

EXPORT MARKETING AND FINANCE

WEEK 10

ELECTRONIC COMMERCE IN EXPORT MARKETING

DR KAMAU JOHN NJAU

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10.1 Introduction

Welcome to the week ten lecture! We have now covered three quarters of the course; we have examined key export procedures which formed the larger part of this course. We have also examined the legal environment and trading blocs which constitute part of the marketing environment of export marketers. We are aware of many challenges the export marketer faces especially in documentation and making of payments. The development of e-Commerce has come in handy to address the challenges and support marketers in their effort. In this topic we examine how use of electronic commerce supports export business.

10.2 Intended Learning Outcomes

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

1. Describe e-commerce
2. Discuss various types of e-commerce
3. Evaluate benefits and challenges in e-commerce
4. Examine application of e-commerce in export business

10.3 Understanding electronic commerce.

Twenty-first century commerce has seen a great transition to e-commerce. The digital era has seen a very different world of business that has impacted all spheres of life. The digital era was strengthened by covid 19 when the world almost came to a standstill. All transactions in Kenya were to be conducted online during that period and saw almost all Kenyans transact online. The export business has made very great strides in embracing e-commerce. But what is e-commerce?

There various definitions that have been advance on e-commerce for instance: according to Zwass,(1996) ‘Electronic commerce is sharing business information, maintaining business relationships and conducting business transactions by means of telecommunications networks’. It encampuses situations where business transactions take place via telecommunications networks, especially the Internet (Turban et al, 2002). On his part Mesenbourg (2000) E-commerce is usually associated with buying and selling over the Internet, or conducting any transaction involving the transfer of ownership or rights to use goods or services through a computer-mediated network while Lallana et al (2002), hold the view that E-commerce is the use of electronic communications and digital information processing technology in business transactions to create, transform, and redefine relationships for value creation between or among organizations, and between organizations and individuals.

From these definitions we observe that e-commerce

- a) Involves purchasing and selling goods or services.

- b) Transactions done via electronic means, such as the internet or mobile phone applications.
- c) Process of creating, marketing, servicing, and paying for services
- d) Participants include businesses, governments, and the public in general.

10. 4 Characteristics of E-commerce

Before we examine how e-commerce has impacted the export business, it is important for us to understand basic characteristics/features of e-commerce and why it is critical for everyone in export business to understand these features. The chief characteristics are summarized in Table 10.1

Table 10.1 Characteristics of E-commerce

| Characteristic | Explanation |
|------------------------|--|
| Ubiquity | It is always available just about everywhere and all times |
| Global reach | The potential market size is roughly equal to the size of the online population of the world. |
| Universal standards | The technical standards of the Internet are shared by all the nations in the world |
| Richness | Users can access and utilize text messages and visual and audio components to send and receive information. |
| Interactivity | E-commerce technologies allow two-way communication between the merchant and the consumer. |
| Personalization | Technologies within e-Commerce allow for the personalization and customization of marketing messages that groups or individuals receive. |
| Information density | The use of e-Commerce reduces the cost to store, process and communicate information |
| Social technology | E-Commerce technology has tie up the social media networking application to provide the best source of content sharing technology and e-Marketing systems. |
| User-Generated Content | Social networks use e-Commerce technologies to allow members, the general public, to share content with the worldwide community. |

Source: adopted from Joseph P.T (2005) E-commerce an Indian perspective

10.5 E-Commerce Facilitators

Conducting business online requires a number of enablers. The following are key enablers for e-commerce as described by Vipin Jain et al (2021)

- a) Internet: E-commerce has grown through huge penetration of the internet. The Internet and intelligent mobile telephones have literally been part of every life. Internet no longer

constitutes an intelligence source, however, it is an efficient means in which horsemen, and carpenters, physicians etc. can buy, read, communicate and even receive service.

- b) Payment Gateway: The payment transfer, which allows e-commerce, online shops, bricks, and clicks and traditional brick and mortar payments via credit card, is an ecommerce application service provider service.
- c) Analytics: Analytics is the empirical way of transforming data into decision-making intelligence. Analytics assists organizations in collecting, arranging, reviewing, and commenting on their clients.
- d) Social Media: To advertise their goods, businesses constantly use social media. Social media involves blogs and computer applications that allow the use of the computer or cell phone for connection and exchanging information through the internet.
- e) 3D Printing: 3D printer belongs to an electronic device category that can build a digital 3-dimensional model. The "additive manufacturing" technique is an overlay that resembles the successful laying of the colors of an ink-jet printer on a flat sheet of paper.

