry.com/>

<sup>5</sup><http://www.ebay.com/>

and PayPal<sup>6</sup> which empowers the general public to buy and sell products directly from other individuals. Buying a used mobile phone on ebay is a good example of C2C electronic commerce.

**References**

Turban, E., King, D., Lee, J., Liang, T. P., & Turban, D. (2010). *Electronic Commerce 2010 A Managerial Perspective*. New Jersey: Prentice Hall.

---

<sup>6</sup><http://www.paypal.com>

## Chapter 3

# The Attraction of the Internet for Businesses<sup>1</sup>

This is an adaptation of an excerpt from "Electronic Commerce: The Strategic Perspective" ©2008 by Richard T. Watson, Pierre Berthon, Leyland F. Pitt, and George M. Zinkhan, used under a Creative Commons Attribution license: Creative Commons Attribution 3.0 License<sup>2</sup> .

### **Who should use the Internet?**

Every organization needs to consider whether it should have an Internet presence and, if so, what should be the extent of its involvement. There are two key factors to be considered in answering these questions.

First, how many existing or potential customers are likely to be Internet users? If a significant proportion of a firm's customers are Internet users, and the search costs for the product or service are reasonably (even moderately) high, then an organization should have a presence; otherwise, it is missing an opportunity to inform and interact with its customers. The Web is a friendly and extremely convenient source of information for many customers. If a firm does not have a Web site, then there is the risk that potential customers, who are Web savvy, will flow to competitors who have a Web presence.

Second, what is the information intensity of a company's products and services? An information-intense product is one that requires considerable information to describe it completely. For example, what is the best way to describe a CD to a potential customer? Ideally, text would be used for the album notes listing the tunes, artists, and playing time; graphics would be used to display the CD cover; sound would provide a sample of the music; and a video clip would show the artist performing. Thus, a CD is information intensive; multimedia are useful for describing it. Consequently, Sony Music provides an image of a CD's cover, the liner notes, a list of tracks, and 30-second samples of some tracks. It also provides photos and details of the studio session.

The two parameters, number of customers on the Web and product information intensity, can be combined to provide a straightforward model for determining which companies should be using the Internet. Organizations falling in the top right quadrant are prime candidates because many of their customers have Internet access and their products have a high information content. Firms in the other quadrants, particularly the low-low quadrant, have less need to invest in a Web site.

### **Why use the Internet?**

Along with other environmental challenges, organizations face three critical strategic challenges: demand risk, innovation risk, and inefficiency risk. The Internet, and especially the Web, can be a device for reducing these risks.

#### **Demand risk**

Sharply changing demand or the collapse of markets poses a significant risk for many firms. Smith-Corona, one of the last U.S. manufacturers of typewriters, filed for bankruptcy in 1995. Cheap personal

---

<sup>1</sup>This content is available online at <<http://cnx.org/content/m42265/1.1/>>.

<sup>2</sup><http://creativecommons.org/licenses/by/3.0/>

computers destroyed the typewriter market. In simple terms, demand risk means fewer customers want to buy a firm's wares. The globalization of the world market and increasing deregulation expose firms to greater levels of competition and magnify the threat of demand risk. To counter demand risk,

organizations need to be flexible, adaptive, and continually searching for new markets and stimulating demand for their products and services.

The growth strategy matrix [Ansoff, 1957] suggests that a business can grow by considering products and markets, and it is worthwhile to speculate on how these strategies might be achieved or assisted by the Web. In the cases of best practice, the differentiating feature will be that the Web is used to attain strategies that would otherwise not have been possible. Thus, the Web can be used as a market penetration mechanism, where neither the product nor the target market is changed. The Web merely provides a tool for increasing sales by taking market share from competitors, or by increasing the size of the market through occasions for usage. The U.K. supermarket group Tesco is using its Web site to market chocolates, wines, and flowers. Most British shoppers know Tesco, and many shop there. The group has sold wine, chocolates and flowers for many years. Tesco now makes it easy for many of its existing customers (mostly office workers and professionals) to view the products in a full-color electronic catalogue, fill out a simple order form with credit card details, write a greeting card, and facilitate delivery. By following these tactics, Tesco is not only taking business away from other supermarkets and specialty merchants, it is also increasing its margins on existing products through a premium pricing strategy and markups on delivery.

