

e-Business Adviser Handbook

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A handbook for business advisers assisting small and medium sized enterprise entering or improving e-Business.

Issued by the USHER project. <http://www.usherproject.org.uk>

Section – 4 – Strategy Guidelines for SME Internet Trading

4. STRATEGY GUIDELINES FOR SME INTERNET TRADING

4.1. INTRODUCTION

This report provides essential guidelines for business looking at opportunities in online trading.

We use the term "e-Business" because the smart business of today can exploit not only the specific online trading processes commonly described as "online transactions", but also a host of other business trading activities which benefit from the increasingly networked economy. The networked economy supports distributed working practices (teleworking), and distributed teams, supply chains, and even companies (remote collaboration and virtual business). It also allows remote marketing (via telemarketing and web advertising), and the building of relationships with customers and trading partners at a distance. These make it possible to be really effective in e-commerce as part of a total e-business approach.

Online transaction processing may be how the new traders 'clinch' the deal, but without the support of the whole suite of e-business functions the success in online transactions, or e-commerce, may be limited. New entrants may even exploit other Internet business opportunities to set up a complete new business approach before embarking on e-commerce transactions.

USHER provides a set of resources to support business advisors helping small to medium sized enterprises (SMEs) entering e-business.

The emphasis on SMEs acknowledges that they are the largest group of businesses in Europe. Statistics vary, but a general view is that more than 90% of companies fall into the 'SME' category, with nearly 60% being small businesses having less than 10 employees. Despite being smaller in size it is SMEs who tend to create the innovation which drives our economy.

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4.2. SMES AND INTERNET TRADING

Anyone who browses the Internet will quickly see SME presence. While the larger companies may dominate through early exploitation and establishment of new forms of business (new business models), smaller players are already emerging in numbers. These SMEs have either established a steady addition to their turnover through Internet Trading, or have established a booming new trading approach that has completely changed their business.

The technical arena for e-business is also changing fast. In the early stages only larger companies could afford the expensive design and programming efforts that went into trading sites. This is still true for large companies who want large and complex integrated systems for a total business solution. However, for the smaller business there are many readily usable solutions on the market that have now been tried and tested.

The interactivity needed for web sites aiming at on-line trading is now available in different ways. SMEs can buy a (relatively) cheap solution in a box' (for the self-maintained site), or outsource development to an Internet Access Provider (IAP) or Internet Service Provider (ISP) who can manage and maintain the trading site.

The most difficult aspect of trading online has also become reasonably well organised of late - online transaction processing (securing payment online). At one time only large and well established companies could get approval from banks (and online data connections) to do credit card verification and sales validation in real time. However, a large number of 'trusted third parties' (TTPs) have appeared who accept and process online payments on behalf of smaller companies (at a charge).

Internet trading offers many options for all types of SMEs and the technology is now mature enough for literally anyone, even a one-person business, to exploit new opportunities.

4.3. DYNAMICS OF SME BUSINESS

The dynamics of SME business markets tend to be determined by four key factors:

- ☞ **Suppliers**
- ☞ **Buyers**
- ☞ **Products**
- ☞ **Services**

Any enterprise needs a strategy if it is to be successful. The normal dynamics of SME business apply in the arena of Internet Trading, but are added to by novel features that emanate from the new 'on-line' style of trading.

Supplier Dynamics

In any market, the competition is often greatest from new players who see an opportunity not yet exploited by established traders. This leads to two interesting scenarios for SMEs contemplating Internet Trading.

First, new entrants find it hard to make way because established business is in a position to fight back. However, if new players in your market are emerging via Internet then traditional strategies for repelling them may not be so effective - you may have to develop an online strategy to fight back.

Next, if you are now trading online then you are taking part in a 'less well established' form of trading, even in your established market. That means there may be more 'cracks in your armour' and so more opportunities for new players to gain advantage. The solution is not to steer clear of Internet trading, since the new competitors will appear there anyway - but to better them (or at least match them) at online trading.

A further source of concern in the supplier area is a shift in bargaining power. Suppliers may be innovative and so have new products and services (see later), or they may compete on a cost basis. In a well-established market fluctuations may be rare, but with new players emerging on Internet the scope for new services, new products, and dramatic price reduction is greatly increased. It could be argued that if an established market is being de-stabilised by new online activity, a first counter might be to go online and make a competitive offering.

