December 1998

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Introduction

Today, a great number of companies are using the Internet as an outlet to promote their products and services. It is predicted that, in the near future, companies will have to be on the Internet to remain competitive. Therefore, understanding the planning of Internet marketing should be raised to a higher priority for both practitioners and researchers in IS and marketing fields. As with any other marketing techniques, Internet marketing needs to be plotted strategically in order for a company to maximize its return on the investment. This paper identifies major issues in strategic Internet marketing plan. The analysis reported in this paper has generated possible research propositions and research questions regarding the Internet as a strategic marketing tool. A series of propositions and questions that might motivate and guide the development of research in this area are discussed.

Relevant Marketing Issues

1. Marketing objectives: Marketing objectives should be consistent with corporate objectives and should be identified for each target market in terms of sales, market share, profit contribution, and other qualitative aims. In facilitating such objectives, the Internet functions as a marketing channel: *distribution channels, transaction channels, and communication channels*. The least found in the Internet is a function of a distribution channel which is referred to the physical exchange of products and services. Only information goods, such as computer software, music, or reports, can be physically transferred through the Internet. The second popular function for the use of the Internet is a transaction channel. As a transaction channel, the Internet can generate sales activities between buyers and sellers. Because of the lack of distance and time constraints, sellers and buyers can initiate sales activities through the Internet. Finally, the most popular function of the Internet is its ability to communicate information. The Internet performs as a communication channel when there is a vast amounts of exchange of information between buyers and sellers at different virtual locations in different time with low cost.

2. Target audiences: Guided by an organization's objectives, target audiences are selected. Using the Internet as the meduim allows companies to reach a large number of target audiences because of its characteristic of *global reach*. However, while the Internet has *a broad reach*, the *market is narrow*. The majority of the Internet's audience is males between the ages of 16-34, young, well-educated, and financially secure (Hall 1995), whereas other mediums, such as infomercials reach a broader audience divided fairly evenly between genders (Yorgey, 1997). This phenomenon makes it ideal for a number of industry segments to advertise on the Internet, but it also excludes certain industry segments because their target market does not meet the demographic profile of most Internet users. Therefore, a company needs to carefully evaluate the likelihood of reaching the "right audience" for the advertisement.

3. Marketing programs:

Product: The characteristic of the product or service is a key determinant on whether the company should use the Internet as its marketing channel. Peterson, Balasubramanian, and Bronnenberg (1997) suggested the product categorization along three dimensions that seem to be relevant in the context of the Internet: 1) *cost and frequency of purchase, 2) value proposition (*degree of tangibility of products), and *3) degree of differentiation*. For the first dimension, it is expected that when the transaction requires physical delivery, the more frequent the purchase , and the smaller the cost (e.g., consumable products such as milk), it is less likely that the Internet marketing will appropriately fit the product and vice versa for the high-cost and infrequently goods. For the second dimension, it is expected that the Internet as a transaction and distribution medium is suitable for certain types of intangible or service-related goods (e.g., digital based products such as software and stocks). The last dimension, for products that do not have high degree of differentiation; i.e., commodity products, the Internet is expected to lead to a significant price competition because the Internet makes other factors (such as store location) that might affect the buying decision absent.

Price: Competitive pricing is more attainable to the companies selling on the Internet. Due to the great cost reduction by using Internet marketing, companies are able to sell their products and services at a more affordable price while still maintain the same level of profitability. Another issue worth to discuss here is whether the company should pose the price on the Internet. Free flow of price information through the Internet is the key driver to expedite a nearly no-cost search for price, and such a convenient search will allow consumers to have nearly perfect price information (Covaleski, 1997). According to this conjecture, if firms want to be competitive in the market, firms should undercut competitors' prices in order to draw a large demand. *Therefore, for homogeneous type of products, it would be better for firms not to provide explicit price available on the Internet. The reverse effect will occur for highly differentiated products*. Sellers can charge a higher price by taking an advantage of a good fit between buyer requirements and product characteristics. Providing price information on the Internet is possible and

sometimes recommendable for buyers who do not have time because some consumers may be willing to pay higher prices for its increased selection and convenience (Peterson et al. 1997).

Place: As a marketing channel, the Internet can serve as a distribution channel, a transaction channel, and most importantly, a communication channel. Regarding communication channel function, there is hardly any limitation on this issue. However, for the distribution and transaction channels function, the ability of the Internet to perform such tasks tremendously depends on the characteristic of products or service. *The Internet is expected to provide comparative advantages in terms of transaction and distribution purposes for products that are high-cost and infrequently used, service-related, and highly differentiated*. Transactions take place on the Internet eliminate most of the human interaction required in the normal business deals, and they are processed electronically to improve the speed. Therefore, by implementing electronic commerce, companies can significantly reduce the cost and time of the purchasing process (Bielen & Benisch, 1997).

