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"We are on the verge of a revolution that is just as profound as the change in the economy that came with the industrial revolution. Soon electronic networks will allow people to transcend the barriers of time and distance and take advantage of global markets and business opportunities not even imaginable today, opening up a new world of economic possibility and progress."

Vice President Albert Gore, Jr.

(A Framework for Electronic Commerce, 1997. The White House: President William J. Clinton and Vice President Albert Gore, Jr.)

Abstract:

In this assignment I first look which markets and businesses are in best position to exploit the fast growing Internet, especially the World Wide Web (WWW).

This is done by analysing how external; social-cultural, economic, competitive, legal-political and technological environment contribute growth of e-commerce.

."It (e-commerce) included the Internet, Intranets, Extranets, Electronic Data Interchange and Interactive Voice Response " (Andersen Consulting .1998)

"Tangible transactions (in WWW) are often referred to as electronic commerce or e-commerce for short ... intangible as electronic trade or e-trade for short (Aaron C. Christy. 1998)

" The most exciting commercial developments are occurring on that portion of the Internet known as World Wide Web" (Hoffman, Novak and Chatterjee).

In this assignment e-commerce is considered as a trade of tangible and intangible goods in WWW

Other parts of the Internet, like USENET, MUDs, irc, chat, MUSEs, Archie, Gopher, Veronica etc, are excluded.

Second I study what effects the Internet has to marketing strategies and activities.

This is done by study how the WWW influences to 4Ps; product, place, promotion and price.

Social-cultural factors:

Social –cultural factors include people, their values and norms. It is the people – who they are, where they are , how they live, what they think and what values they hold (Kinneer, Bernhardt, Krentler).

The social part describes the characteristic of the society, its demographics: ageing of population, its size, education etc

The cultural part describes people's values and attitudes.

Social factors:

Demographics:

Why to go there if your clients are not there ?.

According to surveys (Georgia Tech/ Hermes 1995, University of Jyväskylä 1997, eMarketer 1999) a typical WWW user is a male (65%), white (82%), well educated (65% at least have college education), average household income \$60 000,(what is 67% higher than U.S. population's median income \$36 000 !), median age 38 and tend to be employed in the professional and computer-related occupations. 60% of total internet shoppers are women (eMarketer / Internet Shopping Directory, 1999)

More in-depth analysis of web users gives two categories:

- 1) “Upstream” audience, which represents 50% of the WWW users. Well educated (97% have at least college education), well-paid. “Actualizers”, successful men (70%) and women (30%) with active lifestyle . It is estimated that they represent 10% of population in “western worlds”.
- 2) “Downstream” audience. Less gender-skewed (60% male, 40 %female), younger (70% less than 30), mostly students or recent college graduates (89%).Consist of “Strivers” and “Experiencers”(SRI, 1997)

Hoffman, Novak and Chatterjee found out that some of the “downstream” WWW users (Strivers) appear not to find the WWW valuable.

Many researches show women are fastest growing group in WWW.

(Japan Internet Report, 1999, says housewives are fastest growing segment in Japan!)

Cultural:

Many cultural factors affect to growth of e-commerce. For example language is a major consideration. European nationalism and Asian sensibilities can be offended by primary language of e-commerce, English (Andersen Consulting 1998).

82% of web sites are in English, German 4%, Japan 1.6%; French 1.5% and Spanish 1.1%. (eMarketer, 1999)

Cultures that value in-store purchases as a form of social intercourse, are less willing to move to e-commerce .(Andersen Consulting, 1998. Jupiter Communications, 1996).

Many Latin and oriental countries are said to prefer high contact trade relations (Gummesson, 1998, Andersen Consulting, 1998).

The size of home markets.

As the security of financial transactions and vendors reliability are one of the biggest barriers to consumers to use eCommerce (Gupta, 1995), consumers are more willing to make purchases over the internet in domestic markets. (Andersen Consulting, 1998. IITA, 1994).