10.6 Types of E-commerce

There are generally six types of e-commerce as described by Vipin Jain et al (2021)

1. Business-to-Business (B2B): Electronic commerce B2B includes all electronic products or services transfers between firms. In general producers and traditional industrial wholesale companies use this approach for electronic trading.
2. Business-to-Consumer (B2C): Company and final client electronic company partnerships or the so called E-commerce business to consumer. It is the e-commerce shopping section, where conventional retail business typically takes place. These partnership styles can be simpler, more complex and intermittent and can be discontinued.
3. Consumer-to-consumer (C2C): Type C2C electronic e-commerce encompasses all trade in goods or services electronically between customers. Typically this exchange is done by a third party that offers an online transaction forum.
4. Consumer-to-business (C2B): In C2B is reversed the usual context of exchange in goods. This method of e-commerce is widely used in crowdsourcing-based companies. For companies that aim precisely at some types of services or items, individuals also sell their services or products.
5. Business-to-administration (B2A): This portion comprises all internet transactions between companies and the government. This covers a wide variety of diverse programs, notably in areas such as taxation, social care, healthcare, legal documentation and records, etc.
6. Consumer-to-administration (C2A): The C2A model includes all electronic purchases between governments and individuals and may include Education – disseminating information, distance learning, etc., Social Security – via information distribution, making payments, etc.,

Taxes – filing tax returns, payments, etc., Health – appointments, information about illnesses, payment of health services, etc

10.7 E-commerce benefits and challenges

Ecommerce is the new way of doing business embraced by most businesspeople worldwide. The benefits that a firm gets from E-commerce strategy are enormous. Rahayu and Day (2017) identify the following benefits of e-commerce to a consumer.

- Lower trade rates for stock exchange members.
- Enhanced flexibility - purchases can be carried out 24 hours a day without physical contact with the firm.
- Save time - Consumers will at any time purchase or sell any product online.
- The customer has better access by clicking on the button to search details on numerous pages, easily and continuously accessing information.
- Comfort in both purchases and transactions is made from the comfort that a buyer needs from a home or office.
- Moving to other company customers is still easy if the company's operation is unsatisfactory.
- A product that was not available at the local or national market that provides consumer's access to a larger product than before could be available to customers.
- A consumer will make feedback on a product to see what others buy or see other clients' review comments before making a final purchase.

Businesspeople will make the following gains from E-commerce.

- It helps in revenue generation.
- Reduces significantly costs related to operation as well as maintenance.
- Reduces costs that are spent on purchase as well as procurement.
- It helps to raise customer loyalty as well as retention.
- A significant reduction in budget spending on transportation of the products.
- Improve and develop the relationship between customer and the supplier.
- It helps in speeding up the selling process.
- Make internal as well as external communication better.
- It promotes the image of any company and brand.

Apart from the above benefits that accrue from e-commerce strategy, the following challenges are experienced in e-commerce as discussed by Khan A.G (2016) and Vipin Jain et al (2021).

- The electronic commerce market is not rising along with private and public enterprises.
- Security: There is no system protection, reliability, special requirements and some communication protocols. The customer loses his money if the e-commerce website is hacked.

- Poor support from financial institutions and intermediates: financial institutions and banks are reluctant to play an active role in supporting the e-commerce market in developed countries.
- Bargaining culture: There is a culture of purchasing goods in developed countries by bargaining deals with suppliers, which is challenging for e-commerce in developing nations due to the absence of facilities in the networks.
- Internet prices. The regulators are trying to be modest in bandwidth costs. However, the internet does not remain low due to high network delivery and servicing costs.
- Trust in electronic settlements. Many people still do not trust electronic payments methods and still insist on physical currencies especially in developing countries.
- Lacking in education
- Diverse Cultural and tradition
- Poor framework related to online marketing.
- Less marketing and promotion
- Political issues
- High cost of services and products as compared to traditional market.
- Less coverage of internet
- Communication is disorganized across the country.
- Less number of trustable business as well as enterprise and
- Direct meetings with seller and buyer is missing.

10.8 Application of e-commerce in export marketing

International trade is today being conducted in an era of E-commerce that embraces paperless trading. It has a wide range of benefits that apply to all levels of business structure. This ability to conduct business electronically is transforming the way business is carried out by improving speed, accuracy and efficiency of business processes and fundamentally changing business relationships. The new ways have been greatly facilitated by the dramatic rise of the Internet and World Wide Web as business tools. One area of impediment to electronic commerce is a lack of consumer confidence in doing business online. Exporters new to e-commerce may be apprehensive of the criteria of best practice to adopt. The organization must be concerned with customer satisfaction. in developing best practice for online business and strategy Branch (2006) suggest the following guideline:

- a) Best practices focus on two areas: first the business of how to ensure an internal customer redress system to resolve customer complaints is in place and second what customers expect from a company's internal redress system.
- b) Code of practice to handle customer; adopt a redress system should embrace the following:
 - Objective should be clear.
 - Credible and supportive to customers
 - Easily accessible

- Free for customers, a quick and equitable treatment
- Should not deprive customers would be rights.
- Should be operated with adequate resources.

