
Luís Filipe Lages
Carmen Lages
Paulo Rita

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Luis Filipe Lages
Assistant Professor of Marketing and International Business
Universidade Nova de Lisboa, Faculdade de Economia
Campus de Campolide, 1099-032 Lisboa, Portugal
lflages@fe.unl.pt  url: www.fe.unl.pt/~lflages

Carmen Lages
Assistant Professor of Marketing
ISCTE- Instituto Superior das Ciências do Trabalho e da Empresa, Portugal
Av. das Forças Armadas 1649-026 Lisboa
carmen.lages@iscte.pt  http://home.iscte.pt/~chfl/

Paulo Rita (contact author)
Associate Professor of Marketing
ISCTE- Instituto Superior das Ciências do Trabalho e da Empresa, Portugal
Av. das Forças Armadas 1649-026 Lisboa
paulo.rita@iscte.pt  url: www.iscte.pt/~rita

Abstract

While building on the contingency theory, this paper proposes a conceptual framework that links five factors: a) internal forces, b) external forces, c) past web and firm performance, d) current web and firm performance, and e) e-marketing strategy in terms of the strategy defined for the 4Ws (Web-Design, Web-Promotion, Web-Price, and Web-CRM). These dimensions and respective variables are explored, and propositions about their relationships are presented. The role of past performance on strategy formulation in an internet context and on current performance is also considered. Future research is encouraged to build on this framework to test how internal and external forces of the firm, along with its past performance, influence the determination of e-marketing strategy and how in turn, e-marketing strategy impacts on performance at the web and firm levels. Ultimately, the present research seeks to identify effective e-marketing practices in order to help managers and in order to guide public policy makers deciding what to support.

1 Introduction

The Internet provides firms with an unprecedented ability to communicate directly with customers. With the relatively widespread adoption of the Internet, businesses of all sizes have the opportunity to build competitive advantage. But regardless of any technological opportunities, competitive advantage still rests on a business opportunity to provide outstanding customer service. The real opportunities for sustainable advantage lie with those who recognize the importance of using information technology to improve service in all phases of the customers’ involvement with the firms’ product or services.

The Internet is assumed to be an important channel for marketing and distribution of products and services. This is, among other things, due to the cost-effectiveness of the Internet and the convenience for customers. With the Internet marketers can reach out to a broad customer base, locate target customers, identify their needs and communicate with them at a relatively low cost. The Internet provides an opportunity for market testing and optimization. Increasing digitalization will make it progressively easier to experimentally alter particular aspects of a business and quickly observe how customers respond [69]. As of February 2002, 544 million people had Internet access (www.nua.com).

Since the Web allows access to a plethora of information on different products, the organization must encourage the potential consumer to use the Web site as both an information tool as well as a purchase option. This combination of information search and purchase process is an advantage over traditional retailing as online consumers have stated that personalized targeting is a reason they shop online. When consumers are more involved in the buying process it significantly improves brand recognition and recall. According to Bontis and De Castro [4], the best customer-retailer Internet system possesses four characteristics: full product/service descriptions, customer purchase history, community information and facilitation of target marketing.

2 Research Objectives

There are three main objectives of this research, the first of which is to extend our understanding of the contingency theory, particularly in an e-marketing context. This is accomplished by presenting a more comprehensive understanding of the simultaneous links among the internal and external forces of the firm, e-marketing strategy, and performance. Earlier marketing research has just focused on single relationships among these variables (e.g., the relationship between strategy and performance or the relationship between contingency
forces and strategy), while rarely considering their simultaneous effects. A contingency approach allows for a multi-faceted approach of the phenomenon. We also advance past work on marketing strategy, which traditionally focuses on a single marketing-mix element, to consider the full marketing mix in a web context.

