

Access to this work was provided by the University of Maryland, Baltimore County (UMBC) ScholarWorks@UMBC digital repository on the Maryland Shared Open Access (MD-SOAR) platform.

Please provide feedback Please support the ScholarWorks@UMBC repository by emailing scholarworks-group@umbc.edu and telling us what having access to this work means to you and why it's important to you. Thank you.

Using Effective e-Commerce Strategies to Improve Organizational Performance

November 20, 2011



Prepared by:

Jeffrey S. Ray, P.E., Esq.
Doctoral Candidate, SMC University
jeffrey.ray@student.swissmc.ch

Prepared for:

Swiss Management Center
Learning Center – Zurich
Seestrasse 463
8038 Zurich - Switzerland
Tel.: +41 (0)41 500 16 22
administration@swissmc.ch
<http://www.swissmc.ch>

Abstract

This paper assesses why it's important for businesses to make the commitment to engage in an effective e-commerce strategy. In a tough economy like the one we are currently experiencing, engaging in the pursuit of internet sales is a legitimate way for businesses to grow their market share. In the same vain as depicted in the movie *Field of Dreams*, "if you build it they will come." An online presence in these difficult times will improve a firm's competitive posture, reduce advertising costs, evolve it from a local entity to a global supplier, and protect it against major paradigm shifts. Unlike traditional forms of customer communications, online purchasers have control of the information they want to review. The links these purchasers select give an indication concerning their preferences as they navigate through the website, or the areas where they have difficulty completing a transaction due to a problem. Tracking these preferences and problem areas in information systems is one way to predict issues that consumers in a certain profile group may have. Once the preferences of online customers have been assessed and identified, they have to be incorporated into website design solutions. When implementing their online capabilities, companies must commit to taking an online leadership position, keeping a quality focus on products and the services that deliver them, and tailoring online systems to support collective learning organizations. Implementing high quality websites that support efficient online business transactions requires investment in servers and supporting information technology systems to collect, process, store, and distribute the required supporting customer and transaction data. By committing to invest in IT systems designed to support business strategies targeting leadership positions in key business areas, companies can experience growth even in poor economic conditions. Otherwise, the business will take up the stature of a "follower" and slowly lose ground and market share to competitors.

Contents

1	Why e-Commerce is Important in these Difficult Economic Times,	4
2	Conceptualizing Consumer Perceptions of e-Commerce Quality.....	5
3	The Link between IT Investment and e-Commerce Leadership	6
4	A Systemic Approach to e-Commerce Leads to Organizational Success	8
5	Leveraging IT Investments to Support Learning Communities.....	9
6	The Leadership Skills needed to Manage Virtual Teams	11
7	How Telecommunications Can Changed the Work Environment	12
8	Challenges e-Commerce Organizations Face in the Customer Service	12
9	Summary and Conclusions	13

1 Why e-Commerce is Important in these Difficult Economic Times,

One result of a difficult economy is an increase in business competition as the number of viable customers that can afford to purchase goods decreases. Engaging in e-commerce can increase sales and reduce costs making a business more competitive. Sales are increased because the internet facilitates globalization and allows a company access to a larger number of targeted customers distributed throughout the world. Costs are reduced since electronic communications are inexpensive and can reach a larger number of targeted customers faster. Perhaps the most significant cost reduction avenue that e-commerce can realize is the elimination of the middle man in some sales transactions. The traditional economic model had a manufacturer selling its products in large quantities at wholesale prices to stores that would then resell them to customers at retail price levels. With the advent of the internet, manufactures can now set up websites with self-service activities and deal directly with customers eliminating the need for the “middleman” for transactions involving some product types. The storefronts of the future are going to primarily be websites.

Perhaps the most compelling reason a company should embrace e-commerce is to mitigate the risk that their entire business environment can experience a significant paradigm shift. Buggy whip sales understandably diminished after the advent of the automobile. Today’s paradigm shifts, however, can happen much faster as a result of the internet. Consider how Apple Inc., set up an online iTunes music store and facilitated the purchase of music. Apple totally changed the way consumers purchase music today. Within a five year period or so, the compact disk (CD) music stores that used to be abundant in shopping malls have all but disappeared. To ensure they don’t get caught up in an unexpected paradigm shift, companies should embrace the internet as a potential sales market and define a business strategy that discriminates its products and services.

2 Conceptualizing Consumer Perceptions of e-Commerce Quality

In a tough economy like the one we are currently experiencing, engaging in the pursuit of internet sales is a legitimate way for a business to grow its market share. An online presence upgrades a business from a local entity to a global supplier with access to potential customers around the world. A company would be usurping a significant opportunity if it failed to diligently pursue an e-commerce strategy. If a company is not taking advantage of online business opportunities, then they are at a strategic disadvantage since many of their competitors will be. But deciding to pursue online business and actually getting it are two different things. As it turns out, conceptualizing a consumers' perception of e-commerce quality is an important aspect of finding and retaining online customers.

