THE IMPACT OF THE INTERNET ON THE MARKET ORIENTATION OF COMPANIES

Lesley Ann True

A project report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration

Johannesburg

May, 2001

i. ABSRACT

The main objective of the research was to qualitatively measure, the impact that the Internet has on the market orientation of companies.

Market orientation research has been extensive and there are a number of key criteria that impact on the performance and profitability of companies.

The reasoning behind this research is that technology in the form of the Internet is developing with alarming pace. There is a need to establish whether the developments taking place within e-Commerce will influence market orientation and thus the performance of a company

The research established that the Internet is an important tool to help a company become market oriented. It is crucial not to ignore what it can do for market orientation and the marketing function. However, an important point was that companies, and within those companies, managers, employees and shareholders must be sure of the reasoning behind their move into e-enablement.

ii. DECLARATION

I declare that this research report is my own, unaided work. It is submitted in partial fulfilment of the requirements of the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other University.

Lesley Ann True

31st Day of May 2001

iii. DEDICATION

To Wim

Your love, support and encouragement have

sustained me throughout.

To my family

For their never-ending support of my academic

efforts, the patience with which they

provide good advice, express

interest and hand out

love.

iv. ACKNOWLEDGEMENTS

I am grateful:

To my supervisor, Jaqcui Spence, for her guidance throughout the research process.

To the interviewees that made this research possible. For their time, patience and willingness to share knowledge, expertise and experience.

To Tracy Booysen, for taking the time to help me with the compilation of the document.

v. CONTENTS

vi. GLOSSARY OF TERMS

- **Digital Divide** – Describes the fact that the world can be divided into people who do and don't have access to, and the capability to use, modern information technology.
- **Click** – When a visitor interacts with a web site, particularly an advertisement.
- **Authentication** – The process of verifying a users identity. In electronic transaction, authentication allows the recipient to have confidence in both the identity of the sender and the integrity of the message.
- **B2B** – Business to Business e-Commerce.
- **B2C** – Business to Consumer e-Commerce.
- **CAGR** – Compound Annual Growth Rate
- **CRM (Customer Relationship Management)** – Customer care processes and systems that help companies attract, retain, service and expand relationships with customers in order to generate business benefits and improve the consumer experience.
- **Dot-com –** These are companies whose primary business is the conducting of e-Commerce over the web.

- **E-Business** – Encompasses Internet and e-Commerce. Revolves around the integration of business systems/applications and automation that create an electronic connection of business processes to the outside world with which the company trades.
- **E-Commerce** – Includes all forms of Internet commerce, as well as other forms of electronic trading concluded over private/proprietary networks.
- **Extranet –** A private network.
- **Internet –** TCP/IP based interconnection of server's world wide that provides communications and application services to an international base of users.
- **ROI –** Return on Investment.
- **Web Commerce –** Those Internet based transactions that take place using a browser via the World Wide Web.
- **Website –** A related collection of web files that includes a beginning file called the homepage. From the homepage you can get to all the other pages on their website.

- **World Wide Web –** Worldwide network of services that supports Hypertext connections using HTML language.

Sourced: BMI-TechKnowledge “The New Economy Builders” Handbook 2000, p 8-11.

vii. LIST OF TABLES

viii. LIST OF FIGURES

ix. LIST OF MODELS

1. CHAPTER ONE

1.1 Introduction

The Internet is globalizing the world, creating a new environment due to the lack of boundaries, and the resultant connectivity. There is a real need to become more competitive, because of this. One of the areas where the Internet is having a very real effect is on companies' market functionality. This will have real implications for the market orientation that a company has, or adopts.

There is no doubt that these are confusing times, with no clear guidelines as to how much potential there really is, and how to take advantage of it. No matter how experienced the marketer, the very nature of commerce can confuse one. (Aldridge, Forcht and Pierson, 1997)

Market orientation research has established that, superior customer value, is an important aspect of market orientation, and allows company's to outperform less market-oriented rivals. (Deshpande, R; Farley, J and Webster, F, 1993; Jaworski and Kohli, 1993; Narver and Slater, 1990).

The Internet has important implications for this aspect of a company’s processes and functional activities. The pace of change brought about by the impact of the Internet is due, in part, to the way in which the technological innovation has captured the imagination of users (Peters, 1998).

The research problem that is investigated, in this paper is; how do companies use the Internet, from a market orientation perspective, so as to sustain advantages in a way that new capabilities add value, provide competitive advantage and become difficult to replace.

An ability to sense events and trends is an important aspect of a market driven firms competitive advantage. (Day, 1994). The importance of the Web can be seen in the rate of its growth, and in the “stated” commitment of company’s, on a broad level, to make use of it.

However, the remaining problem is, how to use the capabilities of the Internet from a marketing perspective to effectively leverage the strong association that has been established between market orientation and company performance. (Avlonitis and Gounaris, 1999).

This has relevance for managers and companies in the South African environment, as the country is in the infancy of business initiatives on the web. It has been an issue that companies have been investigating in an effort to extend their services and provide constructive advice to their clients, both internally and externally, in an attempt to help them become e-enabled.

An example of a company going through just such a process is Ernst and Young. In their Annual Report (1998, pg.3), they state that, "to add value to the client, we need to really understand the industries in which they operate and offer them ideas, solutions and results which will contribute to their success".

The Internet is a focal point in which Ernst and Young, (and many other companies), want to become market leaders, and in which they wish to help their clients develop their market orientation. This can therefore be applied to, what Peters (1998) sees as, the interactive capability of computer-communication services, and which Miles (1991), sees as having relevance to three main classes: information services (e.g. databases), communication services (e.g. messaging, e-mail etc.) and transactional services (e.g. e-commerce).

1.2. The Research Problem and Sub-Problems

The premise of this research paper is to show, through qualitative analysis, the impact the Internet is having on companies and companies market orientation.

It is postulated that there are a new set of rules that will influence the way that business is conducted, and that these new sets of rules change the companies business strategies, so as to leverage off the Internet as a new medium in which to do business.

The Internet can be used as an effective tool to focus a company's business philosophy, and can be the means by which a company implements a new business philosophy that enhances its market orientation.

The Internet/market orientation synergy, will allow companies to add value to their clients and gain competitive advantages in their environment of business. This solution must make use of traditional marketing practices as well, but in a more focused manner. Company performance will be positively influenced by the impact of the Internet on the company's market orientation.

1.3 Limitations

There are a number of limitations to the research that need to be accounted for.

- The Internet and its role in e-commerce, is a relatively new medium, and there is a lack of rigorous academic literature. Therefore the lay press and such were areas where some of the literature was drawn from.
- The Internet is a dynamic and swiftly changing environment where theories and postulations are changing all the time. This has implications for this research due to the fact that there are many ideas and theories continuously being postulated. This may be reflected in the differing responses received from the interviewees.
- The interview strategy that has been put forward in this proposal means that the academic rigour of this research project took into account the consultative nature of the project and the discussion based interview method.
- In most cases there is a strong possibility that the understanding of the concept of market orientation did not exist, or was confused. An education process

was implemented in the initial stages of some of the interviews.

1.4 Chapter Summary

Chapter Two: Literature Analysis

The literature review looks at the two aspects pertaining to the research, namely that related to market orientation, and that related to the Internet.

The theory of market orientation is discussed by looking at the traditional theorists as well as a synopsis and synthesis of the literature as it pertains to other authors on the subject.
A model of the theoretical constructs is also developed.

The Internet is then discussed and theory pertaining to this technology is examined.

Chapter Three: Research Propositions

This chapter focuses on the research propositions that are to be investigated through this qualitative research.

Chapter Four: Research Methodology

This chapter outlines the size and method of sampling, method of data collection and data analysis.

Chapter Five: Interpretation of Results

In this chapter the findings of the research are presented and analysed. The results are interpreted by referral back to the literature that was reviewed in Chapter Two, by referring to thoughts and perceptions presented by the respondents in the interviews, by use of relevant and pertinent new literature and finally by the author herself.

Chapter Six: Conclusion

In this chapter the main findings are consolidated. The research findings are reviewed in light of the model developed, the implications for business and managers and then recommendations for further research are offered.

2. CHAPTER TWO

2.1. Literature Analysis

In defining the Internet, the interconnection of a number of computer networks on an almost global level is seen to be important (Peters, 1998). There has been phenomenal growth in this medium as commercial providers and users discover its potential for communication and information (See Appendix 1).

As a medium and a market, the web presents a different environment, from traditional communication channels. Advertising, pricing, word-of-mouth influence, distribution and product development are all marketing activities that are unique characteristics of Internet marketing strategies (Peters, 1998).

This is perhaps best summarised by the introduction of the term market-space, (Rayport and Sviokla, 1994), which describes a new philosophy of activity which adds value, one parallel to, but different from the traditional marketplace.

The model postulated by Hoffman and Novak (1996), incorporates the fact that communication may be a one (firm)-to-many (consumers) model, rather than a many-to-many model. This implies that both factors contribute to the medium and the message. In the "Power of E-Marketing" (Mann-Craik, 1999) Peck, Managing Director of RESPA Internet & E- Commerce strategists, states that "The promise of the Internet is enriched and augmented communication, not total substitution for other media and venues".

2.2. Market Orientation

2.2.1. Traditional Market Orientation

In an attempt to conceptualise it even further, it is necessary to have a look at some of the traditional theorists and expound, succinctly, their views regarding market orientation. In short, four groups of authors have established theoretical constructs of market orientation:

- Deshpande, Farley and Webster (1993), looked at the impact of culture, customer orientation and innovativeness on business performance. They define customer orientation as "the set of beliefs that puts the customers interest first, while not excluding those of all the other stakeholders, in order to develop a long-term profitable enterprise" (Deshpande, Farley and Webster, 1993, p27).

- Jaworski and Kohli (1993) define market orientation as comprising three sets of related activities:
    1. Organisation-wide generation of market intelligence.
    2. Dissemination of the intelligence across the departments of the organisation.
    3. Organisation-wide responsiveness to the disseminated intelligence.

- Kotler (1994) mentions five attributes that he expressed as determining the degree to which companies exhibited marketing effectiveness:
    1. Customer Philosophy
    2. Integrated marketing organisation
    3. Adequate marketing information
    4. Strategic orientation
    5. Operational efficiency

The author (Kotler) used a marketing effectiveness rating instrument which was based on these five attributes in measuring a companies overall marketing effectiveness.

