

[DOI: 10.20472/IAC.2015.019.079](https://doi.org/10.20472/IAC.2015.019.079)

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E-BUSINESS CLASSIFICATION OF SELECTED RETAILERS IN SOUTH AFRICA

Abstract:

Purpose of the study: To classify selected retailers according to the type of business and the e-business model stage used to adopt e-business strategies in order to create a competitive advantage.

Research design and methodology: The study will be qualitative in nature as the homepage of each selected retailer's internet site will be analysed in terms of content. The procedure used in content analysing the printed screen dumps involves making notes of the links and interesting information in the margin. The margin notes will be studied and grouped themes. As many themes as required will be included, as the number of themes can be reduced if necessary. A final list of themes will be compiled when no new themes have emerged, and all the notes and information have been accommodated in the themes. The different themes will be colour coded using a coloured highlighter pen for each theme in the transcripts. A final check of all text and links on the screen dumps and on the homepage will be done to ensure that the information not highlighted is not relevant. The finalised themes will be given to another researcher to confirm the themes. Trustworthiness of the research will be enhanced by triangulation. Inter-rater reliability will be performed in that another researcher will verify the categories and ensure that the data was indeed correct.

Research findings: The findings showed that one retailer is classified as a brick-and-mortar, two as brick-and-click and one as an online business. The e-business strategies adopted by the four retailers ranged from limited online presence to e-commerce.

Research limitations: Only four public companies operating in two industries have been investigated. Results may also differ if this study is replicated in a developed country. The adoption of a high level e-business strategy is limited in South Africa.

Practical implications: Management of retailers should consider the various e-business strategies as it may assist in creating wealth for the shareholders. Retailers may also outsource some of the e-business strategy activities therefore reducing the cost of implementing such strategies.

Contribution of paper: No paper could be found within the South African context that investigates the impact of e-business strategies on business performance. Additionally, no study could be found highlighting the importance of considering the extent of Internet usage for trading purposes to increase their visibility in the market place.

Keywords:

E-commerce, E-business, E-business model

JEL Classification: L81

Introduction and background to the study

To ensure future success, businesses need to consider various strategies to improve their profitability (bottom lines). As the majority of businesses, whether small, medium and micro enterprises (SMMEs) or large businesses, usually start as brick-and-mortar businesses, one of the strategies that many of them implement is the introduction of e-business. Hall (2010, p.22) emphasises that small businesses are growing at a fast rate as a result of the Internet. Polatoglu (2007, p.395) concurs with Hall that small businesses globally are starting to realise the value of implementing an e-business strategy. The areas in which they benefit are marketing research, increased customer base by expanding their geographical touch, more effective customer service and support, and greater flexibility and speed when dealing with customers, suppliers and competitors. Studies conducted by Chandra, Ravi and Bose (2009, p.4930), Pitta and Fowler (2005, p.283-284) and Mora-Monge, Azadegan and Gonzalez (2010, p.782) emphasise that businesses should realise the importance of implementing an e-business strategy in order to remain competitive in the business environment and to create a competitive advantage, as this industry is growing at a rapid rate.

Unfortunately there is little evidence that small and medium enterprises (SMEs) are in fact adopting e-business strategies, especially in developing countries. The main e-business strategy implemented by many SMEs is that of having an official website and using electronic mail (e-mail). The main reason given for the lack of e-business adoption is the lack of skills and technical knowledge (Polatoglu, 2007, p.395-396). A study by Pavic, Koh, Simpson and Padmore (2007, p.320-321) finds that SMEs in the United Kingdom are adopting the Internet, but that the SMEs are reluctant to implement e-business strategies. The authors add that SMEs can create an online presence by using the Internet for market research, advertising, and communication with customers and potential customers. It is possible for SMEs to operate their online presence using mobile technologies such as personal digital assistants (PDAs) therefore expensive technology is not required at the start-up (Pavic *et al.*, 2007, p.335). In their research, Ramsey, Ibbotson, Bell and Gray (2003, p.261) have found that the majority of the SMEs studied used an e-business strategy as a stand-alone activity, and that this strategy was not included in the overall business strategy. The main finding was that 68% of the respondents used the Internet to provide business details (excluding product and price information), 59% used it to communicate with customers, 20% used it to convey product and price information, and only 10% used the Internet for online orders. No payments were allowed on any of the homepages (Ramsey *et al.*, 2003, p.259). Taylor and Murphy (2004, p.288) are of the opinion that SMEs need to consider the implementation of e-business strategies because SMEs are an important source of economic growth. They add that e-business strategies should be used to take advantage of growth opportunities, to generate profits and to create wealth for the relevant stakeholders.

Problem statement and objectives

According to McKay and Marshall (2004, p.7), the inclusion of an e-business strategy is a natural move for businesses. Pavic *et al.* (2007, p.320) warn that businesses cannot afford not to include some form of e-business strategy. The importance of including an e-business strategy can be found in the interconnectedness of the business environments through information technologies, value-added services to internal and external stakeholders, and improved internal and external efficiency by providing timeous and accurate information to the relevant stakeholders, using enhanced communication (McKay and Marshall, 2004, p.7). Other advantages for businesses with an e-business strategy include that brand names (that is brand equity) are well known, and that a strong customer base exists (Kennedy and Coughlan, 2006, p.518; Ko and Rotzocki, 2009, p.6). According to Willmott (2010, p.534), brand equity as an intangible asset of a business, is neglected when determining the market capitalisation of a business, and therefore the importance of branding can be underestimated when focusing on shareholder value. For large businesses, especially for those with a strong brand name, it is suggested that they can increase their market reach by conducting business overseas. If the market reach of businesses is increased, business growth will occur and the bottom lines will be improved. In doing so, businesses will be able to create value for the shareholders and/or owners of the businesses. Therefore the primary goal of all financial managers will be achieved, which is to maximise the share price of the business (Els, Erasmus and Viviers, 2014, p.10; Gitman and Zutter, 2015, p.56).

