E-Business - Making the Move from Traditional to Next Generation Marketing Strategies: An Exploratory Study of Irish Organisations

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E-Business - Making the Move from Traditional to Next Generation Marketing Strategies: An Exploratory Study of Irish Organisations

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Abstract

In an era in which Irish firms face an increasingly competitive environment, it is essential that they explore the e-business option. Experience worldwide shows that this is now one of the most effective ways to increase sales, productivity and profits, if incorporated effectively into the strategic planning process. While much has been written about the potential impact of the Internet on marketing strategies, very little of the debate has been focused on Irish conditions and practice and on how Irish companies are adapting to the e-business environment.

This paper reviews the diffusion of Internet access and use, with a view to appreciating the current Internet penetration rates around the world and highlighting the importance of this medium for Irish marketing managers. The current state of e-business strategies and the strategic marketing implications are assessed. Also examined is the extent to which 30 successful Irish firms, across a range of sectors, have utilised the Internet and innovative web technologies as part of their marketing activities.

Keywords
E-business/E-marketing, Strategic Marketing.

Introduction

Since 1994 the Internet has evolved from a scientific network into a platform that is enabling a new generation of business and business activities. The e-business approach has broadened the types of business conducted on the web. E-business is about convenience, availability and world-wide reach to enhance existing performance or to create new virtual business ventures (Amor, 2002). Application of the concept offers efficiencies in terms of increased market access and information, as well as decreased operating and procurement costs (Rosen and Howard, 2000). The introduction of the online environment has made real-time, customised, one-to-one advertising, marketing and commerce possible (Chaffey et al., 2000).

E-marketing is relatively new in the business world. It can be defined as 'achieving marketing objectives through use of electronic communications technology' (Stauss & Frost, 1999). Some of the new marketing practices identified in the literature, arising from the ability of e-business technologies, include improved customer benefits such as faster processing of orders, personalisation of consumer data, one-to-one customer interaction and many-to-many communication. Biswas and Krishnan (2003) describe the impact of the Internet on marketing through three dimensions. Firstly, the Internet enables companies to create value through one-to-one marketing. Secondly, it allows cost-
effective integration of electronic trading into a company’s core business. Thirdly, the Internet provides sellers with the opportunity to learn more about their best customers, one at a time, thereby making possible the provision of a customised service.

To survive and succeed in today’s complex business world all companies – from established industry leaders to feisty upstarts – must develop a strategy that embraces and takes maximum advantage of the latest trends in technology. Yet, many organisations have been slow to exploit e-business technology. Some have implemented focused e-business strategies to build cutting-edge enterprises that serve and retain customers. Others, unfortunately, are lured into ill-fated ventures by the ever-changing roster of ‘buzzwords’, ‘fads’ and analogies.

Internet Usage
That the world has been changed by the Internet is beyond doubt. The diffusion of Internet access and use has had tremendous implications for marketing strategy and practice.

The penetration of the Internet varies widely across countries. Market research consultants, Nua, reported that there were 605.60 million Internet users at the beginning of 2003, approximately 10% of world population. According to Nua’s figures this shows an increase of 25 per cent (approx) from the beginning of 2001. Table 1 breaks down the 605.60 million figure by region. In 2003, Europe had 31 per cent of the online market, Asia/Pacific was a close second with almost 31 per cent, and Canada & the USA ranked third with 30 per cent of the online market.

