

Business-to-Consumer Electronic Commerce Success Factors in Thailand: The Website Merchant Perspectives

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Abstract

Electronic Commerce (E-Commerce) is considered a new channel of distribution that consumers can reach websites at anytime and from anywhere. In reality, however, consumers are not yet confident in on-line transactions. Several Thai website owners who operate business to consumer (B2C) e-commerce stated nine major success factors: government support, security and privacy, customer service, administrative support, online promotion, product uniqueness, logistics, product variety, and image creation. It is necessary that website merchants study various success factors, having impact on achieving business value of e-commerce investment and building customer trust which would then bring long-term profits to the organization.

Keywords: Electronic commerce, Business-to-consumer websites, Thailand

1. Introduction

The Internet, particularly the World Wide Web (WWW), has taken a greater role on business activities in the age of digital economy. This gave birth to an innovation called, "Electronic Commerce (E-Commerce)", a new way of doing business that helps the companies or individuals achieve their competitiveness. Businesses who invest in developing their own websites are able to expand their domestic and international markets while consumers can visit their shops with no time and space limitations.

Yet, e-commerce also poses a threat to businesses. That is, an increasing number of firms, who develop websites, have entered an "electronic market", a market with low barriers to entry. Furthermore, one of the important obstacles for the growth of e-commerce is the fact that most websites owners still lack true knowledge of conducting electronic business. They fail to consider key factors for the e-commerce and to convince stakeholders of significance of effective on-line transactions which could help the business to survive and bring customer trust and satisfaction.

At the same time, some customers hesitate to buy goods or services via the Internet because of security concerns. It is believed that on-line businesses will not be able to realize their success unless their customers have more confidence in the e-commerce. Moreover, Electronic commerce needs many management challenges to the firms to implement it successfully. Prior research on electronic commerce has mainly focused on the perspectives of consumers, frequently addressing issues such as benefits and barriers. Relatively little research has studied the electronic commerce management success factors by assessing from online website owners. Online website owners can have wider perspectives to determine the major issues affecting business success. The major objective of the study was to provide an online organization or other related organizations to concern about these issues and improve their business management via the Internet channel more efficiently. This article aims to present findings from the study of major factors for successful business to consumer (B2C) e-commerce from website merchants' perspectives. In other words, this article seeks to answer the following research question:

- What factors do online-companies anticipate from their implementation of business-to-consumers electronic commerce successfully?

2. Success factors for E-commerce

Electronic Commerce is frequently seen as an alternative channel of doing business enabling the owners or firms to be more competitive than traditional ones with retail stores. It helps suppliers to expand their channels of distribution to use

the Internet network. Many corporations, known as "Dot Com Companies", even use this channel to set up their business with low costs of investment. Additionally, consumers can reach the information they need with no time and space barriers, less expenses but more options. They also enjoy surfing through a variety of websites to search for goods and services [9]. However, success is not automatic on the Internet, the section below briefly noted the most commonly cited success factors.

Information technology infrastructure

Prior studies indicate that information technology infrastructure is one of the most important factors for doing effective on-line business [1,19]. This consists of network, and speed of the network. More than that, the World Wide Web (WWW), which is a part of the Internet and a channel of operating e-commerce, provides enormous sources of information for the users. Quality of information on the websites is still questionable for some groups of people. Many Internet users also experience information overload [2,13]. Furthermore, web applications, relating to data processing for executives and service providing to customers, such as the ERP, the CRM and sales support system are also vital.

Security and privacy

The next factors affecting the e-commerce are security and privacy. These have hindered on-line businesses from their success since consumers still lack confidence on security and privacy policy of the firms [8,12,16]. They are concerned about their safety, the misuse of their private information as well as the authentication of parties involved in the business [6].

Product issues

There are various product issues involved on-line transactions, for example, variety, uniqueness, and quality of products and services [2, 10]. They are significant to the clients' buying decision.

Marketing management

E-commerce needs good marketing efforts such as sales promotion and advertisement to introduce their websites to consumers [7,15]. Additionally, after sales service is necessary to maintain customer satisfaction. When clients are satisfied with the quality of the services, they are more likely to be loyal to products or services of that particular website. Despite the fact that the sellers and buyers do not actually meet and there is no proof of authentication, effective after sales service helps businesses sustain customer trust and satisfaction. Besides, good targeting and expansion to new markets are indispensable for the growth of e-businesses [7].

Logistics

Doing business via the Internet frequently involves the transport of goods to customers at distant locations or in foreign countries. Consequently, the entrepreneurs will have to consider the importance of packaging and transporting their products. Research indicates that B2C e-commerce will be more successful if the company can deliver the products in perfect shape and in a timely manner [2,10].

Management

Other websites management includes human resource management and organizational restructuring. Website owners will not fully benefit from e-commerce unless they have an appropriate structure to deal with the changing way of doing business. It is also necessary that their employees learn management know-how and how to give the best service to their clients. E-commerce owners might want to have business alliance in order to reduce their management costs [5].

