E-BUSINESS

Time to develop an e-business strategy

E-COMMERCE

The growth in the use of the Internet from a business perspective has often occurred without a defined business strategy, causing some to view E-Business in isolation and others to worry that access to these new facilities will prove to be a destabilising force, undermining previously held economic principles.The ability of consumers to always find the lowest price or for competitors to enter profitable business areas with limited barriers to entry upset traditional economic thinking and, for a time, caused some to argue that we were witnessing a 'paradigm shift'.

Those who preached of this New Economy have been proven to be incorrect and as the technology bubble continues to deflate, we can see that high revenue, volume of 'hits' and relentless growth are not the same thing as profit. For a time strategy was forgotten. For some, a defined strategy was too limiting and was viewed as being

frequently out of date as the market moved at breakneck speed. Growth was all that mattered, and this philosophy coupled with willing investors drove valuations to unsustainable levels, the consequences of which remain with the markets today.

We can now see that the Internet is just another technology, an important one, but just another tool to be assessed and applied as a component of normal business strategy.The real change has been to the competitive environment, which has witnessed a standardising of some business practices; this in turn has threatened industry profitability. While companies can strive to achieve a sustainable competitive advantage by being operationally efficient, this is not a fool-proof strategy as efficiencies in one firm are now easily copied by others to become industry best practice.This 'New Economy' can therefore be characterised by a general standardising of industry processes with a resultant dilution of competitive advantage.

The growth of E-Business actually places a greater premium on strategic thinking. Use of the Internet per se cannot render a competitive advantage; rather firms that are able to build an E-Business component into their existing business strategy should be able to leverage proven capabilities for a competitive advantage.We believe this is the key to understanding the impact of E-Business on existing business processes.

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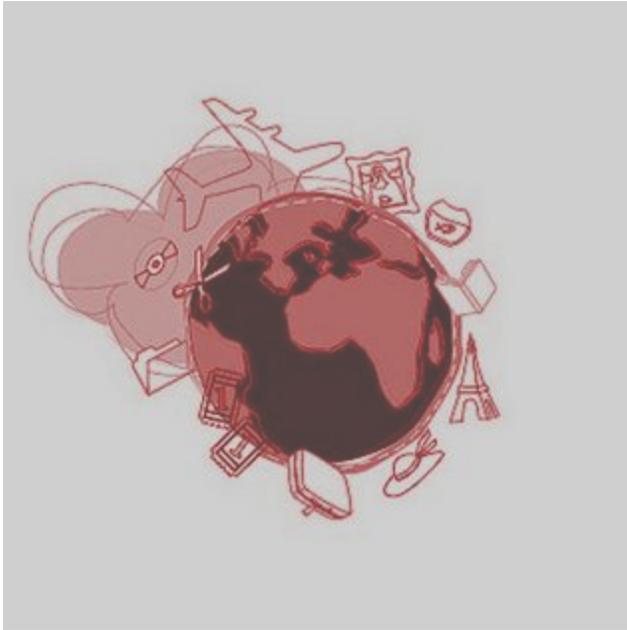
GLOBAL ECONOMY.

Offshore jurisdictions are ideally positioned to provide complete solutions for E-Business operations, usually on more attractive terms than those available in onshore jurisdictions. This advantage has a lot to do with the changing business models manifested in the phenomenon of outsourcing of business processes, which the advances in technology and the globalisation of the economy have facilitated.

Outsourcing has enabled global E-Businesses, irrespective of size, to centralise certain business functions, (which previously would have been duplicated in each location where a subsidiary existed), and to locate each centralised function in the most advantageous jurisdiction. By this means, Research and Development may be located in one jurisdiction, Human Resource functions in another, Corporate, Financial and Accounting functions in another, and Marketing somewhere else. This mechanism serves to reduce overall costs, improve efficiencies and maximise shareholder returns.

In this same vein, the rapid developments in information and communication technologies (ICT) in the past decade, the exponential growth of the Internet and the World Wide Web as commercial media, and globalisation and trade liberalisation have placed pressure on governments to incorporate these factors as fundamental items in national economic and social planning. Hence the last five years have witnessed an unprecedented focus by nations on leveraging ICT to create meaningful, viable and competitive opportunities.

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ADOF-MODEL

The ADOF-Model describes the factors that determine the operational success of a website. This model is called the ADOF-model, where ADOF is an acronym for **Accessibility**, **Design**, **Offer**, and **Fulfillment.**

The metaphor for the ADOF model is a funnel (see figure 1). The ADOF funnel is made up by a sequence of rings. At each ring a company can lose potential loyal customers.

1. Accessibility

The fundamental difference between websites and classical media is its non-intrusiveness. The customer is visiting the supplier instead of the other way around. That is why accessibility is crucial.

Accessibility refers to the extent to which (potential) customers can easily find the website. From a supplier's perspective it reflects the ability to generate traffic to the website, which is often considered to be a major success factor for websites.

