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The Internet as a parameter of strategic planning:
A study of E-Marketing practices of Dutch SMBs

Abstract

This paper proposes a methodology for the identification and evaluation of Internet-based strategies and examines the role of the Internet as element of the strategic planning of Small and Medium Businesses (SMBs) from a variety of Dutch industrial sectors. The study has an explorative character and is based on empirical data; it reveals the degree of acceptance and integration of the Web into the strategic plans by assessing management attitudes in three categories of factors delineating the online strategy.

The findings suggest that while managers appreciate the importance of the Internet as essential component of their business setting, Web-based commerce does not seem to have become an integral part of corporate strategy by this category of businesses; limited strategic commitment and cautious attitudes in adopting technology as an important strategic option are for all intents and purposes preventing SMBs from fully utilizing the potential of the virtual marketplace.

Key words:

Internet Strategy, Strategic Planning, E-Business, E-Commerce, SMB strategies

Internet and E-Commerce

Having survived the deep crisis that followed the commercially unsustainable Internet boom of the 90s, the Web–based commerce, better known as E-Commerce, has evolved from a technological oddity and source of media thrill to a mainstream business activity; after only 10 years of commercial presence the Internet technology seems to enter its maturity stage as a business setting and social phenomenon and only a tiny majority of business in the western world does not have some kind of presence online.

The term E-Commerce (EC) has been around for more than two decades. During the 80's EC was beyond the reach of the wider public, it was a set of proprietary business-to-business Information and Communication Technologies associated with the Electronic Data Interchange (EDI) and Electronic Fund Transfers (EFT) (Oz, 2002). In that respect most

academics and practitioners would refer to E-commerce in the pre-Internet era as a collection of ICT-enabled proprietary technologies meant to increase operational efficiency in B2B transactions through transfer of commercial information and funds in inter-organizational transactions. A common idea evident in the literature of the 80s and beginning of the 90s was that EC was primarily a technical issue where information technologies and supply chain efficiency rather than marketing issues were involved.

While the EDI/EFT – originating definition of EC has not completely disappeared from the present-day literature[1] the majority of academics and practitioners today no not anymore define EC in EDI terms (Rayport and Jaworski, 2004; Fletcher et al., 2004) while the majority of definitions either link it to transactions conducted over computer networks (Turban et al., 2004) or to Internet-mediated transactions in particular (Oz, 2002; Siegel, 2004; Awad, 2004; Tapp A., Hughes T., 2004). A broad definition of E-Commerce should not however be limited to Internet-enabled transactions since transactions form merely a fraction of the commercial activities taking place online. In that sense E-Commerce can be defined as a collection of Web - based technologies, tools and business processes improving, supporting, supplementing or replacing traditional commercial (and non- commercial) practices.

On the basis of the above definition two remarks are in place:

1. E-Commerce is part of a variety of corporate activities collectively labeled as E-Business. While no definition of E-Business has been broadly accepted and in many case this term simply refers to Internet Marketing(Amit and Zott, 2001) one could identify as E-Business the collection of various organizational processes facilitated by means of Information and Communication Technologies: document management, Efficient Resource Planning (ERP), knowledge creation and knowledge sharing, computer-mediated communication, employee services, Supply Chain Management (SCM) and other (Illustration 1).

2. The "traditional practices" mentioned in the definition are practices like marketing, logistics, procurement or financial transactions to name the most important ones. On the basis of the above definition of Ecommerce one could argue that EC is nothing essentially new as to its substance; the new element is that the existing, traditional practices can be carried out

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[1] Definition 1: E-Commerce: Any on-line transaction of buying and selling where business is done via Electronic Data Interchange (EDI) from: WorldNet Daily, 2005.
Definition 2: E-Commerce: The process of putting the pieces together for electronic commerce. It includes, for example, buying and selling products with digital cash and via Electronic Data Interchange (EDI). Bitpipe.com, 2005

