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DEMAND CREATION OF ONLINE SERVICES FOR B2B AND CONSUMER MARKET – FOOD DELIVERY IN VIETNAM

Master of Science Thesis

ABSTRACT

The evolution of the Internet and the dynamic of the economy nowadays have created opportunities for young companies to enter the online market. The source of these opportunities comes from the changes of customer behavior as they get used to the digital world. New Internet-based products and services are created to offer more and more benefits to customers. Interestingly, the dynamic of the market does not only come from the changes of customer behavior but also from the fast development of technology and innovative ideas. Successful products and services even shape the behavior of customer in using Internet. It can listed here the famous examples of Amazon in changing online purchasing behavior of customer or Facebook in changing the way people communicate and connect with each other.

This research studies a new business model in online market, a multi-restaurants site which enables customers to order delivery food online. The model studied in this research is from the case company in Vietnam named *Goimon.vn*. As this is an emerging market segment in the market, customers are still not aware of the service model. Thus, the purpose of this research is to identify how the case company can create the market for their online food ordering service. In other words, the research tries to discover factors that influence the demand of customer in using the service. By generalizing the result of the case company's analysis, this research tries to identify model of demand creation for online services.

Outcome of this study is the framework of online demand creation. The framework shows how customer demand is generated and identifies sources of demand which can be exploited by online firms. For academic purposes, this study presents a systematic review of customer value of online services in localized marketing channels. For the case company, this study offers a body of knowledge regarding the business model of its service. The framework and roadmap of implementation at the end of the study gives valuable suggestions for managers of the case company to consider and apply into reality.

PREFACE

This research is conducted as the thesis study for my master program "Business and Technology" at Tampere University of Technology, Tampere, Finland. I have conducted this research for the online company *Goimon.vn,* a Vietnamese startup company, where I worked as a full-time technical manager after finishing all the courses. The study is strongly related to the business of the case company and therefore is expected to be useful for the company's managers.

As working full-time in a startup company is exhausted, it is really challenging for me to finalize the study. However, thanks to the great support of many people, I managed to do it in the end. First and foremost, I would like to express my gratefulness to the CEO of the company where I work, Mr. Nguyen Van Tri. He has given me a plenty of trust and encouragement so that I can manage to do the work and the study at the same time. Second but not less important, I send my greatest thanks to my supervisor, Prof. Olavi Uusitalo. Although I have to conduct the thesis from ten thousand kilometers far away, he has continual support and gives valuable comments and suggestions for my study. I also want to send my thanks to Mr. Nguyen Quang Thuan, CEO of Stox.vn and Mr. Le Huy Binh Yen, Senior manager of Smartlink Vietnam. They have answered my interviews with valuable information that helped me to finish the thesis. Finally, thanks to my family and friends who are always beside me and encourage me to do the research. Without all of you, I cannot be here.

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ABBREVIATIONS AND DEFINITIONS

4P (Product, Price, Place, Promotion)
Elements of a marketing mix approach

4C (Consumer, Cost, Communication, Convenience)
Elements of a marketing mix approach

7P (Product, Price, Place, Promotion, People, Process, Physical Evidence)
Elements of a marketing mix approach

B2B (Business-to-business)
The market between organizations

B2C (Business-to-consumer)
The market between organizations and consumers

CoD (Cash on Delivery)
A payment method which customers pay in cash after receiving the order

E-commerce (Electronic commerce)
Interchangeably with e-business which refers to the any kind of business over the Internet

E-business (Electronic business)
Interchangeably with e-commerce which refers to the any kind of business over the Internet

E-purchasing (Electronic purchasing)
The action of purchase using electronic payment method

Fanpage
A Facebook's page of a person, a group or a company which allows other people to follow the post on that page

SMS (Short Message Service)
A service for sending text messages between mobile phones

1. INTRODUCTION

1.1. Background and motivation of the study

Electronic commerce (e-commerce) was here for few decades and Internet-based business became the backbone in many economies. E-commerce helps small and medium size enterprises to develop faster (Wenyi & Xin, 2010) and increases the number of online shoppers (Worzala et al., 2002). The application of electronic commerce is becoming popular (Chan & Al-Hawamdeh, 2002). E-commerce applications are various in types which range from simple online bookstores to complex electronic banking systems (Chan & Al-Hawamdeh, 2002). Those applications help users save time, increase convenience and provide more choices. It would be terrible if one has to go to different bookstores to search for a book while he can use a website to order it directly. Such actions can be done within few minutes using an online service. It is no doubt that e-commerce are gradually replacing traditional business in a better way, such as removing the limitation of time and improving company's efficiency and competitiveness (Wenyi & Xin, 2010).

As a matter of fact, customer behavior changed as people get used to e-purchasing experience (Hernandez et al., 2008). For example, people would prefer to book cinema tickets in advance using online booking system rather than waiting in a queue. They also get used to searching through thousands of stores in electronic market like eBay and Amazon, comparing prices and ordering products online. Statistics from *comscore.com*[1] shows that one in five Internet users visit Amazon sites in a month, while eBay users also account for 16 percent of global online users.

Unfortunately, it is not easy to convince people to change their behavior. Consumers merely accept e-commerce immediately but through several stages (Hernandez et al., 2008). Despite obvious benefits which online services bring back, it takes time for people to know and experience the new things. Especially in a developing country like Vietnam where people still prefer using cash and doing face-to-face business, online business seems to be at its early phases. Number of reasons can be listed here, for example traditional buying habit, low quality of network infrastructure and poor quality of services. From another perspective, it requires Internet-based companies to

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[1] Comscore.com, Aug, 2011
http://www.comscore.com/Insights/Press_Releases/2011/8/Amazon_Sites_Visited_by_1_in_5_Global_Internet_Users_in_June (accessed Oct, 2012)

have appropriate strategy to reach the target markets and potential customers (Hernandez et al., 2008).

The use of Internet has also changed the way people value a service. Traditional properties such as customer service or good price are not the main concern of online consumers but the convenience and ease of use (Zimmerman, 2001 p.48). The same consumers would have different shopping behavior at online channel compared to offline channel (Chu et al., 2010). Therefore, it is important to understand how customer behavior changes when changing from offline to online channel.

For a developing country like Vietnam, number of online users who frequently do online shopping and purchasing is still low. In 2008, there were only approximately 50 websites allowing electronic payment although banks were expected to process 2 million transactions per day (MOIT, 2008 p.viii). Main activities on the Internet are reading newspaper and entertaining activities such as chatting, listening to music, watching video and playing games (Cimigo NetCitizens, 2011 p.18). Therefore, most of people do not have the habit of purchasing online. That, on the other hand, is a great opportunity for companies to enter this "primitive but fertile market"[2].

1.2. Description of the Case

The company in case, *HHTV Corp.*, is a Vietnamese startup company which was found in January 2010. The company is located in Hanoi, Vietnam. Its original business was not related to IT as well as Internet. Recently, in August 2011, it launched a new online service, *Goimon.vn*, in order to enter the Internet market. The main idea of the service is to provide information about restaurants and their menus, allow customers to browse through various food menus and order online. The orders are then transferred to restaurants which will finally do the delivery to the customers' locations. The benefits of such service to customers are:

- allowing customers to find restaurants near them, which deliver food to their locations;
- providing up-to-date information about restaurants' menus, deals and other contact information; and
- reducing annoyance when having to contact restaurants directly via phone.

The issue in this case is that online food ordering service is quite new in Vietnam at the moment. People prefer to go out and have meals at restaurants with their friends or to dine at home. In addition, online purchasing is also not a common method of buying goods and services in this country. Paying online is somehow untruthful to

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[2] PCWorld VN, Aug, 2007 http://pcworld.com.vn/articles/tin-tuc/tin-trong-nuoc/2007/08/1190934/thoi-cua-thuong-mai-dien-tu-viet-nam/ (Vietnamese, accessed Oct, 2012)

consumers and people would like to pay in cash and have a look at the product before buying. These behaviors prevent people to get used to online food ordering.

There are two big cities in Vietnam, which are Hanoi, the capital, and Ho Chi Minh city, the biggest city located in the South. Both have the population of more than 10 million people and are the main markets of online food ordering business. Currently *Goimon.vn* operates in Hanoi with more than 100 restaurants in their supply network. Other competitors, which can be counted in one digit number, mainly target at Ho Chi Minh City. The market is getting tougher as new comers are entering. In which, there are some big players in online service business not only in Vietnam but also in the world. Therefore, the challenge for *Goimon.vn* is quite high.

1.3. Research problem

In this case, online food ordering and delivery business is a new market where the actual demand is still low and there is not a market leader yet. By analyzing the market entry strategy of the case company, this Master's Thesis focuses on discussing how an online company can create their own market which was not existing or quite unclear before. It is not about market entry as the market does not really exist. In the other words, the main problem of this study is to answer the question:

> *What should a start-up company do to increase customer demand and create market for their online service?*

In addition to this question, there are some sub-problems which are needed to be discussed. These sub-problems are related to the case study. They can be defined in the following questions:

- *What are the characteristics of electronic business and how does an electronic business succeed?*
- *How do customers evaluate an online service and how is customer demand generated?*
- *What is the purchase behavior of customer and which approaches can be used to reach both B2B and B2C markets?*
- *How does culture and customer behavior affect the performance of online business?*
- *Finally, what could be the strategy for the case company to create customer demand for its service?*

Research problems are expected to be solved via discussing related literature topic and analyzing the case. They are broken down into several objectives which will be addressed in this research.

1.4. Objective of the study

The ultimate objective of this study is to build a framework of strategies for Internet-based companies who want to create the market for their online services. Although the case company is operating in a small section of online market, this study aims to generalize the case to a more universal problem. Concrete objectives are presented as:

1. To characterize electronic commerce and success factors of online services;
2. To identify dimensions of customer value in general and in online market specifically;
3. To discuss the managerial perspective of creating customer value and relationship between customer value and customer demand;
4. To review the topics of marketing mix and marketing channel in both B2B and B2C market for services and online services;
5. To examine the affects of culture, more specifically Vietnamese culture, to online business;
6. To discuss the business model of online food ordering service; and
7. To construct a framework for the case company to attain potential customers.

The discussions will be organized in chapters in the same order of the above list. In addition, several methods are used to address the objectives. Methodologies and structure of the research will be presented next.

1.5. Research Methods

According to Gummesson (1993), there are two types of research method: qualitative and quantitative method. Quantitative research collects data from the primitive source such as conducted surveys and questionnaires. In this approach, the author proposes a hypothesis and analyzes the collected data to determine whether the hypothesis is correct. Qualitative research reviews multiple perspectives in literature or in related researches to present a holistic view of the matter. The final conclusion could introduce a same point of view or raise an opposite argument with the existing literature. (Gummesson, 1993)

To address the objectives, this research uses the combination of both qualitative and quantitative method. First, in order to provide the background knowledge regarding the case company's business, this research conducts a literature review on related topics. Main topics are chosen to discussed are electronic commerce, customer value, marketing and customer behavior. The purpose of the literature review part is to discuss the customer behavior in online environment and how an online service can attain potential customers.

The second method used in this study is benchmarking. The purpose of this method is to compare the business models and strategies of similar services with the case company's. By analyzing the similarities and differences between these services, this study tries to find out the most suitable factors which can be applied to the case company. In order to do that, this study chooses to analyze *Grubhub.com* and *Foodpanda.sg* (online food ordering websites in U.S. and Singapore, respectively). Based on the framework constructed in previous chapter, this study discusses how the two services have operated in their local markets. Each factor of the framework will be mapped to the strategies and operation of those services. Such discussion reveals useful insights about the business operation of two successful online food ordering models in other markets.