A final recommendation here concerns integration of the supply chain. Competition from established or new players moving online will cause the development of new business relationships to create a strong position. A counter strategy might be to move ahead of likely competition and consolidate the supply chain by using online methods for better integration of communications and processes. There is also scope for reducing numbers of middlemen in the forward section of the supply chain (process streamlining).

In summary, entrants to online trading are able to reach new markets, reduce supply chain, improve process and corporate/brand image, reduce costs and differentiate their products and services against competitors.

The Buyer's Position

It is generally felt that the power of buyers is weak, unless they are large corporates whose custom represents a substantial percentage of a supplier's turnover. However, electronic trading has already seen evidence of smaller buyers combining strength (backward integration in supply chain) to improve position against large suppliers. Furthermore, purchasers who become integrated in electronic trading arrangements can often negotiate price on the basis of savings in the supply and financial procedures.

In the retail scenario, the end-customer is no longer confined to a local High Street or town shopping centre, and in business-to-business, there is less and less reliance on providers in the immediate vicinity (locale). This means that for products which people will buy for delivery, the buyer's position is greatly enhanced by Internet Trading. So long as they are looking at branded goods where the uncertainties are reduced, they may buy on price alone. This means that companies have to compete either on price (cheapest outlet), quality (better goods), added services (e.g. better support) or on 'lifestyle' (market image).

Cost reductions are common in Internet trading and are generally paid for through savings in infrastructure (reduction of expensive shop/outlet space, shortening of delivery chain, etc.), or through dramatic increase in sales throughput.

Products and Services

Since existing products and services can be differentiated on price, image, etc. (covered earlier), there is only one further issue where products and services can contribute effects to the market dynamic. That is in the area of 'substitute' products and services. In offline trading a common approach to capturing market share is to shift consumers away from established products and services to new products and services (or 'slightly' different ones but with dramatic image shift).

The emergence of online trading has created huge new opportunities for substitute products and services. The most commonly cited example of success here is probably Amazon Books (www.amazon.com). What people often fail to say about Amazon is that it is a simple substitute for the local bookshop, differentiated by ease of use (books to the door), breadth of choice (millions of titles), and cost (the best prices anywhere).

Other examples of service substitution include online auctions. The oft-cited ebay (<http://www.ebay.co.uk>) is an extremely successful online auction house. It provides a substitute service for classified advertising and includes service enhancements (quality increase) of different kinds. For example, a vendor can offer something for sale at what he/she thinks is a good price (and can set a reserve). It may be that they have underestimated the object's value and the bids go ahead of the asking price (as often happens with, for example, collectibles).

In summary, Internet trading allows cost reduction, product and service differentiation, and development of substitute services. Online trading requires businesses to completely rethink their delivery strategy and their own differentiation. The flexibility of Internet trading means that dramatic changes in product and service offerings are possible with minimal loss of time or investment in marketing materials and activities.

Being Competitive

One interesting feature of Internet trading is that as pressure increases in a specific market through competition (see previous) the opportunities for profit decrease quite rapidly. Areas such as IT and games, which were thought to be the most likely areas of success, have not paid dividends at the expected rate due to the enormous competition. This is thought to be due to the ease of entry into IT markets (easy to engage the upstream supply chain) and the consequent proliferation of competitive vendors for undifferentiated products and services.

Areas where there is less volatile competition are proving more profitable initially. Even trading in delivery of exotic goods such as lobster has been shown to be profitable - (less easy to invade established upstream supply chain, and requires greater expertise in

specialist area of product handling / management). Examples such as these show that there is still room for specialisation in Internet trading and that the 'niche' market still offers some stability in competitive environments.

Traditional marketing theory suggests that a company that tries to be all things to all people will fail miserably. However, this is not necessarily true on Internet. It is the case that off-line it is hard to be the cheap and easy supplier, while at the same time offering quality and service. However, since corporate identity can be manufactured and discarded easily in the virtual world, some companies exploit multiple presence in markets where they wish to capture a share of every sector. For example, it is possible to trade good drinkable wine cheaply in bulk from one web site (a no frills approach), while also trading selected wines from a site rich in information and customer support (the upmarket arm). These could be both supplied from a single warehouse with the only added costs being one additional web front-end (to a common database and delivery management system), and unique labelling for the delivery packaging.

