Strategic factors for successful e-commerce in the retailing

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Abstract

The critical issue for e-commerce business is determining factors that lead to failure or success. Additionally, the success of the e-commerce site is related to the ability to attract online shoppers to make purchases. Therefore, the purpose of this study is to examine the strategic factors that effect e-commerce success and the research question is “What are significant strategic factors that lead towards the level of Internet purchasing?” To accomplish the research question, the online survey was emailed to each individual of eBay.com’s members, the representatives of worldwide online users, on 30 July 2010, and the total from 1000 was returned back 112 responses (11.2 percent). Consequently, the output from Statistical Package for Social Sciences or SPSS version 14 for Windows program was analyzed.

As a result, reducing risk is the strongest factor that leads towards the level of Internet purchasing, following by web design in the context of web atmospherics, but service in terms of e-CRM and online marketing in terms of email marketing are not the factor that leads towards the level of Internet purchasing.

Moreover, this research is one of the first studies that integrates theories and strategic factors and proposes the factors that effect the level of Internet purchasing (e-commerce success). When an online company is struggling for e-commerce success and only technology does not provide the answer. The four factors discussed in this study will provide direction for online businesses. Consequently, the results will enable online companies to increase online purchasing by improving the significant factors.

Keyword: e-commerce, retailing, internet marketing

1. Introduction

The globalisation of markets and increased interdependence of economic agents are changing the international competitive environments (Ghobadiaan and Gallear, 1996). Additionally, the 1990s have witnessed the rapid growth of the Internet and technologies, which are creating a global and cost-effective model for online business to communicate and conduct commerce (Rao, Metts and Morge, 2003). It can be said that the growth of e-commerce would be of enormous proportions (Rao, et al., 2003). Supporting by the study of Horrigan, (2002), approximately 53 percent of online users in the USA have used the Internet to make their online purchases. As a consequence, strategy on e-commerce should be adapted when doing online business.
2. Review of Literature

2.1 The definition and difference of E-Commerce and E-Business

Laudon and Traver, (2007, p 10) state that “E-commerce is the use of the Internet and the website to transact business and focus on digitally enabled commercial transactions between and among organizations and individuals”. Supporting by Davies and Garcia-Sierra (1999, p 98), “e-commerce can be defined as: The business model where transactions and interactions of information and data are primarily conducted between businesses and between customers, using electronic means in order to complete those processes more effectively and efficiently across the spectrum of a business”.

Bones, et al., (1999, p 17) supported that “There is a distinction between e-commerce and e-business. E-commerce is more commonly used when dealing with business-to-consumer (B2C) interfacing, while e-business is a term preferred for business-to-business interfacing. E-business is concerned with the total internetworking of organizational systems for the purpose of producing totally automated business commercial process.” Hence, this study sets the definition of e-commerce as follows.

2.2 Web atmospherics

Experiences during shopping matter to consumers, and they also matter to marketers due to their role in shaping favourable consumer attitudes, moods and behaviours (Pine and Gilmore, 1998). Furthermore, evidence is reported that the consumer experience during shopping affects attitudes and behaviours (Ridgway et al., 1990), perceptions of retail outlets (Kerin et al., 1992) and future retail purchase.

In a virtual shopping experience, entertainment sites affected the attitudes and involvement with the site of customers (Gammack and Hodkinson’s, 2003). Additionally, Mathwick and Rigdon (2004) propose that search experiences affect attitudes towards the e-commerce site and its brands, and pleasure about navigation during online shopping is found to have strong effects on satisfaction. Mathwick and Rigdon (2004) also support that attention should be paid to the navigation, because content and structure of information on sites are fundamental to determine the degree that customers feel comfortable when searching. In addition, if customers are able to search and find desired information easily, they are also more likely to have a positive image of the sites. Additionally, Hoffman and Novak (1996) advocate that, when customers are smoothly navigating though a site, they will be in a state of flow. As a result, they will spend more time at the site.

Supporting these arguments, the study conducted by Cognitiative (1999c) proposes ease of site navigation is the customers’ number one reason for being loyalty to a site.