- Narver & Slater (1990), in an attempt to measure market orientation, developed and validated an instrument which hypothesised market orientation as a one dimensional construct made up of three behavioural components:
    1. Customer orientation – sufficiently understanding the needs of the client so as to create superior value for them all the time (Narver & Slater, 1990).
    2. Competitor Orientation – the company understands the strengths and weaknesses, capabilities and strategies of existing and potential competitors (Narver & Slater, 1990).
    3. Interfunctional Co-ordination – suggests using the resources of the company to create superior value for target customers (Narver & Slater, 1990).

2.2.2. Synthesizing the literature

The importance of establishing a market orientation within a company has been held and developed in traditional marketing literature over the years.

The case for creating superior customer value is seen to be a major goal of market driven firms (Day, 1994; Narver and Slater, 1990). This is further related to the level of cultural values and beliefs in an organisation, which states that the customer's interests come first. (Deshpande, R; Farley, J and Webster, F; 1992).

Gray, B; Matear, S; Boshoff, C and Matheson, P (1998) help us understand the marketing function and market orientation, by drawing distinctions between the two.

Through the work of Deng and Dart (1994), the above authors extrapolate that market orientation is the generation of appropriate market intelligence which hones in on present and future customer needs and the ability of the organisation to satisfy these needs. This involves integrating and disseminating information across the organisation in such a way as to take advantage, in a strategic manner, of market opportunities.

Gray, B *et al* (1998) state further that the marketing concept is a business philosophy that holds the profitability of the organisation at its centre. It does this by focusing the co-ordinated activities of the organisation to satisfy the needs of particular market segments.

Therefore, it is recognised that to develop a market orientation, market driven firms need to facilitate the generation, dissemination and use of appropriate market information, which helps develop a clear and superior level of customer value. (Kohli and Jaworski, 1990; Narver and Slater, 1990; Slater and Narver, 1994, 1995).

The competitive forces and requirements that are engendered by the nature of business on the Internet, means that the theoretical debates around marketing orientation (a business philosophy) and a market orientation (implementation of that philosophy) are often confused (Gray, Matear, Boshoff & Matheson, 1998). Many authors (Felton, 1959; Deshpande and Webster, 1989), in explaining market orientation as a concept, interpret it as a company attitude and also company behaviour.

Deshpande, Farley and Webster (1993, p24) take it further with their research on the Competing Values Model. Here they address the question of whether "customer orientation, as it relates to corporate culture, and in concert with organisational innovativeness, has a measurable impact on business performance". Drucker (1954) backs this up by looking at marketing, not as a specific company activity, but rather as involving the entire organisation as viewed from the customers point.

Avlonitis and Gounaris, (1999) postulate certain determinants of market orientation that influence the development of a set of attitudes and practices. There are two broadly defined sets of factors that influence this:

1. **Company specific factors** - within the broader framework of the changing environment, a company's move from complete ignorance to full adoption of a concept, stems from viewing market orientation as an evolutionary process. (Preston, D; Saker, J and Smith, G, 1993; Tuominen and Moller, 1996; Hooley, G; Lynch, J and Shepard, J, 1990).

   This is particularly relevant to the Internet era and therefore an attempt is made to establish how the Internet influences these company specific factors within the market orientation concept, and how within this process the company has to reconsider its strategic direction.

   Cognisance must be taken of the political phenomena influencing market orientation, as company's re-orientation implies re-designing the company's structure, reconsiders and re-allocates resources and re-models information and communication networks (Piercy, 1991).

As this is a central tenet of the Internet revolution, it is the postulation of this paper that the two concepts go hand in hand and would likely compliment one another in enabling a company to become Internet focused, market oriented and improve company performance.

2. **Market specific factors** - It is acknowledged that a company's market environment has a critical role in the development of a market orientation. (Felton, 1959; Levitt, 1960; Kotler, 1977). Levitt, (1960) has argued that, companies that operate in familiar and unchallenging markets do not have to develop a market orientation.

   This in itself is unrealistic, as Day (1990) expands further, by acknowledging that, companies who do not realise the instability and unpredictability of markets and who do not develop a market orientation, die.

Day, (1990, p16-18) in drawing the two concepts closer together, states that successful market management stems from the ability of the organisation to develop a strategic vision. “To avoid being misguided, however, there are four defining characteristics of meaningful visions”:

- **Informed –** A vision must be grounded in a solid understanding of the business, and the ability to for-see how the forces operating in the market will change in the future.
- **Shared –** visions must be created through collaboration
- **Competitive –** the vision must create a continual search for new ways to gain competitive advantage
- **Enabling –** where visions flourish because individuals have the latitude to make meaningful decisions.

Diamantopoulos and Hart (1993) in replicating the work of Kohli and Jaworski (1990) found that, in terms of the relationship between market orientation and company performance, that the association is stronger between the two in more competitive environments. Considering the nature of business on the Internet, where the barriers to entry are much lower and the globalisation of markets has occurred, the environment is highly competitive.

In work done by Porter, (1985), Scherer, (1980) a specific relationship between certain characteristics of the market environment and the basis upon which companies attempt to build and sustain competitive advantage has been suggested. The same two authors explain further, that the power of a company's customers has become crucial to the need for that company to develop a market orientation.

2.3. Market and Entrepreneurial Orientation in the context of the Technological era

Delaney (1998) in researching the relationship between market orientation and entrepreneurial orientation found a connection existed between the two concepts. Delaney (1998, p29) quotes Morris & Trotter (1990) by saying that "Entrepreneurial orientation is concerned with recognising and encouraging:

- Risk taking
- Innovativeness, and
- Pro-activeness"

The key to these 3 dimensions within the context of the Internet, relates to the definitions that Delaney (1998, p30-31) elaborates which go directly to the heart of the way in which technology and the Internet, as tools of e-Commerce, are viewed.

Innovation – "seeking of creative, unusual and novel solutions to problems and needs. These solutions take the form of new technologies and processes as well as new products and services".

Risk-Taking – "involves the willingness to commit significant resources to opportunities which have reasonable chance of costly failure".

Pro-activeness – "is concerned with doing whatever is necessary to bring an entrepreneurial concept to solution".

Delaney (1998, p38) highlights the fact that the "critical challenge for any business is to create the combination of culture and climate that maximises organisational learning on how to create superior customer value in dynamic and turbulent markets, because the ability to learn faster than competitors may be the only source of sustainable competitive advantage".

2.4. Technology – the final frontier

In research done by Chiao-Pei Chen (2000, p 31-32), looking at marketing strategies in Business-to-Consumer E-Commerce, the author highlights the importance of relationship marketing with the goal of achieving customer satisfaction and loyalty in a way that translates into revenue growth and profits. "The proliferation of the Internet is precipitating an emergent economy conducted within new digital marketplaces. This evolving communication and trading environment has strengthened the consumers buying power".

Customers have the power to demand, and get, maximum adaptation to their demands and needs, making this (market orientation), a critical success factor. "What this means is that suppliers who sell goods to customers have to gain quality information about individual customers, so as to meet customers' service expectations" (Chiao-Pei Chen, 2000, p 27).

With the increasing amount of Internet business beginning to take place, and the increasing power of the consumer in this medium, market orientation is without a doubt an important dimension that needs ongoing investigation.

2.5. Market Orientation Model

The need to develop a model as it relates to the theories of market orientation arises. Analysis of whether the Internet does impact on market orientation will then be easier to measure with the correct criteria in place.

Model 1 – A Market Orientation Model based on theoretical constructs

Market Orientation

Customer Orientation

- Customer commitment
- Create value for the customer
- Understand the customers needs
- Measure customer satisfaction
- After sales service
  (Narver & Slater, 1990)
- Products/services developed on market/customer orientation
- Culture – business exists to serve customers
  (Deshpande *et al*, 1993)
- Customer philosophy
  (Kotler, 1994)

Competitor Orientation

- Sales people share competitor information
- Rapid response to competitor activities
- Target opportunities for competitive advantage
- Top managers discuss competitor activities
  (Narver & Slater, 1990)
- Must be more customer focused than competitors
  (Deshpande *et al*, 1993)

Inter-functional Co-ordination

- Inter-functional customer calls
- All functions contribute to customer value
- Functional integration in strategy
- Sharing of resources with other business units
  (Narver & Slater, 1990)
- Organisation wide generation of market intelligence
- Dissemination of that market intelligence
- Responsiveness to that market intelligence
  (Kohli & Jaworski, 1993)
- Integrated marketing
- Marketing information
- Strategic orientation and operational efficiency
  (Kotler, 1994)

Entrepreneurial Orientation

- Innovativeness
  (Deshpande *et al*, 1993)
- Risk Taking
- Innovativeness
- Pro-activeness
  (Delaney, 1998)

3. <u>CHAPTER THREE</u>

3.1. Research Propositions

The empirical support for marketing as a concept has been stringently researched by academics over the years (Narver and Slater (1990), Kohli and Jaworski (1990), Deshpande and Webster (1989) to name but a few).

The key themes revolve around defining, conceptualising and developing measures of market orientation. Postulations regarding the market orientation of companies have tended to focus on the adoption of the concept by companies, and the relationship this has to the performance of a company.

In conducting interviews with experts in the field of Marketing and the Internet *per se,* the aim of this paper is to focus on the impact of the Internet on the market orientation of companies, and develop an understanding of the result of this impact and what implications it has for the way in which decisions in companies are made.

It is the authors wish to identify the principle impacts that the Internet has and the extent to which a company can successfully achieve market orientation within this context. The wish is to review, through the perceptions and understandings of experts in the field, backed up with relevant literature, the principle processes, structures and results brought about by the Internet, that appear to inhibit or encourage market orientation.

The desired outcome of this debate is to show that there will be an effect brought about on the market orientation of companies if the Internet and its tools are used appropriately. It is the contention of this paper that the interviews conducted with experts within the appropriate fields, will clearly show and conclude that the ways the Internet can be leveraged in line with the theories of market orientation make it a powerful tool within the ambit of the organisation and its decision makers.

To achieve the stated goal, that which is presented in the results analysis, is an amalgamation of the findings of the interview based research, together with the implications of this in relation to the existing market orientation literature and the authors own thoughts as to the relevance and meaning of the findings when compared to the theories of market orientation. The author concludes with a discussion of the major implications that these findings have for marketing practitioners.

4. CHAPTER FOUR

4.1. Research Methodology

This research is qualitative in nature and takes the form of interview-based analysis. A group of expert individuals within the academic and corporate fields of Internet Technology and Marketing (Please see Appendix 2 for a list of those interviewed), was drawn on to give their views on:

- How companies are addressing the issue of business and therefore marketing on the Internet.
- What they feel the influence of this medium has on marketing orientation (business philosophy) and market orientation (implementation of the business philosophy), and the implications of this for the services offered to clients
- How the knowledge that already exists can be disseminated and used appropriately within a companies existing and new client base.