Whichever approach is taken it is still hard to escape the traditional strategies for competition, even on-line:

Product or Service Differentiation

This is about providing (or seeming to provide) something different or unique. As soon as a genuinely different product appears it is often copied, but there are exceptions. Others trade what appear to be similar products (to a technical eye) but have differentiated the supplier identity (lifestyle and upmarket approaches).

Niche Marketing

David Frieslander could not find leather covers for personal digital assistants (PDAs) anywhere in the UK or on the web. So he organised manufacture and began selling them via his web site. He made his first million quite quickly and proved that a unique product idea is still a mighty weapon on the Internet. Having an unusual offering attracts attention in the news and on the Internet which is a village of gossips - word soon spreads and that means free advertising!

Cost Reduction

We have talked about cost reduction already. Taking business online offers many opportunities for cost reduction and is a standard feature of competitive Internet trading.

If these factors can be combined the competitive advantage is greatly increased (multiplied).

Clear Targets for New Internet Traders

As with any business area, Internet trading may start with a strategic view, but this must be turned into achievable objectives. Needless to say, Internet trading objectives need to follow standard textbook advice and be precise, realistic and measurable. They must say exactly what is to be achieved, and how this can be done within the operational scope of the business. They must also, when put into play, be accessible to allow precise assessment of attained value (evaluation).

Remember, the strategic objective "To obtain a 10% increment in sales via Internet" is easily measurable - you either get 10% or not. But the precision needs to be put in place to make it happen. So ask yourself exactly 'how' that will come about.

Internet trading has already shown a wide range of success criteria, and some of the key criteria for success are described in the following section.

4.4. SEVEN KEYS TO SUCCESS IN INTERNET TRADING

It sometimes seems there are as many experts on Internet trading as there are trading web sites. However, much of what they say overlaps and seems grounded in solid marketing theory plus a good helping of online experience. We have tried to distil the main messages emerging from a range of authorities and case studies (some of which can be viewed online at the USHER site) and we have found what we describe as 7 keys to success.

Key 1 - Cost and Value

Cost is not just about minimising consumer prices. The Internet trader must determine how price-sensitive a product or service really is. Some products are selected mainly on price (sensitive), while for others issues like customer support and perceived quality reduce price sensitivity.

It is necessary to obtain a clear impression of the true market situation. If a product is highly sensitive on price then a strategy of price reduction and mass marketing may be the only approach (e.g. IT equipment), whereas other products may require careful planning to ensure the appropriate sales criteria are in evidence (perceived exclusivity, 'lifestyle' branding, help-lines, service agreements, etc.).

Cost is not only about money, but value - what the customer gets out of a product/service!

Key 2 - Image and Branding

This success key is all about whether a brand image and product identity (or corporate identity) can be created (or already exists) and promoted as attractive and of high value. This relies on standard techniques that can be extended to on-line usage. The more people are aware of your company, your site, and the products and services offered there, then the more visits and the greater likelihood of sales.

People go where the signposts point!

Key 3 - Trading Site Content

All of the marketing pundits agree on one thing. Success in online selling is about three things ' content, content and content'. Good sites grab attention and are compelling. They provide plenty to look at and plenty to read, but its not just about loading the pages with words. Successful traders know that buyers want to browse, to compare products or services, and to give some time to choosing the 'best option'. For branded goods that are well known (e.g. a pair of Levi jeans) they may just want to know the price. For a whole range of goods and services they want details, images, reviews (to help with opinion formation), and as much as you can supply to support them as well as if they were in your shop or showroom.

The biggest letdown of Internet purchasing is not being able to turn to someone and ask that critical question which will allow you to make your mind up.

People need advice and information!

Key 4 - Trading Site Interactivity

OK, we've spoken about cost and value, image and branding, and the necessity of supportive content. But even if you are seen as having good value, desirable goods, and lots

of supportive information, you have to be sure people can make use of all that to buy something online.

A recent study showed a huge proportion of retailers online failed to make sales simply because people could not work out how to complete the tasks of buying goods.

