Developing and Codifying Business Models and Process Models in eBusiness Design

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COMMUNICATION MEDIA IN DISTANCE SELLING

Business Interactions in a B2C Setting

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Abstract

This paper focuses on communication media offered by distance selling companies. It also concentrates on possible as well as feasible business actions for customers to conduct through these media. The analysis distinguishes between communicative and material business actions. We examine the benefits of this separation when conducting business analysis in settings where there is a physical distance between the selling company and its customers. The paper also stresses the usefulness of focusing on both generic phases of the business interaction, and communicative and material business actions conducted within each phase. As a result of the study, a business action matrix is introduced to analyse different dimensions of business interactions and media.

Keywords: Distance selling, business interaction, communication media, business action theory, material actions, communicative actions
1 INTRODUCTION

Ever since the first web-based businesses started to offer their products on the Internet in the mid 1990s (Turban, 2002), the way of doing business has never been quite the same. The Internet made it possible to buy products without leaving home, 24 hours a day, from organisations in almost any part of the world. The Internet shops have created new ways of communication between customers and suppliers. It is no longer necessary to visit a shop, visually examine the product, or even talk to a salesman on the telephone to order a product, have it delivered and pay for it. In this sense, the customer and the supplier are separated in time and space. The physical distance between them has increased. This distance has, however, always existed in traditional mail-order businesses. The new idea is that the Internet shops can offer an increased amount of communication media for both customers and suppliers. Despite the physical distance, the Internet has made it possible for companies to create closer customer relationships, by customer profiling, one-to-one marketing, etc. (Timmers, 1999).

Many of these Internet-based businesses slumped in the dot com crash of the late 1990s and failed in getting the expected revenues from their investments (e.g. Lientz & Rea, 2001), but nevertheless there is a great potential in the innovative communication media offered by distance selling companies, including electronic commerce (e.g. Rayport & Jaworski, 2001; Chaffey, 2002; Turban, 2002). Though, an important lesson learned from the dot com crash is that new communication media, as Internet or e-mail, do not decrease the importance of proper performance of material actions. It is not enough to develop a fancy web-interface, if strategies for how to conduct the material actions like delivery and payment are not well-founded and possible to realise.

This paper focuses on communication media accessible in distance selling companies and business actions possible and feasible to conduct through these media. Business action theory (e.g. Goldkuhl, 1998) and language action perspective (e.g. Reijswoud & Lind, 1998; Goldkuhl, 2001) are used as theoretical foundations to discuss the distinction between material and communicative business actions. The empirical examples from a qualitative case study (Johansson, 2003) conducted in a company selling music CDs on distance are used to illustrate our discussion.

The purpose of the paper is to discuss which communication media a distance selling company offers and how customers and companies use and favour these media. We explore reasons for separating communicative and material business actions. We examine the benefits of this separation when conducting business analysis, especially in distance selling contexts. The paper finds it useful to focus on both generic phases of the business interaction and communicative and material business actions conducted within each phase. As a result of the study, a business action matrix is introduced to analyse different dimensions of business interactions and media.

The paper addresses issues important for both practitioners and researchers. We highlight findings about how organisations may choose between different communication media to gain certain qualities in the customer communication. Our discussion on business actions contributes to the ongoing research about business action theory.

The second section discusses the concept of business actions. It serves as a theoretical base for the third section, where the case study is reported. In the fourth section we discuss and analyse our findings. Conclusions from the analysis are presented in the last section followed by some final remarks about future research.

2 BUSINESS ACTIONS

Regardless of where and how commerce is conducted, it involves a supplier and a customer that perform business actions directed towards each other. These actions together form a business
interaction. Goldkuhl and Lind (2002) refer to this as an action pair, i.e. two interrelated business acts (patterns of triggers and responses) (cf. also Sacks, 1992). Parts of this business interaction consist of exchange of information (i.e. business communication) and parts of it can be labelled as exchange of value, i.e. exchange of products (goods/services) versus money. The business communication cannot be seen as solely information transfer. Instead, we conceive of this communication as business actions. Thus, we separate between communicative business actions, comprising exchange of information, and material business actions, comprising exchange of value.