4.2 Size and method of sampling

Interviews were conducted with 18 individuals, with specific experience in the areas mentioned above. The criteria for selection was their level of knowledge within the two areas of investigation pertinent to this research.

The manner in which the candidates were sourced was primarily through a list of delegates who presented at an e-Commerce seminar and are thus regarded as experts within the field. The author then took the opportunity, once the candidates were interviewed, to ask for referrals to other potential interview candidates. The key criterion was that the candidates needed to be topical and provide value to the debate.

4.3. Method of Data collection

The interviews were conducted in a discussion format, and a discussion questionnaire was used as the basis for the conversation. This helped to standardise the research. In all cases the interview candidates were asked if they would like to see the interview schedule beforehand. If the affirmative was given the schedule was then e-mailed to them. (Please see Appendix 3)

4.4. Method of data analysis

Specific themes throughout the interviews were readily apparent and will be highlighted. This will be done as an overall evaluation of respondent's answers adhering to the qualitative nature of the research rather than being statistically oriented. The respondents themselves will not be quoted *per se* except at times when individual comments highlight the pertinent point being made.

The relevance of the themes that are captured in the essence of the respondent's responses will be compared to the pertinent literature and research problems, postulations and theories, throughout the course of this research report.

Substantiation of whether the Internet does impact on the market orientation of a company will be the central tenet of data analysis. Conclusions will be drawn as to how this occurs and what implications this has for the future of companies who want to become e-enabled.

5. CHAPTER FIVE

5.1. Interpretation of Results

"It's a whole new economic philosophy: one which turns many of the fundamental principles of existing economic theory on their head" says Jeremy Ord, executive chairman of Dimension Data, referring to the New Economy. (BMI-Techknowledge, "The New Economy Handbook", 2000, p 14)

5.1.1. Introduction

The analysis of the interview data is central to the understanding of the impact the respondents see the Internet, and as a result e-Commerce, having on the market orientation of companies. The interview questions were posed to elicit the perceptions, experiences and insight of respondents.

The author now proposes to evaluate the information obtained in these interviews and to highlight the links, differences, relationship and connections between each of the concepts through an evaluation of the responses.

This is done by highlighting pertinent issues and themes and comparing them to available literature in the literature analysis section and by substantiating with pertinent new literature which has been added to the section to create depth and credibility.

5.2. <u>Question One</u>

5.2.1. *Should companies ignore the Internet?*

In the past few years there has been an explosion of on-line commercial activity enabled by the Internet and World Wide Web. Information about prices and product offerings can be exchanged between buyers and sellers through the medium of the electronic marketplace or electronic market-system. (Strader, T.J and Shaw, M.J, 1999).

Ord (BMI-Techknowledge, 2000, p 15), states that "It's a development which will hold enormous implications for our interaction with customers and suppliers, who want to be able to choose the medium through which they wish to communicate with our businesses". The Green Paper (2000, p9), states, "It is a paradigm which has had a significant impact on the way people lead their lives".

In asking the question whether company's can afford to ignore the Internet, it's against this backdrop that 14 of the 18 interview respondents categorically stated that companies **couldn't** afford to ignore the Internet.

The remaining four answers differed in that although they stated that company's cannot afford to ignore the Internet, realistic decisions must be made regarding:

- Whether the type of business you are in is suited to e-enablement at that time; and
- A genuine need to establish why you want to be on the Net and to be there for the right reasons.

Martin, Managing Director of Dell, SA, agrees with the postulation put forward by the interview respondents that, "The Internet enables modern enterprises to go beyond traditional barriers when doing business". His message is simply "Should you fail to utilise this great enabling technology, you will not find your business severely challenged within the next few years" (BMI-Techknowledge, 2000, p 17).

5.2.2 *Why can't a company afford to ignore the Internet?*

Interviewee responses to this question varied extensively. However the responses can be categorised into 4 distinct areas, all with relevance to the future performance of company's.

1) Cost/Efficiencies – The respondents stated that the Internet creates efficiencies that cannot be ignored. It lowers operational costs, and manufacturing costs are being brought down. It drives down transaction costs and makes it cheaper for the customer to do business with the company. Also indicated by respondents as important were, economies of scale and faster cycle times which have a direct bearing on cost implications.

"Businesses have always sought lower costs, and the most efficient firms have often been the most successful" (Papows, J; 1999, p32). In a study completed by Strader, T.J and Shaw, M.J, 1999, looking into the cost differences between traditional and Internet markets, the overall conclusion encouraged the use of on-line transactions due to the reduction in costs and the creation of new revenue sources.

2) New Markets – Respondents stated that the value from the Internet comes from creating another channel for distribution and therefore new markets. They also agreed that it provides the ability to bundle products in new ways to suit the needs of the customer. This allows the development of market customisation.

The Internet is about inter-connectivity, and Papows (1999, p 10), states that this creates a "growing need to work closely and collaboratively with customers, suppliers, partners and other allies" which he says will become the defining factor of enterprise innovation.

The concern expressed by the interview respondents was that because the Internet leverages opportunities, which everybody else sees, that any company not making use of the technology would miss potential opportunities.

3) Technology – Respondents stated that new technologies are breaking down the traditional barriers of information, speed and distance. Technology is moving us away from the capital nature of work towards intellectual capital and knowledge workers. The Internet is creating a global world in which, the interview respondents agreed, we are now doing business.

The interview respondents indicated that the convergence of technology meant you couldn't afford to be left behind. This would imply being left out of the race and the development of new markets.

"Networks have powerful critical mass effects, in that the more people who use them, the more valuable they become"(Papows, 1999, P 11). He goes on further to validate the message that came out of the interviews by stating, "the value of any one company's technology investments, is directly dependant upon those of the related information technology ecosystems they participate in externally" (1999, p 11). In other words, the broader the use and ubiquity of the connection the more powerful the benefits.

4) Customer Relationship Management (CRM) –
Responses from the respondents regarding CRM ranged from acknowledging the ability of the

Internet, if used appropriately, to cement relationships, to enable high service levels, to lock in suppliers and customers and to get closer to the customer.

"Ultimately the technology infrastructure and its integration with the business process, (is) the key to the success or failure of the data-driven customer relationships strategy" (Special Report Technology, 1999, p 73). It is here that the significance of market orientation on a company's performance, proves crucial.

E-Commerce was recognised by the respondents as the accelerator and symbol of the emerging transformation in appropriate business models.

5.2.3. *Why can companies afford to ignore the Internet?*

The respondents were at pains to make clear the consequences of ignoring the Internet altogether. The overall responses were that, ultimately companies could afford to ignore the Internet for a short while and only in cases where:

1) The industry is a slow moving one and certain value chains/sectors are ignoring it at the moment as a whole.

2) Traditional business values and core competencies still apply, and would be threatened by implementing e-enablement.

3) Where it could damage your brand if you were to implement it incorrectly, and;

4) In situations where you need to understand who you are talking to first, i.e. understand the customer.

The message from the respondents was clear, companies who have not examined the implications of the Internet for their businesses have probably already missed the boat. They suggested that there is however, a realism appearing which suggests that companies must become involved for the right reasons and that these reasons must add value to the performance of the company.

5.3. <u>Question Two</u>

5.3.1. *Are there new sets of rules?*

In evaluating respondent's contributions to the debate regarding the existence of a new set of rules, by which business is being done and measured, eight (8) felt that there were not necessarily new rules, but rather an acceleration of the "Old Economy". Ten (10) agreed that there are new rules, and that a new breed of company is emerging which utilizes the Internet to make industries and supply chains more efficient.

Wilcocks (BMI-Techknowledge, 2000, p24) supports these mixed reactions by believing that, "the threat for the Old Economy lies precisely in seeing this phenomenon as a New Economy, somehow different from traditional core businesses. The New Economy's greatest impact is changing the rules of the game in the Old Economy".

On the other hand, Botha, MD McCarthy Online believes that the New Economy represents a change in mindset that erases many of the rules, limitations and boundaries by which Old Economy businesses and brands were built.

To conceptualise the responses received from respondents regarding this question, use is made of the framework that Ernst and Young put forward in their interviews, to outline the issues raised.

Figure 1 depicts areas the respondents highlighted as being impacted by the "new set of rules".

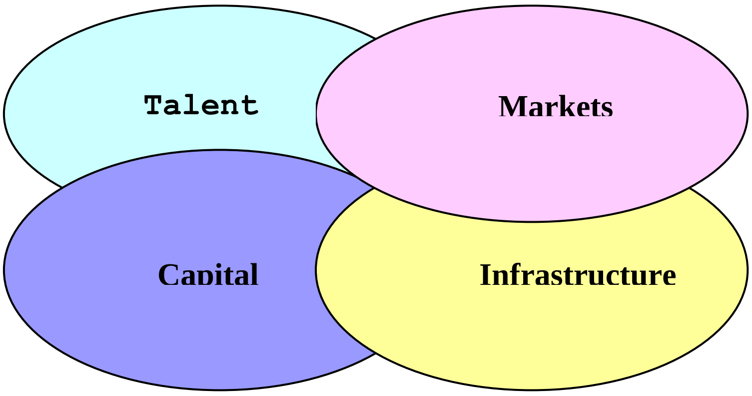


Figure 1: New Economy Value Drivers

"The greatest success of the Network era has been the transformation of data into useful information, and information into even more useful knowledge" (Papows, 1999, p 34). Respondents were suggesting that each individual value driver, which should not be viewed in isolation, encapsulates the new paradigm that needs to be evaluated in terms of how business is being done and measured.

1) Talent – The New Economy requires a different type of human and intellectual capital. The respondents suggest that the new rules impacting on this have to do with skilled labour, which have "knowledge worker" capabilities. The new set of rules put forward by the respondents dictates that:

- Labour has an increased ability to migrate and this therefore means that rewards and incentives need to change from the traditional, to include the intangible as well as the tangible.
- Talent employed by the new breed of company needs to be innovative and adaptable.
- Leadership qualities call on the individual to exhibit the appropriate commitment to the digital economy.
- Other synonyms offered by the respondents include; entrepreneurial, maverick, intellectual, flexible and open to change.

Respondents suggested that these core competencies/ qualities are seen as crucial in helping the organisation become market facing. They also stated however that one could argue, that these qualities are not that different from those traditionally seen to be needed in the Old Economy. The difference is in how they are applied in the New Economy.