Alternatively, the Web can be used to develop markets, by facilitating the introduction and distribution of existing products into new markets. A presence on the Web means being international by definition; so for many firms with limited resources, the Web will offer hitherto undreamed-of opportunities to tap into global markets. Icelandic fishing companies can sell smoked salmon to the world. A South African wine producer is able to reach and communicate with wine enthusiasts wherever they may be, in a more cost effective way. To a large extent, this is feasible because the Web enables international marketers to overcome the previously debilitating effects of time and distance, negotiation of local representation, and the considerable costs of promotional material production costs.

A finer-grained approach to market development is to create a one-to-one customized interaction between the vendor and buyer. Bank America offers customers the opportunity to construct their own bank by pulling together the elements of the desired banking service. Thus, customers adapt the Web site to their needs. Even more advanced is an approach where the Web site is adaptive. Using demographic data and the history of previous interactions, the Web site creates a tailored experience for the visitor. Firefly markets technology for adaptive Web site learning. Its software tries to discover, for example, what type of music a visitor likes so that it can recommend CDs. Firefly is an example of software that, besides recommending products, electronically matches a visitor's profile to create virtual communities, or at least groups of like-minded people—virtual friends—who have similar interests and tastes.

Any firm establishing a Web presence, no matter how small or localized, instantly enters global marketing. The firm's message can be watched and heard by anyone with Web access. Small firms can market to the entire Internet world with a few pages on the Web. The economies of scale and scope enjoyed by large organizations are considerably diminished. Small producers do not have to negotiate the business practices of foreign climes in order to expose their products to new markets. They can

safely venture forth electronically from their home base. Fortunately, the infrastructure—international credit cards (e.g., Visa) and international delivery systems (e.g., UPS)—for global marketing already exists. With communication via the Internet, global market development becomes a reality for many firms, irrespective of their size or location.

The Web can also be a mechanism that facilitates product development, as companies who know their existing customers well create exciting, new, or alternative offerings for them. The Sporting Life is a U.K. newspaper specializing in providing up-to-the-minute information to the gaming fraternity. It offers reports on everything from horse and greyhound racing to betting odds for sports ranging from American football to snooker, and from golf to soccer. Previously, the paper had been restricted to a hard copy edition, but the Web has given it significant opportunities to increase its timeliness in a time sensitive business. Its market remains, to a large extent, unchanged—bettors and sports enthusiasts in the U.K. However, the new

medium enables it to do things that were previously not possible, such as hourly updates on betting changes in major horse races and downloadable racing data for further spreadsheet and statistical analysis by serious gamblers. Most importantly, *The Sporting Life* is not giving away this service free, as have so many other publishers. It allows prospective subscribers to sample for a limited time, before making a charge for the on-line service.

Finally, the Web can be used to diversify a business by taking new products to new markets. American Express Direct is using a Web site to go beyond its traditional traveler's check, credit card, and travel service business by providing on-line facilities to purchase mutual funds, annuities, and equities. In this case, the diversification is not particularly far from the core business, but it is feasible that many firms will set up entirely new businesses in entirely new markets.

#### **Innovation risk**

In most mature industries, there is an oversupply of products and services, and customers have a choice, which makes them more sophisticated and finicky consumers. If firms are to continue to serve these sophisticated customers, they must give them something new and different; they must innovate. Innovation inevitably leads to imitation, and this imitation leads to more oversupply. This cycle is inexorable, so a firm might be tempted to get off this cycle. However, choosing not to adapt and not to innovate will lead to stagnation and demise. Failure to be as innovative as competitors—innovation risk—is a second strategic challenge. In an era of accelerating technological development, the firm that fails to improve continually its products and services is likely to lose market share to competitors and maybe even disappear (e.g., the typewriter company). To remain alert to potential innovations, among other things, firms need an open flow of concepts and ideas. Customers are one viable source of innovative ideas, and firms need to find efficient and effective means of continual communication with customers.

