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Learning Objectives

Upon completion of this chapter, you will be able to:

1. Describe the EC strategy phases.
2. Describe the need for justifying EC investments.
3. Evaluate the issues involved in global EC.
4. Describe the reasons for success and failure of EC.
5. Describe how small- and medium-sized businesses can use EC.
6. Describe the major components of EC implementation.
7. Discuss the steps in developing an EC system.
8. Describe the major EC development strategies.

OPENING CASE

TELSTRA CORPORATION HELPS ITS CORPORATE CUSTOMERS JUSTIFY EC INITIATIVES

Telstra Corp. is Australia's major telecommunication and information services company, which provides fixed line and mobile communications as well as digital TV and Internet access services. The company operates in a competitive market (e.g., against Vodafone and Optus Corp.). Telstra has expanded its services to several countries in Asia and Europe.

The Problem

The company is very active in the e-commerce and social media markets, mainly through Telstra Digital and its wireless units. For example, it provided its corporate customers with Facebook apps so they can manage their Telstra accounts. The company also maintains channels at Twitter, Instagram, LinkedIn, Vine, Tumblr, and Google + (see exchange.telstra.com.au). One area where the company saw an opportunity but had some marketing difficulties was m-commerce. In particular, the company offered its corporate customers applications that had many intangible benefits. The customers had difficulty getting approval from their own top management for paying for Telstra's services without detailed *justification*.

Telstra was interested in promoting the following four lines of applications:

1. **Fleet and field service management.** This topic involves enterprise mobility applications.
2. **Video conferencing.** This application uses video conferencing in order to save on travel expenses to meeting places and helps expedite decision making. Both fixed line and mobile services can support this initiative.
3. **Web contact centers.** This application is designed to improve CRM.
4. **Teleworking.** Allows employees to work off-site. *Teleworking* (also known as telecommuting) requires sophisticated technology to enable effective communication, collaboration, and collaborative commerce activities.

Both the infrastructure and the software for the above applications are expensive. Many Telstra customers were interested in learning about how to *justify* the investment, but they did not know how to go about it.

The Solution

Telstra developed a white paper to illustrate the use of ROI calculators in each of the above four lines of applications. The unique property of the calculators is that they compute benefits to the users' organizations, to the employees, and to the society. Telstra is known for its concerns for SMEs. In 2015 it took a majority ownership in Neto, an EC platform provider for SMEs (Murtagh 2015). Here, we provide some of the highlights.

Justifying Video Conferencing

Benefits include reduction in travel expenses, work time lost by employees, and so forth. This calculator uses the net present value (NPV) approach.

The cost-benefit analysis calculates the savings to a company (seven variables), some of which are intangible (such as faster decision making). The benefits are compared with both the fixed and variable costs. The benefits to employees are measured by five variables, some of which are intangible (e.g., better job satisfaction). Finally, benefits to society include variables such as reduced car emissions and traffic congestion.

Justifying Teleworking

The benefits to the companies range from reduced office footprints to higher employee retention. Again, some benefits are intangible. The costs are detailed (e.g., cost of equipment). Employees save travel time when they work at home, but they need to pay for the energy used at home. Society enjoys reduced vehicle emissions when people telecommute.

Justifying Web Contact Centers

The above approach is used here, too: The calculator includes savings, benefits, and costs to the company, employees, and society. Both tangible and intangible variables are considered in the calculations.

Justifying Fleet and Field Force Management

The structure of this calculator is similar to those above: savings, benefits, and costs to the company, employees, and society.

The white paper provides comprehensive calculations with sample data for a hypothetical company.

Telstra offers other calculators including one for data usage for mobile devices.

Justifying Green Efficiency

The company has also used similar approaches to these calculators in examining the use of green technologies specifically solar power. These approaches are used to justify the use of solar and other green projects throughout the organization.

The Results

Telstra believes that Australian companies have an opportunity to develop a sustainability strategy using the above technologies that need to be justified. Telstra provides proof of substantial cost–benefits. While the savings to companies are substantial in many cases, the benefits to employees and society should not be ignored.

As far as Telstra itself, the introduction of the calculators helped the company increase its market share and profitability. Also the market value of Telstra stock doubled from 2010 to 2015.

Note: Telstra is known for its EC and IT innovations. For how it is outpacing the United States in IoT adoption, see Barbaschow (2016).

Sources: Based on Telstra (2016), Murtagh (2015), and Barbaschow (2016).

LESSONS LEARNED FROM THE CASE

The Telstra case demonstrates the need for organizations to justify EC-related projects and the fact that this may not be easy to do. Telstra provided calculators to their clients to help them with the justification of IT and EC investments. The case points to intangible benefits, which are difficult to measure and quantify. It also raises the issue of sharing costs among several projects and the need to consider the benefits to employees and to society. These are only some of the topics presented in this chapter. Other topics deal with the use of EC metrics. This chapter also provides a discussion of successes and failures in e-commerce. Other implementation issues covered are the implementation of EC by SMEs and the strategy of going global online. Finally, privacy, ethical issues, and intellectual property are covered. The chapter ends with an assessment of the future of e-commerce.

14.1 ORGANIZATIONAL STRATEGY: CONCEPTS AND OVERVIEW

An organizational **strategy** is a comprehensive framework for expressing the manner in which a business plans to achieve its mission, what goals are needed to support it, and what plans and policies will be needed to accomplish these goals. Strategy also is about making decisions on what activities not to pursue and trade-offs between strategic alternatives. An organization's strategy (including EC and IT strategies) starts with understanding where the company is today with respect to its goals and where it wants to be in the future.

Example: Facebook

Facebook (facebook.com) is the leading social media network in the United States. It competes with other social media networks such as YouTube (owned by Google), Twitter, Reddit, Pinterest, Instagram, Tumblr, LinkedIn, and Google + (see statista.com/statistics/265773/market-share-of-the-most-popular-social-media-websites-in-the-us). To maintain this superiority, Facebook is continually adding additional features to its product offering. These features come in the form of both innovations and acquisitions. Examples of recent innovations include Facebook Messenger (messengerplatform.fb.com) and Facebook Marketplace (facebook.com/fbmarketplace). Facebook maintains a listing and description of innovations at fbinnovation.com.

Most of Facebook's Innovations are based around acquisitions of complementary technology companies. Notable acquisitions in the last 3 years include:

- **WhatsApp** (mobile instant messaging)—2014
- **Wit.ai** (speech recognition)—2015
- **TheFind** (e-commerce)—2015
- **InfiniLED** (Oculus VR—virtual reality)—2016
- **FacioMetrics** (machine learning)—2016

For a complete listing of Facebook acquisitions, see crunchbase.com/organization/facebook/acquisitions.

By continually adding to its platform, Facebook is able to provide new and interesting features that benefit its users. By consistently providing the most feature-rich platform, Facebook ensures that it will continue to maintain its population of users and potentially grow them. For more on Facebook's strategies, see Hoefflinger (2017) and Solon (2016).

Strategy and Performance Cycle

The major objective of a strategy is to improve organizational performance. Therefore, strategy development and performance are interrelated and described here as a five-phase cyclical process.

A strategy is important, but the *process* of developing a strategy can be even more important. No matter how large or how small the organization, the strategic planning process leads managers to assess the current performance of the firm, then determine where the performance should be, and plan how to get from where a company is to where it wants to be.

Any strategic planning process has five major phases, *initiation*, *formulation*, *implementation*, *assessment*, and *performance improvement*, as shown in Fig. 14.1. The major phases of the strategic planning process, and some identifiable activities and outcomes associated with each phase, are discussed briefly in the following text.

Example: Organizational Evaluation Tools

Organizations can use a wide variety of tools and processes to evaluate their current state in the marketplace as well as determining what their future strategy should be. All these tools are often specific to individual companies and industries; there are some that are commonly used in all disciplines.

- **SWOT analysis.** The SWOT analysis looks at an organization's strengths, weaknesses, opportunities, and threats. This is an internal analysis and is meant to focus on the organization's current standing within its existing marketing positioning. When a SWOT analysis is conducted, it is typically presented in a template like the one seen at strategyexpert.com/downloads/20091026_2. For more information on SWOT analysis, see an explanation at mindtools.com/pages/article/newTMC_05.htm, or watch the video at youtu.be/GNXYY10Po6A.
- **Porter model.** The Porter model is a second evaluation system that aims to evaluate a firm's current standing in the marketplace but also evaluate the market itself. The Porter model breaks this evaluation into five forces: supplier power, buyer power, competitive rivalry, threat of substitution, and threat of new entry. The Porter model is typically presented in a graphic much like the one seen at strategyexpert.com/downloads/20091026. For more information on the Porter model, see an explanation at mindtools.com/pages/article/newTMC_08.htm, or watch the video at hbr.org/video/3590615226001/the-explainer-porters-five-forces.

Fig. 14.1 The strategy-performance cycle



Strategy Initiation

In the **strategy initiation** phase, an organization is setting its vision, goals, and objectives. Looking at its environment, strategy initiation includes an assessment of a company's strengths and weaknesses and examines the external factors that may affect the business. Additionally, a company may undertake a competitive and competitor analysis to determine its strategy. All these activities need to be related to the e-commerce and social networks.

Specific outcomes from this phase include a *company analysis*. One key outcome from this analysis should be a clear statement of the company's *value proposition*. For a description, see Kim (2015) and Hitt and Ireland (2017); and for examples, see Laja (2017).

Example: Amazon.com

While Amazon (amazon.com) was originally founded with the value proposition of selling books, the company has greatly expanded into other areas since that time. Today Amazon competes in a number of markets and is the largest Internet-based retailer in the world (Zackiewicz 2016). The company sells a wide variety of products including books, music, personal electronics, apparel, toys, jewelry, food, streaming video and audio, and software services (and more). The breadth of its product and service offerings is immense and represents a significant expansion in the company's original value proposition. Amazon has been able to successfully leverage its initial success in books and that underlying technology/competency, to become a multichannel, multi-product, multi-industry competitor.

For more on Amazon's history and competitive strategy, see Rossman (2016) and Saleem (2017).

Core Competencies

A *core competency* refers to the unique capabilities of companies, which are difficult to imitate. For example, Google's core competency is its expertise in information search technology, and eBay's core competency is in conducting online auctions. Facebook's expertise is in creating social communities, and Zillow concentrates on real estate.

- **Forecasts.** *Forecasting* means predicting future behavior and trends of factors that may impact the business.
- **Market research: competitor and industry analyses.** *Competitor analysis* involves scanning the business environment to assess the strategy, strengths, and weakness of all types of competitors. Several methodologies are available to conduct such an analysis, including strengths, weaknesses, opportunities, and threats (SWOT) analysis and competitor analysis (see "competitor analysis" at tutor2u.net/business/strategy/competitor_analysis.htm).

First-Mover Advantage

The business, IT, and e-commerce worlds all have examples of companies that have succeeded with first-mover advantage. However, some companies have failed, despite their first-mover advantage. Generally, the advantages of being first include an opportunity to make a first and lasting impression on customers, to establish strong brand recognition, to lock in strategic partners, and to increase switching costs for customers.

Example: Books

Amazon (amazon.com) operated the first major online bookstore and laid the groundwork for brick-and-mortar bookstores such as Barnes & Noble to follow suit. Amazon used this first-mover advantage to cement itself as the default provider of books online in the minds of customers. While Barnes & Noble had the advantage of a considerable physical presence, customers did not think of them as online provider. They were never able to significantly overcome Amazon's first-mover advantage, and Amazon is still the leader in online book sales.

In some cases, being the first mover can have some disadvantages. The risks of being a first mover include the high cost of pioneering EC initiatives, making mistakes, the chance that a second wave of competitors will eliminate a first mover's lead through lower cost and innovation, and the risk that the move will be too early. Although the advantage of a speedy market entry cannot be ignored, followers (late movers or second movers, see insight.kellogg.northwestern.edu/article/the_second_mover_advantage) can be more profitable than first movers can in the long run.

Example: Jewelry

Blue Nile (bluenile.com) was a leader in online jewelry sales, offering a wide variety of jewelry items, including wedding rings, and unique features on its website. While Blue Nile had the first-mover advantage in online jewelry sales, they were quickly eclipsed by other sites such as Amazon that were able to leverage their existing user base and positive public perception. Blue Nile still exists, but they were not able to leverage their first-mover advantage into being a market leader.

