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Critical review of

E-Commerce Strategies that businesses could follow.

Student Number

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# Introduction

Inside this document is a review of the case study conducted by (Wigand, 1997), discussing and comparing strategies and theories with current eCommerce discoveries and aims to provide a broader insight into eCommerce as a whole.

# Electronic data interchange

The (EDI) is used by businesses to boost efficiency and reduce errors which are specialized in transactions between suppliers the main purpose of (EDI) is to send documents to external entities, this process saves time for the business and an example of this would be when an order is being processed the data is being sent to the dispatch database sending vital information such as names, addresses, which product and how many products without using (EDI) this data will be manually inputted and sent across which could lead to possible errors such as missing orders. The (EID) has been around since the 1960s and wasn’t used until the early ’90s for large scale globalisation as (Data interchange, 2017) explained in their survey asking 138 companies “over 41% of businesses have no EDI capability and 21% just use web portals” the (Data interchange, 2017) processed to state “if businesses wish to engage with their customers and suppliers more effectively, with fewer errors and with reduced risk of expensive failures, then they must become part of a seamless supply chain using integrated EDI.” Comparing this current number of businesses that use (EDI) to the previous studies conducted by (Wigand, 1997) “Over 45,000 firms in the United States alone exchange data electronically and more than 60% of all U.S. firms utilize some form of EDI.” Although this is not scaled evenly the percentage has remained similar in the US.

# Is eCommerce adding value to a business?

In the past, businesses were branded for either having a vertical or horizontal organization (Wigand, 1997) suggests that the development of new eCommerce theories was often trendy and possibly just a phase. With the competitive market, businesses would adopt and follow current movements. This led to the issue of it becoming (Wigand, 1997)“more difficult to recognize a truly rich idea with value for the future.” Although it was difficult to recognize positive strides, this did display how popular the idea of running an eCommerce business could be. Continuing (Wigand, 1997) statement he suggested that “organizational forms are gaining shape along with the concept of the horizontal organization”. The concepts of vertical and horizontal e-commerce are still an ongoing discussion with each providing its positive impacts such as businesses like Amazon providing various products to vertical eCommerce businesses like Rockerline providing sports clothing. The reasoning behind this is as (KHURANA, 2018) explains that “since they focus on one, or few, product categories, they can engineer the user experience in a way that highlights the special features of the product category.” This could lead to a business gaining revenue from unique product features. Although running a horizontal eCommerce business provides a wider range of products this could be overwhelming to focus upon with the everchanging prices of many products in the market. Both methods are effective in their way, and both provide value.

## Transaction Cost Theory

Transaction costs are the make or break of the potential profit of a product as (Wigand, 1997) stated “if transaction costs are high, no, or little economic activity is likely to occur.” This can be one of many factors of an unsuccessful product. This factor is still an ongoing problem with many companies. To reduce this, it is advised to assess the production and coordination costs for possible cost savings. Figure1 provided (Wigand, 1997) displays that there is a large increase between wholesalers to the consumer, therefore there are possibilities for the removal of the retailer and opening of a personal eCommerce business gaining a more flexible transaction cost margin.

Diagram

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Figure 'Market hierarchy and transaction costs in a stepwise fashion (Wigand, 1997)

This suggestion has been used over the years when a company would seek out a cost-effective manufacturer bypassing the need of a wholesaler and some cases retailers once the business is established there is a potential for it to become independent using the correct platform. This is because (Halonen, 2018) “a cost-efficient eCommerce platform can be one of the most important tools enabling them to offer their products and services to clients and other businesses to survive in the digital world.”.

Although figure 1 is a basic example of the Transaction cost theory there are plenty of other factors that lead to each total cost, these can be controlled as (Kaplan financial, 2012) states “Transaction costs will occur when dealing with another external party” it will beneficial to minimalize all possible external interactions and to be self-sufficient as possible to reduce unnecessary costs. As stated above finding the best possible manufacturer or even producing the products manually would be a viable solution, the risks behind going independent would be that product could be unsuccessful and also will take up a lot of time to manufacture independently this situation should be assessed before acting.

## Information Retrieval

When selling products online, it is possible for consumers from other countries to purchase products on the platform. This is called cross border eCommerce. The consumer may struggle to read the product information if it is not displayed in their native language, which could lead to a missed purchase. But with a business selling possibly thousands of products as (Wigand, 1997) states “Firms tend to be overwhelmed with information stored in central databases, as well as dispersed documents (e.g., correspondence) in various places throughout the organization.” To prevent being overwhelmed, a business may use various information retrieval models. For this instance, the information being sent would be each word, which would suggest using the bag-of-words model that has been proven to be successful (Ivan Vulić, 2015). This model could be used by companies to provide an easier experience for the buyer.

## Covid impact on the business

Covid-19 has impacted businesses and affected people massively. Some companies have thrived, whilst others have had to close down. As Rockerline specialises in water sports clothing, the business didn’t do too well during the pandemic as outdoor activities were advised and not to be conducted due to safety. This information is supported by (Aidan McParland MD, 2021) article which had stated “The COVID-19 pandemic has had a major impact on surfing populations around the world, both professional and recreational”. Looking more into this from an eCommerce perspective, Covid-19 has also put an impact on SME sales. This was proven by (Hussain, Shahzad, Hassan, & Doski, 2021) study using the TOE model which has suggested improving SME productions which have dropped by 70% by using a B2B platform to assist with production rates as well as being cost-effective overall boosting cross border eCommerce sales.

## Booz, Allen, and Hamilton (BAH) Model

Diagram

Description automatically generatedIf Rockerline was to head down the path of creating new products it would be recommended to follow the BAH model Figure. This model is still an effective and popular method that businesses use to this day.

Figure BAH model (Edwin G. Booz, 1982)

## But what is the purpose of the BAH model?

The Booz, Allen, and Hamilton (BAH) is a framework that when applied to a business looks at the sales aspects and can pinpoint what product is selling the most to boost sales so that the business does not miss out on its highest selling product as well as assisting on the creation of new products this has been supported by (Nguyen, 2021) who has introduced this model inside their studies as it has “proved itself to be an effective market analysis model for the product selection process.” Therefore, following the guidelines inside the figure will assist in the process of creating and improving existing product ideas.

## Strength Weakness Opportunity and Threat (SWOT)

The SWOT analysis is used when creating an e-commerce strategy and assists in identifying the strength, weaknesses, opportunities, and threats. The reasoning behind using SWOT analysis, especially if planning to adapt the business model would be “A SWOT analysis forces an organization to examine itself, and should be used before an organization embarks on a new direction, such as developing e-commerce operations” as (Steven Hall, 2000) has stated that the SWOT should be taken into consideration when planning possible ideas. A basic explanation of this is shown in figure3. As well as this figure4 provides an example of the business Rockerline switching to an online to offline eCommerce business.

Diagram

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Figure SWOT analysis framework (Nguyen, 2021)

Table

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Figure Rockerline OTO SWOT Analysis

# Conclusion

In conclusion, comparing theories (Wigand, 1997) has provided to current theories being used today. There are a lot of similarities that assist businesses through issues that can arise when creating an eCommerce business. Although some of the opinions inside the (Wigand, 1997) report are explained in an advanced manner which could lead to possible confusion or prevention of attempting to create an eCommerce business. Now with current methods, applications, and platforms such as Shopify and Amazon it is incredibly easy to create and learn effectively but is recommended to research and assess possible target audiences and product margins.

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