Forrester Research Inc forecasts that online spending in the USA will increase from US\$202 billion in 2011 to US\$226 billion by 2016. Their results show that online retail sales are expected to grow at 10.1% annually over the five-year forecast (Rueter, 2012). The results of research by Cicso Systems show that global online retailing should increase by 13.5% per annum over the next three years in South Africa, and that 50% of online sales have resulted from a combination between online searching and social media content. Botes, the executive director of Business Partners, maintains that e-commerce can be a key driver for SME growth, and that South Africa has great potential to take advantage of e-business strategies (E-tailers need to engage consumers, 2012). The positive online sales trend has taken place in various industries if one considers the IMRG Capgemini e-Retail Sales Index. The index includes more than 100 e-retailers, such as Furniture123, Home & Cook, Marks and Spencer, Serenata Flowers, The Body Shop and Woolworths. The IMRG (Interactive Media in Retail Group) is the e-retail industry association in the UK, and Capgemini is a provider of consulting, technology and outsourcing services. The March year-on-year results include a 13% change for beers, wines and spirits, 15% change for clothing, footwear and accessories, 14% change for electrical products, 48% change for gifts, 22% change for health and beauty products/services, and 11% change for other retail categories ('As e-retail market rebounds', 2012).

As is evident from the year-on-year results, online sales are not restricted to certain industries. Therefore retailers need to be proactive to remain competitive in the dynamic business environment, by implementing some form of e-business strategy. Krishnamurthy (2003, p.46) considers that businesses should carefully evaluate all the implications of becoming a brick-and-click business. The author also maintains that the level of doing business online will vary from simply having an online presence to trading of products and/or services using the Internet. A study conducted by Oliva, Sterman and Giese (2003, p.112-113) and Day and Bens (2005, p.160, 167) agrees with Krishnamurthy (2003, p.46) that it is essential for all businesses to carefully assess the positive and negative potentials of Internet opportunities. The results of the study indicated that only those brick-and-click businesses that had succeeded as brick-and-mortar businesses in terms of customer retention, growth and profitability, would benefit from having an e-business strategy. Therefore an e-business strategy should not be seen as a quick fix for growth and financial problems. The following questions can then be posed: What do businesses (retailers) do in terms of e-business strategies? Which e-business model are they implementing?

Businesses (retailers) can use the Internet for various purposes, and can be classified according to the extent to which the Internet is used in the daily operations. The classification can be done in terms of type of business (brick-and-mortar, brick-and-click or online business) and in terms of the e-business strategy implemented according to e-business model stages.

The primary objective of the present study will be to classify selected retailers according to the type of business and the e-business model stage in which they operate. To achieve the primary objective, the following secondary objectives are formulated:

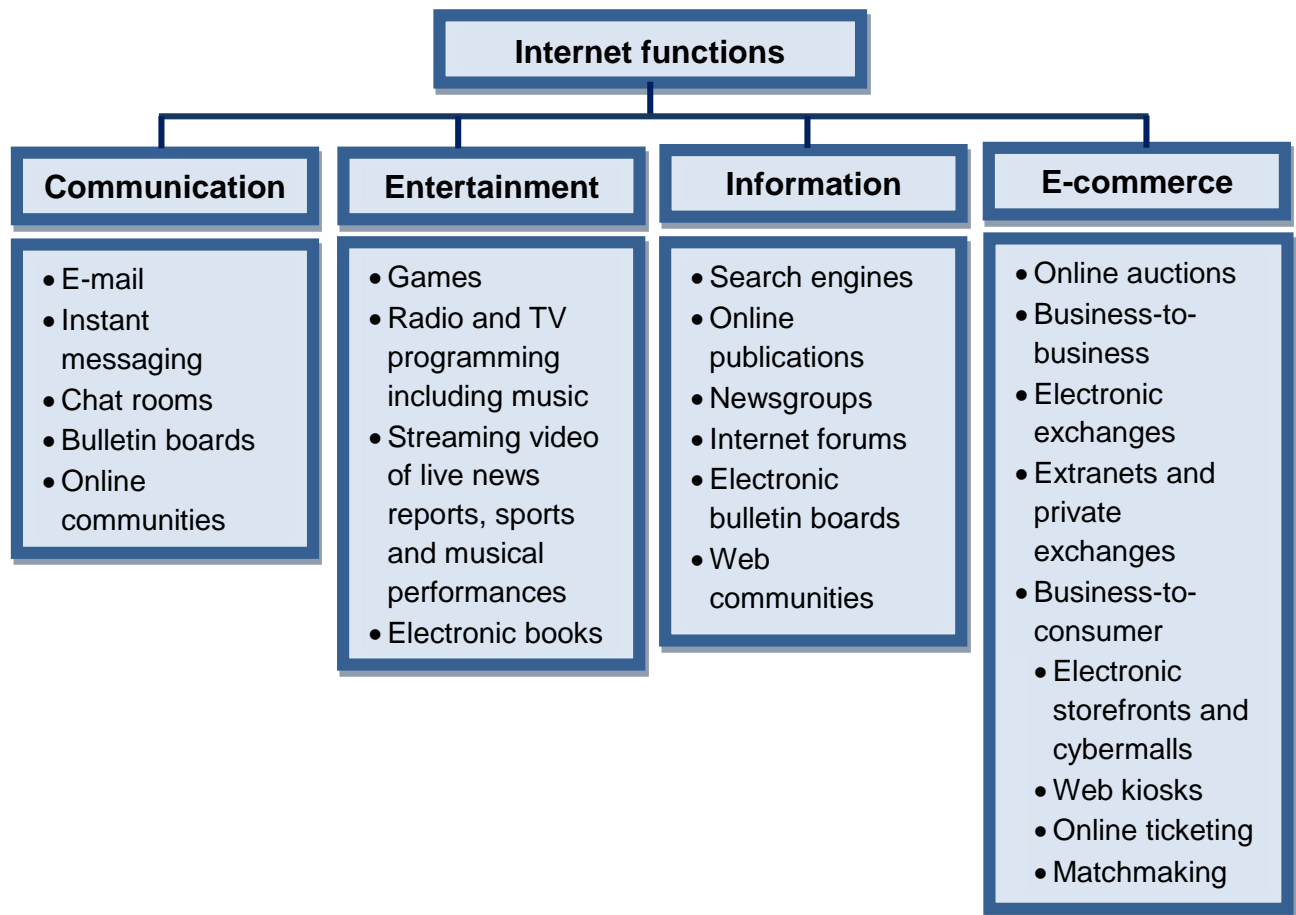
- To provide an overview of the functions of the Internet, types of businesses and e-business models found in the literature.
- To propose an e-business model that can be used to classify retailers.
- To classify selected retailers according to the proposed e-business model using content analysis.
- To make recommendations to retailers regarding the implementation of the various e-business model stages.

Literature overview

The following section will provide an overview of the functions of the Internet. A distinction between e-commerce and e-business will be made. The types of businesses and the various e-business models will also be addressed.