According to Chicksand and Knowles, (2002); Gammack and Hodkinson’s, (2003) some features could be identified to help the difficulties of selling merchandise online. Web atmospherics can help to compensate for a lack of interpersonal contact. The factors for the online store include: 1.Sound, 2.Persanalisation/ customisation, 3.Usability of the website, 4.Visuals, 5.Smell (explain by text on webpage about smell of some products such as fragrance)
2.3 E-CRM

Customer relationship management (CRM) is the marketing strategy, which integrates technology, process, and all business activities around the consumer (Anton and Hoek, 2002). Additionally, it is defined in terms of the acquisition and retention of consumers and the resulting profitability. (Menconi, 2000) Consequently, the Internet has provided a process to deliver CRM functions on the site (e-CRM), hence as business has moved to the web, e-CRM will move to center stage. (Feinberg, et al., 2002) Moreover, Chaffey, Chadwick, Johnston and Mayer (2006, p 262) define e-CRM as following.

"e-CRM or Electronic Customer Relationship Management involves creating strategies and plans for how digital technology and digital data can support CRM”

In addition Chaffey, Chadwick, Johnston and Mayer (2006, p 262) “e-CRM cannot be separated from CRM, it needs to be integrated and seamlessly. However, many organizations do have specific e-CRM initiatives or staff responsible for e-CRM. Both CRM and e-CRM are not just about technology and databases, it is not just a process or a way of doing things, it requires, in fact, a complete customer culture”

Furthermore, e-CRM is expected to lead to sales and benefits for the online companies (Anton and Hoek, 2002; Connelly and Yoger, 2001). According to Bain and Company, the company’s profits increase around 25-80 percent when consumer retention rates also increase by five points. (Feinberg, et al., 2002)

e-CRM is an interesting point of discussion in business. In July 2002, Amazon.com listed 90 current books on CRM (Feinberg, et al., 2002). Many online and offline companies have attempted a CRM/e-CRM implementation at considerable cost. It is estimated that around 45 percent of all companies have e-CRM/CRM applications, and 37 percent have e-CRM/CRM in planning stages (Feinberg, et al., 2002).

According to the survey by InfoWorld, it is presented that approximately 77 percent of the business respondents consider CRM important (Apicella, 2001). Moreover, The CRM business is believed to be more than ten billion dollar growing approximately 27 percent annual rate. (iBiz STATs, 2001). Supporting by AMR Research, it predicts that the e-CRM/CRM software market would be more than approximately $16 billion by 2003. Additionally, a research by IDC predicts that worldwide market for e-CRM/CRM services and products might be approximately $125 billion by 2004 (Apicella, 2001).

Moreover, the significance of e-CRM as the factor that leads towards e-commerce success (Internet purchasing) has not been well and widely researched. As a result, this study attempts to reveal relationships between e-CRM as the significant factor and Internet purchasing.

2.6 Strategies for reducing risk

Customers perceive risks in most store purchase decisions (Cox, 1967), and the conclusion from studies reports buyers associate a higher level of risk with non-store purchase than in store purchase decisions (Akaah and Korgaonkar, 1988). In the marketing studies, researches have revealed that the use of some risk reduction strategies such as 1.brand reputation, 2.product trial, and 3.warranty are successful in reducing risk perception of customers (Roselius, 1971).
Moreover, Engel and Blackwell (1970) find the reasons why buyers perceived mail shopping to be riskier than in store shopping.

1. The lack of opportunity to examine the products prior to purchase.
2. The difficulties in returning faulty products.


1. Giving in dept information from formal and informal sources
2. Use brand image/reputation or price as quality guide
3. Shop only in sites with high quality image
4. Money-back guarantees, warranties
5. Free trials

Furthermore, most of these researches examine reducing risk in-store shopping rather than online shopping (Akaah and Korgaonkar, 1988; Roselius, 1971), but there are very few studies focused on reducing risk strategy in online shopping. Hence, this study is interested in examining online reducing risk as the significant factor that leads towards Internet purchasing.

3. Research Methodology

3.1 Questionnaire Development

This study is quantitative-causal research that tests ideas about strategic factors for successful e-commerce and use ‘Judgement sampling’ for collecting the data from target samples. The reason why it relies on Judgment sampling is that this study will select a sample from only ebay.com members as the representatives of online shoppers. Moreover, this study will use online software from www.stellarsurvey.com, which has to be paid monthly. In addition, it can be flexibly created a questionnaire, edited anytime and also downloaded survey results into spreadsheet for offline data analysis (SPSS).

A total of 300 online questionnaires will be sent to ebay.com’s members as representatives of the biggest online community. As supported by BBC news (2006), there are more than 210 million people worldwide are members of ebay site, and trading items worth approximately $ 12.6 billion (£6.7 billion). Additionally, Aldridge, (2004) advocates that ebay is the world’s fastest growing online community and business.