Internet tools can be used to create open communication links with a wide range of customers. E-mail can facilitate frequent communication with the most innovative customers. A bulletin board can be created to enable any customer to request product changes or new features. The advantage of a bulletin board is that another customer reading an idea may contribute to its development and

elaboration. Also, a firm can monitor relevant discussion groups to discern what customers are saying about its products or services and those of its competitors.

#### **Inefficiency risk**

Failure to match competitors' unit costs—inefficiency risk—is a third strategic challenge. A major potential use of the Internet is to lower costs by distributing as much information as possible electronically. For example, American Airlines now uses its Web site for providing frequent flyers an update of their current air miles. Eventually, it may be unnecessary to send expensive paper mail to frequent flyers or to answer telephone inquiries.

The cost of handling orders can also be reduced by using interactive forms to capture customer data and order details. Savings result from customers directly entering all data. Also, because orders can be handled asynchronously, the firm can balance its work force because it no longer has to staff for peak ordering periods.

Many Web sites make use of FAQs—frequently asked questions—to lower the cost of communicating with customers. A firm can post the most frequently asked questions, and its answers to these, as a way of expeditiously and efficiently handling common information requests that might normally require access to a service representative. UPS, for example, has answers to more than 40 frequent customer questions (e.g., What do I do if my shipment was damaged?) on its FAQ page. Even the FBI's 10 Most Wanted list is on the Web, and the FAQs detail its history, origins, functions, and potential.

#### **References**

Ansoff, H. I. 1957. *Strategies for diversification*. Harvard Business Review 35 (2):113-124.



## Chapter 4

# Disintermediation<sup>1</sup>

This is an adaptation of an excerpt from "Electronic Commerce: The Strategic Perspective" ©2008 by Richard T. Watson, Pierre Berthon, Leyland F. Pitt, and George M. Zinkhan, used under a Creative Commons Attribution license: Creative Commons Attribution 3.0 License<sup>2</sup>.

Electronic commerce offers many opportunities to reformulate traditional modes of business. Disintermediation, the elimination of intermediaries such as brokers and dealers, is one possible outcome in some industries. Some speculate that electronic commerce will result in widespread disintermediation, which makes it a strategic issue that most firms should carefully address. A closer analysis enables us to provide some guidance on identifying those industries least, and most, threatened by disintermediation.

Consider the case of Manheim Auctions. It auctions cars for auto makers (at the termination of a lease) and rental companies (when they wish to retire a car). As an intermediary, it is part of a chain that starts with the car owner (lessor or rental company) and ends with the consumer. In a truncated value chain, Manheim and the car dealer are deleted. The car's owner sells directly to the consumer. Given the Internet's capability of linking these parties, it is not surprising that moves are already afoot to remove the auctioneer.

Edmunds, publisher of hard-copy and Web-based guides to new and used cars, is linking with a large autoleasing company to offer direct buying to customers. Cars returned at the end of the lease will be sold with a warranty, and financing will be arranged through the Web site. No dealers will be involved. The next stage is for car manufacturers to sell directly to consumers, a willingness Toyota has expressed and that large U.S. auto makers are considering. On the other hand, a number of dealers are seeking to link themselves to customers through the Internet via the Autobytel Web site. Consumers contacting this site provide information on the vehicle desired and are directed to a dealer in their area who is willing to offer them a very low markup on the desired vehicle.

We gain greater insight into disintermediation by taking a more abstract view of the situation (see Figure 1). A value chain consists of a series of organizations that progressively convert some raw material into a product in the hands of a consumer. The beginning of the chain is O<sub>1</sub> (e.g., an iron ore miner) and the end is O<sub>n</sub> (e.g., a car owner). Associated with a value chain are physical and information flows, and the information flow is usually bidirectional. Observe that it is really a value network rather than a chain, because any organization may receive inputs from multiple upstream objects.