Purchasing tasks are well known to all of us, yet system designers can make it very hard to spend. Buyers need to find target goods, they need to compare similar offerings, they need to check product features - and when they decide, they need to easily tell the system what they want.

For most of us spending is not just a task, it is recreational. We should be having fun.

Buyers want to enjoy spending!

Key 5 - Management of Internet Trading

The process of trading on-line can be quite different from the traditional business. There are new skills, new people and new processes to be integrated in the business.

It is therefore critical to ensure that the new processes are defined as something an SME can manage effectively and easily. Processes for fulfilment, customer support, catalogue management, etc. need to be carefully built into the overall business structure in an integrated way.

Internet trading allows companies to adapt and to automate business processes. Data captured at a web site (e.g. visitors, sales, and enquiries) can be handled by background software to automate processes such as targeted marketing, supply management, and customer support. The trader can also respond quickly and cost-effectively to new opportunities as they arise (knowledge in time).

The dynamic and linked nature of on-line systems means that business processes involving supply chain partners can be either automated or made more efficient. Creating links between information and communication systems allows trading partners to be part of a 'virtual' enterprise with a real level of integration and cooperation. Until recently only mega-stores like supermarkets could advise suppliers of replenishment levels in real time. Now, any web site with suitable background software can communicate selected information to any other SME via Internet. Orders for fulfilment can be automatically sent to partner companies, and stock levels can be signalled for replenishment.

It requires commitment and plenty of energy to create a new on-line business while keeping the existing business running satisfactorily. But an Internet trader can then be very flexible, due to the nature of the Internet, and so can be efficient, responsive, and able to exploit well-integrated and automated business processes.

The Internet can be an extension of your business!

Key 6 - Relationship Building

Internet traders can exploit new ways of building relationships online.

Customer Relations can be improved by providing information as required, plus after sales support, all via Internet (e.g. e-mail). This will increase the level of customer loyalty.

Customer Communities can be facilitated by providing support for customer communication. For example, ebay links customers and encourages feedback to be shared,

as does Amazon. Others provide forums and mail-lists so that product users can develop shared experience and information (e.g. user groups). This does not only apply to retail, and SMEs can facilitate sharing of information and communication between other companies in the supply chain. These kinds of activities encourage people to feel part of a 'user community' (retail) or a 'business network' (SME chains).

Trading Partners can be involved in a more organised network of information and support, and can even help each other increase presence through large scale inter-working (e.g. Web Rings) or smaller scale support (e.g. web site links). Partnerships of this kind can even allow SMEs to extend business scope by providing fulfilment in areas where a specific business cannot or does not want to extend (e.g. holiday supplier and car rental company in partnership).

The Internet and Web provide an infrastructure for communities of interest!

Key 7 - Lifestyle and Shared Vision

Following on from key 6, it is worth emphasising that communities of interest are a boost to trade and rely on shared information and resources. However, their identity as a community relies on more than just shared information. Groups rely on shared identity at some level, and that usually means shared vision, and an identified shared lifestyle at some level.

Offline communities and on-line communities do not overlap greatly. A critical reason is that on-line nobody can see you, so the social and group bonds are derived from what we do, what we buy and what we enjoy. This means the process of group interaction on-line has a more dreamlike quality - it's almost a cross between catalogue shopping and watching TV.

In the on-line world people will make choices they might not make when surrounded by other people (whose perceived opinions may 'ground' the prospective buyer). On-line, a person is more likely to go in for personal fulfilment (I want what I want) - so understanding and appealing to lifestyle and group image is very important. A common feature of 'customer build up' is to recognise that those buying online at the moment are social innovators - they are leading edge people and recognise it. So many on-line vendors treat them that way. However, as Internet trading matures more care will be needed in appealing to lifestyle and group identities.

Buyers need to be recognised for who they are!

Summary

Our summary of the 7 keys to success is simply to repeat the final statements under each:

- ☞ Cost is not only about money, but value. So it pays to know the customer's basis for judgement! Value is what the buyer gets out of the product or service!
- ☞ People go where the signposts point!
- ☞ People need advice and information when they arrive!
- ☞ Buyers want to enjoy spending!
- ☞ The Internet can be an extension of your business!
- ☞ The Internet and Web provide an infrastructure for communities of interest!
- ☞ Buyers need to be recognised for who they are!

