Exploring the Barriers to Online-Business Profitability for Small Businesses

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by

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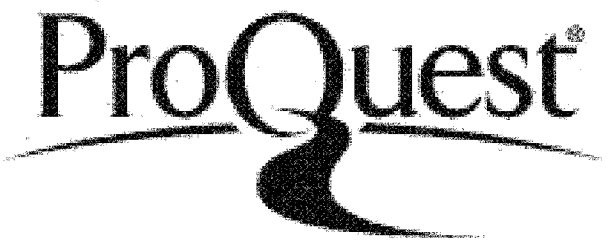

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Abstract

Entrepreneurs of small brick-and-mortar businesses have shown a greater interest in using the Internet to expand small business profitability; but they lacked adequate procedures and risk assessments to mitigate barriers. This was because intense competition among sellers, places small and medium sized enterprises (SMEs) that had gone online in the last five years at a disadvantage. The problem explored in this holistic multiple-case study was that adequate procedures and risk assessments for barriers had not been implemented to eliminate the barrier of aggressive rivalry of sellers, which may impede the sustainable advantages for SMEs which had gone online since 2006. This study was informed by the niche strategies of the Porter's theoretical framework. The purpose of this study was to ascertain whether procedures, risk assessments and business strategies could create sustainable advantages for SMEs that had gone online since 2006. A purposive sample of 20 online SMEs from multiple market segments was selected to inform the study. Analysis of interview transcripts revealed three major themes: (a) the barriers to the operation of an online business, (b) the strategies used to mitigate those barriers, and (c) the methods that were utilized to maximize profit. The findings identified that entrepreneurs were experiencing complications in (a) procuring funding, (b) implementing risk assessments, (c) providing procedures, (d) obtaining repeat purchases, (e) retaining customers, (f) navigation glitch, (g) conversing with customers, (h) bonding with customers, (i) website traffic, (j) thin margin, (l) addressing computer illiteracy, (m) computer ownership, and others. The results of the case study could help current or new entrepreneurs to standardize procedures for overcoming barriers, maximize revenue, and sustain competitive advantages. Recommendations resulting from

this study included the following: aiming to improve profitability, joining an online barrier reducing associations, standardizing procedures, conducting periodic risk assessments, cataloging the internal controls for preventing barriers, indexing the methods for eliminating barriers, creating directory of online businesses, and distributing the directory to houses in United States. The completed research provided a theoretical contribution to the body of knowledge and scholarly literatures.

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Chapter 1: Introduction

In the United States, about 36% of adults have turned websites to procure clothing, accessories, shoes and services (Suki, Ramayah, & Suki, 2008). Fox (2008), Wong (2007), and Xu, Rohatgi, and Duan (2007) wrote that the online businesses expanded faster than all economic activities, especially manufacturing, merchant wholesaling, retailing, and selected service industries. Wong (2007) concluded that the transformation in each sector from traditional business to e-supported shipments, sales, and revenues was a gradual one (Wong, 2007).

Many online-business owners lack the proficiency and strategic vision to excel in online marketing and business engagements (*E-commerce Slows Again*, 2008; Fox, 2008; Wong, 2007; Xu et al., 2007). Aziz and Poorsartep (2009) and DotCom Boom (2005) stated that the owners of DotCom companies lacked business and marketing strategic skills. Aziz and Poorsartep found that online businesses overspent on information technology and marketing in the hope of maximizing profitability. For example, in 1999, Furniture.com generated revenue of only $10.9 million, but spent $33.9 million on sales and marketing.

According to Archer, Wang, and Kang (2008), major business trading partners have refused to conduct business with small- and medium-sized companies that are associated with online technology. Shook, Vlosky, and Kallioranta (2004) argued that the problem was related to financing and price management, which was the cause of the failure of many electronic marketplaces. Because of these problems, companies that started online failed; examples are bol.com, dot.com; paper industry.com; and datec.com (Constantinides, 2004; Lightfoot, 2003; Shook et al., 2004).

Despite these failures, online businesses are expected to expand by 500% through 2010 (Richards & Brown, 2006). New online business owners should be mentored by owners of successful online businesses (Eikebrokk & Olsen, 2009). In addition, new business owners should encourage consumers to purchase, and engage in up-selling and branding. Many studies have been done on electronic commerce, especially in customer relations, diversification, competition, advertisement, and growth (Campbell & Wright, 2008; Rau, 2007; Schmelz & Kennedy, 2004; Smith, 2005).

Online businesses are available to their potential customers 24 hours a day. The Internet has allowed small businesses that had once been limited by geography to their services or their products virtually anywhere. According to Wong (2007), regional products can now be sold nationally and in some cases internationally. At the same time, there are considerable barriers to making an online business profitable. Thus, this proposed research identified those barriers and how individual small business owners had surmounted them.

Background

The increased interest in using the Internet to expand small business profitability has not been the focus of much research. Specific studies have explored strategies for increasing profitability online (Choi, Kim, Kim, & Kim, 2006; Khalifa & Liu, 2007). In their study of online customer retention, Khalifa and Liu (2007) argued that online customer retention strategy is vital to profitability. A defined online customer retention strategy might help an organization gain repeat customers, thereby increasing their lifetime profitability to the company. An online customer retention strategy should include a multimedia design to enhance the virtual shopping encounter, free online trial

versions and sample products. Managers or business owners should adopt the online shopping channel, use product enhancement and hire customer service representatives to convert customers.

Bansal, McDougall, Dikolli, and Sedatole (2004) argued that online companies need a user-friendly website that collects data and that makes selections and transactions easy. When consumers are satisfied with the online platform, the company will become profitable. Conversely, when consumers are not satisfied, online companies will not achieve profitability (Dikolli & Sedatole, 2007). Allen (2006) reported that 98% of online businesses have admitted that they do not know how to grow their profitability.

Gluhovsky (2009) suggested that strategic business models are necessary for procuring and increasing profitability of online companies. Gluhovsky (2009) reported that the online service provider should set the timeline to create and implement strategic business models. The service provider needs to increase subscription rates for clients who desire premium services (Gluhovsky, 2009).

Ashworth et al. (2006), and Childers and Offstein (2007) noted that online businesses face the problems of revenue deficits and insolvency. During the 1990s, global communities witnessed the following failures: (a) financial deficit of online businesses, (b) erosion of profit, (c) liquidations, (d) deficient decision-making process, (e) inefficiencies, (f) demise of online companies, and (g) aggressive competition associated with the digital environment (Childers & Offstein, 2007). Aziz and Poorsartep (2009), and DotCom Boom (2005) reported that 65% of online-business practitioners lack financial competency and 50% lacked online marketing skills. The side effects of incompetency had contributed tremendously to the liquidation of DotCom organizations.

Cattani, Perdikaki, and Marucheck (2007) suggested that the strategy of online competitors might influence both pricing decisions and profitability. For example, online grocers have adopted a variety of operations models, because profit in that industry is based on service and operations. Joia and Sanchez (2006) found that greater frequencies of purchases are not synonymous with increased profitability. Joia and Sanchez (2006) stated, "This issue is even more relevant when applied to e-commerce, in which industry-specific characteristics influence customer defection and profitability" (p. 5).

Online organizations need to establish accurate marketing communication and information in a form and time that improve its total performance (Yan, 2007). Online businesses can use marketing communication and information to respond more rapidly to customers' demand. Yan (2007) stated that accurate market information is vital to sustainable advantage.

Another factor in online business profitability is annual performance evaluations. Steinberg (2009) stated that online organizations should conduct annual performance evaluation on profitability and a final accounting of plan performance. McCue, Diana, and Hennum (2007) suggested that profitability is the result of a partnership between the employee and the employer. The process is often interactive and cooperative, thereby providing an avenue for a mutually beneficial and productive work environment.

As shown from the review above, a large amount of research had been conducted on the barriers to online business. However, none of the studies conducted focused on the barriers that could affect the profitability of small businesses that wish to conduct business online. This study examined the activities of small online companies and the

importance of removing barriers to sustainable advantages. The qualitative data was collected using an in-depth interview questions with small business owners.