Promotion: Promotion strategy is developed to communicate with the company's audiences, i.e., companies may try to establish a particular reputation, a corporate image, with general public. Possessing unique characteristics *the Internet can perform not only as a medium for advertising/ publicity purposes, but it also serves as a tool to facilitate sales promotion and personal selling activities*. The ability to provide large amounts of information at different locations and different times with low cost allows the Internet to serve as an efficient medium for communication. The ability to provide interactive information, which allows viewers to have a perceptual experience that is far superior to a printed catalog, can lead to an actual transaction agreement between sales representatives and prospect customers. For some types of products (e.g., software), the Internet might serve as a physical distribution channel itself.

Technology Issues

Download Time: An appropriate image is able to communicate a great deal of information to viewers in a few seconds. Some companies have even incorporated sound, video, and animation into their web sites to attract the attention of viewers. However, these elements are also the primary obstacle to rapid Internet access. To achieve greater download speed, some users turn off the graphic capability of their browser. This unique option gives new challenges to marketers. First, consumers have an unprecedented level of control over the style and content of marketing messages presented on the page. Second, if consumers chose to view a Web page in its entirety, they may encounter a seemingly endless wait (Mosley-Matchett, 1997). These two challenges cannot be ignored while developing web sites for marketing purposes. What both business managers and web designers are striving to find out is the equilibrium of the number of graphic and other peripheral information elements and the degree of annoyance of waiting, which is highly qualitative rather than quantitative and influenced by a large number of factors.

Ordering Capability: Another major obstacle for purchasing over the internet is the lack of ordering capability of many companies' web sites. Internet users have found that most companies' web site didn't provide customers with convenient and interactive ordering capability (chiger, 1997). Such a system is often described as a three-tiered client/ server configuration (Watt, 1997), which is demonstrated in Figure 3. The first tier is the client side web browser which is widely available to every Internet user; the second tier is the company's web server. It manages the information requests and distribution on the Internet. The web server is linked to the back end databases in which inventory and account information is stored. An efficient online ordering system requires the three tiers to operate flawlessly with each other. Due to a shortage of programmers skilled in web-based systems, companies often outsource this types of projects to gain the advantage of low cost and faster delivery (Ferranti, 1997).

Security: internet access and connectivity to the world wide web has added another level of threat to organizations. Network security issues generally fall into two categories: 1) unauthorized attempts to access private data via internal and external communications networks and 2) computer viruses that can disrupt or corrupt data (hansen, 1997). A great deal of attention has been given to the security issue in the recent years. Companies are also trying to calm the security concerns of the customers while engaging in online purchasing. Security on the Internet is not only managing the rights of different users on the systems, but preventing the theft of information during the transfer. Therefore, the security concerns on the Internet should be extended to corporate databases, corporate web servers, and data transferred through the networks. In order to increase their customer's comfort level of shopping on the internet, the companies can implement a number of technologies such as encryption, secure protocol, and public/private key protocol (Seldon, 1997). Companies can choose from various types of software and hardware-based protective systems to provide the level of security they feel is adequate and cost-effective.

Conclusion

The analysis reported in this paper has generated possible research propositions and research questions regarding the Internet as a strategic marketing tool. Henceforth, it seems appropriate to conclude the paper with a series of propositions and questions that might motivate and guide the development of research in this area. It is noted that the proposed propositions and questions are not aimed to be either exhaustive or exclusive. Instead, they represents types of propositions and questions that need to be answered before a comprehensive understanding of all the business implications of the Internet is possible. The following proposed questions are organized around the theme of marketing strategies, Internet designs, and technical issues. Table 1 in Appendix A illustrates such a framework for Internet marketing research.

References

Reference available upon request from first author (nsukpnch@memphis.edu).

Appendix A

Table 1. A Framework for Internet Marketing Research

Issues	Elements	Considerations	Propositions and Research Questions
Marketing Strategy	Marketing Objectives	Communication channel	It is proposed that the Internet will be used for 1) communication, 2) transaction, and 3) distribution purposes respectively.
		Transaction channel	
		Distribution channel	
	Target Market	Global reach/ narrow market	It can be proposed that while the Internet has a broad reach, the market is narrow.
	Marketing Program	Product	The Internet is expected to provide comparative advantages in terms of transaction and distribution purposes for products that are high-cost and infrequently used, service-related, and high differentiation.
		Price	It is proposed that homogeneous type of products are expected to be worse of when explicit price is provided. The reverse effect will occur for highly differentiated products.
		Place	The Internet is expected to provide comparative advantages in terms of transaction and distribution purposes for products that are high-cost and infrequently used, service-related, and highly differentiated
		Promotion	The Internet can perform not only as a media for advertising/ publicity purposes but it also serves as a tool to facilitate sales promotion and personal selling activities.
Technical Issue	Download Time	Download Time	What is the optimal amount of graphic and peripheral information elements on the web page for successfully conveying marketing messages while maintaining low degree of annoyance?
	Ordering Capability	Shopping Cart Application	What features to include in the shopping cart applications in order to ease and fasten the ordering process?
	Security	Database	What precautions that a company should take to protect the data and encourage customers to engage in online purchasing?
		Server	
		Network	