



E-Commerce and Retail Trade

**Evaluation of survey on:
“Existing E-commerce
Strategies in Retail Trade”**



Education and Culture

Leonardo da Vinci

The survey was conducted as part of the European Leonardo Project: "E-commerce and Retail Trade: Customer Relationship, Service and Controlling"

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1. Goals

The goals of the survey were:

- to analyze existing e-commerce strategies in retail trade companies in the individual partner countries, focusing in particular on controlling, service, and customer relationship, as well as on the state of e-commerce development in these companies.
- to document similarities between companies, but also country-specific information.
- to determine areas in which further education is necessary and use this information to develop an online training course on customer relationship, service, and controlling.
- to find best practice examples together with the transnational partners and to design a multilingual loose leaf collection with a total of 10 best practice examples from all partner countries.

2. Methodology

We designed a standardized questionnaire (Appendix 1) with open and closed questions, which covered the following topics:

- Information about the company
- E-commerce in the company
- Need for further education and training in e-commerce

The target group of the survey was originally defined as retail trade businesses with experience in e-commerce (B2C and B2B) and up to 250 employees. However, because e-commerce in each partner country is at a different stage of development, it was decided after much discussion to expand the target group to include companies that took advantage of electronic business processes, even if they did not yet make use the internet or an online-shop to sell goods.

The survey was conducted in printed form. The questionnaire itself was five pages in length (DINA4) and was designed to take 20-30 minutes to fill out.

3. Compliance with data protection regulations

In a “statement on data protection and the absolute confidentiality of information provided“ (Appendix 2), recipients of the questionnaire were informed of the procedures used for data processing and storage.

All information gathered was handled in full compliance with data protection regulations, and no information was given to third parties. Questionnaires were anonymized using a code number, and all data were processed in an anonymous fashion.

4. Implementation of the survey

Each of the transnational partners was responsible for distributing questionnaires to its respective target region. Questionnaires were disseminated between May and August of 2002.

In order to guarantee an adequate response rate, each of the partners chose the method of distribution best suited to the target region for which it was responsible. In Germany, for example, the Bildungszentrum des Einzelhandels Sachsen-Anhalt chose to conduct personal interviews, as the response rate in earlier projects had been too low in the absence of one-on-one contact.

5. Data processing and analysis

Each partner organization was responsible for data processing and analysis in its respective region. Together with the IWI in Vienna, the **zbb** designed a coding plan (Appendix 3) and an Excel-based data entry table, which were forwarded to all partner organizations. A sample questionnaire was also provided in order to illustrate the process of data entry.

The compilation of all data and the statistical analysis was performed by the **zbb** together with the IWI, Vienna.

6. Survey results

The findings presented here are based on a total of 141 questionnaires completed by companies in Germany, Austria, the Netherlands, Great Britain, and Lithuania.

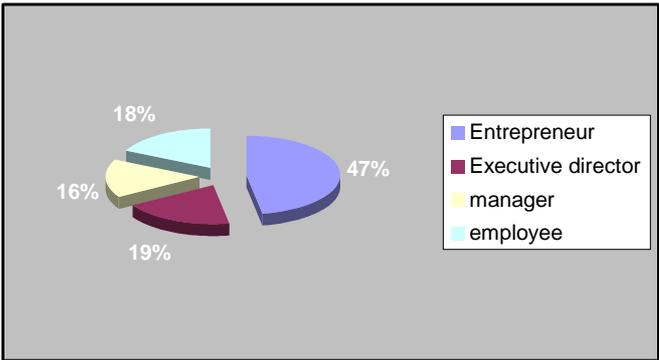
Country	Partner organization	Number	Percent
Germany	Bildungszentrum des Einzelhandels Sachsen-Anhalt	23	16,3%
	Bildungszentrum des Sächsischen Einzelhandels	20	14,2%
Lithuania	Labour Resource Agency	32	22,7%
UK	Enlightenment Productions	22	15,6%
Austria	Industriewissenschaftliches Institut	20	14,2%
Netherlands	Kennis-en Opleidingscentrum Handel	24	17,0%
	Total	141	100 %

Although it is impossible, based on the data provided, to draw definitive conclusions for the countries participating in the survey, or for Europe as a whole, it is still possible to point out a variety of important tendencies and trends that have particular relevance to the goals of our project listed above.