Table 1 Internet Users Online

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Users, Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Total</td>
<td>605.60</td>
</tr>
<tr>
<td>Africa</td>
<td>6.31</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>187.24</td>
</tr>
<tr>
<td>Europe</td>
<td>190.91</td>
</tr>
<tr>
<td>Middle East</td>
<td>5.12</td>
</tr>
<tr>
<td>Canada &amp; USA</td>
<td>182.67</td>
</tr>
<tr>
<td>Latin America</td>
<td>33.35</td>
</tr>
<tr>
<td>Ireland</td>
<td>1.31</td>
</tr>
</tbody>
</table>


More recent data suggest that Internet usage rates in all regions is climbing steadily, particularly in Estonia and Slovenia where penetration levels are on par with those in Western Europe. By 2006, it is predicated that around 27 per cent of Internet users in Central and Eastern Europe will go online at least once a month. In 2003, the Internet penetration rate in Ireland was 40 per cent, up from 36 per cent in September 2002. Data has revealed that four out of every ten Internet users in this country made online purchases during the last three months of 2002. Ireland’s mobile usage rate also increased by two per cent from September to December 2002, up to 79 per cent. According to the latest figures, 72 text messages were sent per month per subscriber in Ireland from September to December 2002.
IDC consultants predict a rise in ecommerce spending in Central and Eastern Europe. They estimate that B2B will account for 90 per cent and will continue to constitute the bulk of ecommerce spending over the next five years. In 2006, the total ecommerce market should reach USD17.6 billion. The key ecommerce markets in the region are the Czech Republic, Hungary, and Poland, which together constitute 90 per cent of the market’s total value. According to a new study by RoperASW and AOL Time Warner, 45 per cent of European online consumers are expected to buy more products over the Internet in the coming years, as compared to 41 per cent of American consumers. In addition, nearly three out of four Europeans surveyed said they regularly or occasionally use the Internet to research purchases before buying products offline.

In 2002, Enterprise Ireland reported that 84 per cent of Irish organisations had Internet access and that 67 per cent of this group had their own web site. The adoption rate per sector is highlighted in Table 2.

### Table 2 Adoption Rate of Internet Access in Ireland per Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>% Web site Ownership</th>
<th>% of Sales via Internet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceuticals</td>
<td>68</td>
<td>2.3</td>
</tr>
<tr>
<td>Engineering</td>
<td>55</td>
<td>0.2</td>
</tr>
<tr>
<td>Electronics</td>
<td>76</td>
<td>0.3</td>
</tr>
<tr>
<td>Consumer Food</td>
<td>44</td>
<td>0.3</td>
</tr>
<tr>
<td>Consumer Products</td>
<td>61</td>
<td>0.2</td>
</tr>
<tr>
<td>InfoComms</td>
<td>94</td>
<td>1.5</td>
</tr>
<tr>
<td>Finance/Healthcare/Software</td>
<td>95</td>
<td>5.6</td>
</tr>
<tr>
<td>Digital Media/eCommerce/Training</td>
<td>89</td>
<td>0.4</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>0.7</td>
</tr>
</tbody>
</table>

*Source: Enterprise Ireland, 2004.*

The extent of basic Internet access, usage and literacy suggests the possibility of radical change in society and business. Individuals can now acquire previously inconceivable and detailed information from the web and enter dialogue with businesses in a manner that revolutionises what was traditionally an asymmetrical power relationship. Murray and Ko (2002) argue that the Internet and Information Technology are having a profound impact on society and on the practice of management and marketing globally. In the field of marketing, their effect has been to create a new digital environment for markets, sometimes referred to as the Cybermarket, in which buyers, sellers, their intermediaries and agents interact in novel ways.

### E-business Strategies - Background Literature

Online channels offer marketers a unique combination of capabilities, including detailed customer data, real-time customer targeting, rapid market feedback, and on-the-fly campaign adjustments. Deighton and Barwise (2001) claim that being first to master and deploy the new technology and media will be critical to the creation of a new cohort of consumer companies for the twenty-first century. The Internet has been described as being a significant global medium for communications,
content and commerce. It is a powerful tool for building relationships with all of a company’s communication targets (Fahy & O’Callaghan, 2002). ONS UK (2002) in their study of pioneering companies discovered that active e-business users, on average, report a doubling of sales when entering a new market.

Yet, online marketing performance remains poor. By employing traditional direct marketing practices, many marketers are simply not tapping into the full potential of this online channel. Research conducted by Day and Hubbard (2002) shows that only 30 per cent of senior managers see the impact of the Internet on their ability to manage customer relationships as a major opportunity, while 52 per cent regard it as a minor opportunity, and 13 per cent are of the opinion that it has little impact.