2) Markets – The respondents suggested that the new set of rules impacts the company's positioning within the markets. Characteristics that need to be taken account of are:

- Lower barriers to entry in the Internet enabled economy and globalisation, result in a highly competitive environment in which the importance of differentiating yourself from your competitors is paramount.
- The relationship between customers and the company is one-on-one. The speed with which companies receive feedback is a crucial distinction. Seth Godin's concept of "Permission Marketing" (2000) signifies this new relationship. "Permission Marketing is self limiting. When people have had enough, they'll stop giving permission to marketers and thus there will be no clutter crisis" (Godin, 2000, p 194). It is one that ideally suits the Internet environment.

No longer are marketers expected to bombard the customers with unsolicited messages, but rather to establish through dialogue, the needs, product/service suitability and price that customers are willing to pay.

Loyalty/currency programmes such as e-Bucs and Bluebean.com are exploring new frontiers in customer relationship management in an attempt to own the relationship.

The respondents were at pains to note that the emphasis being placed on markets comes out of the desired need to grow the company's markets through innovativeness, products and the creation of new markets.

3) Infrastructure – "Technology is changing faster than markets; markets are changing faster than customers; customers are changing faster than organisations; and organisations are changing faster than the people who run them" (BMI-TechKnowledge, 2000, p25).

Within this context the respondents suggest that the new set of rules in the Internet enabled company reflect:

- Speed
- Connectivity
- Flexibility
- Integration of existing legacy systems
- Accessible information
- Security/privacy
- Accountability
- Standardisation
- Reliability
- Open architecture which is agile

In the New Economy there is far more likely to be a situation in which more people will be dealt with through electronic systems rather than face-to-face.

4) Capital – The rules regarding the measurement of how business is being done and is valued remain largely the same according to the respondents. The new measures do exist and bear mentioning; ideas, people, speed and the ability to cater to customers specific needs.

Table 1 is a list of the new and old measures that the respondents now see to be relevant in an Internet economy.

Traditional	New
Profit Cash Flow Shareholder Wealth Return on Investment (ROI) Revenue Generation Increased Sales Increased Transactions Increased market share	Customer Retention Recognition of new revenue streams Incremental revenue growth Traffic Stickiness Number of transactions on-line Customer acquisition costs

Table 1: New and Traditional Measures

It was suggested that within all four of the quadrants of Figure 1 there is little room for error. The greater the efficacy in all 4 quadrants, the better it is for the business.

5.4. Question Three

5.4.1. *The Internet's value-add to the marketing function and market orientation.*

In evaluating the respondents' responses, it is necessary to conceptualise the marketing function and market orientation as two distinct entities (See literature analysis).

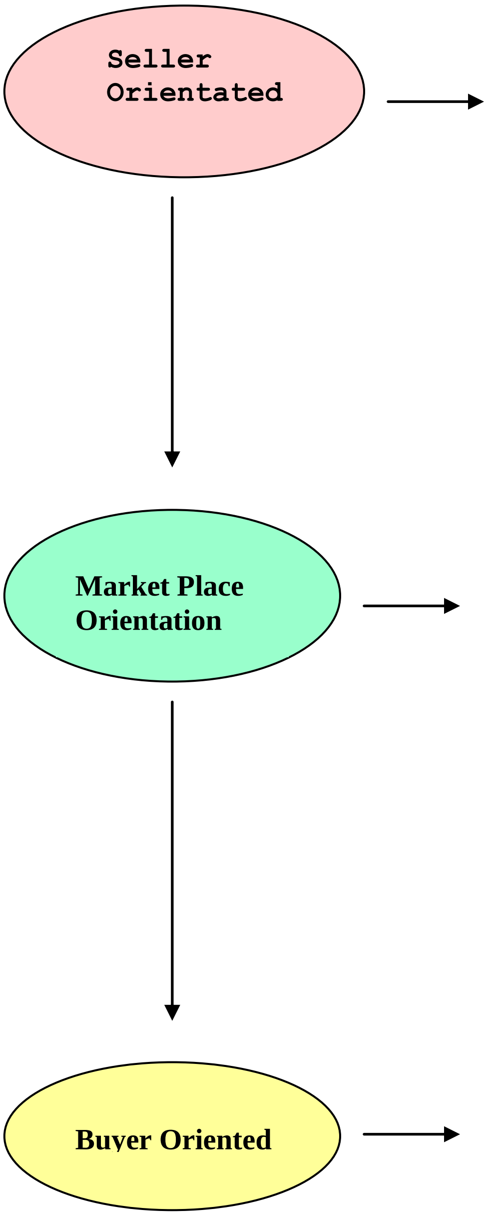
Market orientation (as backed up by Gray, B; Matear, S; Boshoff, C and Matheson, P (1998), Deng and Dart (1994) in the literature analysis) goes to the heart of the way in which the Internet adds value, and should be kept in mind when evaluating the respondents' responses.

The Internet is viewed by respondents as an enabler and tool that has at its core, the dissemination of information and knowledge. It is seen as the vehicle for communication within and without the organisation. This hooks into traditional theory (referred to in the literature review postulated by Narver and Slater (1990, p22), that suggests that Inter-functional co-ordination is vital to the development of a market orientation.

In research conducted by KPMG on the role of marketing, their survey indicated that “marketing encourages the organisation to recognise the priority of satisfying customer needs, but (that) the ability to satisfy them depends on the firms supply chain and operational processes”. (KPMG Research Report, p3).

A paradigm has been extrapolated from the respondents responses to use in understanding the added value the Internet offers these two concepts. Respondents stated that the Internet can become the enabler and conduit for the appropriate management of a company’s marketing function and market orientation.

Figure 2 depicts the importance of the customer and shows the power they have developed due to the Internets enabler role.



Old Economy

Push Strategy

Organisation puts products out to the market place.

- Untargeted mass marketing
- Client not necessarily educated

Integration

Link buyers and sellers more efficiently

- Best price based decision making
- Transactional in nature

New Economy

Pull Strategy - clients who look for what they want

- Customer centric in nature
- Transact electronically
- Self service with a more educated customer.

Figure 2: The power of the consumer

Clearly stated by respondents, is the ability of the Internet to collapse and support the buying cycle – the point from decision to purchase becomes much shorter.

Respondents predicted the capability of the Internet to enable tactical marketing. They stated that this means that advantage can be taken of a number of the following factors:

- The sophistication of customers - Free product information can be given to educate and develop knowledge and forestall the customer looking for it elsewhere.
- The development of internal and external marketing partnerships, which negate the development of organisational "silos".
- Continuous marketing campaigns can and must be developed, with quicker turnover times.
- The integration of offline and on-line strategies need to become central to the marketing function.
- Databases can and must be set up to enable the fulfilment of customer's needs and wants.
- Feedback on customer satisfaction is immediate, real-time and can be acted upon promptly. Customer queries can be handled promptly.

- Branding remains as crucial to the on-line profile as the off-line. The company can present one face to the market.
- There is now international reach due to the connectivity that the Internet provides.
- The Internet frees people in the organisation to concentrate on wealth creating activities.
- The company has the ability to move away from traditional "bricks and mortar" infrastructures.

Thus, the Internets advantage (according to the respondents) to the on-line consumer and supplier is the ability to increase convenience and provide a wider choice at real time speed. In essence the Internet allows company's to access the environment around them in a manner that allows two-way communication.

In linking this back to market orientation, the interview respondents were suggesting that the Internet has the ability to generate the appropriate market intelligence, establish customer needs and the ability of the competitors to meet these needs, and then disseminate the information across the organisation.

This links directly to the definition of market orientation as put forward by Jaworski and Kohli (1993) in terms of the generation, dissemination and responsiveness to market intelligence, and Narver and Slater (1990) in terms of customer orientation, competitor orientation and inter-functional co-ordination. (See Literature Review).

The marketing function/department, respondents stated, then plays a crucial role in co-ordinating activities to make appropriate use of the information so as to impact the performance of the company and thus its profitability.

5.5. <u>Question Four</u>

5.5.1 *What specific impact is the Internet having on marketing practice?*

According to the respondents most companies are only now beginning to learn how to set up their marketing organisations to take advantage of the unique characteristics of network-based environments.

The perception of respondents that the Internet offers the ability to harness new markets warrants the realisation that company's need to tailor their marketing messages accordingly. To back this up Parsons, A.J; Zeisser, M; and Waitman, R, 1996, p 183-192), comment that, "Believing that "if we build it" (a web-site), customers will come, based on a standard re-packaging of marketing brochures, will not work".

It is the realisation that customers want more, that requires much greater investment, senior level leadership and, according to the respondents, a need to add value to the marketing message.
The interviews highlighted the fact that marketing practice needs to be re-defined in terms of how you interact with your customers.

Paul, P (1996), agrees that the innovative managers role now includes looking for unique ways to compete more effectively, but at a local, regional and global level. The importance of co-ordinating the marketing process (through all channels) means that *ad hoc* activities no longer apply. Rather a strategic focussing of effort needs to be maintained making use of all resources. Respondent's agreed that it's about real-time marketing and taking advantage immediately.

Paul (1996), comments on the advent of technology, by looking at the role the Internet plays, as one of the only media vehicles that can be used for almost all advertising purposes across all market segments. However, respondents offered the view that in South Africa this may not necessarily be the case, because of the growing gap developing between the digitally enabled and those who are not.

From a broader perspective, the communicative dialogue that occurs through the Internet empowers the customers and enables them to talk more directly with the company. The respondents were thus of the opinion that the power base has shifted to the consumer, and that therefore brands and the trust they inspire are vital.

Paul, P (1996), agrees that, “The Internet furnishes direct customer contact combined with appropriate market and technical reference material, which gives organisations greater ability to identify earlier shifts in product and customer trends and to test new value propositions in response”.

Respondents summarised this as enabling managers to recognise product and marketing opportunities sooner, and to adopt more effective product, price, distribution and further promotion strategies relative to customer needs.

Customer relationships and knowledge management, was noted to be of primary importance by the respondents. Client retention is the focal point of marketing practice, but within the context of understanding what makes the customer profitable.

According to Peters, L (1998), two key principles underlie the departure of interactive marketing from traditional marketing principles.

1) Constraints of space and time associated with physical marketplaces; and

2) The potential for interactive communication.

According to respondents, e-Commerce and the Internet are "experience" oriented. If marketers get this right the more likely you are to instil trust and retain the customer.

However, Gray of e-Cnet warns marketers to go back to basics in terms of the policy management that surrounds transacting on the Net. This means implementing the appropriate disclaimers, refund policies and services that augment the experience. This is important to the service orientation of company's.