The division of the business action concept into communicative and material actions originates from speech act theory (Austin, 1962; Searle, 1969; Habermas, 1984). Speech act theory implies that speaking is acting. When someone makes an utterance they are not only describing something for the listener, but also doing something. The utterance leads to a difference in the world. If we translate this into a business context, the customer is doing something when communicating with the supplier; e.g. commitments and expectations are raised when the customer makes an order and the supplier promises to deliver the goods. Viewed from a language action perspective, business is performed through patterns of inter-related speech acts (Lind & Goldkuhl, 2001).

There are always certain individuals who conduct business actions, even though we tend to see them as organisational actions (e.g. Microsoft Inc. markets a new software application, sends us an invoice or answers our support questions). This fact is explained as social actions, i.e., organisations consist of humans who act in the name of the organisation (Ahrene, 1994). The organisation cannot act without its humans. When talking about business actions conducted by the customer and the supplier, we have the two roles in mind. Business actions are conducted by several individuals in an organisation or by end-customers (as in our B2C case), but the individuals in an organisation act in the name of that organisation and within the customer or supplier role. The same organisation can, of course, act as both customer and supplier when taking part in different business interactions in several supply chains. The business actions may be internal or external, as there are internal actions conducted within each organisation before and after each inter-organisational (external) interaction.

The notion of speech act theory and language action perspective has been an important theoretical source for the development of business action theory (e.g. Goldkuhl, 1996; 1998; Melin & Goldkuhl, 1999; Goldkuhl & Melin, 2001; Axelsson et al., 2002; Axelsson, 2003). The business action theory (BAT) conceptualises business interaction. Business interaction is defined as consisting of business communication and exchange of value. BAT divides business interaction into six generic phases encompassing generic, interactive business actions between supplier and customer. These include actions such as: offer, express purchase interest, order, confirm order, deliver, and pay. These generic phases are valid for situations where the customer is an organisation or a private customer; i.e., the phases are applicable both in B2B and B2C contexts. Different types of exchange, material and immaterial, occur in these six phases (see table 1 below). The phases are:

- Establishing business prerequisites phase
- Exposure and contact search phase
- Proposal phase
- Contractual phase
- Fulfilment phase
- Assessment phase

BAT avoids building a theory of one party viewing the other one, which is often the case in marketing literature where an active supplier influencing a passive customer. Such uni-direction has been criticised (e.g. Glynn and Lehtinen, 1995; Axelsson and Easton, 1992). Instead, a more symmetrical model is sought in BAT. The view with an active supplier influencing a passive customer is rejected. Instead, the two roles have been given equal importance in BAT (Goldkuhl, 1998).

In order to understand and discuss business logic and interaction, BAT has been used both as a theoretical conceptualisation of business actions, and as an analysis tool for evaluation of a particular business interaction, in several research projects (e.g. Axelsson et al., 2000; Axelsson et al., 2002;
This paper uses the generic business phases of BAT in data collection and data analysis to structure the material. For a precise and thorough analysis, the paper employs the notion of communicative and material business actions (a level below the generic phases).

3 CASE STUDY METHOD

This study examines customer communication in a retail company selling music CDs to end-customers (i.e. B2C) on distance. The company cooperated on condition of anonymity. It can be characterised as a distance selling company, using both electronic commerce and traditional mail-order media to reach the customers. The company is a subsidiary in a larger group of companies. There is no physical shop for customers to visit. To purchase from the company, customers are required to register and become members of the customer club. All members receive a monthly magazine with a mandatory offer. The customers will receive the offer if they do not turn it down. The company offers the following communication media:

- Telephone
- Fax
- Letter
- Coupons or order forms
- E-mail
- Voice response system
- Web-based interface (electronic forms)

The study was carried out between fall 2000 and spring 2002 (Johansson, 2003). It is a qualitative, interpretive study (e.g. Walsham, 1995). Its main purpose is to explore why customers and suppliers choose a certain communication medium when communicating, and whether the communicative actions to be performed affect the choice of communication media (Johansson, 2003).

