The Impact of Strategy on Corporate Success in Electronic Business

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Abstract

While the necessity for taking a strategic approach at the Internet and electronic commerce has often been stressed, there is a lack of broad empirical evidence for the resulting benefits. Existing work is either conceptual or, if empirical, rather specific, e.g. based on case studies.

We contribute to closing this research gap, providing empirical evidence from a numerical base of 443 general cases. Based on existing theory, we investigate the business value of having a dedicated Internet strategy and of pursuing each of the three competitive strategies according to Porter's typization, namely cost leadership, differentiation, and customer focus. With a simple path model, we test the impact of these four factors on corporate success in electronic business for different subsets of the numerical base.

We find that in general and for B2C companies, a dedicated Internet strategy as well as the pursuit of the cost leadership or customer focus strategy are success factors, whereas for B2B companies, only a dedicated Internet strategy and the pursuit of the cost leadership strategy prove to be effective. The general findings are independent of company size and of companies' experience on the Web. If the companies are divided into three groups according to the fraction of revenues they generate from online sales, only one distinct success factor remains for every group.

1. Introduction

Particularly since the burst of the dot-com bubble and the failure of many Internet ventures, which had been launched by start-ups as well as by traditional companies, the importance of taking a sound strategic approach on the Internet and in electronic commerce has often been stressed, yet the realization in practice seems to be far behind. As Porter complains in his 2001 article [17], "many of the pioneers of the Internet business [...] have competed in ways that violate nearly every precept of good strategy", leading to the consequence that "price has been defined as the primary if not the sole competitive variable". This may in part be due to a lack of insight from existing research in the area, which covers issues including: Detlef Schoder Professor and Chair Holder

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- how the Internet impacts and transforms industries and markets, i.e. the environment in which companies operate and position themselves with their strategies, e.g. [6] [17],
- the process of designing and implementing a strategy for the Internet, e.g. [11] [19] [18], or [20], and
- how the Internet as an extra communications, sales, and distribution channel can be used and integrated with existing channels, [5] [10] [14] or [4], especially with respect to the pricing of goods and services offered online, [9] [2], or [8].

Yet, most of the existing contributions focus on a particular industry (e.g. the financial industry), business model (such as retailing, [6]), or customer segment (such as B2C, [18]). Plus, many of them are conceptual analyses. However, there has been only little work showing empirical evidence how, and if at all, the strategic use of the Internet and the pursuit of competitive strategies in electronic commerce contribute to the overall success which companies achieve with their Internet activities, e.g. [3] [13], whereas a rich body of literature studies the effect of corporate strategy on business performance in conventional companies, e.g. [12]. Due to this lack of general empirical evidence, the business benefit or business value from implementing a dedicated Internet strategy remains unclear, especially to corporate decision makers. For the same reason, executives are still unsure about what they can expect from the different options of competitive strategy in electronic commerce. We therefore posit the following research questions:

- 1. Is a dedicated Internet strategy a driver for success in electronic business?
- 2. Which competitive strategy is a success factor in electronic business? Is there any competitive strategy that works best or that doesn't work and why?
- 3. How (and why) does the role of the above factors vary depending on:
 - a. control variables, such as company size and online experience,
 - b. the main customer segment (i.e. if it is a B2B or a B2C-company), or

c. the fraction of revenues generated online (i.e. degree of "digitization")?

In order to investigate these research questions, we develop a research model which is then tested against empirical data collected in a large-scale survey with 443 cases in the German-speaking market, which is one of the key international E-Business markets.

The remainder of this article is structured as follows: The research model is developed in the next section, where we first give a concise definition of a dedicated Internet strategy and formalize different strategic options in electronic commerce. Then, we develop the model structure and explain our research approach. In the third section, the survey, the statistical analysis, and its results are presented. In the fourth section, we interpret and discuss the major findings. contributions and shortcomings of our research. Finally, we discuss the implications of our work for further research and for practice.