---

<sup>1</sup>This content is available online at <<http://cnx.org/content/m42266/1.1/>>.

<sup>2</sup><http://creativecommons.org/licenses/by/3.0/>

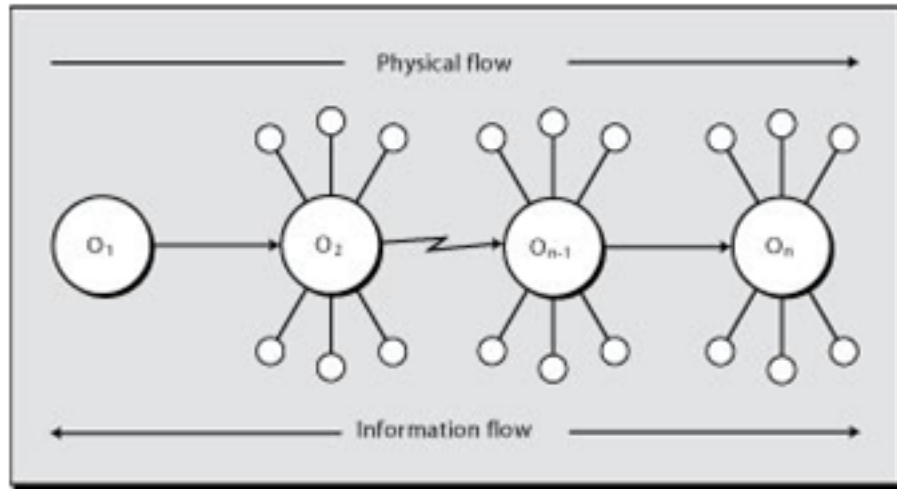
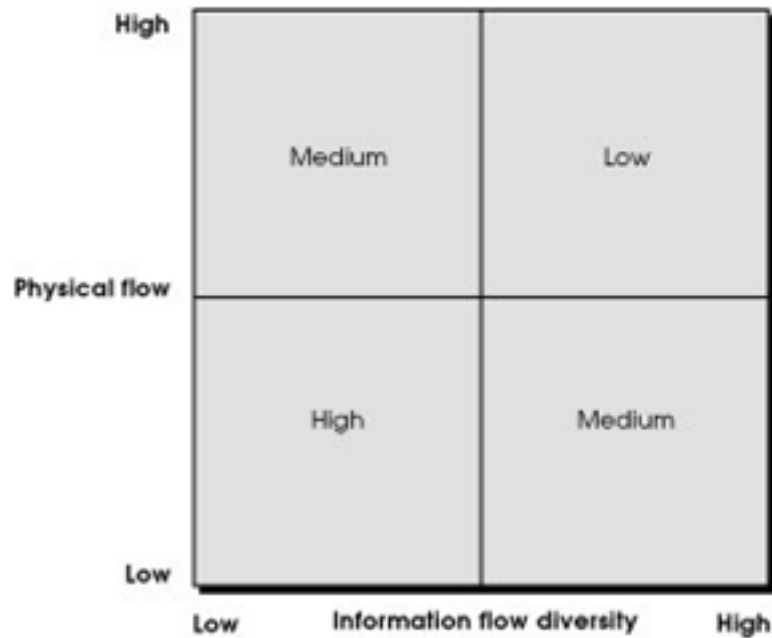


Figure 4.1: Value network.

disintermediation threat grid (see Figure 2). The threat to Manheim is low because of its economies of scale, large investment in specialized assets that a competitor must duplicate, and a well-developed skill in processing a variety of transactions. Car dealers are another matter because they are typically small, have few specialized assets, and little transaction diversity. For dealers, disintermediation is a high threat. The on-line lot can easily replace the physical lot.