In addition, personal interviews will be conducted with managers of several online companies. The first one is Mr. Nguyen Van Tri, CEO of the case company. He is the one who inherently has valuable information about the company and the market. The second one is Mr. Le Huy Binh Yen, senior sales manager of SmartLink Card Services Joint Stock Company. He has experiences in online shopping market of both consumers and organizations. The last one is Mr. Nguyen Quang Thuan, CEO and founder of StoxPlus Corporation, an online portal providing financial and stock market information. He experienced the startup environment and has knowledge about entering the online market. They are asked to evaluate the business model of online food ordering in case of Vietnamese market. Being experienced managers in the field of e-commerce, comments and suggestions of these interviewers would be valuable source of data to build the framework of demand creation.

Another source of data used in the analysis is from observation. The author worked for the case company as a technical engineer. It creates the opportunities to record data from customer support and sales departments. For example, common questions coming from customer through support system can be seen. Problems regarding restaurant's service quality can also be identified. Such data is valuable in understanding customer expectation of the food ordering service.

1.6. Structure of the Thesis

This Master's Thesis contains four main chapters. The first chapter is the introduction of the thesis. The next chapter is theoretical part which reviews and discusses literature of related topics. The first section in this chapter discusses the topic of online business in which characteristics of online business and online services are presented. Next, this chapter examines elements of customer value in general and in online services specifically. The next section reviews several marketing-related topics and discusses the difference between consumer and business purchase behavior in marketing perspective. The last section in this chapter

discusses the impacts of culture on the purchase behavior of customers and online customers. Additional, it discusses how an online service should adapt and localize its business according to the cultural differences in local market.

The next chapter is the empirical part which analyzes the business model of the case company and similar services in different markets. Two similar services chosen to form a benchmark for the case company are *Grubhub.com* and *Foodpanda.sg*. The first one is operating in US while the second one is in Singapore. Business models of these two services will be discussed based on the theoretical framework created in the previous chapter.

The last chapter will conclude the study by summarizing previous discussions. Recommendation for the case company's managers and outcomes of the study will be presented here.

1.7. Scope and limitations of the research

This study is conducted in the collaboration with *HHTV Corp.,* the case company. The focused area of the study is in Vietnam and in online food ordering market. Therefore, the result of this study is most probably valid only in the case of studied company. To define the scope of the research, these following points need to be kept in mind:

- The geographical market is Vietnam, a developing country where online services and purchases are not popular
- Vietnamese culture and purchase behavior has significant effects on the studied case
- The target market is online food ordering and delivery in Vietnam
- The case company is an Internet-based startup company

First, the Vietnamese market has specific characteristics which are different from other foreign market. In which, culture and purchase behavior of consumers are determinant factors. Thus, any generalization to other markets should consider the cultural and market-related differences. Additionally, the research is conducted with a startup company and in a small market segment. The result of the research may not be correct in other configurations. However, by taking a comprehensive literature review on related topics, this research tries to build a common understanding about the subject. The constructed framework would be useful in other similar cases.

The results in this research are aimed to equip the case company with background knowledge regarding its target business. Therefore, main readers of this study are the managers of the company. For academic purposes, this study is also useful for the ones who look for some specific areas of research, for example the Vietnamese market, the food and food delivery market and the online food ordering services.

2. CUSTOMER VALUE IN LOCALIZED ONLINE MARKETING CHANNELS

2.1. Characteristics of online business

2.1.1. Overview of E-business and E-commerce

For years, Electronic business (e-business) and Electronic commerce (e-commerce) have become the popular terms in everyday and business life. As technology evolves, electronic transactions become more complex and people are able to see many new applications. Almost every business activity can be done over the Internet nowadays, from online shopping in consumer market to the supply chain management in enterprise world. Brick-and-mortar companies build their corporate websites to offer online transactions. Information systems are used in inter-companies communication. Pure click companies which operate only via Internet appear. The economy jumps into the Internet age with much higher performance than before (Business Week, 2003).

To clearly understand these terms requires a lot of efforts from researchers. In general, they are similar as they both refer to the use of Internet and network in doing business. Sometimes e-business is used in a broader sense and includes e-commerce (Collecchia, 1999). While e-commerce is defined as a form of processing transactions over the Internet (Simchi-Levi and Kaminsky, 2003; Kalakota and Robinson, 2001), e-business is considered as a comprehensive change or renovation of business models and processes based on Internet technology (Simchi-Levi and Kaminsky, 2003; Kalakota and Robinson, 2001). Within the scope of this study, these terms will be used interchangeably.

What drives the transformation of economy from traditional business into e-business is the increasing number of Internet users worldwide. Statistics from www.internetworldstats.com shows that the growth of Internet users in the world is 630% from 2000 to 2011. In some areas, the growth reached 4-digit number (1031.2% in Africa and 1176.8% in Middle East). In Asia this number is 890% while in Vietnam, it is around 15400%, a shocking number (Table 1). This indicates the emergence of the Internet population and online markets. No companies can ignore this change. As a result, going online is a must with many companies.

*Table 1. Internet usage statistics (*http://www.internetworldstats.com/stats.htm*,
     accessed on 08/09/2012)*

Area	2000	2011	Growth
Global	360.000.000	2.267.000.000	630%
Asia	114.300.000	1.017.000.000	890%
Vietnam	200.000	30.800.000 (est. 2012)	15400%

Since the burst of "dot com bubble" in early years of this century, e-business has evolved in a more complicated stage. Thanks to the development of technology, e-business changes dramatically. Words like "Web 2.0", which were attractively mentioned a decade ago, have been obsolete. Cloud computing, social networks and mobile business are some of the dominant technologies nowadays. At the same time, business is developed around these emerging technologies and adopting new models. Without e-business, companies may lose its competitiveness to their competitors (Damanpour, 2001).

There are several ways of categorizing e-business applications. Turban et al. (2008) defined two approaches: classifying by type of systems involved and type of transaction taking place. According to the first approach, there are four types of applications, which are *electronic markets*, *inter-organizational systems*, *intra-organizational systems* and *service delivery systems* (Turban et al, 2008). Amazon (http://amazon.com) and ebay (http://ebay.com) are the most well-known examples of (1) electronic market. This is a place where buyers and sellers meet and conduct transactions online. A big population of users will be the most critical factor that determines the success of the market. (2) Inter-organizational systems such as a supply chain management application are to support the flow of information between organizations. Within an organization, (3) intra-organizational systems help to facilitate the data communication between departments and projects. For example, a human resource management system supports the manager to attract, select, train, access and reward the employees. Such mission is increasingly important in organizations nowadays. Finally, (4) service delivery systems are the ones which deliver services to end-customers. A file sharing software or an online music application can be categorized in this type.

In the second approach, e-business applications can be grouped in three main types: business-to-business (B2B), business-to-consumer (B2C) (Wenyi & Xin, 2010; Turban et al., 2008) and consumer-to-consumer (C2C) (Wenyi & Xin, 2010). The difference between these types is customer. Customers in B2B market are organizations while in B2C customers are consumers. Obviously, companies have to choose different strategies to deal with different kinds of customer. Consumer behavior and organization behavior have their own specific characteristics. The third pattern (consumer-to-consumer) is a type of online marketplace where transactions

are taken place between consumers. The service provider just enables the transactions to be happened. Figure 1 below shows the categories of e-business.

Types of system   Types of business

1. Electronic market (ex: Amazon, Ebay)		Business-to-business (B2B)
2. Inter-organizational system (ex: supply chain management)		Business-to-consumer (B2C)
3. Intra-organizational system (ex: human resource management)		Consumer-to-consumer (C2C)
4. Service delivery system (ex: file sharing, online music)		
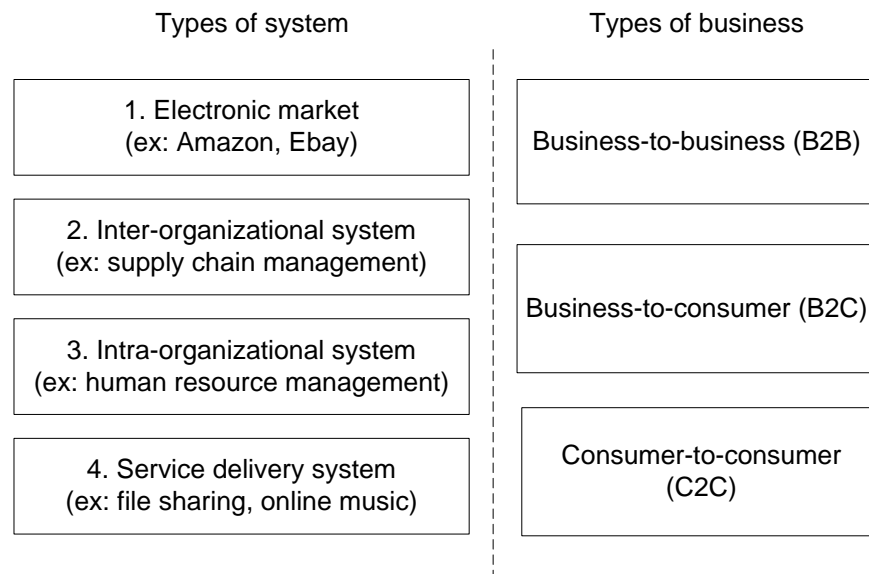
Figure 1. E-business categories (Turban et al., 2008; Wenyi & Xin, 2010)

2.1.2. E-business business models

With different types of application, there are different ways of generating revenues. Authors (Turban et al. 2008, p.18; Laudon & Trever 2008, p.70; Rappa 2008) identified these following business models: selling online products or services, earning commission fees, subscription fees, advertising fees, affiliate fees and usage fees. These business models are categorized based on the sources of revenue (Table 2).

The choice of revenue models is dependent on the characteristics of the products and services. Companies often use several models at the same time. For example, *Amazon* will earn profits by charging commissions on transactions or placing advertising banners on their website. They also charge extra money for using specific services such as offering larger space of information for a displayed product or providing virtual store (a personalized sub page) for a seller. The thing for firms is to choose appropriate model. A low traffic website obviously cannot depend on advertising fees or an electronic newspaper simply does not charge subscription fees for popular news. Many e-businesses have failed in using the correct model (Xu & Quaddus, 2009, p.10).

Table 2. Business models of e-business (based on revenue source)

1. Selling online products or services	
Description	• Based on transactions. • Customers order products and services via the providers' websites, and then the products are delivered to customers by post or downloadable packages.
Example	http://hm.com (H&M sells wearing, clothes and accessories)
2. Commission fees	
Description	• Suitable for electronic market type of E-business • Buyers and/or sellers have to pay a commission fee for a successful transaction generated on the market.
Example	http://ebay.com (Ebay earns commissions on each transaction happens on site)
3. Subscription fees	
Description	• Fees are charged periodically for delivering services to customers (for example, information about news, research works or product deals via emails).
Example	http://mailchimp.com (MailChimp charges users monthly)
4. Advertising fees	
Description	• Electronic newspapers are the most popular applications which use this model. As they have a large number of viewers, companies would like to place a banner on such websites to attract customers.
Example	http://google.com (Google charges users for placing ads on its site)
5. Affiliate fees	
Description	• A B2B model • Earn commissions from other providers by redirecting or referring customers to their homepage. It is like a dealer or a retailer in traditional business.
Example	http://www.allkids.co.uk/ (All Kids does not sell products but redirect customers to the provider' site and earns fee for referring)
6. Usage fees	
Description	• Charges users for using a specific functions or services of a product.
Example	http://www.salesforce.com (Salesforce charges users if they want to use premium functions)

Adopting a revenue model will affect the whole company's strategy. Revenue model will decide where the business should focus on and which functions should be developed. For example, *Spotify,* an online music player, allows users to listen to music for free while earning money from advertisers. Therefore, the most important thing is to have as many users as possible. It chose to integrate with *Facebook*, the largest social network with nearly one billion online users, to attract users. In addition, the free version of *Spotify* will display ads between several songs which users cannot turn off. They also provide premium version of player with a price to

disable those ads. The combination of such strategies is driven by the business model it chose.