Handling customers complaints should consist of six key areas (Branch 2006):

- i. Customers' complaints must be treated as an opportunity to resolve a problem and deepen the relationship with the customer, a marketing advantage.
- ii. If a customer has already lodged a complaint with any dispute resolution body, it should be done conclusively without the company's interference unless the customer agrees to withdraw it from that resolution body.
- iii. A customer's complaint should not be handled by the same staff about whom the complaint is raised.
- iv. Staff members processing should be provided with the necessary powers to take or review the decisions.
- v. Any staff member handling a complaint should be well equipped with all information pertinent to the case involving obtaining the opinion of all parties concerned.
- vi. If the complaint reveals a serious grievance or risk that company may face considerable claims, a senior director must be informed promptly.

10.9 Website Sales Development

In export marketing, the development of a website is critical for success of the business. Many importers will be attracted by the quality of website before interacting with exporter and his product. In an era of hi-tech it is important that exporters are conversant with the essential requirements to manage a successful website on the internet. Website provision is essential tool in export marketing strategy for two reasons:

- a) Provide a low-cost shop window in locations where exporters do not have a physical office.
- b) It is open 24 hours a day, seven days per week with no culture/trade barriers on communication.

There are three major cost categories when setting up a website that comprise Internet services, promotion and website design and maintenance fees. Website design and maintenance is a cost area which needs to be managed. The following key area should be considered Branch (2006):

- The exporter should endeavor to manage the website themselves, which the designer must be informed of. The site must be designed to ensure what appears on the information pages is read from the data base and when the need arises to change site content, update descriptions, add new items etc. this can be done by someone on the exporters staff without the need to engage and fund website designer.
- A specification of the content and objectives is required for website to proceed and focus on the sales and delivery process. The sales data should feature three parts:
 - a) Products: categories, categories, description, and availability
 - b) Customers: details that customers will provide when they register on the exporter's website

- c) Orders: with quantities, dates, and prices together with shipment details to ease buyer' s quotation comparison.
 - Devise a sequential strategy so that one entry logically follows another, relative to securing the order. The range of options available to the buyer is critical in an era of flexibility to secure export sales that embraces payment, delivery/transportation, customs, shipping agents etc.
 - The website design ideally must be simple and fast to enable customers to follow the process easily. Study the exporters website and integrate and empathize with buyer interests and needs. A fast site is essential so that buyers may not wait for slow page loads.
 - Website identification where easy access and identification is essential in promotion. the exporter pays a fee for each click through your ad to your website on which the price is set by companies bidding to have their ad associated with key words used in searches.
 - Website testing whereby potential customers visit the site and provide a critical analysis of all its aspects which goes a long way to improve the website marketing and customer empathy.

10.10 Export Software Systems Specification and Outsourcing

To keep up with the changing trade regulations and level of paperwork, packaging and labels are some of the hurdles an exporter must overcome. The Internet provides choice to the buyer and in many situations overseas customers come to the suppliers. The technological solutions available provide all-inclusive software tools that help users to lower costs of trade and increase the global market potential of their products.

Effective export software system should contain the following Branch (2006):

- a) Global breadth and depth with the ability to adhere to the changing rules and cross border regulations connected with international trade between buyers and buyers globally. the solution provider /export software be created with input of customers' broker and /or trade experts who are adept at interpreting the rules of the trade.
- b) Trade specific applications that replace manual process of documentation within the trading process that include customs classification and clearing, bills of landing, regulated material compliance, electronic filing, duty management and landed cost estimates.
- c) The system must be able to function around the world supporting different measurement systems, providing for currency conversions, and multiple languages for export form filling.

One of the best-known software for export is Bolero. Bolero is an internet-based open E-commerce system developed in 1998. It facilitates trade through the exchange of all trade documents in an electronic format (Branch, 2006). A key issue with Bolero is the framework in which it operates embracing four areas:

- The legal framework

- Digital signatures/certificates of authority
- Standardized documents
- Neutral ownership

To the business involved in international trade, Bolero will allow its users to undertake the following:

- Exchange standardized commercial, financial, and official documents in a legally binding and secure format
- Issue standard documentation
- Integrate back-office data system.
- Improve supply chain efficiency.
- Use the open nature of the system to trade in a multi-bank environment.