Strategy Formulation

Once the goals and objectives are known and prioritized, a company can start to formulate its strategy. **Strategy formulation** refers to the development of specific strategies and tactics to exploit opportunities and manage threats in the business environment in light of corporate strengths and weaknesses. In an EC strategy, the result is likely to be a list of EC applications or projects to be implemented (e.g., online storefront, e-procurement, and social media).

Selecting E-Commerce Opportunities

There are many potential ways to get involved in EC (e.g., see Flierl 2015).

Selecting an appropriate EC project(s) involves a justification, ranking, and cost–benefit analysis. Best results can be achieved with input solicited from both internal and external participants. One approach is to use a strategy driven by existing factors. For example, a problem-driven strategy may help a company if its EC strategy can solve an existing, difficult problem (e.g., using forward e-auctions via e-auctioneers such as Liquidation.com to dispose of excess equipment). As noted earlier, a late-mover strategy can be effective if the company can use its brand, technology, superior customer service, or innovative products and strategies to overcome any potential deficiencies resulting from not being the first mover. Examples are Google’s emergence as the leading search engine (they were the 11th) and Facebook becoming the top social network.

However, most times it is best to use a systematic methodology that determines which initiatives to pursue. For more on second-mover advantages, see mfishbein.com/4-second-mover-advantages-why-competitive-markets-can.

Risk Analysis in Strategy Formulation

While EC, social media, and mobile markets enable new business opportunities, it also may create substantial risks because of the open computing and interactive nature of the technology. **E-commerce risk** is the likelihood that a negative outcome will occur in the course of developing and operating a new e-commerce initiative. Risk in EC, social, and mobile environments is different from those faced by offline companies. For example, an EC financial services company (like creditkarma.com) may face unique Internet security threats and vulnerabilities. As a result, a robust online security strategy is essential for fraud protection.

The most dangerous risk to a company engaged in e-commerce is business risk—the possibility that developing and operating a new e-commerce business could negatively impact the well-being of the organization itself.

Collaborative Efforts in Strategy Formulation

Strategy formulation is considered a highly secretive process, which is done by a small team that only seldom involves outsiders (e.g., a consultant). However, this situation is changing, mostly due to the trend of companies transforming into social businesses. The basic idea is to open the planning process to be more participatory. According to Gast and Zanini (2012) and Nketia (2016), companies that are experimenting with this approach see two major benefits. One benefit is “improving the quality of strategy by pulling in diverse and detailed frontline perspectives that are typically overlooked but can make the resulting plans more insightful and actionable.” The second benefit involves “building enthusiasm and alignment behind a company’s strategic direction—a critical component of long-term organizational health, effective execution, and strong financial performance.” Such participation usually helps in strategy implementation.

Software systems such as Cascade (executestrategy.net) and OnStrategy (onstrategyhq.com) have been developed to help facilitate this type of interactive approach.

Pricing Strategy

Traditional methods for determining price are the *cost-plus* and *competition-based models*. **Cost-plus** means determining the expenses associated with producing a product (production cost) by adding up all the costs involved—materials, labor, rent, overhead, and so forth—and adding an additional amount to generate a profit margin (a percentage markup). The *competition-based model* determines price based on what competitors are charging for similar products in the marketplace. For a comprehensive presentation, see netmba.com/marketing/pricing.

Pricing products and services for online sales changes these pricing strategies in the following ways:

- **Price comparison is easier.** In traditional markets, either the buyer or more often the seller has more information than the other party does, and the seller uses this information to determine a product’s price. Price comparisons help create the “perfect market”—one in which both the buyer and the seller have ubiquitous and equal access to all relevant information, frequently in the buyer’s favor.

- **Buyers sometimes set the price.** Name-your-own-price models, such as Priceline.com and auction sites, provide buyers with the option to set their own prices.
- **Online and offline goods are priced differently.** Pricing strategy may be especially difficult for a click-and-mortar company. Setting online prices lower than those offered by the offline side of the same business may lead to internal conflict, whereas setting prices at the same level might hurt the competitive advantage of the online business.
- **Differentiated pricing can be a pricing strategy.** For decades, airline companies have maximized revenues with *yield management* models—charging different customers different prices for the same product or service. In the B2C EC marketplace, one-on-one marketing can provide price differentiation to a segment of customers (e.g., those buying an airline seat early).

The consumer's buying power is increasing due to Internet technologies and social media that provide easy access to pricing information. Sellers need to implement smarter pricing strategies in order to be profitable and competitive, particularly using the Internet to optimize prices. This can be done by setting prices more competitively, adapting to changing prices, and segmenting customers for differentiated pricing.

For more on cost-plus pricing, see accountingtools.com/cost-plus-pricing or the video at study.com/academy/lesson/cost-plus-pricing-definition-method-formula-examples.html. For more on competition-based pricing, see priceintelligently.com/blog/bid/161610/Competitor-Based-Pricing-101-The-Necessities-and-Your-Pricing-Strategy or the video at youtu.be/TNP60zjIKZ0.

Acquisitions, Partnerships, Joint Venture, and Multi-EC Model Strategy

In contrast with early EC companies, which were focused on one product or website, many EC companies today have multiple areas of market focus. Furthermore, many collaborate with other companies in joint ventures or other kinds of partnership. For example, Macy's (macys.com) a leading US fashion retailer has begun to sell online in China through a joint venture with Alibaba's Tmall (tmall.com) (see businesswire.com/news/home/20150812005604/en/Macy's-Forms-Joint-Venture-Fung-Retailing-Test), and Amazon.com is in the business of software services (SaaS—see aws.amazon.com/marketplace/saas) in addition to e-tailing. Facebook, Google, Apple, and Amazon are aggressively seeking access to a broad range of online services. Google is even investing in robotics, and Facebook purchased the virtual reality company Oculus VR in 2014 and additional technologies in 2016.

Strategy Implementation

In this phase, the emphasis is on “How do we do it?” The **strategy implementation** phase includes tactics, plans, schedules, deployment strategies, resource allocation, and project management.

E-Commerce and Social Media Strategy Implementation Process

Typically, the first step in e-strategy implementation is to find a **project champion** (the person who ensures that the team is ready to move forward and understands its responsibilities) within the organization and establish an EC team, which then initiates and manages the execution of the plan. As EC implementation continues, the team is likely to introduce changes in the organization. Thus, during the implementation phase, it also becomes necessary to develop an effective system to change business processes to accommodate the EC strategy. For a comprehensive case study on how Cadbury implemented social media, see Link Humans (2016).

Start with a Pilot Project

A clever way to implement EC is to begin with one or a small number of EC pilot projects. Problems can be determined during the pilot stage, allowing plans to be modified before it is too late.

Allocate Resources

The resources required for EC projects depend on the information requirements, the capabilities of the performers, and the requirements of each project. Some resources—software, computers, warehouse capacity, and staff—could be new and unique to the EC project. A project's success depends upon an effective allocation and utilization of shared resources to the project such as human resources, marketing budget, and IT systems.

Manage the Project

Project management tools assist in determining specific project tasks, milestones, and resource requirements. Examples of these tools include Microsoft Project (products.office.com/en-us/project/project-and-portfolio-management-software), Basecamp (launchpad.37signals.com/basecamp), and Smartsheet (smartsheet.com).

E-Commerce Strategy Implementation Issues

There are several e-strategy implementation issues, depending on the circumstances. Here we describe some representative ones.

Build, Buy, or Rent EC Elements

Implementation of an EC or social media solution requires access to the construction of the company's website and integration of the site with the existing corporate information systems (e.g., front end for order taking, back end for order fulfillment). At this point, a number of decisions of whether to build, buy, or outsource various components or an entire project need to be made. Some of the more specific decisions include the development of websites and EC systems, marketing management, IT Resources, and logistics.

Calculating a "buy or build" decision is based on an organization's core abilities and the costs required to perform each function well. For more details on calculating "buy or build," see Doig (2015).

Outsource: What? When? To Whom?

Outsourcing can deliver strategic advantages for firms in that it provides access to highly skilled or low-cost labor and provides potential market opportunities. **Outsourcing** is the process of contracting the company's products, services, or work to another organization that is willing and able to do the job. Alternatively, the company's own employees could carry out these projects in-house. In the context of EC, outsourcing means the use of external vendors to acquire EC applications.

Example: Gartner's Magic Quadrant

An interesting tool to help the "go or no go" outsourcing decisions is Gartner's Magic Quadrant. It analyzes companies (providers) along two scales: the ability to execute and the completeness of vision. Vendors are then placed in one of four resulting quadrants (e.g., high ability to execute and full vision make leaders, while low ability to execute and high vision make visionaries). Companies can use the quadrant to find the right outsourcers. For details, see (gartner.com/technology/research/methodologies/magicQuadrants.jsp#m).

Successful implementation of EC projects often requires careful consideration of outsourcing strategies, which involves:

- Evaluating when outsourcing should take place
- Deciding which part(s) of the EC projects to outsource and which to keep in-house
- Choosing an appropriate vendor(s)

Strategy Assessment

Strategy assessment refers to the continuous performance monitoring, the comparison of actual to desired performance, and the evaluation of the progress toward the organization's goals, resulting in corrective action and, if necessary, in strategy reformulation. In strategy assessment, EC metrics are used as a standard against which the performance level of the strategy is compared using analytics.

In this stage, companies will use pre-existing metrics to evaluate their overall success. Metrics are defined measures of success that can be easily quantified and are universally agreed upon. Examples of metrics used in EC projects include revenue, sales, ROI, customer counts, and expenses. The chosen metrics must be monitored on an ongoing basis to evaluate the project. Without these measures in place, it will be difficult or impossible to determine if the project was successful and if it should be continued, expanded, or canceled.

For examples and more on EC metrics, see Teneva (2016) and the infographic at website-designs.com/online-marketing/conversion-rate-optimization/essential-ecommerce-metrics-infographics).

Performance Improvement and Innovations

If the analysis shows a negative result, it is necessary to take some corrective action. A key activity here is to improve the performance. However, even if the results are good, the organization may take actions that range from providing bonuses for the best performers identified in the analysis to raising the desired levels of performance in the future. A key activity here is being innovative, because even good performance can be improved by innovation. In addition, techniques such as competitive analysis can be useful.

The Objectives of Assessment

Strategic assessment has several objectives. The most important ones are:

- Measure the extent to which the EC strategy and projects are delivering what they are supposed to deliver.
- Determine if the EC strategy and projects are still viable in the current changing business environment.
- Reassess the initial strategy in order to learn from mistakes and improve future planning.
- Identify failing or lagging projects as soon as possible, and determine why they failed or lagged to avoid the same problems in the future.

The Performance Assessment Process

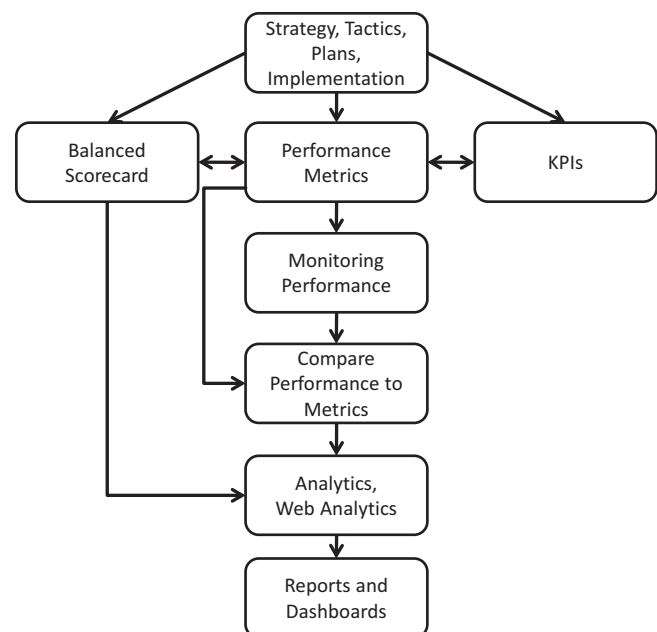
The performance assessment is a process that is based on the stated strategy, tactics, and implementation plans. The process involves the following steps:

1. Set up performance metrics.
2. Monitor the performance of the business.
3. Compare the actual performance to the metrics.
4. Conduct an analysis using analytics, including Web analytics.
5. Combine the analysis with the methodology of the *balanced scorecard*.
6. Present the results to management in the form of reports, tables, and graphics.