The first phase of e-business was one of rapid growth and change. Business fortunes were made and lost. We are now entering into the second phase where a huge variety of businesses have become more accessible via electronic media. Online goods and services currently available include home banking, holidays and public administration. The e-business revolution has been described as being twofold. Technology has revolutionised the way we can do business, but business itself is only slowly adapting to the new possibilities. Amor (2002) describes this emerging economy as needing a new paradigm, but the process of conversion will take some time to complete. It is his contention that the best IT infrastructure will be useless if the correct business plan is not in place. He divides the Internet presence of an enterprise into six phases:

Phase 1: The company has set up a web page. However, no real structure is provided and there is no search engine or means of communicating with the consumer. Only some company information is provided.

Phase 2: The web site has some structure, including a search engine to seek key words and information about a company, and a method to exchange messages within the company.

Phase 3: Here the company is trying to sell information, goods etc. online, but the system is not connected to the real databases on the company intranet. It is slow, costly, and lacks security.

Phase 4: The web site has a direct link into the legacy systems of the company’s intranet, allows retrieval of information from internal databases, and uses secure protocols to transmit data between the company and the customer or another business. Cost saving and profit making should prevail.

Phase 5: Using any device that contains a chip (cellular phone, car, etc.), people are able to connect to your data and transmit or receive the desired information to conduct e-business.

Phase 6: All chip-based devices are interconnected and create one huge information resource. The devices are able to interchange any type of information on an object-oriented level. Applications are transparent to these devices. Users won’t know the source of solutions to their problems.

Amor (2002) believes that most companies are somewhere between phases 2 and 3 but are moving towards phase 4. He believes that to succeed in the future it seems inevitable that companies must progress to phases 5 and 6.
Over the last decade, companies have spent substantial amounts of money building web sites and online communication strategies with a lack of customer-centred vision. This has resulted in consumer frustration and the problem of poor customer retention for the company (Philips, 2003). Deighton and Barwise (2001) identify three properties of digital communication which must be mastered: fragmented attention, radical interactivity, and instrumentality. The marketer must struggle with integration across consumers’ fragmented vision and attention. Internet conversation has difficulty in generating emotional involvement; it is fundamentally an instrumental medium.

Rayport and Jaworski (2001) postulate that senior management must complete three sequential tasks when considering an online offering:
1. Identify the scope of the offering
2. Identify the customer decision process
3. Map the offering to the consumer decision process.

Smith and Chaffey (2001) note that a key success factor in e-marketing is achieving customer satisfaction through the electronic channel. This raises issues such as whether the site is easy to use, does it perform adequately, what is the standard of associated customer service, and how are physical products dispatched. The new millennium has seen the rise and fall of dot.com firms, coupled with hype and disappointment over what the Internet will bring to business. Problems of embracing or responding to the Internet remain a challenge for managers of established firms. For today’s e-business organisation, it may be simple to set up a web presence, but it has proved difficult to create a sustainable online business. Chen (2001) concludes that, gripped by a misunderstanding of competitive dynamics, dot.coms squandered their ample but ultimately limited resources. The dot-com model was inherently flawed: a vast number of companies all had the same business plan of monopolising their respective sectors through network effects. It was clear that even if the plan was sound, there could only be at most one network-effects winner in each sector, and therefore most companies with this business plan would fail. In fact, many sectors could not support even one company powered entirely by network effects (Cassidy, 2002).

However, according to Porter (2001), the greatest impact of the Internet has been its ability to reconfigure existing industries. Those who recognised the potential of the technology at an early stage used it to create new business models. Many entrepreneurs spotted voids in the market that could be filled by using the Internet. Pioneers included:
- Jeff Bezos who created the world’s largest Internet-based bookstore – Amazon.com
- Pierre Omidyar who successfully established a virtual auction house – eBay.com
- Michael Yang who set up one of the world’s largest search engines on the WWW - Yahoo.com.