As mentioned above, BAT covers both communicative and material actions. The communicative actions examined in the case study are: presenting orders, cancelling orders, making inquiries, making complaints, and giving compliments. From the company’s perspective, the material actions studied include: delivering products, and from the customers’ perspective paying for products. In Table 1, below, we show the relation between the studied business actions and the BAT phases. We also highlight the notion of exchanges taking place throughout the business interaction; i.e. in each phase besides the first one. Both the customer and the supplier direct business actions towards each other, and these actions can be summarised by the types of exchange in the table. The type of exchange that takes place in a certain business phase needs to be considered when choosing which action media to include or exclude in the business model for distance selling. The first and second phases are not included in the study. The first phase is excluded as there is usually no communication between the two parties in this preparation phase. The second phase is excluded as in this kind of business the communication in this phase is mainly one-way advertising from the company to the customer. Thus, no interaction takes place in the case study in this phase.
<table>
<thead>
<tr>
<th>BAT phases</th>
<th>Communicative actions</th>
<th>Material actions</th>
<th>Type of exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Establishing business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>prerequisites</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Exposure &amp; contact</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>search</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Proposal</td>
<td>Making inquiries</td>
<td></td>
<td>Interests</td>
</tr>
<tr>
<td>4. Contractual</td>
<td>Presenting orders</td>
<td>Delivering products</td>
<td>Proposals (bids and</td>
</tr>
<tr>
<td></td>
<td>Cancelling orders</td>
<td></td>
<td>counter bids)</td>
</tr>
<tr>
<td></td>
<td>Making inquiries</td>
<td></td>
<td>Commitments</td>
</tr>
<tr>
<td>5. Fulfilment</td>
<td></td>
<td></td>
<td>Value</td>
</tr>
<tr>
<td>6. Assessment</td>
<td>Making complaints</td>
<td>Paying for products</td>
<td>Acceptances or claims</td>
</tr>
<tr>
<td></td>
<td>Giving compliments</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Making inquiries</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 1. **Communicative and material actions related to the BAT phases**

The methods used to collect data from the company’s perspective on customer communication are interviews, observations and studies of different documents such as data stored in databases, publications, marketing documents, policy documents, etc. The interviewees are the company’s CEO and employees from the customer service department. The observations focus on the practical work at the customer service department attending all the different communication media. To study the customers’ perspective, a questionnaire was sent to 100 customers by ordinary mail, resulting in a 40% response rate. Some answers had predefined options, and some required open answers, to give the respondents the possibility to express themselves more freely (Merriam, 1988). The questionnaires were used in an interpretive way, in order to find reasons behind the choices of communication media, i.e. the qualitative data expressed by the customers in the open answers.

The customers selected for the questionnaire are very heterogeneous, which is partly shown in Table 2, where age and sex of the respondents are presented. The chosen customers have all been members of the customer’s club for minimum two years and have completed a purchase within the last six months.

<table>
<thead>
<tr>
<th>Age distribution</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>27</td>
<td>13</td>
</tr>
</tbody>
</table>

Table 2. **Age and sex of respondents**

4. **A CASE STUDY OF BUSINESS ACTIONS AND COMMUNICATION MEDIA**

In this section we present our empirical findings from the case study.

4.1 Communicative Actions

The communicative actions studied include presenting orders, cancelling orders, making inquiries, making complaints and giving compliments. The company’s and the customers’ experiences from the different actions are presented here.
All communication media offered by the company can be used to present and cancel orders. Ordering products is a routine issue if the customer knows what to purchase. From the company’s perspective, it is advantageous if the orders can be automated as much as possible. If the orders are sent via the self-service technologies, the fully-automated media, the customer service staff do not interfere with the order. The self-service technologies included in this study are the following communication media: voice response system and the web-based interface.