4.5. USING THE GUIDELINES FOR BUSINESS BENEFIT

This final section explores the guidelines for SME Internet Traders based around the seven keys to success identified earlier. Considerations are derived from a wide range of on-line and off-line sources including marketing texts, case studies, and research reviews. They are not exhaustive and are offered as a set for consideration in beginning or improving existing Internet trading. The nature of electronic business is such that the range of available advice will grow steadily for years to come, so our best advice is to keep looking and listening to the developments in e-business - nobody knows exactly where it all may lead.

4.5.1. Cost and Value

Costs

For the new entrant, competing on price may seem an obvious strategy. However the cost equation includes not just costs to the buyer, but also costs to the provider. The provider can reduce the costs of setting up an Internet trading operation, but these will never be zero, and if expansion is contemplated, a sophisticated trading site can be a lot more expensive than a 'do it yourself', or simple off-the-shelf solution. Expansion is not all investment and is justified by a larger turnover, so economy of scale should be factored into your planning.

The 'do it yourself' approach is one way of reducing startup costs. However, this can only be contemplated by traders with the necessary skills. Needless to say it is easier for technology companies to build their own trading sites since technology is their business. That means that for a large number of SMEs the path to cost reduction at installation is to find an affordable and suitable ready-made solution.

Many new entrants ignore the fact that costs can be reduced in other areas to balance investment. Taking orders online will reduce the unit cost fraction for order taking, and automation of fulfilment can make substantial saving (see also partnerships).

Value

Perceived value is quite a complicated construct. Put simply, an expensive item may appear to be good value because there is substantial value added. For a simple example - paying 10% more for an electrical appliance may be acceptable if there is a 5-year guarantee. In more complex scenarios we see people paying twice the price for a shirt that we feel must cost the same to manufacture, but its lifestyle value may owe as much to the logo on the breast pocket as it does to the material. In Internet trading, added value can be as nebulous a concept. Certain sites have become the 'place to buy' and so can push margins further than less well-established entrants.

However, its not all about lifestyle, and the majority of sites have to add 'real' value (perceived value based on actual additional services or features). This means a new trader may have to compete by adding real investment at the back end (good information, better support, etc.). Remember, value is not only what you put into a product or service, but what your customer gets out of it. This requires commitment (see also management) and dedication - something not usually lacking in small business.

General

The perceived value of the purchase is a key determinant of satisfaction. Great service increases perceived value enormously, so prepare to calculate some tradeoffs between price and added features. There is no simple solution, so look at what the competition is doing and try to understand how the successful ones have achieved their own balance. Their formula may not work directly for you, but by understanding a selection of other traders' approaches you will learn how the basic dynamics work - then proceed with caution (and hard work).

4.5.2. Image and Branding

Brand and image promotion is especially difficult for small traders because of the resource requirements, yet the more successful ones seem to recognise its value and take pains to ensure their presence is felt. Low cost methods of promotion are readily available on Internet, and SMEs should pay attention to on-line directories and search engines to make sure they can be found easily. Promotion of URL's on hard copy such as letterheads, advertising and product literature is a must!

- ☞ Apply standard marketing methods to on-line image creation.
- ☞ Create a meaningful identity for your company (name and logo), product brand (name and logo) and web site (name). The test of attractiveness - does the searcher click on that name when presented with the top ten finds for a specific search.
- ☞ Promote your own web site and keep abreast of current methods (e.g. www.webpromote.com).
- ☞ Place links in any relevant portal sites (portal sites are gateways for a particular market, market sector, user group, or geographical region. Offer the opportunity to allow other sites to easily put an attractive link from their site to yours.
- ☞ Get your web site mentioned in print as much as possible - place the URL in all printed materials, get the local paper to do a feature, place small ads which highlight the URL.
- ☞ Trade banners (advertises plus dynamic links) with trading partners.
- ☞ Join any relevant web rings. A web ring is a set of traders in a related field who link to each other - the rationale is that it is better to be one of a set of competitors people choose from than to be a singleton whose site is not found.
- ☞ Put your URL on your business cards and all promotional materials - you would be surprised how many people don't!
- ☞ Join your chamber of commerce and get your web site listed in their directory - you would be surprised how many enquiries chambers get from new companies looking for local suppliers. Even chambers are going online, so make your links available.
- ☞ Make sure you have an accurate entry in any available directories and be sure to include your e-mail address and web site URL.

