

E. BUSINESS QUALITY: DEFINITION AND DIFFERENCE BETWEEN VALUE AND QUALITY

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Abstract

Purpose – to analyze definitions of e. business value and e. business quality, distinguish the main differences.

Design/methodology/approach – there had been used scientific literature deduction (drawing conclusions from the available information), analysis (obtained data analyzed separately), analogy (comparison of data with each other), generalization (the main features complex generalization), induction (from individual elements went to a general conclusion), comparison methods.

Findings – after analyzing the theoretical aspects of e. business value and e. business quality, there were introduced the main difference between them and suggested definition of e. business quality.

Research limitations/implications – quality is one of the most important factors in e. business, but there are no definition of e. business quality. After analyzing theoretical aspects of e. business value and e. business quality, there were introduced the definitions.

Practical implications – Companies are interested in developing e. business, because it helps to get more innovative, it means to get more profit. Most important, e. business can increase sales and reduce selling products and services price. These success criteria are easily measurable, but it is important to assess the immeasurable success criteria, such as user satisfaction or quality. The definition of e. business quality introduced in this article reflects the practical implications. This information could be used in order to develop e. business in more effective way.

Originality/Value – e. business is becoming an integral part of a traditional business. For the development of e. businesses, companies can reach potential customers worldwide. In order to create a long-term competitive advantage, e. business must focus on quality, but there are no definition of e. business quality. Also, there are no clear difference between e. business value and e. business quality. In this article there will be discussed a little-analyzed question of e. business quality.

Keywords: e. business, e. business quality, e. business value.

Research type: literature review.

Introduction

Companies are interested in developing e. business, because it helps to get more innovative, it means to get more profit. E. business is becoming an integral part of a traditional business. For the development of e. businesses, companies can reach potential customers worldwide.

Scientific issue. One of the main problems in the development and implementation of e. business - e. business quality definition uncertainty. Quality is a very important objective for all businesses and their customers. Quality is a form of corporate exclusivity, differentiation (Laundon, 2007). Without knowing the exact e. business definition of quality, it is difficult to develop the business itself, it is difficult to determine, what is needed to achieve and what criteria should be assessed by e. business. On this basis it is possible to isolate the main problem - the definition of e. business quality in academic sources and practice are not generally defined.

Object of the research. Definition of e. business quality.

Purpose – to analyze definitions of e. business value and e. business quality, distinguish the main differences.

There have been set the following objectives for the above mentioned purpose to be achieved to:

1. determine definition of e. business quality;
2. determine definition of e. business value;
3. distinguish the main difference between e. business value and quality.

Practical significance. For the development of e. businesses, companies can reach potential customers worldwide. It creates a competitive advantage (Luqman, Abdullah, 2011). In Europe in 2012 e. business grew by 19 %, reaching 311.6 billion profit (E-commerce Report, 2013) . In order to create a competitive advantage, e. business must focus on quality, but there are no definition of it. E. business quality can be analyzed on the basis of a global market. In this article there will be discussed a little-analyzed question of e. business quality.

Definition of e. business quality

E. business practice is defined clearly, but little is known about the e. business quality. In scientific literature, there is not worded definition of e. business quality. Meanwhile, e. business concepts can be found many. It is described as:

- Information, products and services purchasing and selling through computer networks (Kalkota, Whinston, 1996; Koronios, Xu, 2005);
- The business, which uses information technology infrastructure to increase business efficiency and provide a basis for new products and services (Kirvaitis, 2001);
- The business, which in order to benefit themselves and customers using information management and business infrastructure, develop, distribute or facilitate the

use of products and services, primarily through the electronic communication and other tools (Sodžiutė, Sūdžius, 2006, p. 14);

- Business transactions and enterprise business organization using information technology for data transmission network environments (Hedman, Kallinge, 2003; Lunevičiūtė, 2009).

The current Lithuanian dictionary defines quality as “the feature, the value that is expected”. Combining the previously mentioned e. business and quality definitions, there could be stated, that quality of e. business is:

- Information, products and services purchasing and selling through computer networks feature, value that is expected;

- Feature, value that is expected of the business, which uses information technology infrastructure to increase business efficiency and provide a basis for new products and services;

- Feature, value that is expected of the business, which in order to benefit themselves and customers using information management and business infrastructure, develop, distribute or facilitate the use of products and services, primarily through the electronic communication and other tools;

- Feature, value that is expected of business transactions, and enterprise business organization using information technology for data transmission network environments.

These definitions can be used in order to define e. business quality, but it is hard to suggest, which definition can determine e. business quality in best way.