2.1.3. Impacts of e-business

Without any doubt, e-business has changed the whole society and affects every participants of the economy. From individuals to organizations and governments, e-business has impacts, both negatively and actively, on them. Xu & Quaddus (2009) have identified some positive and negative impacts to individuals, organizations, industries, governments and societies. Some of them are presented in Table 3.

Table 3. Impacts of e-business to individuals and organizations (Xu & Quaddus, 2009)

To individuals	To organizations
Positive impacts Convenience, mobility Personalized & customized products & services Better communication and interaction between individuals and organizations.	*Positive impacts* Additional distribution channel, new potential markets Enhanced efficiency & effectiveness, time and cost reductions, improved profit Better relationship with customers, suppliers and partners
Negative impacts Privacy and security issues The lost of social skills and interaction	*Negative impacts* Conflict between online and offline operations More competition Network and security issues Challenges of maintaining online operations.

To individuals, the most useful impact of e-business is providing the ability to access online services from everywhere. A website can provide access to its services at almost any time without any corruption. It can be connected either by a mobile phone or a tablet. In addition, users can access to thousands of providers regardless of their geographical locations. Thus, consumers feel much more convenient to use online services than using offline services. Moreover, business applications are getting more and more intelligent that they can understand customer behavior better. For example, *Google* collects and analyses billions of user data pieces to provide appropriate search results. It also ranks the results based on user's search histories. In other words, data is customized and personalized to each individual. Such customization enhances customer experience and increases customer satisfaction.

To organizations, e-business helps them enter new markets easier. Online marketing and services helps organizations approach more customers in different areas

worldwide. It should be noted here that new markets are not only geographical but also new customer segments. For example, *Amazon* was initially a bookstore-like website which sells paper-books. Nowadays customers can find almost everything in *Amazon,* from e-books to digital devices, and to office furniture. Obviously Amazon's customer base is extended and it is now the retailer or broker in many different fields. E-business also improves business efficiency and effectiveness as transactions are conducted faster with reduced costs. Without physical operation, e-business can cut costs and increase profit. Another important aspect of e-business is that customer service is enhanced because communication between customers and enterprises is much easier than before. With the help of advance technology, customers can be supported via different channels: emails, forum, real-time chatting. Communication between organizations is also improved with the use of information systems such as supply chain management or customer relationship management systems. Those systems have positive impacts in organizations' performance.

Nevertheless, negative influences of e-business cannot be neglected. Privacy and security issues are the critical problems to both individuals and organizations (Kotler, 2009). Users are afraid of losing privacy because their personal information is published to the network. Purchasing online is also a concern to customers because they are afraid of losing bank account's data. E-business raises a question about trust between sellers and buyers. In addition, challenges to organizations are to operate and manage their online activities. It requires much more efforts to maintain the information systems as customers need access and support at any time and from anywhere. Implementing information systems requires high expense to ensure a secure and reliable service (Hardcastle, 2009 p.16).

What is the story behind these impacts? The important thing is that an e-business application must offer basic benefits to customers. Some characteristics of an online application discussed above have become a trend or criteria for new applications. For example, mobile access is the most common property of an online application today. Consumers are spending more minutes per day on mobile with the growth of 52 percent from 2010 to 2012, according to a report of eMarketer (2012). Thus, a new application without mobile support mostly loses its advantage against its competitors. In addition, customer support and service is also a critical feature with many applications. Customer service is a highly required function in the Internet economy (Fingar et al., 2000 p.5). Meanwhile, negative impacts are considered as criteria which organizations need to eliminate and take care of. For instances, security and privacy issues are the most important concern when a business goes online. They affect not only the development of the application but also the strategy to build trust between customers and organizations (Velmurugan, 2009). Therefore, these impacts need to be analyzed and improved (positive impacts) or reduced (negative impacts) appropriately.

2.1.4. E-business success factors

Internet has opened new opportunities for many firms. Without local offices in foreign markets, firms can have their appearance globally with the use of website and Internet. They can communicate with worldwide customers and offer better services. There are number of strategies an e-business can implement, such as being a first mover or a follower on the net, building separate online brand, adding additional online distribution channel, or establishing online business (Xu & Quaddus, 2009); Turban et al., 2008; Laudon & Traver, 2008). Regardless of the strategies, firms must prepare adequate plan for the transformation from traditional business into online world. Damanpour (2001) identified three factors that determine the success of an e-business:

- *Execution and demand fulfillment:* organizations must have a demand-driven production process in order to meet customer demand. This matches with the trend of shifting toward customer-oriented approach in business (Kotler, 2009). It also requires a good study of environment to understand customer demand.
- *Collaboration:* organizations must establish strategic partnership with partners in the supply chain. As going online enables firms to trade globally and access worldwide markets easier, collaboration helps them the achieve flexibility and speed.
- *Flexibility and speed:* organizations are required to act flexibly and responsively in the dynamic online market. The term "Internet time" refers to the fast speed of changing in e-market. Thus, firms need to adapt themselves faster with the changes.

Success factors of e-business have been studied in other researches. Some authors evaluate e-business through its website features and functions (Tang, 2000; Barua, 2001). Others studied e-business's factors at enterprise level. Jingting & Jinghua (2004) proposed a comprehensive framework of 57 variables grouped in five categories: leadership, management, organization, technology and customers/suppliers. Viehland (2000) suggested a framework of six factors including a consumer-centric strategy, outsourcing, new-entrant attitude, information management, taking part in e-business community and executive leadership. However, these frameworks vary in constituent elements and are different in the study methodologies (Table 4). They are also conducted in a small scope of research.

Table 4. E-business success factors

E-business success factors	Perspective/Methodology	Authors
Execution and demand fulfillment; Collaboration; Flexibility and speed	Transformation from offline to online business	Damanpour (2001)
Leadership; Management; Organization; Technology; Customer/Suppliers	Survey with answers from experts	Jingting & Jinghua (2004)
Consumer-centric strategy; Outsourcing; New-entrant attitude; Information management; Taking part in e-business community; Executive leadership	Mini case-studies	Viehland (2000)

Achieving those factors requires a feasible implementation plan. Authors (Turban et al., 2008; Xu & Quaddus, 2009) proposed a framework for e-business implementation which contains four steps: strategy initiation, strategy formulation, implementation and assessment (Figure 2). In initiation step, firm analyzes internal and external business environments to choose potential e-business initiatives. There are various tools available for this purpose including SWOT analysis and Porter's Five Forces model (1985). In strategy formulation step, firms choose appropriate strategies to conduct based on opportunities they found in the previous step. The chosen strategies have to pass through a cost-benefit and risk analysis before implemented (Xu & Quaddus, 2009). Next, the plan is implemented. Finally, performance of the plan must be evaluated to see if there is any needed adjustment in future.
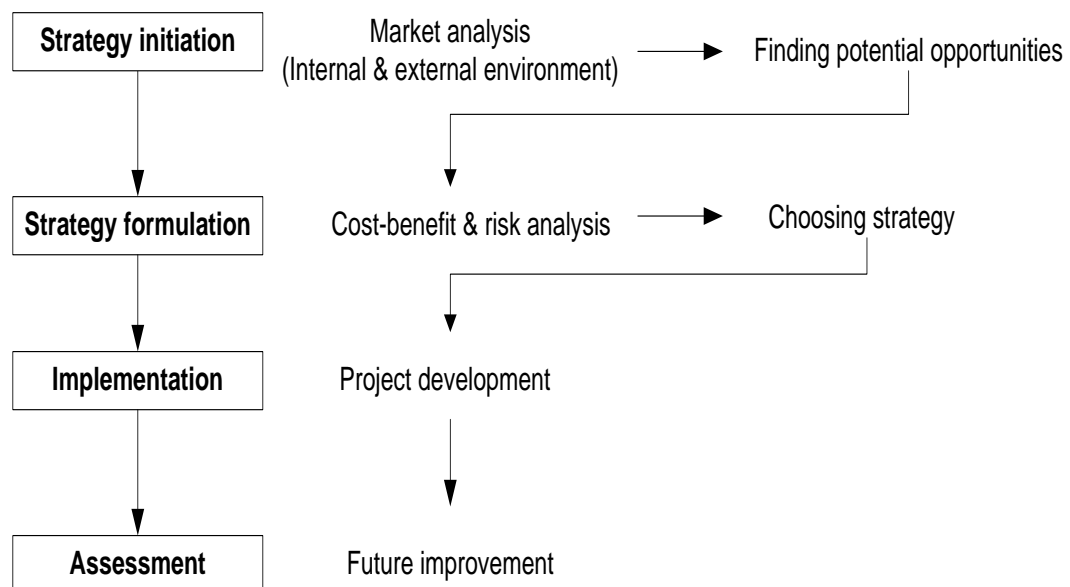
Figure 2. E-business implementation framework (Xu & Quaddus, 2009)

Other factors that influence the success of e-business are the (1) entrepreneurial personality of founders and (2) technologies (Xu & Quaddus, 2009). As most of online businesses are young firms founded by young entrepreneurs, the strategic vision of those entrepreneurs for sure determines the success of their firms. Executive leadership is also one of success factors of e-business suggested by Viehland (2000). In addition, online business is bounded by advanced technologies such as the Internet, enterprise systems, and data mining tools. Therefore, the adoption of technologies in e-business is a critical success factor.

To summarize, there are a plenty of success factors of e-business. Success stories in the online world (such as Facebook, Amazon, and Google) do teach young entrepreneurs valuable lessons. However, it is difficult to reveal a unique model for e-business as Internet market changes rapidly. Firms have to response and adapt quickly with this variation. Success comes to the e-entrepreneurs who have an e-dream with certain personal qualities (Xu & Quaddus, 2009).

2.2. Customer value

2.2.1. Definition of customer value

To satisfy customers' wants and needs is always the ultimate goal of doing business. Therefore, a product or service must be designed in a way that brings benefits to customers. In other words, products and services must have worthy value that influences a customer's decision to purchase (Anderson et al., 2007; Smith & Colgate, 2007). Understanding what customers treasure is critical to the success of every business.

Researchers try to explain why customers buy a product. In order to do that, various types of product properties have been defined, such as functionalities, costs, availability or associability (Anderson et al., 2007; Smith & Colgate 2007; Holbrook, 1998). Customers have to find benefits in a certain property so that they are willing to buy the product. The relation between benefits of a product and sacrifices customer has to pay in order to possess the product is the focused topic in literature.

The total monetary value of all the benefits a customer receives is called *total customer value*. In which there are functional benefits, economic benefits, and psychological benefits (Eggert & Ulaga, 2002). However, customers do not simply buy a product at any cost. They have to compare all the received benefits with the costs they pay or sacrifices they have to suffer. Total costs related to the possession of a product include purchase cost, usage cost and disposal cost (Eggert and Ulaga, 2002). Other types of cost can be listed here such as acquisition costs (Cannon &

Homburg, 2001), non-monetary costs such as time, effort, and energy (Ravald & Gronoos, 1996; Lapierre, 2000). The sum of such costs is called *total customer cost*. For example, to own a car the driver has to pay a purchase cost. However, the total cost will be higher if he adds the cost of maintenance, fuels, parking (usage costs) and the cost to throw it as garbage when it is out of use. Therefore, the real value that a customer perceives is much smaller than the total customer value of a product. Figure 3 shows the components of customer perceived value.