4.5.3. Trading Site Content

The content of a site has to do a multitude of jobs. It must be attractive and encourage people to stay and browse (like a shop window). It must be accessible, people want to wander at will, look where they choose, and examine everything - just like in a real shop or showroom. The more mysteries there are the less they like it (so beware the trendy designer who wants to add tricky features beloved by experts and hated by many buyers).

The worst offence to commit as an online trader is to forget that buyers want support 'when they want it', yet hate it to be offered it at the wrong time. The expert assistant seems to appear by magic at the right moment - so it should be easier on-line. So don't keep explaining everything, yet don't hide explanation - simply ensure that there is additional information always available at the click of a mouse. The information should be relevant to the kinds of buying decisions to be made at that time - if the potential buyer of a digital camera cannot work out whether it plugs into her/his type of VCR they cannot proceed. Try to predict what kind of assistance they need at any point and make it usable and friendly - and help them to spend!

- ☞ Make it immediately obvious what is on offer - some sites don't.
- ☞ Describe products and services briefly and accurately.
- ☞ Give over space to featured items - the shop window display.
- ☞ Keep the site structure obvious - people get tired of hunting to find the 'hidden' links.
- ☞ Make the site as fast as possible. Designers love graphics, but buyers want them at the chosen moment. So provide thumbnails for fast loading, and let buyers decide what to inspect (so make it clear they can be enlarged).
- ☞ Let people 'click through' by making options visible quickly. They will take the door they want as soon as they see it, so don't force them to enjoy the full tour!
- ☞ Despite the above, ensure that your site 'looks the part'. If it looks like 'Joe's Discount Bazaar' you will not sell antiques! The reverse is also true, so aim for realism and remember to appeal to the likely 'lifestyle' and image values of the customer.
- ☞ Avoid plug-ins and non-standard features unless you really need them. Some traders put FLASH animation on the front page and don't realise there are buyers who only see a blank screen. Don't let designer enthusiasm get in the way of sales!
- ☞ Make sure you have good security.
- ☞ Update regularly but not for the sake of it. Search engines give ratings for recency, but don't irritate customers by drastically changing fundamental layout for no reason.
- ☞ Remember that spending should be fun. Don't rely on your own judgement. Get a sample of people to give you honest feedback. If they have problems, pay attention.
- ☞ Ensure your text is readable. Explorer uses one size larger text than Netscape for display, so avoid tiny text, but try not to get the Explorer 'big print edition' look either. Look at your site on different platforms and ensure it looks right everywhere.

4.5.4. Trading Site Interactivity

Interactivity is crucial for successful sites. The buying experience must be informative, under user control, and enjoyable. So there is some overlap between issues here and in content design. It has to be assumed that a potential buyer can use a computer and can click around a site and fill in forms. So long as they can do that they are looking for a good buying experience, and that is what will bring them back. This is as true for retail as it is for business to business - whether we model a site on a trade show or a department store. There is one general rule - the experience of the site must fit with the expectations of your customer, and so must reflect their image of themselves (the right store for the right lifestyle) and their intended purchase (the right products and services for people like me).

Examine the 'content' recommendations; a lot of those are about interactivity too.

- ☞ Make buying easy. Let people find what they want quickly, and let them pay with ease- but don't rush them through (see content - it should be user paced)
- ☞ Re-use data and don't ask people to retype things.
- ☞ Make the security obvious and reassure them that the site is completely safe.
- ☞ Offer alternative payment means if the customer is nervous (for example, print a form and fax it with credit card number inserted).

