

**How organisations are using the internet to enhance their  
business to business relationships**

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## **How organisations are using the internet to enhance their business to business relationships**

### **Abstract**

The Internet is a business tool that is both widely acclaimed and highly criticised. In reality, the Internet assists managers to communicate and distribute with customers and other stakeholders. Trust is widely examined in B2B relationships, and more recently, the concept of technology trust has become important. This paper integrates literature from B2B marketing with literature about Internet marketing. It then examines the literature surrounding the use of the Internet in Business-to-Business (B2B) relationships to gain a greater understanding of how the Internet can enhance B2B relationships. In particular, it examines models that may be applied to the use of technology in these relationships.

## **Introduction**

The Internet is increasingly being used in business-to-business relationships in order to improve relationships with supply chains and streamline processes, ultimately saving costs for businesses. Many businesses, in introducing technology, have not addressed what impact this may have on trust within the relationship. In seeking to better understand business networks and how technology is used, this paper briefly examines some recent literature about business-to-business relationships and the fragile nature of these relationships. It will then discuss the use of the Internet by businesses, in particular, examining the literature surrounding the use of the Internet in business-to-business relationships. It will conclude by carrying out a content analysis of some web sites that have a section targeting other businesses.

## **Definitions**

Prior to discussing how business to business relationships can utilise the internet, it is important to have an understanding of some of the terminology used.

*Business-to-Business (B2B) relationships* are widely researched in marketing. They are defined as markets where a business markets and sells goods and services to another business for use by the customer, or for resale to other customers (Wright, 2004).

*Electronic Marketing* can be defined as using the Internet and other digital related technologies to achieve marketing objectives (Strauss and Frost, 2001). Authors' views about where E-Marketing strategy fits in differ. For instance, Dann and Dann (2001) view E-Marketing as part of the entire Marketing Management effort, while

Kotler (2000) assumes that strategy has been predetermined, and it is the Marketers role to manage the marketing efforts. In this sense, strategic planning takes a back seat to management and implementation.

*Electronic Business*, on the other hand, includes all communications and transactions with an organisations' stakeholders – for instance, customers, suppliers, financial institutions, employees and the public in general (Rao, 2000). In general, Electronic Business can be understood as follows:

$$\mathbf{EB = EC + BI + CRM + SCM + ERP}$$

Where:

- EB = E business
- EC = Electronic Commerce
- BI = Business Intelligence
- CRM = Customer relationship management
- SCM = Supply chain management
- ERP = Enterprise resource planning

B2B Internet activities, therefore, tend to fit in under the title Electronic Business.