TOTAL CUSTOMER VALUE		
Functional value	Economic value	Psychological value

TOTAL CUSTOMER COST			PERCEIVED VALUE
Purchase cost	Usage cost	Disposal cost	
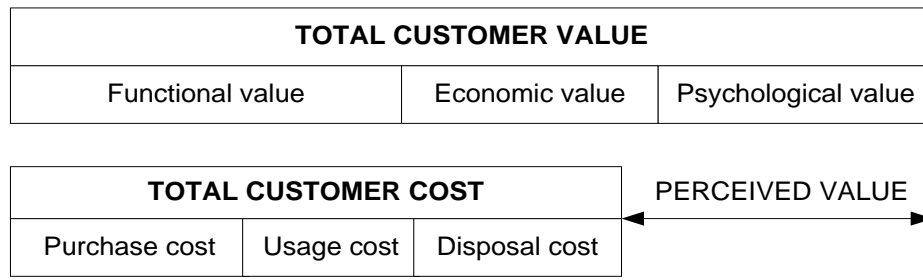
Figure 3. Customer perceived value (Eggert & Ulaga, 2002)

As can be seen in Figure 3, *customer perceived value* is the difference between total customer value and total customer cost. Zeithaml (1988) also defined that customer value is the difference between benefits a customer gets and cost which he or she has to sacrifice. However, Smith & Colgate (2007) argued that customer value can increase in relation with cost in parallel or in a linear increment. It means that when cost decreases by one, customer value can increase by one or more than one (Figure 4). It depends on what kind of relation between costs and benefits (a summative or a ratio relation). Regardless of relationship, the more benefits the product has, the more value customers receive. Therefore, firms can increase customer perceived value of a product by either:

- Increasing total customer value of that product
- Or reducing total customer cost of that product.
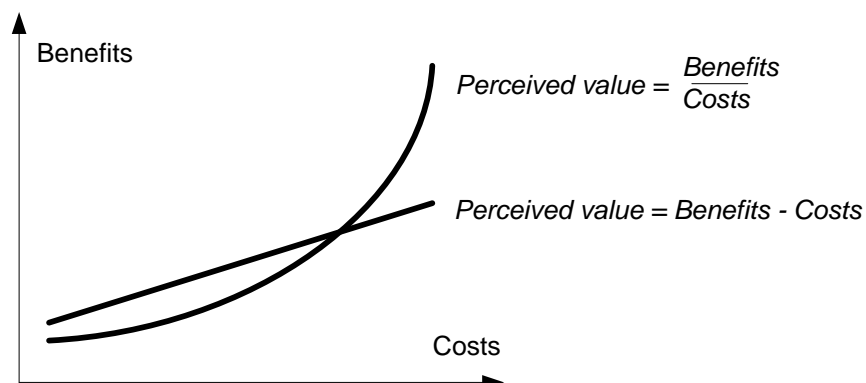
Figure 4. Possible relations between costs and benefits

However, it is often easier said than done. Increasing quality may not increase customer satisfaction or the perceived value as there are other influencing factors like price and customer perception (Evans, 2002). In addition, reducing the costs of the product without sacrificing some of product's advantages is not always doable. Therefore, organizations need appropriate strategies to manage and improve customer value of their products.

2.2.2. Customer value management

Organizations are focusing more and more on customers when designing and selling the products (Simchi-Levi et al., 2003; Daniels, 2000). Thus, customer value management is increasingly important to the firms' strategy. It helps organizations to improve customer satisfaction, attain strategic advantage and increase profitability (Evans, 2002). Daniels (2000) and Evans (2002) defined three steps that customer value management concerns about, which are:

- To find key buying factors which influence customer buying decision;
- To evaluate each factor against factors of competitors' products; and
- To appropriately redesign product based on the relative importance of its factors.

To understand these steps clearly, let assume that two companies are competing in the same market with two products A and B. In this market, organizations see that customers only focus on three characteristics of the products, which are functional, economical and psychological factors. Therefore, what they do is to improve these factors. They need to compare the quality of these factors with products of competitors. This helps organizations to have an overview of their products and their competitors' products. Consequently, it gives them a hint to position themselves in the market by designing their products differently in a way that customers would value more beneficially. Example in Figure 5 shows that after redesigning A's buying factors, the first factor is sacrificed while the later two factors are enhanced. This helps A to differentiate itself from B.

Figure 5. Customer value management framework

As a matter of fact, not every customer values a product in the same way with the others. Customer value is perceived based on user experience (Holbrook, 2005) and therefore unique to individual. For example, some people love an Audi car by its design while others value its strong engine. Therefore, knowing who customers are is extremely important for organizations. It then influences how a product is designed and which factors or characteristics of a product should be focused and improved. By increasing the quality of the product's most valuable factors, organizations increase total customer value in their mind (Figure 5) and hence increase customer perceived value (Figure 6).
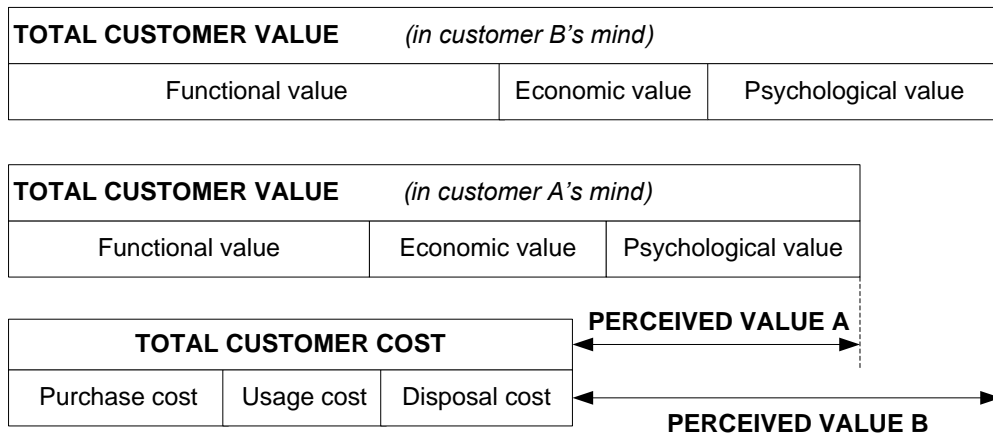
Figure 6. The influence of customer perception on customer value

The above figures show the purpose of managing customer value. Firms need to change the perception of customers regarding their products so that the perceived value is increased. It can be seen that customer B considers functional value of the product is higher than customer A thinks. Thus, the perceived value in customer B's mind is higher than in customer A's mind. In order to do that, organizations have to understand their customers as well as understand their own products. Product's properties which are highly valued by customers have to be found out so that

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organizations can increase the offering benefits by improving such properties. In other words, organizations have to identify appropriate customer segments which they can generate the highest customer value, hence the productivity (Evans 2002). Thus, it is necessary to define dimensions of customer value in order to manage and improve product's perceived value.

2.2.3. Customer value creation framework

The importance of creating customer value is undeniable. Authors agreed that the creation of customer value is the fundamental, central, and critical task in marketing (Smith & Colgate, 2007; Woodruff, 1997; and Holbrook, 1994). Therefore, they tried to build frameworks for marketers and organizations to better understand, measure and create customer value.

At first, they listed dimensions of customer value which are measurable. Figure 7 shows a summary of researchers' results in finding customer value's dimensions. They defined a lot of product's properties which are supposed to be perceived by customers. It seems that there is little agreement on the focus of researchers as various factors are presented. It should be noted that dimensions in Figure 7 do not take into account the costs (sacrifices) that customers have to pay. In other words, they are only related to total customer value, not perceived customer value.

Functional value		Economic value		Psychological value		

Lyly-Yrijanainen et al. (2009)

Functional		Symbolic		Experiential value		

Park et al., (1986)

Technical		Economic		Service		Social

Anderson et al. (2007)

Functional	Emotional		Epistemic		Social	Conditional

Sheth et al., (1991)

Efficiency	Excellence	Status	Esteem	Play	Aesthetics	Ethics	Spirituality

Holbrook (1999; 2005)

Correct		Timely		Appropriate		Economical

Heard (1993; 1994)

Functional/Instrumental		Experiential/Hedonic		Symbolic/Expressive		

Smith & Colgate (2007)

Figure 7. Dimensions of customer value

Park et al. (1986) defined three dimensions based on three types of customer needs: functional needs, symbolic needs and experiential needs. Anderson et al. (2007)

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suggested four dimensions based on the buying-to-make-money nature of business to business markets. In contrast, Sheth et al.'s idea (1991) was derived from the consumer market. These dimensions have influences on the choice of consumers while buying a product. Holbrook (1999; 2005) also focused on the source of motivation to buy a product of consumers. Meanwhile, Heard (1993; 1994) looked into the value creation nature of the value-chain activities (from design to production and to marketing). In each activity, there is added value to the total value of a product so that managers know which activity they should focus. Finally, Smith & Colgate (2007) defined four dimensions in one of the most comprehensive research about customer value until now, which they called the Value Creation Framework (Appendix 1). Factors in this framework will be used to analyze the business model of the benchmarked services in the later chapter.

To eliminate the limitation of other frameworks, which is context-dependent, Smith & Colgate's Value Creation Framework (2007) presented a 4 x 5 -table framework that contains all the dimensions and sources of value mentioned in existing literature. Those facets are categorized in groups; each group contains a lot of properties. Four dimensions (types) of value are function/instrumental value, experiential/hedonic value, symbolic/expressive value and cost/sacrifices. Five sources of value are information, products, interactions, environment, and ownership/possession transfer. With this categorization, the authors were able to cover most of the contexts of business from consumer to business markets and from physical products to services.

Functional/instrumental values are the characteristics of a product which are useful in performing a function (Smith & Colgate, 2007). For example, a car's functional value is to help a person to go from one place to other place. It should be safer and faster than a motor-bike. Until a car can perform such function, it has functional value. Experiential/hedonic values are related to the ability of a product to generate customers' feelings and emotions (Smith & Colgate, 2007). For instance, a car owner should feel more comfortable and confident if he drives a luxury car. Symbolic/expressive values relate to the spirituality (Holbrook, 1999) or psychological meaning (Smith & Colgate, 2007) of a product. For instance, a famous car brand like Audi would increase customers' psychological satisfaction than other brands like Mercedes Benz. In that case, it can be said that an Audi car has higher symbolic/expressive values than a Mercedes Benz. Finally, costs/sacrifices, as have been discussed above, are what customers have to pay or to suffer when they want to owns the product.

In addition, Smith & Colgate (2007) suggested five sources of customer value by differentiating different type of activities in the value-chain processes. They include:

- *Information sources*, which are advertising, public relations, and brand management activities;
- *Products sources*, which exist in the product development phase, market research, research and development, and production;
- *Interaction sources*, which are from the interactions between customers and organizations, which are recruitment, training, service quality and operations;
- *Environment sources*, which are associated with facilities management, interior design, and merchandizing; and
- *Ownership/possession transfer sources*, which include accounting, delivery and transfer of ownership activities.

In each source/activity, each type of customer value is created in association with different properties of the product (see details in Appendix 1). Smith & Colgate's value creation framework (2007) is a useful tool for managers to check where and how they should improve customer value. It can be used by top managers who have broader and strategic view of product and market or operational managers who are responsible for everyday activities in the production processes. The thing is that in specific contexts, product properties vary and elements of customer value must be re-evaluated. Online services and online food ordering service also have specific characteristics. They have to be clearly understood before applying the framework.

2.2.4. Characteristics and dimensions of services and online services

A service has specific characteristics compared to physical goods. Harman and Lindgren (1993) defined four characteristics of a service, which are intangibility, inseparability, heterogeneity and perishability. This definition was accepted widely by scholars and marketers (Shostack, 1977; Zeithml et al., 1985). Some authors added the fifth factor, non-ownership (Fitzsimmons & Fitzsimmons, 2008 p.21).