2. Research Model

2.1 Theoretical Background

In a general, we define the term "strategy" as "the manner in which a firm decides to compete, which encompasses the pursuit, achievement, and maintenance of competitive advantage" [12], "the creation of a unique and valuable position, involving a different set of activities", "making trade-offs in competing", and "creating fit among a company's activities" [16]. A strategy should be a fundamental, long-term, and sustainable guideline for a company. Accordingly, we term a strategy that specifically targets Internet issues, i.e. the use of the Internet to support, transform, conduct, or extend a firm's business activities, a dedicated Internet strategy. Further, we employ Porter's 1980 typization [15] to review different options of competitive strategy, which we apply to electronic commerce:

- **1.** Cost leadership, being the competitor with the lowest costs and cheapest prices.
- 2. Differentiation, realizing price premiums by distinguishing one's product and service offering from competitors' offerings with unique features.
- **3.** Customer focus, concentrating on specific market segments and pursuing either the "cost leadership" or "differentiation" strategy within these segments.

There has been much dispute about which of these strategic options prove viable in electronic commerce. E.g., Sinha argues that the Internet greatly threatens the "differentiation" strategy, because it lowers buyers' search costs and eventually leads to cost transparency [21], leading to competition mainly driven by costs. Clemons et al., on the other hand, propose that due to the abundance of available information, as "transparency goes both ways" companies have a larger knowledge about their customers than ever before. Therefore, through highly differentiated product and service offerings, they can charge prices nearly independent of actual costs, but largely depending on customers' valuation [7]. Finally, Baker et al. contend that based on this level of customer knowledge, companies can segment their markets with high-resolution and precision (ideally target customers individually) and, through segment-specific pricing, particularly profit from skimming the high customer valuations [2].

2.2 Derivation of Hypotheses and Model Development

Based on the above discussion, we translate our research questions in order to formulate our model hypotheses. As the dependent construct for our analysis, we employ the construct of corporate success in electronic business, thus simplifying the consequential chain of causes and effects (implementation of a strategy determines the way a company acts on the market, which translates into reactions from the market, and, ultimately, contributes to the success or failure of a company) to the top-level outcome. We thereby assume an integrated perspective and choose the corporate level as the level of analysis as well as the whole company as the object under study. We obtain:

- H1: Having a dedicated Internet strategy increases companies' success in electronic business.
- H2: Pursuing the 'cost leadership' strategy in electronic commerce increases companies' success in electronic business.
- H3: Pursuing the 'differentiation' strategy in electronic commerce increases companies' success in electronic business.
- H4: Pursuing the 'customer focus' strategy in electronic commerce increases companies' success in electronic business.

Further, we neglect the impact which other factors not linked to strategy have on corporate success in electronic business. Our research model is displayed in Figure 1:



Figure 1:

Research model

3. Method

3.1 The Survey

The numerical data used in the statistical analysis of this model has been collected in a large survey that was conducted from May to June 2000. The questionnaire and a comprehensive descriptive analysis of the results have been published as the "e-reality 2000" study in September 2000 [22]. Among other issues, such as readiness for electronic business or adoption of the Internet and electronic business concepts, the purpose of this survey was to measure companies' strategic approach towards the Internet and electronic business on a corporate-level, and, especially, the success or failure so far achieved in electronic business.

To gather data, market research professionals conducted personal interviews with upper- to top-level executives in 1308 companies in the German-speaking area (Germany, Austria, and Switzerland), who were in charge of their companies' electronic business activities. The sample of companies for conducting the interviews was drawn from a data base of companies, such as to render the survey representative with respect to geographic region, company size in terms of employees, and industry. In case that an interview could not be conducted as planned, a replacement was determined from the same superset in order to maintain the representativity of the sample.