6.4. Information about the company

Position in the company

47.1% of the questionnaires were filled out by the entrepreneurs themselves, and 19.3% were completed by executive directors. 15.7% of the questionnaires were filled out by managers, and 17.9% by company employees.

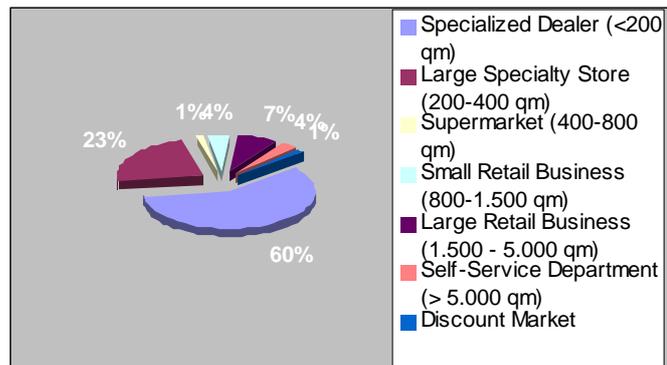


Because this was a survey on e-commerce, we can safely assume that the individuals in this last group (company employees) were directly involved with e-commerce in their respective places of work.

It can also be safely assumed that the information provided by the companies is valid and gives an accurate picture of the each company's state of development.

Type of business

Almost 60% of the participating businesses belonged to the category of "specialized dealer" with a sales space of up to 200 m². The second-largest group, or 22.9% of our respondents, were "large specialty stores" with a sales space of 200-400 m².



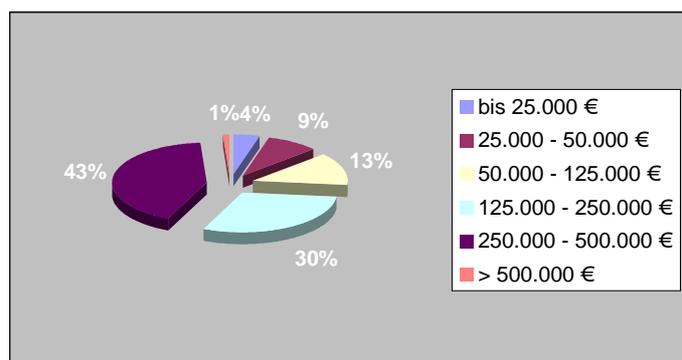
Together, these small and mid-sized specialty shops made up a large majority (82%) of our respondents. This would seem to imply that these types of specialty retailers are currently more likely to take advantage of the possibilities offered by e-commerce than other types of small and mid-sized retail companies.

At the same time, this figure suggests that e-commerce makes the most sense in cases where small and mid-sized businesses are able to set themselves apart from the competition by using their special expertise or offering a specific line of products. It seems clear that this distinctiveness should be an essential aspect of any company's marketing strategy.

Annual sales

Almost half of the participating companies (46.4%) had annual sales between 250 000 € and 500 000 €

Another 28.6% of our respondents reported annual sales between 125 000 € and 250 000 €.



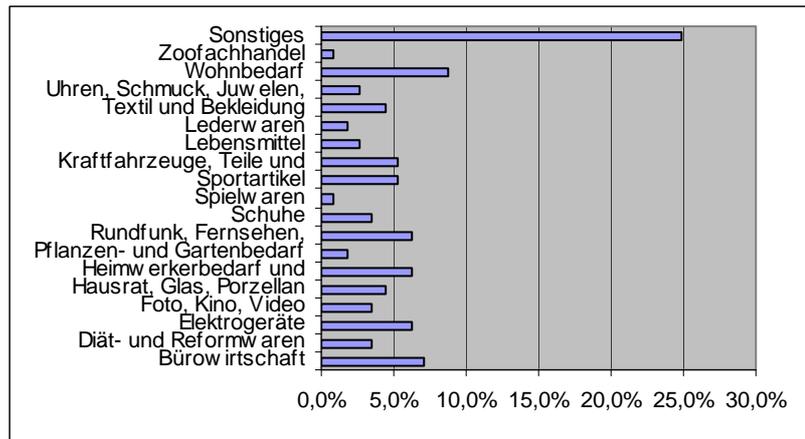
It would, of course, be premature to conclude that it is primarily companies with a high sales volume which take advantage of e-commerce technologies. However, it can be assumed that precisely these type of businesses have the financial and human resources at their disposal that are necessary to implement electronic business processes. 72.2% of the specialized dealers surveyed could boast of such a sales volume.

