Abstract: This paper identifies and examines evidence of e-commerce failure in small and large businesses, focusing specifically on their Internet branding strategies, the impact of management actions and how those actions contribute to e-commerce success. This paper argues that as we move to a more interactive mode of working with customers and competitors using Internet technology, the role of marketing is critical; within marketing, brand management is seen as a particularly important activity.

The work reported here assembles evidence that brand management is indeed important, and that there is a lack of theories to guide brand management activities in an Internet context. Internet-related partnering opportunities with large firms remain a concern for smaller firms. It also reveals that much Internet research has taken a technical viewpoint although some experts have begun to make connections between Internet success and brand management.

I. Introduction

This paper presents an analysis of a retail company in South Africa. Though it seems too early to generalise about e-commerce failure or success in business, and in particular businesses in the developing African countries, it is hoped that the e-commerce experience of the company reported here could lay a solid foundation for others that set out to explore the many opportunity of modern technology.

Businesses have made huge investments in Internet technology, often with little or no benefits. Yet, the Internet remains an important and viable communication channel for all kinds of businesses, particularly small businesses with scarce (financial, managerial and technological) resources. This research aims to provide evidence of e-commerce success factors and a categorisation scheme for small businesses.

According to [1] the Internet is important because it allows small businesses to gain access to information about larger businesses, making it a cost-effective source of market intelligence. Yet for many, the benefit is perceived to be only basic communication such as is provided by email.

Nevertheless, the Internet has transformed – and continues to transform – the way many people live, work and play, according to Bray [2]. This transformation has important consequences for the management of national economies and business activities. The unrealised commercial potential of Internet technology is significant and continues to attract substantial investment. One should endeavour to make sure that these investments are effective, especially where they affect small businesses. The question therefore arises: what should a business do to ensure success, and what in particular does a small business have to do to avoid wasting precious money and resources?

One of the key consequences of the Internet for today’s business is the emergence of e-commerce. The unique interactive feature of Internet technologies provides businesses with numerous potential benefits [3]. These benefits help businesses to meet their promotional needs and manage their customers’ changing expectations – all critical components of what is generally termed “brand management”. For small businesses, this is not a quick fix. How should small businesses manage business relationships using Internet branding strategies? The Internet offers rich synchronous and asynchronous communications potential that is impossible using traditional technology such as telephone and facsimile. The multimedia and data transferability of the Internet (according to [4]) makes it easy to interact with different communities such as staff, business partners and customers. It is noted further that management enthusiasm and support for “remote relationship management” through the Internet is consistent and continuous.

The need for this study

This paper describes a study of the ways in which businesses can successfully develop and manage Internet brand equity within their overall marketing communications strategy. The intention is specifically to help SMMEs understand the
importance of the Internet, because they are especially vulnerable and must understand not just the importance and potential of the Internet, but also the good management practices that will deliver success.

Sources of difficulty

Brand management has been identified as an area of special significance, but it is not the only potential problem area. There are other areas in business such as project management, human resource management and financial management, any one of which might impede the success of an Internet investment. Any one of these, badly executed, will stifle e-commerce initiatives; small businesses will be particularly susceptible as there may be just one person trying to implement all elements of an initiative at the same time. The problems of a small business may well emanate from an inability to recognise and manage new business processes, arising from the use of the Internet, that then fail to link the e-commerce investment with the strategic benefits of well managed brand equity.

Though other areas of management activities might be significant, this paper argues that the question of branding is sufficiently important to provide the initial focus; other problem areas can be noted and investigated as they prove to be significant.

First, there is a brief review of relevant literature. Then, a conceptual model is described that relates some of the critical issues that must be managed and that provides a basis for a research design. Finally, a case study is presented and discussed in the light of that conceptual model.

II. Background

The existence of the Internet adds a new communication channel between a business and its customers, suppliers and partners. This has the potential to support brand management efforts, but equally it has the potential to confuse it. It is argued by experts that with multiple brands and multiple communication channels, branding activities can fall short of ensuring business success unless continuously improved brand equity is used as the strategic driver of the marketing communications effort [5].