### **Business to Business Relationships – an understanding**

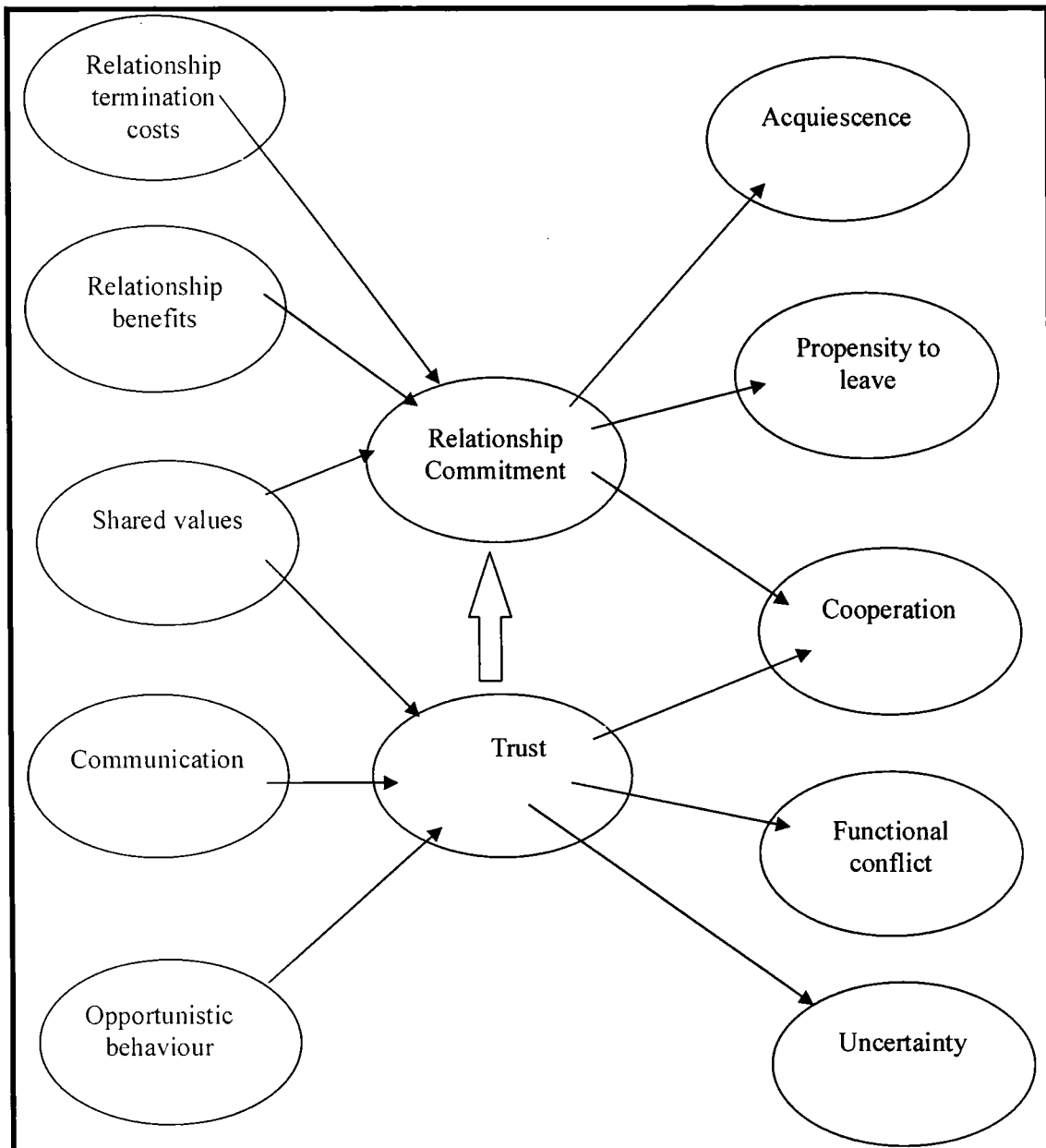
There are a number of considerations that are important when addressing business relationships. According to Wilkinson and Young (2002), there are five groups of factors that need consideration in relation to business networks. These are:

- a) *Characteristics of the relationships and interactions in which a firm is involved*

- b) *Characteristics of a firm's relationship partners*
- c) *Characteristics of connected relations and their interactions*
- d) *Characteristics of a firm's network positions*
- e) *Characteristics of the network as a whole*

These factors influence the potential success and longevity of a relationship. In general, business-to-business relationships tend to be relatively long term and stable – overall, it is the interaction of the stakeholders that impact on the exchange within the relationship. Unlike business to consumer (B2C) relationships, price is not as important in business-to-business transactions (Stahl, 2002). Despite this stability, the relationships are still dynamic, where the stakeholders are reacting to product development, innovation and customer changes (Stahl, 2002).

Trust is a very important factor in business-to-business relationships due to their high importance and the fragile nature of these relationships (Harris, Dibben, 1999). Trust can be defined as “the belief in the integrity, honesty and the reliability of another person” (Dwyer and Tanner, 2002). Trust leads to relationship commitment (Dwyer and Tanner, 2002), which is what marketers are striving to achieve. In general, trust is a key element for relationship success and tends to be related to a number of elements such as competitive advantage and satisfaction (Ratnasingam & Pavlou, 2003). A number of issues lead to trust, as demonstrated by the following model:



(Source: Morgan and Hunt, 1994)

This model indicates the number of factors leading to trust in relationships, and how trust then leads into a number of issues, such as cooperation and uncertainty. It is obvious from this model how important trust is to the commitment to the relationship.

There are two key types of trust in business relationships – trading partner trust and technology trust (Ratnasingam & Pavlou, 2003). As the name suggests, trading partner trust is about trust between the business network participants. When purchasing from other businesses, either for use within the business, or for resale,

issues such as whether the products are of appropriate quality, whether the appropriate quantity will be delivered, whether delivery will be on time, and whether the price is appropriate are issues for buyers are issues for buyers. For sellers, it is usually a payment issue that can impact on trust (Violino, 2002).

On the other hand, technology trust has been defined as “the subjective probability by which an organization believes that the underlying technology infrastructure and control mechanisms are capable of facilitating inter-organizational transactions according to its confident expectations” (Ratnasingam & Pavlou, 2003). As technology use has increased in business-to-business networks, technology trust has become an important issue that must be addressed. Some of the requirements to ensure technology trust include confidentiality, integrity, authentication, non repudiation, access controls, availability, best business practices (Ratnasingam & Pavlou, 2003). To understand the concept of technology trust, the way in which businesses are using technology in B2B contexts will be examined.