3.2 Aggregation and Preprocessing of the Survey Data

Prior to the statistical analysis, the gathered raw data is reduced and condensed to an essential subset as follows: At first, we concentrate on companies who had a Web page online at the time of the survey, reducing the original data set of 1308 cases to 730 cases (or 55.8%). (Another 171 companies, or 13.0%, were still planning to launch their site within the next 12 months.) In a second step, we focus on companies who specified that they had yet gained sufficient online experience such as to provide information on the success of their company's electronic business activities, diminishing the number of cases to 469. Then, in a third step, we eliminated those cases exhibiting excessive missing values in the 13 question items (i.e. more than 6 items, corresponding to more than 50% of the items left unanswered) covering the success of their company's electronic business activities, leaving a total of 443 valid cases for the numerical analysis.

3.3 Descriptive Analysis

Same as in the original survey, the remaining 443 cases constitute a heterogeneous selection of companies from all industry backgrounds, company sizes, and business models, even if the original claim to be a representative selection for the German-speaking market must be relaxed. The size of 136 companies (corresponding to a fraction of 30.8%) ranges between 1 and 19 employees, that of another 190 companies (42.8%) between 20 and 49 employees, and 95 companies (21.5%) have 50 or more employees. ¹ Concerning companies' experience on the Web, 211 (47.7%) have had a Web presence for up to 2 years, while 229 (51.8%) have owned one for 2 years or more.

A group of 210 companies (or 47.3%) specify consumers as their main customer segment, 205 companies (or 46.3%) state that they mainly serve businesses. Another 15 (or 3.4%) mainly serve administrations, thus consider themselves as B2Acompanies. A number of 61 of the businesses (or 13.9%) generate none of their revenue from electronic commerce and can thus be considered traditional "bricks-andmortar" businesses. Another 106 businesses (23.9%)

¹ In this section, the numbers (fractions) of cases short of the total of 443 (100%) are due to missing values in the question items covering company structure.

generate between 1 and 9% of their revenues from electronic commerce. This group of businesses can be viewed as being in the process of digitizing its processes and, therefore as "clicks-and-mortar" businesses. Further, 73 businesses (16.5%) generate 10 or more percent of their revenues from electronic commerce, suggesting that their electronic commerce activities have reached a stage of maturity, which is why they can be regarded as "true E-Businesses" [1]. Only 8 companies (or 1.7%) generate 50 or more percent of their revenues from electronic commerce.

3.4 Operationalization and Encoding of Variables

In the survey, single indicator variables are used for recording to what extent companies employ a dedicated Internet strategy or each of the three options for the competitive strategy in electronic commerce. The indicator variables constitute metric variables implemented on an equidistant interval (or Likert-like-) scale, ranging from "1" (worded "does not apply at all", representing strong dissent) to "5" (worded "fully applies", representing strong agreement). The wording of the indicator variables is as follows:

- 1. "Does the statement 'we have defined a strategy which specifically targets Internet issues' apply to your company?"
- 2. "Please specify to what extent you pursue each of the competitive strategies listed in electronic commerce, again employing the scale [between 1 and 5]."
 - a. "Cost leadership (cheapest prices within an industry or a segment)."
 - b. "Differentiation (separation from competition through uniqueness with respect to quality, innovative offerings, processing time, etc.)."
 - c. "Customer Focus (competitive advantage through individualization of customer relationships, concentration on smallest customer segments, mass customizing)."

3.5 Measuring Corporate Success in Electronic Business

We limit our view on the concept of corporate success in electronic business to the shareholders' perspective. The concept is conceptualized such as to accommodate for the major theories on competitive advantage, value creation and firm performance [1]. It is operationalized as a score value obtained from an unweighted addition of the values of 13 indicator variables. Same as for the four items above, each of the 13 indicator variables is implemented as a metric variable on an equidistant interval (or Likert-like-) scale, ranging from "1" to "5". They are preceded by the question: "To what extent have the goals from this list actually been accomplished due to your Internet activities?", and their wording is as follows:

- 1. "improved corporate image"
- 2. "increased market share"
- 3. "increased customer retention"
- 4. "reduced marketing costs"
- 5. "reduced sales costs"
- 6. "purchased more cheaply"
- 7. "developed new markets"
- 8. "increased revenues"
- 9. "offered new services"
- 10. "increased customer satisfaction"
- 11. "increased customer loyalty"
- 12. "increased overall corporate earnings"
- 13. "increased corporate value"

3.6 Statistical Analysis and Hypothesis Testing with Path Modeling

For testing the hypotheses in our research model, we employ the path analysis method. This method allows us to model correlations between independent constructs (in contrast to the multivariate regression method, e.g.), while we can employ constructs that are measured "directly", i.e. via a single indicator variable (as opposed to covariance structure models, e.g., for which complex constructs should be employed).

