

Conceptualising B2C Businesses as Services

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Abstract:

Conceptualising B2C businesses as an innovative class of technology-infused services yields insights into the factors that may lead to success or failure of such businesses. This paper draws from and adapts concepts from services marketing literature and recent thinking on Internet service metrics to present a framework for understanding and analysing B2C businesses.

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Looking Beyond B2C Failures

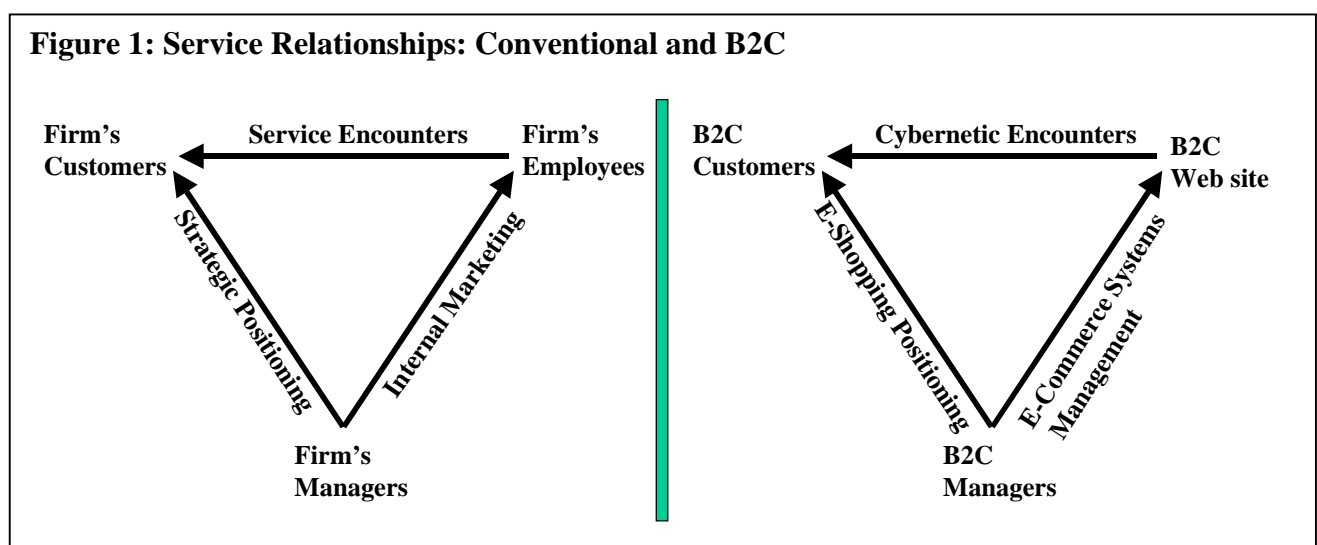
In the period 1999 to 2001, there were many spectacular failures of business-to-consumer (B2C) electronic commerce ventures. Such failures have been attributed to a variety of causes such as failure to follow time-honoured business and marketing principles (Agarwal, Arjona and Lemmens 2001, Varianni and Vaturi 2000), wrong or premature timing (Useem 2000), inadequate financing (Cummings and Carr 2001), and poor execution of strategies (Kemmler, Kubicova', Musselwhite and Prezeau 2001).

A useful way to look at B2C businesses – successes as well as failures – is to conceptualise them as innovative consumer services. In essence, B2C businesses represent new technology-driven ways of providing promotional, retailing and distribution *services* to consumers. By viewing B2C businesses as services, we can bring to bear upon the B2C e-commerce sector the existing knowledge from services marketing and Internet service metrics research. We can also glean some fresh insights into the success and failure causes of B2C ventures.

Conventional Services vs. B2C Businesses

Triple task of service firm managers

Conventional services are best seen as an inverted triangle (see Figure 1, left side) with the firm's management at the apex of the inverted triangle (at the bottom) and customers and employees at



the two vertices at the base of the triangle (on top, because of inversion). To achieve success, service firms are urged to market internally to the employees and externally to the customers. When employees interact effectively and amiably with customers, the results are satisfied

customers and successful service businesses. This model, originally proposed by Gronroos (1984), suggests that the management tasks entail the co-ordination of three distinct influence processes:

- (i) "strategic positioning" of services by the firm's management to the firm's customers
- (ii) "internal marketing" of the firm's customer service culture by the managers to the front-line employees
- (iii) "service encounters" wherein the customers and the front-line employees interact, leading to satisfactory or unsatisfactory outcomes.

In successful service businesses, all three processes work in positive, mutually reinforcing ways.

