

## INTRODUCTION:

E-commerce is about doing business electronically. It's more than just buying and selling using the internet, though the Internet and World Wide Web play a fundamental role, but includes any form of business or administration transaction or information exchange executed using information and communication technology (Rowley, 2002).

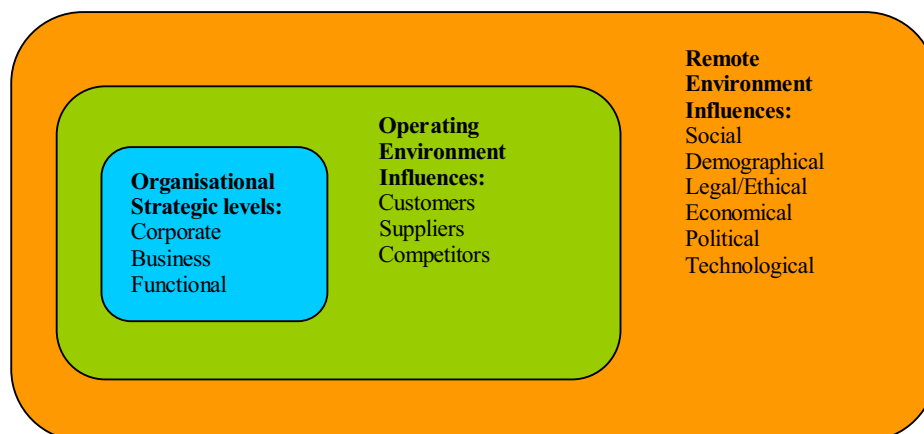
Organisations are now building E-commerce Strategies into their Business Strategies in an effort to increase their competitive advantage and market share.

Organisations must take careful consideration of many factors when designing and implementing an e-commerce strategy. It is important to consider factors in the internal and external environments, the external being the operating and remote environments (Finlay, 2000).

The immediate marketplace shaped by customer needs and the way in which services are provided to them via competitors, intermediaries and upstream suppliers has the most significant influence on an e-commerce strategy.

Wider issues such as government pressures and actions, legal and ethical issues, local and international economic conditions, demographic trends, information technology developments and the society at large (Chaffey, 2004) also need to be examined and understood to ensure potential problems facing organisations wishing to develop a revenue stream through B2C e-commerce are overcome.

**Factors from the Internal and External Environments Organisations must take into consideration when designing an e-commerce strategy.**

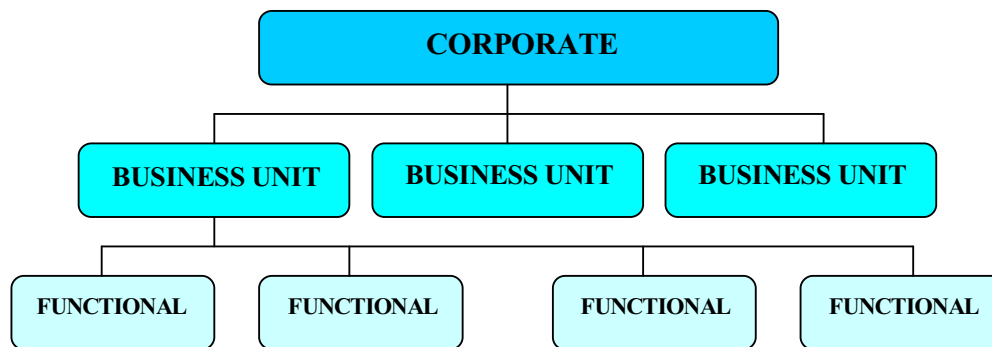


## 1. E-commerce Strategy and the Organisational Strategic Levels

An effective e-commerce strategy establishes goals and objectives and sets out how objectives will be achieved. It is therefore important that organisations develop e-commerce strategies as effectively it creates a framework for future operational decisions and planning (Rowley, 2002). Furthermore:

- It allows organisations to establish which markets it should operate in
- It allows organisations to evaluate whether or not they have the skills, resources and other assets internally to achieve its objectives
- It allows organisations to monitor its marketplace and changes that may occur in the external environment
- It enables organisations to make key decisions as to which strategies it will actually implement in order to achieve objectives

Having developed an e-commerce strategy, organisations need to make decisions as to how and where they will implement their strategy. Organisations, particularly large or multinational organisations are built on a set of three strategic levels.