Functions of the Internet

The Internet can be used by businesses for various purposes. According to Kurtz and Boone (2006, p.121-124), the Internet has four main functions, namely communication with and between customers; provision of entertainment; information sharing; and e-commerce activities. Figure 1 provides a summary of the functions.

Figure 1: Internet functions

Source: Adapted from Kurtz and Boone 2006, p. 121

From Figure 1 it is clear that the Internet can indeed be used for various purposes in a business, and e-commerce is only one such purpose.

E-commerce versus e-business

While many authors use the concepts e-commerce and e-business interchangeably, other authors differentiate between them. Kinder (2002, p.131), Klopper, Berndt, Chipp, Ismail, Roberts-Lombard, Subramani, Wakeman, Petzer, Hern, Saunders and Myers-Smith (2006, p.388) and Zarzecki (2011, p.106) do not make a distinction between e-commerce and e-business. Kinder (2002, p.131) and Klopper *et al.* (2006, p.388) define e-commerce as “commercially purposive systems that can be used to search, assessment and conduct dealings using various types of media”, while Zarzecki (2011, p.106) describes e-commerce as “the application of electronic exchanges of information, either processed or unprocessed, from one entity to another”. All these activities are supported by information and communication technologies. Botha, Bothma and Geldenhuys (2008, p.3) distinguish between e-commerce and e-business.

E-commerce is when customers use the Internet to locate products and/or services, as well as for the placement of orders and payment of the orders for products and/or

services. E-business is a more inclusive concept and includes e-commerce; electronic data interchange (EDI); competitor analysis; and Internet-based business process re-engineering. According to Schneider (2007, p.5) and Papazoglou and Ribbers (2006, p.2), e-commerce refers to the buying of products and/or services using the Internet, and includes activities such as trading between two or more business. These authors refer to e-commerce in its broadest context that also includes business activities involving Internet technologies (Internet, World Wide Web, wireless transmissions and personal digital assistants).

Combe (2006, p.1) describes e-commerce as the buying and selling, as well as marketing and servicing of products and services using computer networks, while e-business is the use of the Internet, intranets and extranets to assist the commercial processes. According to Turban, King, Viehland and Lee (2006, p.4), e-commerce is the process that involves the buying, selling and/or exchanging of products, services and/or information using computer networks such as the Internet. The definition of e-business includes e-commerce, but it also extends to the servicing of customers, collaborating with business partners, and performing transactions electronically within a business.

Jelassi and Enders (2005, p.4) also distinguish between e-commerce and e-business. E-commerce involves the use of the Internet or any other telecommunications network for the purpose of selling products and/or services online, while e-business is a broader concept that refers to the execution of business activities within a business (micro environment) as well as with businesses outside the business (market and macro environment), using the Internet. McKay and Marshall (2004, p.4) conclude that e-commerce is the commercial transactions that take place in the business, using the Internet. E-business, on the other hand, is described as the use of information and Internet technology to achieve effectiveness as well as to create strategic opportunities through the use of information technology, to change current market and industry structures.

In this paper, the definition used for e-commerce will be “the buying and selling of products and/or services using the Internet”. The definition for e-business will be “all the e-commerce activities as well as the serving of customers and the collaboration with business partners”.

Brick-and-mortar businesses

Brick-and-mortar businesses are traditional businesses that are engaged in various business activities from physical premises (Combe, 2006, p.413; Lee, Kang, Lee and Lee, 2002, p.16; Parkin, 2008, p.228). According to Botha *et al.* (2008, p.280), brick-and-mortar businesses conduct business with their customers in the physical world, from physical brick-and-mortar buildings. The explanation given by Turban *et al.* (2006, p.5) with regard to this type of business is the off-line business performance of a business by using physical selling agents to facilitate the selling of products, while Klopper *et al.* (2006, p.390) define brick-and-mortar businesses as solely offline

businesses. McKay and Marshall (2004, p.10) describe brick-and-mortar businesses as businesses that present the products and/or services on offer to their customers, using factories, warehouses, office blocks, retail stores and a sales force. Kotzab and Madlberger (2001, p.441) refer to brick-and-mortar businesses as stationary retailers that have physical assets in stores and warehouses (distribution facilities). Brick-and-mortar businesses can therefore be described as businesses that sell products and/or services from physical business premises. Brick-and-mortar businesses may have an Internet presence, but the presence will only be there to provide general information regarding the business and its operations, and is not used as an online distribution channel of products and/or services.

Brick-and-click businesses

A number of names can be found in the literature for this category of business, which include click-and-mortar businesses, clicks-and-bricks, and bricks-and-clicks businesses. According to Parkin (2008, p.230), click-and-mortar businesses are businesses that are engaged in various business activities from some physical premises as well as online. The 'mortar' of click-and-mortar refers to the business activities that take place at some physical location, and the 'click' refers to online activities using the Internet. Another term used by Parkin (2008, p.230) is clicks-and-bricks. Botha *et al.* (2008, p.280) explain brick-and-click businesses as multichannel stores where the web sites of the businesses are extensions of the conventional distribution channels, to engage in online transactions.

Combe (2006, p.413) and Klopper *et al.* (2006, p.390-391) describe click-and-mortar businesses as businesses that offer a mix of online and offline commerce possibilities. The emphasis of the click-and-mortar business definition provided by Turban *et al.* (2006, p.5) is on the fact that the primary business is done in the physical world, but some business is done electronically. McKay and Marshall (2004, p.10) state that clicks-and-bricks businesses use their sales force to interact directly with customers either over the Internet or in person. According to Krishnamurthy (2003, p.73), bricks-and-clicks businesses have both physical premises and an online presence. Dennis, Harris and Sandhu (2002, p.287-288) describe brick-and-click businesses as multi-channelled businesses combining online and off-line activities in a hybrid strategy, while Lee *et al.* (2002, p.16) refer to click-and-mortar as traditional retailers with an online distribution channel. For the purpose of the present study, the term 'brick-and-click businesses' will be used. Some form of monetary transactions should take place online for a brick-and-mortar business to be regarded as a brick-and-click business.