### **The Internet and Business to Business Relationships**

When the Internet was being commercialised, it was hailed as ‘the next big thing’ in business. Businesses were told that if they did not implement e-business and e-marketing practices in their organisations, they would fail. As a result, many organisations jumped head first into using technology, with little regard to the strategy, or what worked for their target market. This is done to provide improved levels of customer service to the target market, and to lower costs for communication and distribution.

Despite this, the internet offers enormous benefits for businesses. The Internet can be used for both B2B and B2C markets for each of the following activities:

- Transactions
- Information
- Marketing
- Entertainment (less of a focus in the B2B market)
- Selling & Buying *(Wright, 2004)*

It can enhance relationships, however, it is also possible that technology could have a negative effect on relationships if the strategy applied is not appropriate. B2B Internet usage is growing in popularity for many reasons, from cost savings to benefits in the value chain. Technology provides obvious benefits for organisations such as the ability to carry out transactions around the clock, in addition to increasing confidence of business partners due to their online transaction ability (Ratnasingam & Pavlou, 2003). As a result, Forrester Research estimates that overall, 90 percent of e-commerce will be generated from the B2B sector, rather than the Business to Consumer (B2C) Sector (Reedy, Schullo and Zimmerman, 2000). Overall, Forrester Research believed in 2000 that transactions would reach \$2.7trillion by the end of 2004 (Blackmon, 2000; cited in Ratnasingam & Pavlou, 2003). The Boston Consulting Group predicted in 1999 that by 2003 a quarter of all US B2B transactions would be carried out completely online (Ratnasingam & Pavlou, 2003). In fact, there is a growing trend for some companies to refuse to operate with those not using web facilities in their operations (Reedy, Schullo and Zimmerman, 2000), indicating the importance of having web facilities in a business-to-business relationship.



The development of Internet usage has involved transformations particularly in the area of organisation expectations of creating value within a supply chain (Baroncelli and Adami, 2003). For instance, implementing Information Technology in a business tends to change the value chain from one that is linear to one that is a value network (Carignani and Mandelli, 1999; cited in Baroncelli and Adami, 2003). This allows businesses to extend their relationships with customers, suppliers, retailers, brokers, co-producers, employees and shareholders, and have a more personalised relationship with them (Kandampully, 2003). These personalised relationships are a key goal of marketing, and tend to lead to a more sustainable relationship.

There are five key strategies that can lead to a sustainable competitive advantage in relation to e-commerce. Most of these elements focus on benefits filtering to the supply chain and are therefore relevant when addressing business-to-business relations.

- *Actively collaborating with supply chain partners*
- *Extending the company's reach up and down the supply chain*
- *Changing the supply chain flow path*
- *Growing revenue*
- *Transforming capabilities into new business*

*(Keevil, Nickel and Christodouleas, 2001)*

The way in which a business addresses each of these strategies can impact on the B2B relationships and it is therefore important that this is addressed by an organisation. Failure of an E-Business strategy can be caused by a number of factors, however, ultimately they link to problems with marketing strategy formulation. Strategic

planning for E-Business and E-Marketing link in with planning for traditional business. As Hardaker and Graham (2001) express, the “principles of strategic marketing planning in the ... [traditional market] .... are the same for the virtual market, but the conditions and focus are different”. In other words, strategy must be developed prior to introducing the Internet within business activities.

In traditional markets, trust is important, however, it becomes even more important in business-to-business relationships due to contractual agreements, and higher cost transactions. Trust is also an issue online, and has been widely researched because transacting online can be perceived as a risky activity. As a result, it is important to address trust when transacting with other businesses online. Despite this, it has generally been researched from a Business to Customer (B2C) approach (Jevons, Gabbott, 2000) rather than from a B2B perspective. In addition, the way in which technology can be utilised in a business-to-business context, (Berthon, Lane, Pitt, Watson, 1998) however research has tended to focus on communication and distribution, rather than enhancing trust.