A brand (according to [6]) is “…a distinguishing name and/or symbol (such as a logo, trademark, or package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors.” The author notes further that brand equity is the total sum of: brand assets and liabilities, the brand name, and symbols that add to or subtract from customers’ perceived value of the brand.

Others take a different view, seeing brand equity as the outcome of a process that is aimed at creating customer-based brand equity. The value of a brand is based on customers’ assessments of the brand. This assessment is achieved through links to secondary associations that the customer can easily identify with.

The complexities of brand management become apparent as one reflects on these definitions, and the challenges to a small business will clearly be severe. Establishing good brand management practice that will minimise the risks and maximise the benefits of Internet investments will clearly be helpful.

E-commerce and small business

It is pertinent to recognise that business practice in a large firm is different from that in a small firm [7], and that the e-commerce needs of a small firm are understood through an exploration of the unique aspects of small business and their practices. For example, large businesses are often presumed to have the resources to achieve difficult things, and yet it is possible for a small business to be much more “professional” than a large business is frequently hampered by cumbersome processes of debate and decision, a small business can move quickly and more easily assess the impact on customers and other partners.

These realisations, and the fact that little reported work seems to be available concerning these things, led directly to the initiation of this research.

The importance of business partners

E-commerce is not an activity that concerns only one business. In all cases, by definition, e-commerce involves more than one party: a business and its customers, or a business and its partners; possibly a business and a government agency or regulatory authority. It follows that research can not be confined to one organisation, the views of the other party must also be understood. It is therefore important that the collective interest of small businesses and their e-commerce partners is established, because in e-commerce more than one party is always involved. A business does not do business with itself (or, if it does it is comprised of different business units – unlikely in the case of small businesses). The views of all stakeholders involved in SMME-related business processes need to be elicited, as all involved parties must benefit from an e-commerce enterprise for it to be entirely successful [8] (except perhaps the involved party that comprises “the competition”).

Branding and the Internet

As has been noted, the impact of the Internet can cause the introduction of new kinds of business activity. Where a business is unwilling to undertake significant change, then the benefits of e-commerce investments might be severely limited. The adaptation of business processes can now be so radical that the overall effect (on business communication processes in particular) now extends far beyond what we have become used to in traditional business practice [9]. The Internet has become the agent of change in organisations, seen through new access to new information and new societal processes that would be unthinkable without the Internet, creating new forms of business and consumer interaction [10]. Achieving the benefits of this new interaction depends on key factors such as communications and general management [11]. Overcoming communications
barriers (possibly involving differences in cultural background and different languages and vocabularies) will allow managers to deal successfully with many Internet-related problems.

The Internet has opened up new business opportunities, in particular access to new markets arising from the extended “reach” that comes with the Internet. This means that approaching new markets, possibly in remote places, requires that managing brand will be important and that there will be a necessary increase in branding activities. Marketing is the means to address the needs of new markets, and the brand is the thing that must be established for the market to be persuaded to respond. That is why the Internet and Internet branding are important.

There are other concerns about the contribution of e-commerce to business success [12] that will require changes in management strategy, but there is not sufficient available information to establish the facts about e-commerce success, and again the need for this research is emphasised.

The linking of computers to different networks through the Internet allows data to be transferred between two otherwise incompatible machines; a level of data communication becomes possible that would have been unthinkable just a few years ago [13]. The transferability of data through the Internet creates an opportunity for communication becomes possible that would have been unthinkable just a few years ago [13]. The transferability of data through the Internet creates an opportunity for communication becomes possible that would have been unthinkable just a few years ago [13]. The transferability of data through the Internet creates an opportunity for communication becomes possible that would have been unthinkable just a few years ago [13]. The transferability of data through the Internet creates an opportunity for communication becomes possible that would have been unthinkable just a few years ago [13]. The transferability of data through the Internet creates an opportunity for communication becomes possible that would have been unthinkable just a few years ago [13]. The transferability of data through the Internet creates an opportunity for communication becomes possible that would have been unthinkable just a few years ago [13]. The transferability of data through the Internet creates an opportunity for communication becomes possible that would have been unthinkable just a few years ago [13]. The transferability of data through the Internet creates an opportunity for communication becomes possible that would have been unthinkable just a few years ago [13]. The transferability of data through the Internet creates an opportunity for communication becomes possible that would have been unthinkable just a few years ago [13]. The transferability of data through the Internet creates an opportunity for communication becomes possible that would have been unthinkable just a few years ago [13]. The transferability of data through the Internet creates an opportunity for communication becomes possible that would have been unthinkable just a few years ago [13]. The transferability of data through the Internet creates an opportunity for communication becomes possible that would have been unthinkable just a few years ago [13]. The transferability of data through the Internet creates an opportunity for communication becomes possible that would have been unthinkable just a few years ago [13]. The transferability of data through the Internet creates an opportunity for communication becomes possible that would have been unthinkable just a few years ago [13].