- ☞ Make the delivery arrangements clear and allow the customer to have a copy of the order forms and delivery details to print or save.
- ☞ If the product is downloaded (e.g. software, fonts, etc.) make sure you can ascertain that download is successful before processing final stage of payment (see OECD guidelines).
- ☞ If you use a 'shopping cart' metaphor, make sure the customer can look into and adjust their cart with a single click no matter where they are in the site.
- ☞ Arrange that clicking on cart items takes them back to the page where they 'selected' the item (they may want to change size, colour, quantity, etc)
- ☞ Read some stuff on good web site design - a pleasing layout is all part of the interactive experience.
- ☞ Allow people to examine features of goods of interest. Remember, branded goods need less supporting information - novel items need more.
- ☞ Create regular customer identities so that the routine data can be entered for them, but corrected if required.

4.5.5. Management of Internet Trading

Management of Internet trading is not unlike management of off-line business - its requires defined and workable procedures and processes which can be monitored, evaluated for performance, and adjusted to meet changing needs. For on-line trading these processes may look quite different, but most include familiar features (also see earlier section on management). The most novel feature is "automation" coupled with "integration" - either with upstream supply chain, or downstream (forward), or both!

It also requires quite a high level of commitment in-house since new forms of trading have to be developed in parallel with maintenance of current business.

- ☞ Ensure site content is under complete control and can be adjusted at any time. Avoid hard coding data into HTML documents and use external databases to ensure flexible redefinition of product catalogue, pricing, special offers, delivery data, etc. If you are outsourcing site design, make sure the designer can explain in detail how you control input data with ease (and with normal office skills). If you are buying an off the shelf package, make sure you can answer the same questions from the specification document, or ask the supplier why not – and think about continuity of software supply!
- ☞ Automate customer-ordering processes where possible. That means ensuring the on-line trading processes deliver data to back-office or fulfilment applications and processes but retain transparency for quality assurance and monitoring.
- ☞ Integrate online systems with back office (and legacy) systems. Database connectivity is a key issue for integration of larger trading systems and cannot be ignored. Allowing automated systems to generate marketing information to customers, and to process customer incoming data, will greatly reduce costs and simplify process management. Re-engineer legacy systems to allow Internet processes seamless access.
- ☞ Develop flexible processes to ensure easy adaptation as future trading develops.
- ☞ If you have Quality processes in place, make sure the web trading operation conforms to a similar standard (e.g. ISO 9000).
- ☞ Quality assure the delivery chain - especially if fulfilment is outsourced.

- ☞ Make sure supply chain partners are using Internet trading methods as well - even if only e-mail. Try to move them towards a similar level of commitment so that you can achieve a similar level of technology usage (and integration).
- ☞ Track customers - who they are and where they come from. Traffic movement can be arranged to tell you what links are working (so long as the links declare their identities - a software design issue), and where business comes from. That allows better targeting in marketing.

4.5.6. Relationship Building

Internet traders must carefully consider the effect of on-line trading on the many relationships required for successful trading. These include relationships between supplier and end-customer, relationships between the trader and trading partners (including supply chain), and relationships between customers (the customer community).

The **end-customer** is probably the most important, since without the final sales the whole supply chain breaks down. Good customer relations always rely on customer contact and what happens there. So for the on-line trader that means interactivity (see 5.4) and how that is used to foster relationships which encourage loyalty and trust. Speed of response is one way to establish that you are 'really there', and that you treat your customer as important. Soliciting their opinions, allowing them to make enquiries online, and setting up mail lists to channel product information (e.g. newsletter) and 'offers' are some of the many ways to mimic the natural flow of interactions between supplier and customer on-line. Look at the example of the modern courier services that now let customers track deliveries worldwide. That not only tells the customers they are open, honest, and can be trusted, it also removes a large part of the tracking cost - the enquiry agent!

The **supply chain** and trading partners are another source of important trading relationships. These range from intermediate customers (such as integrators, dealers and other downstream companies) to trading partners such as outsourced fulfilment companies, subsystem manufacturers, and marketing (e.g. web ring) associates. Given the complexity of the web, and the simplicity of its usage and development, it is possible to develop a wide range of partnerships for different business reasons.

Customer community building is an area that is made much easier by on-line methods. It is increasingly attractive as traders realise it encourages increased sales through relationship with a large community in which brand awareness and loyalty can be encouraged. Its main value, however, is in encouraging loyalty in customers who feel they belong to a group. Psychologists suggest 'group identity', once established, is very resilient, but to establish this there must be real interactions between members, and a self evolving dynamic - i.e. the group forms itself (with a little on-line help). Much of the facilitation can be done cheaply and easily, but actually forming a community is not so easy – only a few succeed (such as Harley Davidson).