The concept of consumer-perceived quality (CPQ) has been widely accepted as another important measure of customer satisfaction. It was first defined by Gronroos (1984) as “the confirmation of a consumer’s expectation of service compared to the customer’s perception of the service actually received” (Su, Song & Chen, 2007, p. 360). Su, et. al. (2007) developed a model to assess CPQ factors and identified outcome quality and consumer service to be the most significant factors affecting consumer confidence in online transactions. The outcome quality dimension focuses on the quality of goods or services purchased by the consumer and how the goods or services are delivered. It “represents the core value to the consumer” (Su, et. al., 2007, p. 368). Their study concluded the outcome quality is “the essential conceptual dimension of e-commerce CPQ” (p. 368).

Ratnasingam (2008) examined the impact of customer relationship management (CRM) for small businesses that engage in business-to-customer (B2C) e-commerce. Insights were drawn on customer behaviors during online shopping based on hard and soft factors which are reflected in the transactional and relational components of the interactions between the customer

and the firm. Unlike newspaper and televisions advertisements, a website gives customers control in choosing and processing the information they want to review about the firm or its products (Ratnasingam, 2008, p. 31). To be successful at soliciting business, therefore, a website has to understand its customers' interests and provide the links needed to get customers to the information that interests them as quickly as possible.

When I think of the companies I personally have conducted business transactions with and why, I find the results reported by Su, et. al. (2007), to be persuasive. When I buy music or iOS5 applications online from Apple, computers online from Dell, movies, books and consumer products online from Amazon.com, or information technology (IT) accessories from Newegg.com, I always return to these same providers because I know the transaction process, and more importantly, the post-transaction customer service, will be top notch. There simply doesn't seem to be any risk in dealing with these companies because they are leaders in the industry at providing exceptional outcome quality and outstanding consumer service in support of e-commerce transactions. My history of successful online transactions with these companies has led to an elevated level of trust and I feel comfortable shopping online with them.

3 The Link between IT Investment and e-Commerce Leadership

Once the preferences of online customers have been assessed and identified, they have to be implemented. Implementing high quality websites that support efficient online business transactions requires investment in servers and supporting information technology systems to collect, process, store, and distribute the required supporting customer and transaction data. By providing superior online information processing systems, a business can give online customers the confidence to forego the risks associated with online transactions and conduct online purchases with them. Becoming a leader in e-commerce therefore requires a substantial investment in information technology. In the same vain as depicted in the movie *Field of*

Dreams, if you build it they will come. Apple has a robust, safe, and easy to use online presence built around its iTunes store, and now has over 225 million users that have activated accounts and provided personal credit card information (Jobs, 2011). Google.com, eBay.com, and Amazon.com, have also invested heavily in technologies that support e-commerce, and have millions of account holders and billions in annual sales to show for it. Internet sales have allowed these companies to achieve these levels of performance. Effective retention of customers allows companies embracing e-commerce “to expand and increase their profitability” (Cocosila, 2011, p. 3). By facilitating online transactions and making it easier for customers to shop online, businesses can increase sales and their profitability significantly.

To illustrate the importance of IT investment, consider the performance of Amazon.com in contrast to that of Sears Roebuck, and Company, over the last 15 years. Amazon made significant information technology investments and set up an online store with innovative features to address customer concerns. Product and vendor reviews are now common and allow potential purchasers to increase their level of trust in the transaction by vicariously adopting the experiences of previous customers. Despite having perhaps the best business posture for entering the e-commerce information age, Sears was sluggish and did not initially invest in internet technologies with the objective of taking a leadership position. In the 1960's Sears had an established mail order business that was supported by an impressive distribution of stores throughout the United States. They sent out catalogs with detailed product descriptions to customers all around the country. Customers could order products over the phone, have them shipped to their homes and, should there be any problem with the goods, deal with a local store to access customer service functions. The result was Sears had a thriving mail order business and enjoyed an outstanding reputation for quality. One could argue that had Sears embraced an

effective e-commerce strategy in those early years, they could have leveraged their mail order posture and usurped Amazon.com's online presence. Sears could now own all of Amazon's current market share and business sales. All Sears had to do was take their product description content from the catalogs and post it in a website online capable of processing sales transactions. Thus, it seems there has to be a commitment by management to invest in IT systems designed to support a business strategy aimed at providing a leadership position. Otherwise, the business will take up the stature of a "follower" and slowly lose ground and market share like Sears did at the advent of the internet.