To automate the handling of order forms, a scanning tool is used, and the employees only process the forms that are rejected by the scanning tool. Orders from rejected forms are handled manually by members of staff, who enter the required information into the IT-system. The same applies for orders placed via telephone and e-mail.

Orders where the customer needs more information about the product can be made by telephone or the web-based interface. Via the web-based interface, it is possible for the company to present much more information about the products than by any other communication media. The company considers this communication media as very cost effective and in order to attract customers to use it, the choice of products is greater on the web. Some of the products are even offered at a lower price by this medium. From a certain pay-phone number it is also possible for the customers to listen to the music, before they order the product.

For many customers it is positive to be able to perform this communicative action fast and effectively. But there are customers who prefer the personal contact achieved by telephone even in this communicative action. To keep these customers satisfied and to handle more complicated orders, the personal telephone service is found valuable to the company.

The cancellation of the monthly mandatory offer is the most routinized action among those compared in the study. The product is known, and the only thing the customer has to do is to inform the company about the negation of the offer before a specific date.

If the customer does not want to receive the mandatory product, it is important to remember to turn the offer down in time. Communication media with 24-hour availability is therefore highly appreciated for this communicative action. The most used communication medium for this communicative action is the voice response system, with as much as 90 percent of the cancellations. It is also found that many customers prefer the pre-printed cancellation orders received with the monthly magazine if there is more time before the last date for cancellation. If the date for cancellation is close, many customers would choose other communication media with faster access to the company.

A customer’s common communicative action is presenting inquiries. The questions put forward are different and range from simple questions about how to make an order to demanding information about artists or CDs. The communication media where inquiries are possible are: fax, telephone, letters, and e-mail. This communicative action is not as predictable as the actions described previously. Handling customers’ inquiries cannot be fully automated, as can the routine issues.

To answer questions or to sort out customers’ problems, feedback is important. In cases when questions are complicated to express or to understand, the telephone is found to be the communication medium preferred by both the company’s employees and the customers. Some customers pointed out that the main advantage of asking questions on the telephone is the immediate answers received via this medium.

If inquiries are expressed in e-mail, the staff often experience problems in understanding the meaning due to the short language that is occasionally used in this communication medium. This often leads to one or more complementary e-mails to sort out the meaning of the question, which means that it will take longer for the customer to receive an answer. Making inquiries through e-mail has, however, an advantage for the company, as this means that the answers can be given at any time and from any place. It is, thus, easier for the company to make schedules and plan for the staffs working time at the customer service department in this case.
If customers are not satisfied with a portion of the business interaction, they might present complaints. The communication media used for this communicative action are the same as for inquiries. Complaints by telephone are often seen as very aggressive by the staff. One employee says that if customers use communication media other than the telephone, they usually will have the time to ponder what they want to express. Via telephone, access to the company is direct and the employee sometimes receives the customer’s initial rage for something going wrong in a business interaction.

Although the telephone is considered demanding in the cases of annoyed customers, the company appreciates the possibility the medium gives to win negative customers. Thanks to the feedback provided by the medium, the employees can tell, relying on the pitch of the voice, if a customer is satisfied or not. Many of the customers express that they prefer making complaints by telephone because then they are sure that the company receives the complaint and the problem could be solved more quickly.

The other communication medium used for complaints is e-mail. Reasons for using this medium are to avoid telephone queues and the benefit of getting an answer in writing, which can be used for later reference.

If customers are satisfied with services given or pleased in other ways, they might want to express this to the company. Giving compliments is not as frequent as the other communicative actions studied. It is included in the study as a complement to making complaints. The communication medium preferred for giving compliments is e-mail. It is apparently the best medium for expressing satisfaction and gratitude for many customers. One feature of e-mails is that they are in writing. This feature is used by the company to spread compliments among the staff, printing them out and collecting them all in a binder where everybody can take part of them.

4.2 Material Actions

The material actions examined include, delivering products from the company’s perspective and paying for the products from the customers’ side.