The emerging of the Internet has created a situation of strategic uncertainty. As a consequence of this, the strategic importance of the Internet to business has come to the fore. For small businesses entering this environment, a management strategy that defines and manages the firm as a brand could be helpful.

Angerhm [14] argues that Internet activities can be categorised into three stages: (1) Internet presence, (2) interaction and, (3) full e-commerce. At what stage of the Internet activities do we need to involve branding? Angerhm’s framework helps us to understand this.

**III. The Strategic Importance of the Internet**

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**Stage one**

At stage one, a business typically mounts a web page or two in order to disseminate product and service information to customers and potential customers alike, and to provide contact information in the form of telephone numbers and email addresses. At this stage the medium is new, as is the management intent, and there are basic lessons to be learned. Therefore, a lack of insight into the critical strategic issues of brand management will already reveal itself. To deliver true and consistent product and service value to customers the whole organisation and all its activities should be managed as a brand [15]. The change in communication medium (using the Internet) introduces changes in the relationship between perceived organisational values and perceived customer values, that must all be satisfied to establish internal and external satisfaction. Even a few web pages that establish a presence (no transactional capability, no e-commerce) can convey the wrong messages and undermine efforts to establish a consistent and coherent brand identity.

**Stage two**

Stage two provides transactional interactivity through a web browser, for example using forms and scripted program code at the server (ASP, PHP or similar). Waterman [16] argues that stage two in the Angerhm model has the potential for two-way communication, including transactional and messaging capability within the web- and browser-based system. Although this two way exchange is possible using other traditional means, such as telephone and fax, clearly we are interested in the advantages that might arise from use of the Internet and this research is therefore focused on the use of the Internet and its advantages.

At this second stage, a lack of trust on the part of the customer and lack of strategic overhaul of management philosophy threatens to inhibit the customer relationship management effort. Businesses depend on personal networks and social interaction as a way of building trust and managing customer relationship. The implication is that the trust that is so important to relationship management and so traditionally dependent on face-to-face interaction, cannot be developed in a context like the Internet [17,18,19]. More research is required in the area of remote relationship management and the building of online trust, separate from or in parallel with face-to-face relationship management.

**Stage three**

This third stage of Internet maturation includes more dynamic features such as bulletin boards and chat rooms, as well as the use of audio and video facilities to improve the richness of the Internet-based interaction. Again, an evolved management philosophy is needed to develop and deploy creative brand management tools for effective and efficient customer relationship management at this level.

**Summary of strategic importance**

Brand management typically (but not always) starts at the first stage and progresses with increasing intensity to stage three, where more and more interaction with external stakeholders is committed to the Internet, making it more and more important strategically. Internet brand equity increases with this intensity and the risk of conflict with other branding that is delivered in conventional ways increases; full implementation of e-commerce implies full implementation of branding and brand management on all channels, not just on the Internet alone.
Hence, branding activities must increase once web-sites have become full e-commerce sites. Experts argue that Internet branding is beyond the general focus of day-by-day business attention [20, 21, 22]; it is of course necessary to view all management actions holistically, and to understand their overall ability to contribute to brand equity as well as to the other domains of business activity. Therein lies the challenge to all businesses adopting the Internet, especially resource-starved small businesses.