The structure of the research model immediately translates into the path model for the numerical analyses. The correlations between the independent model variables are included in the path model, rendering it a saturated model (i.e. with zero degrees of freedom). Thus, model coefficients need not be estimated and can be calculated directly and without error from the correlation matrix, which is calculated from the numerical base employing the method of pair wise deletion of missing values. As perfect fit is achieved, fit measures such as GFI, AGFI, NFI, or the RMR assume extreme values.

In a first step, we perform an overall analysis employing the data from all 443 companies. In a second step, we perform a series of estimations each in order to control for company size and experience on the Web, employing the grouping of cases as introduced above. In a subsequent step, we perform two more series of estimations, separating companies according to their main customer segment (B2B or B2C) and according to the fraction of revenues they generate from electronic commerce. Based on the sample correlations, variances, and number of cases for each variable from the data set, the model coefficients are estimated using the unweighted least squares (ULS-) method. Significance values have been obtained from repeated bootstrap analyses (200 samples).

	description of	general case	company size			experience on the web	
	path of variable		small	medium	large	< 2 yrs.	≥ 2 yrs.
path coeffi- cients	dedicated Internet strategy \rightarrow success in e-business	0.197 0.292*** 0.381	0.259 0.381 ***	0.022 0.165**	0.146 0.363**	0.052 0.191**	0.233 0.345 ***
		0.501	0.513	0.316	0.538	0.338	0.48
	cost leadership → success in e-business	0.177 0.267*** 0.356	0.11 0.247*** 0.392	0.119 0.284*** 0.436	0.004 0.2* 0.371	0.225 0.342*** 0.462	0.108 0.225*** 0.354
	differentiation → success in e-business	-0.131 - 0.028 0.069	-0.266 -0.129 0.025	-0.257 -0.05 0.111	-0.164 0.048 0.22	-0.186 - 0.027 0.112	-0.209 -0.061 0.086
	customer focus → success in e-business	0.131 0222 *** 0.324	0.206 0.374 *** 0.552	-0.038 0.142 0.375	0.032 0.215 ** 0.459	0 0.152** 0.312	0.127 0.27 *** 0.425
expl. var.	corporate success in electronic business	0.194 0.247*** 0.33	0.3 0.409 *** 0.563	0.066 0.127*** 0.279	0.21 0.307 *** 0.506	0.164 0.233 *** 0.382	0.178 0.239 *** 0.358

Table 1:Model parameters for the general case and depending upon
different company sizes as well as experience on the web

Table 2:Model parameters for the general case and depending upon different main
customer segment as well as fraction of revenues from online sales.

	description of	general case	main customer segment		fraction of revenue generated through online sales		
	path or variable		B2B	B2C	0%	1-9%	≥10%
path coeffi- cients	dedicated Internet	0.197	0.15	0.152	0.321	-0.089	-0.29
	strategy \rightarrow success in e-business	0.292*** 0.381	0.274 *** 0.41	0.259*** 0.396	0.556*** 0.731	0.082 0.227	- 0.059 0.196
	$cost$ leadership \rightarrow	0.177	0.14	0.134	-0.07	0.28	-0.061
	success in e-	0.267*** 0.356	0.272*** 0.41	0.271*** 0.396	0.214 0.497	0.443*** 0.605	0.219* 0.486
	differentiation → success in e- business	-0.131 - 0.028 0.069	-0.04 0.104 0.252	-0.216 - 0.074 0.052	-0.319 - 0.029 0.25	-0.138 0.092 0.236	-0.766 -0.556 *** -0.356
	customer focus → success in e- business	0.131 0222 *** 0.324	-0.069 0.086 0.269	0.207 0.349*** 0.496	-0.273 - 0.034 0.214	-0.085 0.093 0.36	0.083 0.272** 0.488
expl. var.	corporate success in electronic business	0.194 0.247*** 0.33	0.143 0.215*** 0.363	0.231 0.303*** 0.445	0.185 0.337 *** 0.58	0.141 0.254 *** 0.441	0.177 0.293*** 0.499