4 A Systemic Approach to e-Commerce Leads to Organizational Success

The internet has emerged as a dynamic medium for channeling transactions between customers and firms in a virtual marketplace (Cocosila, 2011, p. 13). Radio-based communication networks known as WiFi's appear to offer even greater potential for e-commerce as broadband networks provide purchasers online access almost everywhere a laptop resides (p. 13). Engaging in e-commerce offers an inexpensive form of advertising to businesses, and allows them to evolve from a local entity to one with a global presence and the world as a potential marketplace. By systematically assessing their business processes and duplicating them in online systems, a business can set up a website store front that can conduct sales transactions directly with consumers and replace or supplement the retail function. When the IT investments necessary to provide a business an online presence are coupled with an effective e-commerce business strategy, firms have been successful at increasing their sales, market presence, and financial performance. An effective business strategy really means providing a product or service that consumers need, or want, to the point they will be willing to accept the risk of conducting online purchases. To generate repeat business for existing customers, an effective

online customer service capability should therefore be integrated into the businesses online work flow processes.

5 Leveraging IT Investments to Support Learning Communities

Organizations are composed of groups of employees that are assigned tasks (Cocosila, 2011b, p. 3). In order for organizations to operate efficiently, the organization needs to stipulate how the various groups of employees will work together as a team. Before looking at the technology involved with the sharing of information, it is important to look at information as a system itself and the purposes the information serves (Cocosila, 2011b, p. 5). Senge contrasted the leadership role of traditional organizations with that of “a Learning Organization” (Senge 1990, p.339). Leadership in a traditional organization focuses on “short-term events and charismatic heroes rather than on systemic forces and collective learning” (Senge, 1990, p.340). Leadership in a learning organization is responsible for creating an environment where employees collectively expand their knowledge and capabilities to understand complex design solutions, difficult global markets, the “organization’s clarified vision, and improved shared mental models” (Senge, 1990, p.8). In a traditional organization, the leader gives clear direction in terms of organizational structure and manipulates staff members to work towards some common strategic goals. When the leader decides to implement a learning organization these skills are ineffective since staff members are not manipulated, but rather, are taught to learn collectively, and are relied on to continually make creative contributions. In many cases, these contributions end up refining the leader’s vision. As a contributing member of the learning organization, the leader is also “continually learning based on the collective input as well” (Senge, 1990, p.340). Learning organizations learn how to be competitive together, collectively, and do not singularly rely on a leader to individually define its direction.

The database directory structure for a learning organization, therefore, must store the organization's data in support of its mission and facilitate collective learning. In a learning organization, the leader's activities are somewhat different and focus on "designing, and continually refining, the organization, being a steward of the organization's vision," (Senge, 1990, p.345) and teaching personnel how to learn collectively as an organization.

Since information strategies need to focus on the information needs of the organization, and the distinct qualities of a learning organization have been identified, the discussion can now show how modern information management systems are well suited to support an organization striving to achieve collective learning. Today, collaborative e-environments can be stood up with computer-off-the-shelf (COTS) products like LiveLink, ShareCenter, or GoToMeeting.com. These products offer file sharing with revisioning control, webinar hosting, interactive training, survey capabilities, whiteboards, video conferencing, desktop sharing, and voice over IP (VOIP) communications. Configuration management (CM) tools traditionally reserved for managing software baselines, can now be used in conjunction with intelligent branching commands to easily manage the entire release baseline including documentation, software modules, and design drawings. As the existing depot directory is branched to a release folder, a snapshot of the baseline is saved forever. It is that easy. When team members log into the CM tool, they select the depot and execute a "*Sync to head Revision*" command. When the sync is completed, the data on the team members (client) computer is updated with the changes the team has made since the last sync (e.g., with the collective knowledge of the team). When logically defined folder structures are combined with strict file naming procedures, these tools can encourage collaboration between team members and support collective learning organizations.

6 The Leadership Skills needed to Manage Virtual Teams

Modern telecommunication systems facilitate organizational teams to meet online virtually. Whereas leaders of old merely had to manage co-located teams via face-to-face relationships, today's managers must lead cross-functional, multi-cultural, and geographically dispersed teams. Such virtual teams meet online with web-based tools to support the conduct of the meeting. The only requirement for attending the meeting is internet access and a compatible web browser. Conducting virtual team meetings requires leaders to possess special technical, writing and communication skills. Technical skills are needed to configure telecommunications equipment, prepare briefing content, and to use the collaboration tools to invite participants and host online meetings. Special writing skills are required to ensure that content is understood and accepted by a culturally diverse audience. Persuasive messages can be written with an audience centered focus used to link the purpose of a message to the needs and interests of the audience. Writing messages from an audience's point of view and showing their needs and perspective are understood will help ensure acceptance of the message (Thill and Bovee, 2005). Special verbal and non-verbal communication skills, and word selection, must be demonstrated to ensure team members from different cultures all understand the content of the online messages.