Problem Statement

The problem explored in this study was that adequate procedures and risk assessments for barriers had not been implemented to eliminate the barrier of aggressive rivalry of sellers, which may impede the sustainable advantages for SMEs which had gone online since 2006 (Aziz & Poorsartep, 2009; DotCom Boom, 2005; Gengatharen & Standing, 2005; Loghry & Veach, 2009; Porter, 2008). Online business owners face a much more difficult road to sustaining competitive advantages. First, customer loyalty may be more difficult when there is no face-to-face contact. Second, marketing strategies have to be different from those used for brick-and-mortar businesses because of the proliferation of online companies. Third, there is the ever-present threat of new entrants into the market, since unlike a brick-and-mortar environment; there is unlimited room on the web for new business entrants. In addition, it is less expensive to open an online business (Durand, 2006).

When SMEs decides to add an online component to his or her brick-and-mortar business, he or she encounters new barriers. While an online component of a business may initially generate profits, without careful analysis, that competitive advantages might disappear. There was a need to identify the barriers faced by SMEs when moving their business online. According to Antlová (2009), current business entities are forced to consistently improve their products and services in order to attain competitive advantage. The managers of organizations have to utilize information and communication technologies and modern management techniques.

From the successfully growing companies which Antlová (2009) analyzed, he recognized the importance of business, information and knowledge strategy. Without verbalization of these strategies to the stakeholder and employees, managers or owners of SMEs will find it difficult to navigate their way through the current competitive business environment (Antlová, 2009). These strategies have to be followed by other supporting strategies, for example, marketing, finance and customer services (Antlová, 2009).

Purpose

The purpose of this qualitative holistic multiple-case study was to ascertain whether procedures, risk assessments and business strategies could create sustainable advantages for SMEs, (where the unit of analysis was the online SMEs market with multiple cases of individual online SMEs businesses) which had gone online since 2006. This study helped to understand the activities of small online organizations and the importance of eradicating barriers that may prevent sustainable advantages for small businesses. For the study, data were collected using an in-depth face-to-face interview questions with 20 small business owners. Varieties of market segments were chosen in order to mitigate the possibility of misrepresentation and elicit authentic evidence (Yin, 2009). The market segments that were integrated in this case study included technology, education, and home-healthcare, financial services, legal services, and automobile. This study therefore examined the barriers to online business profitability for small businesses as presented in the qualitative literature.

The findings of the study contributed to small business owners' knowledge of how to overcome barriers to online sustainable advantage. The experiences of 20 small business owners who decided to establish an online presence was gathered and reported.

To attain rigor, Yin (2009) stated that an in-depth interview responses should be presented in a case study. The study key participants should be asked to narrate the facts and viewpoints of the phenomenon. The study participants should be encouraged to recommend other persons for interview and other sources of evidence. The more participants contribute value in this manner, the more they act as informants instead of as participants. Yin (2009) argued that key informants are often imperative to the success of a case study. Such informants provide the case study with both insight into and access to corroboratory or contrary source of evidence.

There was a need to explore the barriers faced by these SMEs when moving their business online in order to sell their products to customers in the United States. Thus, 20 small business owners who had taken their businesses online within the last five years were interviewed. The goal for this study was to suggest ways that small business owners could benefit from (1) websites selling, (2) online retailing, (3) online procurement, (4) online collaborating, and (5) online advertising. Similarly, these organizations may attain their advertising objectives by using Facebook, Twitter, Blogs, Podcast, YouTube, Flickr, Photobucket, and other online communities.

This study described prudent ways of building a profitable small online business. Profitability was defined as revenue minus expenses generated from the sale of products or services. This study explained the activities of small online businesses and the importance of eradicating barriers to profitability/sustainable advantages. The qualitative data was collected using in-depth interviews through face-to-face, telephone, and e-mail with small business owners.

Theoretical Framework

The framework of this study is Porter's five forces of competition (Porter, 2008): supplier power, buyer power, competitive rivalry, threat of substitution, and threat of new entrants. Although all five of these forces exert pressure on a brick-and-mortar small business, the pressure to sustain a competitive advantage is even greater for an online business that does not have a single physical location.

According to Porter (2008), suppliers have the power to force business owners to pay higher prices. This ability to drive up prices is based on the uniqueness of their product or service. Businesses that have fewer choices of suppliers are more likely to have their competitive advantages. The factors associated with supplier threat are the number of suppliers, the quantity of supplies, the business' ability to substitute, and the cost of the substitution.

According to Porter (2008), a buyer may control the profitability of an online business. Porter maintained that buyer power is based on the number of buyers, their importance to the business, and switching costs. Businesses that have a few powerful buyers are more likely to control their prices. The factors associated with buyer threat are the number of customers, the size of the order, customer loyalty and lack of demand from customers.

Competitive rivalry may affect a business that has many competitors that offer comparable products and services. Although online business opportunities have a larger pool of possible buyers, they also have more competition for market share. For example, a small brick-and-mortar bakery that specializes in cookies might establish a web presence to increase its market share. According to Porter (2008), before going online,

the business owner would have to identify other online bakeries and distinguish his or her bakery from them. The factors associated with competitive rivalry are the number of competitors, differences among competitors, customer loyalty and the cost of leaving the market.

Another barrier could be the threat of substitutes. For example, if that small bakery takes its brick-and-mortar business online in order to sell cookies, it might have to compete with companies that sell frozen cookie dough. A company that sells baking products might offer a free cookie recipe. The factors associated with threat of substitute include: (a) the performance of the substitute, (b) the cost of making the change to a substitute, and (c) the cost of switching to a substitute.

The final force in Porter's (2008) five forces model is the threat of new entrants. To return to the small brick-and-mortar bakery, the business owner will need to invest in a website, and hire either a website designer or have an employee do the work. Any competitor that is not online would need to do the same. A competitor that already has an online presence would not have these start-up costs. In the brick-and-mortar business, the threat of new entry would be limited in comparison to the threat of entry on the web. The web offers endless possibilities for market competition, so a business intent on moving online must gauge the extent of the threat of new entry. The threat of entry is tied to: the cost of entry, special knowledge required, cost advantages, economies of scale, technology protection, and barriers to entry (Porter, 2008).

To attain sustainable advantages for SMEs, Porter (1980) proposed competitive strategies: cost leadership, differentiation and niche strategies or (cost focus). The niche strategy is also a focus strategy. With a niche strategy, managers of SMEs concentrate on

a narrow segment of a market. Competitive advantage is created exclusively for the niche. A niche competitive strategy is often used by smaller organizations (Porter, 1980). Managers of SMEs should incorporate lowest-cost business operations in that niche or segment. Porter reinforced cost focus as a viable strategy to achieve sustainable advantage. The managers of SMEs should integrate a competitive strategy of cost focus within the niche or segment. Porter (1980) argued that niche strategy increases sustainable advantages, market shares, higher sales, better margin and higher prices. The managers of SMEs may also adopt a differentiation focus, such as quality products, brand, customization to achieve sustainable advantages (Porter, 1980).

Porter (1980) demonstrated that cost leadership may help SMEs to achieve sustainable advantages. Cost leadership is driven by efficiency, size, scale, scope and experience. The managers who use lowest-cost operation to achieve sustainable advantages in the target segment should appeal to cost-conscious or price-sensitive customers. The management focuses on attaining economies of scales, customer satisfaction, customer services, product turnover, low cost supply chain and low cost delivery of products (Porter, 1980). The managers should train their employees on the principles of lowest-cost business operations. The managers are also responsible for cost containment. In order to attain sustainable advantages, the managers of these organizations should focus on the continuous improvement of their products and services in addition to innovations (Porter, 1980).

All of these forces affect a brick-and-mortar business owner's decision to expand online. Expanding the business by including an online segment can affect the competitive advantage of a small business that has a limited customer base. Although going online

allows the small business to increase its customer base and market, it also presents many barriers to profitability. Small business owners need to apply Porter's five forces model when thinking about expanding their brick-and-mortar businesses.

Research Questions

The research questions determined the effectiveness of procedures and risk assessments implemented to eliminate the barrier of aggressive rivalry of sellers, which may impede the sustainable advantages for SMEs which had gone online since 2006. The barriers to online business sustainable advantages for SMEs across United States were explored. This study defines a small online business as one with approximately 100 full-time and permanent employees (Chitura, Mupemhi, Dube, & Bolongkikit, 2008). Campbell and Wright (2008) argued that aggressive advertising is the most important variable in the profitability of online business. It was important to determine if this claim holds true for small businesses. This qualitative study identified the barriers faced by small business owners when they move their service online. The following research questions were developed for this study:

Q1. What procedures, methods and risk assessments are used to eliminate barriers to online-business sustainable advantages for small business?