Branch of business

For this question, we did not provide a list of pre-defined business sectors, but rather left the space free for companies to fill in themselves the branch of business to which they belonged.

For the analysis, we used the itemization seen in the table to the right.

The category “other” is comprised of companies that had either a product palette spanning a variety of business sectors, or a very narrow, exclusive product line.

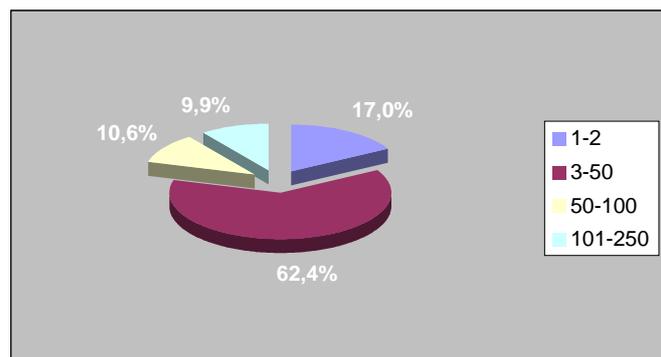


Branch	% of companies surveyed
Office supplies and equipment	7,1%
Health food and related items	3,5%
Consumer electronics	6,2%
Photography, movie, video	3,5%
Household goods, glass, china	4,4%
Tools and home improvement supplies	6,2%
Plants and garden supplies	1,8%
Radio, television, video	6,2%
Shoes	3,5%
Toys	0,9%
Sporting goods	5,3%
Automobiles, parts and accessories	5,3%
Groceries	2,7%
Leather goods	1,8%
Textiles and clothing	4,4%
Watches, jewelry, gold and silver	2,7%
Furniture	8,8%
Pet shops and supplies	0,9%
Other	24,8%

Although it was possible to assign 75.2% of the companies to a particular branch of business, the number of different business sectors was so great that, at least with the information at our disposal, it was impossible to analyze any specific branch-related information.

Number of employees

The analysis of the number of employees was based on the European Union’s SME-definition. However, in order to better pinpoint the unique characteristics of retail trade companies in Europe, we

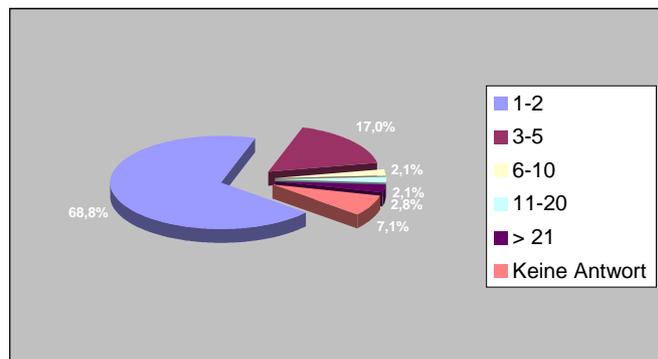


performed a detailed breakdown, which took into account the fact that small retail trade businesses generally only have 1-2 employees.

The majority of companies surveyed had between 3 and 50 employees.

Number of employees working in e-commerce

In 68.8% of the participating businesses, a total of 1-2 employees worked in e-commerce. Only 17% of the companies employed 3-5 individuals in their online division. Companies with more than five employees in e-commerce made up only 7% of the businesses surveyed. 7.1% of the respondents did not provide any information on this topic.

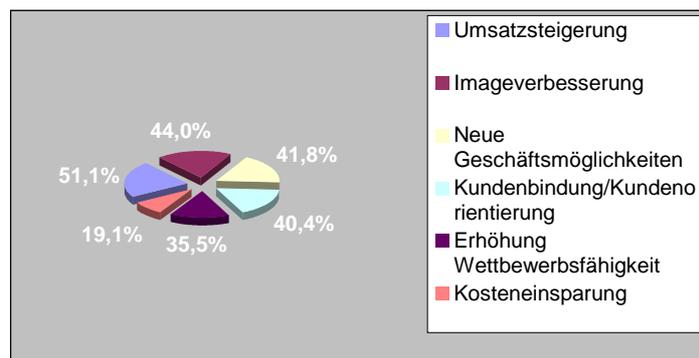


6.5. E-commerce in the companies

What does the company hope to achieve with e-commerce?