The process is illustrated in Fig. 14.2.

This process is part of the larger cyclical process that starts with strategy initiation and formulation and ends with taking corrective action. The major steps of the process are described in the remainder of this section.

Fig. 14.2 The performance assessment process



SECTION 14.1 REVIEW QUESTIONS

1. What is strategy?
2. Describe the strategy-performance cycle.
3. Describe the strategy initiation phase.
4. Describe the strategy formulation phase.
5. What is involved in strategy implementation?
6. What is strategy assessment?
7. Describe the phase of performance improvement.

14.2 WHY JUSTIFY E-COMMERCE AND SOCIAL MEDIA INVESTMENTS? HOW CAN THEY BE JUSTIFIED?

Companies need to justify their EC investments for a number of different reasons.

Increased Pressure for Financial Justification

Today, companies are careful with EC expenses and budgets. Managers feel the pressure for financial justification and planning from top executives. However, there is still a long way to go as demonstrated by the following data:

- Most companies lack the knowledge or tools to do ROI calculations for EC or social media projects.
- The vast majority of companies have no formal processes or metrics in place for measuring ROI for EC or social media projects.
- Many companies do not measure how completed EC or social media projects compare with their promised benefits.

At the same time, the demand for expanding or initiating e-business and social media projects is high. Therefore, it is recommended to calculate the projected value of proposed EC or social media projects in order to gain approval for them. For further discussion, see Del Real (2017) and Garver (2014).

Note that in some cases, following the competitors is a major reason to embark on these projects. In such cases, you still need to do a formal justification, but it may be more of a qualitative in nature.

Other Reasons Why EC and Social Media Justification is Needed

The following are some additional reasons for conducting justification:

- Companies now realize that EC and/or social media is not necessarily the solution to all problems. Therefore, these projects must compete with other internal and external projects for funding and resources. The answer usually is provided by ROI.
- Some large companies and many public organizations mandate a formal evaluation of requests for funding.
- There are many levels of social media strategy (scale of interaction and number of networks), and there may be varying returns.
- Companies are required to assess the success of EC and social media projects after their completion.
- The pressure by top management for better alignment of EC and social media strategy with the business strategy.
- The success of EC or social media projects may be assessed in order to pay bonuses to those involved with the projects.

EC Investment Categories and Benefits

Before we look at how to justify EC and social investments, let us examine the nature of such investments. One basic way to categorize different investments is to distinguish between investments in infrastructure, investments in specific EC or social media applications, and staffing.

IT infrastructure provides the foundation for EC or social media projects or applications in the enterprise. IT infrastructure includes servers, intranets, extranets, data centers, data warehouses, knowledge bases, and so forth. In addition, it is necessary to integrate the EC applications with other applications throughout the enterprise that share the infrastructure. Infrastructure investments are made for the long term.

EC applications are specific projects and programs for achieving certain objectives. The number of EC applications can be large. They may be in one functional department, or several departments may share them, which makes the assessment of their costs and benefits more complex.

Social media applications are software and service suites meant to help streamline the process of managing content and interactions in these networks (see Hootsuite and SproutSocial).

Staffing refers to the number of personnel or percentage equivalents that will be needed to set up and operate a project.

Note: Cloud computing may provide a low-cost IT infrastructure and EC applications and must be considered.

The major reasons that companies invest in these projects are to improve business processes, lower costs, increase productivity, increase customer satisfaction and retention, increase revenue and market share, reduce time-to-market, and gain a competitive advantage.

How Is an EC or Social Media Investment Justified?

Justifying an EC or social media investment means comparing the costs of each project against its benefits in what is known as a **cost–benefit analysis**.

A number of different methods are available to measure the *business value* of the project's investments. Traditional methods that support such analyses are *net present value (NPV)* and ROI (see nucleusresearch.com/research).

Cost–Benefit Analysis and the Business Case

The cost–benefit analysis and the business value are part of a *business case*. The business case's cost–benefit includes three major components: *benefits* (e.g., revenue increase, cost reduction, customer satisfaction), *costs* (investment and operating costs), and *risks* (e.g., obsolescence, employee resistance). Several vendors provide templates, tools, guidelines, and other aids for preparing the business case in specific areas. For example, you can download a template for an EC business case at www.ctg.albany.edu/publications/reports/social_media/social_media.pdf or see selfstartr.com/ecommerce-business-plan for a similar social media resource. For a detailed analysis, download the Forrester report “Amplify Your Social Media Business Case Beyond Marketing” (Lioukas 2016) from hootsuite.com/resources/white-paper/forrester-amplify-your-social-media-business-case-beyond-marketing-ty.

What Needs to Be Justified? When Should Justification Take Place?

Not all investments need to be justified formally. In some cases, a simple one-page qualitative justification is sufficient. The following are cases where formal evaluation may not be needed:

- When the value of the investment is relatively small for the organization.
- When the relevant data are not available, are inaccurate, or are too volatile.

When the EC or social media project is mandated—*it must* be done regardless of the costs involved (e.g., when mandated by the government or when it is necessary to match the competition).

However, even when formal analysis is not required, an organization should conduct at least some qualitative analysis to explain the logic of investing in the project.

Using Metrics in EC and Social Media Justification

Metrics can be used to designate the ratio between costs and benefits or the total costs or do comparisons. They are used not only for justification but also for other economic activities (e.g., to compare employee performance in order to reward those who do the best job). Metrics can produce very positive results in organizations by driving behavior in a number of ways. Metrics can:

- Be the basis for setting up specific goals and plans.
- Describe and measure the value proposition of business models.
- Align the goals of individuals, teams, departments, and other organizational units with the enterprise's objectives.
- Track the characteristics and/or performance of EC or social media systems, including usage, types of visitors, page visits, conversion rate, likes/followers, and so forth.

Metrics, Measurements, and Key Performance Indicators

Metrics need to be defined properly with a clear way to measure them. Figure 14.3 shows the process of using metrics. The cyclical process begins with setting up goals and objectives for organizational and EC performance, which is then expressed by a set of metrics. The metrics are expressed by a set of **key performance indicators (KPIs)**, which are the quantitative expressions of critically important metrics. Often one metric has several KPIs.

The KPIs are continuously monitored by the organization (e.g., via Web analytics, financial reports, marketing data, and so forth). As shown in Fig. 14.3, the KPIs that reflect actual performance are compared to the desired KPIs and planned metrics. If a gap exists, corrective actions take place, and then goals, objectives, and metrics are adjusted if necessary. For a comprehensive coverage, see Turban et al. (2016).

Another example of metrics is shown in the *balanced scorecard method*. This method uses four types of metrics: *customer*, *financial*, *internal business processes*, and *learning growth*. See Fig. 14.4 for an example of the balanced scorecard.

One of the most useful tools for EC management is Web analytics. Web analytics are closely related to metrics.

Fig. 14.3 How metrics are used in performance management

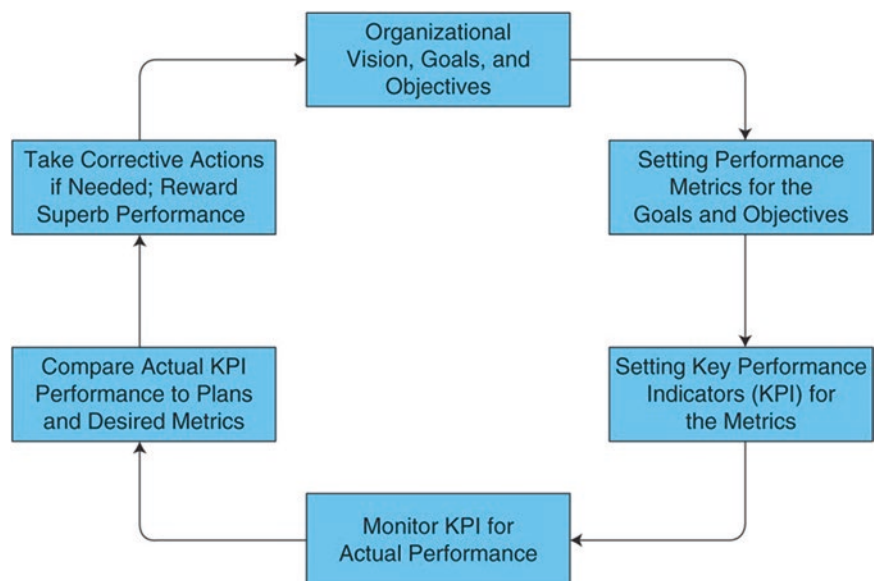
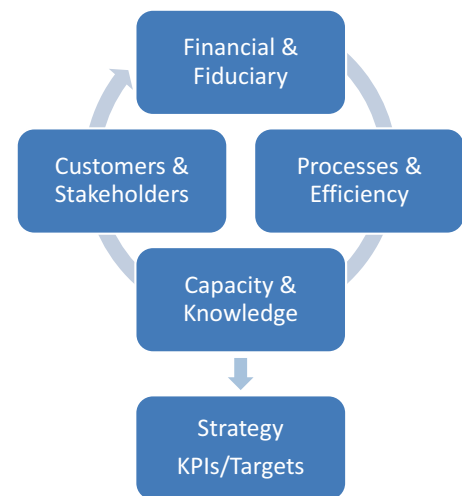


Fig. 14.4 The balanced scorecard approach



CASE 14.1: EC APPLICATION ALDI SUPERMARKET TRYING E-COMMERCE IN THE UNITED KINGDOM

The Problem

Aldi supermarket is a large Germany-based supermarket chain which is also active in the United Kingdom and Ireland. The grocer is known to be active, with over 10,000 stores in 18 countries and over 500 of those stores in the United Kingdom. The company is a discounter, so profitability is difficult to achieve. The profit margin is very low. The competition is very strong, especially against well-known brands in the United Kingdom (e.g., Primark).

The Solution

Aldi's major competitors do not offer online services. Aldi decided to go online since the company sells many nonperishable goods such as wines and nonfoods. By going online, the company hopes to reach more customers and have its brand be more familiar. The first product went online in early 2016 (it was wine). Clothing home items and electrical products went online in late 2016. Additionally the company has begun using social media to connect with customers and promote products. The results of these efforts have been mixed (see [dailymail.co.uk/news/article-3422192/Internet-users-respond-hilariously-retail-giant-ALDI-s-ill-advised-social-media-campaign-Twitter.html](https://www.dailymail.co.uk/news/article-3422192/Internet-users-respond-hilariously-retail-giant-ALDI-s-ill-advised-social-media-campaign-Twitter.html) and [aldi.co.uk/social-media](https://www.aldi.co.uk/social-media)).

The Results

Given that the EC experiment started in late 2015 and it is the first of its kind in the United Kingdom, the results are not known. Researchers associate the company's online activities with company sales records in 2016, although profits dipped as well (McClean 2016). According to Hobbs (2015), the move is both a risk and an opportunity. The company may increase its cost and turn to EC to be profitable only in several years.

Sources: Based on Hobbs (2015), Baldwin (2015), Chapman (2016), McClean (2016), and [aldi.co.uk](https://www.aldi.co.uk)

Questions

1. Read information about the case and identify all the risks and opportunities.
2. The company decided against EC in 2014 but changed its mind a year later. Find the reasons why.
3. Why has the company's social media efforts been both positive and negative? Could Aldi improve in the future?
4. What factors can determine the success and what factors can determine the failure in this venture.

Note: You need to read the sources to answer the questions.

Web Analytics

Web analytics refers to tools and methods that are used to measure, analyze, and optimize Web usage and other Internet activities. A common usage of Web analytics is to evaluate website traffic, but it can also be used as a tool for EC and social media market research. The outcomes of advertising campaigns can also be assessed with Web analytics. For additional information, see Emergent Digital (2017), Khan (2015), and the webinar at youtu.be/qgyUXQueDSk.

Now that we understand the need for conducting EC justification and the use of metrics, let us see why EC and social media justification is difficult to accomplish.