LEVEL	CONCERN
Corporate	The overall purpose of organisation – ie. What businesses to be in?
Business	How to compete in a particular market?
Function	How the corporate and business strategies will be operationalized in different functional areas.

It is widely agreed that those organisations having implemented an e-commerce strategy at a corporate level are the market leaders. A survey carried out by Conspectus (2002), suggested many organisations that had adopted this strategy did it at a corporate level. The surveys findings showed:

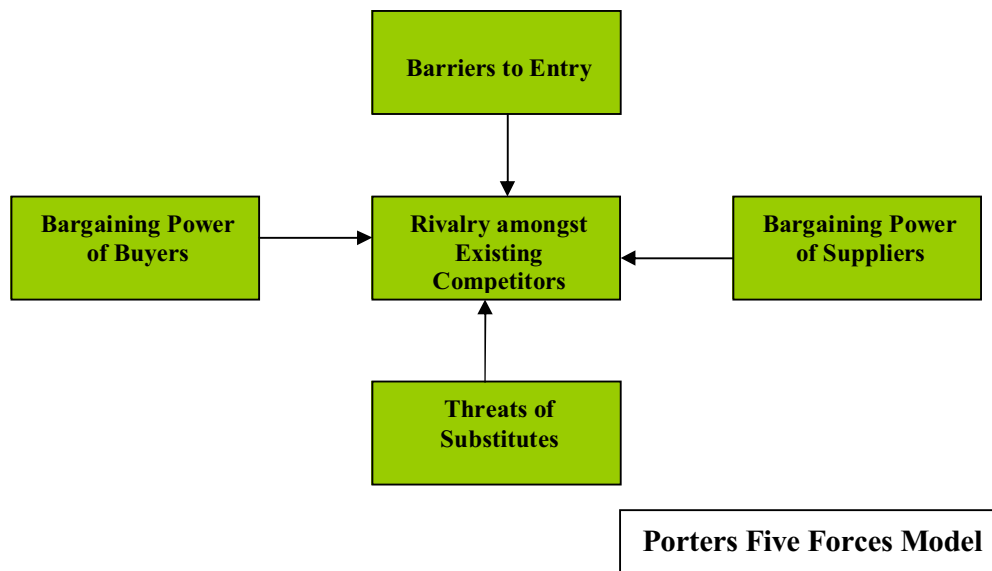
- 48% of organisations had implemented a strategy at a corporate level
- 4% of organisations had implemented a strategy at a Business Unit level
- 48% of organisations had implemented a strategy through a mixture of both.

It is at the corporate level however, problems devising and implementing an e-commerce strategy originate. In our present climate, corporate levels are constructed of senior executives, mature in age and born in generations outside of the 'Knowledge Age' (Finlay, 2000). This has led to an opinion that many senior executives have a lack of understanding of new technology and the implications of information technology. As a result, senior executives are reluctant to provide their sponsorship of e-commerce initiatives and therefore only small portions of organisational budgets are spent on e-commerce strategies. Furthermore, Business Units feel their divisions are not always given a strong enough representation within the corporate level e-commerce strategy and believe the corporate level should consult with the Business Units and incorporate their needs into the e-commerce strategy prior to implementation.

We will now go onto discuss problems organisations face devising and implementing an e-commerce strategy in the operating and remote environments.

## 2. THE OPERATING ENVIRONMENT

The operating environment is composed of elements that an organisation can influence and in turn, can influence an organisation. The operating environment is often measured using Porter's famous Five Competitive Forces model (Finlay, 2000). This model provides a suitable framework for identifying problems with e-commerce that arise in the operating environment.



### 2.1: Bargaining Power of the Buyers

Organisations implementing an e-commerce strategy will have to face lowering product prices as the bargaining power of the on-line buyer is increased. These consumers have a wider choice of product and are more knowledgeable of the alternatives available to them. Customers are in a much stronger position to negotiate on price meaning organisations must ensure their prices remain attractive and therefore relatively low. If they do not, they run the risk of losing customers to rival

competitors. Not only this but the power of the consumer as a mass buyer (ie: [www.letsbuyittogether.com](http://www.letsbuyittogether.com)). No longer does the consumer have to be a single entity but can now work together in groups – though this can be beneficial to both the buyer and the seller.