For this question, the companies were asked to rate a number of theoretical goals as “very important,” “important,” “less important,” or “not important.”

Given these choices, the companies rated “increasing sales volume” with e-commerce as “very important,” whereas the goal of optimization, or “cutting costs” was regarded as “less important.”



This is surprising given the latest studies in Germany, for example, which show online sales to be stagnant and the prospect of increasing profit, both in traditional and electronic segments, to be poor.

What goals related to e-commerce have already been reached?

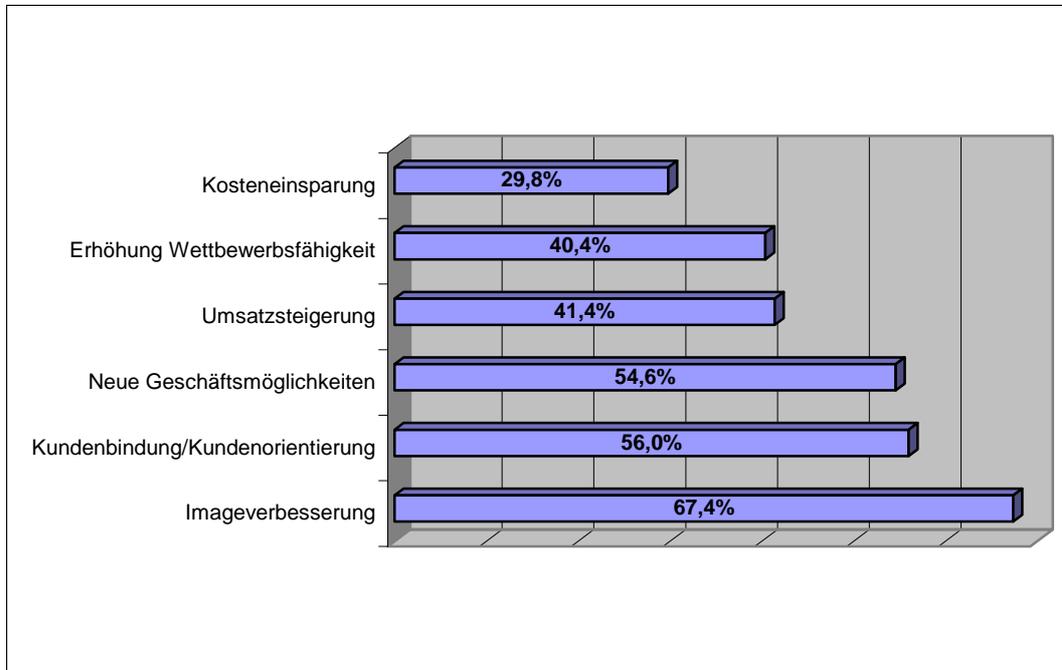
As the answers to this question demonstrate, there is a large gap between the companies’ goals and their everyday reality. To answer this question, the companies could choose between the answers “completely,” “partially,” “not reached,” or “uncertain” for a variety of theoretical goals.

Only 7.8% of the companies had actually achieved an increase in sales volume, and 12.8% of all companies surveyed were unclear whether there had been any increase at all.

Most companies answered this question by noting that they had only “partially” reached their respective goals. This answer confirms the basic approach of our

project, which involves the development of an online training course on e-commerce that emphasizes the potential of this technology to optimize business processes and increase profitability.

The following ranking order could be observed:



Above all, the companies indicated that they had been able to use e-commerce to significantly improve their image. The potential of e-commerce with regard to customer loyalty and customer relationship was also confirmed by the results of the survey.

What aspects of the business are already being conducted or supported electronically?

In order to achieve an overview of the current state of e-commerce development in the companies surveyed, respondents were provided with a selection of 22 possible business processes and asked if any of these were already being conducted or supported electronically. Respondents could answer with "yes," "partially," and "no."