The Process of Justifying EC and IT Projects

The major steps of this process are:

1. Establish an appropriate basis for analysis with your vendor, and then conduct your ROI.
2. Investigate what metrics to use (including internal and external metrics), and be sure about their accuracy.
3. Justify the cost–benefit under appropriate assumptions.
4. Verify all data used in the calculation.
5. Include strategic benefits, including long-term ones. Find contributions to competitive advantage. Make sure not to underestimate costs and overestimate benefits (a tendency of many managers).
6. Make data as realistic as possible, and include cost avoidance and risk analysis.
7. Commit all business partners, as well as suppliers and major customers, to your plans.

Quantitative or Qualitative Metrics?

A consistent problem in analyzing the effectiveness of EC or social media projects is the lack of quantitative metrics. While quantitative metrics for both types of projects are readily available in the form of page views, likes, follows, and Web traffic, these may not accurately represent the success of the project based on the specific goals that were laid out. In some cases goals that relate to “popularity” or “effectiveness” may be difficult to weigh. Many times, and especially with social media projects, the value of the investment must be weighed using qualitative metrics as opposed to quantitative metrics. Qualitative metrics are subjective by nature and therefore more difficult to use. It is often quite helpful to identify ahead of time how qualitative metrics will be used and who will determine what those metrics are. Because they are subjective, they may be influenced by individuals who are concerned about the project's overall level of success. For more discussion on this topic, see Levine (2015) or the post at blog.kissmetrics.com/qualitative-quantitative-analytics.

SECTION 14.2 REVIEW QUESTIONS

1. List some of the reasons for justifying an EC or social media investment.
2. Describe how an EC or social media investment is justified.
3. List the major investment categories.

4. What are metrics? What benefits do they offer?
5. Describe KPI.
6. Describe the cyclical use of metrics as it relates to organizational performance.
7. What is Web analytics, and what role does it play in the justification of EC or social media projects?
8. Describe the difficulty of using qualitative metrics, especially with social media projects.

14.3 A STRATEGY FOR GLOBAL E-COMMERCE AND SOCIAL MEDIA

Deciding whether to “go global” is a strategic issue. The statistics regarding Internet and smartphone usage worldwide illustrate the enormous potential that exists for companies to expand their market share globally using EC and social media.

The decision to go global is made for many reasons, both reactive and proactive. Reactive reasons include factors such as competitors that are already selling or marketing internationally. Proactive reasons include sellers that are seeking economies of scale; looking for new international markets; gaining access to sufficient or new resources, cost savings, and local government incentives; evaluating products online; and looking to connect with brands. Regardless of the reasons, expanding globally to realize a company’s strategic objectives requires extensive planning and responding quickly to opportunities.

A global electronic marketplace can be an attractive opportunity in an EC and social media strategy. Going global means access to new and possibly larger markets, opportunity to minimize taxes, and flexibility to employ a less expensive workforce anywhere. However, going global is a complex and strategic decision process for several reasons. Geographic distance is an obviously important issue in conducting business globally; however, frequently, it is not the most important issue. Cultural differences and political, legal, administrative, and economic issues must be considered. This section briefly examines representative opportunities, problems, and solutions for companies that are going global with EC and social media.

Benefits and Extent of Global Operations

A major advantage of EC is the ability to conduct business at any time, from anywhere, and at a reasonable cost. A major advantage of social media is the ability to interact directly with customers in a format and network in which they are comfortable. Both of these are also the drivers behind global strategies, and there have been some incredible success stories in this area. For example:

- eBay conducts auctions in hundreds of countries worldwide.
- Alibaba.com provides B2C and B2B trading services to millions of companies worldwide.
- Amazon.com sells books and millions of other items to individuals and separate retail websites for 19 countries, including the United States, China, Canada, Japan, the United Kingdom, France, Germany, and Brazil.
- Cisco has expanded its international sales channels to increase sales in Central and South America.
- Major corporations, such as GE and Boeing, have reported an increasing number of international vendors participating in their electronic RFQs. These electronic bids have resulted in a 10–15% cost reduction and more than 50% reduction in cycle time.
- Facebook is working diligently to provide their social network to users in China (see Issac 2016).
- LinkedIn continues to grow its users in India, where it has over 35 million users, 10% of its total user base (see Forbes 2016).

Barriers to Global E-Commerce

Despite the benefits and opportunities offered by globalization, there are several barriers to global EC and social media. Some of these barriers face any venture but become more difficult when international impacts are considered. These barriers include authentication of buyers and sellers, generating and retaining trust, order fulfillment and delivery, security, cultural norms, feature sets, and language. Others are unique to global EC or social media. In this chapter, we will discuss only some of these barriers.

iGlobal Stores (iglobalstores.com) and Alibaba.com offer suggestions on what to offer international customers: country-specific checkout experience, up-to-the-minute currency conversion and foreign settlement, global fraud and risk and its protection, calculation of duty and tax, and integration with existing information systems. When social media is considered, Onwuanibe (2015) and the Englishtown case presented by Ross (2014) provide details on different considerations that should be evaluated depending on the product and location being considered.

Cultural Differences

The Internet is a multifaceted marketplace made up of cross-cultural users. The multicultural nature of global EC and social media is important because cultural attributes (such as social norms, local habits, and spoken languages) determine how people interact with companies, agencies, and with each other. Cultural and related differences include spelling differences (e.g., American versus British spelling), information formatting (e.g., dates can be mm/dd/yy or dd/mm/yy), graphics and icons (e.g., mailbox shapes differ from country to country), measurement standards (e.g., metric versus imperial system), and so forth. Additionally, norms may relate to the type of information being shared or who is sharing it. For example, information that is deemed negative to the government in China is banned, and women in some Islamic countries are not encouraged to interact online. Many companies are globalizing their websites by creating different sites for different countries, taking into account site design elements, pricing and payment infrastructures, currency conversion, customer support, and language translation. See the article at bowerwebsolutions.com/5-social-media-pitfalls-you-must-avoid for some examples.

Mini Case: Dangdang Inc.

Sometimes companies may view global expansion and e-commerce as an option to drive growth and revenue. Other times, global expansion is necessary purely to keep pace with one's competitors. Chinese e-commerce company Dangdang Inc. (dangdang.com) was an early mover in Chinese e-commerce and was once heralded as the "Amazon.com of China." Overtime, Dangdang has continued to be active and profitable in the Chinese market, but it is becoming overshadowed internationally by Alibaba Group (alibaba.com) and Jingdong Technology Group Corporation (jd.com). These competitors have been able to leverage their success in China into success internationally through expansion and joint ventures. This international success has helped to drive both companies in the Chinese market as well, both through positive perception and additional revenue flows. Dangdang now faces an uphill battle to continue its competitiveness in its home market. For additional details, see Sands (2014) and China Scoop (2016).

Language Translation

Although the world population is over 7.5 billion (2017), only about 1 billion people speak English as their native or second language. In contrast, more than 1.5 billion people speak Chinese. In a study of 3000 shoppers, CSA Research (2014) found that 60% of shoppers in non-English speaking countries would purchase (or only purchase rarely) from websites that were just in English and that 75% would prefer a site in their native tongue. Similarly the research highlighted in GagglesAMP's e-book on "Social Media Globetrotting" indicates that social media efforts that are not in the customer's native language are likely to be ignored, even if English is a common second language in a country (GagglesAMP 2016).

The number one global website in 2017 is Facebook. Other large global sites are Alibaba and Google. Facebook's representative innovations include multilingual plug-ins, an improved global gateway, and multilingual user profiles. The primary problems with language translation are speed and cost. It may take a human translator a week to translate a medium-sized website into another language. For large sites, the cost can be more than \$100,000, depending on the complexity of the site and the number of languages for translation, and can be a lengthy process.

Machine Translation

Some companies address the cost and time problems by translating their Web pages into different languages through what is called *machine translations* such as Google Translate. A list of free translation programs can be found at toptenreviews.com/business/software/best-translation-software/ and websites.translations.com. For examples on how Lionbridge Technologies, Inc. uses machine translation to help their clients, see lionbridge.com/clients. For example, in 2016, Lionbridge has continued to support Nikon, which is now in 39 locales and 31 languages. Lionbridge provides a team of translators with a detailed knowledge of photography. Product-related content originates from Nikon headquarters in Japan and is then adapted to local markets before being sent to Lionbridge. For more details, see lionbridge.com/case-study-nikon.

Example: Steps for Social Media Translation

Translating content for EC and social media can be quite a challenge, especially for small- and medium-sized businesses. Luckily, there are several vendors that provide this type of service. An excellent example is Steps (stepes.com). Steps provides a range of services to help businesses translate their social media pages and content into over 100 of target languages. The company provides services to translate both business-generated content and selected user content, like product reviews. Additionally, they provide a machine transcription tool that allows for automatic computer-aided translation of content, as well as a chat-based translation app. For more details, see stepes.com/social-media and gabornemet.com/single-post/2016/1/12/Stepes-world's-first-chatbased-translation-app-now-available-on-iTunes-and-Google-Play.

Legal Issues

One of the most contentious areas of global EC is the resolution of international legal issues. An ambitious effort to reduce differences in international law governing EC is the United Nations Commission on International Trade Law (UNCITRAL) Model Law on Electronic Commerce. Its purpose is to provide national legislators with a set of guidelines that are internationally acceptable, which specify how to overcome some of the legal constraints in the development of e-commerce. It also provides for a safer legal platform to be constructed through the design of fair, current, and consistent guidelines in e-commerce transactions (see uncitral.org). The Model Law has been adopted in some form or another in many countries and legal jurisdictions, including Singapore, Australia, Canada, Haiti, and the United States.

Geographic Issues and Localization

Barriers posed by geography differ based on the transportation and communication infrastructures between and within countries and the type of product or service being delivered. For example, geographic distance is almost irrelevant with online software sales.

Example: Legal Issues and Twitter

Twitter was used significantly as a communication tool in the run-up before and during the 2016 presidential election in the United States. During this time, users on both sides of most issues battled with each other over ideology. Some of these tweets became fairly nasty and personal. In the United States, the vast majority of speech is protected by the First Amendment to the Constitution. In these cases, the largest consequence that users were concerned with was being banned from Twitter's platform. In other countries, this is not the case. Both political and personal speech may have more constraints and possible legal consequences. For example in England, speech that is considered "hate speech" is illegal and can carry possible fines and even jail time (Gale 2016). These variations in laws raise the question about the social media platforms' involvement or responsibility in identifying or enforcing infractions to these laws and speech codes. For a detailed analysis, see nap.edu/read/15853/chapter/6.

Web Localization

Many companies use different names, colors, sizes, and packaging for their overseas products and services. This practice is referred to as *localization*. In order to maximize the benefits of global e-commerce, the localization approach also should be used in the design and operation of the supporting information systems. For example, many websites offer different language or currency options, as well as special content. Europcar (europcar.com), for example, has a global presence in over 150 countries, each with an option for 1 of 10 languages. The company has a free iPhone and Android app, which is available in eight languages.

Example: Social Media Localization

Localizing social media can be even more difficult than localizing a standard EC page. This is because of the wide variety of social norms and social media practices throughout the world. It is very important for a company to have a comprehensive understanding of these norms and activities before using social media in a particular country, and this is where the localization of the social media efforts becomes very important. For example, Twitter is not as popular in Germany because of the 140 character limit that it is based on. This is because the German language and vocabulary does not generally support such a small space when conveying complex ideas. For more examples, see welocalize.com/social-media-tips-localization-top-apps.

Economic and Financial Issues

Economic and financial issues encompassing global efforts include government tariffs, customs, and taxation. In areas subject to government regulation, tax and regulatory agencies have attempted to apply the rules used in traditional commerce to e-commerce, with considerable success. Exceptions include areas such as international tariff duties and taxation. Software shipped in a box would be taxed for duties and tariffs upon arrival. However, software downloaded online may rely on self-reporting and voluntary payment of tax by the purchaser, something that does not happen very often. Social media is greatly affected by these issues as well, as many networks look to embedded commerce and advertising as a sustainable business model.

A major financial barrier to global EC is electronic payment systems. To effectively sell online, EC firms must have flexible payment methods that match the ways people in different countries pay for their online purchases. Although credit cards are used widely in the United States, many European and Asian customers prefer to complete online transactions with offline payments. Even within the category of offline payments, companies must offer different options depending on the country.