IV. Brand Management

One important attribute of brand management is the ability to react to changes in society and market dynamics, so that good communication of brand essence is established and sustained. Key factors militating against easy brand management include rapid changes in the business environment (market complexities, competitive pressures, global forces) and the challenges of information management (with the advent of advanced information technologies that allow information to be abused as easily as it is mis-managed). Establishing online brand recognition that complements the offline brand will reduce the risk of failure.

Small businesses are likely to fail in the Internet environment if they do not realise that some Internet solutions are designed for large businesses, and do not particularly fit the needs of small businesses. Information management that is crucial for building online brand and managing customers’ relationship on the Internet could not support small business e-commerce initiative. Ward and Lee argue that unlimited information access on the Internet supports the need for building online brand to save customers’ time and search cost [23]. Though too much information on the Internet can be problematic to customers, small businesses need more information (rather than too little) in order to develop and deploy successful branding strategies.

A small business that is already uniquely established knows its product and service offering, as well as its target market. With the information provided by the Internet, managing the expansion of these target markets nationally and internationally will be more easy and cost effective than without the Internet. In a highly competitive virtual environment small businesses armed with sufficient competitors’ and customers’ information could create brand association to locate and respond effectively to each target market. According to Varian [24] the information management ability of small businesses will remain relevant despite the changes that will be introduced by the Internet. Varian argues that unique brand strategy and up-to-date customer information accentuates the brand management effort of small businesses. For significant profit potential and customer conversion, the brand management competency of small businesses should improve customers’ product-association level, (customer benefit) as a differentiation strategy.

Internet technology has changed the traditional (brick and mortar) cycle of product development, distribution and retailing to what is sometimes referred to as “brick and click”; the difference with information flows enabled by the Internet is that customers’ tastes and needs can be observed, tested and analysed throughout the product development cycle [25] – what the market needs can be far more easily seen, at all points in the chain of supply. This visibility provides opportunities for changes in management philosophy, seeking simplicity and pragmatism in business operations where there was once chaos and confusion. For example, Dell’s made-to-order computers, Dunhill’s customised software and Google are a few examples that illustrate how technology has been used profitably to satisfy customers’ needs [26].

If investments in Internet technology have not been successful, we have to realise that it might not be a consequence of poor technology. Rather, it might be the result of inadequate business competencies, such as a failure to develop a viable business strategy properly based on brand management and linked to Internet implementation issues. A holistic approach is needed to improve business-to-business, business-to-consumer and business-to-employee relations, all of which stand to benefit from good brand management.

V. Methodology

This review of the literature has found that it is necessary to examine the relationship between Internet investments and business success, as seen through management competencies such as (indeed centred on) brand management. Whilst there are many success factors described in the literature, brand management issues recur and the adoption of brand management perspective shows some promise in establishing the elusive holistic view that experts consider necessary.

This study sets out to assess the importance of brand management in achieving Internet success. At this stage, the experiences of a single large business are used to establish the viability of the conceptual model. Further work will apply deploy it in the analysis of other kinds of business, including small ones and business partnerships, and thereby refine it so as to develop an improved understanding of how adoption of the Internet can be made to work successfully.

According to Poon and Swatman [27] such an understanding will help us to understand current issues and the future activities needed to provide improved quality of business relations; branding strategies are a means to achieve this objective.
Use of case studies

Benbasat, Goldstein and Mead [28] state that in the field of information systems, the case study method is particularly useful to investigate these types of problem: where research and theory are at their early stages and where practice-based examples reveal important factors, and where the context of actors’ experiences and actions are critical to understand.

In the fullness of time multiple case studies will be used, so as to yield a variety of results that would not emanate from a single case study, but only a single case study is reported here. The merits of single and multiple case studies suggest that multiple case studies should be regarded in the same way as multiple experiments – the rationale being that multiple case studies are desirable when the research objective is to build and test models and theories [29, 30]. One case study cannot be used to draw a generalised conclusion: Yin [32] states that findings cannot be applied in general term using one case study, and this project is intended to deliver results that can be generalised. However, the intention at this stage is simply to assess the model through deployment in a single case.

