Doing Business Online

Case duration (Min): **45-60**

Management Information Systems (MIS)

Electronic Commerce

Page 1

Worldwide

Case summary:

Considers how small businesses can adjust their strategies to earn more money on the Web - focus is on extension selling and creating a secure environment to allay fear and build trust.

Learning objectives:

Identify what is meant by online business (e-commerce).
Critically evaluate the importance of and enabling technologies used to cross sell and extend sales online.
Discuss the importance of trust and fear in relation to customer online sales propensity.

Case problem:

How can businesses generate more revenue through e-commerce?
How can businesses remove online trade barriers?

First, if you are taking a taught management course then consult with your tutor and ensure that the case has not been scheduled into a teaching class or tutorial. If it has not:
1. Play/ read the media associated with the case. You may need to access the Internet and enter a URL to locate any video clips.
2. Attempt the Case study questions.
Consider attempting the case study as a group exercise; you could form a study group with fellow students.
3. Check the suggested answers - remember these are suggestions only and there are often many possible answers.
Discuss questions and answers with other students.
4. If you feel your answer(s) were weak then consider reading the relevant suggested readings again (also see the case study suggested references).

Title/ Media type	URL/ Media description
Doing Business Online.	http://feedroom.businessweek.com/?fr_story=c8184b9c01fbeb30ed1462acfc63724a7540fd1c&rf=bm
Film	Economist Jim Glassman talks about how small businesses can adjust their strategies to earn more money on the Web.

NOTES:

Case study questions...

	Action	Pre/During/After class
1	**E-COMMERCE.** Jim Glassman discusses "sales on the Internet". Explain what is meant by e-commerce and e-business.	During
2	**WEB BUSINESS: GROWING AND CHANGING.** Most agree that business on the web is constantly evolving and changing – debate the two interesting findings discussed by Glassman – are they important findings – if so, why?	During
3	**NET TECHNOLOGIES & OPPORTUNITY.** What are the implications for business (e-commerce or web business) of the findings presented by Glassman?	During
4	**ENABLING TECHNOLOGIES: USE OF INTERNET & INTERNET TECHNOLOGIES.** Glassman suggests that if a customer is buying a pair of shoes for example, we should also try to sell them a pair of socks; discuss the technologies that might enable EXTENSION SELLING (tie-ins).	During
5	**SECURE ENVIRONMENT.** Given the relative newness of e-commerce, many e-business strategies have focussed on stimulating demand and growing opportunities by increasing the propensity to shop on-line. Such propensities are influenced by a variety of factors including fear, trust, accessibility and benefits. Glassman argues a need to create a SECURE ENVIRONMENT – he suggests that customers are still wary of providing personal and financial information to merchants that they do not know. According to O'Brien (2002:314), 'there is no question that the use of information technology in e-business operations presents major security challenges'. How can companies allay the fear of customers who are making purchases online? (In your answer you should discuss threats and vulnerabilities, why people may have a fear of shopping online and issues of trust).	During

Answers...

E-COMMERCE

The use of the Internet for marketing communications, selling and purchasing

BUSINESS MODEL

A business model describes the structure of product, service and information flows and the roles of the participating parties.

TRUSTED

Those systems or networks that meet an organisation's security requirements for configuration and operation. BACK TO TOP

CUSTOMER EXTENSION

Techniques to encourage customers to increase their involvement with an organization.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Business and technology discipline to coordinate all of the business processes for dealing with customers.

PAYMENT SYSTEMS

Methods of transferring funds from a customer to a merchant.

SECURITY

Policies, procedures, and technical measures used to prevent unauthorized access, alteration, theft, or physical damage to information systems.

ENCRYPTION

The conversion of plaintext to an unreadable stream of characters, especially to prevent a party that intercepts telecommunicated messages from reading them. Special encryption software is used by the sending party to encrypt messages, and by the receiving party to decipher them.

Question/ Answer

1 E-COMMERCE.

Jim Glassman discusses "sales on the Internet". Explain what is meant by e-commerce and e-business.

E-commerce - the use of the internet for marketing, communications, selling and purchasing.
E-business - the use of internet-based technologies either to support existing business processes or to create entirely new business opportunities.

2 WEB BUSINESS: GROWING AND CHANGING.

Most agree that business on the web is constantly evolving and changing – debate the two interesting findings discussed by Glassman – are they important findings – if so, why?