Targeting

The greatest barrier expressed by the respondents to using traditional segmentation in the Internet environment, is that the customer is not fully known. On the other hand, the dialogue nature of the medium can be used effectively as consumers choose the messages they want (Aldridge, A; Forcht, K and Pierson, J, 1997).

Cognisance must therefore be taken of the different decision-making processes that consumers use around the buying cycle. Respondents agreed that marketers need to develop an understanding of the benefits consumers are looking for and customize the message in this regard.

Product Strategy

In line with the respondents emphasis on the importance of brand, Aldridge, A *et al* (1997), state that the Internet has fulfilled its promise of generating brand recognition, developing brand image and building brand equity. Product strategy for them should therefore centre on authenticating both the product and the vendor.

Pricing Strategy

The transactional nature of the Internet resulted in mixed responses from respondents on opinions as to how products should be priced. There was two postulations put forward:

1) High volume/ Low price – Transactional model
2) Low volume/ Offer products with unique benefits at high price.

There is agreement in the literature that direct price comparisons become difficult where competitive advantage is built through unique benefits, which focuses buyers on non-price elements (Aldridge *et al*, 1997).

Distribution Strategy

Globalisation has freed company's to move from the traditional debate of "brick and mortar" to a debate regarding "clicks and mortar". The need to fulfil distribution requirements is posited by the respondents as extremely important.

The literature agrees with "direct customer" fulfilment and the necessity of not causing channel conflict. This would be where the consumer can buy the same product from the company as well as intermediaries.

Promotional Strategy

The information age is upon us and there is agreement amongst the respondents, that the Internet has a positive impact in the way it disseminates information regarding the company and its products and/or services, to the consumer. Respondents state that Web sites, in this regard, are the foundation of Internet promotional strategies and should be developed with care.

A combination of Internet marketing techniques is the best. Mann-Craik (Tornado-Insider.com website, 1999), adds to comments documented earlier, by saying that, “With the Internet, all the old marketing techniques are new again. However, the Internet has added new arrows to the marketing quiver”.

5.6. <u>Question Five</u>

5.6.1. *How can the Internet be used to leverage operational, functional and process business strategy? What will have to be considered for a business to become e-enabled?*

"Moving fully into the connected economy involves more than adopting the appropriate operating model, capitalizing on intangibles, or achieving the right channel mix. Back office operations – too often the neglected stepchild in many company's – are now an invisible battlefield in the industry's ferocious competitive war" (Lawrence, P; Charley, J; Scurlock, J and Wasslen, G (eds), 2000, p 59)

In all instances the respondents agreed that, the gap between back office and front office, need's to be eliminated if the Internet is to be used to its full potential. More importantly however is how respondents highlighted the fact that the business strategy must come first and then the e-strategy.

For the company implementing e-enablement, respondents stated that there are numerous factors that need to be taken into account. Any company is encircled by operational factors that interact with one another efficiently or inefficiently. The challenge, according to the respondents, is to seamlessly integrate functionality's to achieve straight-through processing of customer queries/ orders.

"Straight-through processing is indispensable in operating and integrating today's electronic channels… To be truly effective straight-through processing must include strategic partners, clients and suppliers in producing a unified seamless experience for the customer" (Lawrence, P *et al*, 2000, p 68).

Respondents state that the e-Company makes use of technology to enhance their business strategy. Papows (1999, p 88), backs this by saying that "in a market facing system computers both define and manage an overall business environment".

Respondents pointed out important business processes, operations and functions that need to be taken into account when leveraging the business strategy. **Figure 3** (See Appendix 4) highlights points internal to the organisations efficacy.

Depending on the sophistication of the company, different levels of technology are used in an evolutionary manner to advance the company's entry into the Internet/ e-Commerce arena. Papows (1999, p 93), talks about moving from a Basic Stage, through an Intermediate Stage (more advanced workgroups, workflows and re-engineering activities), to an Advanced Stage that is market facing and pursuing competitive advantage through external, internal and innovative methods.

Respondents were quick to agree that traditional Old Economy processes, operations and systems can be moved along the continuum into the New Economy style of business. Thus agreeing with the statement "There is really nothing revolutionary going on, only the ability to handle existing work in new and compelling ways (Papows, 1999, p 96).

5.7. Question Six

5.7.1. *How theoretically and practically, would the move from business philosophy, to implementation of the business strategy, take place within the context of e- Technology?*

Evaluation of the respondents' answers to this question highlighted the need for company's to take account of the need to strategically position the company for the future. The logical context within which to do this would be to make use of the philosophy of Customer Relationship Management (CRM).

Theoretically CRM has fallen within two extremes:

1) Data warehousing and data mining; and
2) Developing and sustaining strong relationships with valued customers.

Market orientation depicts the above two points as central to effectively establishing customer needs and building relationship's with clients and customers, thus increasing the performance of the company (See Literature Analysis). Therefore there are clearly overlaps within the two theories.

"Customer relationship management refers to ANY strategy for managing customers and customer relationships" (Lawrence *et al*, 1999, p 28).

The concern raised by both respondents and the literature, is the manner in which companies effectively manage finding the right data and applying it to the company's customer relationships.

The respondents offered the suggestions that follow, and in an attempt to provide clarity they have been tabulated in **Table 2** (See Appendix 5). It provides an understanding according to the respondents of how to move a company from the theory, to actual implementation.

The importance of selecting appropriate partners, delivering on promises, aggressively and continually gathering marketing information, and then testing/piloting and changing how the company subsequently responds to the market place, were highlighted by the respondents, as the critical success factors in moving the company from theory to practice within e-technology.

“A relationship management initiative or any other initiative requires a clear rationale firmly based in strategic considerations of the company’s current and future customer base, value propositions and market positioning” (Lawrence *et al*, 1999, p 30).

Solomon, E (2000, BMI-TechKnowledge, p 66), builds on this further by stating that “the capabilities required to operate and use e-Marketplaces require implementation and integration of many technology components across a variety of business processes and functions”.

Finally Harris (BMI-TechKnowledge, 2000, p 79), states “whichever route a business ends up taking, it needs to organise around the needs of its customers. That is the bottom line of competing effectively in the New Economy”. This effectively links with the concept of market orientation which views customer knowledge as key to increasing the performance of a company (Narver & Slater, 1990; Deshpande *et al*, 1993 and Kohli & Jaworski, 1993).

5.8. <u>Question Seven and Eight</u>

5.8.1. *What synergy's are there between the Internet and Market Orientation, and how will these synergy's positively or negatively effect the performance of a company?*

In the Old economy value creation tended to take place in one direction, from the company to the customer. The New Economy changes this mindset radically, and allows the concept of value-add for both customer and supplier. (See **Figure 2:** The power of the consumer)

Respondents recognise that opportunities for customisation exist, as well as providing and empowering customers with the ability to, themselves, improve the efficiency and effectiveness of the value creation process. In order to manage in the new marketing landscape respondents state that, firms will need to apply the information they collect at each stage of the value creation process, and apply it to their corresponding activities in the physical world.

This calls for an understanding of how to interpret customer and supplier input, needs and demands and how the two paradigms operate and compliment each other (Peters, 1998).

Respondents' perception of the synergy's presented a number of themes on both the positive and negative aspects of these synergies.

Positive Synergy's

Time

The technology that the Internet utilizes frees internal resources as efficiency's and speed are put into practice. Concerns that e-enablement would cause job losses is not seen, by the respondents, as relevant. Rather these resources can be deployed elsewhere for even more efficiency. Marketing personnel particularly, will be freed to create new products and campaigns.

This, however, and according to the respondents, calls on marketing management and others to become more flexible and innovative. Added to this advantage, is that it improves response and turnaround times. This helps retain customers if implemented and effectively managed. Harris, L.C and Piercy, N.F (1999) suggest that negative organisational behaviours must be confronted and positive behaviours (communication) identified and fostered if the organisation is to move towards the development of market orientation.

Technological advances allow for the appropriate use of data to transform information into action quickly. Thus, respondents suggest that organisations have the ability to do business better, faster and cost effectively.

Opportunity

The respondents agree with Peters (1998), that opportunity opens up as the Internet allows suppliers, customers and company’s to get closer to one another with software as the enabler. Opportunity’s become accessible through the development of multi-skilling, job rotation, internal collaboration and information and knowledge sharing which re-defines ways of working.

Respondents state that it helps companies define new market spaces, which in turn forces the marketing function to become more strategically oriented. They further state that the one way in which to do this is to understand the customer and sharpen the company’s market orientation. The principle of first to market allows customer lock-in and competitor lockout. Opportunity is further strengthened by the ability to work across channels and across mediums.

Knowledge Management

Respondents stated that the Internet creates synergies within the development of Knowledge Management because appropriate information gathering and dissemination can take place, which is customer or supplier oriented. This collection of business intelligence allows distinct competitive advantages if used appropriately.

Knowledge Management also revolves around making the strategy universal to the organisation so that employees all have the same vision. This is confirmed by Lawrence *et al* (1999, p 64), who state, "No matter how well the vision is laid out, employees ultimately must buy into the strategic objectives and goals".

According to the respondents the Internet facilitates this process and allows the people to be managed appropriately. Innovation through Knowledge Management and the open network environment stimulated by the Internet, should stimulate ideas, thoughts and experimentation making for a dynamic organisation.

Customer Focus

Respondents stated that the Internet allows you to change your customers, suppliers as well as your own company's behaviour. It directly fulfils the promise made by market orientation philosophy.

Lawrence *et al* (1999, p 65), build on this by stating "Admittedly, company's striving for partnerships with customers have much more complicated customer relationships than company's that have transaction based relationships".

Respondents made the interesting point that today's virtual customer are more understanding of technological failure, but up to a point. This realisation is an important one for company executives to integrate.

"Knowing the customer used to be vague – so it was niched, segmented, loose. Now it will be razor sharp and company's will have to analyse the market more specifically", says Brewer (Interview 6th October 2000). Thus as Lawrence *et al* (1999, p 66) state, "Culling through the customer database, is having a reasonably good idea of how to measure profitability by customer".

The trick, captured in Gray's interview, is to "use the synergy between the Internet and market orientation, to capture the imagination of the audience" (30th November, 2000).

Negatives

"There is a strong element of risk involved in building an Internet brand as well. If the web customer experience does not meet a consumers expectations, it will have a negative impact on the company's brand irrespective of whether or not the Internet infrastructure is integrated into its brick and mortar business" says Vercellotti (Harris, BMI-TechKnowledge, 2000, p 77).