faster, more efficiently, cheaper and sometimes in a totally different manner by means of Internet-based technologies. Therefore E-Marketing is one of E-Commerce dimensions or functions; other such functions are E-Procurement, E-Logistics, E-Finance etc. (Illustration 1).

```
E-Business
            ┌──────────────────────  Knowledge
            │                        Sharing
            │
            ├──────────────────────  Employee
            │                        services
            │
            ├──────────────────────  ERP
            │
            ├──────────────────────  Partner
            │                        Alliances
            │
            ├──────────────────────  Supply Chain
            │                        Management
            │
            └──────────────  E-Commerce
                    ┌────────────┬────────────┬────────────┐
              E-Marketing   E-Procurement  E-Logistics  E-Finance
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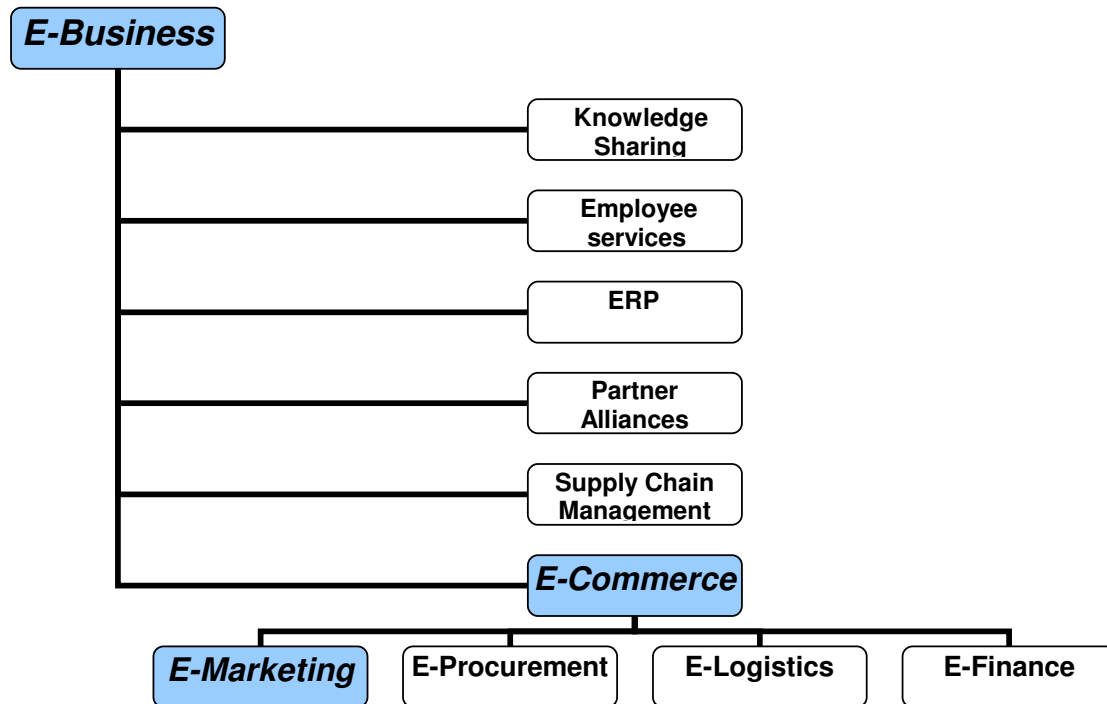
Illustration 1: E-Business, E-Commerce and E-Marketing

Compared to the traditional business procedures, the Web enabled practices give E-Commerce some exceptional strengths and characteristics. As the most common of them we can mention the 24 hours, 7 days availability, the theoretical reach of global markets - markets much larger and diverse that any high-street retailer or brick-and mortar traditional business can reach - the lack of physical contact between transacting parties, new forms of distribution, the availability of many new media forms, the dynamic pricing and the online transactions. The web has placed new powers at the hand of the consumer and Internet based marketing activities grow exponentially, often at the cost of traditional Marketing channels (Urban, 2004).

The significance of E-Commerce as element of company strategy

The excitement around the first generation of Internet start-ups during the 90's combined with unrealistic assumptions as to their commercial value and potential lead to the Internet bubble that resulted in a disastrous industry collapse around the spring of 2000 (Thornton J., Marche S., 2003); the high tech melt-down sparked a chain reaction that affected not only the dot.coms or the ICT business but the world financial markets and world economy in general. The aftermath of the high-tech fall-out brought a sense of disillusionment or even resentment towards E-Commerce in corporate as well as academic circles for some time.

There is however evidence that the scholarly and public perception as to the strategic role of the Internet is positively changing again while several indications suggest that the networked economy has entered a more mature stage of its life cycle. Boosted by increasingly affordable, faster connectivity the number of online consumers is expected to exceed the 1 billion in 2005, according to the Computer Industry Almanac (from only 15 million in 1995), the number of web host servers has reached the 318 million in 2005 (from 6 million In 1995) and some studies suggest that 10% of the total retailing will take place online in 2010 (Forrester Research, 2004). Next to that observers often underline the growing importance and role of the web as a marketing instrument by looking to the growth of budgets spend on Internet-based marketing activities as a percentage of the total marketing expenditures [2] Another fact underlining the general attitudes and optimism is the performance of high-tech equities; the current valuations of established Internet stocks, although still very far from the highs of the Internet bubble, indicate a healthy recovery while successful IPOs of virtual corporations begin to make headlines again.

The conditions however today have very little in common with the conditions of the 90s. The Internet of 2005 is technologically in a much better shape and more embedded as a mainstream commercial activity than it was in the year 2000. The web has been adopted by most business not only as an alternative communication or distribution channel but also as an essential commercial tool additional of complementary to traditional marketing practices. Next to the acceptance of the importance of the Internet by the vast majority of traditional businesses there are also many notable examples of businesses successfully and profitably operating exclusively or almost exclusively online.

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[2] Web marketing spending is forecasted to reach the one tenth of the total marketing expenditure of one trillion $US of 2005. (Blackfriars Communications, 2005)