Pricing is another economic issue. A vendor may want to price the same product at different prices in different countries based upon local prices and competition. However, if a company has one website, differential pricing will be difficult or impossible. Similarly, what currency will be used for pricing? What currency will be used for payment?

Breaking Down the Barriers to Global E-Commerce

A number of international organizations and experts have offered suggestions on how to break down the barriers to global EC. Some of these suggestions are:

- **Be strategic.** Follow the entire strategy life cycle. A company must consider what countries to target and which languages and how the users in the target countries will react. These considerations need to be included in the strategy.
- **Know your audience.** Consider cultural issues (both in general and online) and legal constraints, which vary around the world.
- **Localize.** Websites need to be localized. In most countries, local languages are essential; translation and machine translation services can help with this. Products are priced in local currencies; and local terms, conditions, and business practices are based on local laws and cultural practices.
- **Think globally, act consistently.** An international company with country-specific websites should be managed locally and must make sure that areas such as brand management, pricing, ad design, and content creation and control are consistent with the company's strategy.
- **Clarify, document, explain.** Pricing, privacy policies, shipping restrictions, contact information, and business practices should be well documented, located on the website, and visible to the customer.
- **Offer services that reduce trade barriers.** It is not feasible to offer prices and payments in all currencies, so provide a link to a currency exchange service (e.g., xe.com) or to a currency conversion calculator. In B2B e-commerce, integrate EC transactions with the accounting/finance information system of the major buyers.

SECTION 14.3 REVIEW QUESTIONS

1. Describe globalization in EC and social media and the advantages it presents.
2. Describe the major barriers to global EC and social media expansion.
3. What can companies do to overcome the barriers to global EC and social media use?
4. Discuss the pros and cons of a company offering its website in more than one language.
5. Discuss the legal concerns a company should have using social media in different countries.

14.4 STRATEGY FOR SMALL- AND MEDIUM-SIZED ENTERPRISES

The combination of e-commerce and social media can be one of the most effective business strategies for small- and medium-sized enterprises (SMEs). The potential for SMEs to expand their markets and compete with larger firms through EC and social media is enormous. Some of the first companies to take advantage of Web-based e-commerce and social media were small- and medium-sized enterprises (SMEs). While larger, established, tradition-bound companies hesitated, some forward-thinking SMEs initiated online presence and opened webstores because they realized there were opportunities in marketing, business expansion, cost cutting, procurement, and a wider selection of partner alliances. An example of an active SME that is using social media to expand its EC efforts is Beardbrand (beardbrand.com), an e-tailer specializing in products for beards. They use social media and humor to help set themselves apart from other offerings and generate buzz from current and potential customers.

Many SMEs today are adopting social media and EC strategies, either as a means to remain competitive or as the sole business case for their firms. SMEs can join marketplaces such as Alibaba, Amazon.com, and eBay to sell their products there, or they can create their own websites and EC systems using any of the many available website and EC builder applications (see cases in this chapter). According to TrueShip (2016), consumers like to buy in marketplaces with the variety of products they can find there.

Choosing an EC and social media approach is a strategic decision that must be made in the context of the company's overall business strategy. On the positive side, the nature of EC and social media lowers the barriers to entry, and it is a relatively inexpensive way of reaching a larger number of buyers and sellers who can more easily search for, compare prices, and negotiate a purchase. However, there are also some inherent risks associated with the use of EC and social media in SMEs. Table 14.1 provides a list of major advantages and disadvantages of EC for SMEs, while Table 14.2 provides a list of major advantages and disadvantages of social media for SMEs.

Table 14.1 Advantages and disadvantages of EC for small- and medium-sized businesses

Advantages/benefits	Disadvantages/risks
Inexpensive sources of information. A Scandinavian study found that over 90% of SMEs use the Internet for information search (OECD 2001)	Lack of funds to fully exploit the potential of EC
Inexpensive ways of advertising and conducting market research. Banner exchanges, newsletters, chat rooms, and so on are frequently cost-free ways to reach customers	Lack of technical staff or insufficient expertise in legal issues, advertising, etc. These human resources may be unavailable or prohibitively expensive to an SME
Competitor analysis is easier. A Finnish study found that Finnish firms rated competitor analysis third in their use of the Internet, after information search and marketing	Less risk tolerance than a large company. If initial sales are low or the unexpected happens, the typical SME does not have a large reserve of resources to fall back on
Inexpensive ways to build (or rent) a webstore. Creating and maintaining a website are relatively easy and cheap	When the product is not suitable or is difficult for online sales
SMEs are less locked into legacy information technologies and existing relationships with traditional retail channels	Reduced personal contact with customers
Image and public recognition can be generated quickly. A Web presence makes it easier for a small business to compete against larger firms	There is an inability to afford entry or purchase enough volume, to take advantage of digital exchanges
An opportunity to reach worldwide customers. Global marketing, sales, and customer support online can be very efficient	

Table 14.2 Advantages and disadvantages of social media for small- and medium-sized businesses

Advantages/benefits	Disadvantages/risks
Reinforces brand to existing customers, validates their purchase	Human error engaging with the public
Improves search results and provides other avenues for customers to find the business	Legal issues related to privacy, data, and security
Possibly reduces costs for marketing and is easier to target advertising efforts	Costs related to systems and staff time
Easy way to distribute content and FAQs to customers	Reputation loss if issues are not dealt with quickly and correctly

Sources: Adapted from Sitkins (2016) and Belbey (2015)

CASE 14.2: EC APPLICATION WEBSITE BUILDERS

The Problem

In the early days of the Web, building a website was a very technical process. Businesses needed someone who was comfortable with HTML code, or they needed to work with an outside design firm. The development process could take months, and prices for simple websites are easily arranged into thousands or tens of thousands of dollars. Today building a website is much easier, but having a website is more important. A website today is critical for the vast majority of businesses, and that site must have all of the appropriate information about the business which must be kept constantly up to date.

The Solution

For small businesses, this can be a daunting challenge. But luckily there are many products today that are targeted at small businesses with staff that has limited or no experience designing a website. These solutions often come in the form of a website builder application or service. These services are typically Web-based and allow users to quickly develop websites using a series of predesigned templates. While all of the potential product offerings have a variety of features, most focus on the ability to quickly and visually develop Web pages using a WYSIWYG (What You See Is What You Get) editor built into the browser. Services generally include hosting and domain names. Pricing is typically a function of the services used and can be paid by the month (many are less than \$10 per month).

Popular options include:

- **Sitebuilder.com.** This solution allows you to quickly create a webpage online as well as securing a domain name and e-mail. There are over 1000 templates to choose from, in a variety of styles and industries. Websites are created with a WYSIWYG editor and allow the user to customize templates. E-commerce options are also available.
- **Wix.com.** This company also allows for the creation of simple websites in a Web-based editor. The templates are smaller in number at 200 but maybe easier to use for a nontechnical employee.
- **Weebly.com.** This service includes how Web-based editor creates and may work better for larger or multipage sites. It includes a number of options for e-commerce and e-mail marketing.

For more examples and reviews, see Muchmore (2017) or reviews.com/website-builder.

Questions

1. Why would a small business want to use a website builder application?
2. What would be the benefits and risks of using this type of application?
3. Compare two website builder applications. Which do you prefer and why?

Globalization and SMEs

In addition to increasing their domestic market, EC and social media open up a vast global marketplace for SMEs, but only a small percentage of them conduct a significant part of their business globally. However, a growing number are beginning to use EC and social media to tap into the global marketplace in some way, but even then, SMEs are more likely to purchase globally than to sell globally. This situation is changing thanks to Alibaba.com and similar online directories that help small companies sell globally. For details, see Polk (2015). Very important is the advice provided by Alibaba Group (see Fan 2015).

For resources for SMEs going global, see sbecouncil.org/resources/going-global.

Resources to Support SME Activities in EC and Social Media

SME owners often lack strategic management skills and consequently are not always aware of changes in their business environment with respect to emerging technologies. Fortunately, SMEs have a variety of private and public support options (e.g., sba.gov, score.org, business.gov.au).

Today, SMEs have many resources available to support their creation of websites, EC storefronts, mobile apps, and social media campaigns. While some systems were originally developed for large companies [e.g., IBM's small and medium business solutions (ibm.com/midmarket/us/en)], many have now been repurposed for this market. Additionally, many services today are focused on serving the needs of this market exclusively and provide products specifically tailored to small businesses. For more details on these services, see the cases in this chapter.

Resources to assist SMEs in going global are also emerging as helpful tools for SMEs that want to expand their horizons. For example, the Global Small Business Blog (GSBB) (globalsmallbusinessblog.com) was created in 2004 by Laurel Delaney to help entrepreneurs and small business owners expand their businesses internationally. Another example is the Small Business and Entrepreneurship Council (SBE Council)'s global resources at sbecouncil.org/resources/going-global. A good source regarding SMEs' use of e-markets to conduct international business is emarketservices.com/start/Case-studies-and-reports/index.html. Also see Goldberg (2016).

SMEs and Social Networks

Social commerce is one of the fastest growing EC technologies that is being adopted by SMEs.

Small businesses can utilize social network sites to market to potential customers, support existing customers, and interact with peer groups outside their immediate geographical area to exchange ideas. Social media efforts can be conducted using many of the same networks and tools used in the United States but may require localization as discussed above. Additionally, SMEs can find websites that are dedicated to small businesses and provide opportunities to make contacts, get start-up information, and receive advice on e-strategies. Not only can sites such as LinkedIn be used to garner advice and make contacts, they can be used in B2B to develop networks that can connect SMEs with other small businesses or foster relationships with partners.

Table 14.3 lists ten steps to success when using social media in SMEs. For tips on how to use YouTube to promote the online content of SMEs, see masternewmedia.org/online_marketing/youtube-promote-content-viral-marketing/youtube-video-marketing-10-ways-20070503.htm and forbes.com/sites/ajagrawal/2016/09/16/5-ways-to-use-video-marketing-for-small-business-growth/#2886e91233f8.

SMEs are following the growing popularity of social networking sites and using social media to build connected networks, enhance customer relationships, and gather feedback about their services and products.

For implementation issues of social commerce, see Didner (2014) and Wells (2015).

SECTION 14.4 REVIEW QUESTIONS

1. What are the advantages or benefits of EC and social media for small businesses?
2. What are the disadvantages or risks of EC and social media for small businesses?
3. Why are there software solutions tailored to SMEs?
4. How can social networks help SMEs become more competitive?

Table 14.3 Ten steps to a successful social media strategy

Step	Description
1	Understand what social media is and what the benefits of using it are
2	Identify the audience you want to reach and where to find it
3	Identify the resources you currently have available for use for social networking and social networks
4	Identify the most appropriate technologies to use
5	Start a blog and create a social culture in your business
6	Build social media profiles for your business on Facebook, LinkedIn, Twitter, YouTube, Instagram, Pinterest, etc.
7	Make your blog social media friendly
8	Build relationships with your target market
9	Turn friends and followers into customers
10	Decide how you will monitor and measure the performance of your social media initiatives

14.5 THE IMPLEMENTATION LANDSCAPE

Now that you know about EC and social media benefits and applications, you may wonder what to do next. First you need to ask questions such as: “Do I need EC and social media?” and then “How am I going to do it?” The answers to these two and other questions can be very complex since they depend on many factors that we will discuss in this chapter. We refer to these factors as *implementation factors*.

The Major Implementation Factors

Many factors can determine the need and success of EC and social media projects. We organize them in the following categories.

Justification/Economics

The first issue is to find out if you need to get involved in an EC or social media project(s). This issue can be very complex for large-scale projects. We call this EC and social media project justification.

Acquire or Self-Develop Your E-Commerce or Social Media Management System

This issue is not simple either, especially when medium- and large-scale projects are involved. In the case of social media, a system for managing campaigns may not be needed but could be helpful depending on the volume of interaction and the available staff time.