**Figure 4.2:** Disintermediation threat grid.

---

We need to keep in mind that disintermediation is not a binary event (i.e., it is not on or off for the entire system). Rather, it is on or off for some linkages in the value network. For example, some consumers are likely to prefer to interact with dealers. What is more likely to emerge is greater consumer choice in terms of products and buying relationships. Thus, to be part of a consumer's options, Manheim needs to be willing to deal directly with consumers. While this is likely to lead to channel conflict and confusion, it is an inevitable outcome of the consumer's demand for greater choice.

#### Cases

McKeown, P. G., & Watson, R. T. (1999). *Manheim Auctions*. *Communications of the AIS*, 1(20), 1-20.



## Chapter 5

# Electronic Payment Methods<sup>1</sup>

This is an adaptation of an excerpt from "Electronic Commerce: The Strategic Perspective" ©2008 by Richard T. Watson, Pierre Berthon, Leyland F. Pitt, and George M. Zinkhan, used under a Creative Commons Attribution license: Creative Commons Attribution 3.0 License<sup>2</sup>.

### **Electronic funds transfer**

Electronic funds transfer (EFT), introduced in the late 1960s, uses the existing banking structure to support a wide variety of payments. For example, consumers can establish monthly checking account deductions for utility bills, and banks can transfer millions of dollars. EFT is essentially electronic checking. Instead of writing a check and mailing it, the buyer initiates an electronic checking transaction (e.g., using a debit card at a point-of-sale terminal). The transaction is then electronically transmitted to an intermediary (usually the banking system), which transfers the funds from the buyer's account to the seller's account. A banking system has one or more common clearinghouses that facilitate the flow of funds between accounts in different banks.

Electronic checking is fast; transactions are instantaneous. Paper handling costs are substantially reduced. Bad checks are no longer a problem because the seller's account balance is verified at the moment of the transaction. EFT is flexible; it can handle high volumes of consumer and commercial transactions, both locally and internationally. The international payment clearing system, consisting of more than 100 financial institutions, handles more than one trillion dollars per day.

The major shortfall of EFT is that all transactions must pass through the banking system, which is legally required to record every transaction. This lack of privacy can have serious consequences where as cash gives anonymity.

### **Digital cash**

Digital cash is an electronic parallel of notes and coins. Two variants of digital cash are presently available: prepaid cards and smart cards. The phonecard, the most common form of prepaid card, was first issued in 1976 by the forerunner of Telecom Italia. The problem with special-purpose cards, such as phone and photocopy cards, is that people end up with a purse or wallet full of cards. A smart card combines many functions into one card. A smart card can serve as personal identification, credit card, ATM card, telephone credit card, critical medical information record and as cash for small transactions. A smart card, containing memory and a microprocessor, can store as much as 100 times more data than a magnetic-stripe card. The microprocessor can be programmed.

The stored-value card, the most common application of smart card technology, can be used to purchase a wide variety of items (e.g., fast food, parking, public transport tickets). Consumers buy cards of standard denominations (e.g., USD 50 or USD 100) from a card dispenser or bank. When the card is used to pay for an item, it must be inserted in a reader. Then, the amount of the transaction is transferred to the reader, and the value of the card is reduced by the transaction amount.

---

<sup>1</sup>This content is available online at <<http://cnx.org/content/m42269/1.1/>>.

<sup>2</sup><http://creativecommons.org/licenses/by/3.0/>

The problem with digital cash, like real cash, is that you can lose it or it can be stolen. It is not as secure as the other alternatives, but most people are likely to carry only small amounts of digital cash and thus security is not so critical. As smart cards are likely to have a unique serial number, consumers can limit their loss by reporting a stolen or misplaced smart card to invalidate its use. Adding a PIN number to a smart card can raise its security level.

Twenty million smart cards are already in use in France, where they were introduced a decade earlier. In Austria, 2.5 million consumers carry a card that has an ATM magnetic stripe as well as a smart card chip. Storedvalue cards are likely to be in widespread use in the United States within five years. Their wide-scale adoption could provide substantial benefits. Counting, moving, storing and safeguarding cash is estimated to be 4 percent of the value of all transactions. There are also significant benefits to be gained because banks don't have to hold as much cash on hand, and thus have more money available for investment.