Some other developments further underline the importance of the web as a commercial environment; the virtual consumer's demographics have changed and wide population segments including almost all age categories, races and genders make the ever-growing population of Web users. The Internet is by now the third largest distribution channel in the western markets while online retailing operations keep growing in sales, average ticket and conversion rates (Internet Retailer, 2005). For all intents and purposes the Internet has become the main source of market information for hundreds of million of consumers (Urban, 2004) and an important influencing parameter of consumer behavior and choice (Sharma and Sheth, 2002; Constantinides, 2004; Urban 2004). In this sense it is not surprising that many businesses are increasingly using web-based analytic tools for tracking and analyzing consumer behavior not only online but also across channels (Forrester Research, 2005). Furthermore affordable broadband connectivity has immensely increased the technical and marketing capabilities of the Internet and young population segments having grown with the Web as integral part of their learning and social environment enter the market as consumers, employees and managers.

The undisputed success of some of the old generation Internet companies (Amazon, Priceline, Yahoo, CNET, Expedia etc) as well as some new of the new entrants (Ebay, Google, Skype etc) have also boosted the image of the Internet as a dynamic commercial platform encouraging or even compelling CEOs to rethink their strategies and the potential role of the Internet as strategic element. (Rowley, 2002).

Strategy and E-Strategy

In this background several academics and practitioners have pointed to the importance of the Web as a new organizational and strategic parameter and have frequently underlined the main issues arising from the adoption of E-Commerce as a strategic choice (Kraemer and Dedrick, 2001; Sharma and Sheth, 2002; Gunasekaran et al., 2002; Awad, 2002; Pires and Aisbett, 2003; Rowley, 2002). However academic research on the actual adoption of web as a fundamental part of the corporate strategy by commercial organizations is limited and fragmented. Researchers usually focus on the more general issue of adoption of Information and Communication Technologies by firms, often from the innovation adoption perspective as van der Veen (2005) notes in her comprehensive work in this field; this researcher, based on the Dutch experience, identified a number of firm characteristics explaining the e-business adoption and concluded that that " in general small and medium size enterprises lag behind

larger companies when it comes to benefiting from the integration of ICTs into their daily business".

This study attempts to contribute some further insight on the issue by examining the degree of adoption of the Internet as element of firm strategy by small and medium-sized businesses (SMBs). The approach is based on the evaluation of corporate attitudes in a number of E-Commerce critical strategic issues identified in the Web-Marketing Mix model (Constantinides, 2002).

The Web Marketing Mix (or 4S Model) describes the four critical elements of the online marketing as a managerial process (Illustration 2) underlining the importance of a comprehensive and multi-dimensional approach to E-Marketing. Unlike the 4P Marketing Mix (and its several variants) the traditional marketing toolkit (Borden, 1964; McCarthy, 1964) emphasizing tactical and operational factors as the critical aspects of the marketing process (Jobber, 2001; Kotler, 2003 Kumar, 2004), the Web Marketing Mix identifies a combination of strategic, operational, organizational and technological parameters as the essential factors of E-Marketing.

Methodology

The empirical data for this study has been collected by means of a survey carried out by in the context of a student assignment in a Technical University in The Netherlands. The first stage of the project was the identification of parameters indicative of the strategic integration of the Internet into the corporate strategy. After evaluating several options the group decided that the 4S Web Marketing Mix framework (Constantinides, 2002) identifies several such parameters and therefore presents a good reference basis for constructing a questionnaire. As expected the majority of parameters relevant to corporate strategic attitudes were found in the predominantly strategic elements of the 4S framework namely the Scope and Synergy factors. However the Site element of the model, while dealing primarily with tactical and operational aspects of the Web marketing, yielded also a number of parameters of strategic importance[3]. The questionnaire was divided in three groups of questions according to the question origin in the 4S framework and the results were processed with the statistical program SPSS.

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[3] The System factors were not considered as relevant in this study due to their primarily technical character
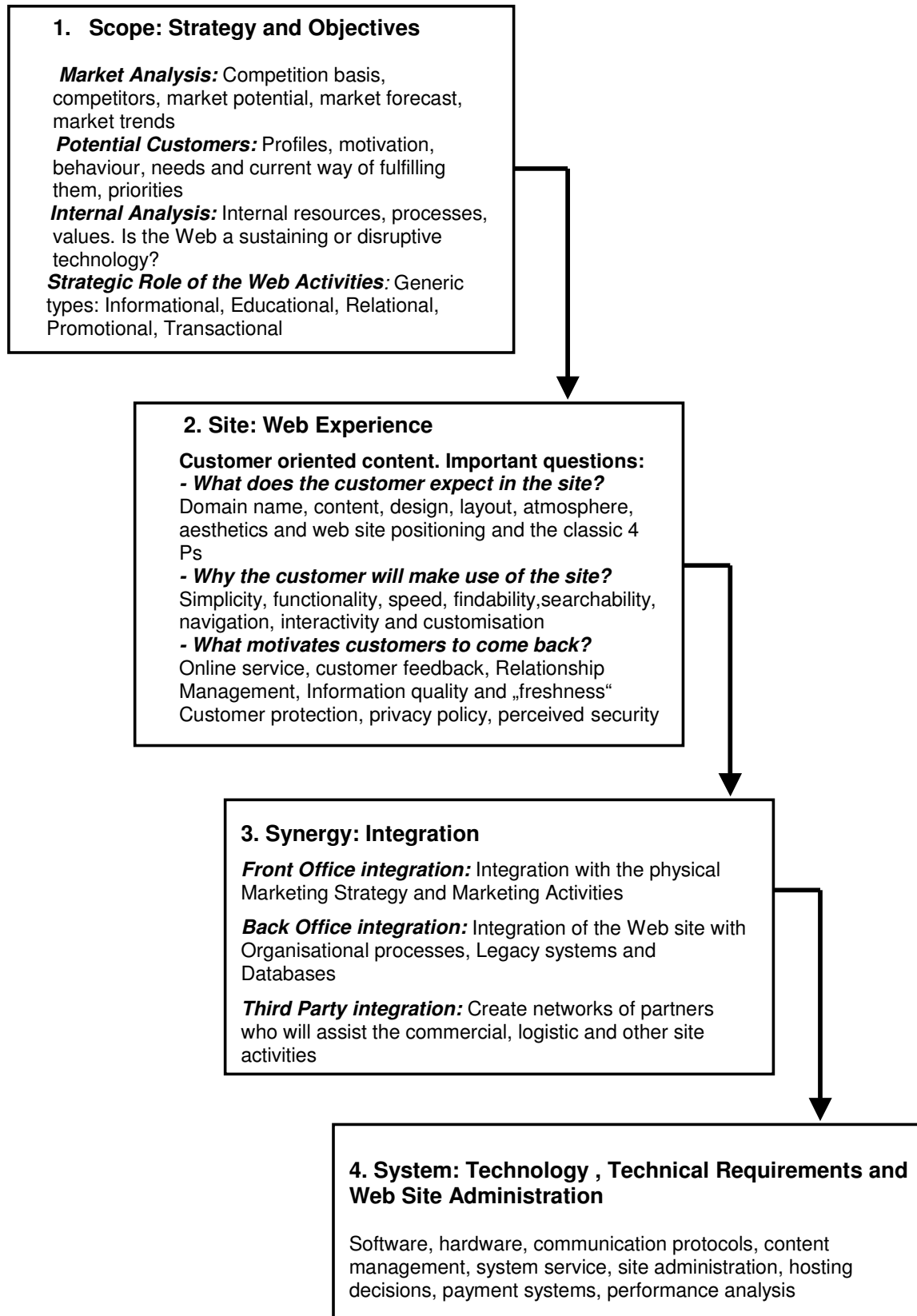
1. Scope: Strategy and Objectives

Market Analysis: Competition basis, competitors, market potential, market forecast, market trends

Potential Customers: Profiles, motivation, behaviour, needs and current way of fulfilling them, priorities

Internal Analysis: Internal resources, processes, values. Is the Web a sustaining or disruptive technology?

Strategic Role of the Web Activities: Generic types: Informational, Educational, Relational, Promotional, Transactional

2. Site: Web Experience

Customer oriented content. Important questions:
- What does the customer expect in the site?
Domain name, content, design, layout, atmosphere, aesthetics and web site positioning and the classic 4 Ps