Online businesses

As in the case of the brick-and-click businesses, numerous names can be found in literature for online businesses. These names include dot-coms, pure dotcom, Internet pure-play, Internet companies, and e-tailers, as well as surf-and-turf businesses. According to Combe (2006, p.414), dotcoms are businesses that use the Internet for trading purposes. Virtual businesses, as defined by Turban *et al.* (2006, p.5), conduct business purely online, and no physical contact takes place between the business and the customer. McKay and Marshall (2004, p.10) and Krishnamurthy (2003, p.73) define pure dotcom or Internet pure-play businesses as businesses that present the products and/or services on offer to their customers using the web page(s) of the business, and therefore no face-to-face interaction between the sales force and customers takes place. Zarzecki (2011, p.106) describes an Internet company as a business whose basic activity is based on using the Internet for creating income. Kotzab and Madlberger (2001, p.443) refer to e-tailers as businesses with no physical stores while marketing products to customers using the Internet. Lee *et al.* (2002, p.16) agree with Kotzab and Madlberger (2001, p.443) regarding the definition of e-tailers, and add that e-tailers may have physical promotional outlets.

One of the advantages a brick-and-click business has over an Internet-based business is the brand image of the physical store. Research done by Doong, Wang and Foxall (2011) has found that brick-and-click businesses can more easily attract consumers because of brand loyalty. For the purpose of the present study, the researcher will use 'online businesses' when referring to businesses that use only the Internet for trading purposes.

The various terms used in the paper are summarised in Table 2.

Table 2: Summary of terms

| Terms | Description |
|---------------------------|---|
| E-commerce | Trading of products and/or services using the Internet |
| Brick-and-mortar business | Business selling products and/or services from physical business premises |
| Brick-and-click business | Business having both physical premises and an online presence |
| Online business | Business using the Internet only for trading purposes |

Source: *Researcher's own construct*

As the Internet evolved over time and businesses started adopting the use of the Internet as a tool for doing business, various e-business models were developed.

E-business model stages

A business model can be described as what the business is doing and how the business is generating income to create value (Taulli, 2009; Weill, Malone, D'Urso, Herman and

Woerner, 2004, p.5; Wirtz, Schilke and Ulrich, 2010, p.274). Shafer, Smith and Linder (2005, p.204, 206-207) concur with Taulli (2009), Weill *et al.* (2004, p.5) and Wirtz *et al.* (2010, p.274), but point out that it is important not only to create value, but also to capture the value created.

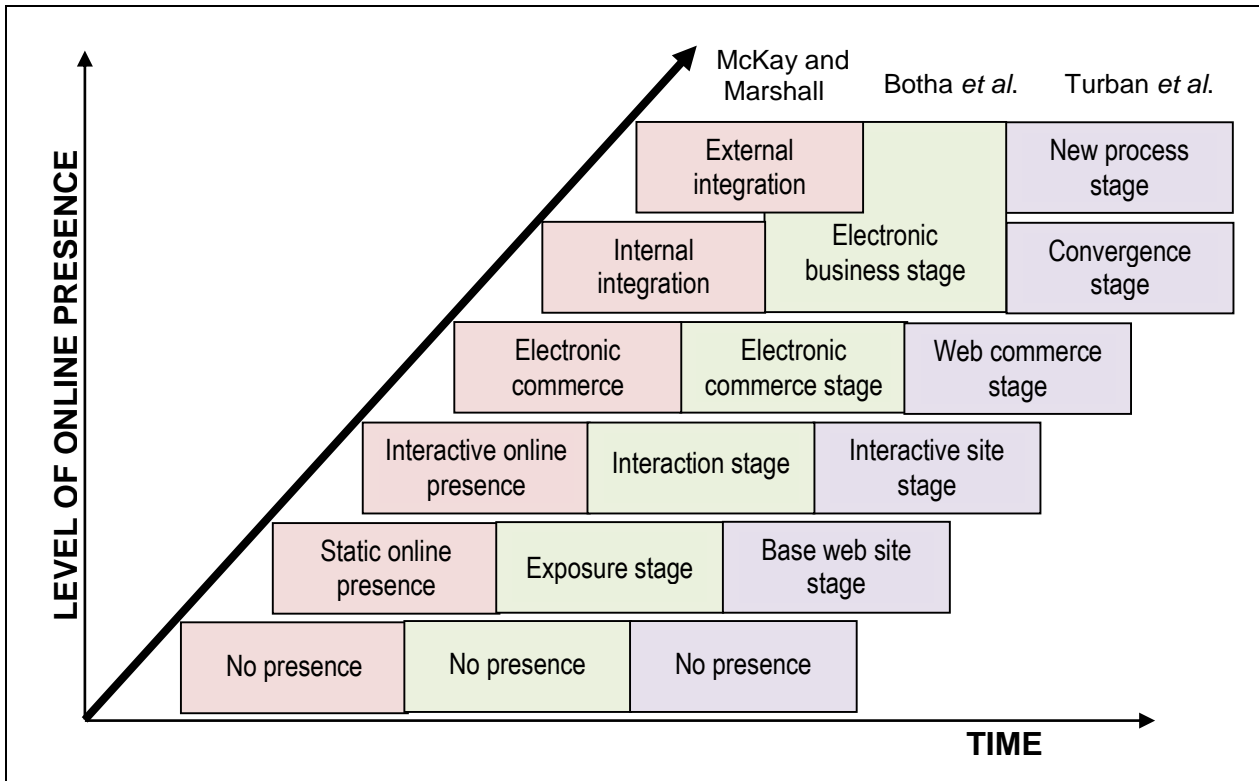
The e-business model usually consists of a number of stages. McKay and Marshall (2004, p.10-13) divide the business uses of the Internet into various stages. Therefore the extent of online presence can be linked to the various e-business model stages. The first stage of an e-business model is no presence on the Internet, which can be the result of a number of reasons, which may include that a web presence is too expensive, or that there are too many risks and there are security issues associated with e-business. The static online presence refers to business providing basic information about the business and its operations. No commercial transactions take place, as information is disseminated only to potential customers, employees and business partners. The third stage is when businesses and customers begin to interact with one another over the Internet. It is possible for customers to place orders on the websites, but the transaction is usually not concluded on the site. The e-commerce stage is where the commercial transactions will start and finish, using the Internet, but additional resources will be required to deal with 24x7 trading and distribution of customers' purchases. The internal integration state occurs when duplication of activities is eliminated, and intra-organisational IT and IS initiatives and investments are integrated. The final stage is integration of the internal and external business processes to establish relationships with customers and business partners. (McKay and Marshall, 2004, p.12-13).

