

Lecture 4

Key issues in the digital environment



Introduction

The starting point of any digital business and/or e-

commerce strategy should be to analyse the

environment, i.e. the marketplace, in which a

business operates. Generally, an organisation

has two environments:

- **macro-environment** – i.e. elements outside

of the organisation that indirectly influence its

operations

- **micro-environment** – i.e. internal factors that

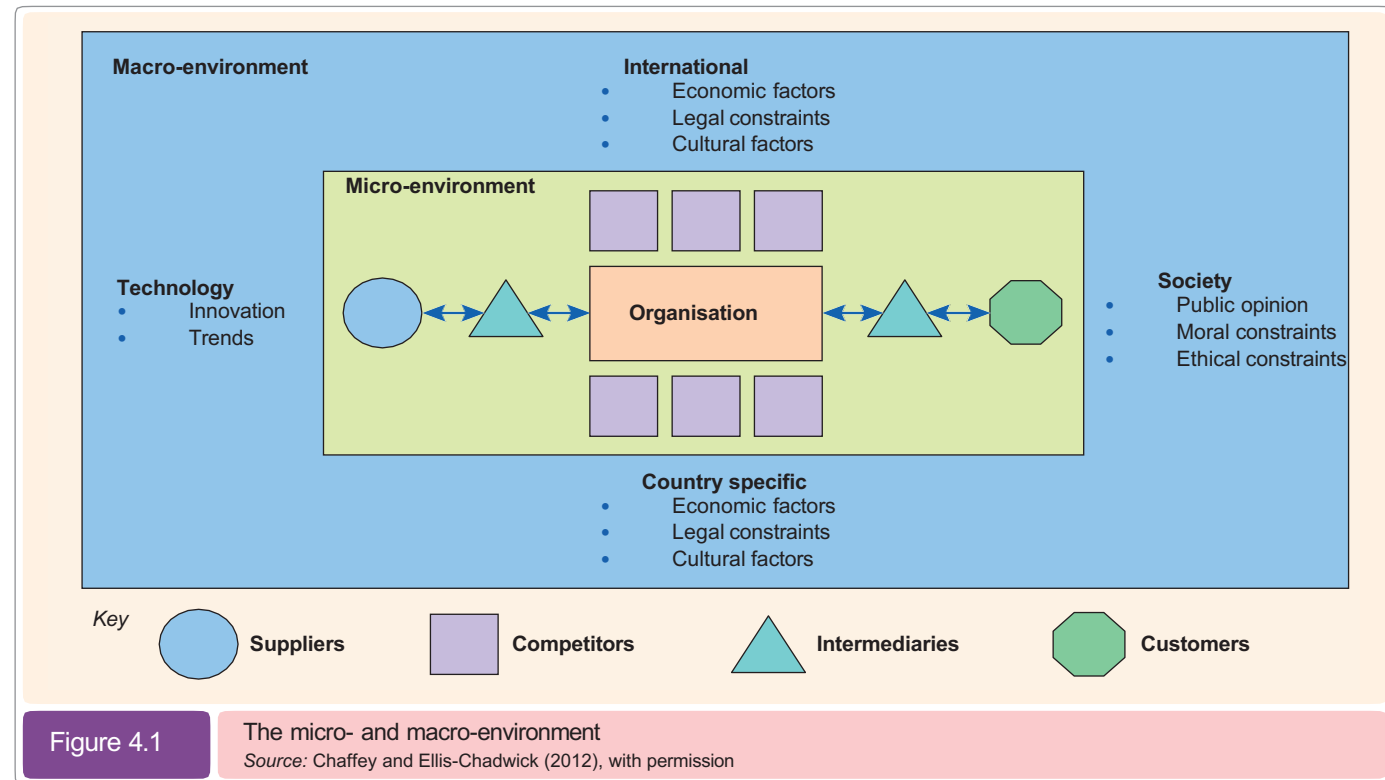
directly influence the organisation, such as

suppliers, competitors, intermediaries and

customers

Table 4.1 presents the main marketplace or macro-environmental factors and the micro-environmental factors that directly affect an organization.

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Source: Chaffey et al (2019)

SLEPT

The SLEPT factors are:

- **Social factors** – these include the influence of consumer perceptions in determining usage of the Internet for different activities.
- **Legal and ethical factors** – these determine the method by which products can be pro- moted and sold online. Governments, on behalf of society, seek to safeguard individuals' rights to privacy.
- **Economic factors** – variations in economic performance in different countries and regions a etc. spending patterns and international trade.
- **Political factors** – national governments and transnational organizations have an important role in determining the future adoption and control of the Internet and the rules by which it is governed.
- **Technological factors** – changes in technology o er new opportunities for the way products can be marketed.

Table 4.1

Factors in the macro- and micro-environment of an organisation

Macro-environment	Micro-environment (digital marketplace)
Social	The organisation
Legal, ethical and taxation	Its customers
Economic	Its suppliers
Political	Its competitors
Technological	Intermediaries
Competitive	The public at large

Social factors

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Every country has people with different attitudes and opinions to certain ideas, products/ services and communication.