In addition to this, websites have to be developed and updated regularly. The owner of each website will have to register for the "domain name". To use the right domain name could be very beneficial to the business. The domain name should not only relate to the brand of the product but also be easy to remember. Good management for the domain name registration and use of a recognizable domain name will help the business improve their image and to spread their brand's name [3].

Government support policy

An external factor that can promote the long- term growth of e-commerce is the favorable policy of the government to support online business and consumers protection. Government supports are among the most crucial forces affecting adoption of electronic commerce by consumers [19]. The government can greatly contribute to e-commerce by the implementation of such facilitating measures and regulations as legal infrastructure, consumer protection, taxation and other laws concerning e-commerce [14,17,11].

3. Research methodology

Data for the study was collected by means of a questionnaire to capture perceptions about these success factors. The questionnaire content was divided into two sections. The first section is about the success factor items, measured by a Likert's scale ranging from 1 = strongly disagree to 5 = strongly agree. The initial list of items was discussed with a number of experts, including faculty member, electronic commerce specialists, and managers in the field of Internet commerce to verify that each item represented the concept it was supposed to measure well. Items with which the experts did not agree were changed or eliminated to clarify wording. Two additional items were added: "apply push technology or marketing", and "real-time communication between buyer and seller".

The sampling frame was constructed based on the e-commerce websites provided by Electronic Commerce Resource Center in Thailand [4]. The 180 Thai websites constitute most of the population who actually do transactions with payment on the Internet. The respondents are persons who are the managers of the websites or marketing persons etc. Data was gathered by personal interview.

4. Demographic profile

A total of 143 website merchants responded to the survey, yielding a response rate of 79 %. As Table I shows, the majority of the respondents conducted electronic commerce over the Internet less than one year (about 50%). These electronic commerce websites were fairly small in size. Out of 143 respondents, 59 percent have invested less than 100,000 Baht in electronic commerce. On average, they had annual sales via the Internet channel ranging from 50,000 Baht to more than 5 million Baht.

Table I: Business-to-consumer website merchants' demographic profile

| Characteristics | N | Percent[*] |
|--|----------|----------------------------|
| Duration of E-commerce business | | |
| ≤ 1 year | 71 | 50.35 |
| > 1-2 years | 50 | 35.46 |
| > 2-3 years | 13 | 9.22 |
| > 3-4 years | 6 | 4.26 |
| > 4-5 years | 1 | 0.71 |
| Investment (Baht) | | |
| ≤ 100,000 | 83 | 59.28 |
| 100,001-300,000 | 27 | 19.28 |
| 300,001-500,000 | 7 | 5.0 |
| 500,001-700,000 | 1 | 0.72 |
| 700,001-1,000,000 | 3 | 2.14 |
| > 1,000,000 | 19 | 13.58 |
| Annual Sales (Baht) | | |
| ≤ 50,000 | 47 | 35.61 |
| 50,001 – 100,000 | 20 | 15.15 |
| 100,001 – 300,000 | 24 | 18.18 |
| 300,001 – 500,000 | 10 | 7.58 |
| 500,001 – 1,000,000 | 7 | 5.30 |
| 1,000,001 – 2,000,000 | 8 | 6.06 |
| 2,000,001 – 5,000,000 | 5 | 3.79 |
| > 5,000,000 | 11 | 8.33 |

5. Findings

Exploratory factor analysis was used to examine the dimensionality of electronic commerce success. A principle component factor analysis with Varimax rotation was undertaken, and a nine-factor solution was found, which explained about 60 per cent of variation in the items (Table II). The tests suggested that the subsequent overall nine factors solution adequately accounted for the underlying structure of the data (Barlett's Test of Sphericity p -value=0.000, KMO measure of sampling adequacy = .740). Dimensions with Eigenvalues of 1 or above were retained and nine factors emerged. Table II indicates some items with an asterisk. These items can be dropped because they did not load above 0.5 on any factor.

The result showed that there are nine success dimensions. Most of the factors are meaningful sets of items. The first factor, named government support, focused on government supports in electronic commerce and consumer protection law. The second factor, security and privacy, included network security, payment security, and privacy protection. The third factor called customer service included online after sales service, responsive communication, and clear targeted customers. The next factor, called administrative support, consisted of application support system for management, qualify personnel, and business process redesigned to conducted business via the Internet more efficiently. Another two factors are online promotion and uniqueness of product factors, which included only one item in each dimension. One factor, named secure logistic, focused on reliable product delivered, secure product packaging. Probably, the ninth factor, product variety, dealt with the variety of product and content of the website. The final factor, image creation, included domain name setting, quality of product and push strategy to management online business.