The second objective of this work is to consider the role of past performance on marketing strategy formulation and on current performance in an internet context. Historically, marketing strategy formulation is viewed as an antecedent to performance outcomes [41]. A recent review of the top journals in strategy and organizational behavior indicates that 79% of the articles incorporating performance have cast it as a dependent variable, while only 9% of the studies have used it as an independent variable [48]. Past performance can be a critical variable in the determination of e-marketing strategy, and the evaluation of current period performance. Research outside e-marketing e.g., [1] [11], suggests that when firms experience poor performance they are more likely to search broadly for information and conduct in-depth analyses of their surrounding environments. In contrast, a good performance might promote more relaxed and effortless strategic decisions [24] [40], as the firm may also become less critical about previous decisions [29], contributing to a narrow focus and preoccupation with the factors that contribute to performance at the expense of remaining responsive to all possible internal and external factors.

The third objective is to study how an articulated approach of four critical e-marketing strategy tasks – the 4 Ws (Web-Design, Web-Promotion, Web-Price and Web-CRM) – relates with current performance. Figure 1 presents the conceptual framework that incorporates past performance, internal and external forces of the firm, e-marketing strategy, and current performance.

![Figure 1 - A contingency framework of the relationship between e-marketing strategy and performance](image)

3 Theoretical Background

3.1 The Contingency Theory

This paper is based in the contingency theory, which has its early roots in the general systems theory [5] [66] and in the behavioral theory of the firm [11] [43] [59]. Over the last four decades this perspective has been widely accepted in the field of marketing research [71]. This theory defends that does not exist the best strategy across situations. Performance levels result from the co-alignment among strategy and the firm’s context (i.e., the internal and external forces). Each strategy may be, or not, the best depending on the nature of the contingent forces. Hence, while building on the contingency approach, we propose the following research propositions (see figure 1).

Proposition 1: Depending on the nature of the internal factors, performance might be:
- positively or negatively affected by these factors;
- directly affected by these factors; and
- indirectly affected by these factors through their influence on e-marketing strategy.

Proposition 2: Depending on the nature of the external factors, performance might be:
- positively or negatively affected by these factors;
- directly affected by these factors; and
- indirectly affected by these factors through their influence on e-marketing strategy.

Proposition 3: There is a relationship between performance levels in the past year and performance levels in the current year. This relationship might be:
- positive or negative depending on the nature of the contingent forces;
- direct; and
- indirect, through the influence of past performance on e-marketing strategy.

Based on the marketing literature, we now propose some elements to operationalize internal and external forces, e-marketing strategy, and performance (see Figure 1).

3.2 Internal Forces

The marketing literature suggests a variety of internal forces, ie, corporate forces at the institutional and individual levels, which are relevant for e-marketing strategy and performance.

3.2.1 Organizational Innovation

Organizational innovation is a function of management that seeks to create new solutions for existing or potential problems. Many studies demonstrated the link between innovation and business performance [14] [16] [17]. Today’s intensification of competition and of environmental uncertainty gives innovation an increasingly important role not only for growth but also for survival [31].

The concept of organizational innovation presents a dichotomy: technical Vs administrative [12] [15] [13]. Technical innovations “pertain to products, services and production process technology; they are related to basic work activities and can concern either product or process” [15, p.560]. Administrative innovations involve organizational structure and administrative process; they are indirectly related to the basic work activities of an organization” [15, p.560]. Trist [64] argues in favor of a balance between the technical system and the social structure of the organization, instead of the adoption of only one of this types of innovation.

3.2.2 Organizational Bureaucratization

Organizational bureaucratization is the degree to which procedures are required to be formalized. The contingency theory argues that bureaucratic structures – that rigidly institutionalize previous lessons from prior experience – can improve performance under stable conditions, but more organic structures are necessary in turbulent conditions [43] [52]. Either way, it seems reasonable to expect that the degree of bureaucratization of an organization developing e-marketing will affect performance.

3.2.3 Organizational Centralization

Centralization refers to the degree in which authority to take decisions concentrates at the highest levels of the organization [22]. There are two schools of thought about the impact of centralization on marketing strategy making. One traditional school argues that centralization leads to a better strategy making, suggesting that in centralized organizations the planning processes use specialized instruments, techniques and personnel [34]. This school also suggests that centralization diminishes the political activity, promoting the rational development of strategy. In contrast, another school defends that centralization is associated with more political activity [25]. From this perspective, centralization imposes time limits to senior decision makers, which consequently give less emphasis to situation analysis and comprehensive development of strategy making [51].