Consequently, the online questionnaires will be emailed from 15 to 30 July 2010 and respondents will be asked to indicate on five-point scale (1 = strongly disagree, 5 = strongly agree). As a result, 99 completed questionnaires (approximately 33 %) will be expected. Additionally, the completion of the questionnaire varies from 10 to 20 minutes. The questionnaire consist of 3 sections

Section A consists of 5 questions concerned with online user experience.

Section B consists of 42 questions concerned with attitude and perception about factors that lead towards Internet purchasing.

Section C has 6 questions aimed to gather respondents’ data.
3.2 Hypothesis one: Web design

According to the literature review, experiences during shopping affect customers (Pine and Gilmore, 1998). In addition, consumer experience during shopping also affects attitudes and behaviours (Ridgway et al., 1990), perceptions of retail outlets (Kerin et al., 1992) and future retail purchase (Monroe and Guilittan, 1975).

As supported by previous studies above, web atmospherics can present good experience during online shopping and lead online users to spend more time at the e-commerce site, but this factor, web atmospherics, might not be the significant factor that influences online customers to make purchase. However, there is no research focused on web atmospherics as the factor that leads towards Internet purchasing. Hence, this study presents web atmospherics as the strategic factor that leads towards Internet purchasing. Based on these arguments, the following research hypothesis is proposed.

H0: Web design does not effect the level of internet purchasing because it does not increases consumer experience, perceptions of retail outlets and future retail purchase.

H1: Web design effects the level of internet purchasing because it increases consumer experience, perceptions of retail outlets and future retail purchase.

3.3 Hypothesis two: Service

Based on the literature review, customer relationship management (CRM) is the marketing strategy, which integrates technology, process, and all business activities around the consumer (Anton, 1996; Anton and Hoeck, 2002; Menconi, 2000). Consequently, the Internet has provided a process to deliver CRM functions on the site (e-CRM) (Feinberg and Kadam, 2002).

Many studies support that e-CRM has direct or indirect impact on customer satisfaction, and customer loyalty (e.g. Anton and Hoeck, 2002; Connelly and Yoger, 2001), but some studies illustrate that in some cases only satisfaction might not lead online customers to purchase (e.g. Anton and Postmus, 1999; Feinberg et al., 2002). In addition, the study of e-CRM as the factor that leads towards Internet purchasing has not been researched. Therefore, this study presents relationships between e-CRM as the significant factor and Internet purchasing. Based on these arguments, the second hypothesis is proposed:

H0: Service does not effect the level of internet purchasing because it does not increase the maximization of customer retention in the dot.com company.

H1: Service effects the level of internet purchasing because it increases the maximization of customer retention in the dot.com company.

3.4 Hypothesis three: Online marketing

The third hypothesis of this study aims to examine whether online marketing effects the level of internet purchasing or not. As shown in the literature review, Forrester (Niall 2000) illustrates email marketing as one of the most effective online marketing tools due to its high response rate, and expects it to be worth 5 billion US dollars by 2004. eMarketer (2000) reports that approximately 61% of all medium and large US firms use email marketing on a regular basis. Jupiter reports that digital marketing initiatives such as coupons,
promotions and email will surpass that of Internet advertising within website content such as banners, interstitials, rich media, pop ups, etc.

Studies propose the benefits of email marketing such as building real time interaction with customers, low costs, sending out huge numbers, high response rate. Moreover, there are considerable researches about email marketing such as e-mail communication, individual perceptions about email (Higa et al., 2000), the impact of email on work practices and the intra-organizational impacts of email (McManus et al., 2002), but there is no research focused on the relationship between email marketing and the level of Internet purchasing. Based on these arguments, the third hypothesis is proposed:

Ho: Online marketing does not effect the level of internet purchasing because it does not increase potential customers awareness of the dot.com company

H1: Online marketing effects the level of internet purchasing because it increases potential customers awareness of the dot.com company.

3.5 Hypothesis four: Reducing risk

The conclusion from studies reports buyers associate a higher level of risk with non-store purchase than in store purchase decisions (Akaah and Korgaonkar, 1988). In the marketing studies, researches have revealed that the use of some risk reduction strategies such as 1.brand reputation, 2.product trial, and 3.warranty are successful in reducing risk perception of customers (Roselius, 1971; Akaah and Korgaonkar, 1988).