As the products the company sells are standard products, it is not possible to compete with product quality. Instead, the company focuses on giving the customers high service quality. One way of doing this during delivery is to choose a packing size that fits into the customers’ letterboxes. In that way the customers do not have to go to the post office to get their products. If many products are ordered, the delivery is divided into several parcels not exceeding the standard size of a letterbox. There are three different sizes of packing, and an algorithm is used to calculate the ideal number and size of the packing.

Setting a product inventory is another service the company tries to offer its customers. If the ordered products are held in stock, the invoicing is done immediately. If all the ordered products are not in stock, the delivery is delayed up to one week waiting for the remaining products. The invoice plus the paying-in form are dispatched together with the products, and the customer has 20 days to pay. This means that the material action of product delivery also comprises the communicative action of invoicing.

New customers are given a purchase limit of SEK 1,000 (approx. € 100). If an order exceeds the purchase limit, the parcel is sent C.O.D. If payment is not made within the stipulated time, a reminder is sent to the customer, and the next step is to pass the debt to the debt-collecting office.

The company is interested in allowing customers to pay by credit card but has so far not succeeded in persuading the parent company about its benefits. Accepting credit cards would imply that payment could be done through the web-based interface, i.e. the fulfilment phase of the business interaction would be partly conducted through a digital communication media.
DISCUSSION

From the case study findings it appears that many customers choose communication medium according to the communicative action to be performed. Generally, communication media with predefined information, such as the web-based interface, coupons and order forms, or the voice response system, are selected for routine issues like presenting and cancelling orders, since personal contact is found not to be important for the majority of the customers then. When ordering products other than the monthly offer, the customer more often opt for the e-mail or telephone. Besides, more and more customers are using the web-based interface both for making and cancelling orders. When it comes to presenting reclams or inquiries, human communication has shown to be more important for both the company and the customers.

Business action theory separates between communicative and material actions as a result of its theoretical grounding in speech act theory (Austin, 1962; Searle, 1969; Habermas, 1984). We consider this distinction very useful when analysing business situations, their IT-systems and communication media. The theory helps us to focus both on the communicative and the material parts of the business interaction. If we should forget this two-fold character of business actions, we would risk identifying and solving some problems in order to increase effectiveness, but miss other problems. Sub-optimisation and unfortunate decisions could be the result of such a one-eyed analysis. Historically, neglecting material business actions have been a major problem in electronic commerce. Underestimating the complexity of logistics (i.e. the material actions of delivery) was a fatal mistake for many companies in the dot com crash. Putting all focus on communicative actions and, thus, forgetting material actions turned out to be an unsuccessful strategy, since the business interaction depends on properly functioning material actions, like exchange of goods and money.

We have studied an organisation which sells a physical product (music CDs). The product type, of course, affects the complexity of the material business actions (Tuunainen, 1999). Digital products are possible to deliver through the web-based IT-system and do not need to be taken care of by any physical logistic function (inside or outside the supplier organisation). This makes it possible for us to distinguish between “ordinary” material business actions and digital material business actions.

In the same way, the payment is nowadays often done through electronic fund transfers and does not need to imply any physical exchange. Exchange of money as a material business action is then replaced by a communicative business action relying on the customer’s ability to pay. Money is transferred by a digital material business action, but the communicative business action of sending your credit card number is enough to accept the delivery of the issues you have ordered. These are further reasons why it is important to study both communicative and material business actions. When some of the material actions are performed through the same media as the communicative actions, omitting one of the sides of this coin seems to be unwise. Goldkuhl (2001) also states that all actions directed to other persons have a communicative force. This means that material actions have communicative features, as their performance or result is being perceived by the addressee and must, thus, be interpreted and comprehended (ibid.).