3.2.4 Organizational Formalization

Formalization refers to the degree in which rules, procedures, instructions and communications are written and standardized and the degree in which roles are clearly defined [56]. Previous research suggests that the more formalized the institution, the more the levels of rationality in planning and the more the formal systems, such as analysis and evaluation [28] [51]. Formalization can lead to ritualistic planning, with more concern in the development of the document than on a comprehensive action plan [46]. Formalization imposes objective criteria and objective procedures in resource allocation and commitment. Formalization increases information sharing and improves the quality of internal communication [36]. It may lead to less role conflict, less role stress and less role ambiguity among marketing staff [50].

3.2.5 Organizational Improvisation

Organizational improvisation is the development of mutually adaptive interactions in which knowledge of the work was developed as the work unfolded. Organizational improvisation includes improvisation by groups, departments and whole organizations [23]. Dougherty [23], described the development of new
products by teams that interacted in ways that did not follow established organizational routines.

### 3.2.6 Innovative Organizational Culture

An innovative culture refers to the complex group of beliefs and ways of doing things that influence the organization’s perspective on how innovation and change should be managed. An innovative organizational culture refers to the degree to which there is, in the organization an emphasis on creativity, openness to new ideas, and quick decision making [49]. Previous research suggests that an innovative organizational culture motivates systematic attempts to develop, scrutinize and conciliate divergent perspectives about a strategic option [51]. An innovative organizational culture encourages cross-functional integration because it involves different groups in the decision process [57].

### 3.2.7 Market Orientation (competition orientation + client orientation+ inter-functional coordination)

According to Kohli and Jaworski [38], market orientation “is the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it”. Deshpandé and Farley [21] define market orientation as “the set of cross-functional processes and activities directed at creating and satisfying customers through continuous needs-assessment”. Kohli and Jaworski [38] conceptualized market orientation as an organized set of marketing activities. A market orientation, as a corporate culture, characterizes an organization’s disposition to deliver superior value to its customers continuously. Scholars of market orientation consider that a market-oriented corporate culture as a significant factor to achieve corporate performance. It has been shown that market orientation, is, in general, positively related with various business performance measures [36] [58] [61].

Narver and Slater [53] suggested that market orientation consists of three behavioral components, each involved in the collection, dissemination and response to information: customer orientation, competitor orientation and inter-functional coordination, that constitute “the activities of market information acquisition and dissemination and the coordinated creation of customer value”.

Customer orientation: under the perspective of the marketing concept - that argues for placing clients’ interests first - a customer orientation is one of the most fundamental aspects of organizational culture e.g. [20] [44]. Following the organizational learning theory Huber [35] and Sinkula [60] see customer knowledge process as consisting on three sequential aspects: customer information acquisition, interpretation and integration. Competitor orientation: a focus on client alone can take the institution to a reactive cycle, instead of proactive, if it does not consider equally the competitors actions [18]. A competitor-oriented company seeks to evaluate its strengths and weaknesses in relation to its main competitors with the objective of maintaining or winning advantage. Competitor knowledge process is the process of information collection about the strengths and weaknesses of competitors, analysis and integration in decision making. Like customer knowledge process, this process involves three behavioral aspects: competitor information acquisition, interpretation and integration. De Geus [19] argues that in the future the only competitive advantage of a company is its ability to know about the competition quicker than its rivals. Inter-functional coordination: Felton [27] insists that for the marketing concept to be implemented, there must be integration of the other organization’s functions with marketing. Communication among the various functions of the company help the ability to respond to the client, which is harder to achieve if the various departments work within their routines without a common objective [70].

### 3.3 External Forces

#### 3.3.1 Market Turbulence

Market turbulence is the degree of change in the clients composition and in its preferences [36]. The market turbulences are typically generated by the heterogeneity of consumer preferences [33].

