

BUSINESS-TO-BUSINESS MARKETING

WEEK 10 E-COMMERCE STRATEGIES FOR BUSINESS MARKETS

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WEEK TEN

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10.1 Introduction

Welcome to week 10 lecture! It is my joy to have you in this class. We have covered the theory of marketing in the context of business marketing by looking at how the four Ps of marketing are applied. We have looked at the major difference between B2B marketing and B2C marketing. It is expected that at an individual level, you can see these differences and appreciate their implications in strategy development. In this lesson we want to shift our focus to application of information communication technology in business-to-business marketing by discussing electronic commerce strategies for business markets.

10.2 Intended Learning Outcomes

At the end of this lecture, you will be able to

1. Describe e-commerce strategy.
2. Discuss the role of e-commerce in business marketing.
3. Discuss steps followed in developing an e-commerce strategy for business markets.
4. Examine strategic roles of e-commerce in business markets

10.3 Definition of e-commerce

e-commerce is a complex concept that may be defined differently by different writers. It is sometimes referred to as e-business. E-commerce involves business communications and transmissions over networks and through computers, specifically the buying and selling of goods and services, and the transfer of funds through digital communications (David and Roberta, 2002). Khan, (2016) describe electronic commerce, or e-commerce, as the buying and selling of goods and services on the Internet. Other than buying and selling, many people use the Internet as a source of information to compare prices or look at the latest products on offer before making a purchase online or at a traditional store. On their part Shahriari et al (2015) hold the view that electronic commerce, commonly known as E-commerce, is trading in products or services using computer networks, such as the Internet. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems.

Apart from these definitions, certain observation has been made about electronic commerce. For instance: Nanehkaran, (2013) observes that electronic commerce is a powerful concept and process that has fundamentally changed the current of human life. Electronic commerce is one of the main criteria of revolution of Information Technology and communication in the field of economy. Similarly, Gangeshwer, (2013) concludes that the effects of e-commerce already appear in all areas of business, from customer service to new product design. It facilitates new types of

information-based business processes for reaching and interacting with customers like online advertising and marketing, online order taking and online customer service, etc.

From these definitions and observations, we note the following about e-commerce.

1. It involves doing business online.
2. It's also called e-business.
3. Basically, involves exchange of information.
4. Supported by internet and electronic devices.
5. Involves more than financial transaction.
6. It's applied in all areas of life.
7. Has revolutionized human life.

10.4 Strategic roles of e-commerce in business markets

The use of internet is becoming more and more crucial in business markets due to its many benefits and the changing environment in which business marketers find themselves in. It is however important to note that the Internet and, more specifically, e-commerce are just instruments for accomplishing marketing goals—the need for sound marketing strategy remains. Internet is not the strategy but means of helping us to achieve our strategic goals. The use of e-commerce and, more specifically, the Internet is just like any other element the business marketer uses to accomplish the firm's mission: It must be focused, based on carefully crafted objectives, and directed at specific target segments. For the business marketer, the Internet can be viewed as: a communication device to build customer relationships, an alternative distribution channel a valuable medium for delivering services to customers a tool for gathering marketing research data and a method for integrating supply chain members.

Specific strategic roles of e-commerce in business markets include:

1. *Enhanced customer focus, responsiveness, and relationships*: The Internet allows business marketers to align with their customers on order management and on product configuration and design, resulting in better customer service and more satisfied customers. Because the Internet creates direct links between customers and factories, corporate buyers can tailor products to meet their exact requirements. Many business marketers now encourage customers to customize products exactly to their specifications right on the Web site.
2. *Reduced Transaction Costs*: When customers use the Internet to communicate with suppliers, the supplier can provide low-cost access to both order entry and order tracking 24 hours a day, seven days a week. Transactions that do not require in person services can be handled in a cost-effective manner on a Web site, and the firm can devote more staff to working with higher-margin customers requiring personal attention. In effect, e-commerce transfers operations to “self-service,” allowing customers to download materials themselves and reducing costs for all involved.
3. *Integration of the Supply Chain*: The Internet allows companies to electronically link far-flung constituencies, including customers, suppliers, intermediaries, and alliance partners,

despite organizational, geographical, and functional boundaries. All the supply chain participants can be linked by a common database that is shared over the Internet, making the entire value-adding process seamless and more efficient. The key to effective supply chain operations is the sharing of vital information: sales forecasts, production plans, delivery schedules, tracking of finished product shipments through the distribution network, inventory levels at various points in the supply chain, final sales versus planned sales, and the like.