Viewing B2C businesses as service firms

When we conceptualise *B2C businesses* as services (Figure 1, right side), it becomes apparent that

most, sometimes all, of the B2C "service encounters" are cybernetic rather than human

interactions. Because of this, all the three influence processes of conventional services marketing

must be adjusted:

- Instead of human "service encounters", there is a need to understand and improve *cybernetic service encounters*.
- Instead of "internal marketing" to front-line service employees, managers need to sponsor *B2C systems* capable of providing amiable cybernetic encounters and delivering the items ordered.
- Instead of mere "strategic positioning" of services to customers, managers need to commit to a steadily improving perception and positioning of the *e-shopping experience* in the customers' minds.

Table 1: Service Quality Dimensions: Conventional and B2C

<i>Conventional Service Quality Dimension</i>	<i>Conventional Sub-dimension</i>	<i>Corresponding B2C Service Quality Dimension</i>
Interaction Quality	Employee attitudes	Friendliness of web pages
	Employee behaviours	Interactivity and responsiveness of web pages
	Employee expertise	Accessible knowledge content of web pages
Environment Quality	Ambient conditions (non visual aspects)	<i>Not Applicable</i>
	Facility design (visual aspects)	"Look and feel" of the web site
	Social conditions (crowds, commotion)	Type, size, quality, reliability, and operating styles of e-communities (users, experts)
Outcome Quality	Waiting time	Search times and download times. Also, lead time for item delivery.
	Tangible evidence of service performance	Visible evidence of order completion, order correctness, payment, order tracking.
	Valence (positive or negative) of outcome	Positive or negative user experiences regarding item availability, order/payment correctness, match between item's web description and item itself, delivery, returns.

Source: Based on Brady and Cronin (2001), Sweiger (1999), and authors' research.

These processes are the keys to B2C success. Later in the paper, we present a technologically elaborated version of B2C service systems and offer suggestions for managing B2C services.

Managing the Quality of Services

Conventional as well as B2C services face challenges of maintaining high service quality. In a McKinsey study of best practices of successful e-business firms, Agarwal, Arjona and Lemmens (2001) found that successful companies consciously or unconsciously saw themselves as service companies and took pains to find out and deliver what their customers wanted. They were not selling products but delivering values. They tried to address the service quality problem, which marketing scholars Parasuraman, Zeithaml and Barry (1988) had identified long before the birth of the new economy.

In a recent integration of the large literature on service quality, Brady and Cronin (2001) propose a hierarchical schema with three main dimensions, each with three sub-dimensions. In Table 1, these conventional dimensions of service quality are shown along with their B2C equivalents.

There are two views of the concept of service quality and how to manage it. The first is what Brady and Cronin (2001) call the “Nordic” perspective (Gronroos 1982, 1984). In this perspective, dimensions of service quality are defined in global terms as consisting of functional and technical quality, and management is mainly via “internal marketing” of a pro-customer service culture to the employees of the service firm. The second, the “American” perspective (Parasuraman, Zeithaml, and Berry 1988), uses service encounter characteristics (reliability, responsiveness, empathy, assurances, and tangibles). To manage service quality, managers must calibrate, track and influence such characteristics.

In Brady and Cronin's (2001) integration, elements of both the Nordic and American perspectives are incorporated (see Table 1). Furthermore, for each dimension, Brady and Cronin urge the managers of service firms to pay attention to reliability, responsiveness, and empathy of service providers. In the B2C context, such a multidimensional view is useful, but needs to be adapted in terms of the largely cybernetic forms of “reliability, responsiveness, and empathy”.

Framework for Managing B2C Service Quality

Since the B2C commerce is a self-service technology, the traditional service dimensions such as ambience, aesthetic, and display are either irrelevant or need to be reinterpreted in terms of web aesthetics (Table 1). Factors such as web site “look and feel”, its attractiveness, display, helpful hints about how to use the site, ease of “surfing” and navigating the site, options available, and ease of ordering the products become important. The dimensions of attitude, behaviour, and expertise of providers need to be reinterpreted as dimensions pertaining to friendliness, responsiveness, and knowledge content of web sites (Table 1). Finally, the outcome related

dimensions also need to be similarly reinterpreted, using both the immediate outcomes of the ordering process (order/payment completion, accuracy) and – in case of non-digital products – delayed outcomes associated with delivery and potential returns (Table 1).