For the answer "yes," the following ranking order could be observed:

1	Online banking (138)	64,5%
2	Business correspondence via e-mail (137)	62,0%
3	Comprehensive Internet presence (131)	55,0%
4	Information exchange via Internet or Intranet (136)	52,2%
5	Ordering of goods and services (B2B) (135)	48,9%
6	Digital business card in Internet (133)	38,3%
7	Electronic payment system(s) (133)	38,3%
8	Electronic product catalog (< 50 items) (97)	37,1%
9	Special offers (131)	34,4%
10	Electronic collection and compilation of customer information (133)	32,3%

11	Online shopping (133)	30,8%
12	Logistics management (134)	30,6%
13	E-newsletters(115)	27,8%
14	Electronic product catalog (> 100 items) (109)	27,5%
15	Electronic order management (from order to delivery) (134)	26,9%
16	Electronic advertising on other web pages (132)	26,5%
17	E-mail campaigns (130)	20,0%
18	Service and customer support (131)	19,8%
19	Electronic product catalog (51–100 items) (97)	19,6%
20	Customer questionnaires (130)	11,5%
21	Electronic complaint management (130)	10,0%
22	Bonus systems, etc. (131)	9,2%

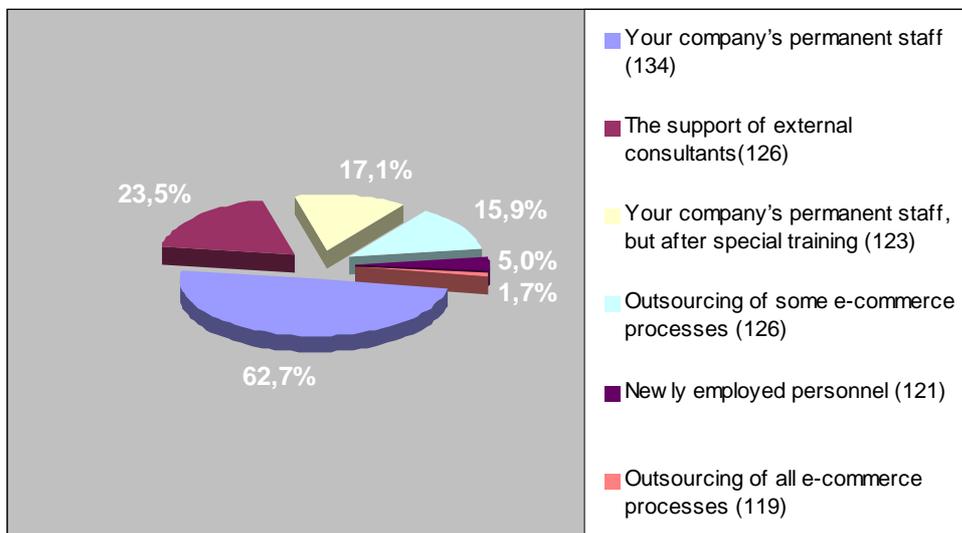
As these results show, more than half of the companies had already begun taking advantage of e-mail, online banking, data exchange via internet/intranet, and the electronic ordering of goods by the time the survey was conducted.

With regard to online presence, however, our survey shows that only 30.8% of the companies sell products using an online shop. In fact, 38.3% of the companies still had nothing more than a simple digital business card.

The most common form of online presentation was the “comprehensive internet presence,” which, however, may or may not include online shops. Our results also show that the companies surveyed were not yet taking full advantage of online marketing and the potential of e-commerce to improve customer relationship and management.

With regard to the design and development of our online training program, these findings indicate that we have indeed identified the areas in which further education in e-commerce are most needed. Another finding is that our target group is comprised of companies that have a website for image reasons, but still need to be shown how they might take advantage of the potential for optimization offered by e-commerce technologies, and eventually open an online shop.

What personnel resources are used to conduct e-commerce activities?



62.7% of the companies had attempted to implement e-commerce technologies using existing personnel resources and with no further training. Only 17.1% of the companies surveyed had members of their permanent staff trained in e-commerce technology before they began work in the online division of the company's business.

Although it would be incorrect to assume that the majority of employees working in e-commerce have insufficient training, these numbers do indicate that appropriately designed training courses in e-commerce technology and strategies could help employees fulfill their daily tasks more effectively, allowing for greater overall productivity.

What factors are important in order to guarantee long-term success with e-commerce?