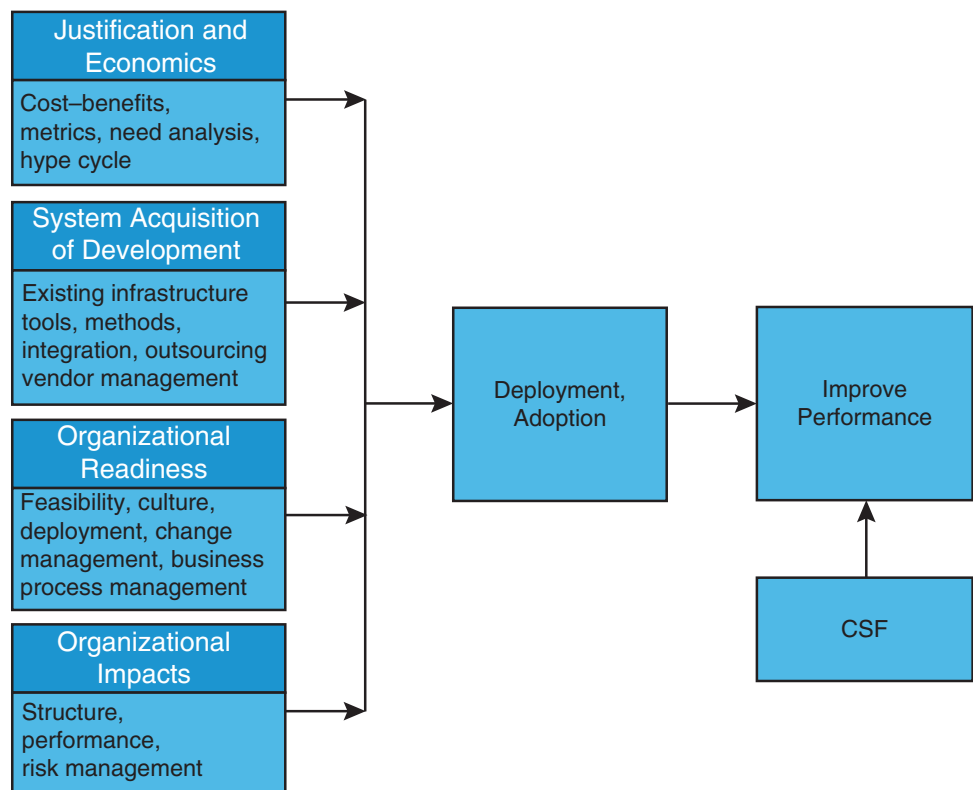
Organizational Readiness and Impacts of E-Commerce

How to organize your EC and social media projects within the organization and how to deal with changing business processes and other changes brought by EC and social media are all part of the implementation considerations. In addition, potential impacts on marketing, manufacturing, and people need to be addressed. Finally, technical issues such as connecting to other information systems need to be considered.

How to Succeed

The last part of this chapter addresses some of the critical success factors of implementing EC projects.

Fig. 14.5 The elements in EC and social media implementation



We have organized the above factors into a framework, which is shown in Fig. 14.5.

On the left side of the figure, we placed the major factors that impact implementation. They all may affect the adoption and deployment of the EC and social media projects. A successful deployment and adoption will lead to improved performance.

CASE 14.3: EC APPLICATION E-COMMERCE BUILDERS

The Problem

When e-commerce sites begin to be more common in the mid-to-late 1990s, developing, hosting, and maintaining these services were a detailed and expensive process. Many of the initial e-commerce sites were developed in-house from scratch. These systems had the advantage of being exactly what the business wanted but the distinct disadvantage of being very expensive. Other options included the use of software systems that could be customized by the developer or by integrators. These were still expensive but less so than pure insourcing. All of these systems required dedicated hosting with a large upfront cost and/or significant monthly fees.

The Solution

Today, e-commerce systems are much less complex, and many options exist for small businesses that do not require the large upfront expenses, significant ongoing expenses, and technical expertise of previous systems. Much like the Web-based website design tools available, there are also many Web-based e-commerce tools available for businesses. These solutions all focus on ease of setup, ease of use, and integration into existing business processes. These systems use the same WYSIWYG architecture as the website builder applications but add e-commerce capabilities. These packages typically include secure hosting as well as integrated payment solutions.

Popular options include:

- **Shopify.com.** This is the most commonly used service and includes many templates that can be used to set up an online store. It includes built-in payment systems as well as mobile compatibility. Unique to this store is the ability to use the system as a point-of-sale (POS) application as well.
- **Jimbo.com.** This service also includes templates to develop an online storefront with secure payment options by default. This system is unique with its global emphasis, easily allowing localization of different sites as well as localization of the developer interface.
- **Squarespace.com.** This service provides a wide variety of templates to ensure that the e-commerce portions of the site can match an existing website (or it is also possible to develop the website itself inside Squarespace). This service has a number of additional add-ons and services that can be selected to customize a solution.

For more examples and reviews, see Angeles (2016b) or websitebuilderexpert.com/e-commerce-online-store-builders-comparison-chart.

Sources: Angeles (2016b).

Questions

1. Why would a small business want to use an e-commerce builder application?
2. What would be the benefits and risks of using this type of application?
3. Compare two e-commerce builder applications. Which do you prefer and why?

Using Vendors and Materials

Many vendors exist with the primary aim of helping small- and medium-sized businesses as they implement EC and social media campaigns. Many of these systems are designed specifically to meet the needs of this market and have feature sets that will be useful for this type of organization. Businesses evaluating the use of vendor products must ensure that the product is a good fit for their organization. This means that the product has all of the required features, has the appropriate level of complexity, and is within the allocated budget. For an EC example, see nonlinearcreations.com/Digital/how-we-think/articles/2013/10/7-things-to-consider-before-choosing-an-ecommerce-platform.aspx.

Many vendors today provide significant documentation of how to use their products, as well as guides on best practices in implementing these types of projects. Using vendor guides, especially when it is the vendor that an organization has selected, can be a useful shortcut in an organization's planning and implementation of a particular product. For an example of an EC guide, see Shopify (shopify.com/guides), and for an example of a social media management guide, see Hootsuite (hootsuite.com/resources/guide/scaling-social-media-a-guide-to-implementing-a-social-center-of-excellence).

SECTION 14.5 REVIEW QUESTIONS

1. Why is the implementation of EC and social media so complex?
2. What are the major elements of EC and social media implementation (see Fig. 14.5)?
3. What factors determine deployment and adoption (see Fig. 14.5)?
4. Why should businesses be careful in selecting software vendors and using their guides?

14.6 DEVELOPMENT STRATEGIES FOR E-COMMERCE AND SOCIAL MEDIA PROJECTS

When companies are deciding how to implement their EC and social media projects, they have several choices on how to develop and launch those systems. Many of these choices focus around how much work will be done internally within the organization and how much will be outsourced to a software or consulting firm. As a general rule, keeping these activities within the company may be faster or cheaper but may create issues with existing workload and talent. Generally, outsourcing these activities costs more but can result in a higher-quality project. The general approaches that companies can pursue include:

- **Complete insourcing.** Use existing staff to create and manage the project.
- **Insourcing with new hires.** Keep the project internal but bring on staff to help with the workload and specific project talent requirements.
- **Insourcing with applications or tools.** Purchase or rent tools or applications that allow existing staff to complete the project.
- **Insourcing and new hires with applications or tools.** Purchase or rent tools or applications that allow existing staff and new hires to complete the project.
- **Outsource.** All or a portion of the project to a software company or consulting firm.
- **Use a consulting firm.** To help educate and implement using existing staff.

In-House Development: Insourcing

The first generation of EC development and social media campaigns was accomplished largely through proprietary programming, in-house development, and staff trial and error that is widely referred to as **insourcing**.

Although insourcing can be time-consuming and costly, it may lead to implementations that best fit an organization's strategy and needs and differentiate the company from its competition. These in-house developments, however, can be lengthy and expensive. Furthermore, the maintenance and updating may require considerable resources in the future.

Insourcing may be the appropriate option, but additional staff members may be needed. Many companies identify the need for greater expertise in implementing these types of projects and hire staff with that experience in order to meet this talent requirement. Additionally, companies may identify the need for additional personnel to operate the project and higher around that need as well.

Insourcing with Applications or Tools

With a large number of software applications available, it may be easy for businesses to select a tool, suite of tools, or set of services that meet their exact needs. These options have the distinct advantage of being easier to implement and use while generally carrying a lower price tag and then a custom solution. Many of these tools are designed to be used by existing personnel within a company. While there are many possible benefits, there are drawbacks as well.

Advantages and Limitations of Software Solutions

The following are the major advantages of purchasing ready-made EC systems:

- A large variety of off-the-shelf software packages is available.
- It saves time and money (compared to in-house development).
- It may allow existing staff to operate the system.
- The company does not need to hire programmers.
- The company knows the system's capabilities before it invests in it.
- The company is neither the first nor the only user of the package.
- Updating is done by the vendor with little or no cost to the users.

This option also has some major disadvantages:

- Software and services may not exactly meet the company's needs.
- Options may be expensive.
- Options for specific industries or vertical markets may not be available.
- Software may be difficult or impossible to modify, or it may be necessary to modify the company's business processes.
- The using company has little control over software improvements and new versions.
- Applications can be difficult to integrate with existing software systems.
- Vendors may discontinue a product or go out of business (risk factor).

Outsourcing Development and Implementation

Some businesses may opt to outsource the development and implementation of some of these projects. As a general rule, outsourced projects can have very high level of quality and fast turnaround times. Conversely, outsourced projects are typically more expensive and run the risk of not integrating well with a business's existing processes and corporate culture.

Project Outsourcing Options

Typical outsource solutions today include:

- **Building and implementing EC solutions**, including populating the catalog/database as well as integrating required third-party systems. This type of outsourcing is typically performed by a software company or integrator.
- **Launching and maintaining social media campaigns**, including specific advertising campaigns as well as daily interactions. This type of outsourcing is typically performed by a marketing or advertising agency.
- **Development of websites**, including the integration of EC or social media aspects. This type of outsourcing is typically performed by a website or media firm or could also be performed by an integrator or marketing agency.
- **Development of mobile applications**, including the integration of these applications with EC or social media functions. This type of outsourcing is typically performed by a software development company or marketing firm.

CASE 14.4: EC APPLICATION WOULD YOU BUILD AN APP ONLINE?

The Problem

Many businesses see the benefit of developing mobile applications that integrate with existing e-commerce or social media efforts. Other businesses view apps as a way to attract new potential customers. Start-up businesses may view apps as a primary revenue model. The development of mobile apps is typically viewed as a task left to programmers, working with specific software tools designed for the iOS or Android operating systems. While apps may be available to many businesses or individuals willing to go this route, they are not available to those unwilling or unable to learn the technical proficiencies needed (or to pay for them).

The Solution

Recently several companies have launched that offer solutions that can develop custom applications for individuals and businesses but without using specific software development tools (and the underline technical proficiencies). These companies allow for the development of apps using a Web-based interface, with a wide variety of pre-built features. Most allow for the development across multiple operating systems, generally both iOS and Android.

Example: Appypie.com

Appypie (appypie.com) offers the ability to create a wide variety of apps using its Web-based development platform. Apps can be developed from both of functional and design perspective. Additionally, many pre-built app templates are available for different uses and vertical markets. The system allows you to customize most functionality within the app, as well as creating an interface suitable to that functionality. In addition to apps, mobile games may also be developed. Apps can be developed for the iOS, Android, Blackberry, Windows Phone, and FireOS platforms.

There are several different pricing models, each based on a monthly, yearly, or lifetime fee. These fees are a function of the services that are provided by Appypie. A free option exists that is ad-based. Other options exist with no ads, white labeling, and additional marketing services. Free applications that are not upgraded to a paid plan will be deleted after 1 year.

Similar services are provided by buildfire.com, ibuildapp.com, and theappbuilder.com.

For more examples and reviews, see Angeles (2016a) or websitetooltester.com/en/blog/app-makers.

Sources: Angeles (2016a).

Questions

1. What benefits can a business obtain through the use of a mobile app?
2. Why has the use of mobile apps been constrained for small businesses?
3. Examine the features of this service and discuss your findings. Would you build an app online?