Some of the advantages of using the Internet in B2B activities include:

- Improving company performance
- Increasing value across the distribution chain
- Reducing costs
- Increasing profits
- Maintaining a competitive advantage
- Offering greater customer satisfaction

*(Wright, 2004)*

Of course, with these advantages comes some potential issues. For instance, an organisation might fail in their use of the Internet in their B2B operations because:

- They have no clear objectives and limited understanding of technology
- Technology cannot solve the issues needed solving
- Organisations have not carried out a cost/benefit analysis to determine whether the strategy offers a benefit
- The organisation have not co-ordinated the benefits nor communicated them to staff, suppliers and customers
- The technology is put before customer demands *(Wright, 2004)*

Criticisms of using the Internet in business-to-business relationships tend to centre around the separation of buyers and sellers (Ratnasingam & Pavlou, 2003) impacting on the success of the relationship. It is this separation that removes the level of trust from the relationship. Trust is often developed over the long term, through observing shared values, and through communicating, and therefore, it is important to foster relationships, regardless of whether the internet is used in business or not.

### **Content analysis of businesses using the internet in their B2B operations**

At this stage of the study, a brief content analysis has been completed, to gain an understanding of the use of technology in Business-to-Business relationships.

Twenty-Five organisational web sites were evaluated, ranging from small, private organisations, through to large, public organisations to determine how the internet was used in business to business relationships. Obviously, some of these sites required the use of passwords, or extranets, and as such, will only be evaluated on the surface level. The results of the content analysis are included in table one.

## Retailing Web Sites

In general, retailers use their websites to provide an extranet for suppliers to get information, place orders and gain more information.

Organisaton	Web Site Address	Evidence of online B2B activity
Coles Myer	<a href="http://www.colesmyer.com.au">www.colesmyer.com.au</a>	Provides health and safety details and policies for contractors of any Coles Myer Brand
Aldi	<a href="http://www.aldi.com.au">www.aldi.com.au</a>	Provides information for potential suppliers, listing benefits about becoming a supplier of Aldi
Coles	<a href="http://www.coles.com.au">www.coles.com.au</a>	A B2B Electronic Survey; the ability to register for supplier news; details about growing the Coles Home Brand; Contact maintenance and a password protected log in
Kmart Tyre & Auto Services	<a href="http://www.ktas.com.au">www.ktas.com.au</a>	Provides details for fleet owners to service their cars
Bi-Lo	<a href="http://www.bilo.com.au">www.bilo.com.au</a>	Provides a password protected customer log in, for details about the merchant structure, store layout and key contacts
Bookworld	<a href="http://www.bookworld.com.au">www.bookworld.com.au</a>	Provides details for potential franchisees
Woolworths	<a href="http://www.woolworths.com.au">www.woolworths.com.au</a>	Can access logos for advertising and catalogues, information for vendors online, design guides for catalogues and advertising, publications available,

## Technology Sales / Service

In general, technology providers utilise their web sites to promote products and services. A lot of these sites have a secure log in for suppliers.

Toshiba	<a href="http://www.toshiba.com.au">www.toshiba.com.au</a>	A wide range of products targeting small to large businesses. Has an entire section focused on industrial products. Most sections of the site (eg. Computers, medical, photocopiers etc) have a secure log in for B2B or "Partners"
Dell	<a href="http://www.dell.com.au">www.dell.com.au</a>	Information for SMEs and also for large and Government organisations. Small business centre offers deals relevant to the type of business, in addition to services. The large business section also offers deals more appropriate to bulk buying
Warranty	<a href="http://www.warranty.com.au">www.warranty.com.au</a>	Customer log in for registering of warranties,

Assistance Australia	<a href="http://assistance.com.au">assistance.com.au</a>	ordering of parts and logging of service jobs
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### Services

There are a vast variety of services, and most services providers are utilising their web sites to streamline services. Possibly most affected by the use of the internet, these services providers are allowing businesses to log in, and track how their service is going, order products, and communicate with the business

Mint Insurance	<a href="http://www.mintcover.com">www.mintcover.com</a>	Has a secure log in for business customers
Harris Technology Web Development	<a href="http://www.htwebbuilder.com">www.htwebbuilder.com</a>	Ability to be part of the portal once a web site for a business has been created
TNT Worldwide	<a href="http://www.tnt.com.au">www.tnt.com.au</a>	Log in to track parcel delivery; in addition to details about logistics management
Brightfox	<a href="http://www.brightfox.com.au">www.brightfox.com.au</a>	Password protected log in for clients to see how the web site progress is going

### Motor Vehicles

Motor Vehicle retailers are using their web sites to promote fleet services to business buyers.