- Why the customer will make use of the site?
Simplicity, functionality, speed, findability,searchability, navigation, interactivity and customisation
- What motivates customers to come back?
Online service, customer feedback, Relationship Management, Information quality and „freshness"
Customer protection, privacy policy, perceived security

3. Synergy: Integration

Front Office integration: Integration with the physical Marketing Strategy and Marketing Activities

Back Office integration: Integration of the Web site with Organisational processes, Legacy systems and Databases

Third Party integration: Create networks of partners who will assist the commercial, logistic and other site activities

4. System: Technology , Technical Requirements and Web Site Administration

Software, hardware, communication protocols, content management, system service, site administration, hosting decisions, payment systems, performance analysis

Illustration 2: The Web-Marketing Mix (Constantinides, 2002)

The strategic issues that formed the basis for the questionnaire were chosen from a list illustrated in Table 1.

PART 1 : SCOPE (Strategy)

Competition
Knowledge competitors
Ahead of competitors
Customer
Knowledge of customer profile
Knowledge of customer objectives
Monitoring online customer behavior
Strategic role
Extra revenue
Branding
Relation marketing
Find new markets
Stay ahead of competition
Positive customer image
Product information
Promotion
Other
E-Commerce important for Long Term Plans
Importance of Following Developments E-Commerce
Yes
No
Neutral
Main Information Sources
Trade faire s
Specialized press
It Specialists
Own Research

PART 2: SITE (Online experience)

Site updates
Daily
Weekly
Monthly
Yearly
Never
Response to emails
Within 24 hours
Within 2 days
Within 1 week
Customer service
Online complains/questions total
Service point
E-mail / telephone
Via web site

PART3: SYNERGY
(Organizational integration

Back Office
Person responsible for E-
Commerce
Influence on Business
Processes
Front Office
Marketing Budget
Internet budget
Third parties
Online advertisement
Online Links
Online banners

Table 1. Indicators of strategic integration of E-Commerce in the corporate strategy per S-factor

The survey aimed at assessing managerial perceptions as to the importance of the Internet as an element of corporate strategy and managerial attitudes as to the degree of integration of the online business into the corporate strategic plan. The questionnaire was consisted by 39 questions, the majority of them being 5-scale evaluating questions (Likert type 5 -scale ratings - 1: totally disagree, 5 totally agree) and agree-disagree type evaluating statements.

Two hundred thirty-one (231) companies from ten different industries were randomly selected from the Dutch Yellow Pages (Graph 1). All companies have a corporate web site as well as physical commercial presence.

The survey was carried out by phone; the executive responsible for the company strategy was contacted and asked to fill in the questionnaire that was available online. The data was directly forwarded to a database for further processing with in SPSS. Some participants expressed the preference to fill-in the questionnaire by phone, this option was also available. The survey yielded was 70 fully completed questionnaires.

Results

A. Participants' profile
I. Sectors and response. The branch and the number of SMBs that participated in the survey per industrial sector is the following is illustrated in Graphic 1
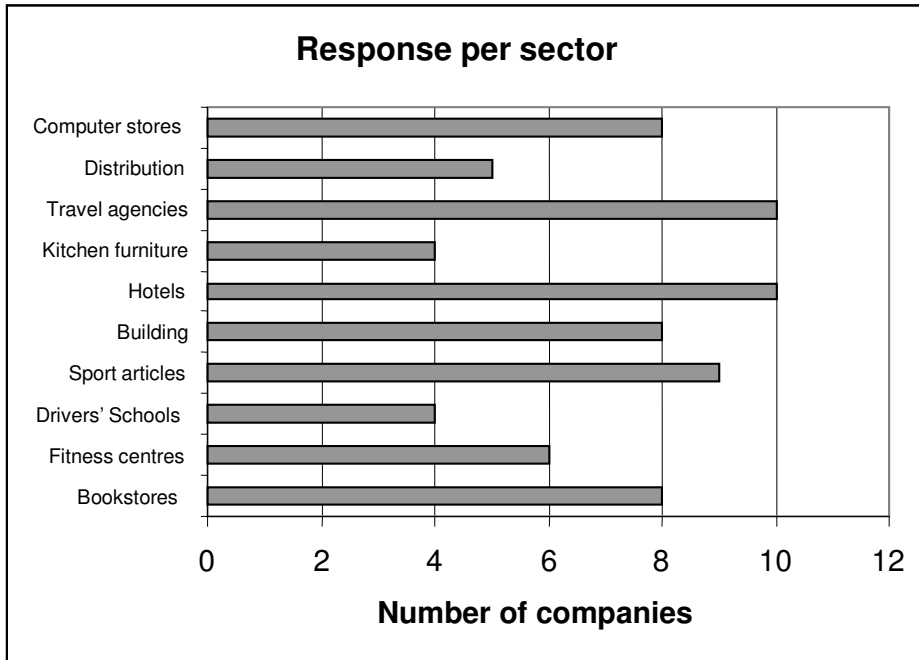
Graphic 1: Sectors and response per sector

All participating firms were small or medium size enterprises with both physical and online presence. The majority (58,6%) were enterprises with less than 10 personnel. Companies with up to 50 employees made up 94,3% of the sample, corresponding to the average percentage of European SMEs with less than 50 employees (95%) found in a study of E-business Indicators (2005)[4]. The exact composition of the sample is illustrated in Table 2.

Number of employees	Frequency	Percentage
< 10	41	58.6
10 – 50	25	35,7
50 - 250	2	2.9
> 250	2	2.9
TOTAL	70	100.0

Table 2: Number of personnel of participating companies

II. Years of online presence. The majority of the participating companies entered the web between 1997 and 2003. (Graph 2).

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[4] Study: A portrait of e-business in 10 sectors of the EU economy, 2005 edition
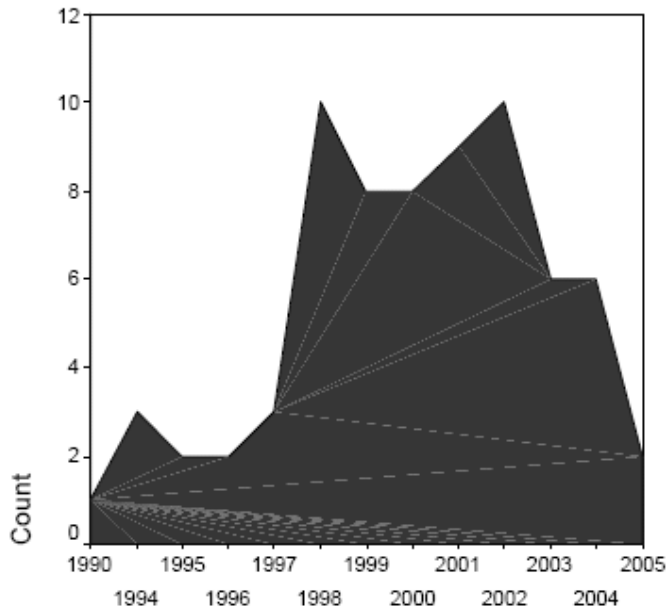
Graph 2. Year of creation of corporate web site.

The Internet melt-down of the year 2000 does not seem to have essentially affected the number of businesses going online but after 2003 the number of new entries is reduced. Since the Internet penetration of businesses in The Netherlands is quite high the graph can be indicative of the fact that the Internet technology has been adopted by the majority of Dutch SMBs. This is also obvious if we observe the obvious similarity between the shape of the graph and the shape of the well-known innovation adoption curve of E. Rogers (1976); such a comparison indicates that the bulk of potential users (the categories of Early and Late Majority in Rogers terms) has by now joined the ranks of virtual commerce community.