This in essence agrees with the respondents' responses regarding the negative effect of the Internet/ market orientation synergy on company performance. In all cases respondents agreed that if you get it wrong on this public platform i.e. the Internet, it is harder to win back your credibility than in the more traditional forum. There is no room for error in this medium, due to its competitive nature, and the difficulty in retaining customers much less making them return.

There are a number of key concerns that respondents had regarding the influence of the Internet on business:

- Company’s cannot harness or abuse their markets. This is particularly relevant with regards the increased power that the Internet gives company’s in data mining private and confidential information. This hooks into fears that customers have regarding the privacy and security of their details being accessible on the Web.
- The digital divide suggests that company’s who achieve and remain market oriented, using the Internet as the tool, could leave a large percentage of their customers behind.
- Product cannibalisation was expressed as a possibility due to the nature of the Internet as a different channel to market.
- There is high risk from taking the company through the cycle of going on-line without taking the customer/ supplier through the cycle.
- Measurement guidelines and criteria become more stringent. “It’s serious” as one respondent put

it, as there is harsh criticism on this public platform.

Respondents agreed that the Internet increases the power of the consumer and can decrease the power of the company. As a result, Peters, L (1998), says it is vitally important that the relationship becomes collaborative rather than autonomous. She says this has positive spin-offs for the ability of the company to keep pace with market change and possibly even accelerate it. The implication for company performance is exponential, as the company differentiates itself from competitors in the market place.

Respondents suggest that ew companies get this right in their rush to get onto the Net. They do not make the effort to identify customer needs and wants. This is a critical success factor and central to market orientation and increasing a company’s performance.

5.8.2. Marrying the Internet Model with the Market Orientation model

The tenet of this research paper is to establish the impact the Internet has on the market orientation of companies. The following model combines the theoretical approach put forward on the basis of theoretical constructs with the research findings and conclusions. **Model 2** depicts this and is expanded on in the following chapter.

Model 2 – The Internets impact on the Market Orientation of companies

Cost/Efficiency

Potential to lower costs:
- Operational
- Manufacturing
- Transactional

Faster cycle times
Economies of scale

Internet

Capital Orientation

New Markets

- New channels for distribution
- Ability to bundle products to suit needs of the customer
- Market customisation
- Supplier, customer, partner alliances
- Customer Relationship Management –
  - Data driven
  - Allows identification of clients details
  - High levels of individualised service
- Power has shifted to the consumer
- Customer focus – know the customer
- One-to-one customer communication
- Permission Marketing –
  - Needs
  - Product/Service
  - Price

Internet

Customer Orientation

Model 2 (continued)

Technology

- Internal and external communication –
  - Free product information
  - Continuous marketing campaigns
  - Continual customer feedback
- Breakdown of information barriers
- Speedy response – real time marketing
- Back office/front office gap elimination
- Globalised business, communicating world-wide
- Efficient use of information
- Freeing employees to respond to early shifts in customer and product trends
- Knowledge management –
  - Competitor information accessible and transparent
  - More efficient use of information and response to competitor activities
    Synergistic use of competitor and customer information

Innovation

- Continuously changing business environment
- Flexibility
- Connectivity
- Talent –
  - Knowledge workers
  - Leadership – innovative managers

Inter-functional Co-ordination

Competitor Orientation

Entrepreneurial Orientation

INCREASED COMPANY PROFITABILITY AND PERFORMANCE

6. CHAPTER SIX

6.1. Conclusion

The advent of e-Commerce – business transactions taking place through the electronic transmission of data over communications networks such as the Internet – has altered the business model in important respects

New sources of revenue have been created, along with new and much less cumbersome routes to market, new alliances and synergies between businesses, and new and different supply chains and fulfilment models.

Also changed are traditional ways of valuing business, placing a premium on the growth of the customer database and the potential of new ideas and technology, rather than more solid measures of profitability.

The tenet of this research paper is based on the utilization of the Internet as a marketing tool, as there are numerous positive impacts on the market orientation of companies. The Internet has many risks associated with it, but also many benefits which if not utilized by companies will leave them out in the cold.

So the message to companies is to carefully enter the Internet based world, but to be assured that it will award those who adopt it appropriately. Company's should not limit themselves to just marketing on the Net, but should see it as another channel to market and still make use of traditional channels to achieve their business goals and marketing objectives.

Peters, L (1998), agrees that companies must explore and develop a new paradigm that takes cognisance of the dynamic role that consumers, who are interactive, adopt. This must be incorporated into the activities of the company. The dialogue set up between consumer/ supplier and company, lends itself to the gathering of pertinent information, which marketers can then use (appropriately), to increase their company's market orientation.

"Marketing by interrupting people isn't cost effective anymore. You can't afford to seek out people and send them unwanted marketing messages in large groups and hope that some will send you money. Instead the future belongs to marketers who establish a foundation and process where interested parties can market to each other" (Godin, S, 2000, p 6).

Talented marketers will claim that knowing your customer has always been critical to success. Measuring a company's level of customer knowledge is critical. Future growth comes from the ability to sustain your competitive advantage and retain new and existing customers.

Key performance criteria have moved from purely financial in nature, to include non-financial intangibles. An important part of these non-financial criteria is how they relate to the measurement criteria found within the concept of market orientation.

Previously, market analysis revolved around forecasts on expected cash flow models. Although this traditional criterion was important in the respondents and literature analysis, there was also clear validation that the forces of globalisation, speeded change processes and the e-Commerce revolution, have brought about new sets of rules and accountability's.

Lawrence *et al* (2000, p 35), quite rightly highlight the importance of the focus on shareholder value, but

more importantly identify some of the intangible measures brought about by the New Economy;
Brand, People, Innovativeness, Customer Relationships, Operational Efficiencies, Alliances and Communication Skills. These intangibles are confirmed by the issues raised by the respondents throughout the course of the interviewing process.

Market orientation posits finding new ways of doing business that add value. The Internet lends itself to this. Gray, B; Matear, S; Boshoff, C and Matheson, P (1998), looked at establishing a better measure of market orientation by conducting research into the dimensions that appear to be promising measures of market orientation.

These dimensions all relate to the aspects raised by the respondents throughout the interview process, and to factors highlighted in the literature (those put forward by the traditional market orientation authors, specifically Narver & Slater (1990). The Internet, and doing business via e-Commerce, impacts on all of these measurements.

- **Customer Orientation –** Aspects of this dimension relate to the ability of the company to encourage customer comments and complaints, develop customer service, commit to the customer, create value through the product(s)/service(s) and satisfy the customer.
  The research is validated as these issues were raised by respondents and spoke to the goal of the company becoming more market facing and customer centric via the Internet.

- **Competitive Orientation** – The Internet impacts on the ability of the company to measure the environmental influences pertinent to competitive activity in the market place. It helps the company monitor, competitor efforts, activities and report on said activities due to its transparent and open characteristics.

- **Inter-functional Co-ordination** – Sharing marketing information, liasing, integrating and interacting with different departments within the organisation, discussing market trends and developments and customer needs, are all aided and enabled by the Internet and technology.

- **Responsiveness** – Probably one of the most dynamic changes that has taken place between the Old and the New Economy, is the ability of the Internet to speed up processes and operations leading to a direct effect on efficiency and as a result, profitability.

- **Profit Emphasis** – The profitability of major customers, product lines, sales territories and distribution channels is easily accessible information due to the ability of the company to use the Internet to data-mine relevant information.

The South African context is relatively unsophisticated at present when it comes to opportunities and advantages within the e-Commerce arena. CEO's and Managers would do well to take cognisance of the impacts that the Internet can have on their business. It is important not to treat e-Commerce as a purely technological issue, but to rather see it as a business issue.

Harris, L.C and Piercy, N.F (1999), highlight that company's, in which every employee takes on a marketing role, can only do so if the whole organisation pulls in the same direction, the author would say towards market orientation. Appreciation of the benefits of using the Internet would allow all to communicate directly with suppliers, customers and other business partners to optimise the value chain, which would have a direct and positive impact on a company's performance.

6.2. Future Research

The research has raised the question of the relationship that exists between market orientation and Customer Relationship Management (CRM).

- What are the synergies and differences?
- Does the one enhance the other?
- How does each, together or apart, affect the performance of a company?

APPENDIX 1

	1999	2000	2001	2002	2003	2004	1999 – 2004 CAGR (%)
Europe	4 295,0	8 410,0	13 160,0	18 968,0	24 110,0	28 630,0	46,1
Asia / Pacific	859,0	1 682,0	2 726,0	4 310,8	5 726,8	7 017,4	52,2
Japan	1 072,6	1 924,3	3 416,7	5 549,4	8 220,5	10 325,9	57,3
Canada	498,8	870,5	1 357,5	2 012,5	2 728,9	3 367,1	46,5
Latin America	401,1	739,3	1 186,9	1 897,7	2 565,9	3 107,2	50,5
Rest of World	289,0	523,0	896,0	1 475,0	2 117,0	2 598,0	55,1
United States	8 758,0	13 190,1	19 472,1	28 525,4	38 808,1	44 026,2	38,0
Total	**16 173,9**	**27 339,2**	**42 215,2**	**62 450,8**	**84 277,2**	**99 071,8**	**43,7**

TABLE 3: WORLDWIDE INTERNET SERVICES SPENDING BY REGION, 1997 – 2004 ($M)

Sourced: BMI-TechKnowledge “The New Economy Builders”, Handbook 2000, P 106

Type of Service	**2000**	**2004**	**CAGR 1999 – 2004** **Revenue (Rm)**
Internet and e-Commerce Services	1102	5544	53%
Consulting	192	987	51%
Application Development and Integration	475	2337	50%
Network and Systems Migration	74	352	67%
Operational Services and Outsourcing	360	1867	54%
Other Internet and eC Services	0	1	49%
Other Related Services	**557**	**1056**	**17%**
Product Sales	**391**	**2152**	**53%**

Note: Product sales only include revenue from suppliers included in the survey as service providers. It does not include revenue from product vendors that do not also provide significant Internet and/or e-Commerce services.