> ## The 'build and they will come' model is insufficient to draw customers.
> *Parsons et al. 1998*

Websites become easier to find if they have URL-addresses that are obvious (*www.company.com* or *www.brand.com*). There are many ways to support accessibility, e.g., by placing banners and links on affinity sites, or by adding the site to search engines, directories, and What's Cool lists. In general, links should be available at any place in cyberspace that is visited frequently by potential customers.

Although online promotion efforts have shown to be effective, they should be supported by off-line activities ranging from advertisements in broadcasting and print media, to including the URL on product packages and business cards. For existing companies, many of these efforts are forms of 'piggyback marketing', which involves leveraging existing marketing efforts to draw traffic to a site with low or no additional costs. Dell explicitly encourages its customers to find out about its products on the web by pointing them there in advertisements, business cards, and in phone and in-person conversations. The more time customers spend gathering product information on the web, the more Dell saves in call avoidance.
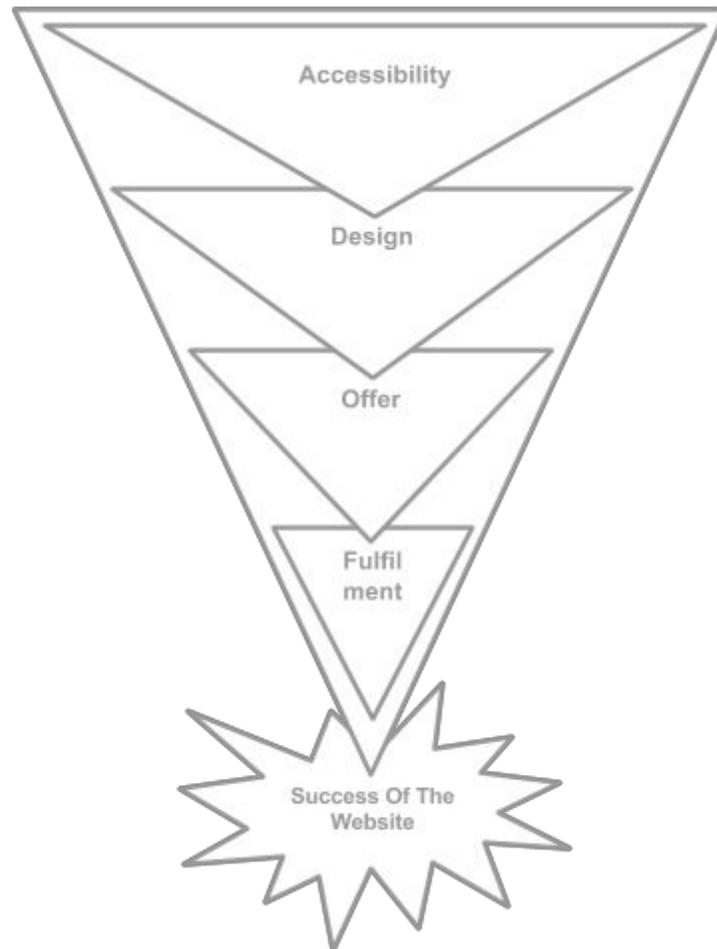
Figure 1 – The ADOF Model

2. Design

The design characteristics of a site determine how accessible the content of the site is. The content of a website should be organized and presented in such a way that visitors can easily find what they are looking for. This sometimes contrasts with the use of sophisticated tools.

Due to its multimedia nature, the transfer of content is a much more complex process compared to traditional media. The visitor of a site can be a reader, a watcher, a listener and a driver simultaneously. The design of a site should therefore address the visitor in all of

these roles. Companies use websites to engage their customers in an ongoing dialogue. This implies that the design should be adaptive in that the site can adapt itself when more is known about a customer.

The two processes that enable websites to be adaptive are personalization and customisation. Personalization refers to the inferences a supplier makes about the customer's preferences based upon previous information search behaviour (click-streams) and transaction behaviour. For example, if a customer searches for maintenance information the site can offer links to the maintenance of any available product or links to only those products that have been bought by that particular customer. Customisation refers to making a site tailor-made based upon information explicitly provided by the customer. Usernames and passwords limit access to only the authorized customer, thus enabling suppliers to build extranets with specific customers. For example, the Dell's password protected Premier Pages contain for each corporate customer only the products, prices, approval procedures, service and support information that is appropriate to that particular customer.

Both personalization and customisation are iterative processes that are beneficial to both parties: customers receive functions and offers that better match their needs and suppliers decrease waste and increase the customer's switching costs. Huizingh (2002) found that customisation of the website is an important determinant for website success. Dell has developed more than 35,000 Premier Pages in 12 languages. Although web communication is highly un-personal, many sites try to add personality to the site by including a special creature that serves as a vehicle for the communication between the un-personal web database and the visitor. Well-known examples are Peter the Sommelier who knows everything about wines (*www.virtualvineyard.com*) and Mama Cucina of Ragu (*www.eat.com*).