B. Survey findings

The questionnaire opened with a few general questions mean to identify the management attitudes with regard to the issue of strategy; they were asked whether their company had long-term strategies in place and if so whether they consider the Web as an important parameter of their long-term strategy.

Regarding the question about having a corporate strategy in general, 43 (61%) of the 70 firms confirmed having indeed a long-term strategy in place; these firms were asked how important they consider the Internet as element of their strategy. The average score 4,09 indicates that

the majority of managers recognizes the importance of the web as a strategic factor however the score was lower (3,72) when they were asked about the importance they believe the Internet plays in their own corporate strategy. (Table 3).

	Importance of the Internet for Strategy	Weight of the internet in your company's Strategy
Valid N	43	43
Minimum	2,00	1,00
Maximum	5,00	5,00
Mean	**4,09**	**3,72**
Std. Deviation	1,06	1,18

Table 3. Importance and weight of the Web for long-term strategy (5: Very important, 1 Very unimportant)

With regard to the strategic aspects identified in the three S-criteria (Scope, Site and Synergy) of the Web-Marketing Mix the outcomes of the survey are the following:

I. Scope

The scope dimension describes the basic strategic issues underpinning a powerful and successful online presence; companies regarding E-Commerce as important part of their strategy have to address these issues in a comprehensive and consistent manner.

The attitudes of the participating companies in the Scope aspects were evaluated in three categories of criteria:

1. Knowledge of the competition and competitive environment

2. Knowledge of the online customer and customer needs

3. Strategic role of online presence

In detail:

1. Knowledge of the competition and competitive environment

The participants were asked to evaluate the extent of their knowledge about online competitors and online competitors' strategies as well as evaluate their own position as Internet player versus the competition, i.e. whether they consider their online presence as a leading one in their market. The results are illustrated in Graph 3.
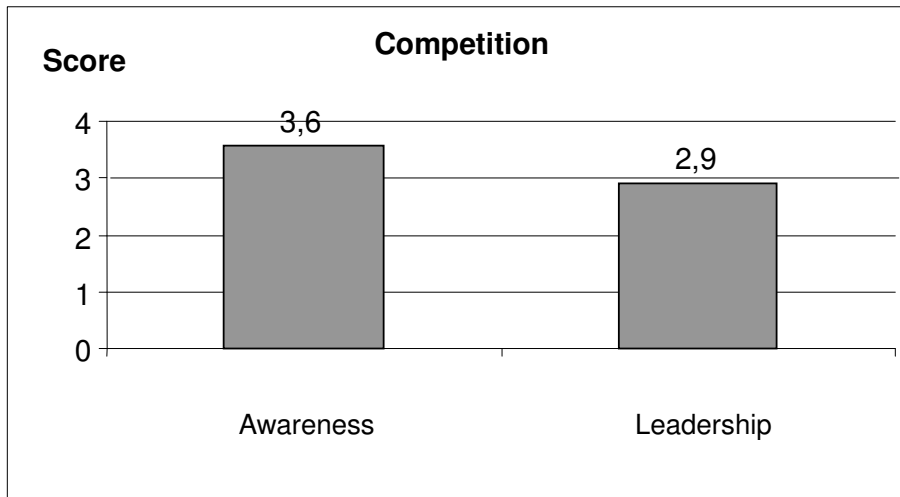
Graph 3: Online attitudes related to the competition: Mean values (max value 5)

The knowledge about online competitive conditions is somewhat positive (average 3, 6) indicating that the companies consider themselves having some knowledge about their online competitors and their strategy; the response to the question as to their position as leaders in their online market (2,9) indicating a cautious approach and lack of proactive attitude. .

2. Knowledge of the online customer and customer needs

Knowledge about the profile of customers visiting the company web site as well as intelligence about the virtual customer's needs or motives are important inputs in designing a web site delivering the proper online experience and meeting the customer's expectations. Acquiring such inputs requires a consistent strategy and managerial commitment.

In Graph 4 we see that the average scores regarding the knowledge about online customer's needs (3,7) and the knowledge of the online customer profile (3,0) are relatively low, indicating that little effort is done in actively pursuing market intelligence or that little effort is put on using existing intelligence.
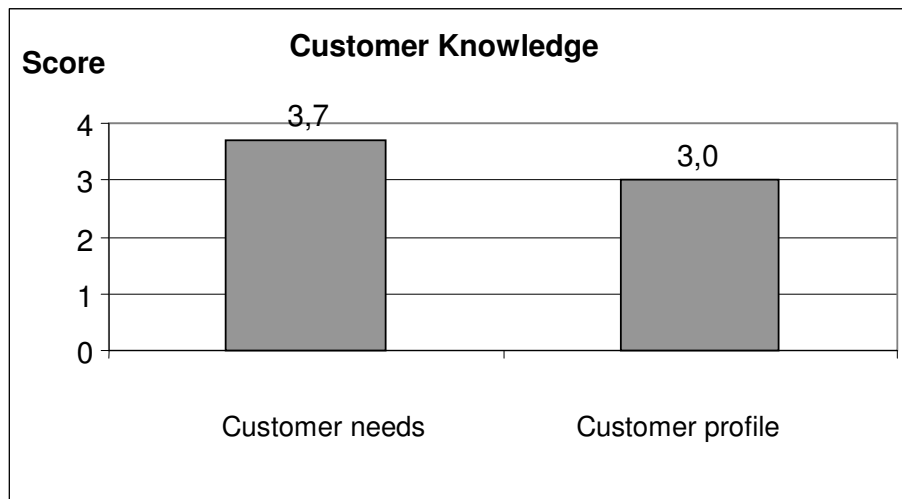
Graph 4. Knowledge of customer needs and profiles, mean values (max value 5)

In order to obtain more feedback as to the source of the available knowledge on customer needs and customer profiles the participants were asked to indicate whether they monitor their customers' online behavior when visiting their web site. From the 70 participants in the survey only 20 (28,5%) are somehow following and registering customer online activity while 13 (65%) of them simply registering the number of hits to their web site. Usage of advance software tools like Opentracker, MetrixLab and ExtremeTracking that can register online behavior of customers, is sporadic.

The high percentage of companies that do not take any action in tracking and analyzing the behavior of their online customers explains the limited expend of customer knowledge. This could mean that the large majority of these firms make decisions about their online presence without enough background on the customer's needs and behavior or base their Internet approach on customer information originating from their physical business channel.

3. Strategic role of online presence

A Web site can fulfill different generic roles as a strategic instrument; such roles can be informational, promotional, relational, transactional, educational etc. In practice the majority of online business models fulfill a combination of these roles depending on the type of the firm, the strategic objectives and the mission the company assigns to its online presence (Constantinides, 2002).

Survey participants were asked whether they have assigned clear strategic objectives to their web venture and if so what the nature of these is (Graph 5). Participants could chose from a

