

# **THE IMPACT OF CUSTOMER FOCUS TO THE SUCCESS OF ECOMMERCE SYSTEMS AMONG SMALL AND MEDIUM ENTERPRISES -A CONCEPTUAL FRAMEWORK-**

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## **ABSTRACT**

This paper conceptualizes the role of customer focus as a contributing factor to the success of eCommerce system (ECS) when it is implemented by small and medium enterprises (SMEs). It postulates that customer focus influences the success of ECS. The success of ECS in SMEs is the dependent variable, the dimensions of which are identified by using DeLone and McLean success model. The output of this paper is a conceptual model that identifies the relevant dimensions of both success and customer focus and the resultant hypotheses that require empirical research to validate the proposed model.

## INTRODUCTION

Small and medium enterprises (SMEs) are increasingly utilizing the Internet for their business activities. This vast and rapidly growing number of online activities has led to the provision of eCommerce systems (ECS), specifically designed for SMEs. It is not clear what level of success is being experienced by SME owner/managers in utilizing ECS, how success is perceived and what benefits have been gained. ECS however is an information system (IS) which incorporates eCommerce functionality, which has a vast number of users who are not confined by the organizational context and for whom web use is volitional. The concept of success is recognized as a problematic issue that can be interpreted in many ways. Attempts to measure the success of the information system with single or multiple variables have been the focus of many researchers. Very few SMEs actually undertake any formal measurement of their ECS performance. In fact the literature does not present any concept of ECS success developed specifically for SMEs. DeLone and McLean (1992) conducted a comprehensive review of IS literature and proposed the concept of an IS success model which has been debated and validated by many researchers. The present study seeks to extend DeLone and McLean IS success model and adapt it for SMEs by identifying and incorporating dimensions of success relevant to SMEs. There appears to be no such study conducted to examine the applicability of this model in an SME setting.

However, DeLone and McLean, 2003 asserted that the selection of success measures should also consider the independent variables such as customer focus. Many researchers have suggested a variety of independent factors that influence the success of eCommerce, yet few studies have addressed ones that are related with the success of ECS in terms of their customers. This has been investigated as a driver of e-business (Jingting and Jinghua 2004); as a driver of eCommerce (Jinghua et al. 2005); In terms of the determinants of a successful eCommerce website (Turban and Gehrke 2000) and with customer orientation, firms tends to have a stronger and successful ECS (Chang et al. 2003). The present paper refers to all aspects that relates success to customers as customer focus.

The purpose of this paper is to explore the role of customer focus for ECS success to be tested in an SME context. Thus, a research question can be articulated as “What is the contribution of customer focus for ECS success in SMEs” This would help owner/managers to understand their target audience, meet their needs and improves the value delivery before and during ECS implementation.

## ECS SUCCESS MODEL

DeLone and McLean (1992) conducted a comprehensive review of IS literature in attempting to structure the myriad of variables associated with the diversity of information systems and proposed the concept of the IS success model (DeLone and McLean 1992). Their work is still contributing toward a universal model, which many have employed when looking at information system performance (Ballantine et al. 1996; Rai et al. 2002; Seddon 1997). Pitt *et al* (1995) proposed a modification of this model to include a service quality component; Myers *et al* (1998) suggested additional IS impact measures; Seddon, (1997) argued to exclude the usage from the model and used ‘net benefit’ in his characterization of the outcome. These modifications were endorsed by DeLone and McLean in 2002 with an updated IS success model (DeLone and McLean

2003) and adapted their updated model to measure success in the eCommerce context (DeLone and McLean 2004) as shown in Fig 1.