Botha *et al.* (2008, p.7) point out that the Internet provides individuals and groups of people with a flexible platform to deliver information-based services to any person with Internet access. Botha *et al.* (2008, p.8-9) and Turban *et al.* (2006, p.671) agree with McKay and Marshall (2004, p.11-13) that businesses go through a number of stages before reaching the e-business stage. According to Botha *et al.* (2008, p.8-9), the stages are: the exposure stage, the interaction stage, the e-commerce stage, and then finally the e-business stage. The stages of Turban *et al.* (2006, p.670-671) are: basic website, interactive site, w-commerce site, convergence, and the new process. The exposure and the basic website stages correspond with the static online presence stage of McKay and Marshall (2004, p.11-13). This stage is an information-giving stage since potential customers can obtain information regarding the business on the website. The second stage is the interaction or interactive site stage and corresponds with the interactive online presence stage of McKay and Marshall (2004, p.11-13). During this stage the business is actively interacting, using two-way communication with customers. The third stage is the e-commerce or w-commerce site stage which corresponds with the e-commerce stage of McKay and Marshall (2004, p.11-13), where the customers' order and pay for products and services. The final stage is the e-business stage which corresponds with the internal and external integration stages of McKay and Marshall (2004, p.11-13), and with the convergence and new processes stage of Turban *et al.*

(2006, p.670-671). The e-business strategies are fully integrated with the overall business strategy (Botha *et al.*, 2008, p.8-9; Turban *et al.*, 2006, p.670-671).

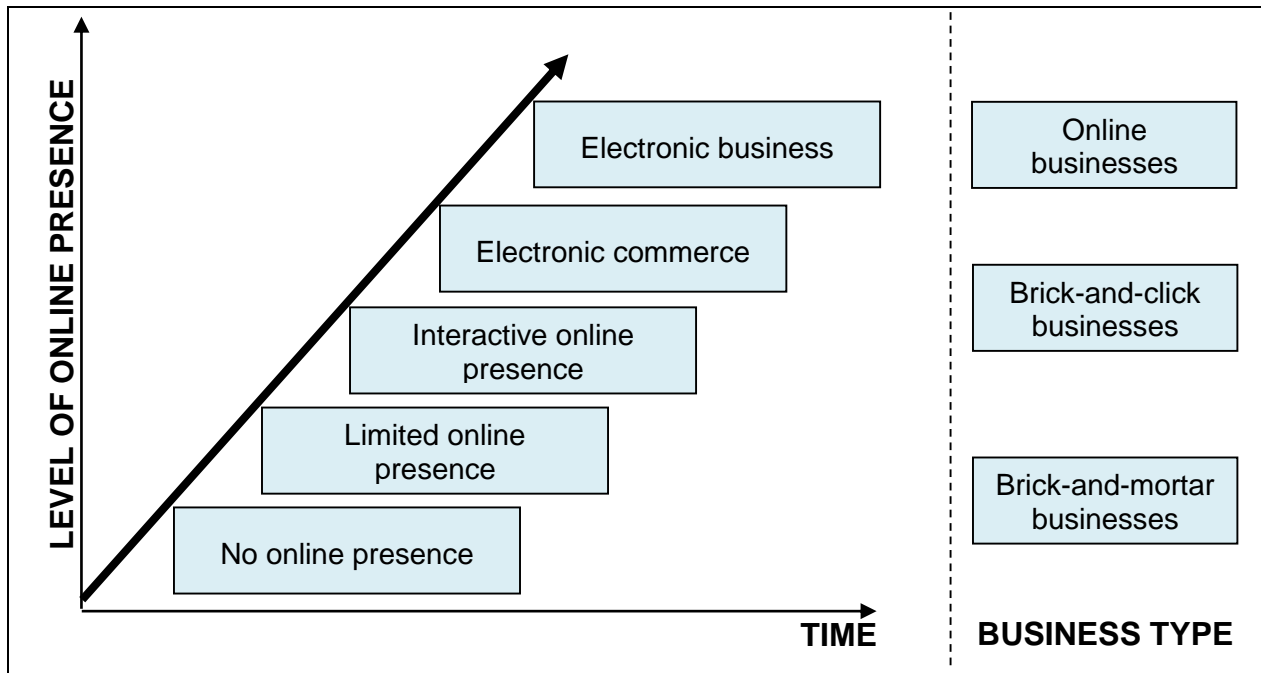
Figure 3 shows the various stages in e-business as described by Botha *et al.* (2008, p.7-9) McKay and Marshall (2004, p.11-13) and Turban *et al.* (2006, p.670-671), and it illustrates the various authors' stages compared with one another.

Figure 3: Comparison of e-business model stages



Source: Researcher's own construct

The e-business model stages that will be used in this paper will thus be a combination of the stages discussed by Botha *et al.* (2008, p.7-9), McKay and Marshall (2004, p.11-13) and Turban *et al.* (2006, p.670-671). Considering the descriptions of each of the stages of the e-business model as provided by the various authors, it is possible to link a specific business type to each of the various stages. Figure 4 shows the proposed e-business model stages, and also indicates the type of business associated with each stage.

Figure 4: Proposed e-business model stages

Source: *Researcher's own construct*

The first stage depicted in Figure 4, no online presence, implies that the business has no official web site although the business details may be listed in an online directory. The second stage is limited online presence. Business details and a product and/or service catalogue are available to the public via the official business homepage. No trading takes place at this stage as its focus is only to share information. Interactive online presence, as the third stage, includes synchronous information-sharing with customers, and customers having the opportunity to communicate with the business via the official homepage of the business. In the fourth stage, customers place orders via the official homepage of the business, and the payment and delivery of the orders may be outsourced to a third party. The final stage of e-business is where customers place orders via the official homepage of the business, and the payment and distribution are coordinated by the business itself. There is also full electronic collaboration between the customer and the business, and between the business itself and the business partners.

Table 5 provides a summary of the description of the various e-business stages identified.

Table 5: A summary of the description of the e-business stages in the e-business model

| E-business stage | Business type | Description |
|-----------------------------|---|--|
| No online presence | Brick-and-mortar businesses | <ul style="list-style-type: none"> • No official website • Business information available in an online directory |
| Limited online presence | Brick-and-click businesses | <ul style="list-style-type: none"> • Official website • Business information available on site • No trading takes place on website |
| Interactive online presence | Brick-and-click businesses | <ul style="list-style-type: none"> • Official web site • Business information available on site • Two-way communication with customers possible |
| E-commerce | Brick-and-click businesses Online businesses | <ul style="list-style-type: none"> • Official website • Business information available on site • Two-way communication with customers possible • Trading takes place on website from placing orders to payment of orders • Some functions may be outsourced |
| E-business | Brick-and-click businesses Online businesses | <ul style="list-style-type: none"> • Official website • Business information available on website • Two-way communication with customers possible • Trading takes place on website from placing orders to payment of orders • Some functions may be outsourced • Communication and trading with other businesses |

Source: *Researcher's own construct*

The classification as outlined in Table 5 will be used to classify selected South African retailers by means of primary research.