<u>Note</u>: Path coefficients between constructs and selected fractions of explained variance (bold figures in the middle of each cell) and 95% confidence intervals (figure on top and bottom of each cell). Significance levels for the path coefficients are indicated as follows: ***= significant at the 1% level, **= significant at the 5% level, and *= significant at the 10% level.

3.7 Numerical Results and Findings

The resulting model parameters for the three steps of our numerical analysis are displayed in Tables 1 and 2. The findings from the numerical results can be summarized as follows:

In general, having a dedicated Internet strategy is a driver for success in electronic business. Similarly, the competitive strategies "cost leadership" and "customer focus" are also success factors. However, no empirical evidence can be found that pursuing the competitive strategy "differentiation" in electronic commerce has a positive impact on corporate success. Instead, the results for the specific group of "true e-businesses" suggests the opposite, i.e. that pursuing this strategic option may rather have a detrimental effect.

With just very few exceptions, these findings for the general case do not vary with company size or experience on the Web. The findings for different main customer segments and with varying fraction of revenues generated from online sales, however, vary considerably:

On the one hand, the path coefficients between each a dedicated Internet strategy and the competitive strategy "cost leadership" and corporate success in electronic business are almost the same for B2B and B2C companies. On the other hand, the "customer focus" strategy seems to be totally ineffective for B2B companies, while it appears to be a strong additional success factor for B2C companies.

Further, depending on the developmental stage of the company (i.e. "digitization" of the business in terms of the fraction of revenues generated online), the effectiveness of a dedicated Internet strategy and the three options of competitive strategy as success factors varies greatly:

- a. A dedicated Internet strategy is the only one success factor for pure "bricks-and-mortar" enterprises.
- b. Conversely, for "clicks-and-mortar" enterprises, pursuing the competitive strategy "cost leadership" is the key success factor.
- c. Finally, "true e-businesses" succeed only through applying the competitive strategy "customer focus". For them, the strategic option "differentiation" clearly is a success inhibitor.

Finally, the influential factors in our path model account for 24.7% of the variance of the dependent construct of corporate success in electronic business in the general case (although this fraction varies for specific groups of companies).

4. Discussion

4.1 Interpretation of Selected Findings

The difference in the findings for B2B and B2C companies with respect to the effectiveness of the "customer focus" strategy can be attributed to the different nature of these customer segments. A typical

customer in the B2B segment (a B2B customer) is a professional buyer, often within an organization, for which (s)he purchases according to a set of rules, in which finding a good or service with a favorable costperformance ratio usually has a high priority. His or her emotional involvement with the purchased good or service as well as with the process of purchasing is generally low. Thus, the buying process is conducted very rationally. Plus, for purchasing a certain group of good or services, there are usually several buyers in the same organization who, depending upon their location and position within that organization's hierarchy, may constitute a rather heterogeneous group. Yet, B2B suppliers are normally expected to make the same product and service offerings (especially with respect to the pricing) to everybody inside the customer businesses or organizations. For all of these reasons, focusing on an individual buyer or small customer segment in B2B, personalizing product, services, and prices, and generating economic benefit from that may be very difficult, if not impossible.