Research into Internet branding strategies is a relatively new idea and therefore challenging, especially in the specific area of small businesses and their customer relationship management. The case study is therefore considered to be the most suitable in this particular research, because, as argued by Myers [31] it is the most common qualitative research method used in describing information systems and their relationship with real life. Myers argues that the case study ensures continuous interplay between collection and analysis of data, and is especially useful in the field of information systems where attention has moved from technical matters to organisational issues of success. That is precisely the situation here, where there is clearly much published research into the technical aspects of the Internet, but relatively little into the soft issues.

The case study method allows the simultaneous collection and analysis of empirical data, hence another reason for adopting this method is to ensure that the findings are relevant to a wider segments of small businesses through continuous improvement in the understanding.

Conceptual model

The model above (Figure 1) depicts the research domain, drawn from the literature as it is seen at this stage. It can be described as follows:

Practically, a business undertakes to build different kinds of relationship with their stakeholders – principally customers, staff and business partners.

Dealing with the relationship with customers is often referred to as “customer relationship management” or CRM. No doubt the relationship with partners and employees is the subject of similar thinking on the part of the specialists concerned.

Brand equity is seen as the sum of all the perceptions of these key stakeholders (and other related things).

This deals with the lower part of the conceptual model,
which can be argued to represent “conventional thinking”, that is, before the introduction of the Internet. This is shown in the upper part of the model.

The Internet is an investment in technology and systems that should enhance the quality of the relationship with stakeholders.

Quality in the relationship leads to real benefits, judged not by the “IT department” but by the stakeholders themselves.

The manifestation of these benefits is seen as increased or enhanced brand equity.

In this way, brand equity is not just a feature of good marketing, it is seen as an indicator of success arising from the introduction of new technology. The detailed examination of brand management and its contribution to Internet success in small businesses will be designed around this model.

The case analysis of Woolworths, a South African retail company, is presented below.

VI. Case Study: Woolworths

History

Woolworths was established in 1931 and is generally perceived to have built a reputation for innovation, quality, value and professional integrity over 74 years of operation. The company sells a wide range of food products, clothing and homeware in two hundred stores nationally. One of the most important assets of the company is said to be its employees: they “protect the brand in everything they do by upholding the highest standards of business practice and corporate governance in all areas of the business”. The company strives to ensure that it acts responsibly to all stakeholders including customers, suppliers, employees and shareholders.

The introduction of e-commerce

In 1998, Woolworths (Pty) Limited set up a project team to investigate the opportunities of online retail service offering. Collin Hall, former CEO of Wooltru played a vital role in this initiative, that drew for implementation on the expertise of an IT company known as definitive-logic. In 2000, an operating company known as Inthebag emerged, following the sale of Wooltru assets to Woolworths. At that time, the investment in the e-commerce project had already consumed a reported R30,000,000; newspaper reports some three years later reported steady, but not remarkable, growth, and therefore there is an air of caution in the air. Perhaps the potential benefits of e-commerce have been very much overstated?

The situation today

Inthebag (Pty) Limited is now responsible for providing commercial e-commerce services to Woolworths and manages the online contract with customers for selected Woolworths merchandise.

The e-commerce operation of Woolworths in South Africa today is under the leadership of Keith Scott (general manager, e-commerce operations) at the head office in Cape Town, South Africa.

He explains that all core activities of the company are divided into three categories: operational management; process management and brand management. The brand management function runs through other management activities including the online services that support operations. All these function are separated organisationally, but tightly aligned to one another for consistency and coherence.

There is a history to brand management at Woolworths. With 74 years in business, the Woolworths brand has developed and established strong relationships with many customers. Extending this relationship to the online (remote) environment requires a great deal of trust between the customer and the brand, Scott considers. He understands that they rely on this trust to drive the e-commerce operation forwards and break through the barriers that they still face in the online environment. He affirms that the truly innovative challenge is how to continuously extend and replicate this trust that derives from their history of retailing, into a versatile online environment. This is clearly a challenge that they are still willing to pursue.