4. *Focus on Core Business*: The Internet makes it easier for companies to focus on what they do best and spin off or contract out other operations to third parties that are tied to them through the Internet. In this way, the Internet helps companies develop a “virtual company” that contracts with other firms to perform such functions as manufacturing to warehousing.
5. *Access Global Markets*: E-commerce provides a powerful means for B2B firms to penetrate far-flung global markets. Using the latest in IT technology, firms can exploit and expand their customer base all over the world by implementing order and procurement management systems, as well as sales, marketing, and customer support functionality. By relying on an e-commerce solution, there is no need to invest in a sales force or “bricks and mortar” assets in every potential market—the Web provides the necessary coverage.
6. *An alternative distribution channel*: Internet provides an excellent alternative channel for distributing of services to business market customer. It is particularly useful in delivering banking services, management consultancies, training, and customer services.
7. *Tool for gathering marketing research data*: The internet provides a means of gathering market data useful in decision making. Data can be collected from anywhere on the globe at the click of a button providing convenience efficiency to the marketer.

10.4 Developing an e-commerce strategy for business markets.

Strategy development is the core task of the marketing manager and the chief executive officer on any organization. Despite development of internet the strategy remains the core thing that will drive the business. Internet is an enabling technology—a powerful set of tools that complements, rather than replaces, traditional ways of competing. Michael Porter (2001) notes that

“Basic Internet applications will become table stakes—companies will not be able to survive without them, but they will not gain any advantage from them.

The more robust competitive advantages will arise from traditional strengths such as unique products, proprietary content, distinctive physical activities, superior product knowledge, and strong service and relationships. . . . Ultimately, strategies that integrate the Internet and traditional competitive advantages and ways of competing should win in many industries.”

Developing an e-commerce strategy like any other business would require the business marketer to follow the three major steps of strategy development :

1. Strategy formulation
2. Strategy implementation
3. Strategy evaluation

1. Strategy formulation

Strategy formulation involves determination of where the business is and where it wants to go. The business marketer will be guided by four key considerations in determining the current business position. These are summarized in table 10. 1. The marketer would then set the business goals that would inform the direction the business will take

Table 10.1 Questions to guide e-commerce strategy formulation.

Key consideration	Guiding questions
Customers and markets	<p>What are we already doing on the Internet, and how do our activities align with customer needs?</p> <p>How can we use the Internet to provide better customer service?</p> <p>How can we use the Internet to make our sales channels more effective?</p>
Competitive threats	<p>How might traditional competitors and e-business startups change market dynamics and take away market our share or customers?</p> <p>Will failure to act now precipitate a crisis within the next two years in any of our lines of business?</p> <p>Can we ignore the Internet if our competitors are using it to gain attention and pricing advantages?</p>
People and infrastructure	<p>Do our management teams and technical staff have the skills to run an Internet business?</p> <p>What will it cost to fix weaknesses—exposed by our Internet business strategy—in our processes, infrastructure, and enterprise systems?</p> <p>What are appropriate business and financial structures for managing Internet business risk?</p>
Source and operations	<p>Are we blinding ourselves by making assumptions based on our old way of doing business that doesn't fit with the Internet?</p> <p>What is Internet-relevant models that match ours, threaten us, or are suitable ways to conduct business?</p> <p>How can we use the Internet to make supply chains more efficient?</p> <p>How can we use the Internet to lower our operating costs? How long will it take?</p>