The benefits of the Bolero system extend to all departments; legal, technical, marketing, production, and servicing. The benefits include:

- Improved time efficiency
- Better administrative procedures
- Improved security systems
- Improved coordination across information systems
- Improved customer services
- Better inventory control
- Consistent legal framework process
- Document improvement and fraud reduction

The bolero system consists of both legal and technological components woven together and so it is helpful to involve both a legal advisor and a technician in addition to the person who will sign for the new user.

The legal side of the enrollment process consists of the following:

- a) Confirmed identification of the new user: all users are identified and listed in a shared registry which minimizes the risk of dealing with an unidentified party or imposter.
- b) Contract formation: all users are subject to a common set of rules (Bolero Rulebook) which provides the basic legal support necessary for conducting electronic transactions.

The application forms also require information about the technical interface with Bolero system, the process that consist of the following:

- a) Setting up a user system: this is the system that installs and operates locally to access and use the Bolero system.
- b) Electing a user identifier: it identifies the user as a company in the Bolero system upon which obtaining a certificate, a prospective user must request one from Bolero International and provide the public key to be listed in that certificate.

Process Flow and Completion: When the enrollment applications are complete, the prospective user prints and then sends them by post to the Bolero Association. If it accepts the new participant, it stores its own application and forwards its application to Bolero International which after review and accepting the application, it issues the requested certificates and send to the user for review and acceptance. The user's acceptance marks the completion of the enrollment process. The following is the summary of the six benefits of the Bolero.net (Branch, 2006):

- i. Exporters, suppliers, and sales personnel can increase customer service through faster and more reliable delivery of merchandise to the buyers in a cost-effective manner.
- ii. Importers/buyers/overseas procurement personnel can reduce their working capital through less delays, improved accuracy that eliminates need for keying and re-keying of order information, improved logistics program efficiency and reduction on telephone and couriers' costs.
- iii. Carriers: ship/air/road/rai/inland waterways implementing the Bolero.net service can better meet customer demands for speed and accuracy. The value to carriers of a single standard window to customers/shippers is also attractive in reducing booking costs.
- iv. Today many freight forwards are logistic operators exploiting computer technology and Bolero where they offer integrated services with air freight, international road operators, container operators and multimodal.
- v. Financial institutions. Trade financial transactions through Bolero .net have enabled financial transactions to be more efficient, transparent and with much improved customer satisfaction through value added.
- vi. Customs authorities have encouraged electronic transmission of customs documents/message. This has speeded up custom procedures, encouraged rationalization of documentation/regulations and facilitated the development of a global logistic network.

10.11 E-export strategy

In designing a successful export strategy, there are basic issues of great significance to an export marketer. The following guideline stipulated in table 10.2 should be followed.

Table 10.2 Developing an e-export strategy.

| Item | Explanation |
|-----------------------|--|
| Product customization | Customize your product or service offerings based on the customer's location by offering special links on your website for different markets |
| Customer support | Offer electronic customer support through a list of frequently asked questions on your website or through email assistance |
| Promotion | Highlight the features and benefits of your products or services using pictures, descriptions, technical details, pricing, shipping and return |

| | |
|------------------------|---|
| | policies, as well as include customer testimonials and video demonstrations |
| Branding | Promote your company and build your brand with potential customers by telling them more about your company's history, staff, location, partners and so on |
| Internal communication | Facilitate communication with international customers through email. Respond to questions instantly, notify your customers of their product shipment status and send them the latest news or information on special offerings |

Adopted from: [https://www.trade commissioner.gc.ca/ Step-by-Step Guide to Exporting – Step 10](https://www.trade commissioner.gc.ca/Step-by-Step%20Guide%20to%20Exporting%20-%20Step%2010)
– Selling online: e-commerce for exporters

There are seven principal steps when you are considering e-exporting

1. Evaluate your e-export potential. Consider your strengths and weaknesses and whether you have what it takes to venture into export business.
2. Develop an e-export plan. The plan must cover the marketing mix components. An e-export Modify your products for foreign markets. Product modification is critical for success in the export business. There could be mandatory or discretionary adaptation.
3. Research the legal issues related to e-exporting. If you are not familiar with international law, a lawyer specializing in international law may be sought.
4. Leverage your website to sell abroad. The Internet represents a critical sales tool for SMEs with limited resources. Consider developing a multilingual website, one that offers content in more than one language.
5. Ship your products. The international shipping process can be complicated at best. To ease the burden of shipping products abroad, you can call upon the assistance of freight forwarders, customs brokers and fulfillment houses.
6. Receive payment. Arranging for online payment through third-party credit card processing companies, online fund transfer services and prepaid credit services,

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