list of such objectives and indicate in the 1 to 5 scale their importance (more than one of such objectives could be identified).
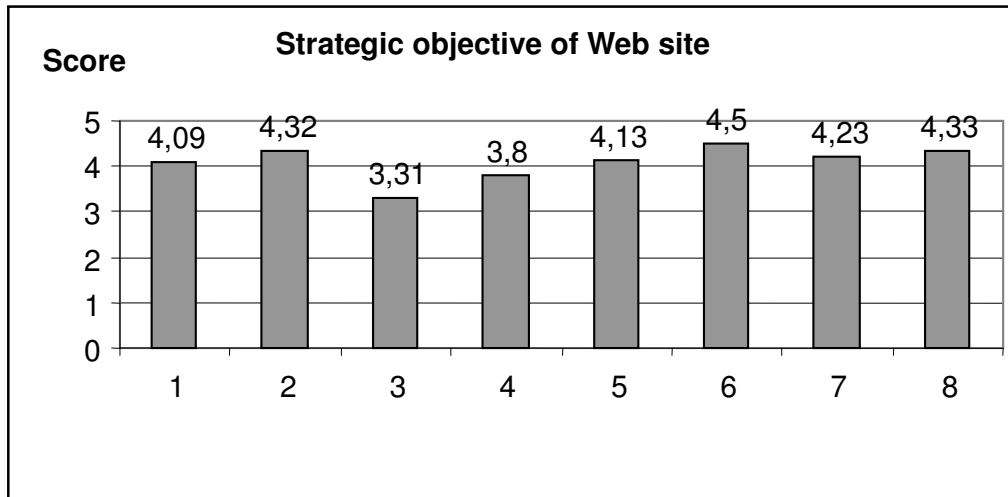
Legend   *1: Transactions, 2: Increase of brand awareness, 3: Improvement of customer relations/retention, 4: Expanding market coverage, 5. Obtaining/maintaining competitive advantages, 6: Improve company image,   7: Informational purposes, 8: Promotional purposes*

Graph 5: Main strategic objectives of web sites *(Scale: 5 Very Important, 1 Very Unimportant, more answers are possible)*

Evidently the major objective pursued by the online presence is improving the company image (objective nr. 6) followed by promotional purposes (objective nr. 8) and increasing of brand awareness (objective nr. 2). While the transactional objective seems to be reasonably important for many participants, it is interesting that the three main purposes are actually having a communicational rather than transactional character; this could indicate that the online presence is primarily seen as an important element of the communication mix rather than an adult distribution channel. Objectives capitalizing on the interactive, global and individual character of the Internet like retaining customers and expanding the market coverage are considered as less important, without however scoring below the mean value.

II. Site (or online customer experience)

Factors underpinning and enhancing the customer online experience are mostly of operational rather than of strategic nature (Constantinides, 2002). There are though elements related to the web customer experience that can be indicative of the strategic attitudes of Internet firms. In that sense the survey was focused on three issues having a clearly strategic dimension since these require a long- term vision, commitment and allocation of resources:

1. the web site updating policies i.e. the frequency of updating the online content

2. the attitudes towards providing online customer support

3. the policies as to improvement of customer experience and web site interactivity by integrating new technology tools and methods; the question was whether the SMB's participating in the survey were actively following the recent technological developments in the field.

1. Updating frequency

The updating frequency of a web site is one of the signs of the strategic responsiveness of organizations to environmental change (King and Liou, 2004). Furthermore frequent updates of the web site are indicative of the company's commitment to present its web-site visitors an up-to-date content, making their web site attractive for business and encouraging repeated visits. The outcomes of the question "what is the update frequency of your web site?" are illustrated in Graph 6.
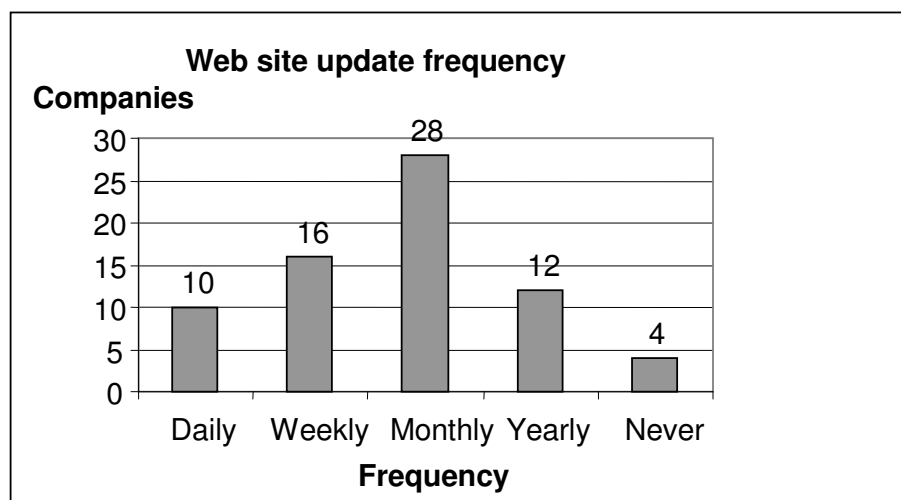
Graph 6: Frequency of Web site updates

The overall picture is positive considering that 54 companies (77%) update the content of their web site every month, almost half of them weekly or even daily; A limitation of the study is that it does not reveal very much about the nature and extent of content amendments or updates as well as about the motives for that; therefore this is an issue requiring further investigation.
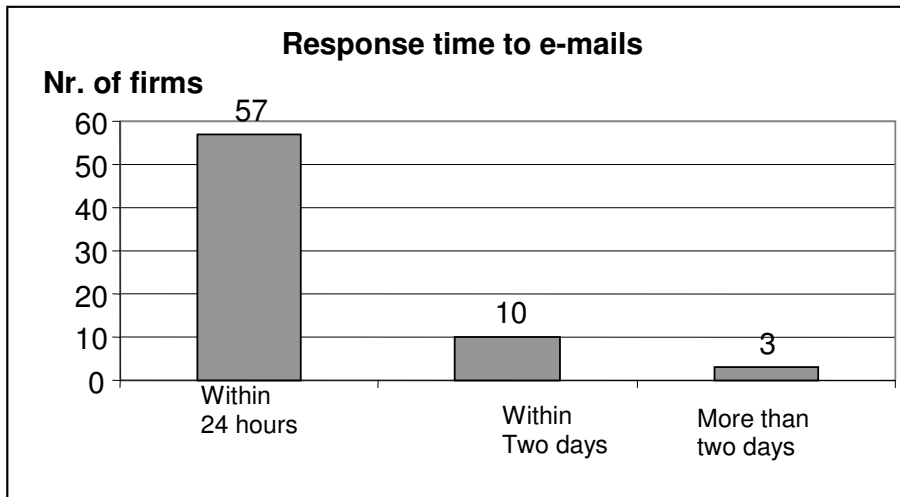
2. Customer service online

Online customer service is a vital element of the web experience (Constantinides, 2004), reducing the threshold for online transactions and enhancing the web site's credibility (Fogg te.al. 2002). Prompt and efficient handling of customer queries and effective customer support require investing in creation and maintenance of online customer service facilities. Such investment involves managerial commitment, allocation of resources and minor or major organizational adjustments.

Two aspects were identified as important criteria here: the firms' attitudes as to responding to emails and the way of handling online customer complains or problems.

Response time to emails might appear as a relatively trivial issue yet it is generally considered as a cue for inferior customer management and is one of the main sources of frustration of Internet customers[5]. In practice many online organizations fail to deal properly with customer emails because they do not understand the importance of proper handling of emails or because they lack proper organizational structures. While this is one of the older problems of E-Commerce, the situation even in the year 2005 remains knotty with negative effects on online customer experience and customer relations in general.

The majority of the surveyed firms seem to understand the importance of a quick response to customer enquiries by email: 57 (82%) of them indicate that they respond within 24 hours to customer emails, 10 (14%) within two days and the rest within one week or longer. (Graph 7)

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[5] "Among North American SMBs with revenues of $10 million and $250 million, 51 percent failed to respond to emails at all and 70 percent did not respond within 24 hours, compared to 41 percent of enterprises not responding at all and 61 percent not responding within 24 hours". Coreen Bailor, 2005, Destination CRM

Response time to e-mails

Nr. of firms