1	Customer loyalty and satisfaction (134)	63,4%
2	Regular updates of web pages (135)	54,1%
3	Data security (134)	46,3%
4	Professional web design (134)	39,6%
5	Continuous market observation (134)	38,1%
6	Special offer campaigns (134)	35,8%
7	Adapting existing e-commerce strategies to market changes (135)	31,8%
8	Regular optimization of hardware and software (133)	25,6%
9	Optimization of internal business processes (132)	22,7%
10	Complaint management (133)	21,1%
11	Cost control (133)	21,1%
12	Technical support (133)	21,1%
13	Targeted human resources development (132)	18,9%

63.4% of the companies rated "customer loyalty and satisfaction" as the most important factor in guaranteeing long-term success with e-commerce. Surprising, however, is the fact that only 32,3% of the companies surveyed had already collected and analyzed customer data electronically. Coupled with the fact that the companies did not consider strategic human resources development to be of any great importance (see previous item), this discrepancy between goals and everyday business reality shows that the significance of customer loyalty and satisfaction needs to be emphasized in any online training program on e-commerce. This is especially the case with regard to customer acquisition.

Regular updates of website information content were regarded by 54.1% of the companies surveyed as important for guaranteeing long-term success with e-commerce. This aspect should therefore receive special attention in any training program that deals with controlling.

One surprising finding of our survey is that a large number of the companies (46.3%) regarded data security to be an important criterion for the success of their business. For companies that have already implemented electronic business processes, operational malfunction of these computer-aided systems represents a considerable risk. In order to avoid such problems, a number of steps need to be taken, including the effective and proper use of anti-virus software, back-up systems, and firewalls. Any course offerings on e-commerce will therefore have to pay closer attention to the topic of IT security.

What criteria does the company use to measure the success of an e-commerce strategy?

1	Number of orders (132)	54,5%
2	Sales volume (133)	45,1%
3	Customer acquisition (135)	44,4%
4	Increase in the number of regular customers (132)	43,9%
5	Amount of customer feedback (132)	37,1%
6	Number of hits to homepage (130)	36,9%
7	Number of e-mail information requests (131)	23,7%
8	Cutting costs (130)	16,2%

The number of orders, followed by sales volume, and acquisition were rated by the companies surveyed as the most important elements of financial controlling. Cutting costs was seen as less important.

Interestingly, only 38% of the companies surveyed answered this question. This is not surprising, considering that controlling instruments such as the ones listed above are of little relevance to companies that have only a static website. However, the poor response rate for this particular item may very well indicate that businesses are still not taking full advantage of the abovementioned tools.

The lack of attention paid to controlling – especially to cost-cutting measures – emphasizes the importance of dealing with this topic in our online training course.

Key data on e-commerce activities

Because only very few companies provided information for this particular item, there is unfortunately not enough data to draw any meaningful conclusions.

Problems with the implementation of e-commerce strategies

This item was worded as an open question. Companies cited the following issues:

- Personnel
 - Lack of know-how
 - Need to include personnel in entire introductory phase
- Technical aspects
 - Problems with database(s)
 - Hardware and software maintenance
 - System failures
 - Choice of the right e-shop system (price and product comparisons)
 - Coordination with merchandise management system
 - Simple and regular updates of customer data and website content
- Cooperation with other service sector businesses
- Service
 - Customer data administration
 - Type of internet access (for customer and for retailer)
 - Payment systems
 - Customer information
 - Link with search engines

- Trust building measures
- Logistics
- Expenses
- Time management

What opportunities for development does the company see?

This item was also worded as an open question. The answers provided can be summarized as follows:

- Enhancing marketing strategies
- Intensifying customer relationship and loyalty
- Expanding online shop and internet presentation
- Boosting online sales
- Expanding into new business segments
- Improvements in design and service for customers
- Adapting to technological developments
- Improving logistics and expanding logistics systems
- Human resources development

All of the companies surveyed answered this question. In summary, it can be asserted that each of them aims to expand its e-commerce segment and make more efficient use of e-commerce technology. Any differences in standards appear to be due to the different stages of business development in the individual companies.

6.6. Further education/training in e-commerce

For this question, the companies were asked to rate a variety of training-related items. The following table lists items that were rated as “very important” or “important.”