Q2. How are the procedures, methods and risk assessments implemented?

Q3. What are the procedures, methods and risk assessments monitored and verified?

Q4. What are the key problems connected with implementing the procedures, methods and risk assessments to eliminate barriers?

Q5. What primary internal controls (manuals or flow-charts) are used to eradicate

barriers?

Q6. What profitability models and/or methods do online small businesses use to generate income?

Nature of the Study

In this dissertation, the problem explored was that adequate procedures and risk assessments had not been implemented to eliminate the barrier of aggressive rivalry of sellers, which may impede the sustainable advantages for SMEs which had gone online since 2006 (Aziz & Poorsartep, 2009; DotCom Boom, 2005; Gengatharen & Standing, 2005; Loghry & Veach, 2009; Porter, 2008). The purpose of this qualitative holistic multiple-case study was to ascertain whether adequate procedures, risk assessment and business strategies could create sustainable advantages for SMEs that had gone online since 2006. Twenty small business owners (adults over the age of 18) who had taken their businesses online within the last five years were interviewed. The 20 participants in this study were selected following purposeful sampling (Zikmund, 2003). The names of the SMEs who had moved to include an online component to their brick-and-mortar business were obtained from the United States Chamber of Commerce. All SMEs that meet the criteria were given the Informed Consent Form and Invitation Letter through mail or email to ask if they would like to participate in the study. The prospective participants were asked to read all documents, sign and return the Informed Consent Form. Those respondents that return a signed Informed Consent Forms were selected to participate in the current research.

The business owners who were interested in participating in the study were asked to return the Inform Consent Form via the self-addressed envelopes or email. The contact

numbers of those who were interested in participating in the study was obtained. The participants were asked about the time they could be reached. To encourage responses from non-respondents, three email reminders were sent. Finally a personal telephone call was made. No further attempts were made to promote participation. A list was made up of those who returned the Inform Consent Form. If there were more than 20 participants, the responses were placed into a box and 20 folded papers were drawn. Those respondents were selected to participate in the current research study. Extra responses were kept in case some participants decided to withdraw.

After the participants were chosen, 45-minute interviews were scheduled. The participants were asked 34 open-ended interview questions. All interviews were tape-recorded with the permission of the participants. After each interview, the recordings were transcribed. At the completion of all interviews, the data collected were entered into a qualitative software program for data analysis. The qualitative software helped reduce the data to themes that can be reported. The participants informed this study with their subjective experiences, thought processes and converged on fact of the matter regarding the topic (Yin, 2009). The participants provided their viewpoints and interpretation pertaining to the barriers to sustainable advantages for online SMEs (Yin, 2009).

Leedy and Ormrod (2005) demonstrated that the academic communities must search for qualitative meaning units from the data they had collected. Similarly, after conducting data analysis, the results must accurately reflect the experience. For example, academic communities are known to analyze data collected from research studies, in order to emanate findings that counter criticism, bias, and distortion (Leedy & Ormrod, 2005). Patton (2002) reported that the qualitative data analysis and interpretations will

allow for the conversion of data collected into themes, findings, theory, and recommendations. The study participants are channels for collected data; they generate communications, and explicate meanings about the study.

In order to ensure validity and reliability, this study enlisted a panel of three professors' comment on the interview questions. After IRB approval, a pilot test of the interview questions were conducted with two business owners to ensure that the questions elicit the type of information necessary to understand the barriers to online business profitability for SMEs. Trochim and Donnelly (2007) stated that academic communities should integrate the standards of credibility, transferability, dependability, and confirmability in order to integrate the authenticity of qualitative research. Yin (2009) concurred with Trochim and Donnelly's theory. Yin demonstrated that a pilot case study will help all individual to refine the data collection plans with respect to the content of the data, credibility, validity, and procedures to be followed. A pilot test was conducted on the self-designed instrument to develop relevant lines of questions (Yin, 2009).

Reliability of the findings was assured by having participants re-verify the interview responses in order to ensure that the transcripts accurately reflect what was verbalized in the current study. According to Trochim and Donnelly (2007), it is customary for academic communities to perform a thematic analysis of text, which identifies the themes or key ideas in a document or set of documents. The documents can take the form of field notes, newspaper articles, technical papers, and organizational memoranda (Trochim & Donnelly, 2007). For this dissertation, a qualitative software program, Nvivo 8, was used to group, code and analyze the transcripts so that the data

from the open-ended interviews were developed into cogent findings, answer the research questions and append recommendations (Yin, 2009).

Significance of the Study

This research was to contribute and disseminate scientific knowledge about barriers to profitability of online small businesses. This was the first academic study of this topic. The research analyzed the problems and logistics in relation to profitability for online SMEs. A complementary objective of this research was to examine the barriers to sustainable advantage faced by SMEs that had taken their business online. This study presented best practices of building profitable online SMEs. Profitability of online businesses was defined as revenue minus expenses while engaging in transactions correlated with selling products or services. The purpose was to understand the experience from the participants' point of view. The appropriate qualitative design for this research was a qualitative holistic multiple-case study.

Definitions

To attain clarity in this study, the following terms were used:

Business-To-Business (B2B). B2B refers to business engagement between companies, rather than between a company and individual consumer (Laudon & Traver, 2006).

Business-To-Consumer (B2C). B2C is a type of business that uses Internet to sell its products or services to individual purchasers (Laudon & Traver, 2006).

Confirmability. The results discovered in a qualitative study can be verified by others than the creator (Trochim & Donnelly, 2007).

Consumer-To-Consumer (C2C). C2C involves consumers selling a product or

service to other consumers. Popular websites like e-Bay, craiglist.org, thebarterclub.com, and xyzbarterexchange.com are good example of this type of Internet transaction (Laudon & Traver, 2006).

Field Research. The field research is a method by which academicians goes to a site in order to collect data for a topic under study. For example, marketing people often conduct field research by going to a public shopping mall, stopping potential consumers, and asking them a series of questions about a certain product or service (Trochim & Donnelly, 2007).

Mobile Commerce (M-Commerce). M-Commerce refers to the application and services that are available when using an Internet-enabled mobile device. For example, mobile phones with Internet capabilities allow the user to find specific locations, e-mail colleagues, or purchase items (Laudon & Traver, 2006).

Online Business. These are businesses that have been created to sell products, services and to exchange information via the Internet. Some organizations are online only such as Amazon.com, while other businesses also have traditional retail outlets as well (*Encyclopedia Britannica*, 2009).

Peer-To-Peer (P2P). P2P allows Internet navigators to share with each other or transfer files to one another directly from their personal computers without using a website or directory (Laudon & Traver, 2006).

Profitability. This term refers to the amount of revenue that is earned from any business transaction after all expenses are paid. The equation for determining profitability is Profit = Total Revenue – Total Expenses (Investopedia, 2009).

Qualitative Data. Qualitative data, unlike quantitative data that describe data in

terms of quantity, qualitative data are not numerical and are informal. Qualitative data usually involves information gathered from interviews or observations (Zikmund, 2003).

Unobtrusive Measures. The strategies employed personally to collect data without significantly interrupting the lives of participants who have volunteered to take part in the study. However, unobtrusive measures can limit the control the individual has over the data being collected (Zikmund, 2003).

Summary

There are many factors, such as customer-relationship management, marketing models, pricing strategies and quality management, involved in the conduction of an online business base (Xu et al., 2007). SMEs may face many barriers when they attempt to move their product or service on to a websites in order to expand their customer base (Xu et al., 2007). These barriers have not been the focus of research because SMEs trying to compete online with larger businesses are a rather new phenomenon (Fox, 2008).

Many owners of SMEs have not conducted risk assessments to secure a competitive advantage (Aziz & Poorsartep, 2009; DotCom Boom, 2005; Gengatharen & Standing, 2005; Loghry & Veach, 2009; Porter, 2008). Online managers are responsible for ensuring that the SMEs are integrating Internet business solutions to enhance their performance. The purpose of this study was to ascertain whether procedures, risk assessments and business strategies could create sustainable advantages for SMEs that had gone online since 2006. A central focus of the study was the strategies considered by entrepreneurs when determining the need to create sustainable advantages for SMEs that had gone online. This study was limited to barriers faced by online-business profitability for small businesses in United States. The manuscript provided

insight that can be applied to other SMEs in United States. Therefore, the implication was that the finding of this study may not be applicable to other cities and states in the world.