## 2.2: Bargaining Power of Suppliers

Suppliers can suffer as a result of implementing an e-commerce strategy as their bargaining power is reduced. Since there is a wider choice of products and increased commoditisation, buyers can choose more freely which suppliers they wish to trade with making life for suppliers more difficult due to the increased competition.

## 2.3: Threats of Substitute Products/Services

Organisations embarking on new e-commerce strategies must consider the extended threat of substitute products. Internet technologies enable faster introduction of products and services to the market. Therefore customers can easily substitute one product for another through online purchasing which becomes a great risk for the organisations.

## 2.4: Barriers to Entry

Entry into competitive markets is lowered through the use of Internet technology as setting up a business using an e-commerce strategy is often easier than setting up the more traditional 'Bricks and Mortar' type business, again this makes it easier for organisations to enter an e-commerce market, thus increasing competition.

## 2.5: Rivalry amongst Existing Competitors

Organisations implementing e-commerce strategies must anticipate increased rivalry amongst existing competitors based on the idea that they too will also have been or be implementing an e-commerce strategy of their own. Product differentiation becomes harder when creating an e-commerce strategy as the internet encourages commoditisation. E-commerce strategies shorten product lifecycles and decrease lead times for new product development resulting in increased rivalry amongst competition. Implementing an e-commerce strategy increases the number of competitors through the creation of global markets, again increasing the rivalry amongst existing competitors.

# 3. THE REMOTE ENVIRONMENT

The remote environment is composed of elements on which individual organisations have no significant influence, but which have major influence on individual organisations (Finlay, 2000). It is important that organisations monitor the remote environment and anticipate future environmental trends as those that don't will not remain competitive and have a far higher risk of failure. The following will highlight potential problems e-commerce strategies will face relating to the elements of the remote environment:

## **2.1: SOCIAL**

Society's reluctance to adopt the internet can effect organisations implementing e-commerce strategies. This reluctance stems from the following:

2.1.1: Cost of access: purchasing a PC/laptop and the additional equipment/services necessary to connect to the internet are not cheap. As a result fewer people have access to the internet and the ability to operate online. However, Internet cafes have been a huge hit in all quarters of the world and do provide access to PCs and the Internet at a relatively cheap cost.

2.1.2: Value Proposition: for the internet to be adopted there needs to be a perceived need for its use. Society needs to be shown what the internet offers that other media does not – if not fewer people will access the internet and operate online. A good example of how the UK Government has tried to enforce the value proposition of the internet is through the Tax Return Online scheme ([www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk)) with the added benefit it will do all the financial calculations for you.

2.1.3: Ease of Use: with difficulties first connecting to the internet and navigating through web-sites, less people access the internet and operate online. Email and even different systems can be a problem.

2.1.4: Security: much of society's perception is that the internet is unsafe – mainly exacerbated through the media – resulting in fewer people wishing to provide their bank and personal details over the internet and operate online.

2.1.5: Fear of Unknown: much of society has fear of technology and new media, especially the internet and are therefore again reluctant to adopt it, this can also be said for e-commerce organisations operating online. This comes as little surprise as much of the news non-adopters hear about the internet is only about pornography, fraud and privacy infringements (Chaffey, 2004).

In an attempt to overcome some of these social issues organisations can work with governments to create initiatives (i.e the Tax Return and benefits online initiative) to help people learn about the internet and online facilities, stressed via heavy advertising campaigns, to overcome these barriers. Free access to the internet would also encourage people to adopt and use it as well as providing internet and online purchasing via mediums people are already comfortable and familiar with, such as TV and mobile telephony.

## **2.2: DEMOGRAPHICAL**

Global and national demographics such as sex, age, social class and income should be considered when implementing an e-commerce strategy. A fairly small proportion of the world's population has access to the internet. Europe, America and Oceania have larger proportion of the access holders with relatively fewer coming from Africa and Asia. Therefore, to be successful, organisations need to direct their e-commerce strategies at areas where internet use is high, either by locating specific geographies,

countries or even capital cities as these are the areas of highest revenue and internet use.