#### **Ecash**

Digicash of Amsterdam has developed an electronic payment system called ecash that can be used to withdraw and deposit electronic cash over the Internet. The system is designed to provide secure payment between computers using e-mail or the Internet. Ecash can be used for everyday Internet transactions, such as buying software, receiving money from parents, or paying for a pizza to be delivered. At the same time, ecash provides the privacy of cash because the payer can remain anonymous.

To use ecash, you need a digital bank account and ecash client software. The client is used to withdraw ecash from your bank account, and store it on your personal computer. You can then spend the money at any location accepting ecash or send money to someone who has an ecash account.

The security system is based on public-key cryptography and passwords. You need a password to access your account and electronic transactions are encrypted.

#### **Credit card**

Credit cards are a safe, secure, and widely used remote payment system. Millions of people use them every day for ordering goods by phone. Furthermore, people think nothing of handing over their card to a restaurant server, who could easily find time to write down the card's details. In the case of fraud in the U.S., banks already protect consumers, who are typically liable for only the first USD 50. So, why worry about sending your credit card number over the Internet? The development of secure servers and clients has made transmitting credit card numbers extremely safe. The major shortcoming of credit cards is that they do not support person-to-person transfers and do not have the privacy of cash.

## Chapter 6

# Key motivators behind taking a business online<sup>1</sup>

### What do customers look for in the current market?

Post global economic slowdown, the focus of consumers has shifted from *cheap* to *cheap and good*. Thus the quality of a product has become as important as the price. The modern day expectations of a consumer can be summarised as follows.

- The product must be tailored to the customers' exact needs and wants
- The quality of the product must be high
- The price of the product must be competitive
- Turnaround times must be very short
- Superior customers service has to be offered at all levels

### So why take your business online?

With the consumers becoming more and more demanding and the competition in the market growing with the entry of new players, businesses have to identify ways of surviving if not thriving in this environment. One way to stay one step ahead of the game is to take the business online.

The following are some of the key motivators behind taking a business online:

**To reach a wider market:** with business being conducted virtually over the internet, geographical barriers become insignificant. Also, since the WWW is an open marketplace, every one has an equal opportunity at attracting business.

**To reduce overheads and real-estate costs:** a virtual setup reduces the amount of physical space you would require to run your business. Anyone can startup a company from their garage as many .com startups did back in the day. This is holds true even today. Also as most of the operations are streamlined with proven processes defined for e-businesses, the layers of fat within an organisation can be trimmed down to a bare minimum. This results in the reduction of overheads on each front.

**To increase productivity (Open 24x7):** Traditionally your shop window would be closed after dark or during weekends. However your online shop window would be available to the consumer at any time anywhere.

**To re-engineer processes:** the modern day market dictates the evolution of processes on an ongoing basis. However some businesses find this constant change difficult to manage or cope with due to the rigid processes put in place. Taking your business online is one way of changing the age old processes and putting in more flexible processes which are more sensitive to market change and can be evolved at a much faster pace.

**As an HR strategy:** one of the keys to surviving the current market is to find the best employees. As the need for streamlined operations become more urgent, the hunt for the most efficient and effective staff

---

<sup>1</sup>This content is available online at <<http://cnx.org/content/m42263/1.1/>>.

is on. Traditionally you would be handicapped as your staff would most probably be located close to your operation. However this is overcome in the virtual environment as the best talent from all over the world can work for you as virtual employees

without much change to your current processes. It could also be cheaper to hire someone from a different part of the world compared to hiring from your own surroundings.

**By necessity:** many companies and businesses were forced to wrap up their operations during the economic slowdown. However some companies opted to reduce their overheads, streamline their operations and go online. Taking a business online and operating out of a smaller office would definitely be one option to consider before closing down.