Chapter 2: Literature Review

The purposes of this qualitative case study was to examine the barriers to profitability for SMEs, to identify gaps between prudent business practices, and the current marketing strategies in SMEs in United States, and to determine how these businesses could close these gaps. This study added value to the knowledge of the activities of online SMEs and the importance of removing the barriers to their profitability. The objectives of this study and literature review were to find resolutions to the research questions (problems). The literature was divided into the following subsections (a) Porter's five factor model, (b) online barriers; (c) capital barrier; (d) logistics and shipping barriers; (e) mitigating barriers; (f) barrier mitigating tools; (g) e-profitability models; (h) effectiveness of profitability models; (i) customer relationship management; (j) e-infomediaries; search engine optimization; (k) price and seal effects; (l) competition and prices; and (m) e-revenue and competition; (n) summary of the chapter, and they are contained in the body of this chapter.

In order to inform the research questions, the study cited the scholarly and peer-reviewed literatures. The literatures of the current study were obtained by using several keyword searches of the Northcentral University (NU) databases such as (a) ProQuest, (b) EBSCOhost database, (c) ABI/INFORMGlobal, and others. In order to conduct the study, the library of the NU website was accessed to download the literature, journals, articles, and magazines. The literature (or theory) collected from NU databases were rigorously perused and carefully compared to other existing studies to inform the current study.

Porters Five Forces Model

According to Porter's (1980a, 1980b, 1998), model can be used to identify whether new products, services, businesses, or industries have the potential to be profitable. Porter suggested that business owners look beyond their immediate competitors because other determinants of profitability need consideration. According to Porter, those determinants are the rivalry among sellers, the power exerted by customers, the impact of suppliers, the threat of new entrants into the market, and the threat of substitute products. According to Porter (1980b), the most significant of these forces is competition, which can be strong or weak. When a small business owner moves his or her business online, the number of competitors may increase dramatically, and products that are similar will compete based on price, endangering the new online business' profitability (Porter, 1980B).

Additionally, since there is no limit on the number of online business possibilities, there is always the threat of new entrants that can threaten the competitive advantage of established businesses (Porter, 1980a, 1980b). Brick-and-mortar business are often expensive to start-up so new entrants will be limited, but entry onto the web is relatively inexpensive for a new business. Hence, the threat of new entrants is a barrier faced by business owners who want to expand their brick-and-mortar business by adding an online component (Porter, 1980a, 1980b). According to Porter (1998), one of the most overlooked barriers is substitute products. Not only must a small business owner know what his or her competitors are selling, he or she must also be aware of what substitute products are available to customers. When the cost to consumer is low in switching to a new product the threat of substitute is high. Often companies may aggressively price their products when there is a new entry in the industry in an attempt to keep the customer

from switching. When the threat of substitutes is high, the profit margin will tend to be low (Porter, 1980a, 1980b).

Two types of buyer power can also affect a business' competitive advantage. The first type of power is customers' sensitivity to price. If each brand of a product is the same, then customers will base their purchase decision on price. The other type of buyer power is negotiating power (Porter, 2008). Larger buyers have more leverage and thus can negotiate lower prices. When there are many small buyers, and all other factors are equal, the company supplying the product will have higher prices, and higher profit margins. The opposite is also true. If the company sells to a few larger buyers, those buyers will have the leverage to negotiate a lower price for themselves. However, if only a single supplier produces something a company has to have, the company will have little possibility of negotiating a better price (Porter, 2008).

Porter (1980a, 1980b, 1998) emphasized the importance of analyzing the five forces and their effect on a company. This analysis is especially important for small business owners who want to expand their brick-and-mortar business by adding an online element. Online businesses can face an intense competitive environment because Internet business can offer their products to a certain geographical area—like the United States—or offer their product to countries outside the United States. Online businesses are not limited by geography, but in the possibilities these online businesses offer, there is also barriers that must be faced and overcome if the new online element of the business is to sustain a competitive advantage.

Online Barriers

Karakaya and Stahl (2009) studied the barriers that confront online SMEs after they are integrated with e-commerce markets. Karakaya and Stahl presented information on imperative relationships between the barriers and firm performance. Small e-commerce organizations face scarcity of venture capital, Internet security, technical knowledge, and knowledge of conducting e-commerce, technology, infrastructure, and sustainability and e-commerce resources.

The sustainability barrier affects the competitive advantage. The e-commerce resources influence the profitability of online businesses. The barrier to e-commerce sustainability influences e-commerce resources (Karakaya & Stahl, 2009). The online SMEs may face sustainability barriers such as security of financial transactions, computer hackers, not meeting customer service prerequisites, no access to distribution channels, and not meeting demand. The capital prerequisites barriers will influence sustainability. In addition, sustainability barriers manipulate the competitive gains of the rival online organizations (Karakaya & Stahl, 2009).

According to Karakaya and Stahl (2009), the entry barriers will permeate online SMEs even after e-commerce integration; the barriers usually affect brand loyalty, cost effectiveness, and low price. Karakaya and Stahl noted that barriers confront Internet banks after entering online market. In addition, online small firms and banking organizations will face barriers such as technical expertise, Internet security, competitors' actions, technical knowledge, and technology infrastructure (Karakaya & Stahl, 2009).

Karakaya and Stahl (2009) identified the dearth of literature on barriers faced by full-fledged small e-commerce organizations. Several entrepreneurs adopt e-commerce in order to accrue firm profitability. They discussed the competitive advantages of rival

firms. They demonstrated that strong competitive advantages enjoyed by rival e-commerce firms (high barriers) generate e-commerce resources and lower firm performance (Karakaya & Stahl, 2009).

According to Karakaya and Stahl (2009), a strong competitive advantage emanating from strong resources can influence organizations with limited resources to feel mediocre. Despite the ease of entrance to e-commerce markets, sustainability barriers should be blamed for the lack of growth and profitability of e-commerce markets (Karakaya & Stahl, 2009). A capital prerequisite influences the competitive advantages and sustainability of the rival firms. Another barrier arises when a venture capitalist refuses to fund online SMEs. Conversely, the rival organizations with ample funding will enjoy greater competitive advantages. They conceded that capital requirements affect organization performance (Karakaya & Stahl, 2009).

Karakaya and Stahl (2009) demonstrated that SMEs should understand e-commerce resources barrier. These resources may include lack of technical expertise, inadequate e-commerce infrastructure barriers and a high learning curve (Karakaya & Stahl, 2009). Karakaya and Stahl (2009) noted that a stronger e-commerce resources or higher barrier is a precursor to a weaker organization financial performance. Karakaya and Stahl explained that e-commerce resources, the capital prerequisites, and the competitive advantages of rival organizations are more potent than sustainability barriers (Karakaya & Stahl, 2009).

The sustainability barrier has a covert negative impact on organization performance. In addition, Karakaya and Stahl maintained that sustainability barrier influences the perception of the competitive advantages of rival organizations (Karakaya

& Stahl, 2009). When an organization's sustainability barriers are high, its management needs to see the competitive advantages of its competitors as high. Similarly, the sustainability barrier stimulates the perception of e-commerce resources, meaning that the higher the sustainability barrier, the higher the e-commerce resources barrier. The e-commerce resources barrier is a mediating factor here (Karakaya & Stahl, 2009).

Boyd (2003) argued that the Internet has eradicated natural barriers to competitive price information. By making price comparison available to customers, providers are making price comparisons among companies available to competitors. Virtual-time competitive price information is becoming a reality (Boyd, 2003). How should this data be used to enhance revenue management models? When this is not the correct revenue management model of customer behavior, as is happening, revenue, and optimization models need to be transformed. Boyd warned that using the wrong prediction and optimization models could reduce revenues (Boyd, 2003). MacGregor and Vrazalic (2006) found that females were more disturbed about e-commerce being inappropriate for their small business, while males conveyed more apprehension about the complexity of incorporating e-commerce into their small business.