Furthermore, most of these researches examine reducing risk in-store shopping rather than online shopping (e.g. Tan, 1999; Mitchell, 1992), and some studies present risk reduction strategies and risk-reduction methods to minimize perceived risk (e.g. Akaah and Korgaonkar, 1998; Roselius, 1971).

In the other hand, there is no study that presents that reducing risk in online shopping is the significant factor that leads online users to make purchase. As a consequence, this study is interested in examining online reducing risk as the significant factor that leads towards Internet purchasing. Based on these arguments, the following research hypothesis is proposed

H0: Reducing risk does not effect the level of internet purchasing because it does not cause customers to feel secure in the dot.com company.

H1: Reducing risk effects the level of internet purchasing because it causes customers to feel secure in the dot.com company.

4. Analysis of findings

4.1 Data analysis

The online survey was emailed to each individual of ebay’s member on 15 July 2010. Initially, a total of 300 was returned back only 25 responses (8.3 percent) Due to the low response rate, additional 700 was emailed again on 30 July, and the total from 1000 was returned back 112 responses (11.2 percent). The response rate was lower than the estimated rate (33 percent) in the previous chapter.In this result,
there was no missing value, because respondents could not skip into the next question until they completed all questions in that section. The output from Statistical Package for Social Sciences or SPSS version 14 for Windows program was analysed as follows:

4.2 Hypotheses testing

Table 4-2: Model summary for Hypotheses testing

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.465(a)</td>
<td>.216</td>
<td>.187</td>
<td>.72390</td>
</tr>
</tbody>
</table>

a Predictors: (Constant), Reducing Risk, Service(e-CRM), Online Marketing, Web Design

R-square (coefficient of determination) in model summary, many researchers usually convert it into a percentage (Burns and Bush, 2006). From the table 4-2, this value (.216) illustrates that 21.6% of the variance, which is Internet purchasing (dependent variable) could be predicted from the independent variables, web design, service, online marketing, and reducing risk.

Table 4-3: ANOVA table for Hypotheses testing

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>4</td>
<td>3.860</td>
<td>7.365</td>
<td>.000 (a)</td>
</tr>
<tr>
<td>Residual</td>
<td>56.072</td>
<td>107</td>
<td>.524</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>71.510</td>
<td>111</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a Predictors: (Constant), Reducing Risk, Service(e-CRM), Online Marketing, Web Design
b Dependent Variable: Online Purchase

From table 4-3, ANOVA result, the Sig. (p-value) is very small (.000). These values can be used to answer the question “Can the independent variables reliably predict the dependent variable?” The Sig. (p-value) is compared to the alpha level (0.05). If p-value is more than .05, there is no statistically significant relationship (Burns and Bush, 2006). As a result, this Sig. (p-value) means independent variables (web design, online marketing, service and reducing risk) can reliably predict the dependent variable (Internet purchasing).
Table 4-4: Multiple regression for Hypotheses testing

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.417</td>
<td>.713</td>
<td></td>
<td>.584</td>
</tr>
<tr>
<td>Service(e-CRM)</td>
<td>.026</td>
<td>.141</td>
<td>.017</td>
<td>.183</td>
</tr>
<tr>
<td>Online Marketing</td>
<td>.004</td>
<td>.136</td>
<td>.003</td>
<td>.032</td>
</tr>
<tr>
<td>Web Design</td>
<td>.380</td>
<td>.186</td>
<td>.215</td>
<td>2.011</td>
</tr>
</tbody>
</table>

a Dependent Variable: Online Purchase

4.3 Hypothesis one

H0: Web design does not effect the level of internet purchasing because it does not increases consumer experience, perceptions of retail outlets and future retail purchase.

H1: Web design effects the level of internet purchasing because it increases consumer experience, perceptions of retail outlets and future retail purchase.

The results of the analysis could be presented as follows:

The multiple regression was tested the relationship between the independent variable (web design) and dependent variable (Internet purchasing). As a result, the coefficient for web design ($\beta = .215$) is statically significantly because its Sig. (p-value) (.047) is less than .05. Therefore, the hypothesis one is accepted.

4.4 Hypothesis two

H0: Service does not effect the level of internet purchasing because it does not increase the maximization of customer retention in the dot.com company.

H2: Service effects the level of internet purchasing because it increases the maximization of customer retention in the dot.com company.