On the other hand, a B2C customer usually is a private individual shopping in his or her personal interest. Overall, the typical shopping process and purchase decisions in B2C are conducted less rationally than in B2B and subject to a diverse and complex set of determinants: Generally, B2C customers' emotional involvement with the purchased good or service and with the process of purchasing is much higher. E.g., they may shop for enjoyment and entertainment, make spontaneous purchases while surfing the Web or buy something because of its brand. Thus, B2C customers are a lot more susceptible for individualized product and service offerings.

Very interestingly, companies' choice of the "customer focus" strategy in electronic commerce is just about the same for B2B and B2C companies: It is pursued by 84 (40.8%) of the B2B companies and 83 (39.5%) of the B2C companies. Also, the fact that this strategy is a success factor with medium effectiveness for all companies reflects that its strong effectiveness for the group of B2C companies has been "diluted" (or mitigated) by its lacking effectiveness for the group of B2B companies.

Another issue deserving further discussion is the lack of evidence for the effectiveness of the "differentiation" strategy in electronic commerce. This effect cannot be attributed to the reason that a comparatively large fraction of companies employ the "differentiation" strategy, since firstly, the surveyed companies come from diverse industry backgrounds and, thus, do not compete in the same market or market segment, and secondly, even if all surveyed companies were competitors, every single company could attain a unique competitive position through its specific "differentiation" approach. (The latter would not be possible if some or all companies pursued the "cost leadership" strategy in the same market, because, strictly speaking, there can only be one "cost leader" in every market or market segment.)

fraction of revenues generated through online sales	dedicated Internet strategy	cost leader- ship	differen- tiation	customer focus	B2B	B2C
0%	14.7	1.6	41.0	4.9	61.0	31.1
1-9%	22.6	12.0	47.5	37.5	47.9	48.6
≥10%	39.6	14.6	76.9	49.3	41.1	53.6
0-100%	32.0	12.2	58.9	39.8	46.3	47.3

Table 3:Fractions of companies employing a dedicated Internet strategy or a certain
competitive strategy as well as fractions of B2B and B2C companies (all in %).
These fractions comprise those cases where the interviewee responded
with a "4" or a "5" to the respective question item.

Maybe the missing effectiveness of the "differentiation" strategy can be attributed to people's buying behavior on the Internet at the time of the survey. Maybe most customers really focus on low prices, as Porter complains, and are therefore not willing to pay price premiums on the Internet. This speculation is backed by the fact that the "differentiation" strategy proves to be a factor ensuring failure especially for the group of "true e-businesses" (i.e. the group which most depends on online sales). Interestingly, an astounding figure of 76.9% of them pursues this strategic option, as shown in Table 3:

The change in relevance of a dedicated Internet strategy and the three options of competitive strategy depending on the degree of "digitization" of the business can also be explained with the information provided in Table 3. It shows that the use of a dedicated Internet strategy and of the other competitive strategies becomes more widespread with increasing level of "digitization". Further, with the exception of the "differentiation" strategy, "bricks-and-mortar" businesses hardly employ any dedicated Internet strategy or competitive strategies in electronic commerce. This is not surprising, since, by definition, they do not generate any (noteworthy) revenues from online sales. Among the large majority of companies who do not employ a dedicated Internet strategy, those few companies who do are at a distinct competitive advantage.

Moreover, the figures for the group of "true ebusinesses" suggest that a considerable fraction of them is pursuing more than one strategic option from Porter's typology at the same time, e.g. a hybrid strategy. As companies become mature players on the Internet (and as their market environment also matures), they may increasingly need to implement hybrid strategies in order to maintain or improve their competitive standing.

Also, as the last two columns of Table 3 show, the effectiveness of the "customer focus" strategy for the group of "true e-businesses" cannot be attributed to the fact that they are mostly B2C companies. (Neither can the effectiveness of the "customer focus" strategy for B2C

companies be justified with the fact that a high fraction of them are "true e-businesses", since only 18.7% of the B2C companies are "true e-businesses", which is very close to the 16.5% in the general case). We conclude that – as far as we have been able to control in our analysis – the effectiveness of the "customer focus" strategy for the "true e-businesses" should be seen as a separate characteristic for this stage of "digitization". Analogously, we propose that the effectiveness of the "cost leadership" strategy is a characteristic for the group of "clicks-and-mortar" businesses.

