The impact of E-commerce on Business Strategy: A Literature Review Approach

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Abstract: E-commerce is a new business model in the world as it is prompted a major change in the mode of production and services of the whole world. That with the rapid development of Internet technology, e-commerce has become a key means of modern enterprise competition. This study is descriptive based on the collection and analysis of results of studies, reports, periodicals and books related to the topic of study in order to investigate the relationships between E-commerce on Business Strategy. The main purpose of this study is to describes the influence of e-commerce on the business strategy in order to understand electronic commerce, models and types Business-to-Consumer (B2C), Business-to-business (B2B), Consumer-to-consumer (C2C), Intra-organizational and describing the difference between e-commerce and e-business in order to determine the impact of E-commerce on Business Strategy also E-commerce characteristics from worldwide perspective like United State of America, Korea, Kenai has been reviewed. Based on descriptive study, the researchers has found a positive relationship between E-commerce and business Strategy through characteristics of E-commerce systems and benefits of adopting e-commerce. also E-commerce does not change the business nature but it is a complementary tool that supplements the overall strategy and enhances the business performance. An organization capability to manage technology-enabled change is the core of successfully managing e-business. The step of change and the opportunities for new communications approaches make e-business and e-commerce an exciting area of business to be involved in.

Keywords: E-commerce, Business Strategy, e-business, Business-to-consumer (B2C), Business-to-business (B2B), Consumer-to-consumer (C2C), Intra-organizational, marketing mix.

Introduction

E-commerce has many advantages reflected in our life, as it makes convenient in daily life of the people.

As the increasing demands on organizations, it is required to change the ways of dealing with customers, suppliers, and partners by utilizing the e-commerce approach.

E-commerce and business strategy are important for business development and promoting economic restructuring and upgrading.

Chang, K, Jackson, J, Grover, V, (2002), describe that the emergence of e-commerce is creating fundamental changes to the way that business is conducted. These changes are altering the way in which every enterprise acquires wealth and creates shareholder value.

Levy, P, (2012) told that e-commerce sales climbed 16 percent during 2011, and analysts are forecasting continued strong growth in e-commerce sales over the next five years. 1 Javelin Strategy and Research recently predicted that online retail purchases in the U.S. will total $429 billion by 2015. 2 Online transactions now account for nearly 6 percent of total retail sales in the United States, up from just 1 percent a decade ago. On the other hand, There are certain barriers and risks of implementing e-commerce in the organization mentioned in the of this thesis such as cost, training and information security factor. Based on that, the study analyzes the impact of e-commerce on business strategy. As there are a number of advantages of adopting e-commerce that include cost savings improved efficiency, customization and global market places explored. There are a negative effects of E-Commerce to be counted and considered in building of the in the strategic plan such as customer privacy regulations, information security matching with the highest standers and price war from others seller.

Finally, e-commerce is beneficial to both businesses and consumers as saving time and space barriers. The most notable strategic effects at the business-unit level: are value added, differentiation, cost leadership, focus, and business growth strategies.

Research problem

Researcher has found through pilot study that e-commerce and business strategy has different views. many of managers does not recognize about the real importance of e-commerce and its effect on business strategy, some other managers adapting with rapid
development on Internet and new technologies will lead to organizational success on the other hand many managers has misunderstanding of the relationship between both variables. The researchers has found a chance to investigate the determinants and consequences of e-commerce and its effect on business strategy.

**Research Questions:**
Based on research problems, the following questions have been formulated.
1. What is E-commerce and its parameters?
2. Explore the new approach of marketing mix 4P+7C and how it related to e-commerce?
3. Is e-commerce and e-business are same concept?
4. Describe the Business Strategic and its tasks and plan?
5. How far is the impact of E-commerce on Business Strategy?

**Research Objectives:**
The main objectives:
1. Explore e-commerce and its parameters.
2. Define marketing mix 4P+7C.
3. Critically State the difference between E-commerce and E-business.
5. Explore the impact of e-commerce on business Strategy positively or negatively.

**Research Methodology:**
This study is descriptive based on the collection and analysis of results of studies, reports, periodicals and books related to the topic of study in order to investigate the impact of e-commerce on Business Strategy.

**Research limitation:**
This research has driven theoretically to investigate the relationships between E-commerce and Business Strategy, based on the collection and analysis of studies, reports, periodicals and books in order to identify E-commerce characteristics and how it effect on Business Strategy. However, the researchers is looking for conducting analytical study to evaluate Business Strategy elements and e-commerce by using statistical methods.