Research design

The sample, data collection and data analysis will be discussed.

Sample

For the purpose of this research, the South African retailers listed on the Johannesburg Stock Exchange in the food retailers and wholesalers sub-sector (Shoprite Holdings Limited, The SPAR Group Ltd and Pick n Pay Stores Ltd) will be classified. One business in the media broadcasting and entertainment sub-sector (Naspers Ltd) will be

included in the discussion. The reason for the inclusion of Naspers Ltd is that it is the only company that sells products from the Internet and not from fixed premises (brick and mortar business).

Data collection

The data collection took the form of obtaining the homepages of the websites of each selected retailer. The links on the homepages were followed to determine the extent of interaction between the retailer and the customer. The screen dumps were therefore collected and analysed, and extensive notes were made in terms of customer interaction and possible trading opportunities. Screen dumps of the four selected retailers are provided in the section dealing with the results.

Data analysis

The study was qualitative in nature as the homepage, by means of screen dumps of each selected retailer's internet site, was analysed in terms of content. The procedure used in content analysing the screen dumps was as follows:

- A copy of the screen dump of the selected retailers was sourced and printed. While reading through the screen dump of the homepage of the website, all interesting or relevant information was highlighted by a brief note in the margin about the nature of the information. Notes regarding the actions of the various links found on the homepage of each selected retailer were made on the screen dump.
- The margin notes were then studied, and a list of the different types of information and actions was written down.
- The list of items extracted from the text was ready for further analysis. This list of data items was then categorised in a way that described what each one was about. At this stage as many categories as required were included, as the number of categories could be reduced at a later stage if necessary.
- The list of categories identified from the transcript screen dumps was then considered to see if some of the categories could be linked in some way. A final list of categories was established when no new categories had emerged, and all the items of relevant and interesting information were accommodated in the existing categories. At this stage the different categories were colour-coded using a coloured highlighter pen for each category to highlight items of data in the transcripts.
- A final check of all text and links on the screen dumps and on the homepage was done to ensure that the information that was not highlighted at all (because it did not appear relevant at the time), was checked once again for relevance.
- The finalised categories were then given to another researcher to see if this researcher identified the same categories and agreed with the list produced.

Trustworthiness of the research was enhanced by triangulation by researchers. This involved the use of more than one researcher to analyse the data (Collis and Hussey,

2014, p.71). Inter-rater reliability was achieved in that another researcher verified the categories and ensured that the data was indeed correct.

Results of the content analysis of selected retailers in South Africa

In the following paragraphs the results of the classifications of the selected retailers will be provided. The screen dumps of the four selected retailers will also be provided to assist the discussion.

Results of Shoprite Holdings Limited according to the e-business model

Figure 6 is a screen dump of the homepage of Shoprite where the various links can be viewed. All the links provide information for the product or service searched for.

Figure 6: Homepage of Shoprite Holdings Limited



Source: Shoprite Holdings Limited 2015

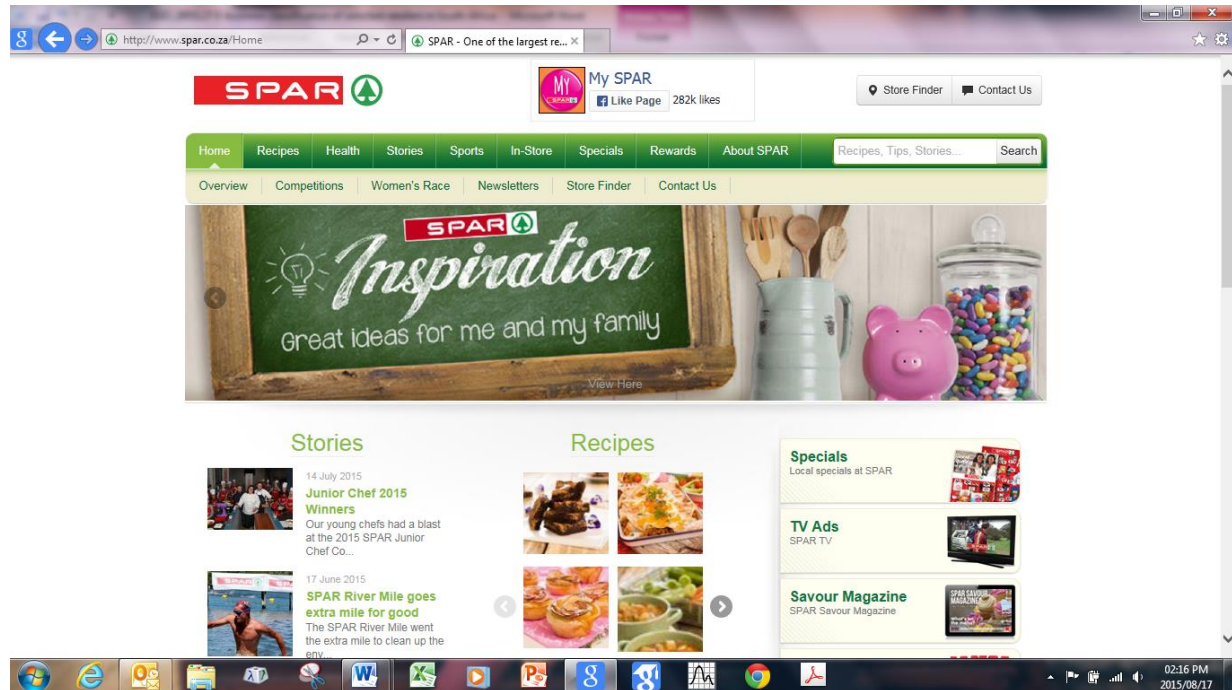
If one considers the screen dump of Shoprite as shown in Figure 6 and the categories identified during the content analysis with the contents of the model, it is clear that no online transactions regarding sale of products take place from the website. The homepage and the various pages linked to the homepage provide customers with information regarding the products and services offered. For example, the link to all the consumer services provides information only, and transactions need to take place at the physical premises of Shoprite. The link to products provides an array of products offered by Shoprite. Customers can e-mail the customer service centre with queries. It should be noted that it is possible to order products online from Checkers, but this is managed by another business (<http://www.mad-shopping.co.za>) and not by Checkers. Businesses can order online from Checkers via the Checkers Food Services (CFS) link, but final consumers cannot use this facility. Based on the discussion regarding the e-

business model stages, the Group can therefore be classified as a brick-and-mortar business in the limited online presence stage from a business-to-consumer perspective.