Definition of e. business value

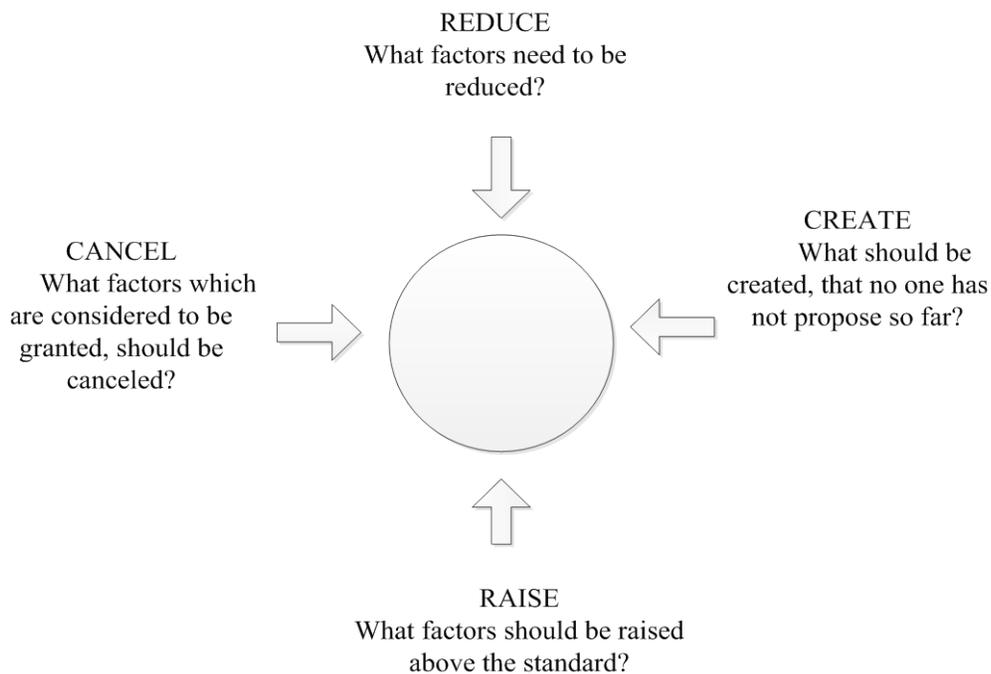
The definition of value is analyzed and described in scientific articles and sources. E-business value is defined as the difference between the benefit received by the consumer and the cost needed to produce the product (Jelassi, Enders, 2005). Business model is a description of a business system for creating value that lies behind the actual processes (Balaraman, Kosalram, 2012).

In 1998 W. Ch. Kim and R. Mauborgne had already written of new business opportunities to raise the value. They introduced business value curve (see Figure 1), which is based on the answers to four questions (Kim, Mauborgne, 1998):

- What factors need to be reduced?
- What factors should be raised above the standard?
- What factors, which are considered to be granted, should be canceled?
- What should be created, that no one has not propose so far?

Although the value curve has been introduced and adapted to the traditional business, Chen (2001) propose to analyze it on the basis of the modern e. business. The main value delivered from using the internet is improved brand and/or product awareness (Zilber, Araujo, 2010). For example, Amazon can be identified as the creator of the new value curve, because when analyzing Amazon online shop, following four questions can be answered (Chen, 2001):