Capital Barriers

According to Karakaya and Stahl (2009), profitable organizations admitted that capital requirements are the cause of barrier, followed by the competitive advantages of the rival organizations, e-commerce resources, and sustainability barriers (Karakaya & Stahl, 2009). The lack of e-commerce resources is attributable to lower firm performance, just as inadequate financing is a reason for failures of small business start-

ups. Therefore, organizations should have excellent knowledge of e-commerce and adequate e-commerce infrastructure (Karakaya & Stahl, 2009).

The findings in this study specified that capital requirements or finances required could lead to sustainability, which influences e-commerce resources, and competitive advantages. Thus, organizations need to have the funds to maintain their e-commerce operations (Karakaya & Stahl, 2009). Although sustainability has no direct impact on organization performance, it has an indirect effect on financial performance through e-commerce resources. Thus, e-commerce resources act as a mediator. This denotes that a low sustainability barrier, combined with high levels of e-commerce resources, leads to higher firm profitability (Karakaya & Stahl, 2009).

According to Karakaya and Stahl (2009), capital requirements have no direct impact on organization performance, but it has an indirect effect through sustainability and e-commerce resources. Both sustainability and e-commerce resources are mediators in influencing firm performance (Karakaya & Stahl, 2009). Therefore, management must consider that capital requirements, sustainability, competitive advantages, and e-commerce resources are real problems that companies face in e-commerce markets. Overcoming these barriers with a strong plan for finances, infrastructure, human, and technical resources is likely to lead organizations to increase their markets in order to attain profitability (Karakaya & Stahl, 2009).

Logistics and Shipping Barriers

The electronic e-commerce executives found that organizations were accruing enormous additional revenues via their e-commerce efforts. An existing business let them subsist during the long period it was taking to grow the online segment of their business

(Wresch & Fraser, 2006). Business executives faced substantial barriers to international operations, but every one of them was able to find option resources. Logistics, branding, security, and connectivity are all problems for these online business executives, but the innovative managers surmounted all the problems with minor difficulty (Wresch, & Fraser, 2006).

According to Room, Harrison, and Kerridge (2009), the relationship between non-effective accumulation and use of social capital which may inhibit access to proper decision-making circles, and limits the prospect of accessing critical management and financing resources, especially through the venture capital industry. Room et al. (2009) presented information on how SMEs who are growth oriented are hindered by lack of access to or control over such resources as, business premises, information and technology, production inputs, qualifications, experience, training facilities, and appropriate assistance from business development agencies.

Mitigating Barriers

Several profitable small organizations implemented a pricing plan and took a strategic viewpoint when setting prices. Strategies in the SMEs are often personalized and are induced by the actions, abilities, personality, and success criteria of the management (Beaver, 2007). A core finding in this literature was the value of strategic planning to small organizations. The managers in these organizations are governed by principle of continuous improvement. Without strategic planning, small organizations may attain profitability, but strategic planning simplifies comparisons with alternative futures, and opportunities (Beaver, 2007). Hodges and Kent (2007) found overwhelming proof that the managers of small organizations are persuaded that knowledge of strategic

planning will bring profitability. Another finding of the study was that upper rates of sales growth were attained by small organizations that adopted sophisticated planning processes (Hodges & Kent, 2007).

Barriers Mitigating Tools

Chong and Pervan (2007) discussed that the fear of losing customers and market share may expedite organizational learning. The fear of expanding the use of new systems in order to keep up with competitors may also increase organizational learning. The appearance of competitive pressure will stimulate management to incorporate its business operations electronically both internally and externally with trading partners. Integration of these functions and trading processes is a matter of barrier elimination (Chong & Pervan, 2007).

Apigian, Ragu-Nathan, Ragu-Nathan, and Kunnathur (2005) stated that when organizations decided to use Internet technologies, they had reasons for doing so. For example, an organization may wish to increase its Internet sales in order to attain revenue expansion, by proffering an extra channel for marketing, and customer interaction (Apigian et al., 2005). They may not be initially enthusiastic about all aspects of Internet performance. Therefore, they focus on the elements that have the most direct significance for their business strategies (Apigian et al., 2005).

Online managers are using market channel available on the internet to enable revenue expansion. Several business executives are willing to interact with customers on the website in order to maximize profit (Apigian et al., 2005). Apigian et al. (2005) believed that revenue expansion (relationship enrichment and interactions) are analogous. According to Apigian et al. (2005), innovative managers are combining Internet-driven

market channels, Internet interactions, and relationship enrichment to build relationship, and interact with suppliers.

Apigian et al. (2005) suggested that online organizations should integrate extra market channels and technology to ensure a personalized customer experience. This may bring about opportunity for expanded revenues and enhanced relationships between management, and customers. Apigian et al. (2005) advocated relationship enhancement by developing relationships with suppliers through Internet interactions. They indicated that by enabling real-time interaction with suppliers, customer could obtain instant feedback on any (customized, complementary products, or services) (Apigian et al., 2005).

According to Apigian et al. (2005), online managers are incorporating their internal system with one of these distribution carriers (such as FedEx) through a web-oriented interface, customer orders are instantly being assigned for pickup, and tracked in real time. To attain performance and cost effectiveness, the Internet instantaneously links customers to suppliers to guarantee swift delivery of products or services, and to allocate the receipt of the new order to internal employees (Apigian et al., 2005). For example, it may be more cost effective for online organizations to use companies like FedEx (or UPS) to deliver products to customers (Apigian et al., 2005). Customers can track their orders through these third-party distribution carriers, which also saves the company money (Apigian et al., 2005). First, by enabling Internet interaction with suppliers, the time and cost of searching for the right supplier or extracting data from current suppliers can be reduced. Second, the processing of orders, communications with employees, and administrative information can be greatly enhanced (Apigian et al., 2005). For example,

e-commerce organizations can receive customers' orders, which are automatically processed by their system (Apigian et al., 2005).

Several organizations are integrating e-commerce to maximize sales and revenue. The management may assume that they are only offering an extra channel for marketing and customer interaction. E-commerce may not be profitable because the management may be reluctant to exert a total commitment and examine the performance of the e-commerce (Apigian et al., 2005). Antlová (2009) found that the organizations that use information and communication technology successfully have grown quite quickly. Several organizations are profitable because they have consistent operations; skill set, and knowledge strategies to derive competitive advantage. In addition, successful organizations use information and communication technology as a strategic advantage. In some organizations, the managers perform risk assessment, risk management, and audit to mitigate problems (Antlová, 2009).

E-Profitability Models

Coviello, Winklhofer, and Hamilton (2006) found that successful customer acquisition leads to profitability. Several organizations engage in database marketing, e-marketing and network marketing, but these efforts may not attain or enhance financial performance. In the marketing practice-performance relationship, Coviello et al. (2006) found that communication marketing and transaction marketing affect performance.

Coviello et al. (2006) discovered that customer retention is positively correlated with interaction marketing; in contrast, customer acquisition is positively correlated with both interaction marketing, and transaction marketing. Managers are using interaction form of relational marketing to implement offensive and defensive strategies. On the

other hand, managers may use transaction marketing to implement an offensive strategy. Customer acquisition is positively associated with sales growth; customer retention is not. Only sales growth (not customer retention) is positively correlated with profitability (Coviello et al., 2006).

Dembla, Palvia, and Krishnan (2007) suggested that the SMEs should assess their organizational structures and adopt web-enabled transaction processing technologies. Several managers are incorporating web-enabled transaction processing to maximize their customer base and minimizing transaction costs (Dembla et al., 2007). In order to do so, small organizations should invest in an information system to enhance their knowledge base, and acclimatize to new technologies. If the implementation of web-enabled technologies is prolonged, even organizations that usually operate in generic environments will have to integrate web-enabled technologies as they become pervasive. Dembla et al. also mentioned that the organizations that are fast growing and technologically sensitive will maximize revenue (Dembla et al., 2007). Garrity, O'Donnell, Kim, and Sanders (2007) argued that user-friendly computer tools should be configured by manager by embedding well-planned interfaces. The management should design web interfaces to bring satisfaction to customers, and simplify task process (Garrity et al., 2007).