**Literature Review:**
**E-commerce and organization strategic plan**
Levy, P. (2012) mentioned that e-commerce concept that must be considered in the organization strategic plan: Although traditional business-building strategies can be effective in improving online revenues, the Internet marketplace also offers its own unique challenges and opportunities for attracting customers and building customer loyalty. In particular, the online payment process plays a significant—and sometimes overlooked—role in achieving the growth and profitability goals you set for your e-commerce channel.

**Positive relationship.**
We concluded that the e-commerce market space is seen as promising and that it could generate positive performance implications if it is reflected in corporate strategy. This conclusion is interesting in light of the recent numerous dot-com failures and suggests that e-commerce must be given priority in corporate strategy. (Chang, K, Jackson, J, Grover, V.2003) found positive relationship between e-commerce and Business Strategy.

**Adopting of e-commerce:**
Advantages of e-commerce are cost savings, increased efficiency, and customization. In order to understand electronic commerce it is important to identify the different terms that are used, and to assess their origin and usage. These include information overload, reliability and security issues, and cost of access, social divisions and difficulties in policing the Internet. Successful e-commerce involves understanding the limitations and minimizing the negative impact. (Shahrzad. S, Mohammadreza. S, Saeid. G, 2015) here coming up with the advantages and negative effects that to be consider in the adopting of e-commerce into the organization.

**Revolution in business**
Electronic commerce is a revolution in business practices. If organizations are going to take advantage of new Internet technologies, then they must take a strategic perspective. That is, care must be taken to make a close link between corporate strategy and electronic commerce strategy (Richard T, Pierre B, Leyland F, and George M. 2008).

**Process variables (PVs)**
PVs are the key variables (or other equivalent terms in the case of other fields) in the process domain that characterizes the process that can generate the specified DPs.

![Figure 1: Domains of the Design World](http://www.jofamerican science.org)
conceive a design described by design parameters (DPs) in the physical domain. Finally, to produce the design product specified in terms of DPs, we develop a process that is characterized by process variables (PVs) in the process domain. (MARTIN, B & Kerim, A. 2001).

**E-commerce growth**

The different characteristics of each enterprise choose e-commerce applications for business model innovation mode is also different. Through the case study, can be divided into stock of the innovative ways of innovation, incremental innovation and whole new three categories:

1. When the access to new resources, core competence or distribution channels can use type stock of innovative ways to supply similar products or services in the past.
2. In some ways lag of the enterprise, can use the incremental approach to innovation, adding new elements in the current business model in order to strengthen the competitive advantage, such as the value chain is the key part of the change.
3. With new technology, and can grasp the opportunity of enterprise can be in the process of new markets for business model innovation. (Yaqi. G, HU. J, 2014).

![Bar graph showing E-commerce growth](image1)

**Figur-2: percentage of the E-commerce growth**

**Barriers for the small companies**

The most important barriers for the small companies are the lack of innovation culture and knowledge. Even if some companies still consider the cost factor as most important this is because of insufficient understanding for e-commerce and the positive effect of it. This in turn leads to non-consistency or stopping the process of innovation. Other important barrier is the lack of customers demand (Diyan. I, 2012).

Firstly, an e-commerce enterprise should concentrate on the core competencies. Since E-commerce is a kind of new business mode by virtue of computer network, an e-commerce enterprise should emphasize the operation and management.

An e-commerce enterprise should focus on the innovation of business mode and operation mode since they are the critical factors for an enterprise’s success (Danping W, 2013).

![Bar graph showing E-commerce growth for Korea](image2)

**Figure 3: E-commerce market outlook for Korea 2005**

Many countries are developing e-commerce strategies and plans, and analyzing and benchmarking those of other countries, in order to promote success in this new competitive economic environment.
Business to business (B2B) e-commerce is increasing more rapidly than business-to-consumer transactions in Korea. This trend is also evident in the U.S. (Hong, M. 2000).

E-commerce merchants must also have a strategy to succeed in the online marketplace. Many people start websites because they think it is a quick and easy way to make cash, but in fact it takes a much greater investment than most people expect.

- Therefore, before launching a site, businesses must have strategies to handle issues large and small:
  - How consumers will place orders,
  - How deliveries will be made,
  - How customer service issues will be handled?
  - More broadly, how much do owners expect to earn over a certain period, how will consumers find the site, and how will success be judged.

Online merchants without strategies will soon be overwhelmed by such issues.

**Enterprise Resource Planning (ERP) and e-commerce**

ERPs are often called “back-office” systems. ERP systems are management information systems that integrate and automate many of the business practices associated with operations or production aspects of a company. ERP software can aid in control of many business activities such as sales, delivery, production, billing, production, inventory, shipping, invoicing and accounting.