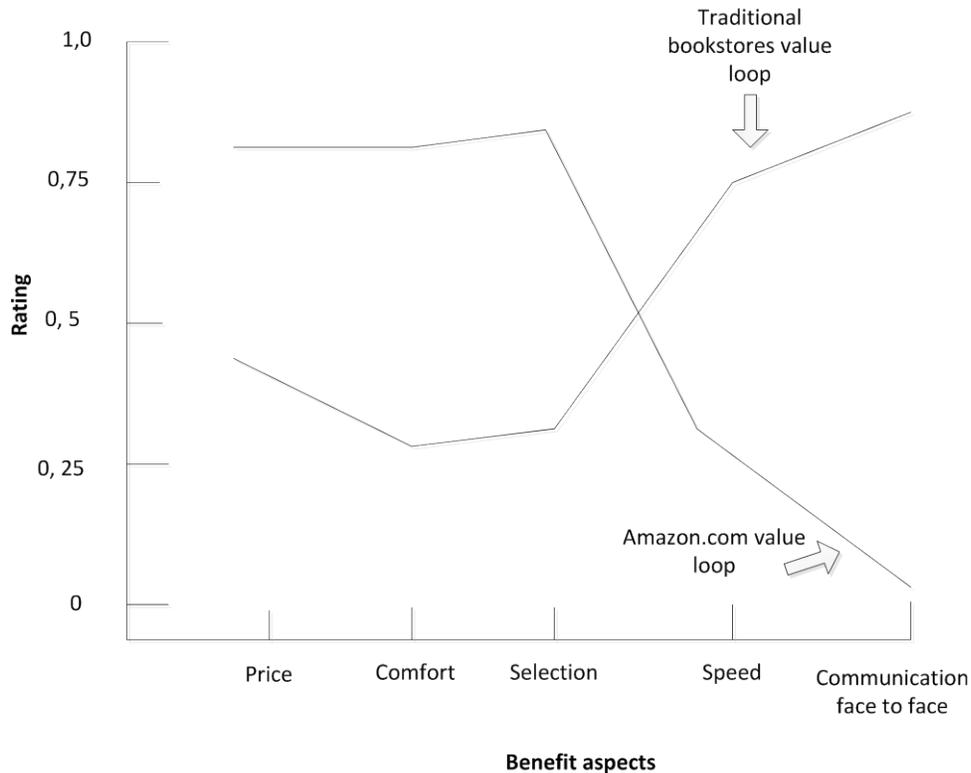
- What factors need to be reduced? Amazon reduced the price.
- What factors should be raised above the standard? Amazon has expanded the range of books. Amazon does not limit its strategic partnerships to suppliers and distributors, but also engages in alliances banks that offer Amazon a credit card which also adds value to customer relations, as part of the company's loyalty program (Donici et al, 2012).
- What factors, which are considered to be granted, should be canceled? Amazon abolished shopping needs.
- What should be created, that no one has not propose so far? Amazon has created an opportunity to search and order books online. Also, online retail sites with more helpful reviews offer greater potential value to customers (Mudambi, Schuff, 2010). A firm with a large number of customers and a way of getting the feedback rapidly, can help the firm to improve the quality, product and service faster than the competitors (Basha, Dhavachelvan, 2011).



Source: Kim, Mauborgne (1998) p. 85

Figure 1. Value curve

This example can be seen in the figure below (see Figure 2).



Source: Jelassi, Enders (2005) p. 127

Figure 2. Amazon and traditional bookstores value curve

Value curve can be used when analyzing e. business. It helps to understand, what main factors should be reduced, canceled, raised or created in developing e. business.

Difference between e. business value and quality

In terms of value, that e. business provides to the user, it can be expressed by the following formula, which arises definition of quality (Chen, 2001):

$$\text{User value: } \frac{(\text{service}) (\text{quality})}{(\text{price}) (\text{time})}$$

- Service - e. business provides the following options to the consumer: an interactive and personalized communication, speed and accuracy of a higher ability to track and measure the capacity, 24 hours communication, customer-centric business model, instantaneous communication with the user.

- Quality - e. business improves and adjusts the user experience by providing better information about the products and services, enabling users to form communities, that provide valuable feedback about the service, the quality of goods.

- Price - e. business can sometimes reduce the price.

- Time - e. business can reduce the execution time.

Jelassi, Enders (2005) extensively described the user's understanding of the value and introduced concepts such as “user benefits”, “value”, “value creation”. The relationship between these concepts can be seen at the Figure 3, but first it is important to clarify the meaning of these terms (Jelassi, Enders, 2005):

1. User benefits - it is the maximum amount of money, that the consumer is willing to spend to buy a product or receive a service. Let us suppose, that the user wants to buy a laser printer on eBay. After selecting the printer it can enter the maximum price he agree to pay for it (in this case - 200 USD). Starts the auction. When someone else nominated for the printer more than 200 USD, the user noticing. It is important to understand that the benefits to the user, which he expects from the printer is not compatible with a higher price than he is determined to pay. User benefit depends on:

- Personal preferences: young people like sports cars, and those who have families – larger;

- Location: it is possible to think about the heater in the Arctic and the Sahara;

- Time: the benefits of electric light day and night ;

- Product quality: product functionality, reliability and easy installation. For example: Tesco.com online grocery store boasts of its fresh products and a comprehensive quality;

- Product or service customization level: the more the product or service is adapted to the specific needs of the users, the more benefits they create;

- Comfort: for example, Tesco.com aims to raise the comfort level of the users, especially focused on the busy people;

- Quality of service in relation to the company website: it is the degree of personalization, ease of use, speed of responsiveness, quality of information;

- Speed of delivery: fast delivery - the greater the value by the user;

- Choice of products;

- Brand: a strong brand can help create high- quality standards of the companies image in the eyes of consumers;

- Reputation: a good reputation for distinguished company produces less risk;

- The primary functions: the minimum requirements that a company must meet. An example could be a company's website, with has active links or secure the payment mechanism for the goods;

- Critical success factors are: the benefits, that are most important, when choosing to buy the product or not. For example: in Amazon case, these factors are a large choice of products, convenient and fast shopping.

2. Price - in this case include all costs, that are incurred in providing product to the consumer. It includes raw materials, production costs, advertising, production, sales and delivery.