TABLE 4: NON-ACCESS INTERNET, E-COMMERCE AND RELATED SERVICES REVENUE IN SOUTH AFRICA 1998 – 2004 (RM)

Sourced: BMI-TechKnowledge “The New Economy Builders”, Handbook 2000, P 107

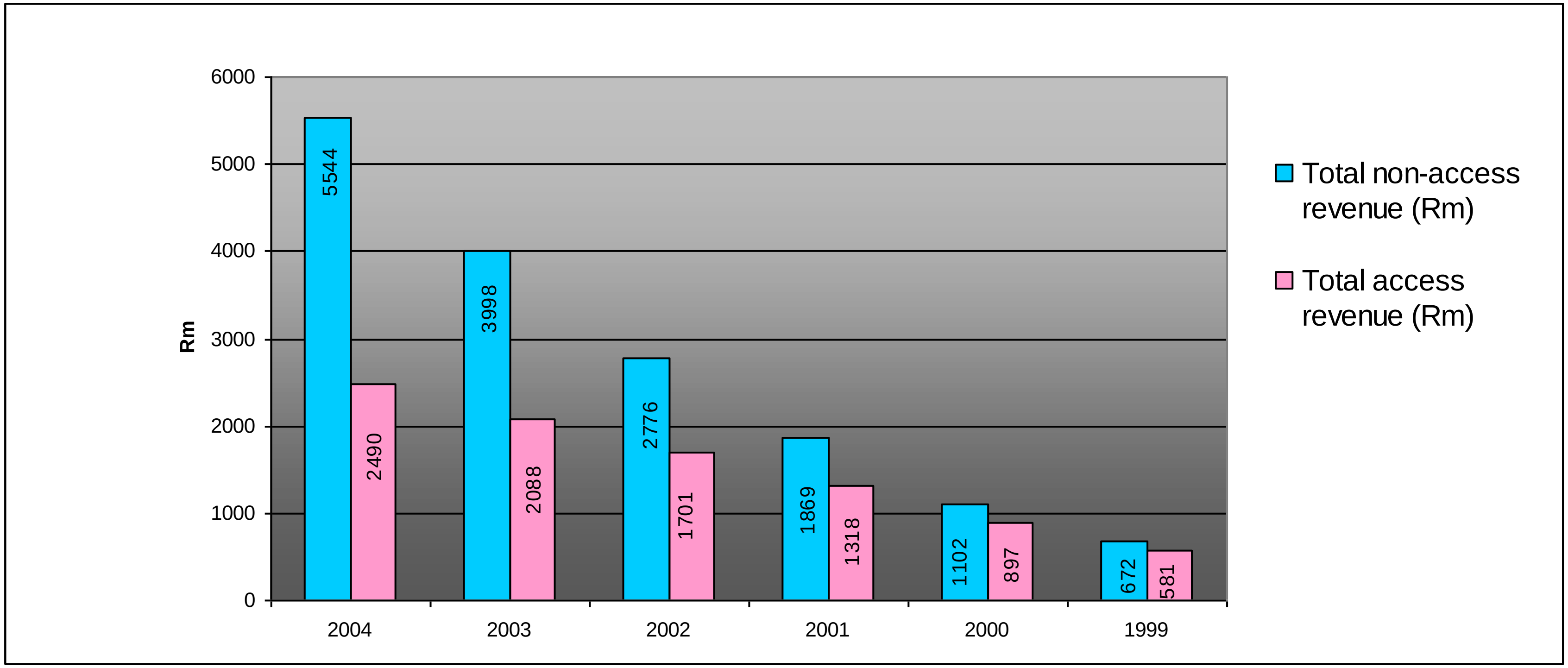


FIGURE 4: INTERNET AND E-COMMERCE SERVICES REVENUE IN SOUTH AFRICA, 1999 – 2004

Sourced: BMI-TechKnowledge "The New Economy Builders", Handbook 2000, P 106

APPENDIX 2

List of Interview Subjects

1) Chris Bennfield – Manager, e-Commerce Division,

   Standard Corporate and Merchant Bank (SCMB)

2) Lourens Botha – Managing Director,

   McCarthy On-line

3) Robert Braune – Interactive Analyst, Internet Services,

   Dimension Data I-commerce

4) Grant Brewer – Director, e-Commerce Division,

   Ernst and Young

5) Rowan Brewer - CEO

   Tutuka.com

6) David Chambers – Managing Consultant, e-Commerce,

   KPMG Consulting

7) Nicky Dullisear – Marketing, e-Commerce,

   Hyphen, Rand Merchant Bank

8) Doug Francke – Director, E-Business Solutions,

   Pricewaterhousecoopers (PWC)

9) Paddy Gray – Marketing Manager,

   eCNet

10) Malcolm Horton – Vice President,

   JP Morgan

11) Colin Huber – Manager, e-Commerce Division,

Ernst and Young

12) Quinten Knox – Symbolic Analyst,

Finstruct (Pty) Ltd

13) Dennis McCarthy – Manager,

AST

14) Paul Mestern – Managing Director,

SetCom

15) Graham Smale – Director, Quantative Analysis,

Decillion

16) Erna Solomon – e-Business Head,

Deloitte Consulting

17) Rodney Stanford – Sales and Marketing Manager,

First Card E-Commerce

18) Caesar Tonkin – Business Analyst, Internet Services

Dimension Data I-commerce

APPENDIX 3

Interview Schedule

Discussion Points on which to implement conversation around the issues.

1) Can a company afford to ignore the Internet? Why/ Why not?

2) What are the new "sets of rules" by which business is being done and measured?

3) What added value does the Internet provide to the marketing function, and, more specifically, the marketing orientation of a company?

4) What specific impact is the Internet going to have on Marketing Practice?

5) How can the Internet be used to leverage business strategy? What operational, functional, and process issues will have to be considered, for a business to become e-enabled?

6) How, theoretically and practically, would the move from business philosophy to implementation of the business strategy take place, within the context of e-technology?

7) What synergy's are there between the Internet and marketing orientation? Comment.

8) How will this synergy positively or negatively affect the performance of a company?

APPENDIX 4

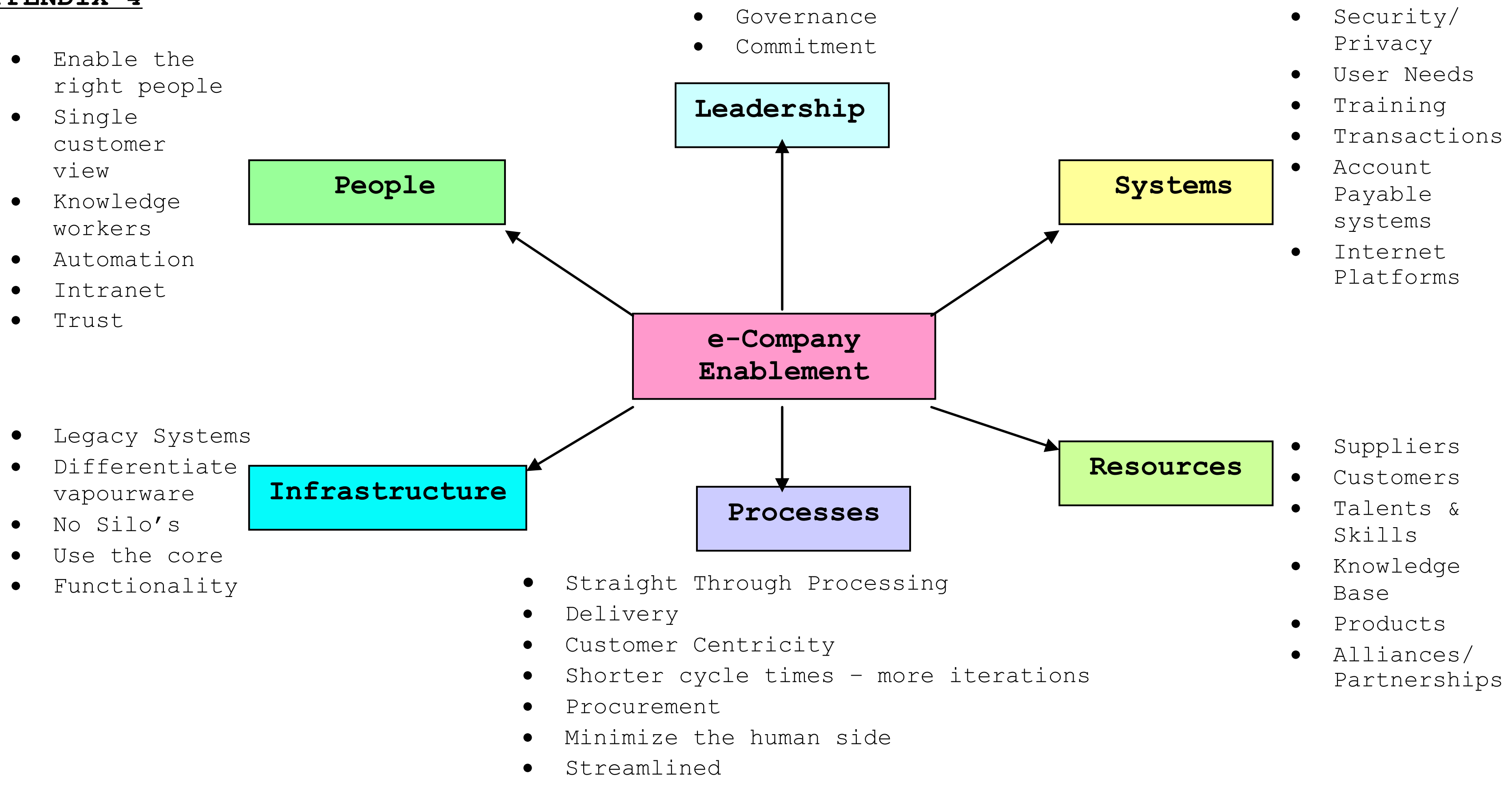


Figure 3: Issues to be considered in e-Enablement

APPENDIX 5

Vision	**Implementation**	**Project Plan**

• e-Enabled Company
• Marketing orientation includes:
  o ↑ Customer knowledge
  o Closer links to Customer
  o Customer trust/ loyalty
  o Brand Building
• Market Facing Company
• Customer Relationship Management
	• Campaigns must resolve customer perceptions
	• Facilitate the selling transaction – easier and user friendly
	• Have the right product/product set (Allow customers to bundle)
	• Workshop the issues with key decision makers. Develop the project plan around this
		• User training implemented Staff training implemented
		• Align marketing/ custom build marketing
		• Real time plans must be developed
		• Business partnerships must be negotiated
		• Customer feedback must be responded too
		• The regulatory environment must be developed and accessed

• Speed • Efficiency • Innovation • Communication • ↑ Profitability • ↑ Performance	• Harness the company's internal strengths • Cycles need to be shorter • Continuous feedback needs to be gathered • Measurement is NB – measure customer satisfaction continuously • Internet must be seen as the true enabler • Business strategy and IT strategy must be closely linked. • Re-look at business processes – choose correct	• Company's must not close themselves off from potentially seeing their competitors as collaborators • Establish clear guidelines around what the customers want • Add value by taking the hassle away.