**Researchers analytical for literatures review**

Based on descriptive study, the researchers has found a positive relationship between E-commerce and business Strategy through characteristics of E-commerce systems benefits of adopting e-commerce and exploring the negative effects of E-Commerce. As many literatures conclude that Electronic commerce is a revolution in business practices. If
organizations are going to take advantage of new Internet technologies, then organizations must take a strategic perspective. That is, care must be taken to make a close link between corporate strategy and electronic commerce strategy. A competitive advantage main impact of e-commerce on a business strategy that by create the cost leadership, differentiation, focus, innovation, growth, and business alliances. It is important that a firm to be aware that the e-commerce does not change the business nature it is a complementary tool that complements the overall strategy and enhances the business performance. During e-commerce implementation, organization may face different obstacles. Some of them are common, like lack of knowledge and skills, while others can appear due to the character of the organizations lack of long-term business strategy.

![Figure 6: The Seven Dimensions of an E-commerce Strategy](image)

As Martin, B & Kerim, A. (2001) mentioned the new marketing mix counting 4P+7C:
1. Content
2. Customization
3. Convenience
4. Connectivity
5. Communication
6. Community
7. Customer care

Should be considered. On the other hand to develop business strategies institutions need a deep considerate of the driving forces of the new economy, and consider e-commerce solutions as integral.

Organizations are expanding their use of networked systems to improve internal business processes as to coordinate product design, improve customer service, manage inventory and reduce administrative and managerial costs.

**E-commerce**

An E-commerce System is an information system that provides E-commerce capabilities for an organization. It is a wide range of online business activities for products and services relates to any form of business transaction in which the parties interact electronically rather than by exchanges or direct contact.

**A new marketing mix 4P+7C**

Companies have to rebuild the traditional marketing strategies around the facts of the new business environment and the Internet. In the traditional economy, the marketing mix was could be explained with the 4P’s that are product, price, place and promotion In the new business environment and the network economy, a new marketing mix including 4P+7C (content, customization, convenience, connectivity, communication, community and customer care) should be considered. The companies that desire to rank among the leading ones in today’s competitive marketplace should adopt these factors successfully into their corporate goals and implement the essential strategies efficiently (MARTIN, B & Kerim, A. 2001).
Types of E-commerce

(B2C)

Types of e-commerce

Intra-organizational

B2B

C2C

(1) Business-to-consumer (B2C): Involves a business selling its products or services electronically to the consumer (usually an individual).

1. E-tailers: Called direct marketers
2. Using others to sell their products: Called
indirect marketers
3. Sell products electronically: Called full cyber-marketers
4. Selling through traditional means as well as electronically: Called partial cyber-marketers
5. Filling orders from stock: Called electronic distributor
6. Send orders to manufacturers or wholesalers that fill the orders: Called electronic brokers

(2) **Business-to-business (B2B):** Three main types of B2B e-commerce:

- **Supplier-**oriented marketplace: provides e-commerce capabilities for other businesses to order its products.
- **Buyer-**oriented marketplace: requests quotations or bids from other companies electronically.
- **Intermediary-**oriented marketplace: acts as an intermediary between buyer and seller.

(3) **Consumer-to-consumer (C2C):** One consumer sells a product or service to another consumer usually through an intermediary e-commerce business

(4) **Intra-organizational:** Intra-business, or organizational, e-commerce involves transactions between departments, regions, subsidiaries, or other units of a business.

**Table-1:** K.-c. Chang et al. / Information & Management 40 (2003) 663–675

<table>
<thead>
<tr>
<th>Coding schema for content analysis</th>
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<tbody>
<tr>
<td>E-commerce</td>
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<tr>
<td>Internet</td>
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<tr>
<td>Dot com</td>
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<tr>
<td>E-business</td>
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<tr>
<td>E-commerce</td>
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<tr>
<td>E-strategy</td>
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<tr>
<td>(e-)</td>
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<tr>
<td>Virtual</td>
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<tr>
<td>(Web) site</td>
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<tr>
<td>On line</td>
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<table>
<thead>
<tr>
<th>Customer-orientation</th>
<th>Competitor-orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer (service)</td>
<td>Collaboration</td>
</tr>
<tr>
<td>Relation</td>
<td>Cooperation</td>
</tr>
<tr>
<td>Service quality</td>
<td>Interaction</td>
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<tr>
<td>Trust</td>
<td>Satisfaction</td>
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<tr>
<td>Customization</td>
<td>Reliability</td>
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<tr>
<td>Communication</td>
<td>Loyalty</td>
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<tr>
<td>Customer retention</td>
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| Differentiation | Cost reduction |
| Product refinement | |
| Image | Product quality |
| Product diversity | Efficiency |
| New product | Market share |
| R&D | Economies of scale |
| Unique market | Competitive pricing |
| Market niche | |
| Specialized market | Price control |

**Is e-commerce the same as e-business?**

Some people use e-commerce and e-business interchangeably, they are dissimilar concepts. E-business includes E-commerce in addition also, covers internal processes such as production, inventory management, product development, risk management, finance, knowledge management and human resources.