Classification of The SPAR Group Ltd according to the e-business model

A screen dump of the homepage of SPAR is provided in Figure 7.

Figure 7: Homepage of The SPAR Group Ltd

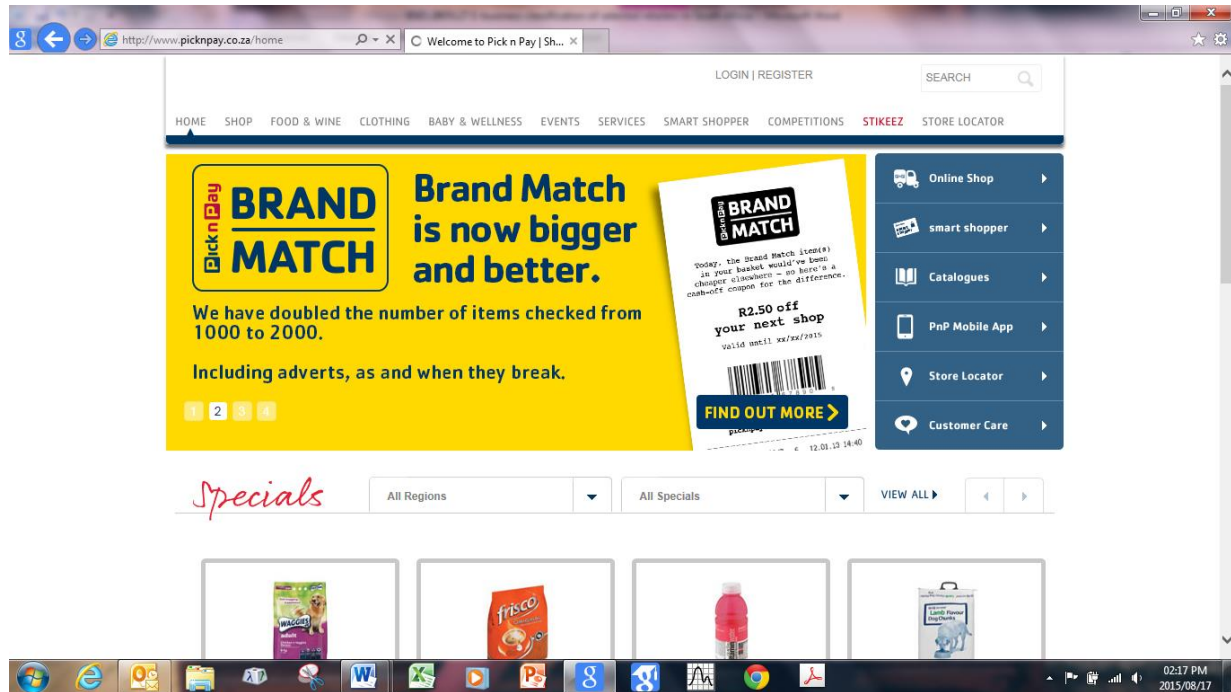


Source: The SPAR Group Ltd 2015

If one considers the screen dump of SPAR as presented in Figure 7 and the categories identified during the content analysis with the contents of the model, there is only one transaction type that is taking place electronically on the website, and that is the purchase of SPAR voucher cards, which are not the main products and services on offer to customers. The homepage and the various pages linked to the homepage provide customers with information regarding the products and services offered. Customers can e-mail the customer service centre with queries. Based on the discussion regarding the e-business model stages, SPAR can then be classified as a brick-and-click business in the interactive online presence stage, although the transactions are limited to the purchase of SPAR voucher cards. SPAR is in the market to sell a variety of products and services, not only SPAR voucher cards. The voucher cards can be seen as a value-added product offered to customers. It should be noted that it is possible to order products from SPAR, but the purchases made by customers are managed by another business (<http://www.mad-shopping.co.za>) and not by SPAR.

Classification of Pick n Pay Stores Ltd according to the e-business model

Figure 8 is a screen dump of the homepage of PnP.

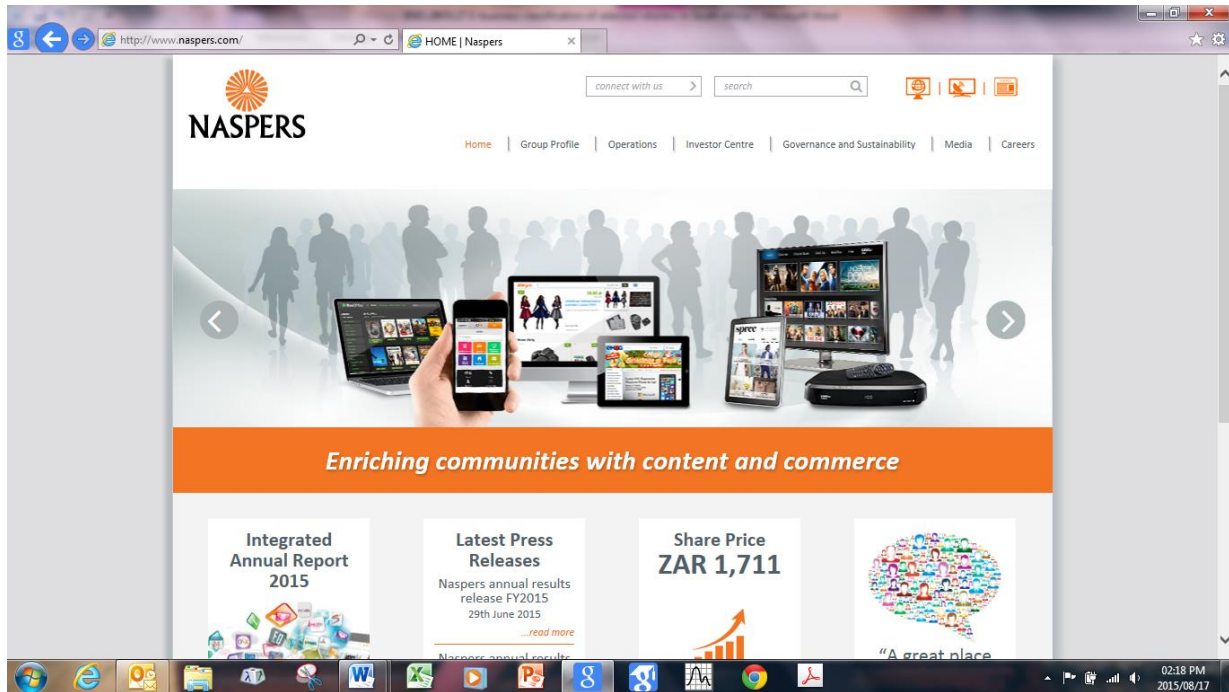
Figure 8: Homepage of Pick n Pay Stores Ltd

Source: *Pick n Pay Store Ltd 2015*

If one considers the screen dump of PnP as shown in Figure 8 and the categories identified during the content analysis with the contents of the model, there is a hyperlink that will take the customer to a dedicated website that takes orders online, and processes the orders online as well. All transaction activities from placing to paying for the order are done on the website. Based on the discussion regarding the e-business model stages, PnP can then be classified as a brick-and-click business in the e-commerce stage, as all transaction activities take place online.