As stated at the beginning of the paper, there is a physical distance between customers and the company in our case that is absent in traditional business contexts. Many of the business actions traditionally performed by the company are delegated to the customers. The customer is supposed to choose between, and interact with, several communication media, some of them fully automated. The business logic is embedded in a web-based interface (Timmers, 1999) and the communication media give the customer different kinds of restrictions regarding what and how to communicate with the company. The company may try to influence the customer to choose a certain medium by offering lower prices on purchases through that medium, putting high fees on other media (e.g. the telephone), or simply not offering some media. In this situation, it is important that business interaction analyses cover both communicative and material business actions from both the customer’s and the supplier’s perspective.
CONCLUSIONS AND FINAL REMARKS

We argue that the phase division of BAT is important in order to understand the business logic of the supplier and to make conscious choices of what parts to focus on when analysing business interactions. Thanks to BAT we could structure our case according to the overarching business phases. On the other hand, the phase division seems to be a little bit too blunt when it comes to discussing business actions in more detail. This problem is overcome by complementing the analysis with some selected business actions. Business actions, both communicative and material, are found to be useful when analysing the interaction between the company and its customers. The case study clearly indicates that the type of business action to be conducted affects the choice of communication media. It is for example obvious that for standardised business actions (like presenting or cancelling orders) customers prefer different media compared to more non-standardised actions (like questioning and complaining).

In Table 3, below, we introduce a business action matrix illustrating which media that are accessible for each business action (i.e. media offered by the company) and which media that are preferred by the customers and by the studied company. This comparison follows the symmetrical perspective in BAT, where equal attention is paid to both customer and supplier (Goldkuhl, 1998). This is just one example of how such a business action matrix can be used. We see further possibilities in using a business action matrix to analyse different dimensions of business interactions and communication media. It could, for example, be used to analyse the cost-effectiveness of different communication media in a certain company. Another implementation would be to analyse what communication media are more or less preferred by the customers. Such information might affect what media will be implemented in a company’s communication strategy for a long or short-term plan. The business action matrix can also be used before acquisition and implementation of new IT-based communication media. Based on the matrix, an analysis of needs and consequences of new media can be conducted. The needs and consequences might differ depending on what customer groups the company attracts as well as what kind of products the company offers.

Another possible application area of the business action matrix is to visualise, analyse, and evaluate what it means if a certain material action, for example delivery, is conducted through the same media as the communicative business actions. We call these actions digital material business actions and they are central in many e-business models (cf. e.g. Timmers, 1999). New media for business actions, like web-based interfaces, make innovative products and services possible. Activities may be outsourced and there are possibilities to create totally new business models (ibid.). In distance selling companies, these more or less innovative business media must be carefully evaluated from both the customers’ and the company’s point of view. Used in the right way, the business media might lead to a well-functioning customer communication, which facilitates closer customer relationships, customer loyalty, and customer satisfaction. Used in an ad-hoc manner, without a proper communication media strategy, the company might lose its chance to offer media that satisfy both the customers’ and the company’s needs.
Media/ Business actions | Telephone | e-mail | Web – based interface | Coupons & order forms | Voice response system | Fax | Letter | Paying-in form
---|---|---|---|---|---|---|---|---
1. Presenting orders | a | a | a Co | a Cu | a Cu Co | a | a | a
2. Cancelling orders | a | a | a Co | a Cu | a Cu Co | a | a | a
3. Making inquiries | a Cu Co | a | | | | | | a
4. Delivering products | | | | | | | | a
5. Paying for products | a Cu Co | a Co | | | | | | a
6. Making complaints | a Cu | a Cu | | | | | | a
7. Giving compliments | a | a Cu | Co | | | | | a

Media accessible for each business action (a) and media preferred by customers (Cu) and company (Co)

Table 3. Business Action Matrix

In this paper we have mainly focused on how business actions are expressed through different media. It will, however, also be necessary to look deeper into interpretation of business actions in future research. Written documents, signatures, oral commitments, etc. are outcomes from business actions that need to be interpreted by the parties in a business interaction. The degree of standardisation of business actions is one issue that effects this interpretation. Order information printed out from a web-based order system is probably much easier to understand and handle in a correct way, than e.g. an order in hand-writing sent by fax. Thus, business actions conducted through different media might be subject to different interpretation problems that also ought to be regarded when deciding communication strategy.

References