The previous assumption was that internet users visit the internet to make specific/intentional purchases.
(1)   The price of goods sold is getting larger and (2) internet purchasers are now more likely to mak a spontaneous (unplanned) purchase.
Spontaneous purchases are the easiest to generate (acquiring new customers is costly).

3 NET TECHNOLOGIES & OPPORTUNITY.

What are the implications for business (e-commerce or web business) of the findings presented by Glassman?

Glassman suggests organizations need to "do tie ins"); extension selling.

4 ENABLING TECHNOLOGIES: USE OF INTERNET & INTERNET TECHNOLOGIES.

Glassman suggests that if a customer is buying a pair of shoes for example, we should also try to sell them a pair of socks; discuss the technologies that might enable EXTENSION SELLING (tie-ins).

Discuss technologies such as CRM and other database-driven solutions associated with winning and retaining customers. Such approaches seek to build a sustainable, long-term business with customers. Three phases of CRM are typically described: Acquisition (magnetism/attraction), retention (stickiness) and extension (elastic);
The ideas to exploit Net technology opportunities are encapsulated within business models.
Complementarity (offering bundles of complementary products).

5 SECURE ENVIRONMENT.

Given the relative newness of e-commerce, many e-business strategies have focussed on stimulating demand and growing opportunities by increasing the propensity to shop on-line. Such propensities are influenced by a variety of factors including fear, trust, accessibility and benefits. Glassman argues a need to create a SECURE ENVIRONMENT – he suggests that customers are still wary of providing personal and financial information to merchants that they do not know. According to O'Brien (2002:314), 'there is no question that the use of information technology in e-business operations presents major security challenges'. How can companies allay the fear of customers who are making purchases online? (In your answer you should discuss threats and vulnerabilities, why people may have a fear of shopping online and issues of trust).

There are several variables (fear and trust) that might have a bearing on the propensity to shop on line and therefore affect sales, revenue and profit. Customers may fear disclosing personal and credit card information. They fear the company might misuse or fail to protect personal and card details. They also believe hackers may fraudulently obtain and use personal and card details. Alleviating such concerns should stimulate sales and grow revenues. Security measures must not, however, unduly compromise ease of web-site use as this may negatively affect online-shopping-propensity.

Concerns: computer crime, hacking, denial of service attacks, cyber theft, unauthorised use at work, software piracy, piracy of intellectual property, computer viruses, privacy issues, computer libel.

Security measures include firewalls, network security protocols, encryption, security software tools, access control, intrusion detection, authentication, denial of service defences, e-mail monitoring, virus defences, backup files and auditing. A further alternative is to create a situation where the customer does not have to disclose information to the merchant – see Pay pal.

Trust.

Trust may be defined in a number of ways. Some consider it to be about confidence in the reliability and validity of an identity. Trust is thought to influence the extent to which consumers are willing to provide private information and to influence their willingness to shop on-line (purchase intention). Trust is perhaps the most important concept in internet security. It is a measure of how much people can depend on what the system offers. Trust depends on the kind and amount of authentication, nonrepudiation, access control, accountability, data confidentiality, and data integrity employed by the system(s). A related concept is trustworthiness. Cheskin (1999) argues that the `first and most necessary step' in establishing consumer trust is providing assurances that the consumers' personal information will be safeguarded. Companies engaged in E-commerce often make use of Privacy and security statements. There are three main elements of trustworthiness: ability, benevolence, and integrity. The ability of a merchant is reflected in the ability to handle sales transactions and the expertise to conduct business over the internet. In contrast, perceived integrity is evidence of the marketer's honesty and sincerity. Finally, benevolence is defined as the extent to which the trusting party believes that the trusted party wants to do good things rather than just maximize profit.

Security measures also affect the customers' propensity to shop on line.

Case study references

Aksoy, P. and DeNardis, L. (2007) 'Information Technology in Theory', Cengage Learning.

Chaffey, D., Bocij, P., Greasley, A.and Hickie, S. (2003) 'Business Information Systems - Technology, Development and Management for the e-business', Ed. 2. FT Prentice Hall.

Cole, G A. and Kelly, P P. (2011) 'Management Theory and Practice', Ed. 7. Cengage EMEA.

Kelly, P P. (2009) 'International Business and Management', Cengage Learning EMEA.

Oz, E. and Jones, A. (2008) 'Management Information Systems', Ed. 1. Cengage Learning EMEA.