Guidelines.

End Customers

- ☞ Be consistent in customer care - trust builds up over time, and reliability is required.
- ☞ Be quick in responding to requests - not just sales, but requests for information, support, or whatever. Speed equals caring to most customers.
- ☞ If customer support is a big feature of your business, create an on-line help facility and make clear how it is used (including callback facilities if available).

- ☞ Make key contacts accessible via e-mail, and put their details on-line.
- ☞ Allow customers to join mail-groups for newsletters or product news / offers.
- ☞ Have your marketing people contact site users to find out what they feel, and what they would like changed / added.
- ☞ Always clearly state terms of sales, deliveries, and after sales care to ensure customers know there is nothing hidden.

Supply Chain / Partners

- ☞ Outsource fulfilment where possible to reduce costs, and exploit on-line processes for 'virtual enterprise' to increase effectiveness and reliability.
- ☞ Exploit opportunities to deliver on behalf of others, including promotion of their goods and services as part of a partnership deal. This increases the range of goods and services offered while only increasing costs for order taking. It also creates opportunity to develop new product and service lines in-house based on success of partnerships.
- ☞ For service companies, increased mass (size of contracts) and increased competence (range of services) can be achieved by virtual partnerships which can be managed through on-line processes.
- ☞ Becoming part of trade associations, web rings, chamber listings, etc. can increase opportunities for business and increase physical contacts with likely trading partners.

Customer Community

- ☞ Group communication techniques such as forums are the most successful. Forums can be web-based, in which case customers must 'go' there, or can be mail-group based so that the discussion arrives 'at their door' (suitable so long as there is not too much volume). Some sites combine these (especially software user sites) to ensure a history of discussions is maintained (also benefits new users), and break down larger discussion areas into subjects (so users can select the ones of interest).
- ☞ Allow mail-groups to be self-moderating (either as a group or via an elected moderator). Some topics risk offensive comments / discussions more than others, so let the community decide.
- ☞ Group information can be easily maintained, such as links to related sites of interest that can be contributed by users. For example, if you trade dancewear then links to theatre listings, and museums of dance, might be valued. People will learn about these and come to your site for them - and may become customers.
- ☞ Make sure groups know who the 'in-house' expert is for their topic, and have that person monitor group discussions to keep pace with interests, concerns and needs.

4.5.7. Lifestyle and Shared Vision

We all like to belong to groups, especially groups of interesting people like us! Once we have developed trust in a particular group, interactions with them allow us to make 'reality' checks by sampling opinions and experiences from people we have come to trust. However, sometimes we do not really know the sources of group opinions personally, yet accept them on the basis of group inclusion - they are 'one of us' so they feel as we do!

This tendency to delegate opinion and to accept group trends means that traders have to pay attention to the ideas of shared lifestyle, shared vision, shared values, etc.

Put simply, people identify with others on the basis of cues, and so on-line presentations should be sensitive to the existence of current trends, group behaviors, and tokens such as logos, emblems, buzzwords, etc. The person shown on your front page may be enough to encourage some people in, and others out, depending on the products and services offered. It may therefore be wise to appeal to the real target customer base for your product - if there is one. If there is not, then you should try to make it clear that the product or service is generic, or simply try to be free of lifestyle cues (i.e. neutral design).

- ☞ Decide if there is 'lifestyle' value in your product or service (i.e. trend or specific cultural group). If so, pay very careful attention to on-line image.
- ☞ Make it clear to your target customer from the presentation (style and content) that 'for specific reasons people like you rate products and services like these'.
- ☞ If your product or service is highly lifestyle or image sensitive, make the usual checks and tests with sample users before letting new material go public. A turn-off may be hard to turn on again, and the ease of web publishing can accelerate the time between ideas and public presentation (so reduce test time).
- ☞ Be consistent, and stay with the image focus you have established. If you are trading products and services that appeal to more than one specific group it can be quite easy to differentiate via separate trading sites (with different approaches) while managing fulfillment from an integrated back-end process.

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