```
60                 57
50  ████
    ████
40  ████
    ████
30  ████
    ████
20  ████              10
10  ████          ████          3
 0  ████          ████       ████
    Within        Within     More than
    24 hours      Two days   two days
```

Graph 7: Response time to customer e-mails

The second issue examined is the attitudes towards online customer service. After-sales support or other types of customer services are often mentioned in the literature as important contributors to customer satisfaction (Novak et. Al., 2000; Wolfinbarger and Gilly, 2003). Managerial commitment in online customer service requires setting-up the online and back-office infrastructure. Firms lacking this infrastructure try to offer to Internet customers services (after-sales, support etc.) through existing traditional outlets or other communication channels line call-centers and email.

With regard to the channels used for handling customer problems or providing customer services, the survey revealed that 53 (83%) of the participating companies offer customer support services via telephone or email while only 12 (19%) offer help online; only 7 (11%) of firms saying to offer online customer service actually have also a Web service department dedicated to online customer support. (Graph 8).

Channels of customer support

Number of Firms
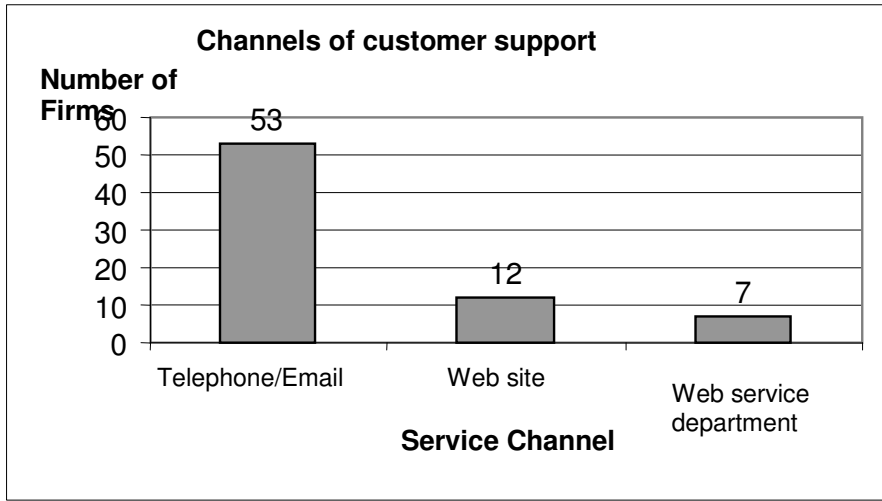
Graph 8: Most important channels for supporting online customers

3. Technological updates

A third aspect indicative of the strategic commitment to providing a compelling online experience is the attitude as to tracking change and innovation around the web technologies. Having a system or mechanism for following technological change in place is important for continuously improving the online experience and operations, as a means for sustaining online competitive advantages. The participating firms were asked to indicate how important they consider to follow technology trends and developments in the field of the Internet. 26 firms (37%) found it important or very important, 23 firms (33 %) found it unimportant or very unimportant and 21 firms (30%) were neutral as to the importance of tracking technological trends. (Graph 9)
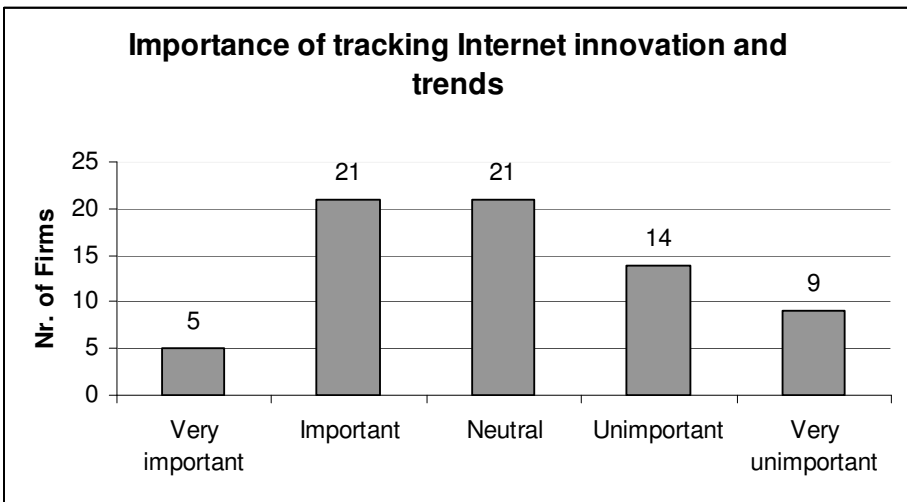
Graph 9. Perception as to the importance of tracking online trends

The firms were also asked what their main sources of information about Internet trends and technologies are. The most frequent answers were: IT specialists, the specialized press and periodicals, in-house research and trade fairs. The results are illustrated in Graph 10.
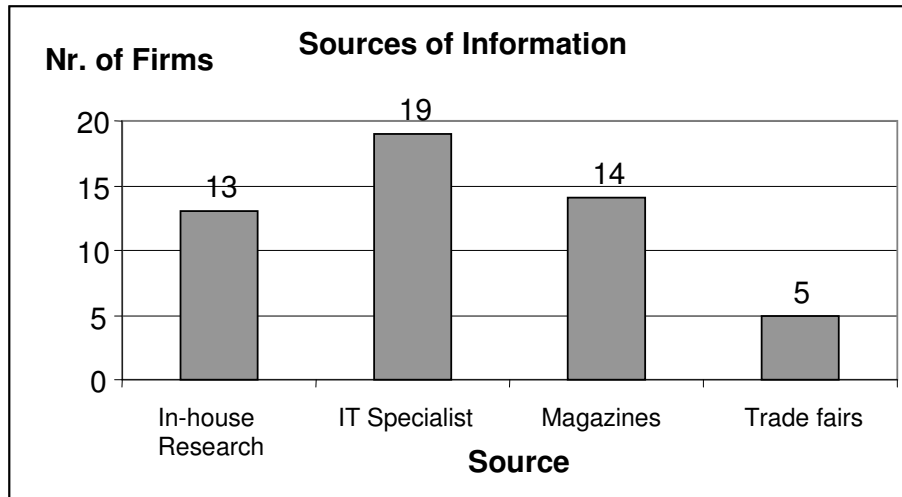
Graph 10: Most common sources of Internet trends and technology developments

III. Synergy

The factor Synergy in the 4S Web Marketing Mix model defines three main areas of strategic organizational integration of the Internet activity: Front Office, Back Office and Network effects (Constantinides, 2002)

With regard to the Front Office Integration (i.e. to what degree the online commercial activities are part of the total marketing plan of the organization) the basic strategic indicator was the availability of a budget dedicated to E-Commerce activities. A common problem of the smaller SMBs is that they do not always allocate any funds to Marketing on the first place. With this in mind the firms that had Marketing budgets were further asked whether any part of this budget was available to E-Marketing activities this year. From 69 companies that responded to this question only 34 (49%) had a marketing budget and 25 of them (74%) allocate part of this budget to online activities. Therefore only 36% of all firms in the sample population have actually a budget for online marketing. The low percentage of firms allocating funds to their online activities is an issue of concern since it is at odds with the

explicit interest of the majority of these firms for the internet and their intention to pursue their online endeavors.

The Back Office Synergy refers to the degree of strategic integration of the online operation into the organizational body, legacy systems and value-adding activities (Constantinides, 2002). Such integration is likely to affect internal procedures, communication lines, functions and business processes, something requiring a re-evaluation of the internal value-delivering system and often some degree of re-engineering of internal processes.

In order to identify the degree of strategic integration of E-Commerce activities into the organizational body the firms were asked whether the online activities have affected their internal operations and if so what functions or value-adding processes were affected.

Responses to the first question reveal that only 26 firms (37%) consider that the Internet activities have affected their internal organization while 44 firms (63%) say that this has not been the case. The later can indicate that the online activities do not form an essential part of the corporate strategy of these firms or that they have not been sufficiently integrated the online with their back-office activities.

Firms considering that the Internet has affected their internal operations were asked to indicate in a scale between 1 and 5 the significance of the effects of the Internet on the different organizational functions. (Graph 8)
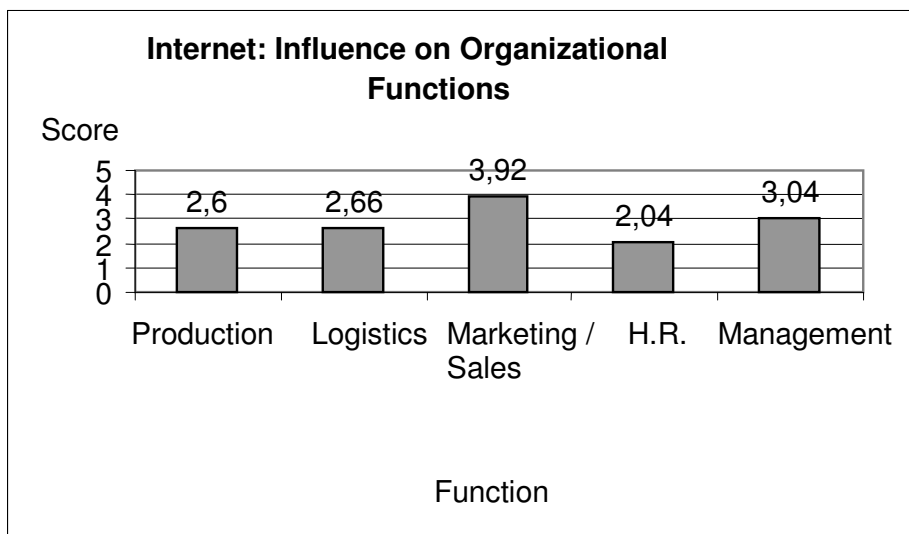
Graph 8: Effects of Internet on Organizational functions (1: very unimportant, 5: Very important)

As it is evident here, the primary value adding activities (Porter, 1980) of Marketing / Sales, Logistics and Production are considered as mostly affected; with the exception of Marketing / Sales the effects however on production and logistics are assessed as mild. The secondary