Research Objectives and Methodology
E-business, in all its forms, is projected to continue growing at double-digit rates, thereby becoming the fastest growing form of commerce in the world. As Irish organisations enter the era of e-
marketing, the crucial question becomes not whether to incorporate the Internet into the marketing plans, but rather how to build effectively on the success of traditional strategies by capitalising on the strength of the Internet.

This research seeks to make a contribution by examining the e-strategies being employed by a range of successful Irish firms across the financial, pharmaceuticals, engineering, services, healthcare, and retailing sectors. Given the limited literature and complex nature of the issues under consideration, an exploratory approach was adopted for the study. This approach was based on 30 in-depth interviews with senior managers/policy makers from a variety of industry types and sizes. The objective analysis and all data can be referenced; however, due to the confidentiality of certain issues discussed, findings are not accredited to individual companies. Table 3 outlines the business sectors targeted in this research.

The interviewees were selected on the basis of their reputations and their willingness to co-operate. Both B2B and B2C sectors were represented, including those from a range of different sectors. Small-scale qualitative studies suffer from problems in the reflexivity of the design and the generalisability of the research findings. However, this approach was considered necessary in order to gain a broad insight into the current e-business strategies employed by Irish firms, as well as serving to develop directions for further research. The interviews were unstructured, though 10 core themes were used to guide the discussion:

- What is the role of marketing in the organisation?
- What e-business activities does your company carry out?
- What do you see as the greatest benefit(s) of e-business to your company?
- Do you consider e-business as having any limitations?
- How do you rate how effective your web site is?
- Do you have an e-business strategy incorporated into your strategic plan/marketing plan?
- Would you consider using m-business (mobile business)?
- What challenges/threats do you foresee in the e-business environment?

### Table 3 Business Sectors Surveyed

<table>
<thead>
<tr>
<th>Industry Type</th>
<th>Size of Company</th>
<th>Number of Companies Surveyed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>Large</td>
<td>2</td>
</tr>
<tr>
<td>Financial</td>
<td>Small</td>
<td>1</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>Large</td>
<td>2</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>Small/Medium</td>
<td>1</td>
</tr>
<tr>
<td>Retailing</td>
<td>Large</td>
<td>2</td>
</tr>
<tr>
<td>Retailing</td>
<td>Small/Medium</td>
<td>4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Large</td>
<td>3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Small/Medium</td>
<td>4</td>
</tr>
<tr>
<td>Insurance</td>
<td>Large</td>
<td>2</td>
</tr>
<tr>
<td>Healthcare</td>
<td>Large</td>
<td>2</td>
</tr>
<tr>
<td>Services</td>
<td>Small</td>
<td>3</td>
</tr>
<tr>
<td>Electronics/IT</td>
<td>Small/Medium</td>
<td>2</td>
</tr>
<tr>
<td>Education</td>
<td>Large</td>
<td>2</td>
</tr>
</tbody>
</table>
Findings
The Role of Marketing
Findings from the surveys indicated that only 40 per cent of the participating companies had a marketing person employed at a strategic level. This figure included managing directors involved in conducting strategic marketing planning. However, all of these companies recognised the need for change, with 70% citing that they were planning, or in the process of planning, a strategic marketing plan whereby the recruitment of a marketing person at senior level would be considered. The most effective marketing activity identified by all respondents was the use of personal selling and demonstrations at conferences, trade shows or other similar events.

The Role of E-business in Marketing Practices
The findings reveal that the Internet is slowly diffusing into marketing practice in Ireland. In total, 95% of companies surveyed had established a presence on the web through the development of a web site and increased use of email. Interestingly, only three of the companies studied had an e-business plan and related budget in place. Overall, e-business strategies and planning were at the embryonic stage, with related activities being used in an ad hoc way to achieve company objectives.