Selecting a Development Option

Before choosing an appropriate development option, you need to consider the following factors (given here as questions):

- **Customers.** Who are the target customers? What are their needs? What kind of marketing tactics should a business use to promote the webstore and attract traffic? How can a business enhance customer loyalty? How can a business engage the customers and make them happy so they will return? What social media networks do they frequent?
- **Merchandising.** What kinds of products or services will the business sell online? Are soft (digitized) goods or hard goods sold? Are soft goods downloadable?
- **Sales service.** Can customers order online? How? Can they pay online? Can they check the status of their order(s) online? How are customer inquiries handled? Are warranties, service agreements, and guarantees available for the different products? What are the refund procedures? Do customers want to communicate by e-mail, text, or social media?

- **Promotion.** How are the products and services promoted? How will the traffic to special events be organized? Are coupons, manufacturer's rebates, or quantity discounts offered? Is cross selling possible? Will viral marketing be used? What type of media is required?
- **Transaction processing.** Is transaction processing done in real time? How are taxes, shipping and handling fees, and payments processed? What kinds of shipping methods will the site offer? What kind of payment method(s) will the site accept? How will the site conduct order fulfillment?
- **Marketing data and analysis.** What information, such as sales, customer data, and advertising trends, will the site collect? How will the site use such information for future marketing? How is the information secured? How will social media campaigns be assessed? How will customer interaction be assessed?
- **Branding.** What image should the webstore reinforce? How is the company's webstore different from the competition webstore?

The initial list of requirements should be as comprehensive as possible. It is preferable to validate the identified requirements through focus group discussions or surveys with potential customers. The business can then prioritize the requirements based on customer preferences.

For more detail on insourcing versus outsourcing for EC systems, see practicalecommerce.com/articles/3705-Outsourcing-v-Hiring-In-house-Pros-and-Cons; for social media decisions, see smartinsights.com/managing-digital-marketing/resourcing-digital-marketing/insourcing-outsourcing-digital-marketing.

SECTION 14.6 REVIEW QUESTIONS

1. List the major EC and social media development options.
2. Define insourcing.
3. List some of the pros and cons of using software solutions.
4. List some of the pros and cons of outsourcing.
5. What are the advantages of building with templates or builder applications? What are the disadvantages?
6. What are some of the selection criteria for an EC or social media project?

14.7 OPPORTUNITIES FOR SUCCESS IN E-COMMERCE AND SOCIAL MEDIA AND AVOIDING FAILURE

Now that EC has been around for over 20 years and social media for more than 10 years, it is possible to observe certain patterns that contribute to the success or failure of EC and social media projects. By examining these patterns, one can find indications of the opportunities that lie ahead and avoiding pitfalls along the way. It is not easy to assure success in e-commerce was shown in the case of Aldi supermarket (Case 14.1).

Factors that Determine E-Commerce and Social Media Success

The economic capabilities of EC and social media described earlier influence some industries more than others do. The success factors depend on the industry, the sellers and buyers, and the products sold. Furthermore, the ability of sellers to create economic and personal value for consumers will also determine success. When deciding to sell online or market using social media, looking at the major factors that determine the impact of these types of projects can assist in evaluating the chances for success.

Four categories of e-market success factors exist: *product*, *industry*, *seller*, and *consumer* characteristics.

E-Commerce and Social Media Failures

By examining the economic history of previous innovations, the failure of EC and social media initiatives should come as no surprise. Three economic phenomena suggest why this is the case.

Some of the specific reasons for failure in B2C EC are lack of profitability, excessive risk exposure, the high cost of customer acquisition, poor performance, and poor website design. Two additional financial reasons are lack of funding and incorrect revenue models. For the use of social media, specific reasons for failure are high cost-to-benefit ratios, poorly planned campaigns that hurt company prestige, improper interactions that decrease customer loyalty, and gross errors that become viral.

E-Commerce and Social Marketing Effectiveness

One consistent issue that all businesses need to watch is the effectiveness of their marketing campaigns, to make sure that they are getting value for the money that they spend. Businesses need to determine the rate of return that they can receive on any advertising to ensure that it is the best use of their available money and that it is producing positive revenue for them. This is particularly important in EC, because of the huge amount of competition and also due to possible marketing fraud online. In addition to watching overall effectiveness, businesses need to be on the lookout for fraudulent competitors that can potentially rob them of business. This will also show up in the form of decreased conversions in advertisements and page views.

Example: Factors Effecting Profitability: Fraudulent ads

Fraudulent and misleading ads are a significant issue online. In 2016 Google removed over 1.7 billion fraudulent advertisements from its platform (Jones 2017). Fraudulent ads are designed to mislead customers concerning the features of a product or are meant to be outright scams, pushing customers to purchase nonexistent products or services. Google works hard to ensure that this type of ad does not exist on its platform. For legitimate businesses, fraudulent advertisements create more competition for users' attention and create noise in the market space that can potentially decrease customer confidence. Both of these can negatively affect the amount of attention and sales that a legitimate business is able to garner.

Example: Factors Effecting Profitability: Fake Reviews

Just like fraudulent ads, fake reviews can also be a large issue online. Fake reviews can hurt a business in two different ways. First, the fake review may be about the business's legitimate product, but the review can be negative and that can hurt the products' perception. Second, a fake review may be very positive about a competitor's product, reducing the sales of the legitimate product (Lanford 2017). Fake reviews prey on customers' inherent trust of feedback from other users. Just like with fake ads, different platforms work diligently to ensure that fake reviews are identified and removed as quickly as possible. There are several excellent examples of Amazon identifying and removing fraudulent reviews (Faulkner 2016) and methods a consumer can use to protect themselves (see laptops.reviewed.com/news/heres-what-you-need-to-know-about-fake-amazon-reviews).

E-Commerce and Social Media Successes

Despite the failure of hundreds of start-ups and thousands of EC projects, EC is alive and well and continues to grow rapidly. Social media has overcome its awkward and unappreciated beginning to become a mainstay of corporate advertising.

EC success stories abound, primarily in the specialty and niche markets. One example is Puritan's Pride Inc. (puritan.com), a successful vitamin and natural healthcare product store. Another is GrubHub, Inc. (grubhub.com), which allows people to order food online for either pickup or delivery (previously CampusFood.com). Also doing very well are travel sites, such as Expedia, TripAdvisor, and Priceline.

Social media success stories are also prevalent, in both small businesses and major brands. An example of a small company using social media effectively is the Dollar Shave Club's #RaozorBurn campaign on Twitter. A larger company using social media well is auditing firm PricewaterhouseCoopers using Snapchat to track Oscar balloting in 2016. For details on both, see cio.com/article/3062615/social-networking/10-top-social-media-marketing-success-stories.html.

For a comparison of how these and other thriving online businesses have translated critical success factors (CSFs) from the old economy into EC success, see Table 14.4. EC successful companies such as Priceline, Netflix, Amazon.com, Facebook, and Google are becoming major players in their industries, making their shareholders very rich.

Following are some of the reasons for EC and social media success and suggestions from EC experts and consultants on how to succeed in EC.

Table 14.4 Critical success factors: old economy and EC

Old economy CSFs	EC CSFs
Vertically integrate or do it yourself	Create new partnerships and alliances; stay with core competency
Deliver high-value products	Deliver high-value service offerings that encompass products
Build market share to establish economies of scale	Optimize natural scale and scope of business; look at mass customization
Analyze carefully to avoid missteps	Approach with urgency to avoid being left out; use proactive strategies
Leverage physical assets	Leverage intangible assets, capabilities, and relationships – unleash dormant assets
Compete to sell product	Compete to control access to markets, and build relationships with customers; compete with other websites

Strategies for EC and Social Media Success

- Thousands of brick-and-mortar companies are adding online marketing and/or procurement channels with great success.
- For an EC exchange to be successful, it has to create value for *all* participants. A vivid example is Alibaba.com.
- Pricing in EC has continued to be a challenge for sellers because of shipping and handling costs. Often, the seller and market maker will see the potential for profits and ignore the fact that the buyers will subscribe to EC only if they see a benefit in price or product variety. For example, free shipping is available at Dell, Newegg, and many other e-tailers.
- New technologies can boost the success of EC. For example, RFID has great potential for improving the supply chain; however, it will take a large investment in EC infrastructure and applications to realize its full potential.
- Digital partnerships can drive business success (McCafferty 2016).
- Social media engagement must be authentic.
- Campaigns must be memorable and funny to gain traction or go viral (Jackson 2015).

Additional Guidelines for EC and Social Media Success

A number of experts and consultants have proposed many more keys to success. Several studies identified success factors such as:

- Effective marketing and advertising
- User-friendly website
- Good relationships between customers and merchants
- Open, clear communication with customers
- Interacting with customers in the platform they prefer
- Proper supply chain management and order fulfillment
- Integration with internal and external information systems
- The use of appropriate business models (including revenue models)
- Effective and efficient infrastructure
- Organization culture regarding becoming an e-business and social business
- Clear goals and guidelines for social media use
- Effective leadership of the digital business team (Raskino and Waller 2016)

As with any EC or social media business, success cannot be guaranteed, and failure rates remain high. However, if companies learn from the mistakes of others and follow the guidelines offered by experts and researchers, their chances for success are greatly enhanced.

Cultural Differences in EC and Social Media Successes and Failures

Here, we add the issue of *cultural differences* so that appropriate strategies can be developed when doing business globally.

One of the strengths of EC and social media is the ease with which sellers and buyers can reach and communicate with a global population of consumers or suppliers. However, they must recognize existing cultural differences and act upon them. Even the content of online ads can mean different things in different cultures. Due to these differences, the transaction costs, including coordination costs, may vary among the consumer base.

SECTION 14.7 REVIEW QUESTIONS

1. What are the characteristics of EC that are different than traditional commerce?
2. What are the characteristics of social media that are different than traditional advertising?
3. List three reasons why EC and social media failure should not come as a surprise.
4. What are some reasons for EC and social media success?
5. Relate EC and social media to cultural differences.

MANAGERIAL ISSUES

Some managerial issues related to this chapter are as follows:

1. **What is the strategic value of EC and social media to the organization?** It is important for management to understand how EC or social media can improve marketing and promotions, customer service and sales, and the supply chain and procurement processes. More significantly, the greatest potential of these projects is realized when management views these projects from a strategic perspective, not merely as a technological advancement. Management should determine the primary goals of EC and social media projects, such as new market creation, cost avoidance and reduction, and customer service enhancement.
2. **Why do we need an EC and social media planning process?** A strategic plan is both a document and a process. Former US President Dwight D. Eisenhower once said, “Plans are nothing, planning is everything.” A planning process that includes management, employees, business partners, and other stakeholders not only produces a planning document that will guide a business into the future but also describes to the participants about where the company is going and how it intends to get there. The same can be said for e-business planning—the process is as important as the plan itself.
3. **How do you relate the EC or social media activities to business objectives and metrics?** Companies first must choose objectives and design-appropriate metrics to measure the goals and actual achievement. The companies need to exercise with caution, because the metrics may accidentally lead employees to behave in the opposite direction of the intended objectives. Organizations must be careful if qualitative metrics are used to ensure their validity. The balanced scorecard is a popular framework adopted to define objectives, establish performance metrics, and then map them. EC and social media planning needs to identify what the role of the project is in achieving the goals in BSC metrics.
4. **How can EC and social media go global?** Going global with EC or social media is a very appealing proposition for companies of all sizes, but it may be difficult to do, especially on a large scale or for SMEs that lack the necessary resources. Companies need to identify, understand, and address the barriers to globalization such as culture, language, and law, as well as customers and suppliers. An e-business needs to decide on a localization strategy.
5. **What can small businesses do to remain competitive?** Both EC and social media provide several opportunities that can allow small businesses to remain competitive against larger firms. Both of these technologies can be said to level the playing field. Small businesses need to examine EC and social media to determine how or if they are to be used to remain competitive both globally and locally.
6. **How can we plan for successful implementation?** Implementing EC and social media projects can be a complicated task. Detailed planning may be necessary in order to assure that defined goals are met within the allocated time and budget. Many different strategies exist including insourcing, outsourcing, and the use of software tools and services.