Johnston et al. (2007) demonstrated that the SMEs are integrating Internet business solutions to enhance their performance. Internet business solutions incorporation accelerated and stimulated substantial financial recompense for SMEs in North America and Europe (Johnston et al., 2007). The recompense from Internet business solutions promoted revenue growth and cost effectiveness. Conversely, these financial rewards

were not evenly disseminated across regions, industries, technologies, or size categories. The results suggest that SMEs managers should adopt a staged approach to Internet business solutions adoption in order to maximize profitability (Johnston et al., 2007).

According to Ashwin (2006), *guerrilla marketing* can be defined as the use of nonconformist marketing strategies to elicit the maximum exposure, attention, and results from negligible use of resources (Ashwin, 2006). Although guerrilla marketing has become popular, it is becoming difficult to negate the marketing strategies being used by small organizations with limited marketing budgets and the large organizations that have millions to spend on marketing (Ashwin, 2006). Managers often use guerrilla marketing by instructing small organizations to make contacts and build affiliations. Managers must be cognizant that every contact is a chance to promote the SMEs. This is 360-degree marketing (Ashwin, 2006). Managers can bring a product to the attention of prospective customers at the best time. Guerrilla marketing may elicit presence through chat rooms, email, forums, discussion boards, radio, magazine, street posters, and graffiti (Ashwin, 2006).

Small organizations are chronically short of cash to spend on marketing campaigns, so they can benefit from guerrilla marketing. The guerrilla marketing is small scale, flexible, and easy to modify. The marketing campaign can react to volatile or erratic marketing circumstances because guerrilla marketing is a cost effective and agile system of e-commerce marketing (Ashwin, 2006). With guerrilla marketing, the management must take care not to offend current and prospective customers. Some small organizations have negated this rule by intentionally provoking people whom they know

are unlikely to be customers. Some organizations use controversy to attract the attention of their target audience (Ashwin, 2006).

The managers of e-commerce may use guerrilla marketing to target the communities that are most likely to purchase the product or service. The guerrilla marketing enhances the efficiency, return, and the e-commerce marketing campaign. Several managers have commented on how simple it is to use guerrilla marketing. The management will not spend a lot of money on guerrilla marketing (Ashwin, 2006). Guerrilla marketing has no bounds. There is no limit to what the managers can devise (Ashwin, 2006). The e-commerce organizations are known to use the Internet, pop up advertising, log-in details of visitors and advertise their brand on search engines such as Yahoo and Google (Ashwin, 2006).

Several managers of e-commerce organizations use blogs, banner advertising, sponsored links, stickers and badges, spray paint logos, and pavement chalking to promote their products and services (Ashwin, 2006). To advertise their online products or services, several managers of e-commerce organizations are legendary for using biodegradable posters, products give-away; free presentations; seminars; and intrigue-generating mystery (Ashwin, 2006). Peer marketing is another type of guerrilla marketing. The manager may even assemble people with similar interests or ages to build enthusiasm for the product. Roach baiting and buzz marketing are other forms of guerrilla marketing. The managers may hire actors to pretend to be customers to create interest in a product or service (Ashwin, 2006).

A popular form of guerrilla marketing is live commercials. Managers use people to conduct live commercials in clubs and pubs (Ashwin, 2006). With guerrilla marketing,

several managers are enabling DJs (or club) events to advertise websites (Ashwin, 2006). Many small organizations benefit from the knowledge that will flow from boards of directors who have an academic background. The managers and the board of directors may even help the SMEs to access external knowledge from academic communities (Audretsch & Lehmann, 2006). The members of the board may help managers to solve problems so that the business has a competitive advantage in the market place (Audretsch & Lehmann, 2006). The resource theory of small organizations states that knowledge is a primary source of competitive advantage (Audretsch & Lehmann, 2006).

O'Dwyer and Ledwith (2009) found that business executives are innovating new products to enable organizational performance. Small organizations should be cognizant of their competitors, as competitor orientation is connected with both new product and organizational performance (O'Dwyer & Ledwith, 2009). The assessment of the performance of SMEs is problematic. There is hardly any objective data linking marketing action to business performance in SMEs (Simpson, Padmore, Taylor, & Frecknall-Hughes, 2006). Conversely, academics and managers have asserted that marketing activities enhance business performance (Simpson et al., 2006). The performance of SMEs is complex to assess because of normal flux in activities from year to year. This is exacerbated by the potential to influence the measures such as return on capital employed and return on investments that are used to measure performance (Simpson et al., 2006).

In SMEs, managers are responsible for assessing the operations that are profitable by subtracting total expenses from the total revenue of the organization. Profitability is a matter of (a) operating profit, (b) net profit before interest and taxation, and (c) net profit

before taxation (Simpson et al., 2006). According to Simpson et al. (2006), (a) net profit after taxation, (b) net profit after taxation, and (c) preference dividend, and all of these would render a different result (Simpson et al., 2006). In essence, managers should ensure that profit figures that will be used in ratio analysis are justifiable, consistent, and relevant (Simpson et al., 2006).

Several managers in SMEs are in favor of maximizing marketing operations when they determine the need for marketing. When the management anticipates that marketing efforts would be rewarded by increased revenue, they often will establish new market or the successful launch of a new product (Simpson et al., 2006). Although methodical overestimation was not found, managers did tend to create predictions that were too excessive, and likely to over extrapolate preceding growth. These outcomes are consistent with propositions that overconfidence biases and representative heuristics sway the revenue predictions created in small organizations (Cassar & Gibson, 2007).

Effectiveness of Profitability Models

Darbyshire (2008) performed a study on how to configure a framework for a web system that connects small and medium transport organizations with their customers (Darbyshire, 2008). With benefit and value for different organizations, Darbyshire noted that practitioners should consider the objectives of grouping several SMEs within the digital ecosystem (Darbyshire, 2008). A digital ecosystem is a self-organizing digital infrastructure aimed at developing a digital setting for networked organizations that maintains cooperation, knowledge sharing, and the creation of open and adaptive technologies, and profitability models (as cited in European Commission, 2004).

The management should amortize the cost of research and development over several groups of SMEs within the digital ecosystem. When the management amortizes the cost of technological development amongst players, it becomes viable (on a group basis) to execute further technologies which can add value to both SMEs and customers (Darbyshire, 2008). The cooperation among varieties of organizations should result in useful partnerships rewarding both SMEs and customers. SMEs are advised to form alliances and use each other's logistic chains and operation areas to offer more comprehensive services to online customers (Darbyshire, 2008). According to Darbyshire (2008), partnerships between e-commerce organizations are known as profitability models assisting the SMEs to compete more successfully in a growing global business. Darbyshire (2008) partnerships between e-commerce organizations are achievable because the architecture available in ecommerce ecosystem permits the SMEs to interface with larger external organizations (Darbyshire, 2008).

Several customers are recipients of recompense from added-value services in countless ways. The natural competition among cooperating SMEs in the digital ecosystem will drive transparent competitive pricing for the customers (Darbyshire, 2008). In addition, advantages to the customers from those of the SMEs will result in a vast range of services. SMEs can use each other's logistic chains and services (Darbyshire, 2008). Business executives are convinced that using logistic chains and services own by groups of SMEs in partnership will provide hub of access for customers, which is far more desirable than sourcing dissimilar services from several vendors. Managers stated that there is availability of vast market because of the capability of

SMEs to connect with global carriers that have access to global market (Darbyshire, 2008).

Several organizations integrate value-added services such as parcel tracking and delivery notification to encourage customers to make repeat purchases. Conversely, such services would not be available through the selection of the initial bionetwork of the SMEs, but rather as result of further development. Nevertheless, such services would be added-value because of the architecture, and would not normally be reachable through SMEs operating alone (Darbyshire, 2008).

Distribution has undergone extraordinary transformations in the way that customers make their purchases. These transformations present new challenges as revenue management practitioners re-evaluate algorithms and create new models to account for web sales and competitive price information (cited in Boyd & Bilegan, 2003). Of course, not all revenue management challenges are connected to distribution. Contract revenues, groups, low-cost competition, tighter incorporation of forecasting, and optimization are just a few (cited in Boyd & Bilegan, 2003). Boyd (2003) said that distribution is the basis of some of the most pressing problems. Recognizing how fundamentally distribution affects customer demand and responds accordingly poses a key challenge for the future of revenue management (Boyd, 2003).