Korgaonkar and Wolin [39] studied web users’ motivations and concerns in relation to different types of usage. They found out that web users’ motivations and concerns correlate significantly with the number of hours per day spent on the Web, the percentage of time spent on the Web for both personal and business purposes, and the user’s purchasing behavior. The findings suggest the presence of seven motivations and concerns regarding web use: social escapism, transaction-based security and privacy, information, interactive control, socialization, nontransactional privacy, and economic motivation. Although the study asserts that Web users’ behavior varies based on gender, education, income and age, motivations and concerns play a greater role than demographics alone in determining subjects’ actions with respect to web usage.

#### 3.3.2 Environmental Turbulence

Degree to which there is change in the environment. Previous research underlined the role that the external environment has on the development of strategy and performance [25]. When the environment in which an organization operates experiences a lot of change, the organization has several choices: It can ignore external demands or shocks that suggest the need to change plans and continue with previously planned activities; it can attempt to speed up its planning and
execution cycles so that they remain distinct but happen more quickly [26] or it can move toward an improvisational approach that merges planning and execution processes. Fast-changing environments can destroy the value of existing competencies [65]. Organizational scholars have argued that the increased pace of competition might require organizations to develop an improvisational competency to prosper [6]. Exogenous shocks and demands come along more rapidly than an organization can anticipate, and organizations often respond to such situations by improvising rather than not responding.

3.3.3 Technological Turbulence

Technological turbulence is the degree of change associated with new product technologies [30] [36] [68]. Technology change refers to the speed with which the technology is developed in a market product. On one hand, Day and Wensley [18] and Narver and Slater [53], argue that, when technologies change quickly, it is imperative to the companies to interact with clients because its preferences and needs can provide directions in a product market. On the other hand, Jaworski e Kohli [36] suggest that the importance of information from the client is lower because he knows little about the emergent technologies. In a product market, on which technology changes rapidly, the companies can have urgent needs to collect intelligence, because a close observation of competition gives early warnings about the competition’s chance to use opportunities created by an emergent technology, winning competitive advantage in the development of new products.

3.3.4 Competitive Intensity

Competitive intensity is the degree of competitive force in a product market. In conditions of intensive competition, collection of information about competition can help the companies to anticipate better the changes in competitor strategies for new products and reduce “market unpredictability”. With intensive competition in product advantage and market share became more volatile and neglect competition can damage more the position of the company in the market [18].

3.4 E-Marketing Strategy

The question challenging today’s entrepreneur is not whether to have a web site but how to become the winner in Internet competition. The strategy chosen by the company is its answer of management to the perceived environment. Afterwards, the company communicates and implements a business strategy by stipulating specific performance goals, criteria and actions [9].

Strategy as a general direction of the company, reflects its response based on information from the environment [37] and that can explain the magnitude of the relation between performance measures and a specific marketing response from the company (as for example market orientation). Walker and Ruekert [67] argue that strategic orientation, performance in specific dimensions and marketing activities have a contingent relation: the companies choose a type of strategy to obtain excellency in particular dimensions of performance, and execute each strategy by choosing marketing activities.

The current study will operationalize web strategy using four main constructs, in another words, will use the 4Ws: Web-Design, Web-Promotion, Web-Price and Web-CRM (Figure 1).

3.4.1 Web-Design

Attitude towards the web site has been researched as an important measure for how well a web site is doing. Chen and Wells [10] found out that entertainment, informativeness and organization profiles of web sites are descriptive dimensions correlated with attitude towards the site. When web sites are intended primarily to convey information, users put more weight on Informativeness and Organization, and less on Entertainment. Taken together, these dimensions complement each other and offer some clues on how to improve web site design and presentation. A good web site is one that delivers relevant and well-organized information in an engaging manner.