Classification of Naspers Ltd according to the e-business model

Figure 9 is a screen dump of the Naspers homepage.

Figure 9: Homepage of Naspers Ltd

Source: Naspers Ltd 2015

If one considers the Naspers screen dump and the categories identified during the content analysis with the contents of the model, it is obvious that no online transactions take place on the website. Even though no online transactions can occur on Naspers' website, the online transactions do occur at the websites of subsidiaries, such as Kalahari.net. It should also be noted that the individual annual reports of the different subsidiaries are not available, and only the consolidated annual reports can be viewed. Based on the discussion regarding the e-business model stages, Naspers can be classified as an online business in the e-commerce stage, as all the transactions take place online on the websites of the various subsidiaries.

Table 10 summarises the classifications of the three retailers found in the food retailers and wholesaler sub-sector and the one retailer in the broadcasting and entertainment sub-sector.

Table 10: Summary of classification of selected retailers in South Africa

| Retailer | E-business model stage | Type of business | Characteristics |
|----------------------------------|-----------------------------------|---------------------------|--|
| Shoprite Holdings Limited | Limited online presence stage | Brick-and-mortar business | <ul style="list-style-type: none"> • Focus on information sharing |
| The SPAR Group Ltd | Interactive online presence stage | Brick-and-click business | <ul style="list-style-type: none"> • Limited online transactions • Focus on communication with customers |
| Pick n Pay Stores Ltd | E-commerce stage | Brick-and-click business | <ul style="list-style-type: none"> • Wide variety of online transactions |
| Naspers Ltd | E-commerce stage | Online business | <ul style="list-style-type: none"> • Wide variety of online transactions |

Source: *Researcher's own construct*

The classifications done as shown in Table 10 can be useful for various parties. First, the retailers themselves can use them to determine their own e-business strategy. Second, retailers can adapt their marketing strategy to be in line with the stage in the e-business model. Third, retailers can use the e-business model to identify possible future growth opportunities in terms of other e-business strategies that can be implemented. Therefore retailer groups such as Shoprite Holdings Ltd, comprising various retailers catering for different markets, can identify a specific e-business strategy for each of the retailers in the group where the e-business strategy focuses on the target market for that retailer. The fourth reason for using this classification is to identify the e-business strategies implemented by direct and indirect competition, in order for the retailer to develop strategies to compete with these identified strategies. It will require retailers to engage in environmental scanning to ensure that the overall business strategies are in line with the strategic vision of the retailer. Implementing strategies in the various e-business model stages will also assist retailers to streamline their business operations, which may improve their efficiency and profitability in the long term.

The classification can also be useful for academics who want to conduct research, as it will show retailers in the same industry using different e-business strategies. Research can be done on why different e-business strategies are implemented, and whether implementing other e-business strategies (such as those used by the competitors) will add value to the retailer. More refined comparisons can be made in research as retailers in the same industry can be classified into various categories.

Conclusion and recommendations

Brick-and-click businesses are businesses which only engage in some form of Internet activity. These activities include trading of products and/or services, sharing of information using the Internet as a platform, and focusing on online-marketing (for example banners on websites).

According to Zhu and Kraemer (2005, p.62), most of the studies which focus on e-business address the issue of whether or not an e-business strategy should be adopted. Another issue identified by these authors is that there is a lack of evidence showing the usage and impact of performance of a business that has implemented an e-business strategy. It is also important to take note of the different economic and regulatory environments in which the businesses operate, because developed and developing countries may have different regulations to adhere to (Zhu and Kraemer, 2005, p.62).

According to Kurtz and Boone (2006, p.138), online sales of apparel, prescription medicines, home appliances and home products, which are provided by most retailers, will continue to grow. Chirnside, the CEO of the online and mobile service provider PayU, confirms the belief that customers are becoming more knowledgeable about online buying. He comments on the results of the MasterCard Online Shopping Survey, indicating that 58% of Internet users engage in online buying. PayU has had a growth of 78% year-on-year, and the business has processed approximately 65% of the total value of e-commerce transactions in South Africa. Chirnside also believes that if businesses want to remain a going concern in the dynamic business environment, the Internet domain should be part of the business strategy (Trust fuels online shopping growth, 2012). According to Novitzkas, the chief executive of Kalahari.com, e-business strategy using mobile phones (mobi-sites) is growing at an exceptionally fast rate. He adds that for a country to be regarded as having reached a significant e-commerce milestone, online retail sales need to contribute more than 1% of total retail sales. The online retail sales in South Africa were at 0.4% of total retail sales in July 2011 (Moorad, 2011). The Internet economy was worth R59 billion in 2011 and contributed 2% towards South Africa's GDP (SAinfo reporter, 2012). The average contribution of the Internet economy to South Africa's GDP was 1.9% in 2010, 2% in 2011 and is expected to reach 2.5% by 2016 (What is holding back SA's internet economy, 2015). Novitzkas also states that when thinking of online retail in South Africa, one immediately associates such transactions with Kalahari.net. Customers can shop from Kalahari.net, and this site is automatically redirected to Kalahari.com (kalahari.net now available via kalahari.com, 2011). If one considers the growth and the expected growth of online shopping in the USA, it is a definite opportunity that retailers need to seize. Águila-Obra, Padilla-Meléndez and Serarols-Tarrés (2007, p.187) and Yao (2004, p.54) assert that changes in technology, especially the development of the Internet, have created new opportunities for businesses to seize in order to be highly innovative but remain viable (Skinner, 2010, p.410). Amit and Zott (2001, p.493-494) agree with the previous authors and add that an e-business strategy has the greatest potential to create wealth. Therefore retailers should consider the extent of Internet usage for trading purposes with their customers, as it will increase their visibility in the market place and it may improve their bottom lines at the end of the day.

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