### **2.3: ETHICAL**

Ethical issues can provide potential problems for organisations implementing e-commerce strategies, especially as they are related to internet adoption and buyer behaviour. One of the most important ethical issues is that related to privacy. Organisations must be considerate to the way they handle and distribute personal information and be sure not to breach the Data Protection Act, legislation introduced by government to protect the privacy and prevent the misuse of consumers' personal data ([www.dataprotection.gov.uk](http://www.dataprotection.gov.uk)).

Organisations can address the issues of privacy in many ways. The 'Office of the Information Commissioner' ([www.informationcommissioner.gov.uk](http://www.informationcommissioner.gov.uk)) provides guidance on the Data Protection Act which organisations are advised to follow. Organisations should implement the 'Opt-in' and 'Opt-out' options ticked by consumers completing online forms. Only when a customer has proactively agreed to receive further information or allowed for the personal data to be sent or used by third parties should any further communications be allowed to be sent. Organisations which share personal information without permission are violating personal privacy. Organisations should also ensure they include 'Privacy Statements' on web site or as part of email communications as this addresses many of the Data Protection issues and encourages many online consumers to 'Opt-in'. Finally, it is well advised that organisations enrol a Data Controller, a defined person responsible for data protection procedures.

### **2.4: LEGAL**

Organisations implementing e-commerce strategies will inevitably face a number of legal constraints which they'll need to consider (Oz, 2002). These constraints vary from country to country so it is often advised that organisations consult with lawyers as it is almost impossible for non-specialists to keep up to date with the changing details of legislation and case law relevant to e-commerce.

Organisations must purchase a domain name as the first stage of marketing their e-commerce business. However, organisations must be careful not to register a domain name another company already has rights to, sometimes referred to as 'Cybersquatting', as this is against the law. Disputes have been known to arise when this scenario has taken place, as it did with Marks & Spencer and One in a Million Ltd back in 1998 (Chaffey, 2002). Organisations can overcome the problems of Cybersquatting by registering domain names early and by using all various forms of spelling and top-level domains, for example: .com/.co.uk/.net/.info etc (Chaffey, 2002).

Existing law protecting copyright applies in the same way via the internet. 'Deeplinking' is the scenario whereby one web site links to another web site or includes content from another web site within a window on its own site. This is deemed illegal as no agreement with the copyright owner for the use of their material has been agreed.

Organisations must ensure they consider those with disabilities such as visual impairment when implementing e-commerce strategies. Organisations must follow the 'Accessibility Legislation' put in place to protect users of web site with

disabilities such as visual impairment, and can do so by enlarging texts on their web sites and substituting the number of graphics they use for text as this is what the disabled users are more concerned with.

Finally, organisations must be fully aware and act appropriately with regards to taxation rules of commerce using the internet. It is important that they understand and are aware of the laws that apply to them and the geography in which they operate to prevent legal action through tax evasion.

## **2.5: ECONOMICAL**

Organisations implementing e-commerce strategies open the door for achieving world wide sales through globalisation. Quelch and Klein (1996) however point out a number of consequences organisations will have to overcome in order to compete in the global marketplace:

- organisations need twenty four hour order taking and customer response capability in order to satisfy customer demands
- organisations need prior experience in international shipping and the regulatory and customs handling legislation that is coupled with it
- organisations need a prior and in-depth understanding of foreign market environments

Organisations that lack this type of knowledge and experience will find it difficult succeeding with e-commerce strategies.

Further problems of globalisations is the lack of ability organisations have in developing multi-language versions of their web sites due to lack of revenue and resources, again making it difficult to operate on a global scale.

A solution to problems associated with globalisation is localisation. Organisations could identify the specific needs of the countries/regions they were operating in and tailor their products and services to their needs, however, this is an expensive task and one possibly only the largest organisations could implement.

## **2.6: TECHNOLOGICAL**

Finally, organisations wishing to implement an e-commerce strategy will need to decide which technological innovations to use to create competitive advantage.

Although not immediately seen as a potential problem, organisations which choose to ignore new technological innovations, or wait for its competitors to test and implement new technologies first so as to identify where potential problems may lie can fall 6-12 months behind if the new technologies prove a success.

For those organisations that take the risk of immediately implementing new technologies to support their e-commerce strategies the rewards can be high, but at the same time any problems there are with the new technologies will effect the organisation badly and play into the hands of the competition.

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