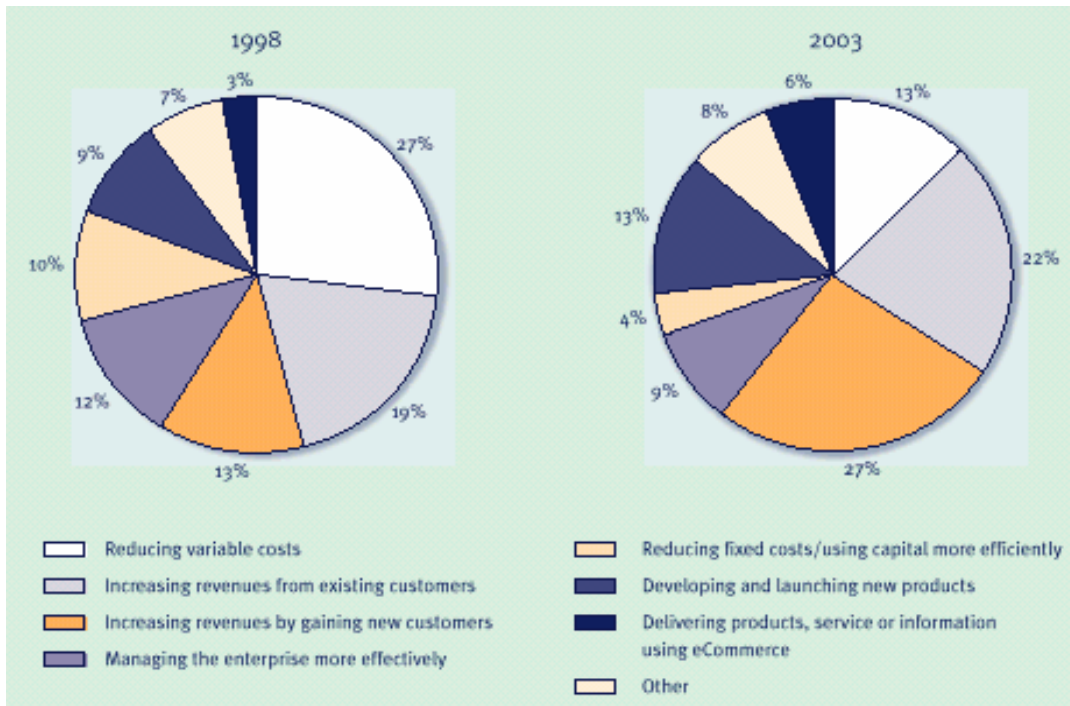
For instance the bookseller Amazon.com generated 80% and Dell computer generated 70% of revenues from domestic (US) markets (Andersen consulting, 1998)

Therefore size of domestic markets is very important to development of e-commerce

Economic:

“The regions where eCommerce take-up is more rapid and most advanced are those that have greatest GDP per capita”(Andersen Consulting, 1998).

Also the cost and availability of labour have been seen as an important factor in growth of eCommerce. Where labour is expensive or in short, companies quickly move to reduce costs or eliminate the need of labour (Andersen Consulting. 1998)



Source: Andersen Consulting

Pic1. CEO's strategic priorities for 1998 and 2003

Competition:

Andersen Consulting's survey of top strategic priorities of business leaders in USA, Europe and Australasia indicates how "gigantic" companies are not so keen to do business in WWW (Pic1). Only 3% of CEOs of leading business companies see eCommerce as one of the major top strategic priorities in 1998 and 6% in year 2003. (Andersen Consulting, 1998).

Only 32% of top business leaders see their existing competitors actions as a trigger for faster and further actions in eCommerce., and 15% of new eCommerce-based low cost competitors (Andersen Consulting 1998).

Big companies seem to leave "door open" to small and medium-size companies to entry and exploit this new market segment.

Legal-political:

As many studies (Gupta,1995 IITA,1994 et al.) express that consumers major barriers to eCommerce are privacy, security and vendors reliability. Many countries are taking actions to overcome those barriers.

“ to ensure that companies look out for the privacy and security interests of the Internet users and shoppers, the US government is threatening to regulate online commerce. It may be one of the biggest issues of the next national election”. (Wired News. 1998a).

“Gore: Protect Privacy. The vice president Al Gore says that Americans must have their privacy protected online...”(Wired News, 1998b)

The lack of privacy laws inhibit the growth of eCommerce. (Andersen Consulting, 1998).

Technology:

As the eCommerce itself is a “technological” way of doing business through the telephone lines and modems by the computers, it is obvious that telephone lines, computers and modems are primary necessities of eCommerce

The penetration of telephone lines, computers, modems (or Isdn), Internet users and hosts clearly shows which markets are available for eCommerce.

In USA there are 63,66 phones and 41 computers per 100 inhabitants, and in Thailand 7,9 phones and 2,2 computers per 100 people. (ITU, 1998).

“Convenience of access is at the core of the adoption of any technological application and determines its ultimate success “ (Gupta, 1995).

4Ps and eCommerce

1st P. Product

Today almost everything can be found on Internet according to Aaron C. Christy.