Benefits of e-commerce

According to Scott, benefits are slow in coming. Inthebag is still seen as a new business channel that the company will continue to develop, even though there is no immediate benefit. The e-commerce operation is seen as providing a strategic opportunity to extend additional service offerings that will help to retain existing customers. Customer retention is a huge strategic challenge that Woolworths wants to address, and e-commerce is one way to achieve this, through continuous and consistent delivery of service value that is innovative, professional and convenient for customers.

However, the present scenario of high cost and low volume is worrisome, but Scott considers that the company cannot renge on its commitment to ensuring customer retention with good Internet-enabled customer relationship management for that segment of the market that does actually value Internet-based services. He believes that effective customer relationship management will ultimately lead to improved brand equity.

Achievement of benefits

To achieve this objective of successful customer relationship management, the business continuously mines customer personal information using e-commerce technology. They use the resulting information to analyse customer needs and package products and services that satisfy those needs. The result has been an increase in market share and profit for the Woolworths brand, although it is not clear what portion of the customer relationship management success is attributable specifically to Internet based e-commerce operations.
Strategic significance of the Internet and brand management at Woolworths

Scott is clearly committed to further use of the Internet and he recognises the pros and cons of extending brand management to enhance customer relationships.

Others in the management team include Anthony Dean (brand manager), Sean Smith (customer relationship management), and Phila Ndarana (e-commerce manager). When asked, they all stressed that online customer relationship management is a crucial managerial function and they believe that only a professional, innovative and progressive company can work to overcome the trust barriers that might prevent e-commerce success.

This common commitment suggests a high level of strategic awareness of both the opportunities and the risks of e-commerce. Trust is clearly in their collective consciousness; they consider that a growing increase in online trust, arising from their strategies, has created an atmosphere of confidence in the whole e-commerce operation. Out of the 90,000 registered online customers, 17,000 are active online shoppers (very similar figures to those reported by other comparable retailers such as Pick ‘n Pay). This represents 19% of the prospective online customers, and with various ongoing innovation, they intend that more customers will be converted and committed to active online shopping and – just as important – retained as online shoppers in the coming years.

Assessment of the conceptual model

One business is revealed to be committed to the use of the Internet, and there is no hesitation in their belief that this can contribute to the improvement of the quality of relationships. However, the respondents in this initial study refer only to relationships with the customer, and apart from the fact that they themselves have a high level of unanimity in their commitment to e-commerce and brand management strategies, there seems to be little consciousness of the importance of staff and business partner relationships (or the unimportance of them). This requires further investigation and might be revealed when more managers from other internal functions are interviewed.

With this exception, that a more complex range of relationships might be affected by the introduction of the Internet and e-commerce, this case study fully justifies the focus on marketing and brand management as an important, even critical, feature of successful e-commerce implementation. Having said that, actual e-commerce success and hard evidence of brand equity is not necessarily apparent, so in a sense it is actually shown that even five years after initiation of e-commerce at Woolworths, the “jury is still out” and there is much more work to be done before we can draw confident conclusions.

VII. Conclusion

The fundamental principles of branding and brand management will probably remain unchanged, despite the radical changes associated with doing business on the Internet. This paper has found that business opportunities created through the Internet are seen as potentially beneficial, provided that adequate attention is given to the implementation of branding strategies that recognise the dynamics and characteristics of the Internet, and even though it is clearly still early days, and the patterns of management activity and action that will ensure success are by no means clear.

Large businesses like Woolworths are sometimes dependent on small businesses. Where this study has focused on customer-side e-commerce (the side of the consumer, in this case), it is possible that e-commerce on the supply side will be equally if not more interesting. As businesses like Woolworths struggle to achieve the customer side benefits, perhaps they will be drawn to review the merits of e-commerce on the supply side, where (it is important to note) they have far more influence over whether their partners will join in; customers can choose to shop elsewhere and frequently do so – suppliers are far more interested in doing what the buyer would like them to do.

Customer-side or supplier-side, the evidence indicates that the benefits of e-commerce investments will have a lot to do with branding strategies and brand management.

Because of the evident difficulties revealed by this case study, the availability of fully developed and tested models such as that presented here will enhance the prospects for success through good branding and good customer relationship management, especially in those challenging situations related to the introduction of the Internet and e-commerce.

References