Instead of Ragu marketers communicating with their customers, the metaphor is used of a friendly, old Italian lady. Coupons, for example, are not presented as such, but Mama Cucina is cited saying: "Those nice kids at Ragu have got a brand new batch of coupons for

you with lots of savings". The site contains links such as 'Talk to Mama', 'Mama's cookbook', and 'Sign up for Mama's Newsletter'. Often, the creature is not just a communication vehicle, it also adds fun and provides cohesion between the various information elements. For example, Ragu presents different information in the various rooms of Mama Cucina's home (e.g., a family room, a kitchen, and a dining room).

Websites should inform and entertain, but both goals should not be treated as separate functions. Websites should entertain while they inform. Implying that navigation and information must be presented in an attractive way. Another crucial aspect of web design is interactiveness, which is the reason that simply transferring content from traditional media usually does not work. Web visitors are not passive TV watchers, they expect to play an active part in the communication process. Users should be able to drive the flow of information. Implying a design that permits multiple ways of navigation (e.g., links within a network structure, a search function, and a map) and that strengthens the sense of control on the side of the user (in contrast to designs that create the feeling of being 'lost in cyberspace'). Companies can explicitly ask for feedback, by means of requests for comments, invitations to participate in new product developments, and questionnaires.

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3. Offer

The third ring deals with the offer that is presented in the site. In cyberspace, the quality of the offer is determined similarly to that in the terrestrial world, where the ratio of price and quality determines the attractiveness of an offer. Websites can influence both elements.

Quality refers to the perceived value of the product in a broad sense, including supporting services and information. Quality can be increased by means of easier access to information, increased availability (7x24), home or office access, and tools to speed up the purchase process. These tools can be search engines (to find an appropriate alternative), comparison facilities (travel sites rank flights based on lowest fares, total flight time, and number of transfers), or the ability to personalize the search process. Also, the promise of quick fulfillment (online brokers) and instant information about order status increase the perceived quality.

Dell has tried to incorporate services that would make the customer experience better on the web than in traditional environments. For example, Dell has created an automatic configurator, a natural language search engine, a paperless purchase-order process, and an online service and support site. Dell can load the customer's software in its factory, even if the software is written by the customer, put an asset tag with the customer's logo on the PC, and keep an electronic register of the customer's assets. As Michael Dell once said: '*We sometimes know more about a customer's operations than they do themselves*'.

The online offer should also pay attention to characteristics of e-commerce that negatively influence quality. According to Hoffman et al. (1999), consumers do not trust most web providers enough to engage in 'relationship exchanges' involving money and personal information with them. The online offer should therefore also contain clear privacy statements, multiple payment methods, and information on applied security measures.

The other factor that determines the attractiveness of an offer is price. Prices on the web can be lower because the customer takes over the data entry process, thereby releasing the supplier of the time-consuming processes of data entry and the correction of data entry errors. Also, disintermediation can lead to lower prices, while comparison shopping (e.g., *www.pricecheck.co.za*) will increase price competition. However, this does not necessarily imply that online prices will always be lower than offline prices. Strategies such as customisation, personalization, bundling and other strategies that lead to higher switching costs provide companies with the potential to increase prices.

4. Fulfilment

In essence, fulfillment is the extent to which a company is able to meet (1) its own promises with regard to the product in a broad sense, and (2) the service standards in cyberspace.

If a company offers delivery within 24 hours, is it able to meet that promise? Do the products have the features described in the site?, etc.

In this sense, fulfillment in cyberspace is similar to that in direct marketing. The quality of fulfillment is determined to a large extent by the quality of the organization behind the website (the back office). Websites can support the fulfillment process by providing access to information about the status of production, delivery and payment, and the ways to install, learn and use products.

The second part of fulfillment deals with the standards in cyberspace. Service standards in cyberspace refer to, for example, the time within which incoming email messages have to be answered. Forty-eight hours, but preferably twenty-four hours, is often used as a service standard that companies should be able to meet.

Conclusion

Managers need guidelines for developing effective e-business strategies. In this paper, we have presented the ADOF model that will assist managers in their web decision-making.

The crux of e-business is to effectively match the efforts to create superior customer value with the technical capabilities of the new medium. Compared to traditional media, electronic media are superior in (at least) three ways:

1. database searches,
2. complex computations,
3. and several aspects of communication (e.g., speed, accuracy, multimedia, and cost).

Effective Web sites leverage these basic capabilities to create innovative applications that provide added value for customers. Now the Internet hype is over, managers can and should attain a more critical attitude towards proposed web investments. A (more) mature technology calls for more mature applications.

Although several observers have stressed the importance of the first mover advantage, an extensive study, involving fifty consumer product categories, highlights the importance of being an 'early leader'.

Early leaders are firms that enter after pioneers, but assume market leadership during the early growth period of the product life cycle. In most markets, the early Internet leader has still to be determined, and the models proposed in this paper help managers to understand how to attain such a position. This model support the phase of strategy formulating only. When it comes to strategy implementation, aligning the internal organization with web objectives becomes crucial. But structure follows strategy, and knowing where to go precedes determining how to go.

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Date: October 2015