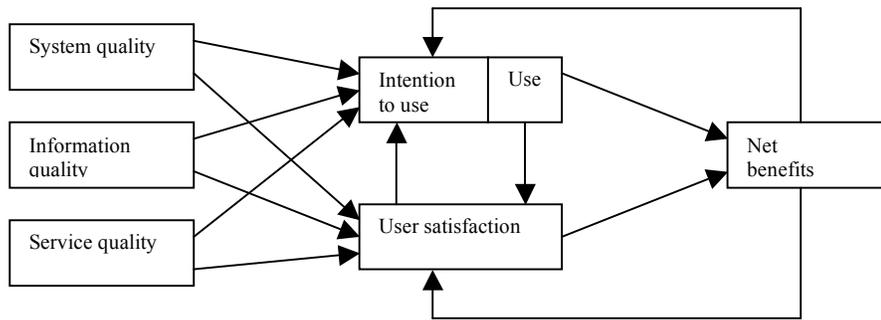


Figure1. Updated DeLone and McLean IS success model  
Source: DeLone and McLean 2004

While the DeLone and McLean framework is flexible, the dynamics make it very difficult to operationalize its constructs. However, choice of the appropriate dimensions of the success constructs to better realize benefits is context dependent and “contingent on the objectives of the empirical investigation”. It is also “a function of the independent variable under investigation” (DeLone and McLean 2004). That makes it applicable for different domains. However for the purpose of this study we look at the profit based SME as the stakeholder of the ECS and the benefit accrued to that SME invested in the system from the perspective of owners /managers whom they ultimately determine the success of their venture. In the updated D&M IS success model, system quality, information quality and service quality affect net benefits through user satisfaction and intention to use the system in place. This study frames theoretical dimensions of ECS success within the paradigm DeLone and MacLean model where it is envisaged to successfully map the different perspective of success.

### CUSTOMER FOCUS

eCommerce businesses are commonly distinguished according to customer focus. There are two major categories of eCommerce businesses: business-to-business (B2B), and business-to-customer (B2C) (Longenecker et al. 2003). Regardless whether the customers are retail consumers or companies, they are the lifeblood of any organization. Without customers a firm has no revenues, no profits and no market value (Gupta and Lehmann 2005). Treacy and Wiersema (1997) have suggested that eCommerce transform organizations into “customer intimacy” discipline delivering not what the market wants but what specific customers want. The customer-intimate company conducts business by knowing the people it sells to and the products and services they need to allow them to offer the best value proposition solution for customers with the intention of cultivating relationships in order to garner business opportunities. Thus their asset is customer loyalty (Treacy and Wiersma 1997). The ultimate success of eCommerce depends on how customer perceives its value (Torkzadeh and Dhillon 2003).

While every audience is unique, firms should tailor their marketing and communication in a way that connects consumers to their business. Internet provides a medium for firms to share customized and rich information on a real time basis in an interactive

environment (Barua et al. 2001). A good ECS must be customer-centric, allowing both sellers and buyers maximum access and control of transactions in the shortest possible time (Campbell 2001). Each ECS must be designed to meet the need of a specific target audience, the members of which must be ready and consider eCommerce important. Lack of Internet access limits the ability of the customers to use the web (Prasad et al. 2000) Hence our proposition:

**H1: Customer readiness influences the success of ECS.**

One of the major categories surveyed by Turban and Gehrke (2000) investigating the major determinants of an effective website is customer focus. They grouped 12 variables of relative importance according to their number of citation in the literature. Promoting the firm site has been found the most important since it is important to direct visitors to the site (Turban and Gehrke 2000). *Marketing strategies* for the website can also be continually refined using real-time information gathered from customers during their visits (Epstein 2005). In relation to this, the web site should be easy to find and appear as close to the top of a search result as possible. The higher the rank in the search engine, the greater the proportion of consumer traffic visit the site and eventually, a purchase. Hence, search engine optimization has become an important marketing concern and is dependent on how well the web site is designed and laid out (Krishnamurthy 2003). Hence our proposition:

**H2: Marketing strategies influence the success of ECS.**

In the Internet age, customers are becoming more demanding, more knowledgeable and less tolerant than ever before (Trowbridge 2000). With eCommerce firms needs to take a holistic view of their customer that reflects the firm's understanding of its target buyers in order to be able to continuously create superior value for them. Understanding customers however is through knowing their motives and behaviors. A firm can build a knowledge base of customer preferences which can leveraged to create a strategic advantage by raising the entry barrier (Chang et al. 2003). Customers can be tracked for their website interaction to identify their preferences and hence allow the firm to respond instantaneously to their needs. Such gathered information is very important for refining the value proposition and better allocating internal resources. It is essential to include all aspects of customer interaction within the system from acquisition to loyalty (Epstein 2005). With *customer knowledge*, a firm can avoid competing based on the customer's own demand curve (Chang et al. 2003). However, online customers are typically categorized by their surfing behavior. A study conducted by McKinsey Corporation divides consumers into five groups-simplifiers, surfers, bargainers, connectors, routiners, and sportsters (Krishnamurthy 2003). Further, understanding customer through online behaviour is a different experience compared to over-the-counter chats, Online surveys can be the sole touch-point with their customer base. The big advantage for this is the less time to conduct and the rapid turn-around which allows business managers to implement changes quicker.

Hence our proposition:

**H3: Customer Knowledge influences the success of ECS.**

Another important aspect to be considered when conducting eCommerce is how rapid the firm is responds to their customer complaints. While Internet accelerates communication with customers, firms are unable to provide good service to customers unless their customer feedbacks disseminated into their business processes and they receive customers' opinions on time. This dissemination can be achieved by the integration of firm information and customer information through a seamless customer relationship (Fingar et al. 2000). Profiling customer data and analyzing it to develop deeper understanding can help in better managing *customer care functions* and the relationships with customers. Technology is wonderful but will never substitute for traditional customer service and retention strategies (Longenecker et al. 2003). Hence our proposition:

**H4: Customer orientation influences the success of ECS.**

Finally, the privacy issues should be addressed when starting an eCommerce business. The venture's commitment to satisfying customers' online privacy concerns will create an environment of trust and customer confidence (Longenecker et al. 2003). Hence our proposition:

**H5: privacy and trust influence the success of ECS.**

### **CONCEPTUAL MODEL in SME context**

To create a theoretical structure for the objective of this study, along with what is noted in previous research (DeLone and McLean 2004) regarding what causes success rather than being part of it, dependent and independent variable model is created. While ECS success is the dependent variable which represent what is part of success i.e. surrogate measures for success, customer focus is the independent variable which represents what causes success. However, this is not a cause effect relationship but will demonstrate the contribution of the customer focus to the ECS success. This will fulfill the objective of this study.

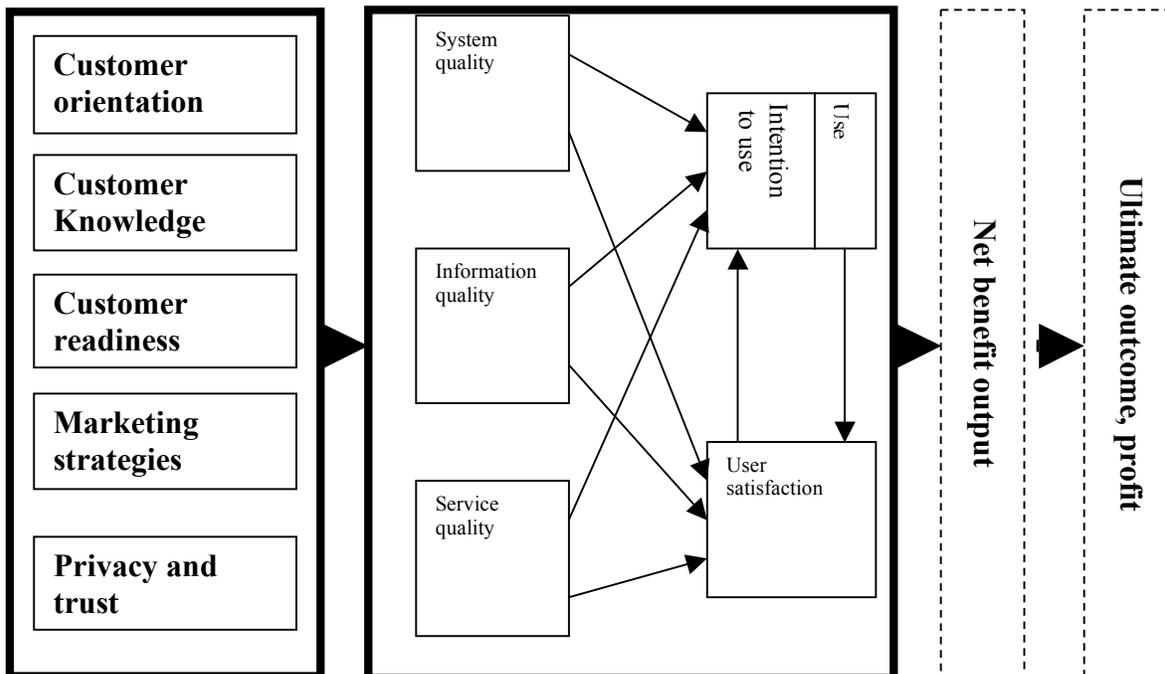
While ECS can be regarded as one form of IS (Molla and Licker 2001) and a socio-technical construction (Stockdale and Borovicka 2004), the concept of ECS success is recognized as one of the problematic issues that can be interpreted in many different ways. However, it is generally accepted that the many aspects of success with respect to ECS are complex. In essence multiple, interrelated success dimensions from both a stakeholder and technical perspective are more likely to capture changes in performance than one single item or even a set of financial measures (Segars and Grover 1998). Dess and Robinson (1984) showed that subjective measures of performance (managers' perceptions of performance) are closely correlated with objective measures of return on assets and sales growth (Dess and Robinson 1984). Epstein (2005) suggested that the yielded outputs which will lead to profitability in the form of increase in, return on investment (ROI), sales, and market share are: channel optimization, cost saving, customer acquisition, customer loyalty and retention, and value (Epstein 2005). In the updated D&M IS success model (see figure1), system quality, information quality and service quality (capturing the technical element) affect net benefits (capturing financial