**For flexibility:** after considering all of the points mentioned above, it goes without saying that taking a business online offers a lot of flexibility with respect to operations, sales and marketing.

## Chapter 7

# The role of the Web in the marketing communication mix<sup>1</sup>

This is an adaptation of an excerpt from "Electronic Commerce: The Strategic Perspective" ©2008 by Richard T. Watson, Pierre Berthon, Leyland F. Pitt, and George M. Zinkhan, used under a Creative Commons Attribution license: Creative Commons Attribution 3.0 License<sup>2</sup>.

Personal selling is usually the largest single item in the industrial marketing communications mix. On the other hand, broadcast advertising is typically the dominant way used to reach consumers by marketers. Where do Web sites fit? The Web site is something of a mix between direct selling (it can engage the visitor in a dialogue) and advertising (it can be designed to generate awareness, explain/demonstrate the product, and provide information—without interactive involvement). It can play a cost-effective role in the communication mix, in the early stages of the process—need recognition, development of product specifications, and supplier search, but can also be useful as the buying process progresses toward evaluation and selection. Finally, the site is also cost-effective in providing feedback on product/service performance. Web sites might typically be viewed as complementary to the direct selling activity by industrial marketers, and as supplementary to advertising by consumer marketers. For example, Web sites can be used to:

- gain access to previously unknown or inaccessible buying influences. Cathay Pacific Airlines uses a Web site to interview frequent international airline flyers, and determine their preferences with regard to airline, destination, airport, and even aircraft. Much of the active ticket purchasing is not normally done by these individuals, but by a secretary or personal assistant acting on their behalf.
- project a favorable corporate image. Guinness allows surfers to download from its Web site its latest television commercial, which can then be used as a screen saver. While the advertiser has not made the objectives of this strategy public, conceivably the approach builds affinity with the corporate brand as fun involvement, while the screen saver provides a constant reminder of the advertising message.
- provide product information. Many business schools are now using their Web sites to provide information on MBA and executive programs—indeed, there is now even an award to the business school judged to have the most effective Web site in North America. Similarly, Honda uses its Web site to give very detailed information about its latest models. Not only can the surfer download video footage and sound about the latest Honda cars, but by clicking the mouse on directional arrows, can get different visual perspectives of the vehicles, both from outside and inside the car.
- generate qualified leads for salespeople. The South African life assurance company SANLAM uses its Web site to identify customer queries, and if needed, can direct sales advisers to these.
- handle customer complaints, queries, and suggestions. Software developers such as Silverplatter are using their Web sites as a venue for customers to voice complaints and offer suggestions about the

---

<sup>1</sup>This content is available online at <<http://cnx.org/content/m42267/1.1/>>.

<sup>2</sup><http://creativecommons.org/licenses/by/3.0/>

product. While this allows customers a facility to let off steam, it also allows the marketer to appear open to communication, and perhaps more importantly, to identify and rectify commonly occurring problems speedily.

- allows customers access to its system through its Web site. FedEx's surprisingly popular site allows customers to track their shipments traveling through the system by typing in the package
- receipt number. "The Web is one of the best customer relationship tools ever," according to a FedEx manager.
- serve as an electronic couponing device. A company called E-Coupon.com targets college students, because they possess two important characteristics—they are generally very computer literate and also need to save money. The site features lists of participating campus merchants, including music stores, coffee houses, and pharmacies. Students click on shop names to get a printable picture of a coupon on their computer screen, which they can take to shops for discounts or free samples; in return, they fill out a demographic profile and answer questions about product use.

In summary, different organizations may have different advertising and marketing objectives for establishing and maintaining a Web presence. One organization might wish to use the Web as a means of introducing itself and its new products to a potentially wide, international audience. Its objectives could be to create corporate and product awareness and inform the market. In this instance, the Web site can be used to expedite the buyer's progress down phases 1 and 2 in See Buying and selling and Web marketing communication. On the other hand, if the surfer knows the firm and its products, then the net dialogue can be used to propel this customer down to the lower phases in the buying progression. Another firm may be advertising and marketing well-known existing products, and its Web site objectives could be to solicit feedback from current customers as well as inform new customers.