1	Customer loyalty (130)	85,4%
2	Presentation of goods on the Internet (127)	81,1%
3	Data privacy protection and regulations (127)	75,6%
4	Web design and maintenance (131)	73,2%
5	Efficient order processing (127)	72,5%
6	Shopping on the Internet (125)	72,0%
7	Marketing optimization (121)	71,9%
8	Service via Internet (128)	68,7%
9	Electronic payment systems (126)	68,3%
10	Business management / controlling in e-commerce (123)	68,3%
11	Software solutions (125)	67,2%
12	Product line and pricing strategies on the Internet (125)	62,4%
13	Technical requirements of e-commerce (122)	62,3%
14	Competition analysis / market research (125)	60,8%
15	Planning for Internet presence (homepage) (124)	60,5%
16	Electronic marketplaces (126)	60,3%
17	Logistics (125)	60,0%

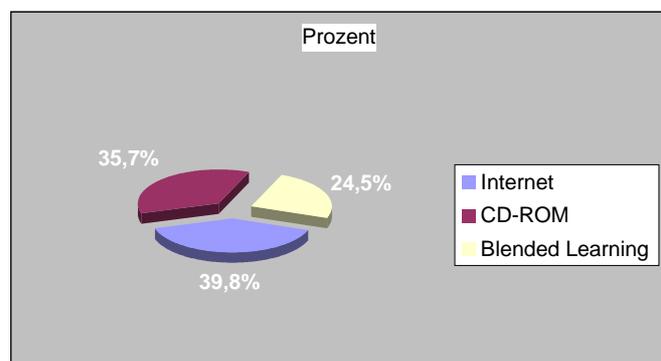
18	Complaint management (115)	57,4%
19	Market research (131)	56,8%
20	Quality management (123)	54,5%

The items “customer loyalty” and “presentation of goods on the internet” were rated by over 80% of the companies surveyed (85.4% and 81.1%, respectively) as important or very important. These were followed by the items “data privacy protection and regulations,” “web design and maintenance,” and “efficient order processing” (75.6%, 73.2%, and 72.5%, respectively). These items are clearly related to day-to-day business.

In contrast, items such as “quality management” and “market research,” which are more strongly associated with (mid- and long-term) strategic planning, were rated as less important.

Interest in computer-aided learning

A large majority of companies (71.4%) were interested in computer-aided learning. Of these, 39.8% were particularly interested in learning via the internet (WBT), 35.7% in learning with CD-ROM-based resources (CBT), and 24.5% in computer-aided learning accompanied by seminars, or so-called “blended learning.”



In Germany, for example, there is only a very limited selection of course offerings in a blended learning format. It can be safely assumed that this particular type of training is not yet well known and needs to be introduced in the retail trade industry.

What companies demand of computer-aided learning

“Flexible timing” and “flexible learning content” were rated most important by the companies surveyed. However, the differences in rating between the various items were minimal.

1	flexible scheduling	77,3%
2	flexible learning content	76,6%
3	training tailored to the company's need	75,9%
4	more effective monitoring of training progress	74,5%
5	development of computer and Internet skills	73,8%
6	less operational downtime	69,5%
7	fewer costs	68,8%

Interest in further information

76.3% of the companies surveyed were interested both in further information about e-commerce and in further training.

The results of the survey did not provide any evidence that country-specific factors played a role in the answers provided by specialized dealers on our questionnaire.

Our partner organizations have already chosen best practice examples and provided us with the appropriate descriptions and company-related data.

7. Summary

1. Specialized dealers with 50 employees or less are the target group for our online training program.
2. For the most part, the specifics of any particular branch of business need not be considered.
3. Retailers need to gain an understanding of the importance of human resources development.
4. As the majority of companies surveyed still used their internet presence only for reasons related to “company image,” it would seem advisable to assist these companies in expanding their use of e-commerce technology to include online sales.
5. The topics “customer relationship,” “service,” and “controlling” should be dealt with in accordance with each retailer’s specific needs.
6. Important topics:
 - Management of e-commerce processes
 - Customer relationship/loyalty
 - Marketing
 - Controlling
 - Data security
 - Online product presentation
 - Website design
 - Efficient order processing
 - Technical requirements and developments
7. Retailers tend to focus more on solving day-to-day problems with e-commerce technology than on long-term strategic planning. It will thus be important to pay special attention to questions of long-term strategy in any training program.
8. Companies should be made aware of the fact that the optimization of electronic business processes has the potential to increase sales. Of particular interest is information on web controlling.

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