Boyd (2003) argued that organizations use the Internet because it is an extremely low-cost distribution channel. Boyd stated that using a computer operating system to drive sales on the Internet is far less expensive than using human intermediaries. The undesired repercussion of eliminating these intermediaries is that the current distribution environment is being altered (Boyd, 2003). For example, in the travel industry, customers

would consult travel agents, who would purchase according to the sales agreements instituted with service providers. With e-commerce, customers can retrieve comprehensive information on dozens of hotels and rental cars in a matter of seconds (Boyd, 2003). Inventory control mechanisms have a natural propensity to become more complicated. The central reservation systems can quickly become a repository for intricate decision rules. The more intricate the control mechanism, the more likely there are to be unexpected communications among the rules, which may lead to an even more complex control mechanism (Boyd & Bilegan, 2003).

Revenue management and dynamic pricing issues are certainly related, and if the primary products are identical, the dilemmas are much the same. This relationship has created ambiguities in the way revenue management is operated, as is shown by the dichotomy in the way that forecasting, optimization, and control are treated by central reservation and revenue management systems (Boyd & Bilegan, 2003). Revenue management forecasting embraces a product archetype with a concentration on estimating demand by class. Conversely, with nested inventory control, whether for classes or virtual buckets is based on the premise of ordering products from high to low value with no overt regard for their defining characteristics (Boyd & Bilegan, 2003). The sale of inventory is quite different than for traditional revenue management applications, the conceptual predicament remains the same: estimate demand and its willingness to pay so that inventory may be managed to maximize profit. However, with so many inventories sold at discounts, the concentration shifts from short-term variable price to contractual terms (Boyd & Bilegan, 2003).

The success of revenue management in organizations has had a tremendous influence on the landscape for future e-commerce applications. The executives have found revenue management to be essential in generating profitability; it has paved the way for extensive adoption by industry (Boyd & Bilegan, 2003). The revenue management applications are being employed in the highly visible application of setting the price of airline tickets; it has helped popularize dynamic pricing. The managers of organizations are using the management application to execute dynamic pricing, revenue management, and to manage inventory against market demand to generate maximum profit (Boyd & Bilegan, 2003).

According to Boyd and Bilegan (2003), management must see beyond traditional applications to identify a rich collection of opportunities (Boyd & Bilegan, 2003). Contracts, alliances, collaboration, distribution, and the use of customer-level information present considerable challenges for revenue management, transactions, and the operations of organizations. The management should at least seize these challenges and make them work in operational e-commerce settings (Boyd & Bilegan, 2003).

Customer-Relationship Management

According to Yanamandram and White (2006), e-commerce organizations with low standards of customer satisfaction need to erect barriers to switching and comprehend the factors that encourage customer retention. Extra clarifications were given for customer dissatisfaction with failure of core service, price increases, and lack of flexibility in negotiations. Further explanations were given for customer discontent that included e-commerce organizations failure and poor customer service. The customers were also discontented because the e-commerce organizations failed to deliver on its

promises of training customers who are computer illiterate and inability of service providers to help customers who are struggling with their finances (Yanamandram & White, 2006).

According to Yanamandram and White (2006), customers switched to other online companies because e-commerce organizations failed to solve their problems. Yanamandram and White (2006) discovered that customer attrition occurs because there was a mismatch in organizational cultures. Several managers reported that customer attrition may materialize because customer representatives were indifferent or unresponsive to consumers. Several customers were frustrated because the online organization refusal to communicate with customers about delays. Additional reasons were given for customer dissatisfaction, such as e-commerce organizations' failure to understand customer expectations and not taking responsibility for problems caused by the service provider (Yanamandram & White, 2006).

Porter (2008) stated that profitable e-commerce organizations showed strong capabilities in Internet technology. The managers must implement a unique strategy for the e-commerce companies and other dot.coms. The management of e-commerce organizations must create customer value and charge for it, rather than depending on auxiliary forms of revenue (Porter, 2008). These organizations have distinctive ways of conducting physical functions and assembling non-Internet assets that correlate with their strategic positions. The e-commerce organizations support profound industry knowledge that permits the establishment of proprietary skills, information and relationships (Porter, 2008). Ratnasingam (2008) suggested that online managers should build (transaction, financial, business and interaction) relationships with their customers. The e-commerce

organizations may need to waste time on customer who did not comply with procedures, and this created dissatisfaction with the organization and with the customer. Ratnasingam said that although shopping online may be a user-friendly process, organizations must periodically consult their customers to verify the effects of e-commerce customer-relationship management solutions on customer characteristics and behaviors.

Doherty and Lockett (2007) asserted that the correlation between relationship marketing (RM) and electronic customer-relationship manager (e-CRM) prevents technological challenges that will need to be resolved before organizations can reap the full potential of e-CRM projects. The rationale for this study was to impart new insights into ways of compensating for these impediments, and to closing the gap between the promise of RM and the reality of e-CRM (Doherty & Lockett, 2007). Doherty and Lockett (2007) argued that in order to be successful, e-commerce organizations should integrate a holistic perspective of relationship management. Doherty and Lockett noted that incorporating such a viewpoint means recognizing that while e-CRM technology may be indispensable for effectively meeting the challenges of RM, it is very unlikely to suffice on its own (Doherty & Lockett, 2007). The e-CRM technology eases the collection of high quality preference-related data from the customers, while automatically controlling marketing-oriented information to the customers. The managers are responsible for the success of the critical interface by satisfying and adding value to the customers. Doherty and Lockett (2007) demonstrated that managers must overcome RM technological challenges in order to enjoy the benefits of an e-CRM initiative (Doherty & Lockett, 2007).

E-Infomediaries and Search Engine Optimization

According to Palvia and D'Aubeterre (2007), an infomediary is a developing business model that organizations use in response to the vast increase in the amount of information available and the critical position of information in enabling e-commerce. Infomediaries perform a vital function by balancing customers' needs with organizations' products. There is a wealth of market data conveyed through the infomediaries as they carry out these functions. Consequently, infomediaries become a necessary path of knowledge about transactions in electronic marketplaces.

Palvia and D'Aubeterre (2007) studied the different infomediary functions in business to customer that pertain to automobile, retail, and travel organizations. Although the results identify the travel industry as one of the pioneers of electronic marketplaces, infomediaries in this industry do not demonstrate much incorporation and sophistication. In contrast, infomediaries in the retail industry demonstrate better integration and sophistication. This occurrence could be explained by disparities in competition in the travel and retail industries (Palvia & D'Aubeterre, 2007).

According to Palvia and D'Aubeterre (2007), the travel industry is administering organizations such as Sabre, Travelocity, Microsoft Expedia, and Orbitz.com. The retail industry does not have such sophisticated organizations. The lack of severe competition in the travel market allows infomediaries to be reactive instead of proactive. Conversely, infomediaries on the retail market should combat the competitors (Palvia & D'Aubeterre, 2007).

Offstein and Childers (2008) found that the theoretical viewpoint best suitable to explaining entrepreneur deed was based on the business owner's attributes, traits, and dispositions. Offstein and Childers argued that comprehending the drivers of e-commerce

adoption, policy makers and other helping agencies can modify programs to assist small organizations with integrating and exploiting e-commerce cost-effectively. Offstein and Childers indicated that the success and continued involvement of the nation's small businesses are essential to the long-term viability of the U.S. economy.

Online managers should have excellent knowledge of search engine optimization and should fully utilize their web site as a tactical strategic marketing tool (Murphy, Catherine & Christian, 2008). According to Dawson and Hamilton (2006), who posited that online managers have the capability to amend the parameters of search engine optimization, if necessary, reconstruct the entire keywords for visibility, ready for the next customer visit from Google robots. The managers of the online grocery stores have incorporated search engine optimization strategies to enhance the brand image of the company. Small businesses would derive brand exposure by incorporating search engine to maximize consumer conversion rate, increase revenue per visit, and secure competitive advantage (Gofman et al., 2009).

Vachon (2011) suggested that online managers should utilize search engine including several non-cognitive decision-making tools to attract consumers to visit their web site. Vachon asserted that the search engine optimization should be configured to be user-friendly and guide the target audience to precise navigation venue. Vachon articulated that search engine should be adapted to the varieties of products offered in each web store. Online managers are enabling search engines to assist customers to implement their decision on the websites (Vachon, 2011). Quinton and Mohammed (2009) found overwhelming proof that the manager use search engine optimization, press release distribution and directory submission tools to stimulate customer traffic to their

web site. Quinton and Mohammed concentrated on understanding the role of SMEs organizations and their use of search engine optimization to attract web site traffic (Quinton & Mohammed, 2009).