The majority of companies surveyed had a basic, static web site containing company and product material or a simple interactive site where users were able to search and make queries to obtain information, such as product availability. Berton et al., (1998) have discredited these methods, because they feel the company does not take into account the variety of cultures and socio-economic backgrounds of purchasers that may visit the site, or the fact that the market may be fragmented.

In the context of Amor’s six-phase theory referred to earlier, figure 1 outlines the average stage of development for each sector surveyed as part of the study. It is evident that findings concur with Amor’s theory in that most companies are somewhere between phase 2 and phase 3 but are moving towards stage 4 in the e-business development process. Moreover, it is evident that none of the companies surveyed had yet progressed to a high level of advancement in relation to e-business activities.

![Figure 1 Average Phase of Development per Sector](image-url)
However, Amor fails to allude to the fact that e-business progression can depend on industry type. In summary, the research findings revealed that some e-business activities seemed to be more suited to certain sectors, for example:

- The electronics/IT sector and the financial sector, which included a leading Irish bank, seemed to be more advanced in terms of their e-business strategy. The majority of interviewees stated that their company had an e-business plan and related budget in place. One respondent commented on the fact that the transition to the e-business environment had not been difficult due to the sector’s historical suitability to electronic transactions.

- The services sector, which included the legal, accountancy and auctioneering professions, was at the early stages in the e-business adoption process. Two companies had brochureware sites, whereas one company did not even have a web site. Amongst reasons cited for this level of e-business activity included client confidentiality, the need for personal contact with clients, and the type of the product/service offered. Due to the nature of real estate transactions, for example, customers require physical site/property inspections and, therefore, the Internet is used to build awareness and attract customer interest.

- The pharmaceuticals/manufacturing sectors mainly used the Internet for e-procurement activities, for example sourcing suppliers. Customer-facing web sites were used to provide corporate overview information. On a positive note, the majority of respondents anticipated running supply-chain management projects in the future.

- The retail sector varied in progression, with a range from static to transactional management sites. E-business activities differed depending on the nature of the products being sold. Giftingware, holidays, books and music, for example, seemed suitable for online selling. One interviewee, representing a large travel agency, commented on the fact that the tourism sector had been profoundly transformed by e-business technology. Historically, the tourism industry has been an early adopter of new technologies, for instance Computer Reservation Systems (CRS); therefore, the transition to the e-business environment was considered a natural progression. On the contrary, clothing and footwear, for example, were perceived to be unsuitable for online trading. Surprisingly, a major bookstore manager indicated that their company wouldn’t benefit from an online sales facility and that online companies such as Amazon were not a major threat to its business. In fact, this company indicated that customers use sites such as Amazon to source books and music which they then order or purchase locally.

In general, web site presence or sophistication did not change with organisation size, based on the profile of companies surveyed. Not surprisingly, given the number of brochureware sites, only one quarter of the companies visited were gaining any significant benefit from their sites. Four main reasons were cited for this perception:

- web sites were out of date and needed to be revised (33%)
- web sites were up to date but needed enhanced marketing effort to create awareness of their existence (50%)
• search engines needed to perform more efficiently (10%)
• due to the nature of the business, it was unlikely to gain significant benefits via the web (10%).
  (In this case, the majority of companies perceived benefits only in terms of additional sales).

In many cases, sales over the web were not regarded as a realistic option. However, it was evident
that there were still significant opportunities for improved customer service through innovative use of
the technology.

Only one interviewee claimed to rate the effectiveness of the web site presence by calculating the
increase in sales for that company as a percentage of ‘hits’. Others used the number of enquiry emails
as a method of evaluation. However, two thirds of interviewees stated that they had no way of rating
the efficiency of their web sites.