The following Table 5 shows the comparison between service and goods according to Harman & Lindgren (1993) categorization. (1) *Intangibility* means that a service cannot be seen or touched, but consumed. For example, you cannot see or touch a hairdressing service before you use the service. (2) I*nseparability* means that a service must be consumed at the place of the provider or by the provider. It cannot be taken out of the consumption process. For example, a person cannot take the hairdressing service home and use it himself.

Table 5. Comparison between service and goods (Harman & Lindgren, 1993)

	Service	**Goods**
Intangibility	Cannot be seen, felt, or touch before using	Can be seen, felt or touch before using
Inseparability	Cannot be separated from consumption	Can be consumed in any way
Heterogeneity	Unique, varies	Mostly constant
Perishability	Can be used once, cannot be stored	Can be stored and can be used many times
Non-ownership	Cannot be owned	Can be owned

The third characteristic, (3) *heterogeneity* means that the same service is consumed differently each time a person uses that service. It depends on the skills of the providers. Indeed, the quality or performance of each hairdressing service a person used will not remain constantly. (4) *Perishability* means that a service has a short or limited life-time. It cannot be store, therefore perishable. As an example, a hair-cut service can be used only once. When a person needs a hair-cut, he or she must purchase a new service. (5) *Non-ownership* factor means that consumers do not pay to own the service but to use or access to the service.

Nevertheless, there are services that require physical equipments as the media to perform the service such as car rental. There are products which are the mix of service and goods such as having meal at a restaurant. Customers evaluate not only the serving performance of the restaurant's staff but also the quality of food. Thus, characteristics in Table 5 should be used in combination to differentiate a product. The differences are dependent on the demographic and socio-economic market segments (Wolak et al., 1998).

There is another concept that relates to perceived service quality: core quality and rational quality (Gronroos, 1985; Morgan and Piercy, 1992; McDougall and Levesque, 2000). Core quality of service is what the service is promised to offer, while rational quality is how service is delivered. Kotler (2009) also agreed with this concept while calling these two dimensions as primary service package and secondary service package (Figure 8). This definition and the categories in Table 5 (p.21) are quite simple to understand, nevertheless do not show how customers see the value of the service. It has to be defined in another way which is more customer-focused.
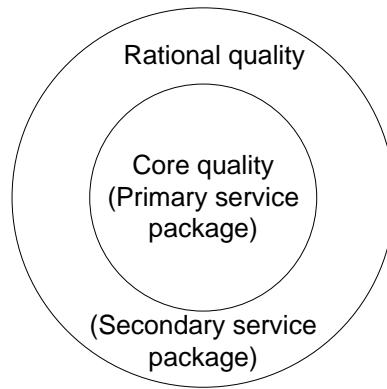
Figure 8. Service quality model

A SERVQUAL model is a popular and useful model to measure service quality which consequently reveals customer value in service business (Parasuraman et al., 1988; Carman, 1990). In this model, Parasuraman et al. (1988) defined five dimensions of service, which are tangibles, reliability, responsiveness, assurance and empathy. However, Johns and Howard (1998) argued that "tangibles" group does not reflect correctly the main characteristics of service, which should be intangible. In addition, Johnston et al. (1990) replaced "tangibles" with "aesthetics", "comfort" and "cleanliness". Later on, they (Johnston et al., 1995) added some new characteristics and make a list of 18 items. Johns & Howard (1998) made a summary of these models, which is shown in the first three columns of Table 6.

Table 6. Dimensions of service quality

Parasuraman et al. (1988)	Johnston et al. (1990)	Johnston et al. (1995)	Valid dimensions of online service (current study's proposal)
Tangibles	Aesthetics Cleanliness Comfort	Aesthetics Cleanliness Comfort Functionality	Aesthetics Functionality
Reliability	Reliability	Reliability	Reliability
Responsiveness	Responsiveness	Responsiveness Flexibility	Responsiveness Flexibility/Personalized
Assurance	Communication	Communication Commitment Integrity	Communication Integrity/Trustworthiness
	Security Competence Courtesy	Security Competence Courtesy	Security & Privacy Competence Courtesy
Empathy	Friendliness	Friendliness Attentiveness Care	Friendliness/Easy-to-use Attentiveness Care
	Access Availability	Access Availability	Access/Mobility Availability

In case of online services, *cleanliness* is not a valid property. *Comfort,* which is defined as the "physical comfort of service environment and facilities" (Johnston et al, 1995), does not contribute to the total customer value of online service. In addition, *commitment*, which is defined by Johns and Howard (1998) as the pride and satisfaction of employees to their work, will not be valid because customers do not see such signals in online business. Other properties are still appropriate, but have different meanings. *Security* in case of online service is not about the physical safety of customer and his or her possessions but about the loss of customers' privacy and personal information. *Friendliness* is not about the smiles of contact staff but about the easy usage of the service. *Access* property in online environment is now perceived as the mobility characteristic. The online service must be accessible at any time and from anywhere. In summary, in online world physical contacts are replaced by electronic contacts; thus the definition of those properties changes accordingly. The last column in Table 6 shows the adjusted list of online service's properties. Full definition of all the properties can be found in Appendix 2.

This framework is useful and effective to measure the quality or value of an online service. Organizations can use the framework as a check-list to manage and improve customer value of the service. The list will be applied in the later part of this study when the case is analyzed. Nevertheless, it should be refined in the specific case of online food ordering service as there may be more less properties.

2.2.5. From Customer Value to Customer Demand

In general, there are two types of customers: new and existing ones. Increasing customer demand can be understood as:

- Increasing the intention to new customers to buy the first time; or
- Increasing customer loyalty which then increases the intention to re-purchase of existing customers.

These concepts, which are related to customer relationship management topic, have been studied a lot in literature. However, it is necessary to understand how customer value influences customer demand.

Empirical researches have shown that there is a direct impact of customer perceived value on customer satisfaction which then affects the intention to buy in future of customer (McDougall & Levesque, 2000; Hurley & Estelami, 1998). In other words, enhancing customer value can increase customer loyalty which is a part of customer demand (Figure 9).
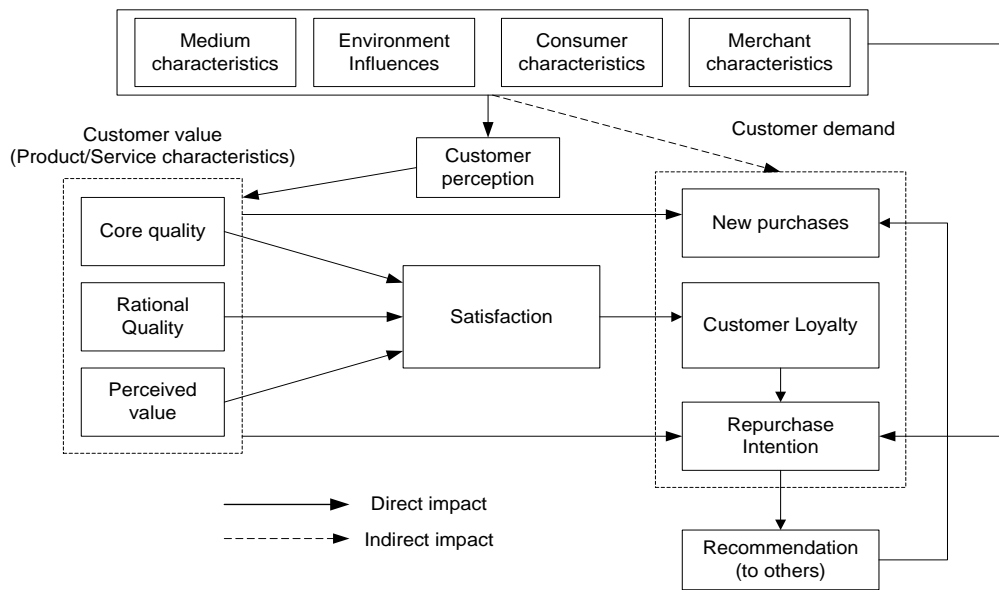
Figure 9. Framework of consumer demand creation

According to McDougall & Levesque (2000), three factors that affect customer satisfaction are the core service quality, relational service quality and perceived value. Each service has different characteristics which have different requirements on these three factors. For example, in cases of dentist and hairstylist, the dominant factor is core quality while in restaurant and auto service, perceived value is the critical factor (McDougall & Levesque, 2000). Thus, managers' task is to set the appropriate implication on each factor to correctly attain customer satisfaction.

Other authors also argued that there is a positive impact of customer value on re-purchase intentions (Olaru at el., 2008; Wathne et al., 2001; Bolton et al., 2000). Additionally, re-purchase intentions in turn have positive impacts on the intention to recommend the services to others (Kumar, 2002). As a matter of fact, "recommendation" factor also has influences on retaining new customers because consumers tend to use experience to evaluate products and services. For example, sponsor marketing, which can be considered a form of recommendation in which recommends are from famous and trustful associations and people, has significant influences on purchase behavior (Danesh & Schewer, 2000).

Cheung et al. (2003) argued that intention to purchase and repurchase is affected by many factors including characteristics of consumers, product/service, online medium, merchant and environment. In which, product and service characteristics represent customer value and online medium characteristics are specific to Internet-based services. However, it is unclear that such factors have direct impact on new purchase decisions. As has been discussed previously, perception of customers has great influences on the perceived value. In addition, perception of customers are inherently influenced by characteristics of local environment. This will be discussed

in detail in later sections. Above discussions led to the framework of consumer demand creation illustrated in Figure 9 (p.24).

However, knowing what factors impact purchase intention of consumers does not mean firms are able to manage them. Barber et al. (2012) argue that in consumer market, purchase intention is influenced by many factors such as customer habit, convenience, perceived value and social convention. In other words, consumer behavior is mostly psychology-based. Scientific tools such as customer relationship management systems or enterprise resource planning systems are to create good products. To transfer the value of such products to customers, firms use marketing tools.

2.3. Marketing channels

2.3.1. Marketing mix

Marketing is a broad concept and going intensively into this discipline is out of this research limit. However, it is needed to discuss some basic concepts in marketing as it is the background knowledge for every marketers and managers.

Marketing mix is a tool that is used to construct appropriate strategies for organizations to enter the market. Researchers agree that marketing is about delivering the right product to the right people at the right time (McCarthy, 1960). Nevertheless, there are number of approaches in building marketing mix. Table 7 below shows the popular approaches in this area. These approaches are ordered according to their appearance in time.

Table 7. Marketing mix models

Approach	Components	Authors	Application
4Ps	Product Price Promotion Place	McCarthy (1960)	Mass production
7Ps	4Ps People Process Physical Evidence	Booms & Bitner (1981)	Service firms
4Cs	Consumer Cost Communication Convenience	Lauterborn et al. (1993)	Niche markets

Probably the most popular approach is the 4Ps (Product, Price, Place, and Promotion) which were first introduced by McCarthy (1960). These concepts sometimes represent marketing mix interchangeably as they are accepted by many researchers and marketers. The first P is Product which is about the good or service itself. Product must be designed with appropriate features that satisfy customers. The second P is Price which is about how to set the suitable price for the product. Price should not be too high so that customers can afford buying, but not too low so that the company can have profit. Place is about how products are delivered to customers or how customers can reach the product. Place can be seen as the distribution process. Opening local stores in the target market or providing direct delivery are examples in this P. Finally, Promotion is how product information is delivered to customers. Advertising is one of promotion activities.

Other modification of the 4Ps model is the 7Ps. Booms & Bitner (1981) proposed to put People, Process and Physical Evidence to the model. These elements are strongly related to service and knowledge-based products. This model is widely accepted in marketing literature nowadays. However, Rafiq & Ahmed (1995) argued that the last three Ps can be merged into 4Ps' elements.