Some of the key elements include:

- culture ;
- demographics such as age and gender;
- social lifestyles ;
- domestic structures;
- affluence/wealth;
- religion.

Legal and ethical factors

Legislative changes can usually affect the business environment – for example, it took Spotify a number of years to launch in Canada because of the country's royalty and copyright laws.

Some of the key legal factors to consider are:

- data protection and privacy law (particularly regarding email), which has been replaced by General Data Protection Regulation (GDPR) – implemented 25 May 2018;
- disability and discrimination law;
- brand and trademark protection;
- intellectual property rights;
- contract law;
- online advertising law.

Economical factors

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These relate to the elements of an economy and its condition.

Examples include:

- Market growth and employment
- Inflation rate;
- Interest rates;
- Monetary/fiscal policies;
- Foreign exchange rates

Political factors

An organisation needs to consider the political situation of a country and the world in relation to that country.

Areas to consider include:

- government/leadership;
 - policies;
 - tax laws;
 - internet governance.
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- From a digital marketing perspective, if an organisation is operating in a global market- place and using social media to connect and communicate with its customers, it is worth understanding which countries block Twitter, Facebook and YouTube.

Technology factors

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New technology is changing the way that people (and businesses) do things, from connecting with others to purchasing products and services. Improvements in both hardware and software are key factors in this change – Figure 4.4 shows the demise of desktop computers, towards the use of mobile devices. This demonstrates why mobile optimization should be a key element of digital marketing strategy.

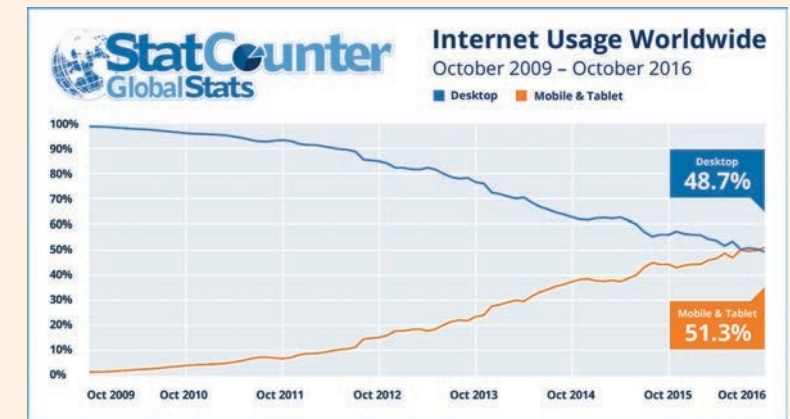


Figure 4.4

Mobile usage is overtaking desktop

Source: <http://gs.statcounter.com/press/mobile-and-tablet-internet-usage-exceeds-desktop-for-first-time-worldwide>

Cultural factors

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The social and cultural impacts of the Internet are important from an e-commerce perspective since they govern demand for digital services and propensity to purchase online and use different types of e-commerce services. For example, Blockbuster's business model no longer worked because of the emergence and adoption of video streaming services from companies such as Netflix.

Privacy and trust in e-commerce

Privacy legislation

Privacy refers to a moral right of individuals to avoid intrusion into their personal affairs by third parties. Privacy of personal data such as our identities, likes and dislikes is a major concern to consumers, particularly with the dramatic increase in **identity theft**. This is clearly a major concern for many consumers when using e-commerce services since they believe that their privacy and identity may be compromised. Unfortunately, online fraud and cybercrime are now the UK's most common offences, becoming almost half of all crime in the country (Evans, 2017). The government's National Cyber Security Strategy (published in November 2016) defines cybercrime as:

- 1. Cyber-dependent crimes** – crimes that can be committed only through the use of Information and Communications Technology (ICT) devices, where the devices are both the tool for committing the crime, and the target of the crime (e.g. developing and propagating malware for financial gain, hacking to steal, damage, distort or destroy data and/or network or activity).
- 2. Cyber-enabled crimes** – traditional crimes that can be increased in scale or reach by the use of computers, computer networks or other forms of ICT (such as cyber-enabled fraud and data theft).

Other e-commerce legislation

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1 Marketing your e-commerce business

Sparrow used this category to refer to purchasing a **domain name** for a website, but other legal constraints now also fall under this category.

Domain name registration

Most companies are likely to own several domains, perhaps for different product lines, countries or for specific marketing campaigns. Domain name disputes can arise when an individual or company has registered a domain name that another company claims they have the right to.

Accessibility law

1. Laws relating to discriminating against disabled users who may find it more difficult to use websites because of audio, visual or motor impairment are known as **accessibility legislation**. This is often contained within disability and discrimination Acts. In the UK, the relevant Act is the Equality Act 2010.

2 Forming an electronic contract (contract law and distance-selling law)

We will look at two aspects of forming an electronic contract: the country of origin principle and distance-selling laws.

Country of origin principle

The contract formed between a buyer and a seller on a website will be subject to the laws of a particular country.