Back to basics

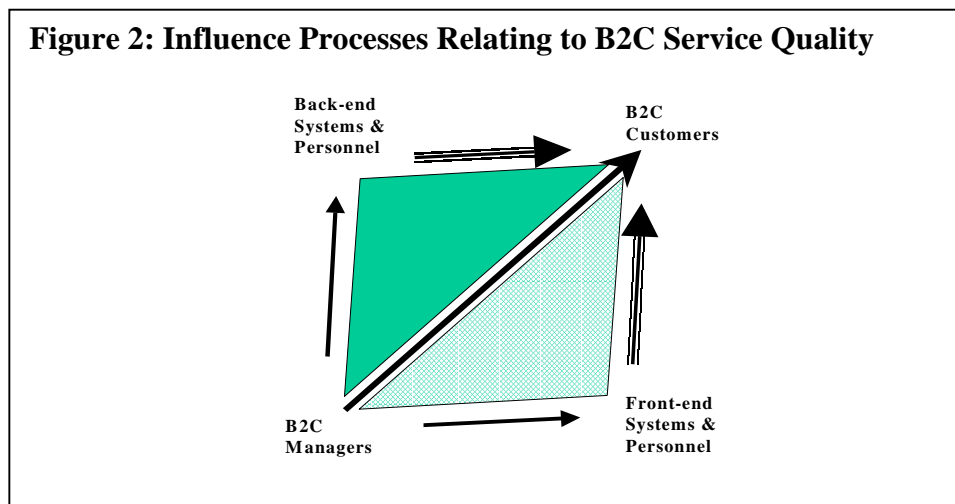
In the B2C situation, in a sense we are back to the original conception of Gronroos (1982, 1984) about managing service quality (Figure 1) but with strong technology mediation. Just as internal marketing is needed to motivate employees to become excellent service providers, internal managerial processes are needed to create a friendly, high-availability, high performance web site; and a smooth delivery and returns process. A big difference between conventional and B2C services is the appearance of complex order taking and fulfilment systems, taking the place of front-line employees. B2C service problems often arise from the breakdown of such systems (see Box 1).

Box 1: Selected B2C Service Failures in Electronic Retailing of Toys

The following illustrate some B2C failures in toy retailing. The examples are drawn from ZD Net Anchordesk (<http://www.zdnet.com>):

- David ordered 5 dolls for his daughter on Nov. 29, 1999 with a guarantee from Toys R Us of a 7-10 day delivery. As of Dec. 23, nothing had happened. Repeated phone calls and emails produced the response: "We don't know the status of your order."
- Thom's wife ordered toys from Toys R Us for their 8-year-old son on November 30, 1999. By December 15, 1999, the order status was "still in warehouse." The friendly but unhelpful Customer Service said the order would be shipped by that weekend. The order status was "still in warehouse" as of December 23, 1999.
- Charles, while shopping on eToys site, found that the much-sought-after doll "Amazing Ally" was in stock, and quickly placed it in his shopping basket. While he was adding other items, the doll apparently went out of stock! His sister, for whom he was shopping, got the bad news only when she received the confirmation by e-mail. Charles felt someone had ripped the item out of his shopping basket without his knowing, on his way to the checkout lane.
- Neil received his order from eToys and a few days later received another huge package containing two Talking "Bubba Bears" he did not order. He contacted eToys to make sure they had not charged him and to pick up the package of bears. Two months and dozens of phone calls and e-mails later eToys had still not picked up the bears.

Figure 2 shows the *two sets* of processes and personnel that need to be managed effectively in B2C businesses (Sweiger 1999). Front-end processes are those dealing with the design and maintenance of web sites, luring visitors to web sites, and converting them into customers and repeat buyers.



Back-end processes are those dealing with order fulfilment, delivery, and returns (Figure 2). B2C managers need to influence both processes to achieve optimum performance. It should be noted that customers only experience those parts of the front-end and back-end processes that impact them directly (see the thick arrows in Figure 2). B2C failures can and do occur in these visible processes (Box 1), but they can also occur in the background – in the inability of managers to direct these processes in proper ways.