Price and Seal Effects

As web seals are known to assist and motivate some customers to buy from less-established e-commerce vendors, a lower settlement price is offered to these shoppers, and social welfare (well-being) might be enhanced as a result (Hu & Wu, 2008). Hu and Wu concluded that the price effect, the seal effect, and the reputation effect are accountable in decision-making process of online customers. When the online environment is presumed to be risky, reputation effect plays a major role, and customers frequently purchase from well-established e-vendors only (Hu & Wu, 2008).

As the assumed proportion of trustworthy e-commerce vendors among less-established ones increases the seal effect starts to play a major role (Hu & Wu, 2008). Hu and Wu (2008) found that online managers are enabling web seals on the website to portray their organizations as authentic businesses. Hu and Wu (2008) found that small e-commerce vendors with seals start to lure customers from the well-established e-commerce vendors. In fact, when the price advantage is high and when online trading is presumed to be less risky, customers prefer to purchase from a less-established e-commerce vendor without seal than from a well-established e-vendor (Hu & Wu, 2008).

Hu and Wu (2008) found that the price effect is the main factor that draws customers to small e-commerce vendors. The involvement of small e-commerce vendors and the web seals is responsible for the intensive competition in e-commerce markets and contributes to social well-being (Hu & Wu, 2008). Consequently, customers now benefit

from lower prices, low reputation e-vendors have privileges to compete in e-markets, and social well-being is enhanced as e-markets become more competitive and secure (Hu & Wu, 2008).

Usability on the Internet should simplify the design of web pages and make them user-friendly. According to the International Organization for Standardization, the term *usability* means that the capability of software products is not widely understood, learned, used, and attractive. Another definition of *usability* is the extents to which prospective and current customers are embolden to easily access a product on the websites (Guerrero, Egea, & González, 2007).

Usability has become a prerequisite for effective e-commerce websites, especially as the Internet spreads to consumers with less computer experience. Shopping websites must be customer-oriented if customers are to navigate the sites (Guerrero et al., 2007). In this regard, usability is invaluable to increase website reliability and user satisfaction. The problems of usability often deter prospective and current customers from participating in shopping spree (Guerrero et al., 2007).

Competition and Prices

In comparison shopping markets, products are the same and the barriers to access and exit are insignificant. Therefore, market concentration and information will determine market structure (Saastamoinen, 2009). According to Saastamoinen (2009) market structure determines pricing and profits, studying data from comparison in e-commerce shopping markets assist managers to understand how market concentration and information arrange competition in e-markets (Saastamoinen, 2009).

The evidence reveals that the number of sellers in the market has a great impact on pricing. More precisely, the number of storefronts seems to affect more than the number of sellers (Saastamoinen, 2009). As storefronts sell their products through the comparison-shopping website, they are more likely to enter into price competition. For other sellers, a comparison-shopping website attracts more price-conscious customers because they may derive a large bulk of sales elsewhere. For this reason, these online sellers have no interest in entering price competition in order to avoid bargain-hunting consumers (Saastamoinen, 2009).

The findings of this study provide information about the importance of a seller's reputation in highly competitive online comparison shopping markets. For SMEs, a commitment to staying in the market, as reflected in the organization's ratings history, may provide some pricing power. Large, e-commerce organizations seem to benefit from their reputations (Saastamoinen, 2009). In light of this evidence, organizations should not overvalue the competitive advantage of a good reputation. It is likely that as long as a seller does not diverge significantly from its peers, customers overlook small differences in reputations and prefer lower prices (Saastamoinen, 2009).

The managers are cognizant that active reputation maximization is not effective in enhancing a competitive advantage in shopping markets because the main objective is to enable consumers' price search across vendors (Saastamoinen, 2009). In contrast, the low price strategy may help SMEs to earn consumer trust. As SMEs become established online sellers, they can set small price premiums over market entrants (Saastamoinen, 2009).

E-Revenue and Competition

There is little evidence to support the premise that a firm's revenue correlates to the effectiveness of its e-commerce supply chain management efforts. As technology has advanced, e-commerce supply chain has become important to organizations. In the global economy, today's business setting is more competitive than it was in the past (Lancaster, Yen, & Yuan Ku, 2006).

Relationships throughout the supply chain are essential to a thriving organization. Improved communications among trading partners can elicit quicker analysis, feedback and solutions to inventory and customer service anomalies. Yet, organizations trying to administer their supply chains still encounter problems. Perhaps the most critical issues in supply chain management are mistrust and competition (Lancaster et al., 2006). Simultaneously, knowledgeable customers are another barrier to organizations that are not competitive. Customers who are displeased with one company can easily find a more satisfactory one. Organizations are now confronted with more customers that are difficult to satisfy and retain (Lancaster et al., 2006).

The dot-coms e-commerce organizations were renowned for their personalized online shopping experiences. Their websites reflect their customer focus. They offer a vast amount of information and data on their customers, which can be used to create custom storefronts when customers return (Lancaster et al., 2006). These companies also promise excellent response time, and in several cases, this responsiveness is a manifestation of their efficient supply chain. All of the websites offered some form of personalization, accessed by creating an account and accessing it via the use of a login and password. Amazon.com permits its suppliers to create virtual shelves, with a shopping cart, and a vast inventory (Lancaster et al., 2006).

Summary

Karakaya and Stahl (2009) presented information on barriers that confront online small organizations after they have been integrated with e-commerce markets. They explicated the relationships between barriers and firm performance. Small e-commerce organization faces scarcity of venture capital, Internet security, technical knowledge, knowledge of conducting e-commerce, technology, infrastructure, sustainability, and other resources (Karakaya & Stahl, 2009; Arcand, Nantel, Dufour & Vincent, 2007).

The component of several online organizations included small markets and small numbers of competitors in most sectors, resulting in low levels of competitive rivalry, threat of new entrants, threat of substitute products (services), and bargaining power of buyers resources (Loukis, Sapounas, & Aivalis, 2008). However, in some sectors there are small numbers of prospective suppliers, so these suppliers are in a strong bargaining position, which results in high prices for basic inputs, creating intense pressures to develop valuable efficiency-oriented applications, and a more efficient use of information communication technology (ICT) resources (Loukis et al., 2008). Loukis et al. (2008) demonstrated that among the five forces of Porter's framework, only the bargaining power of supplier affects ICT business value. Loukis et al. (2008) concluded that the higher levels of bargaining power of suppliers generate big pressures for the development of efficient applications, and a more efficient use of ICT resources, increasing the contribution of ICT investment to output (Loukis et al., 2008).

Malaga (2007) demonstrated that search engine optimization is an effective strategy for improving search engine brand equity, web site traffic and consumer conversion. Malaga (2007) found that the search engine optimization project provided

evidence of cost effectiveness than the pay-per-click campaign. Visser and Weiderman (2011) found that the implementation of search engine optimization is imperative to improve brand rankings and that website usability attributes are imperative to increase customer conversions and return on investment. In agreement, Malaga (2007) asserted that search engine optimization often provide return on investment for online SMEs. Visser and Weiderman (2011) stated that the inclusion of the website usability attributes positively influence customer retention. Visser and Weiderman (2011) concluded that online usability is a requirement for effective website design.

Those SMEs that have survived market/economic barriers, prospered and expansion demonstrated most or all of the subsequent attributes. First, the managers of the small organizations had a rigid grip on their finances and cash flows (Beaver, 2007). Second, the management scrutinized business projections vigilantly, elicited sound decisions, and adapted strategic management. Third, the management of small organizations revisited their original business plan in order to enhance primary conjectures made about sales volume and cash flow (Beaver, 2007).

Room et al. (2009) presented information on how small business owners who are growth oriented are hindered by lack of access to or control over such resources as, business premises, information and technology, production inputs, qualifications, experience, training facilities, and appropriate assistance from business development agencies. Room et al. (2009) discussed the relationship between non-effective accumulation and use of social capital which may inhibit access to proper decision-making and limits the prospect of accessing critical management, and financing resources, especially through the venture capital industry.