elements) through user satisfaction and intention to use (capturing the human element) the system in place.

This study frames theoretical dimensions of ECS success within the paradigm DeLone and MacLean model.

Empirical research on assessing customer focus contribution to the success of ECS across SMEs is sparse. [Chang et al \(2003\)](#) found that companies which exhibit a customer orientation, by being vigilant regarding the need of customers, would achieve better performance. [Barua et al \(2001\)](#) have identified the importance of customer orientation that directly affect the firm profits and pointed out that customer facing systems should have both informational capabilities (allowing customers to: find all product-related information, customize their product online, find comprehensive FAQ section, conveniently contact service representatives or seek service online, interact using online forums or communities and see personalized content when logging onto a website) and transactional capabilities (allowing customers to submit and modify orders online, pay online, automatically notified of their order status and the site is secure). [Gray et al \(1999\)](#) have used a five point instrument for customer orientation in their study to link market orientation and performance in the New Zealand business context ([Gray et al. 1999](#)). Others addressed customer readiness ([Krishnamurthy 2003](#)), marketing strategies ([Turban and Gehrke 2000](#)) and privacy ([Longenecker et al. 2003](#)) as a key factors leading to successful implementation of IT in small businesses. Summing up the customer focus variables along with success factors of ECS would depict the framework shown in Fig.2 portraying all relevant constructs (bold line boxes), . Whether such a relationship would lead to benefits would depict an output construct “net benefit” the result of which on the long run is the ultimate outcome, profit.

**FIG.2 CONCEPTUAL MODEL**



The research model proposes that the success of ECS in SMEs is influenced by customer orientation, customer readiness, marketing strategies, customer knowledge and privacy

## **CONCLUSION**

To better realise benefits from web based presence among SMEs owners/managers must make important choices regarding their eCommerce initiative in relation to ECS characteristics in terms of the quality of the user's experience and the customer's usage of, and satisfaction with, the system. Also they need to take a holistic view of their customer in terms of their readiness, orientation, understating their customer and promoting their web presence to their target audience.

The consequences of these actions lead to successful integration of ECS into their ventures. Empirical research will be required to validate the proposed framework. Such a study will strengthen or refute claims of other related studies. Hence, this will be both a theoretical and practical contribution to the field of eCommerce systems when implemented in SMEs.

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