Toyota	<a href="http://www.toyota.com.au">www.toyota.com.au</a>	Access for businesses wishing to buy fleets with information for them
Mitsubishi	<a href="http://www.mitsubishi-motors.com.au">www.mitsubishi-motors.com.au</a>	Access for businesses wishing to buy fleets with information for them

### Publishers

In analysing publishing, it was important to address a number of different publishers, from text book publishers, magazine publishers and publishers of particular books. Publishers are usually utilising their web sites to provide information for readers and potential readers. however, magazine publishers are providing information for potential advertisers.

McGraw Hill	<a href="http://www.mcgraw-hill.com.au">www.mcgraw-hill.com.au</a>	Information for schools, universities and colleges seeking to purchase books or obtain free trials
Australian Womens' Weekly	<a href="http://www.nine.msn.com.au/aww/">http://www.nine.msn.com.au/aww/</a>	Information about advertising in the magazine with details about demographics, rates and contacts
UBD	<a href="http://www.ubd.com.au">www.ubd.com.au</a>	Has a section for organisations wishing to advertise in the publications

### Telecommunications

Telecommunications is a growing industry, and business customers are utilising telecommunication services regularly. Analysing two providers of telecommunication services and two mobile phone manufacturers, and it is possible to see that telecommunications providers are utilising their web sites to provide information for businesses. Most of this information is product focused.

Optus	<a href="http://www.optus.com.au">www.optus.com.au</a>	Business section promoting phones and deals for businesses; thumbprint log in for businesses so that they can tailor the site's content to their needs – for instance, publications, account details etc.
Telstra	<a href="http://www.telstra.com.au">www.telstra.com.au</a>	Information for businesses from small, medium, large and Government organisations – information on products, services and news that is relevant, including information on balancing work and family life
Motorola	<a href="http://www.motorola.com.au">www.motorola.com.au</a>	Breaks products down into “business” and “personal”. Details products that are appropriate for the business market
Nokia	<a href="http://www.nokia.com.au">www.nokia.com.au</a>	Has an area in “Nokia Asia” that details information about network security, products that are useful to businesses, and information about email

### Travel

In general, the travel industry are using their websites as a way of promoting their products to the business market

Flight Centre	<a href="http://www.flightcentre.com.au">www.flightcentre.com.au</a>	Details about business travel including benefits of using Flight Centre
Accor Group	<a href="http://www.accor.com.au">www.accor.com.au</a>	Promotion of business partners including links & logos; details of business program and special enquiry form for business customers

### **Banking**

In general, the banking industry are using their websites as a way of promoting their products to the business market

Commonwealth Bank	<a href="http://www.cba.com.au">www.cba.com.au</a>	A great deal of information about corporate banking
Westpac	<a href="http://www.westpac.com.au">www.westpac.com.au</a>	A great deal of information about corporate banking

### **Implications & Future Research**

There is an understanding that technology trust is an important issue in business-to-business relationships, however, at present, very little research has looked at how technology impacts on trust in these relationships. Therefore, further research will be carried out to determine how technology impacts on trust in the business-to-business relationship and what businesses can do to decrease this impact, if it is indeed negative. By examining all the factors that lead to trust, and seeing whether technology affects these factors, it will be possible to develop implications for marketers.

From this brief discussion, however, it is possible to see that businesses must consider their target market when introducing technology. In particular, business to business relationships can be very fragile, and the impact of the technology on the relationship must be considered prior to introducing technology.

The content analysis has indicated some of the ways in which businesses are introducing technology into relationships – some of this cannot be properly observed, due to password protected extranets. As a result, further research is also required evaluating exactly how the internet is used in business to business relationships.

### **Limitations & Summary**

This paper has briefly evaluated a few of the many studies on business-to-business relationships. As a result, further studies must be carried out to gain a better understanding of the nature of various business-to-business relationships. In addition, this paper has evaluated how the Internet can be used in business-to-business relationships. Further research must be carried out to determine what impact the Internet has on these relationships.

In attempting to understand the nature of business-to-business relationships and how technology is used, this paper has evaluated some of the literature on traditional business-to-business relationships, in addition to the use of technology in these relationships. Technology trust is an important issue that must be addressed by organisations carrying out B2B activities online. Trust is imperative in sustaining B2B relationships and is also an issue when using the internet in general. In a traditional market, trust is present through shared values, communication and opportunistic behaviour. The internet is simply a tool to enhance communication and distribution, and as a result, it is imperative that organisations focus on these three issues when operating in a B2B market. The content analysis was evidence of how some organisations are using the internet to enhance, but not replace, their business to business relationships.



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