Table 2: Factors moving a company from Business Philosophy to Business Implementation

BIBLIOGRAPHY AND REFERENCES

REFERENCES

- Aldridge,A; Forcht,K & Pierson,J (1997): "Get Linked or get lost: marketing strategy for the Internet", Internet Research: Electronic Networking Applications and Policy, Vol. 7 Issue 3. (Internet Download: Emerald Library (UNISA), 26/06/00.)
- Avlonitis,G.J & Gounaris,S.P (1999): "Marketing orientation and its determinants: an empirical analysis", European Journal of Marketing, Vol. 33 Issue 11/12. (Internet Download: Emerald Library (UNISA), 17/05/00.)
- BMI-TechKowledge (2000): "The New Economy Builders Handbook", BMI-TechKnowledge Group.
- Chiao-Pei Chen,C (2000): "Marketing Strategies in Business-to-Consumer E-Commerce, Published MBA Research Report, Johannesburg: University of the Witwatersrand.
- Day,G.S (1990): "Market Driven Strategy: Process for Creating Value", The Free Press, New York, NY.
- Day,G.S (1994): "The Capabilities of Market Driven Organisations", Journal of Marketing, Vol.58, October, pp.37-51.

- Delaney,J.A (1998): "The Relationship between Market Orientation and Entrepreneurial Orientation", Published MBA Research Report, Johannesburg: University of the Witwatersrand.
- Deshpande,R and Webster,F (1989): "Organisational Culture and Marketing: defining the research agenda", Journal of Marketing, Vol.53, No.1, pp.3-15.
- Deshpande,R; Farley,J and Webster,F (1992): "Corporate Culture, Customer Orientation and Innovativeness in Japanese Firms: A Quadrant Analysis", Marketing Science Institute, Report No 92-100, Boston, MA.
- Deshpande,R; Farley,J and Webster,F (1993): "Corporate Culture, Customer Orientation and Innovativeness in Japanese Firms, a Quadrad Analysis", Journal of Marketing, Vol.57, January, pp.23-27.
- Diamantopoulos,A and Hart,S (1993): "Linking Market Orientation and Company Performance: preliminary work on Kohli and Jaworski's framework", Journal of Strategic Marketing, Vol.1, No.2, pp.93-122.
- Drucker,P (1954): "The Practice of Management", Harper & Row Publishers Inc, New York, NY.

- Ernst and Young Annual Report (1998).
- Felton,A (1959): "Making the Marketing Concept Work", Harvard Business Review, Vol.37, No.4, pp.55-65.
- Gray,B ; Matear,S ; Boshoff,C & Matheson,P (1998): "Developing a better measure of market orientation", European Journal Of Marketing, Vol. 32, Issue 9. (Internet Download: Emerald Library (UNISA), 26/06/00.)
- Green Paper on e-Commerce (November 2000): "making it your Business", Department of Communications, Republic of South Africa.
- Harris,L.C & Piercy,N.F (1999): "Management behaviour and barriers to market orientation in retailing companies", The Journal of Services Marketing, Vol. 13, Issue 2.
- Hoffman,D and Novak,T (1996): "Marketing in hypermedia computer-mediated environments: conceptual foundations", Journal of Marketing, Vol.60, July, pp.50-68.
- Hooley,G; Lynch,J and Shepard,J (1990): "The Marketing Concept: putting the theory into practice" European Journal of Marketing, Vol.24, No.9, pp.7-23.

- Jaworski,B.J and Kohli,A.K (1993): "Market Orientation, Antecedents and Consequences", Journal of Marketing, Vol.57, July, pp.53-70.
- Kohli,A.K and Jaworski,B.J (1990): "Market Orientation: the construct, research propositions and managerial implications", Journal of Marketing, Vol.54, April, pp.1-18.
- Kotler,P (1994): "Marketing Management", Engelwood Cliffs, NJ Prentice Hall Inc, Eigth edition.
- Kotler,P (1977): "From Sales Obsession to Marketing Effectiveness", Harvard Business Review, Nov-Dec, pp.69-75.
- KPMG Research Report (2000): "The Future of Marketing is on the Line", KPMG Managemnet Consulting.
- Lawrence,P; Charley,J; Scurlock,J; and Wasslen,G (ed), (2000): "Electronic Commerce: A need to change perspective", Special Report on the Financial Services Industry, Cap Gemini/Ernst and Young.
- Levitt,T (1960): "Marketing Myopia", Harvard Business Review, July-August, pp.53-60.
- Mann-Craik,F. (September 1999): "The Power of E-Marketing", Tornado-Insider.com - Magazine. (Internet Download: 26/06/00.)

- Miles,I (1991): “When Mediation is the Message: how suppliers envisage new markets” in Lea,M (ed), “Contexts of computer-mediated communication”, Harvester Wheatsheaf, London, Chp.6, pp.145-166.
- Narver,J.C and Slater,S.F (1990): “The effect of a market orientation on business profitability”, Journal of Marketing, Vol.54, October,pp.20-35.
- Papows,J (1999): “Enterprise.com – Market Leadership in the Information Age”, Nicholas Brealey Publishing Ltd.
- Peters,L (1998): “The new interactive media: one to one, but to whom?”, Marketing Intelligence & Planning, Vol. 16, Issue 1. (Internet Download: Emerald Library (UNISA), 01/05/00.)
- Piercy,N (1991): “Marketing Concepts & Actions: implementing marketing led strategic change,” European Journal of Marketing, Vol.25, August, pp.36-55.
- Piercy,N (1992): “Market-led Strategic Change”, Butterworth-Heinmann, Oxford.
- Porter,M (1985): “Competitive Advantage”, Free Press, London, pp.7.
- Preston,D; Saker,J & Smith,G (1993): “Culture Driven, Strategic Marketing Planning”, in Chias,J

and Sured,J (eds), "Marketing for the New Europe: dealing with complexity", 22nd EMAC Conference, 25-28 May, Barcelona, Spain, pp.1267-1277.

- Rayport,J and Sviolka,J (1994): "Managing in the market space", Harvard Business Review, Vol.72, No.6,pp.141-150.
- Slater,S.F and Narver,J.C (1994): "Does competitive environment moderate the market orientation-performance relationship?", Journal of Marketing, Vol.58, January, pp.46-55.
- Slater,S.F and Narver,J.C (1995): "Market Orientation & the Learning Organisation", Journal of Marketing, Vol.59, July, pp.63-74.
- Scherer,F (1980): "Industrial Market Structure & Economic Performance", Rand McNally, Chicago,IL.
- Tuominen,M & Moller,K: "Market Orientation: a state of the art review" in Beracs,J; Bauer,A & Simon,J (eds): "Marketing for an expanding Europe, 25th EMAC Conference, 14-17 May, Budapest, Hungary, pp.1161-1181.
- Vorhies,D.W; Harker,M & Rao,C.P (1999): "The capabilities and performance advantages of market-driven firms", European Journal of Marketing, Vol.

33, Issue 11/12. (Internet Download: Emerald Library (UNISA), 01/05/00.)

BIBLIOGRAPHY

- Andreassen,T.W; (2000): “Antecedents to satisfaction with service recovery”, European Journal of Marketing, Vol. 34, Issue 1/ 2.
- Bauer,C & Scharl,A (2000): “Quantitive evaluation of Web site content and structure”, Internet Research: Electronic Networking Applications and Policy, Vol. 10, Issue 1.
- Bickerton,D (2000): “Corporate reputation versus corporate branding: the realist debate”, Corporate Communications: An International Journal, Vol. 5, Issue 1.
- Burger,B (1995): “A Cross-Cultural Study of Management Philosophies”, Published MBA Research Report, Johannesburg: University of the Witwatersrand.
- Cartellieri,C; Parsons,A; Rao,V & Zeisser,M.P (1997): “The real impact of Internet advertising”, The Mckinsey Quarterly, Number 3, pp. 44-62.
- Chan,C & Swatman,P.M.C (2000): “From EDI to Internet commerce: the BHP Steel experience”, Internet Research: Electronic Networking Applications and Policy, Vol. 10, Issue 1.

- Cowling,H.G (1998): "The Relation Between Marketing Orientation and Business Performance", Published MBA Research Report, Johannesburg: University of the Witwatersrand.
- Hagel III,J & Armstrong,A.G (1997): "Net Gain: Expanding markets through virtual communities", The Mckinsey Quarterly, Number 2, pp. 140-153.
- Hatch,M.J & Schultz,M (1997): "Relations between organizational culture, identity and image", European Journal of Marketing, Vol. 31, Issue 5.
- Kara,A & Kaynak,E (1997): "Markets of a single customer: exploiting conceptual developments in market segmentation", European Journal of Marketing, Vol. 31, Issue 11/12.
- Kardjiev,T.V (1997): "The Internet as a Marketing Tool", Unpublished MBA Research Report, Johannesburg: University of the Witwatersrand.
- Mols,N.P (2000): "The Internet and services marketing - the case of Danish retail banking", Internet Research: Electronic Networking Applications and Policy, Vol. 10, Issue 1.
- Newlands,C.S (1997): "A Comparison of Market Orientation between an Organisation and its

Customers”, Published MBA Research Report, Johannesburg: University of the Witwatersrand.

- Orelowitz,A (1995): “Assessing the Relationship between a Market Orientation and Business Performance”, Published MBA Research Report, Johannesburg: University of the Witwatersrand.
- Parsons,A.J; Zeisser,M & Waitman,R (1996): “Organising for digital marketing”, The Mckinsey Quarterly, Number 4, pp.183-192.
- Paul,P (1996): “Marketing on the Internet”, Journal of Consumer Marketing, Vol. 13, Issue 4.
- Prabhaker,P (2000): “Who Owns the online consumer?”, Journal of Consumer Marketing, Vol. 17, Issue 2.
- Rowley,J (2000): “Product search in e-shopping: a review and research proposition”, Journal of Consumer Marketing, Vol. 17, Issue 1.
- Schaible,S (2000): “B2B Marketplaces: The Third Wave”, JP Morgan Securities Inc, Morgan e Solutions.
- Strader,T.J & Shaw,M.J (1999): “Consumer cost differences for traditional and Internet markets”, Internet Research: electronic networking Applications and Policy, Vol. 9, Issue 2.
- van Niekerk,D.N.R; Berthon,J.P & Davies,T (1999): “Going with the flow: web sites and customer

involvement”, Internet Research: Electronic Networking Applications and Policy, Vol. 9, Issue 2.

- Watson,R.T; Berthon,P; Pitt,L and Zinkhan,G.M (2000): “Electronic Commerce: The Strategic Perspective”, The Dryden Press.