Since user login credentials must be distributed, managers must be cognizant of security threats and be able to identify issues regarding encryption, data protection, and wireless hardening approaches (Cocosila, 2011b, p. 9). Managers, as leaders of virtual teams, also have to solicit input from team members to support decision making. Thus, some specialty skill regarding the use of the tool is necessary to engage the team and get their input within the constraints of the online environment.

7 How Telecommunications Can Changed the Work Environment

Telecommunications and networking equipment allow personnel of organizations to attend virtual meetings (Cocosila, 2011b, p. 6). This eliminates the requirement that work teams be co-located and facilitates the implementation of virtual, geographically dispersed teams that can support the organization or project. It also enables workers to telecommute and work at home since companies can stand up virtual private networks (VPNs) that allow workers with internet access to penetrate corporate firewalls and access file sharing systems just like they are at work. Through the creation of virtual team worksites, organizations are essentially merged together (Cocosila, 2011b, p. 6), and coordination between team members can be facilitated though the use of collaboration tools. Virtual teams are now the norm in many enterprise-wide organizations in multi-national companies (p. 6). Team members can now work at different locations, in different time zones, in different countries, and support the same organization. Electronic communication and digital technologies are said to “give people a historically unprecedented ability to work together at a distance” (Cocosila, 2011b, p. 6).

8 Challenges e-Commerce Organizations Face in the Customer Service

Like traditional consumers, the current online customer is “most concerned about the quality of the goods they receive and the quality of the service that supplies them” (Su, et. al., 2007, p. 371). In traditional retailing, consumer service is more or less synonymous with the quality of the interaction between the consumer and store personnel. The transaction is supported by person-to-person contact and the expertise of a professional salesperson. Customer service issues are similarly resolved by contact with professional staff members. Online, however, consumers complete most transactions by interacting with a digital system and interactions with a salesperson are rare. In a sense, the customer service function has to look into a crystal ball and predict any issues or problems a consumer might have when interfacing with

the system to make an online purchase, without necessarily contacting the purchaser directly. In online transactions consumers use the website to search for products, compare product features, order products, and pay for products. The online customer service capability must support these functions and provide troubleshooting guidance with content targeted at users with varying levels of online competency. Since they cannot examine the goods at the time of purchase, online consumers also face additional uncertainties when compared to retail transactions in stores (Su, et. al., 2007, p. 361). The online customer service capability must therefore facilitate the process of returning and exchanging products that do not meet customer expectations.

Unlike traditional forms of customer communications, online purchasers have control of the information they want to review. The links these purchasers select give an indication concerning their preferences as they navigate through the website, or the areas where they have difficulty completing a transaction due to a problem. Tracking these preferences and problem areas in information systems is one way to predict issues that consumers in a certain profile group may have with a process or delivered good. Customer service professionals can incorporate help desk techniques such as drafting issue notes and anticipate solutions as customers describe their problems during service calls.

9 Summary and Conclusions

This paper assessed the question many corporate leaders are considering these days; namely, why is the commitment to engage in an effective e-commerce strategy important? An online presence in these difficult times will improve a firm's competitive posture, reduce advertising costs, evolve it from a local entity to a global supplier, and protect it against major paradigm shifts. The firm, however, must commit to taking an online leadership position, keeping a quality focus on products and the services that deliver them, tailoring online systems to support collective learning organizations, and apply leadership skills to the requirements of virtual teams.

References

- Cocosila, M. (2011, November). Lecture Notes 01 for the e-Business Management course. SMC University, Zurich, Switzerland, p. 3.
- Cocosila, M. (2011b, November). Lecture Notes 02 for the e-Business Management course. SMC University, Zurich, Switzerland, p. 3.
- Gronroos, C. (1984). Service model and its marketing implications. *European Journal of Marketing*, 18(4), 36-44.
- Jobs, S. (2011, June 6). World wide developers conference (WWDC) keynote presentation. Retrieved at: <http://developer.apple.com/videos/wwdc/2011/>.
- McKnight, D. and Chervany (2001). What trust means in e-commerce relationships: An interdisciplinary conceptual typology. *International Journal of Electronic Commerce*, 6(2).
- Ratnasingam, P. (2008). The impact of e-commerce customer relationship management in Bbsiness-to-consumer e-commerce. *Journal of Electronic Commerce in Organizations*, 6(4), 30-46.
- Su, Q., Song, Y., and Chen, T. (2007, July 16). Conceptualizing consumers' perceptions of e-commerce quality. *International Journal of Retail & Distribution Management (IJRDM)*, 36(5), 360-374.
- Thill, J., and Bovee, C. (2005). *Excellence in business communications 6th ed.* Pearson-Prentice Hall; Upper Saddle River, NJ.
- Zeithaml, V., Parasuraman, A., and Malhotra, A. (2002). Service quality delivery through web sites: a critical review of extant knowledge. *Journal of the Academy of Marketing Science*, 30(4), 362-375.