Source: A CEO's Internet Business Strategy Checklist: The Leading Questions," Business Technology Journal—Recent Research, accessed at [http:// gartner112.gartnerweb.com](http://gartner112.gartnerweb.com)

By answering these questions, the business marketer can critically examine his strategy and develop realistic objectives and action plans to implement his strategy. Day and Bernes (n.d) note that “a guiding principle in formulating an Internet strategy is to understand that the Internet and the associated technology are nothing more than tools the business marketing strategist uses in satisfying the customer at a point: “It is not a competitive strategy or the capability to deliver the strategy.” The internet complements the company’s traditional marketing strategy, making it more effective or less costly, or both. It makes the salesforce more effective.

The second step in strategy formulation is developing of appropriate e-business objectives. Internet marketing objectives resemble those of any type of communication strategy in the business marketplace. The specific objectives for a firm’s Internet business dictate the issues it must deal with in formulating its strategy. The following are some of the most common objectives that business marketers may have for the e-commerce portion of their business (Neal, 1998).

1. Target a specific market or group of customers.
2. Build recognition of the company name and brands.
3. Convey a cutting-edge image.
4. Conduct market research.
5. Interact with existing customers and cultivate new ones.
6. Provide real-time information on products, services, and company finances to customers and supply chain partners.
7. Sell products and services.
8. Sell in a more efficient manner.
9. Advertise in a new medium.
10. Generate leads for the sales force.
11. Provide a medium for customer service.
12. Build strong relationships with customers.

2. Strategy implementation

Strategy implementation considers the internet product, pricing, and promotion as well as distribution. The heart of an e-commerce strategy is the company’s Web site, where all interactions with the customer are handled. The Internet product is a complex array of physical elements, software, hardware, extranets, intranets, services, and information. The business marketer must consider carefully successful web site design, internet catalogues, reverse auctions and private exchanges among others.

On the channels of distribution, the business marketer must consider the effect on channel efficiencies, current marketing intermediaries, and information sharing among channel members;

the ability to rapidly deliver product; and the need to consider the outsourcing of some key channel functions.

On the pricing aspect of the strategy the business marketer must realize that the internet greatly reduces control over pricing as consumers have greater access to more products and services globally. “The great paradox of the Internet is that it’s very benefits—making information widely available; reducing the difficulty of purchasing, marketing, and distribution; allowing buyers and sellers to find and transact business with one another more easily—also makes it more difficult for companies to capture these benefits as profits” Michael Porter

On the issue of promotion, the business marketer must realize that The Internet expands the business marketer’s communication capabilities. Providing real-time, up-to-date, low-cost information is one of the salient features of an Internet strategy. The range of information provided begins with simple online information, database publishing, then moves to customer self-service and finally ability to transact online.

3, Strategy evaluation

Like any other business strategy, evaluation must be done on the strategy to determine whether it is achieving the set objective. Evaluation generally compares current performance against set standard. E-commerce strategy evaluation will cover such areas as price, internet product quality, distribution., after sales service., reputation., and availability among others. Once evaluation has been done the business marketer may have to raise or lower standard, continue with the strategy as it is or take corrective actions.

10.6 Concluding thoughts.

Business marketers of all types, whether manufacturers, distributors, or service providers, are integrating the Internet and electronic communications into the core of the business marketing strategies enabling them to become more effective in communications, business processes, and transactions that are carried out through electronic technology—mainly the Internet. (www.nscpolteksby.ac.id) To business marketing, internet is viewed as powerful communication medium, an alternative channel, a new venue for a host of services, a data gathering tool, and a way to integrate the supply chain. The Internet offers important benefits, including reduced transaction costs, reduced cycle time, supply chain integration, access to information, and closer customer relationships. However thee-commerce strategy must be carefully crafted to ensure success given the many failures of dot.com companies.

Review questions

1. Explain the term e-commerce.
2. Critically evaluate strategic role of e-commerce in business marketing
3. How do the different definitions of e-commerce apply to the marketing tasks of a typical business marketer?
4. Discuss advantages and disadvantages of e commerce strategy for a business marketer.

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