4.2 Limitations and Weaknesses of the Research

The core shortcoming of our research is that we chose single indicator variables (items), and not complex constructs, as the empirical instruments for recording the presence of a dedicated Internet strategy or the pursuit of any of the three competitive strategies in electronic commerce. Although the advantages of our approach are that the respective part of the survey is easy and quick to administer and that statistical modeling is straightforward and requires only a small number of cases, we might have made some measurements with higher resolution, reliability, and validity by operationalizing the concepts as complex constructs with several indicator variables.

The relatively high fractions of explained variance in the dependent variable for "corporate success in electronic business" in our model must also be reviewed critically. It is important to note that it is not *exclusively* accounted for by the exogenous variables in our model, but that (parts of) the same variance can also be explained by other influential factors, for which we did not control (cf. above).

5. Conclusion

5.1 Suggestions for further Research

Weighing the contributions of our study against its limitations and shortcomings, it is clear that our contribution must be viewed as a first-level analysis, as a "snapshot". It leaves a number of issues open for future empirical research. Some suggestions are:

The survey should be repeated in a similar manner in order to assess how the identified interrelations change with time – especially as electronic commerce slowly matures – and vary in different markets. Further, as a next step, the effectiveness of the strategies could be investigated with higher resolution to show differences between industries or industry segments.

Also, future research should also investigate how companies' choice of strategic options might be interrelated, i.e. if companies pursue several strategic options of Porter's typology at the same time and, if yes, which combinations these are. This leads immediately to the effectiveness of hybrid strategies (e.g. mass customization), an issue which should be investigated in future.

Moreover, in future surveys, the strategic concepts should possibly all be implemented as multi-item measures. Then, more advanced numerical techniques, such as covariance structure modeling, could be employed. Finally, the strategic options examined in this paper should be researched in combination with other instruments designed to support the strategic orientation of a company (e.g. integrated E-Business concepts such as ECCRM or one-to-one-marketing).

5.2 Managerial Implications

In general, a dedicated Internet strategy should be designed and implemented. Although the resulting competitive advantage may dwindle in the future as more and more companies adopt a dedicated Internet strategy, it seems feasible that it becomes a "must have", meaning that not having a dedicated Internet strategy will put a company at a competitive disadvantage.

Further, managers must keep in mind that the following recommendations reflect the characteristics of the German-speaking area in spring 2000 and that they are based on findings for an average company. Therefore, decision makers should also strongly consider the market environment and the specific case of their own company in order to assess the applicability of the following recommendations.

In general, it seems advisable to pursue either of the competitive strategies of "cost leadership" or "customer focus" in electronic commerce. Companies concentrating on the B2C segment should also consider the "customer focus" strategy. With respect to the "cost leadership" strategy, decision makers should remember that there can be only one "cost leader" in every market or market segment. If this certain strategic option becomes too popular, competition in the respective market (segment) increases, and the strategic option may no longer be a success factor, but - in extreme cases - rather a performance inhibitor.

Managers should be very skeptical towards the "differentiation" strategy in electronic commerce. Our results indicate that the buyers in most markets or market segments may not be willing to pay price premiums on

the Internet to a sufficient extent such as to make the "differentiation" strategy a viable option. Instead, managers should fear that price still is "the primary if not the sole competitive variable", as Porter formulated.

During the transition from being a traditional "bricksand-mortar" company, via becoming a "clicks-andmortar" company and, finally, a "true e-business", decision makers should shift their strategic focus. They should begin with the implementation of a dedicated Internet strategy, then consider the "cost leadership" strategy, and finally the "customer focus" strategy. Finally, especially if their company has already matured to the stage of being a "true e-business", managers might also want to consider hybrid strategies in electronic commerce, i.e. the combination of some of the three options of competitive strategy discussed above.

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