3. Value - the difference between the user's benefit and price. The value must meet certain requirements:

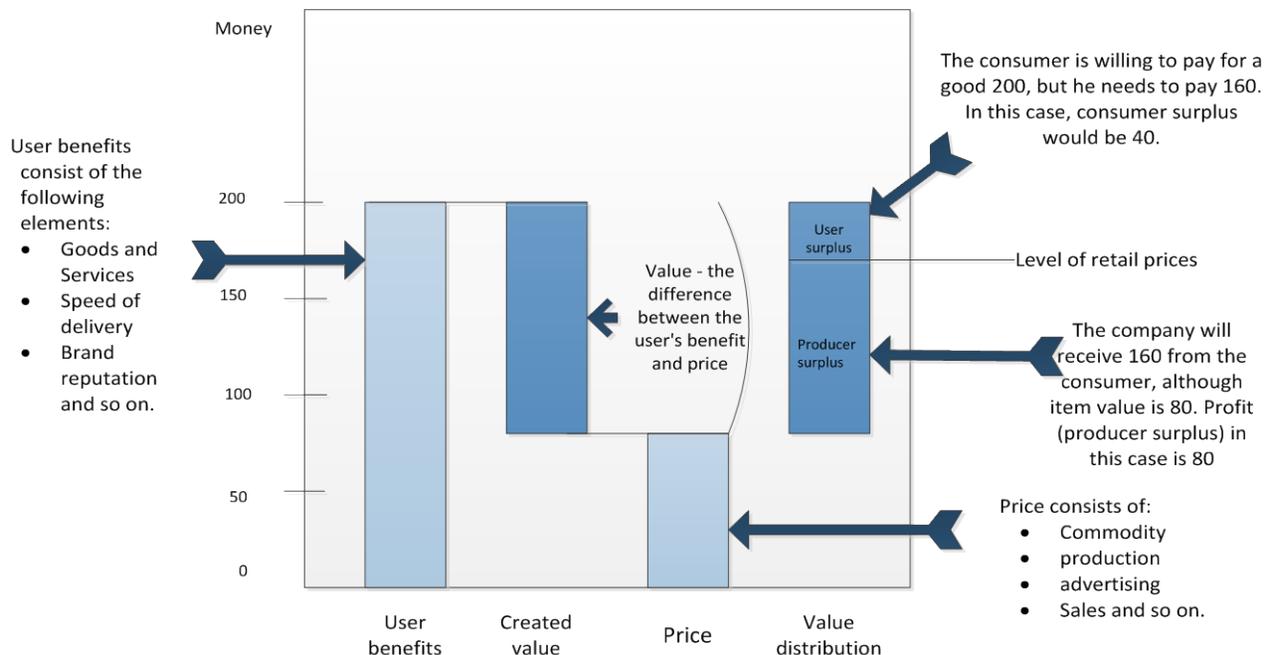
- It must be positive: the price must be lower than the benefits, received by the user. Often companies have not thought about this. A perfect example - in 1998 Motorola's first mobile phone from Iridium. It sought to deliver uninterrupted wireless connectivity anywhere in the world. However, this phone has been more difficult than the others, did not work in machines or buildings. Given the low level of user benefits, that this phone has brought and high prices, low consumer chose this phone and its sales were soon discontinued.

- Must be higher than the value created by the competitors.

The created value further divided into:

- User surplus - in terms of the same model of the printer: if the user was willing to pay for it 200 USD, while 160 USD was paid, it means that there is user surplus - 40 USD.

- Producer surplus - in conjunction with the same example, the user pays for the printer 160 USD, though in the real value is 80 USD. In this case, the producer surplus – 80 USD is the difference between the price, paid by the consumer and the real value of the goods.



Source: adapted by the Jelassi, Enders (2005) p. 97, 101

Figure 3. User value

After analyzing the definition of e. business value and it’s features, it can be concluded that e. business value is related to the e. business quality. Since e. business value is a very broad term, and the definition of e. business quality is not defined, it can be inferred that the e. business quality is a part of business value.

Conclusions

Combining different e. business and e. business quality definitions, there could be stated, that quality of e. business is feature, value that is expected from the business, which uses information technology infrastructure to increase business efficiency and provide a basis for new products and services. The definition of value is analyzed and described in scientific articles and sources. E-business value is defined as the difference between the benefit received by the consumer and the cost needed to produce the product (Jelassi, Enders, 2005). In 1998 W. Ch. Kim and R. Mauborgne introduced business value curve, which is based on the answers to four questions and helps to raise the value. After analyzing the definition of e. business value and e. business quality, it can be concluded that both these definitions are connected. Since e. business value is a very broad term, and the definition of e. business quality is not defined clearly, it can be inferred, that e. business quality is a part of e. business value.

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