It can be said that 4Ps is a product-oriented approach in marketing. In contrast, Lauterborn et al. (1993) proposed a customer-oriented approach in which the 4Ps are replaced by the 4Cs: Consumer, Cost, Communication and Convenience. Although there is a match in each C and P, mindset when applying these models is different. Consumer is the root motivation of business as products are produced to satisfy customer wants and needs. Thus, organizations should shift their focus to customer wants and needs rather than the product. Cost should be focused as it is a determinant factor of price. Controlling cost properly helps organization to set the price actively. Communication concept is said to be broader than Promotion concept. It does contains the communication between customers and the organization (for examples, customers give feedbacks or companies provide after-sales support). Finally, Convenience is a replacement for Place. While Place refers to the physical appearance of products, Convenience refers to any media of delivering product, information and service to customer. For instances, information is published on websites and products can be purchased online. By which, customers can easily access the product and service. (Lauterborn et al., 1993)

The next section is going to discuss one important element in marketing mix: marketing channel. In 4Ps model, it is the Place where customers come to see and buy the products. It is related to the delivery and storage of physical products. However, in nowadays service and internet-based economics, marketing channel includes various alternatives such as web-based stores, television, phone-based channels and mobile channels. With these new options, people are able to access information and purchase the products directly and immediately as they see.

2.3.2. Matters in constructing marketing channels

The purpose of marketing channel is to convince potential customers buy the product (Kotler, 2009 p.410). A research has shown that only 5% of online visitors to web-stores generate sales (Kotler, 2009 p.434). Therefore, the use of marketing channel is aimed at increasing this conversion rate. Designing market channels requires the identification of channel objective, strategy, selecting channel members and evaluating performance of channel. Different channels have different advantages and value added to the firm. Figure 10 shows different sales channels comparison in term of value-add of sale and cost per transaction.
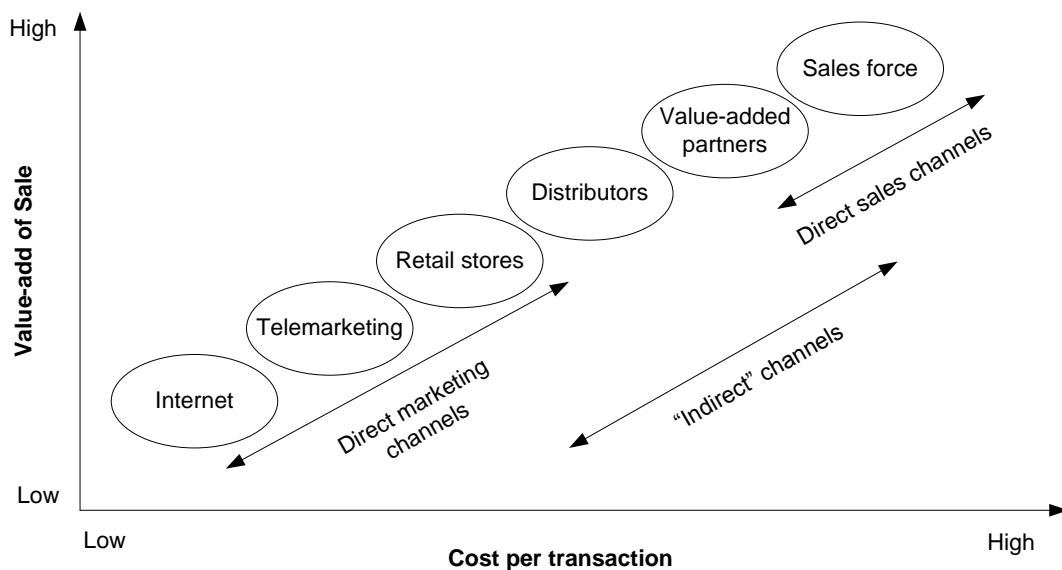
Figure 10. Value-add of Sale of different marketing channels (source: Kotler, 2009 p.422, adapted from Dr. Rowland T.Moriaty, Cubex Corp.)

It can be seen that cost per transaction of Internet and telemarketing is lowest. However, these channels do not add values to the sales as high as other channels. In contrast, direct sales channels such as value-added partners and sales force consume highest cost per transaction. Nevertheless, they create highest value to the product. Depending on what kind of product and business the company is doing, appropriate marketing channels have to be used.

In general, companies often use intermediates in their marketing channels. Intermediates are organizations that are able to perform specific activities that the seller cannot do. For example, an international company often uses a local retailer to sell their product in a foreign country where they do not understand local environment. Physical product manufacturers may use different marketing channel levels, from zero level to three levels channel. Dell, a computer manufacturer, chooses to use zero level or direct channel to sell their products. They allow customers to order directly online and the products are then delivered directly to

customers. Meanwhile, Apple uses a network of thousand retailers to sell their Mac(s) and Iphone(s). The design of marketing channel depends on each company's strategy.

The first and foremost requirement in building marketing channel is to understand customer needs (Kotler, 2009 p.417). For example, some people prefer to go to store, see and touch the product before buying them. Others prefer to surf the Internet about product's reviews and comments before purchasing online. There are two well-known categorizations of buyers. The classification suggested by Nunes & Cespedes (2003) is based on different customer behavior (Figure 11). This requires companies to understand customer behavior and customer needs. Four categories are:

- *Habitual shoppers*: people who have the same buying behavior over time. This kind of buyer has high loyalty to the channel and is afraid of high changing cost.
- *High-value deal seekers*: people who care about the price and value. Buyers in this category are easy to switch the channel and are strongly influenced by price.
- *Variety-loving shoppers*: people who buy do not care about changing channel as well as the price. These people buy according to their habits.
- *High-involvement shoppers*: people who take advantages of each channel. These buyers seek for highest benefits.

High deal oriented	High-value deal seekers	High-involvement shoppers
Low deal oriented	Variety-loving shoppers	Habitual shoppers
	Low loyalty	High loyalty

Figure 11. Buyer categories (Nunes & Cespedes, 2003)

The second categorization is proposed by Rogers (1976). This approach is often called as the diffusion of innovation. It explains how a new product is accepted by consumers. In addition, there is a match between this diffusion diagram and the product life cycle (Figure 12). Categories in this approach are:

- *Innovators w*ho are willing to experience new products regardless of product's stability
- *Early Adopters* who are willing to use new products if they sure about the product's benefits
- *Early majority* use products only when they are widely accepted
- *Late majority* use products only after others has used
- *Laggard* use products when the they really need the products and the price has bottomed up
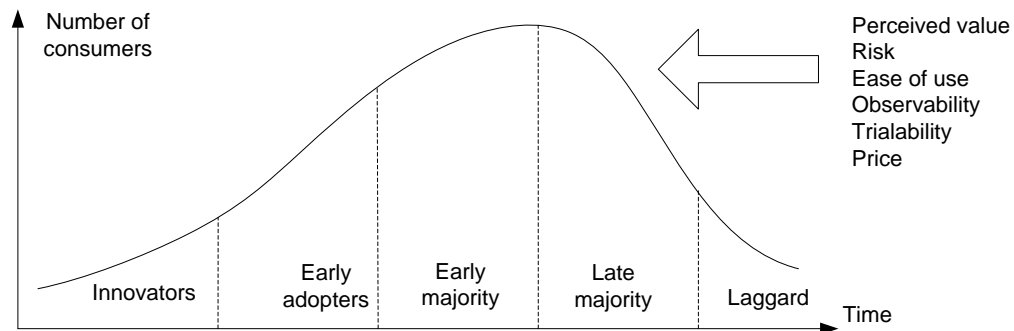
Figure 12. Product diffusion curve (Rogers, 1976)

In each phase of market development, there is an appropriate buyer group who are willing to purchase the product. For example, when a new product is launched, the first customers are the ones who accept risks and prefer trying innovative thing. Young and rich people are good target customers of technological products. Thus, trying to reach that segment is a smart strategy in the first days of products. In contrast, when a product is at the end of its life cycle, reducing price and adding promotion are useful to obtain laggard customers. The rate of diffusion is affected by numerous factors such as perceived value, risk, ease of use, observability, trial-ability and price (Rogers, 1962). The implication for managers is that firms should understand characteristics of customers so that they can design and use appropriate marketing mix plan and marketing channels.

The structure of marketing channel is not only affected by the choice of intermediaries but also by the company's tactic strategy. Kotler (2009) defined three marketing systems: vertical marketing system, horizontal marketing system and multichannel marketing system (Figure 13). A company can be a member of many systems at the same time. The combination of all marketing channels creates a marketing network.
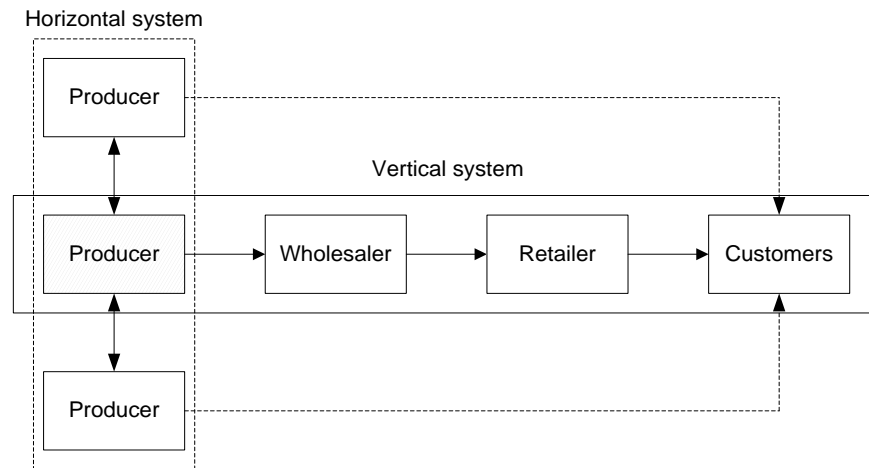
Figure 13. Marketing channel structure

In a vertical marketing system, members in the channel cooperate with each other and act as one unified body. This system is suitable when one member has the control power over the others. As a result, conflicts between members are reduced because dependent members' benefits are influenced by the channel controller. In a horizontal marketing system, two or more independent companies collaborate to take advantages created by each other. For example, two different websites can exchange banner to drive the traffic. Finally, a multichannel marketing system is a combination of vertical and horizontal system. Most companies use this combination to maximize the advantages of the network. (Kotler, 2009)

Selecting members of the marketing channel is also an important task as the channel represents the company (Kotler, 2009 p.423). Besides the conflicts regarding benefit which are likely occur between channel member, companies should be aware of the overall strategy when adopting other members in channel. It may degrade the performance of the whole channel if there is an unsuitable participant. For example, if there is a low level brand in a superior brand supermarket, the whole impression of customers would be affected. In the same way, if a local distributor cannot perform at the standard requirement, the distribution of the company would be ruined and that company cannot enter local market easily.

2.3.3. Service and e-service marketing

Kotler (2009) argued that there is a shifting to customer-oriented marketing in all companies, especially in service firms. Customers are a part of the marketing channel in term of the increasing interaction with companies. One example is that companies collect customers' comments about their services in order to improve services' quality and performance. Customers are encouraged to give comments, including both good and bad ones (Kotler, 2009). In order to do that, today many

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companies implement Customer Relationship Management (CRM) system. Such systems help companies to understand and improve customer satisfaction.