There are only some limits

a) to sell inexpensive products in small quantities.

To sell box of staples to end users via WWW may be waste of time and efforts.

b) to sell common products which are easily found at most stores.

A pen, box of batteries or similar products may not be a hit in WWW.

c) to sell products which are complex in nature.

If the product is so complex that most customers need personal advice before purchase, it may be better to sell it in “ a old way”.

Somebody may argue that success of companies like Dell selling complex products like computers in WWW is a argument against that. But a person who use computer to by a computer is obviously familiar with computers, (hence a computer is not so “complex”).

Software companies have found the WWW very useful in product testing and development. Beta or evaluation versions of new computer programs (Tucows, DEC Alpha AXP etc) can be tested by users without time-taking and expensive tests (Hoffman, Novak and Chatterjee, 1996).

IITA (1994) also have found out that increase in competition (due the consumers ability to compare prices in WWW) leads to better quality and variety of goods and ability to produce customised goods.

2nd P. Place

Distribution over the Internet offers for companies in information services, publishing and digital products, possibilities to shrink distribution costs to zero (Jones, 1995) or even remove middlemen (Michalski, 1995). As buyers and consumers can contact each others directly, it shorten the channel and makes distribution much more efficient (Hoffman, Novak and Chatterjee, 1996).

"Place" is open 24 hours per day, seven days per week. It can be reached from anywhere, homes, offices, schools, libraries ... It is a marketplace what is open continuously. And when selling intangible goods, you never run out of stock

3rd P. Promotion

Marketing in WWW have been seen very efficient: "10 times as many units sold with 1/10 advertising budget" (Potter, 1994), or "it is about one-fourth less costly to perform direct marketing through the Net than through conventional channels (Verify & Hoff, 1994).

"Receiving junk electronic mail (Spam) is costing British and Irish businesses around \$8 (Am) billion a year (Benchmark Research, 1998).

23.Oct 98 Washington's first lawsuit was filed against an Internet spammer, sending a clear message that will not be tolerated (numbers of received spams in my e-mail have decreased to almost zero since deceptive spam was first time criminalized (May 1998) in USA. Since beginning of 1999 I have not received any spams at all !)

Banners are said to be effective. eMarketer claims they are the best available marketing tools in WWW, but they also admit banners will be replaced by something what "better leverages the power of the medium" (eMarketer 1999).

"To me banner ads are more of a nuisance and clutter than an attraction, I wonder how many consumers feel the same?" (Richard Goldstein, president and CEO of Unilever's U.S. operations).

The question about benefits from registering visitors is still open. There are lot of pros and cons. But those who like visitors to register themselves, must give something in return.

Time has been seen as a important factor in WWW. If page is slow to download, visitor easily clicks away.

"On the web people would far more prefer to get a simple, boring yet informative page than one that takes forever to download." (Excite's president and CEO, George Bell)

According to eMarketer there are no rules or standards for advertising in WWW

I believe the 3rd P is going to change from active advertising to “relationship marketing” (from push to pull). The main challenge is to attract visitors to the site and generate significant repeat visits (Williamson, Johnson, 1995).

Therefore a customer must get some value from visit. It can be a discussion forum hosted by company’s homepage, consulting services, access to databases, trial use of new software etc.

4th P. Price

Early studies (Gupta,1995) shows that price was the least important when making online purchases. Early studies also shows that buyers have mainly been upscale people, “upstream audience” (SRI, 1995, Hermes, 1994), who are relative indifference to price (Hoffman, Novak, 1994).

As most “upstream people “ are already online, the growth must come from “downstream people” (Hoffman, Novak 1994).

I believe when more price sensitive customers buy online and they are able to compare prices in WWW, price competition is going to be harder.

Conclusion:

Still eCommerce seems to be interest of quite small group of leading-edge people. And the real “commercial revolution” caused by the Internet is still ahead.

Developed, English speaking countries with large domestic markets are in best positions to take advantage of the growth of eCommerce. But before real “World Wide” eCommerce can be developed, international legislation must be set to protect consumer and consumer’s privacy.

Today eCommerce can be best exploited by companies which are selling products and services to 30 to 40 years old, “upscale” people within large domestic markets.

But companies which are planning (or doing) eCommerce, must prepare themselves to accept consumers have more power in future. It is up to a consumer if visit suppliers homepages (=shop/outlet) or not, and consumer have more power over the price.

Push strategy is “obsolete” in eCommerce.

"Ninety percent of what we say today will be wrong tomorrow."

(Rishad Tobaccowala, CEO of web ad agency Giant Step)

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