E-business strategy is composite, focused on internal processes, and aimed at cost savings and developments in efficiency, productivity and cost savings.

**Characteristics of E-commerce Systems**
1. Product presentation: Electronic catalog
2. Order entry: Electronic shopping cart
3. Payment: Electronic payment and Electronic Funds Transfer (EFT)
4. Product distribution
5. Customer service
6. Product support
7. Data acquisition

**Barriers for E-commerce adoption**

Organizations should carefully measure the risk and potential benefits of realizing e-commerce their new strategy needs extensively changes in all aspect of organization business. If the plan is not in accordance with the overall company mission, the result could be negative such as bad customer experience and low return of investments. There are also many problems with security, ordering and delaying of orders. However, the barriers for adoption of E-commerce are several but depends on the organizations condition and preparations.

<table>
<thead>
<tr>
<th>Category</th>
<th>Barriers</th>
</tr>
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</table>
| Management          | 1. Lack of awareness
                     | 2. Lack of long term business strategy
                     | 3. Lack of innovation culture Resistance of top management             |
| Cost                | Lack of finance resources Long process of return on investments          |
| Skills /training    | Lack of experience and knowledge                                          |
| Supply chain        | Unsuitability for the type of business Lack of consumer demand          |
| Technology          | High level of complexity Lack of time                                    |

**Business Strategy**

A business strategy is a business approach to a set of competitive moves that are designed to generate a successful outcome also defined as Plan that integrates organization’s goals, policies, and actions into integrated totally and as a track, organization takes in order to compete effectively and meet stakeholder expectations that requires vision and mission and, intervening purpose.

**Why we need business strategy:**

1. Consolidation the organization’s competitive position.
2. Satisfying the customers
3. Achieving performance targets

**Three questions involved in a strategy**

1. Where are we now?
2. Where do we want to go?
3. How will we get there?
4. How do we know if we got there?

**Strategic Management Tasks**

1. Defining business and stating a vision and mission
2. Setting SMART objectives
3. Crafting a strategy to achieve objectives
4. Implementing a strategy plan.
5. Evaluating performance of the strategy, auditing

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Figure 10: Strategic Management Tasks
new developments and taking corrective action

A strategic Business plan
Where the organization is headed Short and long-term performance targets and actions of management to achieve desired outcomes consists of:
1. Mission statement
2. Strategic and financial performance objectives
3. Comprehensive strategy for achieving the objectives

The Impact of E-commerce on Business Strategic plan
E-commerce is assisting organizations to lower costs dramatically through their supply and demand chains, take their customer service into a different league, enter new marketplaces, create additional revenue streams and redefine their business relationships.

Information systems that have a strategic impact on a business help create a competitive advantage for the business as cost leadership, differentiation, focusing, innovation, growth and business alliances.

Benefits of adopting-commerce in business as reflecting by the impact:
1. Improving the efficiency: access to products and services from customers.
2. Cost saving: Less personnel and time to maintain customer operation; decreased material expenses.
3. Improved customer service: Offering many new services and improve the quality, with decreasing the time.
4. Reaching large number of customers: Organizations able to reach new markets in other countries. organizations can broaden their marketplace or widen the supplier base.
5. Increased sales: E-commerce leads to increased sales, as it is easy to monitor and adjust the demand of the product or service.
6. Improved distribution channel: Organizations can broadened their supplier bases through the use of e-marketplaces
7. Better customer satisfaction through unique products: Tailor unique customer products and services to individual’s leads to better customer satisfaction
8. Enhancing the communication: E-commerce possess new possibilities for communication between partners
9. Better access to information: Increased ability to gain information about customers and suppliers, increased information exchange

Figure 11: Organizational changes reflecting on business benefits

Negative Effects of E-Commerce
E-commerce can be a great way for a businesses to increase the sales and widen the reach. It is also convenient for consumers, without having to leave their homes or spend the day fighting queues at the shopping mall to pick up the best deals.