value-adding activities Human Resources and Management were also considered as influenced by the internet operations with management perceived as the most seriously affected area.

The third element of Synergy (integration with third parties or synergy effects) refers to a firm's option to engage various online, network-based marketing tools or activities in supporting and promoting the corporate web site. From various options as to network-based marketing tools or activities the majority of the surveyed firms (41 firms or 59%) limit their actions on web links, 26 firms (37%) advertise online and 19 firms (27%) make use of click-trough banners. Activities belonging to the area of affiliate marketing or search engine optimization do not make part of the network-based marketing tools of the surveyed firms.

Conclusions and discussion of the results

Conclusion 1: Scope

The strategic foundations of Dutch MSB web sites are not quite solid. While the firms surveyed seem to agree in general on the importance of the web as a strategic element for now and the future they seem to lack a clear picture on issues underpinning their online strategy; such issues are the customer behavior and market needs, competitive strategies and understanding of the market environment in general. This fact indicates a lack of serious commitment to invest in activities necessary for acquiring sufficient market knowledge necessary for obtaining competitive advantages and market leadership. The lack of strategic commitment is underlined further by the fact that the most important online objectives of the firms examines are of communicational and informational nature. Acquisition, online transactions, expansion in new markets and customer retention seem to have a lower priority as strategic online objectives.

Conclusion 2. Site

In the area of the strategic attitudes as to the online customer experience we can identify both positive and negative outcomes. The positive attitudes of the surveyed companies are the frequency of the web site updates and the importance attributed to quick response to online customer inquiries by the large majority of them. Also a relative high number of firms seem to agree on the importance of following the technological developments and trends in the online environment.

In line with this perception most firms score satisfactory only in the issues of frequently updating the content of their web presentation and responding quickly to customer emails. Yet most firms saw a poor record when it comes to online customer service infrastructure and their attitude towards innovation. With regard to customer service most of these firms are not investing in online customer support infrastructure, preferring to rely on traditional methods of customer support.

Finally in the issue of tapping and implementing innovation it seems that approximately 25% of the firms are not interested and have no procedures in place for tracking technological innovation while those actively following the technological change either by own research or by following the press and trade fairs are the minority, less than the half of the total population.

Conclusion 3: Synergy

The majority of the surveyed managers indicate that integration of E-Commerce activities into the corporate marketing and organizational strategies is far from complete. The low percentage of companies actually having a dedicated budget for their online operations is indicative of the limited synergies between traditional and virtual marketing. Furthermore the degree of integration of the E-Commerce activities into the organizational body seems to be low. The observed lack of strategic commitment by many firms is also reflected in the limited investment in effective yet costly online marketing activities with more emphasis on low cost yet less effective promotional tools.

These results indicate that while the general sentiment of Dutch SMB managers about E-Commerce is positive and they consider the Internet an important field for business the actual attitude of most of these organizations is still cautious. This is particularly odd in a country with a very high Internet penetration[6]. As a result of that one can argue that the actual role of E-Commerce as a strategic factor is still limited. Lack of confidence, lack of knowledge or simply the fear of the unknown can be major impediments in this effort.

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[6] 68,7% of the population uses the Internet in the Netherlands according to the Internet world Statistics, 2005
www.internetworldstats.com/

Limitations of the study and issues of further research

This study has an explorative character focused on a small segment of the Dutch SMB business domain and attempting to test a fundamental methodology for analysis of the strategic attitudes of businesses towards E-Commerce. One of the basic weaknesses of the study is its geographical limitation meaning that one should be cautious with generalization of conclusions. A follow-up study could include more countries, more categories of companies and more industries and could become the basis for an industry benchmarking as a tool helping firms to identify weaknesses in their approach. Benchmarking could be also a sound basis for a study with a longitudinal character that will help understanding the dynamics and mechanisms of the Internet evolution as a corporate strategy tool.

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