

THE MARKETING CHALLENGE OF E-BUSINESS

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ABSTRACT

This paper attempts to outline some of the challenges facing modern marketing in e-business today, both as opportunities and as risks. Ultimately, there are no complete answers; there are just issues and openings to be faced. Surely all of these points will have to be faced one after the other.

THE MARKETING CHALLENGE OF E-BUSINESS

The authors of this paper suggest that e-business must be looked at as a series of advantages and disadvantages (a very traditional academic evaluation technique) for marketing. Evaluation in this fashion allows, perhaps, a less biased look at both the breakthroughs and problems of e-business and ultimately it does not dictate a skewed (in either direction) course of action by organizations studying available options. Rather, usage will prove the ultimate benefit of the organization in an increasingly situationalized global market place.

THE CHALLENGE OF OPPORTUNITIES

- Aside from the quality of the page itself, all companies can look alike on the net. This can level a great deal of the playing field between different sized businesses. That playing field is, within reason, very accessible to all sorts of players.
- E-business can bring a catalog into more places, both home and office, than have received them to date. Make no mistake; the Direct Marketing Association sees e-business as an extension of their form of business, to be played by the same rules (usage) as all the other direct marketing tools (p.3, 4). The general public has not, perhaps, seen e-business as the catalog business and this perhaps has speeded public acceptance. The pages of these catalogs will be easier and faster to change and update. This will allow a higher level of positive merchandise and inventory management than at any time in recent marketing history. E-business may also be able to use catalogs to extend the “shelf-life” in the customer’s home of the spread of offerings.
- In marketing, it becomes possible to see the use of segmentation carried to the highest level of efficiency. This means more opportunities for niche and even cell (several hundred possibly very short-term customers) markets to both open up and to be taken advantage of as they open up. What looks good in a textbook now can easily become a business norm. All of this, however, will require an increased understanding of and acquisition of segmentation information. The whole area of consumer e-psychology is an open door. Marketers will have

to re-look at learning, change adaptation, consumer decision making, attitudes, satisfaction, spread of knowledge, persuasive communication itself, etc.

- The social changes, driven by technological changes, are altering the fabric of both the US and the global social systems. Uchitelle (2000) notes that how each and every culture actually handles these evolutionary forces will be as varied as is each national culture (p.14).

Uchitelle (2000) notes that the majority of Europeans seem to be less fascinated in some of the e-revolution activities (p.14). Cohen (2000) notes that the Germans have a large shortage of IT people, many of these who have left for the U.S. to fuel an e-business revolution in the U.S. that, at least politically at home has not been fully accepted.

Volz (2000), in an AARP published survey, takes note of the large amount of trepidation in the users of computers over the age of 45. These people are novice users and limited purchasers of both new equipment and products in general on-line (p.32).

There are also extreme contrasts in India; with a huge software industry (and growing middle class) and an unbelievable level of poverty which is also being affected by the enormous access to information that is opening up to even the lowest level of Indian society (Dugger, 2000, p.1). The information access is also opening up closed societies in China and other similar closed societies.

- It will become possible to put the Internet into most homes, through television, in future years. The shift to HDTV standards (in the US perhaps by 2003) will facilitate this. However, the new web TV must be sold at mass market prices (mass market for each individual marketplace) and the quicker the better. It is reasonable to assume that HD/Web TV manufacturers may have to look to lesser initial returns on their investments to make this happen.

While the sale of web only TV service has seen limited acceptance, these web services, which hook directly into your own TV, and have cost from \$99 to \$250, can be one way to spread the web usage.

- Tedeschi (2000) notes the ease that online businesses can develop alliances with more traditional store based retail chains (p.C10). With the recent well-publicized failure of some e-retailers, the death knell of brick and mortar stores seems to be sounding a bit early. Still, the traditional retailer faces strong challenges from more than just competitors, particularly since retailers usually lag badly when it comes to technological change.

RISKS OR CHALLENGES

1. The whole of e-business is open to a wide variety of both criminal and anti-social occurrences. The criminal activities are part and parcel of doing this new business in society. The ease and the extent of the variety of criminal activities is based very much on the ease of access into the electronic world. E-business, has extended illegal possibilities to the whole world, from any location.

It took many years, federal laws, and much policing in addition to strong industry efforts, to develop the consumer confidence that the other direct marketing outlets have. It does seem that the consumer had started out with a ready initial acceptance for e-business. These recent criminal/antisocial activities all over the media may have easily drained some of this good will, and put e-business back to square two with the consuming public. Harmon

- (2000) believes that present active surfers have only been given a slight pause by the recent spate of worries -- nothing more than a speed bump (p.33). This all may indicate that any problems of confidence will be stronger with new initiates and those who are users not entranced with the e-world.
2. International business takes international marketing skills. There are language, financial, cultural, delivery, order processing, legal, etc., problems which all must be faced, thought out, and dealt with before jumping into the international marketplace. A market place, which looks to be so easy to enter, yet is filled with so many possibly intractable pitfalls for the unwary. Texts are littered with a stories of the variety of big and small business blunders that have taken place in an attempt to translate domestic business into the international marketplace (see Ricks [1983] for a discussion of some of these interesting and humorous errors). E-business companies will not be immune to these very same blunders, unless they are clearly aware of what it actually takes to do international business. Tedeschi (2000c) confirms both the substantial expenses involved and the substantial cultural hurdles involved in the development of international web sites (p. C15).
 3. Companies still have to actually deliver the product they sell. They also have to do all of the other things that forge positive customer service. There is no doubt that, at a minimum, a good order processing/tracking system must be set-up. Even if an organization electronically sends the orders to manufacturers and/or distributors to ship the products to a consumer (who both could set up their own sites on the side), the order processing system is essential. Those companies that warehouse their own goods will have to look to the catalog companies to see how to operate a well-designed distribution center. None of this will be inexpensive.
 4. Sites still cost money to develop and maintain. According to Borde (2000) the cost of a web page host can begin for as little as \$10 per month and up. If you don't use a host, you will need servers, 24-hour Internet connections -- at several hundred dollars per month+, etc. On the other hand, there are a variety of reliability problems with hosts.