Not more than five per cent of companies surveyed had supply-chain management projects or
were running customer-relationship management applications. It is important to note that these
companies were in the financial services or electronics/IT sectors which seemed to be most
progressive when adapting to the e-business environment. Only five companies were using
mobile business (the use of wireless devices, such as cell phones or handheld devices to conduct
transactions over the Internet) in their marketing activities, and this was mainly to keep in
touch with colleagues when out of the office. Twenty per cent of companies were embracing
and integrating electronic communication into their operations in an effort to strengthen
databases and enhance relationships. Two thirds of those surveyed indicated that they used the
Internet for business purposes and believed that the technology can reduce costs and enable easier and
cheaper access to foreign markets.

All respondents felt that the Internet had the potential of generating a larger customer base.
Moreover, findings showed that the Internet has proved to be an essential information source for Irish
business organisations. This was identified as being one of the greatest benefits offered by the
technology. All interviewees stated that the Internet as a marketing/communications tool lacked the
personal touch with customers which they felt could be achieved only through face-to-face contact.

Challenges/threats anticipated in the e-business environment
All interviewees felt the Internet offered opportunities that were previously unavailable with
traditional marketing methods. Two respondents indicated that the greatest challenge of the e-
business environment was to build a relationship with customers that would lead to a perception of
brand loyalty on their part, and consequently, repeat sales. Creating value proposition that would be
readily embraced by the target market was another challenge cited. One respondent indicated that to
implement e-business on a wide scale in that organisation would require a huge process of learning
and cultural change. The growing importance of security and privacy in e-business transactions was
cited as another major challenge. However, all those surveyed were confident that they could adopt the new technology in the future with no major difficulty. Interestingly, 60 per cent of the interviewees stated that their e-business activities had been successful and that, on average, they expected to increase e-business spending by 15 per cent over the next year. Approximately one third anticipate that they will be pursuing significant opportunities in mobile commerce within three years.

Conclusion

For today’s e-business organisation it may be simple to set up a web presence. However, it is difficult to create a sustainable online business, despite the continuing growth of online users. While the Internet has presented a variety of new strategic options to organisations, it has not changed the fundamentals of marketing management. The essence of e-business is still the generation of value by offerings to customers (Mathur and Kenyon, 2001). Many argue that the pace of innovation will continue to quicken in the next few years as companies exploit the still largely untapped potential for e-business, especially in the business-to-business arena where most observers expect the fastest growth.

In summary, the interviews with Irish managers from a variety of different sectors revealed interesting attitudes to the Internet which was seen as providing an additional challenge for those surveyed. A large number of companies involved in the study used web sites as an information source but they are not currently utilising them in a trading capacity. Consequently, their views on the impact of e-business on their operations varied. It was evident that the majority of companies surveyed had the potential to utilise their web sites more efficiently. Key issues that should not be overlooked include keeping web sites up-to-date and improving site performance on the main search engines through a judicious use of keywords and links. It would seem essential that companies perceive their site as a vehicle for customer service as well as a potential source of direct revenue. Moreover, the demands of allowing partners, customers, and sometimes, even competitors inside the e-business infrastructure will multiply security and privacy challenges.

However, many managers are now re-examining how best to integrate e-business with existing marketing channels and practices. These observations are encouraging and there seems to be a growing sophistication and realism amongst Irish managers about e-business. The right e-business solution represents an immediate challenge. Successful organisations will need e-business solutions that provide robust functionality, thereby enabling them to carry out marketing activities quickly while also meeting the specific and continually changing needs of their channel partners. Chen (2001) argues that an organisation’s ability to succeed with its e-business initiative correlates directly to the management team’s capacity to first document and articulate its corporate strategy, and then adapt to a specific e-business model which supports that strategy.

E-business enables a significant array of business opportunities and activities, and it would seem that, in time, it will become embedded in all aspects of companies’ operations. It can be argued that there is a better strategic path for Irish enterprises to take in the future. If Irish
managers wish to reinvent their organisations, they will have to take a long and hard strategic look at how to satisfy the consumer in a rapidly changing environment. E-business mandates rethinking and repositioning and changes the nature of communication and interaction between almost all parties involved in the value chain. Traditional strategy formulation is no longer apt for the digital age.

References