Distance-selling law

Sparrow (2000) advises different forms of disclaimers to protect the retailer. For example, if a retailer made an error with the price, or the product details were in error, then the retailer is not bound to honour a contract, since it was only displaying the products as 'an invitation to treat', not a fixed offer.

3 Making and accepting payment

For transactional e-commerce sites, the relevant laws are those referring to liability between a credit card issuer, the merchant and the buyer. Merchants need to be aware of their liability for different situations, such as the customer making a fraudulent transaction.

4 Authenticating contracts concluded over the Internet

'Authentication' refers to establishing the identity of the purchaser. For example, to help prove a credit card owner is the valid owner, many sites now ask for a three-digit authentication code. This helps reduce the risk of someone who has, for instance, found a credit card number using it to buy fraudulently. Using digital signatures is another method of helping to prove the identity of purchasers (and merchants).

5 Email risks

One of the main risks with email is infringing an individual's privacy. Specific laws have been developed in many countries to reduce the volume of spam.

6 Protecting intellectual property (IP)

Intellectual property rights (IPR) protect designs, ideas and inventions and include content and services developed for e-commerce sites. Copyright law is designed to protect authors, producers, broadcasters and performers through ensuring that they see some returns from their works every time they are experienced. The European Directive of Copyright (2001/29/ EC) came into force in many countries in 2003; it covers new technologies and approaches such as streaming a broadcast via the Internet.

7 Advertising on the Internet

Advertising standards that are enforced by independent agencies such as the UK's Advertising Standards Authority Code also apply in the Internet environment. They are traditionally less strongly policed, leading to more 'edgy' creative executions online that are intended to have a viral effect.

Environmental and green issues related to Internet usage

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- 1. Fewer vehicle-miles.** Shopping is the most frequent reason for car travel in the UK, accounting for 20% of all trips, and for 12% of mileage. A study by the Swiss online grocer LeShop.ch calculated that each time a customer decides to buy online rather than go shopping by car, 3.5 kg of CO₂ emissions are saved.
- 2. Lower inventory requirements.** The trend towards pre-selling online – i.e. taking orders for products before they are built, as implemented by Dell – avoids the production of obsolete goods that have to be disposed of if they don't sell, with associated wastage in energy and natural resources.
- 3. Fewer printed materials.** Online e-newsletters and brochures replace their physical equivalent, thus saving paper and distribution costs.
- 4. Less packaging.** Although theoretically there is less need for fancy packaging if an item is sold online, this argument is less convincing, since most items such as software or electronic items still come in packaging. At least those billions of music tracks down-loaded don't require any packaging or plastic.
- 5. Less waste.** Across the whole supply chain of procurement, manufacturing and distribution, the Internet can help reduce product and distribution cycles. Some even claim that auction services such as eBay and Amazon Marketplace can promote recycling and reuse.
- 6. Dematerialisation.** Better known as 'digitisation', this is the availability of products such as software, music and video in digital form.

How to change tax laws to reflect globalisation through the Internet is a problem that many governments have grappled with. The fear is that the Internet may cause significant reductions in tax revenues to national or local governments if existing laws do not cover changes in purchasing patterns.

Tax jurisdiction

Tax jurisdiction determines which country gets tax income from a transaction. Under the pre-electronic commerce system of international tax treaties, the right to tax was divided between the country where the enterprise that receives the income is resident ('residence country') and that from which the enterprise derives that income ('source country').

Economic and competitive factors

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The economic health and competitive environment in different countries will determine their e-commerce potential. Managers developing e-commerce strategies in multinational companies will initially target the countries that are most developed in the use of the technology. A comprehensive framework for assessing an 'e-economy' has been developed by Booz Allen Hamilton (2002).

The report authors define the e-economy as:

the dynamic system of interactions between a nation's citizens, the businesses and government that capitalise upon online technology to achieve a social or economic good.

Globalisation refers to the move towards international trading in a single global marketplace and also to blurring of social and cultural differences between countries.

Quelch and Klein (1996) point out some of the obvious consequences for organisations that wish to compete in the global marketplace; they say a company must have:

- a 24-hour order-taking and customer service response capability;
- regulatory and customs-handling experience to ship internationally;
- in-depth understanding of foreign marketing environments to assess the advantages of its own products and services.

Tailoring e-commerce services for individual countries or regions is referred to as **localisation**.

A website may need to support customers from a range of countries with:

- different product needs;
- language differences;
- cultural differences.

Singh and Pereira (2005) provide an evaluation framework for the level of localisation:

- 1. Standardised websites (not localised).** A single site serves all customer segments (domestic and international).
- 2. Semi-localised websites.** A single site serves all customers; however, there will be contact information about foreign subsidiaries available for international customers.
- 3. Localised websites.** Country-specific websites with language translation for international customers, wherever relevant.
- 4. Highly localised websites.** Country-specific websites with language translation; they also include other localisation efforts in terms of time, date, postcode, currency formats, etc.
- 5. Culturally customised websites.** Websites reflecting complete 'immersion' in the culture of target customer segments.