The page itself can be created using Microsoft for next to nothing. If you need graphics for the page, the organization can either go to an amateur (\$10-\$15 per hour), a pro (\$100+ per hour), or permanent staff. If the site needs updating, the page must be created to be easily updated. With the actual updating itself, you are still left with the original choices of updating staff. As quality of the transmission and reception devices increase over time (see HDTV), the quality of graphics will become more and more of a major and expensive factor. The DMA (1999) notes that website maintenance costs appear low "Consumer marketers and companies with greater net sales tend to spend more on a monthly basis maintaining their sites." (p. 104)

The DMA (1999) notes that 1998 average cost range of mailing lists is from \$64 - \$142 per thousand (p. 165) with an overall cost per annum of 11.62% of an average catalog working budget (p. 55). The DMA (1999) gives a total catalog marketing cost of 19.7% for all types of businesses (p. 90). Tedeschi (2000) also notes the problems and costs associated with portals/premium portals (p. c10). Overall, these very broadly based figures indicate that both websites and catalogs can run to considerable expense. Catalog "technology" is better understood than the web.

5. Management and operating personnel must be quickly converted from those with technical capability to those employees with more generalized and less costly general knowledge. The

need for a well-trained marketing staff may even be more important in this dynamic environment. E-business will not replace shopping at the mall for Americans. Since malls are now popping up all over Western Europe (with the associated cultural angst), the desire to shop should be similar.

Some form of sales personnel will probably be needed in e-business situations to facilitate the sale of some products. There is also no way that e-commerce will ever replace shopping for some specific products and for the shopping experience itself. Malls have also become a major form of entertainment and a day trip for many Americans and Canadians. E-business will not be able to replace this form of “entertainment”.

6. A variety of tax issues have begun to come to the forefront. While the present US administration has promised not to tax the Internet, there are really too many factors involved to accept this pledge as having any real long-term value. One issue that will be of interest is that the site location would be the taxing site. software delivered over the World Wide Web” (p.C18). The tax issues will end up becoming some of the most difficult and perhaps, some of the most limiting factors in the future of e-business.

Schmidt (2000), in a higher education article, relates the obstacles arising from the danger of the loss of state funds because of an inability to collect legally required sales taxes. The collection of sales taxes on interstate sales has long been a national problem. The internet has exacerbated this problem and added an international viewpoint.

7. A Hafner (2000) article pointing to problems with the heavily advertised D.S.L. hi-speed phone internet lines also points to perhaps a much more serious problem. That problem is the introduction of a quantum variety of new technology before they have had too many of the unexpected “hiccups” resolved (p.61). In other words, competitive pressure is pushing the envelope way faster than can be handled and the customer is unaware of the pervasiveness of the “hiccups”.
8. A host of potentially thorny and fractious legal issues, on a global scale, are facing the marketplace. These issues include:
 - a. Public privacy issues.
 - b. Who actually controls a company’s sales information?
 - c. Where exactly is the vendor and how to deal with problems with international vendors? What is the venue to bring suits?
 - d. How legal are electronic contracts and signatures? Volvz (2000) noted two bills sitting in congress dealing with some of these problems. One bill is the Electronic Signatures In Global and National Commerce Act and the other is the Millennium Digital Communications Act (p.32). * The E.S.I.G. and N.C. Act was just recently signed.
 - e. Where to get started with international treaties and what agencies should be taking the lead?
9. Other Issues: Where to list your internet sites and the costs of these listings, clutter - a true promotion issue among a host of promotional issues, market research issues, etc.

CONCLUSIONS

There are so many options opening up and each option opens up other options, ad infinitum. No one paper or discussion can possibly do more than emphasize the extensive questioning that is only beginning to spark intellectual debate.

Ultimately, e-business will have its quickest, most wide spread, and enduring effect on industrial usage. Industry has more and better equipment, better, more up-to-date and continuing training, better financing, and much more pervasive usage acceptance and integration. Usage integration may be the single most important factor in consumer usage – how much, where and when, what parts of our lives, etc.

The truth is that both the crown and the thorns are both somewhat illusionary. Illusions are, to a point, far more exciting to have around. The reality of e-business is far more mundane. Technological evolution (and occasional revolution) will continue to modify the modern life. Some of this evolution/revolution will open up real opportunities and many more dead ends. Some of the opportunities will succeed and most will not. The success or failure will usually come from quick recognition and exploitation of these opportunities using good solid business sense and precepts. The “carry out” will make the most of the opportunities or will sink them. There is nothing actually new in this except for the unprecedented speed of this evolution.

Still, the illusion of magic has great attraction. The effective dreamers will make it past the illusions because they have the drive and somehow the sense that all dreams are not illusion. The rest of us will have to rely on the skills that come from a good grounding in a modern college business education to make magic.

References upon request.

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