Systemic connections

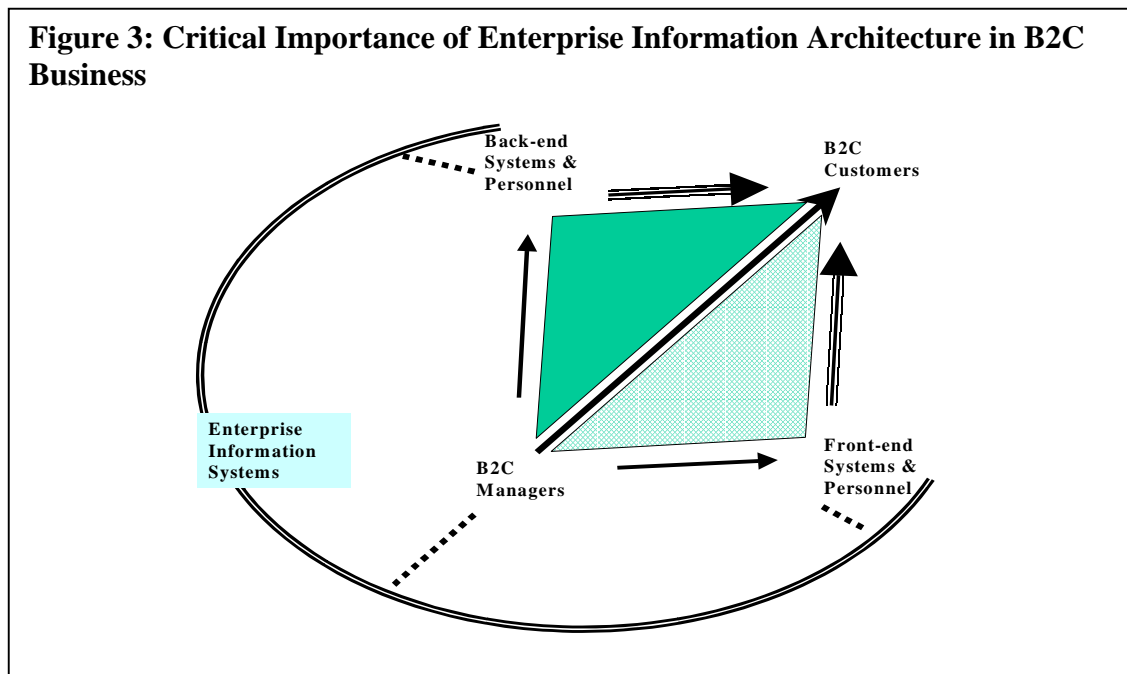
B2C e-commerce differs from conventional retail not only in terms of the customer experiences but also in terms of the tremendously enhanced ability of the B2C service provider to track web site visitors, whether they are customers or not. In the words of Sweiger (1999, p.1):

While traditional brick-and-mortar commerce enterprises typically have no easy way to record and analyse user behaviour until they become customers, if even that, e-commerce enterprises can record and analyse all activities of all types of users, all of the time.

This clickstream tracking ability opens up additional avenues of success as well as failure for B2C firms. As Figure 3 shows, B2C firms need enterprise-wide information architecture that coordinates front-end processes and personnel, back-end processes and personnel, and the managers and managerial processes responsible for directing both these customer-focused processes. B2C companies can sink or swim depending on how well they manage their customer and visitor data warehouses. If there are glitches in the communication of front-end order information to back-end order fulfilment processes, or inadequacies in learning from tracked user behaviour, the B2C venture could succumb to competitive pressure or customer apathy.

Towards a Complete Purchase Cycle Calculus

The cost-benefit calculus – and therefore the value of a transaction on the Net – depends on the entire cycle of search, purchase, delivery, assessment, and return. This cycle, although similar to a conventional purchase in the “bricks” environment, is structurally different in the B2C environment. Many of the unsuccessful B2C providers failed to see this difference and assumed



that customers will buy because the offering is “cheap,” or “convenient,” or “technically exciting or challenging.” Such assumptions usually did not hold. The successful B2C firms escaped these stereotypical follies and saw themselves as providers of *a new technology-infused service*, a service not assessable by traditional retail service metrics.

The middle path

Finally, the importance of the middle arrow connecting B2C managers to B2C customers in Figures 2 and 3 needs to be clarified. While most of the B2C customer-enterprise interactions are cybernetic or near-mechanical (as in package delivery to a mailbox), managers still need to communicate to customers in ways more direct than a web site. They need to constantly position the B2C shopping experience to the customers using mass media, public relations, and even personal meetings. Only by combining effective traditional media communications, friendly front-end web interactions, and smooth back-end processes can B2C businesses hope to attract and retain customers. All this, of course, must be done efficiently. Agarwal, Arjona and Lemmer (2001) found that a small but solid group of companies achieved visitor conversion rates of 12 percent, reduced customer churn rates below 20 percent, and achieved repeat purchase rates of 60 percent. These firms generated nearly three times the gross income from repeat buyers as

compared to one-time buyers. The superior skills of these firms lay in acquiring visitors, converting them into customers, and retaining them. This needs seamless co-ordinated execution of the communication, positioning, front-end and back-end tasks as described in the paper.

Although, barriers to entry into the B2C world seem to be low, operationally, to succeed here clearly, a high degree of managerial sophistication is required. In summary, to be successful, a B2C e-business must focus on their core customers, find their customers efficiently, offer them what they want, and deliver the products efficiently, reliably, and in timely manner. For this, marketing folks must think like information systems people, and vice versa.

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