3.4.2 Web-Promotion

Stevenson et al. [62] have researched on the type of background that is most appropriate for positively affecting advertising effectiveness as measured by several common attitude measures, namely attitude towards the ad, attitude towards the brand, attention to the commercial, purchase intention, and attitude towards the web site. Their findings suggest that simpler web page backgrounds are more effective than more complex ones. Bruner and Kumar [7] further explored the advertising hierarchy of effects and its antecedents in the context of the web. Web experience was found to play an important role along with web page complexity and interestingness on attitude towards the web site, which in turn had significant effects on the web advertising hierarchy of effects.

3.4.3 Web-Price

The advent of the Internet as a new medium for buyer-seller interaction is changing the issue of price for both customers and suppliers in an unprecedented way. On the one hand, there are Internet dynamics that flatten the customer value pyramid because of technology that facilitates customer search, customer control over transactions and a return to one-on-one negotiation. On the other hand, firms may create customer switching
barriers, differentiate on other dimensions of the purchase decision and reduce transaction costs [55]. The fundamental value of the Internet lies not in lowering prices or making them consistent but in optimizing them [2].

3.4.4 Web-CRM

The Web can be used to establish direct marketing channels between firms and consumers [42]. Through data mining tools, it is possible to make use of the personal information on a visitor’s web site and identify his or her interests and needs. Based on such understanding, firms can send e-mail messages and offer service packages especially designed for a potential customer, based on the marketer’s assessment of the individual’s interests.

Because of increased competition among actors offering their products and services on the Internet, generating revisits to companies’ web sites has become a major challenge for many companies. In order to generate revisits, substantial amounts of resources are used in efforts to develop superior web sites that attract customers [63]. By structuring one’s thinking about a form’s relationship with its customers, companies can identify their strengths and highlight areas in need of improvement [54].

3.5 Performance

3.5.1 Firm Performance

Firm performance is a well-established measurement in the marketing literature. We will measure it through sales volume, profitability and market share for the current period (current firm performance), and perceived satisfaction with these measures when considering the previous year (past firm performance).

3.5.2 E-Performance

Although many e-commerce companies collect cost and usage data about their Web sites, few of them understand in any detail how well such information measures their sites’ performance or how this performance compares with that of competing sites. However, since year 2000 investors have been insisting, if not on profits, at least on objective measures of a site’s success in attracting, converting and retaining customers.

A key concern of this study is related with the conceptualization and measurement of performance. Overall the literature suggests that it is required a multidimensional scale. One approach that is increasingly relied upon is the aggregation of various performance measures into a single measure of performance. We incorporate this approach here by considering web site performance evaluation [8].

4 Implications

4.1 Implications for Theory

Considering the rapid growth of e-commerce in our marketplace, it seems to be a need to assess what is really happening in the managerial world. We believe that marketing researchers generally are ignoring a significant part of the marketing-performance phenomenon. Research should consider two sets of relationships: Performance→E-Marketing effects and E-Marketing→Performance effects. In other words research, has to identify if e-marketing strategy is not only an antecedent, but also an outcome, of performance. Furthermore, the existing research in marketing, which has focused exclusively on the study of direct relationships, has been inconclusive. In addition to the analysis of the direct relationships, future research may empirically test the conceptual framework presented here. This will add to previous research by showing how the contingent forces (i.e. internal and external forces) affect performance directly and indirectly, through their influence on the definition of the e-marketing strategies.

4.2 Implications for Public Policy and Management

From the point of view of both firms and most national governments, the use of the Internet is extremely attractive because it reduces the firms’ dependency on the domestic market, allows increase production through sales to foreign markets and consequently creates employment and enhances societal prosperity.

Public policy makers may play an active role in promoting the e-commerce activity, namely by providing support to business training. Thus, from the perspective of public policy makers, the following questions emerge: how can public policy makers help firms to compete in the electronic age and help them firms improve performance? What kind of support should be provided?

The present research seeks to identify effective e-marketing practices in order to help public policy makers to plan and refine the substance of their support. It is expected to help public policy makers to have a better notion of where to apply resources vis-à-vis e-commerce development.

In sum, the conceptual model presented in Figure 1 helps to systematize the e-marketing phenomenon and is expected to support public policy makers and managers in developing effective e-marketing strategies.
References