SUMMARY

In this chapter, you learned about the following EC issues as they relate to the chapter’s learning objectives:

1. **Strategy concepts and competitiveness.** Implementing EC and social media projects requires a strategy. The five major phases of developing a business strategy are initiation, formulation, implementation, assessment, and performance improvements. The major generic tools for strategic management are the strategy map, SWOT analysis, competitor analysis, scenario planning, and business plan.
2. **The need for EC and social media justification.** Like any other investment, EC and social media investment (unless it is small) needs to be justified. Many start-up companies have crashed because of incorrect or no justification. In its simplest form, justification looks at revenue minus all relevant costs. Analysis is done by defining performance and comparing actual performance to the desired metrics and KPI related to organizational goals.
3. **Issues in global EC and social media.** Going global with EC or social media can be done quickly and with a relatively small investment. However, businesses must deal with a number of different issues in the cultural, administrative, geographic, legal, and economic dimensions of global trading.
4. **Reasons for EC and social media success and failure.** Products, industries, sellers, and consumer characteristics require different metrics. With the growing worldwide connectivity to the Internet, EC and social media economics will play a major role in supporting buyers and sellers. Some EC failures are the result of problematic website design, lack of sustained funding, and weak revenue models. Some social media failures have come from high cost to benefit ratios, poorly planned campaigns that hurt company prestige, improper interactions that decrease customer loyalty, and gross errors that become viral. Success in EC has come through automating and enhancing familiar strategies, such as branding, morphing, building

trust, and creating value for all trading partners by enriching the human experience with integrated and timely information. Success in social media has come through careful planning, detailed procedures, and solid research on customer needs.

5. **Small- and medium-sized businesses and EC and social media.** Depending on the circumstances, innovative small companies have a tremendous opportunity to adopt EC or social media at little cost and expand rapidly. Being in a niche market provides the best chance for small business to succeed. A variety of Web-based resources are available for small- and medium-sized business owners to get help to ensure success.
6. **The major components of EC and social media implementation.** Four major categories exist for implementation: justification and economics (cost–benefit); acquiring and/or developing systems; assurance of organizational readiness and performance of necessary restructuring, training, and so forth; and cultivating the necessary success factors while avoiding mistakes.
7. **The major EC and social media development strategies, along with their advantages and disadvantages.** EC applications and social media systems are rarely built from scratch. Instead, they can purchase software systems or services and customize them to suit their needs (if possible), or they outsource the development to a vendor. A new generation of Web tools including social software enables more “do it yourself” activities.

KEY TERMS

Cost–benefit analysis
Cost-plus
E-Commerce risk
Insourcing
Key performance indicators (KPIs)
Outsourcing
Project champion
Strategy
Strategy assessment
Strategy formulation
Strategy implementation
Strategy initiation
Web analytics

DISCUSSION QUESTIONS

1. How would you identify competitors of your small business who want to launch an EC or social media project?
2. Find some SME EC success stories and identify the common elements in them.
3. Why must e-businesses consider strategic planning to be a cyclical process?
4. Your state government is considering an online vehicle registration system. Develop a set of EC metrics and discuss how these metrics differ from that of the existing manual system.
5. Your state government is considering a social media campaign to decrease illegal drug use. Develop a set of social media metrics, and why you are using quantitative metrics, qualitative metrics, or both.
6. Enter businesscase.com and find material on ROI analysis. Discuss how ROI is related to a business case.
7. A craftsperson operates a small business making wooden musical instruments in a small US town. The business owner is considering using social media to increase the business’s market recognition to the nation and the world. How can the business owner use social media to make the products more attractive to consumers?
8. Discuss the pros and cons of going global online to sell a physical product.
9. Discuss the pros and cons of using social media globally.
10. Find some SME EC or social media success stories, and identify the common elements in them.
11. Submit three questions regarding EC or social media strategy for small businesses to linkedin.com and answers.yahoo.com. Get some answers and summarize your experience.
12. After viewing the video “The Biggest Challenges for International Marketers” (4:00 min) at youtu.be/6alaVZB_Rk8, discuss how social media could be used to address these issues.
13. Discuss how a company embarking on global e-commerce would approach each challenge such as payments or logistics, without the assistance of a company like Borderfree.

TOPICS FOR CLASS DISCUSSION AND DEBATES

1. Debate: An airline offers extensive travel services online including hotels, car rentals, vacations, and so forth all over the globe. Its online business should be autonomous.
2. The stock market success of e-commerce and social commerce companies varies greatly from very successful (e.g., Google, LinkedIn) to poor (Groupon, Zynga). Examine the IPOs of 2015 through 2017 and try to explain the CSF. Write a report.
3. As the principal in a small business that already has an effective Web presence, you are considering taking your company global. Discuss the main issues that you will have to consider in making this strategic decision.
4. Has the availability of EC and social media affected the way we assess industry attractiveness? Develop new criteria for assessing the attractiveness of pure online industries.
5. Consider the challenges of a brick-and-mortar company manager who wants to create an integrated (online/offline) business. Discuss the challenges that he or she will face.
6. Examine the seven strategies of Facebook and Twitter at socialmediatoday.com/christinegallagher/165536/top-7-facebook-and-twitter-strategies, and comment on them.
7. Is Amazon.com eBay's biggest competitor? What about Walmart.com? What about Alibaba Group?
8. Have technologies needed by small businesses for e-commerce or social media marketing lagged behind those of larger businesses? Why or why not?

INTERNET EXERCISES

1. Survey several online travel agencies (e.g., travelocity.com, orbitz.com, cheaptickets.com, priceline.com, expedia.com, hotwire.com), and compare the business strategies of three of them. How do they compete against brick-and-mortar travel agencies?
2. Enter digitalenterprise.org/metrics/metrics.html. Read the material on Web analytics, and prepare a report on the use of Web analytics for measuring advertising success.
3. Enter salesforce.com/form/roi. Register and download the free ROI kit. Summarize one case study. View two demos. Write a report.
4. One of the most global companies is Amazon.com. Find stories about its global strategies and activities (try forbes.com), and conduct a Google search. What are the most important lessons you learned?
5. Visit business.com/starting-a-business/tech-toolkit-for-startups and find some of the EC opportunities available to small businesses. Also visit the website of the Small Business Administration (SBA) office in your area. Summarize recent EC-related topics for SMEs.
6. Visit <https://hootsuite.com/resources/toolkit/social-media-planning-toolkit-2016> and download the planning documents. What difficulties would a small business face creating a social media strategy?
7. Conduct research on small businesses and their use of the Internet for EC and social media marketing. Visit sites such as marketingprofs.com and uschamber.com. Also enter google.com or bing.com, and type "small businesses + electronic commerce + social media." Use your findings to write a report on current small business EC and social media issues.
8. Enter baselinemag.com and find free ROI analysis tools. Download a tool of your choice and identify its major components. Write a report.
9. Read the articles at socialmediaexaminer.com/10-metrics-to-track-for-social-media-success and cio.com/article/2901047/social-media/12-standout-social-media-success-stories.html. Identify and write a report on the factors in social media campaigns that may be a success.

TEAM ASSIGNMENTS AND PROJECTS

1. Assignment for the opening case

- (a) Read the opening case and answer the following questions:
- (b) What motivated Telstra to prepare the calculators?
- (c) Why do the calculators include benefits to employees and to the community?
- (d) The use of NPV is discussed. Explain how it works in this case (hint: investopedia.com/terms/n/npv.asp).
- (e) How is the company using social media to engage customers? Does this make it more competitive?

2. Explore the business value of EC. Each member enters a different site (e.g., Nicholas G. Carr (nicholascarr.com), Baseline (baselinemag.com), Strassmann, Inc. (strassmann.com)). Prepare a presentation on issues, value, and directions.
3. Have three teams represent the following units of one click-and-mortar company: (1) an offline division, (2) an online division, and (3) top management. Each team member represents a different functional area within the division. The teams will develop an EC strategy in a specific industry (a group of three teams will represent a company in one industry). Teams will present their strategies to the class.
4. The class will set up a webstore on Facebook. You can use the application from ecwid.com or from bigcommerce.com. Have several members place products there while others shop. Write a report on your experience.
5. Set up a free website using a website builder app. Write a report discussing your site and website builder you used.
6. Each team needs to find the latest information on one global EC or social media issue (e.g., cultural, administrative, geographic, economic). In addition, check how leading retailers, such as Levi's, serve different content to local audiences, both on their websites and on their Facebook pages. Each team prepares a report based on their findings.
7. Compare the services provided by Yahoo!, Microsoft, and Web.com to SMEs in the e-commerce area. Each team should take one company and give a presentation.
8. Research the topic of going global in the social world. Identify the issues and the practices. Write a report.
9. Enter youtube.com/watch?v=qh1drAg1jdg and watch the video titled "Gartner Hype Cycle." Write a summary of the major points. Do the assignment provided there.

CLOSING CASE: BATTLE OF THE B2C TITANS

Amazon.com has been crowned the "King of Online Retailing" in the United States and has enjoyed that title for several years. While many believed that Amazon's constant innovations would ensure that it would retain this title into the foreseeable future, there are new developments from some competitors that may put this at risk.

The Leader: Amazon

Amazon enjoys a first-mover advantage in the online retailing space due to its early entry online selling books. The company rapidly expanded beyond this market to include a wide variety of retail, electronic, media, and grocery items (Saleem 2017). The company is also beginning to focus on B2B items as well (Zaczekiewicz 2016). The company has a culture of innovation, where new products, services, and processes are continually rolled out to benefit the customer. The primary strategic advantages enjoyed by the company include its well-designed user interface, its wide variety of products, and its efficient logistics system.

A Competitor: Walmart

While Amazon may be the king of online retailing, in the United States, Walmart is the king of retail. Walmart is a ubiquitous brand and retail outlet across the country. Walmart is a discount retail store founded in the United States but active internationally. In 2016 it was the world's largest company based on revenue and was also the world's largest private employer. In 2015 it was the most profitable retailer in the United States. It has over 11,000 stores in 28 countries.

Despite this huge infrastructure, Walmart's growth into online has been less than executives had hoped for. The company initially fought with channel issues because of concerns of competition between the online venture and physical locations. The company also identified logistics issues that they report to be mostly corrected in 2016. The company's e-commerce growth has now been reignited with online sales growing 11.8% at the end of the third quarter in 2016 (Wahba 2016).

The company hopes to become significantly more competitive online and specifically with Amazon, using its brand recognition, logistics systems (specifically as developed for Site2Store transactions), and purchasing abilities. The company intends to continue to evaluate the features desired by consumers and to integrate them into its offering. Mobile applications are a specific goal (Francisco 2017). The company hopes to continue to take market share from Amazon as well as from other retailers in 2017.

A Competitor: Alibaba

The Alibaba Group is a Chinese e-commerce company that focuses on both B2C and B2B e-commerce. The company has been very successful in China and has begun its expansion worldwide. Its initial primary strategy was to connect Chinese manufacturers with global buyers (Wells 2016). From this beginning, the company has expanded into B2C activities in China and is planning on similar activities globally. The company completed an IPO in the United States in 2014, raising \$25 billion, the largest IPO in history.

Alibaba hopes to leverage its scale and product selection to begin to compete with other retailers worldwide. This is a deviation from its existing business strategy of acting as a product and retailer matchmaker (see advisoryhq.com/articles/alibaba-vs-amazon). Competing directly with a company like Amazon would be a challenge due to this major shift in business models. The company hopes that it will be able to leverage its large product catalog as well as its experience in China to this new market.

The State of the Market

Competition in the US B2C retailing is becoming more heated. New entrants and reinvigorated competitors are beginning to eye Amazon's title as the leader of US-based e-tailing. Companies looking to compete with Amazon must focus on their core abilities and how they could be leveraged to create competitive advantages. The needed abilities in this market include customer-facing interfaces and applications, product variety, and logistics efficiency (Petro 2016). While neither Walmart nor Alibaba can compete in all three of these areas today, they each have the possibility to leverage at least one from their current operations to gain a stronger foothold in the US market (Petro 2016). Only time will tell how this battle of the titans will turn out, but in the end, it will drive better pricing and services for US customers.

Questions

1. Why is Amazon the leader in US B2C retail?
2. What core competency can Walmart leverage to compete with Amazon?
3. What core competency can Alibaba leverage to compete with Amazon?
4. What actions should Amazon take to ensure they remain competitive against Walmart and Alibaba?
5. Why is the change in business model so significant in Alibaba's plans to compete with Amazon?
6. Why does Walmart have the logistical infrastructure to compete with Amazon?
7. Why will the competition between these three titans benefit US customers?

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