However, e-commerce also has negative effects on both consumers and organizations that must be kept in mind before launching an online shop.
Privacy

It is easy to gather a lot of personal information from a consumer using an e-commerce website, since all online transactions are recorded and use that to send targeted advertisements.

However, many will agree that this is an intrusion on a consumer's right to privacy, and it is something that is seriously regulated on many countries. This means organizations aiming to establish e-commerce essential to be aware of the legislation that applies, as of that, any mistakes can be costly in terms of both fines and customer trust.

Security

When the customer inputs the payment information, they risk a third party intercepting it if the website doesn't comply with the adequate security measures, giving rise to credit card fraud and identity theft.

Organizations need to be aware of the risks electronic transactions carry, and work towards securing the systems on the highest standards.

Price Wars

This can affect the organizations negatively, as they cannot sell as much as they expected to actually make a profit or the consumer's when online stores cut corners in order to become more competitive or products are purchased from illegitimate retailers because they had the best price.

Returns and Complaints

Selling online means usually a higher return rate on products than when the purchase was conducted in person. Customers after receiving they have changed their mind and make use of favorable return policies. While big organizations would have no problem accommodating this, it may be highly troublesome for a small business with limited stock management.

![Figure 12: Returns and Complaints](image)

Researchers Comments

By reviewing studies, reports, periodicals and books related to the topic of study researcher has develop practical Managerial Implications to enhance Organizations to be adopted itself to enter the e-commerce market at little gradationally. Therefore, organizations must have inclusive information about the products and market participants, demands, and supplies in order to adapt e-commerce.

Executing an electronic order prompts an action in what is necessity be efficient, synchronized, and fast so that the electronic trade will not be slower.

New opportunities and challenges

E-commerce is an exciting area to be involved with, since many new opportunities and challenges arise yearly, monthly and even daily. Innovation is a given, with the continuous introduction of new technologies, new business models and new communications approaches.

Managerial commitments for adopting the e-commerce

- Senior managers and directors seeking to apply the right e-business and e-commerce approaches to benefit their organization.
- Information systems managers who are developing and implementing e-business and e-commerce strategies.
- Marketing managers responsible for defining an e-marketing strategy and implementing and maintaining the company web site.
- Supply chain, logistics and procurement managers wanting to see examples of best practice in using e-commerce for supply chain management.
- Technical project managers or webmasters who may understand the technical details of building a site, but have a limited knowledge of business or marketing fundamentals.

E-marketing plan guidelines

A successful electronic marketing plan for the web presence of an enterprise should cover all the issues as below:

In e-commerce Management, the managers can use to evaluate the significance of different e-commerce opportunities and then devise and implement strategies to utilize these opportunities. In addition, how to manage more practical risks such as delivering a satisfactory service quality, maintaining customer privacy and managing security.

Retail e-commerce sales in the United States growth.

In the USA statistic shown retail e-commerce sales from 2013 up to 2019. As in 2014, retail e-commerce sales amounted to $298.26 billion and are expected to grow to $481.94 billion in 2018.
Conclusion

This study focused on the impact of e-commerce on business strategic plan is benefits of improved internal efficiency and increased information exchange. E-commerce improves organizations’ values, cost factor but also, to consider the lack of knowledge as a main barrier there are some negative effects of e-commerce to be counted and considered during building of the in the strategic plan such as customer privacy regulations, information security that should be matching with the highest standers and price war from others seller.

The E-commerce does not change the business nature but it is a complementary tool that supplements the overall strategy and enhances the business performance.

As organizations should be aware of the risks and potential benefits of implementing e-commerce and dealing with the barriers such as cost, training, technology and security factors avoiding the failure of the business plan. As of fast changing business environment today’s that requires changes in assumptions, values, and the manner of achieving the business.

Many organizations that adopt e-commerce hope to achieve competitive advantage as with new technology that can grasp the opportunity of organizations can be in the process of new markets for business model innovation.

E-business seems to spawn new businesses and business models every day. Some of these new businesses will, in time, become established giants, and some of them may dominate their particular sectors. The qualities they share are a deep understanding of how technology can serve their business strategies, a proven flair for implementing those strategies, and unlimited ambition. A new marketing mix including 4P+7C (content, customization, convenience, connectivity, communication, community and customer care) should be considered in the new business network economy.

Finally, the business market affected by e-commerce, regardless of whether they are proactive about adoption or not. An organization’s capability to manage technology-enabled change is the core of successfully managing e-business. The step of change and the opportunities for new communications approaches make e-business and e-commerce an exciting area of business to be involved in.
Figure 15: Business Strategy elements and e-commerce.

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