



Trends in Internet-based business-to-business marketing

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Received 26 July 2000; received in revised form 15 December 2000; accepted 13 March 2001

Abstract

The Internet is changing the transactional paradigms under which businesses-to-business marketers operate. Business-to-business marketers that take advantage of the operational efficiencies and effectiveness that emerge from utilizing the Internet in transactions are outperforming firms that utilize traditional transactional processes. As an example, Dell computers, by utilizing business-to-business processes that take advantage of the Internet, has gained the largest market share in the PC business when compared to traditional manufacturers such as Compaq. This paper first examines the genesis of the Internet movement in business-to-business markets. The long-term impact of the increase of business-to-business utilization of the Internet on the marketing theory and marketing process is then discussed. Finally, managerial implications and directions for future research are highlighted. © 2001 Elsevier Science Inc. All rights reserved.

Keywords: Internet; Business-to-business; B2B; Marketing trends; Practise

1. Introduction

The growth in the adoption of the Internet in marketing has been revolutionary in the last decade. Although the first wave of growth of the Web was in the business-to-consumer domain, the business-to-business domain is regarded as larger, with e-commerce transactions expected to be in the range of US\$800 billion by the year 2003 — five times as much as business-to-consumer transactions. In the first stage, the Internet was utilized to enhance the efficiency of processes through a dramatic reduction in exchange costs. This enhancement of the efficiency of exchanges could be in the domain of information (e.g., sales materials, manuals), customer support (e.g., frequently asked questions), and transactions. In the second stage, firms sought to enhance the effectiveness of their transactions. Business-to-business marketers used the Internet to increase their supplier and customer involvement in order to enhance customer satisfaction and loyalty. Business marketers such as GE's Jet Engine Division that have increased their utilization of the Internet in their marketing processes have seen increases in both efficiency and effectiveness of those processes.

The primary impetus for the move toward the Internet is the value that can be generated. Since the Internet can be used to reduce the “exchange friction” that exists both within and between organizations, business marketers can better deliver value to their customers. This paper suggests that the Web is fundamentally changing, and will continue to change, business-to-business marketing thought and practice. The paper builds on research that the author has conducted with his colleagues [1,2]. The implication of the nonadoption of Internet technologies will be dramatic. If business marketers do not capture the value that emerging technologies such as the Internet provides, value will migrate from their firms. Value migration is an issue that has affected most industries at most times. For example, value migrated from small-lot manufacturing of automobiles toward mass-produced Ford automobiles in the early part of the century. Similarly, General Motors captured value and enhanced their market share in the automobile market by providing variety to customers.

This manuscript begins by examining the Internet and how business-to-business marketers will evolve in terms of their presence on the Internet. How the Internet will impact the thought and practice of business-to-business marketing will be discussed. This paper suggests that the Internet's impact will be in the areas of mass vs. customer-centric markets, fixed vs. variable costs, geography vs. pervasive-

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ness, time and cooperation vs. competition. Managerial implications, specifically in the area of value migration, will be discussed. Directions for future research are also proposed throughout the manuscript.

2. The nature of the Internet

The Internet is an agent for change that can disrupt markets. In its essence, the Internet is an intelligent ubiquitous information platform. The information platform is flexible, and firms utilize the Internet to provide information, to accommodate connectivity, community, and transactions, and to share cost reductions [2].

2.1. Information

The most significant/greatest impact of the Internet has been on informational access. The Internet affords access to vast amounts of information that can be programmed to cater to the stated or unstated needs of Internet users [3]. Therefore, the Internet can instantaneously provide specific and detailed information to a business firm's employees, suppliers, and customers.

2.2. Connectivity

The Internet furnishes a platform of instant and constant connectivity with a firm's employees, suppliers, and customers. The Internet is never closed; the business is always open in this virtual world, which provides a 24/7 platform for customers. The Internet reduces dependence on time norms while encouraging nontemporal relationships across time zones.

2.3. Community

The Internet creates communities in the virtual world, communities that share news and expertise in specific areas. Business infomediaries such as *Plasticsnet.com*, *Verticalnet.com*, and *Ultraprise.com* provide communities wherein business members can participate.

2.4. Transactions

Another advantage of the Internet is that firms can complete transactions in a 24/7 environment. This enhances marketing effectiveness while reducing the time and errors associated with traditional order taking. Traditional order taking typically involves multiple inputs of data that increase errors.

2.5. Shared cost reductions

The final advantage of the Internet is shared cost reduction. The customer through self-service and the firm through

automated information systems, reduce the cost of interactions and transactions. This reduction in costs benefits both buyer and seller.

3. Evolution of Internet presence for business-to-business marketers

The impacts of the Internet on business-to-business marketing strategies will be based predominantly on how business firms utilize the Internet for marketing to their customers. In this context, traditional communication practices of business marketing firms are discussed first. This is followed by a presentation of the hierarchy of Web presence, followed by a discussion of the final communication platform that is expected.

3.1. Traditional communication processes

Traditional communication processes are transactional both within and across business firms. A typical communication pattern from a business-to-business marketing firm is presented in Fig. 1. For example, in a traditional business marketing firm, the marketing and sales departments typically interact with customers. The manufacturing department is contacted when there is a customer order or when the customer has an inquiry. There is little communication between the customer and the manufacturing department, as if they are blind to each other.

Once a customer order is placed, the manufacturing department is informed. The manufacturer communicates with suppliers and logistics firms independent from the marketing and sales departments. The logistics firm may contact the customer directly. Clearly, there is a lack of sharing of data both within and across organizations.

4. Evolution of business-to-business marketers' Internet presence

The evolution of business-to-business marketers' Internet presence is expected to evolve through five stages. The five stages — information, knowledge, conversations, relationship, and e-commerce — are described in this section and are sketched in Fig. 2. An evolutionary stages model is used because the complexity of processes increases as the Internet is used for higher-order purposes. However, to compensate for the complexity, the potential returns from business marketers' Internet presence increases as business marketers attempt more complex processes. The boundaries of the stages are fuzzy, but the progression of firms is anticipated in the "higher value" direction.

4.1. Information

In this stage, firms provide information to their customers. Although customization is sometimes available, the

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