Thus, Web sites can be used to move customers and prospects through successive phases of the buying process. They do this by first attracting surfers, making contact with interested surfers (among those attracted), qualifying/converting a portion of the interested contacts into interactive customers, and keeping these interactive customers interactive. Different tactical variables, both directly related to the Web site as well as to other elements of the marketing communication mix, will have a particular impact at different phases of this conversion process: For example, hot links (electronic links which connect a particular site to other relevant and related sites) may be critical in attracting surfers. However, once attracted, it may be the level of interactivity on the site that will be critical to making these surfers interactive. This kind of flow process is analogous to that for the adoption of new packaged goods (market share of a brand = proportion aware x proportion of new buyers given awareness x repeat purchasing rate given awareness and trial) and in organizational buying (the probability of choice is conditional on variables such as awareness, meeting specifications, and preference).

## Index of Keywords and Terms

**Keywords** are listed by the section with that keyword (page numbers are in parentheses). Keywords do not necessarily appear in the text of the page. They are merely associated with that section. *Ex.* apples, § 1.1 (1) **Terms** are referenced by the page they appear on. *Ex.* apples, 1

- C** categories of e-commerce, § 2(3)  
Commerce Value Chain, § 4(9)
- D** Disintermediation, § 4(9)
- E** E-Business, § 1(1), § 6(15)  
E-Commerce, § 1(1), § 2(3), § 3(5), § 4(9),  
§ 5(13), § 6(15), § 7(17)  
Electronic Commerce, § 1(1), § 2(3), § 6(15)
- electronic payment, § 5(13)
- I** Internet, § 3(5)
- O** online business, § 3(5), § 6(15)  
online marketing, § 7(17)  
online payment, § 5(13)
- W** web marketing, § 7(17)

## Attributions

Collection: *INB3104 E-Commerce and International Business*

Edited by: Ulrich Werner

URL: <http://cnx.org/content/col11668/1.1/>

License: <http://creativecommons.org/licenses/by/4.0/>

Module: "Introduction to Electronic Commerce and E-Business"

By: Ishan Abeywardena

URL: <http://cnx.org/content/m42262/1.2/>

Page: 1

Copyright: Ishan Abeywardena

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "Categories of electronic commerce"

By: Ishan Abeywardena

URL: <http://cnx.org/content/m42264/1.1/>

Pages: 3-4

Copyright: Ishan Abeywardena

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "The Attraction of the Internet for Businesses"

By: Ishan Abeywardena

URL: <http://cnx.org/content/m42265/1.1/>

Pages: 5-7

Copyright: Ishan Abeywardena

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "Disintermediation"

By: Ishan Abeywardena

URL: <http://cnx.org/content/m42266/1.1/>

Pages: 9-11

Copyright: Ishan Abeywardena

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "Electronic Payment Methods"

By: Ishan Abeywardena

URL: <http://cnx.org/content/m42269/1.1/>

Pages: 13-14

Copyright: Ishan Abeywardena

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "Key motivators behind taking a business online"

By: Ishan Abeywardena

URL: <http://cnx.org/content/m42263/1.1/>

Pages: 15-16

Copyright: Ishan Abeywardena

License: <http://creativecommons.org/licenses/by/3.0/>

## *ATTRIBUTIONS*

21

Module: "The role of the Web in the marketing communication mix"

By: Ishan Abeywardena

URL: <http://cnx.org/content/m42267/1.1/>

Pages: 17-18

Copyright: Ishan Abeywardena

License: <http://creativecommons.org/licenses/by/3.0/>

**INB3104 E-Commerce and International Business**

This text is a handout for students in the course INB3104 - Introduction to Electronic Commerce and Information in International Business at The Institute of International Studies (IIS-RU), Ramkhamhaeng University, Bangkok.

**About OpenStax-CNX**

Rhaptos is a web-based collaborative publishing system for educational material.