The results of the analysis could be presented as follows:

The multiple regression was tested the relationship between the independent variable (Service) and dependent variable (Internet purchasing). As a result, the coefficient for service ($\beta = .017$) is not statically significantly because its Sig. (p-value) (.855) is more than .05. Therefore, the hypothesis two is rejected.
4.5 Hypothesis three

Ho: Online marketing does not effect the level of internet purchasing because it does not increase potential customers awareness of the dot.com company.

H3: Online marketing effects the level of internet purchasing because it increases potential customers awareness of the dot.com company.

The results of the analysis could be presented as follows:

The multiple regression was tested the relationship between the independent variable (Online marketing) and dependent variable (Internet purchasing). As a result, the coefficient for online marketing (β = .003) is not statically significantly because its Sig. (p-value) (.974) is more than .05. Therefore, the hypothesis three is rejected.

4.6 Hypothesis four

H0: Reducing risk does not effect the level of internet purchasing because it does not cause customers to feel secure in the dot.com company.

H4: Reducing risk effects the level of internet purchasing because it causes customers to feel secure in the dot.com company.

The results of the analysis could be presented as follows:

The multiple regression was tested the relationship between the independent variable (Reducing risk) and dependent variable (Internet purchasing). As a result, the coefficient for reducing risk (β = .296) is statically significantly because its Sig. (p-value)(.011) is less than .05. Therefore, the hypothesis four is accepted.

From the Multiple regression analysis, reducing risk (β = .296, Sig. = .011) is perceived as the most significant factor, followed by web design (β = .215, Sig. = .047), but service (β = .017, Sig. = .855) and online marketing (β = .003, Sig. = .974) are not significant to the level of Internet purchasing. Hence, the outcomes show that Hypothesis one and four are supported while hypothesis two and three are rejected.

Table 4-5: Summary table of research hypotheses and results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Web design effects the level of internet purchasing because it increases consumer experience, perceptions of retail outlets and future retail purchase.</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2: Service effects the level of internet purchasing because it increases the maximization of customer retention in the dot.com company.</td>
<td>Rejected</td>
</tr>
<tr>
<td>H3: Online marketing effects the level of internet purchasing because it increases potential customers awareness of the dot.com company</td>
<td>Rejected</td>
</tr>
<tr>
<td>H4: Reducing risk effects the level of internet purchasing because it causes customers to feel secure in the dot.com company.</td>
<td>Accepted</td>
</tr>
</tbody>
</table>
5. Summary

Strategies for reducing risk on the Internet issues (e.g. money-backed guarantee, manufacturer’s name, product cost, distributor’s reputation, free sample/trial, endorsement by a trusted person, brand experience and product newness) is the strongest factor in online purchasing. Because in the online shopping where the buyers are not able to personally see, feel and touch the product, the need in reducing risk strategies is necessary. Hence, online companies establishing a risk-free image would seem to be successful because they can attract online customers to make purchases. Moreover, web design in terms of web atmospherics (Sound, personalisation/customisation, usability of the website, visuals) is the significant factor that leads towards Internet purchasing. This is because the main reason why customers go to the Internet is to find information or buy a product or service with an emphasis on convenience and speed. Web design are represented as the powerful tools for marketers and managers to enhance customers’ satisfaction, good experience on their sites, which lead to potentially increase direct and indirect sales in the future.

However, it is interesting to find that e-CRM does not have the relationship with Internet purchasing. This is contrast to many studies finding that e-CRM effects the acquisition and retention of consumers and the resulting profitability. Although many studies believe that customer satisfaction can lead to Internet purchasing, but some studies present satisfaction does not lead to purchase. Finally, the finding of this study supports that Service (e-CRM) does not have relationship with the level of Internet purchasing. Hence, online businesses adapting e-CRM might increase customer’s satisfaction, retention, loyalty as considerable studies support, but they might not necessarily improve sales and profits as expected. Online shoppers might think it is not necessary for service or long term relationship, they just want to reduce risk when online shopping and website that easy to navigate and search for products.

Additionally, email marketing might create the long-term relationship or two-way exchange of information between customer and the company. Although many studies conclude that it is the most effective online marketing tools, those researches were examined from 2000 to 2004. Currently, technology has rapidly changed, online customers like receiving, sharing and joining information via social network rather than email. Moreover, it can be concluded that email marketing might be effective tools, but online users might feel victim due to the annoying effort that the sites try to promote their products by sending emails. However, the result of this study is matched with some studies, which illustrate email marketing has been considered as an invasion of privacy, a serious problem, an increase of unsolicited commercial e-mail (UCE), known as spam.

Reference