Table II: Factor analysis for Business-to-Consumer Success Dimensions

| Items | Loading for Factors | | | | | | | | |
|---|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| | F1 | F2 | F3 | F4 | F5 | F6 | F7 | F8 | F9 |
| Factor 1: Government support | | | | | | | | | |
| E-commerce tax law support | .878 | | | | | | | | |
| E-commerce law support | .841 | | | | | | | | |
| Consumer law protection support | .747 | | | | | | | | |
| Factor 2: Security and Privacy | | | | | | | | | |
| Security protection | | .748 | | | | | | | |
| Secure payment system | | .697 | | | | | | | |
| Privacy protection | | .502 | | | | | | | |
| Internet speed of consumer computer system* | | .431 | | | | | | | |
| Speed of the website network system* | | .430 | | | | | | | |
| Factor 3: Customer service | | | | | | | | | |
| Online after sale service | | | .786 | | | | | | |
| Having clear target customers | | | .536 | | | | | | |
| Realtime communication between seller and buyers | | | .502 | | | | | | |
| Provide certification authority* | | | .444 | | | | | | |
| Factor 4: Administrative support | | | | | | | | | |
| Application support systems for management | | | | .680 | | | | | |
| Qualified personnel | | | | .660 | | | | | |
| Business process redesign | | | | .629 | | | | | |
| Business alliance* | | | | .423 | | | | | |
| Factor 5: Online promotion | | | | | | | | | |
| Online domain name advertising | | | | | .877 | | | | |
| Online sale promotion* | | | | | .421 | | | | |
| Online purchasing support system* | | | | | .414 | | | | |
| Factor 6: Uniqueness of product | | | | | | | | | |
| Differentiated product for online sale | | | | | | .763 | | | |
| Search for new markets and customers* | | | | | | .428 | | | |
| Factor 7: Secure logistics | | | | | | | | | |
| Reliable product delivery | | | | | | | .809 | | |
| Secure product packaging | | | | | | | .552 | | |
| Cheaper price* | | | | | | | .464 | | |
| Factor 8: Product variety | | | | | | | | | |
| Variety of product provided | | | | | | | | .910 | |
| Website content | | | | | | | | .500 | |
| Factor 9: Image creation | | | | | | | | | |
| Easy domain name setting | | | | | | | | | .604 |
| Product quality | | | | | | | | | -.564 |
| Apply push technology or push marketing | | | | | | | | | .536 |
| Eigenvalues | 2.810 | 2.322 | 2.211 | 2.148 | 1.946 | 1.864 | 1.785 | 1.530 | 1.422 |
| % of Variance | 9.366 | 7.742 | 7.37 | 7.16 | 6.485 | 6.213 | 5.951 | 5.101 | 4.741 |
| Cumulative % of Variance | 9.36 | 17.10 | 24.47 | 31.63 | 38.12 | 44.33 | 50.28 | 55.38 | 60.13 |
| Bartlett's Test of Sphericity = 1165.709 df = 435 Sig. = .000 | | | | | | | | | |
| Kaiser-Meyer-Olkin Measure of Sample Adequacy = 0.740 | | | | | | | | | |

Note: * Items omitted because loading did not exceed 0.5

6. Conclusion and Implications

It can be concluded that nine factors have an effect on the B2C e-commerce, and this corresponds to past studies and can be generalized. For instance, government support is the most important indicator. Legal infrastructure and consumer protection factors are also significant and are widely discussed domestically and internationally, such as in health care, food and pharmaceutical businesses.

Next, the security and privacy factor includes the safe process for payment and privacy policy. This still discourages consumer confidence about e-commerce. Further, to conduct the online business more successfully, other important factors are to adjust business process to perform more efficiently, to provide information system applications to support management, and to have adequate knowledgeable personnel.

More than that, Thai website owners feel that traditional marketing efforts can be applied to on-line businesses. Continued advertisement of domain name, promotion, after sales services are helpful to build customer satisfaction. E-commerce needs to clearly specify their target groups and keep expanding their markets. Variety of products, good packaging and safe transport of products must also be considered as this type of business involves both domestic and foreign markets.

Furthermore, in this information age where people can reach websites anytime from several parts of the world, content on the web has to be always updated as this will help consumers to better decide to buy goods and services via the Internet. Would-be on-line businesspersons, thus, need to take into consideration the accuracy, relevancy, completeness of their products or services information. Besides, their websites should be designed for the ease of use while web content development and maintenance is also important.

This study makes a contribution that website merchants are also concerned about the factors that affect customers such as security and privacy, service and support, secure product delivery. Thailand's electronic business via the Internet channel will not succeed with long-term profits unless consumers accept it. To sustain the success of Thailand's electronic commerce, it is necessary to build customer confidence in consumer protection. They will have to be protected by the laws when they experience unfairness from the businesses and involving parties such as logistics companies, banks. The future success strongly needs the support from government sector integrated with the reliable management of website merchants in order to make consumers trust of the online system.

Moreover, this study suggests that electronic commerce implementation should not mindless hurry to a new technology without some extent of seriously management planning. Current and prospective online businesses need to merge excellent information technology, marketing and management efforts, for their moves towards business competitiveness. Limitations for this research are the fact that there are only a small number of companies conducting e-commerce with on-line payment. When there are increased numbers of on-line businesses, it could be possible to focus the study on one particular industry-export, tourism, on-line department stores or financial services-as well as to extend the framework of analysis to the Business-to-Business (B2B) e-commerce. Future research might have to use other variables to find out the result of these success factors, for example sales growth, return on investment, consumer loyalty.

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