Chapter 18
Creating Competitive Markets for Small Businesses with New Media and E-Business Strategy

Mabel T. Kung
California State University at Fullerton, USA

Yi Zhang
California State University at Fullerton, USA

ABSTRACT

The innovative and dynamic nature of E-business enables small companies to compete with multinational corporations via online marketing. This paper serves as a guide from a practitioner’s perspective to embark in E-business while traditional marketing strategies are diminished. Three E-business adoption models for small enterprises are discussed. Planning involving new media, Internet technological capabilities and marketing strategies are examined. A literature review on new media gives a comprehensive study of online marketing. To evaluate the effectiveness of the E-business approach, a case study of a family chain of hotels is presented.

INTRODUCTION

Corporations spend millions of dollars creating and maintaining corporate websites. Unfortunately, many websites fail to help companies reach their profit objectives (Forrester Research, 2004). Kearney (2001) finds that 82% of online shoppers drop out of their shopping carts without completing the transaction. Unlike traditional information systems, E-business contains characteristics of both an information system and a marketing channel, subsumed in the computer/human interface. The establishment of the Computer Reservation Systems (CRSs) and Global Distribution Systems (GDSs), followed by the growth of communications technologies has transformed the operational practices in the tourism industry dramatically (eBusiness W@tch, 2006; UNWTO, 2001).
Creating Competitive Markets for Small Businesses with New Media and E-Business Strategy

The objective of this paper is to provide a non-technical overview of marketing strategies associated with techniques for optimization as ubiquitous tools for facilitating business transactions for small companies. The paper is written more from a practitioner's perspective so as to serve as a guide for researchers interested in applying this business process but who may be uncertain of the strategies involved. It forms a bridge between the sophisticated methodological research and the real world consulting experience.

The paper is divided into five sections. The first section lists the multi-disciplinary models in E-business adoption. The second section provides a summary of technological capabilities supporting customer targeting, business establishment, and customer retention. The third section examines the challenges and opportunities of online marketing with an overview of literature on new media marketing. To highlight areas where additional research could provide valuable contributions to business functions, a case study is presented in the fourth section to evaluate the essential elements and dynamic properties for small business owners using the marketing research techniques and website features developed in larger organizations. Identifiers such as profitability, entrepreneurial characteristics, perception of benefits, cost, return on assets, return on equity, life cycle of website marketing ability, and targeted customers value proposition are applied to a family business composed of three hotels. Finally, recommendations and limitations for practitioners and future research are discussed.

E-BUSINESS ADOPTION MODELS FOR SMALL BUSINESSES

The multi-disciplinary research approach is taken to combine target marketing, information management, pricing structures and profitability and above all, customer satisfaction. Three technology adoption models (focus dominance, contingent and transporter, and the Internet adoption) for small enterprises from the literature are presented to provide guidance for business owners.

In the focus dominance model, Levy et al. (2001) discuss the adoption of information systems within the strategic context of the business. It examines the technology adoption based on two forces: strategic focus and marketing position, namely, customer dominance. The two dimensions of strategic focus (cost reduction versus value added) and customer dominance (usually inversely proportional to customer numbers) define the strategic context, and create four competitive scenarios for the integration of E-business.

To evaluate the context of the contingent and transporter model (Levy & Powell, 2003), business growth and the business value from using Internet technologies as a function of the firms' competitive positioning and their industry knowledge are the two key elements for planning and investment. Levy and Powell (2003) argue that small businesses do not follow “stages of growth” model for Internet adoption. They provide a contingent model that involves transportation from one use to another without the implicit idea of growth in resource planning.

The third model is the Internet adoption model (Mehrtens et al., 2001). Three main factors influence decisions: perceived benefits, organizational readiness, and external pressures that highlight the needs from the core business, business owner, and customer perspectives.

The applications of these three models will be shown in the fourth section associated with a case study. The evaluation process gives a framework to small business owners to consider their readiness to adopt Internet technology, plan their perceived benefits, and choose the appropriate set of technological tools to achieve their revenue generating goals.