In addition, Kotler (2009 p.356) suggested that a holistic marketing strategy for service firms should integrate three parts at the same time: external, internal and interactive marketing. These parts of marketing are the interaction between three actors: the company, the employees and the customers (Figure 14). This model shows the importance of integrating the customer into the whole marketing strategy. As the matter of fact, customers are the initiator and the goal of marketing objectives at the same time. Therefore, to incorporate customers into the marketing strategy is critical with service firms as they are able to better understand and serve customers.
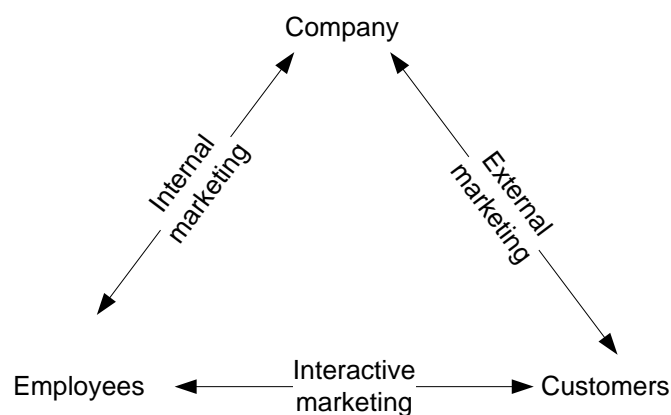
Figure 14. Holistic marketing strategy for service firms (Kotler, 2009)

External marketing is to bring the product to the market. That is the common and, sometimes, unique understanding about marketing. However, internal marketing is also an important part of marketing which is the enabler of external marketing (Piercy & Morgan, 1993). It is about converting marketing objectives into company's internal implementation plan. Employees and managers within company must understand and have appropriate commitment to the plan. The message of the marketing plan must be delivered clearly to the related departments and people inside the company. The last type, interactive marketing, is quite a new concept. The shifting of focus to customer-oriented approach, which has been discussed above, makes companies paying more attention to communication with their customers.

Today, with the help of technology, there are a lot of tools which enable the interaction between customers and the company as well as the employees. Such tools contain web chat, instant messenger, blog, forum, and email. Not only allowing companies to collect customers' feedbacks, these tools enhance the communication between customers and customers, and between customers and the company. By doing that, customer loyalty is increased as the relationship between customers and the company is closer (Fingar et al., 2002).

With online services, having the interactive communication with customers is a strategic advantage (Hoffman, 2003). The lacking of social interaction and personal consultant in e-service is eliminated with the application of technology (Kotler, 2009 p.434). Web 2.0 and mobile commerce are some examples of this improvement. Customers can talk to company representative for direct support on the website while they are reading the product's specification. Geography-detection ability of mobile applications helps companies to suggest more personal advices to customers. In addition, the m-commerce (mobile commerce) is believed to be the future of online business (Kotler, 2009 p.435). Those technologies enable firm to serve customers better and hence increase customer satisfaction.

In summary, marketing in service industry follows pulling strategy where customers are the driver of all business activities and the starting point of marketing channel. Companies try to improve the interactive with customers in order to increase customer satisfaction, which increases customer demand as a result. With e-service, the integration of technology into business is the critical factor that enhances the performance of marketing. Therefore, marketers should take advantages of online tools and media in promoting their products and services.

2.3.4. Consumer and business purchase behavior

There are two groups of customers, consumers and organizations. So there is consumer market (B2C – Business to Customer) and business market (B2B – Business to Business). While the purpose of buying products in business market is for selling and making money, consumers buy products for using. Thus, the way buyers evaluate products are different. Marketers must understand the differences to have appropriate strategies. The differences between B2C and B2B market can be seen in Table 8.

Table 8. B2B and B2C comparison (Kotler, 2009)

Factor	B2C market	B2B market
Nature of markets	Unlimited, smaller buyers	Fewer, larger buyers
Buyer behavior	Emotional	Rational, direct buying; long purchase process
Buyer-seller relationships	Spot buying	Close relationship
Market demand	Price sensitive, fluctuating	Derived, inelastic demand

First, B2B market is dominated by few large buyers while in B2C market, number of buyers is uncountable. Additionally, organizational buyers purchase large quantities while consumers usually purchase one or few items at one time. For examples, one

can know only a few names of computer manufacturers while there are millions of computer users. Some popular brands are Intel, Dell, IBM, NEC, and Asus. Computer manufacturers are customers of chip manufacturers and both of them are in B2B market. In contrast, computer users are consumers in B2C market. This nature influences other characteristics of B2B market.

Second, consumer buyers are impacted by emotion while organizational buyers are rational. The purpose of buying in business market is to make money; therefore the purchase process in B2B market is quite long and goes through many steps. For examples, Kotler (2009, p.188) listed seven actors that influence a purchase decision; they are initiators, users, influencers, deciders, approvers, buyers and gatekeepers. A decision is made after it goes through those seven gates. In addition, Ellis (2010, p.39) argued that B2C purchases are influenced by three emotional factors which are social, ego and utility; while B2B purchases focus in price, value and utility.

The third difference is the relationship between buyers and sellers. As in B2B buying, the purchase size is usually large and the buyers are few, firms must maintain close relationship with buyers so that they can take advantages of the purchase. Recursive purchases from larger buyers worth investments in maintaining such relationship. In contrast, buyers in B2C market have less close relationship with sellers because they are driven by emotion. As a result, future purchases are not guaranteed.

Finally, the demand in business market is derived from consumer market and inelastic (Kotler 2009). When consumer demand increases, B2B purchases would have to be increased to meet the demand. In addition, B2B demand is not affected by price changes as a small increase in market price cannot make firms to produce more products shortly. They also cannot easily change the supplier because of the price decrease. In contrast, consumers are quite price-sensitive. They can switch to other sellers if they find a similar but cheaper product from them.

As mentioned above, the buying decision process in B2B is usually longer and more complex than in B2C market. Figure 15 illustrates this difference. In general, the process in B2B context is more technical oriented. It requires steps of need description, product specification and order-routine specification in order to evaluate the buying products comprehensively. The figure also indicates that to influence the buying decision, marketers have to consider not only the purchase step but the whole marketing process.

Problem recognition	Information search	Evaluation of alternatives	Purchase decision	Post-purchase behavior

B2C

Problem recognition	General need description	Product specification	Supplier search	Proposal solicitation	Supplier selection	Order-routine specification	Performance review

B2B
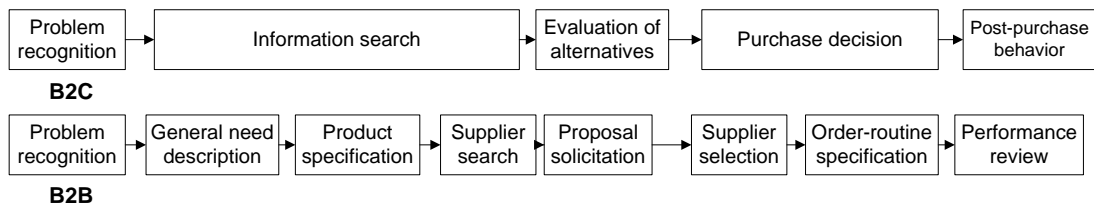
Figure 15. B2C vs. B2B decision making process (Kotler, 2009)

However, there is a common factor that changes market behavior, including B2B and B2C market; it is the Internet (Figure 16). In the age of e-commerce and e-service, Internet plays a more critical role. A study conducted by Chong et al. (2010) shows that five major strategies for marketing in B2B market are internet advertising, outsourcing marketing, public relations/publicity, sales promotion and trade shows. Of which, internet marketing stays at the second place in term of marketing effectiveness, follows outsourcing marketing. The framework suggested by Chong et al. (2010) indicates that participating in B2B e-marketplace is a critical phase in e-marketing.
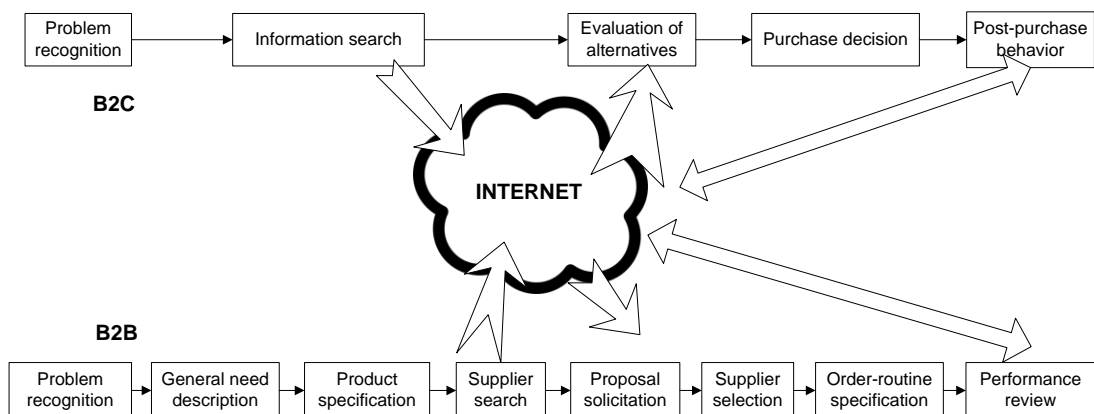
Figure 16. B2B & B2C purchase decision process using Internet

Figure 16 indicates that the searching function of the Internet is a major source of information for both organizations and consumers. Internet is also an effective tool for post-purchase services as firms are able to follow up their customers using Internet-based applications such as email marketing, support forum or customer relationship management (CRM) systems. As a matter of fact, great post-purchase services increase the re-purchase intention. Therefore, firms should be aware of the changes in customer behavior under the Internet's influences.

In the context of consumer market, website's attributes are the most important factors that influence purchase intention of consumers. The functionality, design and content of the website should be carefully considered (Gounaris et al., 2010). Word-Of-Mouth (WOM) activities are also emphasized in attaining customers (Gounaris et al., 2010). WOM activities are inspired from trust and experience with the website

which positively affect purchase intention (Dennis et al., 2009). Thus, the adoption of internet in business process is a success factor for firms operating in both B2B and B2C markets.

To conclude, there are significant differences between B2B and B2C market. Going further in this topic is far beyond this study's limit. However, in online environment, these differences are eliminated by integrating electronic tools in business. Website is considered as an important media to connect buyers and sellers. In other words, consumers and organizations easily find each other in e-marketplace environment. Nevertheless, understanding customer buying behavior is the critical task for marketers and managers. And of course, differences between organizational purchase and consumer purchase must be understood.

2.4. Cultural impacts on customer behavior

2.4.1. Cultural implications

The case study is known as a clone of existing models in foreign markets into local market. As a matter of fact, there are cultural differences between these markets as consumer behavior is influenced by culture. Thus, it is necessary to discuss the impacts of local culture on the model.

Culture defined as "a complex whole which includes knowledge, belief, art, law, morals, customs and any capabilities and habits acquired by a man as a member of society" (Symington, 1983). People share common cultural beliefs and behaviors within a social group. Culture is constituted of several factors. Brooks (2006) argues that language, legal system, values, education, political system and religion are the factors that affect national culture. Hofstede's framework (1980) defines four cultural dimensions: power distance, masculinity/femininity, individualism/collectivism, and uncertainty avoidance. An additional dimension was added later by Hofstede and Bond (1984) as long/short term orientation. In addition, Hofstede (1980) conducted a comprehensive study over 50 countries and introduced a comparison table to compare these dimensions' values in each country. An illustration of cultural dimensions' values of some countries is shown in Figure 17.

	LOW	MEDIUM	HIGH
POWER OF DISTANCE	US		VIETNAM SINGAPORE
UNCERTAINTY AVOIDANCE	SINGAPORE VIETNAM US		
INDIVIDUALISM	VIETNAM SINGAPORE		US
MASCULINITY		VIETNAM SINGAPORE US	
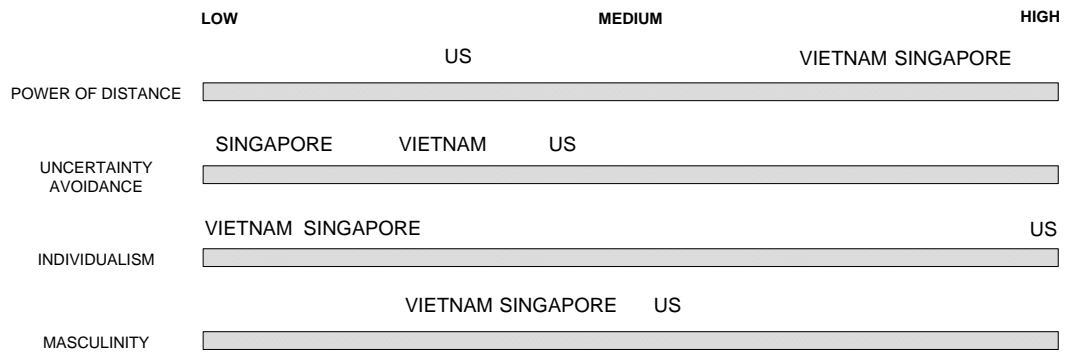
Figure 17. Cultural dimensions' value in US, Singapore and Vietnam (Hofstede, http://www.geerthofstede.nl/dimension-data-matrix*)*

Hofstede's study is done in the context of organizational environment. However, it can be applied widely in individual context. Adler (2002) argued that there is a relation between culture and behavior of individuals. Culture defines what a person values, shapes his or her attitudes toward a thing or a matter and drives the behavior (Figure 18). At work, culture drives the organizational culture which then impacts the leadership, managerial and working styles of organizations. In society, culture influences personal behavior. As a matter of fact, personal behavior determines buying behavior of consumers. Thus, Hofstede's framework is an effective tool that helps firms and managers to explain the differences between markets and thus have appropriate strategies to enter a certain market.
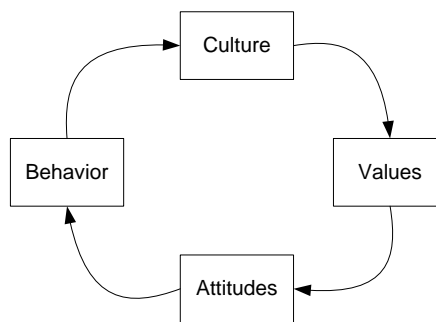
Figure 18. Cultural impacts (Alder, 2002)

Consumer culture theory has been studied in many researches. Culture is considered as the determinant factor that shapes consumer behavior (Gong, 2009). In some cultures, the adoption of technological innovation is faster than the other due to the differences in consumer behavior. For example, a study conducted by Bradley (2003) indicates that the life cycle of innovation adoption in Asia is shorter than in Western countries (Figure 19). It means that customers in Asia seek for new products faster than Western customers. That influences the production process and strategy

of firms in such markets. Marketing strategies should adapt with the differences in cultures and consumer behavior (Cheung et al., 2005).
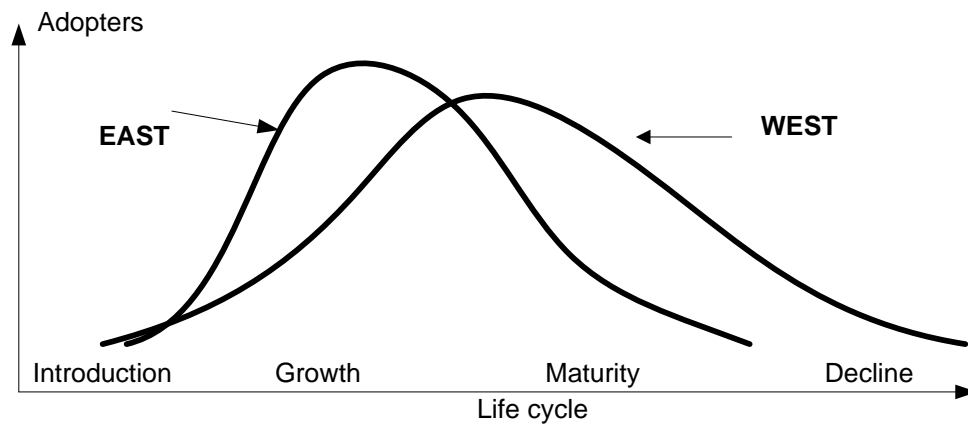
Figure 19. Innovation adoption pattern (Bradley, 2003)

Online consumer behavior has also been an increasing focus in literature. The shift from traditional business to online business changed the behavior of consumers. Online purchase can be seen as a technological innovation, therefore is affected by the culture of a certain market (Figure 19). Thus, firms have to understand cultural impacts on internet buyers, for example understand determinant factors of online satisfaction and online repurchasing patterns.

2.4.2. Localization of online business

Consumer behavior is a broad concept which has been studied in traditional literatures. In recent years, online consumer behavior is an increasingly focused topic showing that there are 120 articles published in 2001 (Cheung et al., 2003). The electronic economy has transformed the shopping behavior of consumers. The exhaustive study of Cheung et al. (2003) has systematically reviewed a significant number of articles in this topic. The study proposed a framework that examines various factors which influence online customer behavior (Appendix 3). While many of these factors are similar to classical consumer behavior, there are characteristics specifically applied to online environment. These are identical to the online service qualities which have been discuss so far in Table 6 (p.23).

Although the globalization and improvement of technology, especially the Internet, has erased the geographical distance, culture still has impacts on online business. Company websites are one of the most affected factors under cultural impacts. The need to launch market-specific website is driven by the higher level of individualism, masculinity, uncertainty avoidance, and power of distance dimensions (Shneor, 2012). Websites need to be changed accordingly to the evaluation of local customers. A study conducted by Sabiote et al. (2012) shows that the differences in culture

affect the evaluation of a website's properties, including ease of use, availability, efficacy, privacy and relevance of information on the websites. Obviously, a service succeeded US market does not certainly succeed in an Asian country. In related studies, various authors have proved that a localized website has positive impacts on purchase intention of customer (Tixier, 2005; Singh et al., 2006).

Therefore, to avoid the challenges of cultural difference, companies try to localize its products and services. A localization strategy is needed when applying existing models to a new market. In traditional exporting methods, a common approach to enter new geographical market is to build a retailer system or establish a joint venture in local area. By doing so, companies take the advantages of local knowledge of local people.

Instead of standardization strategy, Shneor (2012) suggested that firms should localize their website when entering a market with significant cultural differences. In online business, localization often starts with using local language on their websites. However, there are numerous matters that need to be considered other than the translation of a language (Table 9). For example, content and structural variables such as helping functions and advertisement on site are some of factors influenced by cultural dimensions (Cyr & Trevor-Smith, 2004).

Table 9. Evaluation of functions of a market-specific website (Cyr & Trevor-Smith, 2004)

Variable	Number of answers		
	Germany	Japan	US
Help functions available	18	19	26
Help online	6	11	26
Help via email	15	15	27
Help via telephone	1	20	13
Help in live chat	2	0	1
Is there a user sign-in	0	4	1
Index features	9	25	7
Sitemap features	5	11	7
Commercial banner ad	11	10	2

As can be seen in Table 9, in Japan where personal contact is important, customers prefer to have support via telephone rather than via email. In US where the individualism grade is high, index features are not considered necessary because possibly people want to explore the site personally. In addition, other cultural factor such as the difference between individualism-collectivism and the uncertainty

avoidance dimensions in some countries (such as Singapore, Hongkong, China) account for 14 percent of internet shopping patterns (Lim et al., 2004).

As a matter of fact, different cultures have different online shopping behavior. For example, Cheung et al. (2005) have examined online purchase behavior through attitude, subjective norms and perceived behavioral control characteristics of consumers. Gong (2009) studied the adoption and diffusion of internet retailing in high and low-context cultures. A study conducted by Peng (2007) found that the motivation for online purchase in Taiwan and Hong Kong is time saving while in China is door-to-door delivery service. Another example of online shopping behavior is that in Vietnam people still prefer to use cash rather than bank cards. Cash-On-Delivery (COD) is the dominant method used by consumers. This significantly changes the way firms do business in this country. Thus, localization does not merely mean on-site customization. It concerns more general matters including strategic planning and business models of organizations.

2.4.3. Consumer behavior in eating habit

The differences in consumer behavior do not only exist in different geographical markets but also in different industries. For example, tourism industry is totally different from food industry. Ordering food requires fast and responsive delivery while a tourism package can be delivered in few days. Therefore, applying an existing model from one field into another field of business requires appropriate transformations.

In food service, "food" and "service" are separate components but are evaluated in pack (Johns & Howard, 1998). People go to restaurant to have not only good food but also to be served well. The performance of serving and the quality of food have collaborative impacts on the overall customers' evaluation. Johns & Howard (1998) conducted a study on customer expectation of food service and presented various attributes of a restaurant that a customer would evaluate. Among them, friendliness, functionality and aesthetics factors rank the highest positions (Figure 20).
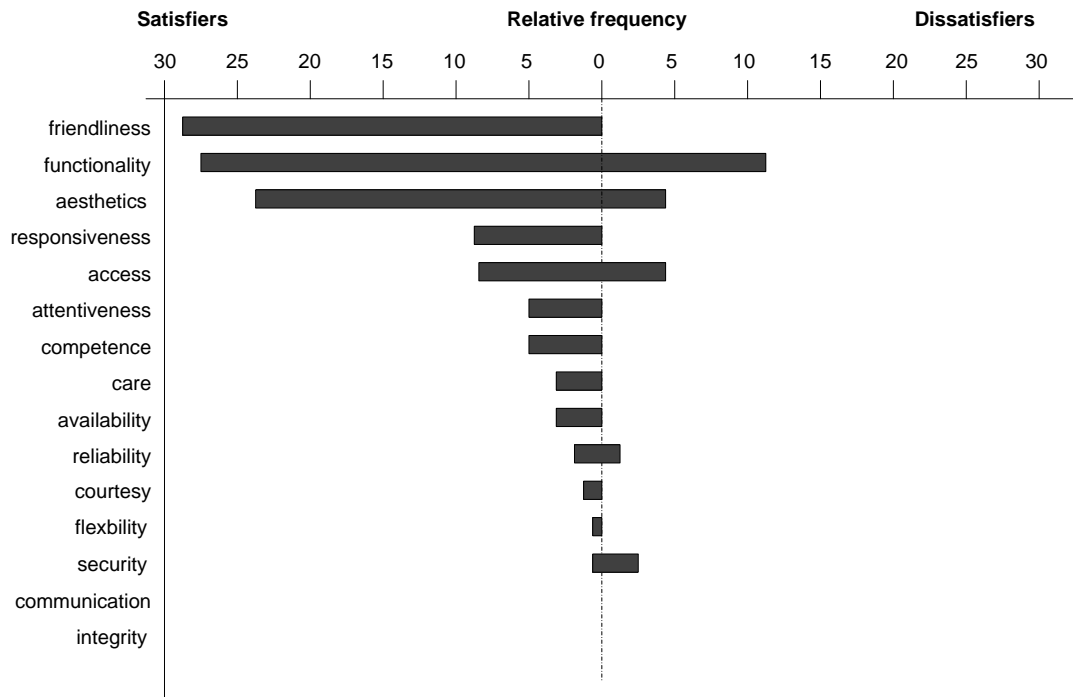
Figure 20. Expectation of customers regarding food service (Johns & Howard, 1998)

It is easy to realize that culture is the determinant factor which has impacts on eating habits of people. Eastern culture is much different from Western culture in many ways, including eating preferences. For example, people in a wet rice civilization like Vietnam consume rice as the mother food, while in Eastern countries bread is consumed more popular. Vietnamese people prefer to cook vegetables in some kinds of soup, while Western people eat fresh vegetables in salad. These differences define the food patterns in everyday meals of people.

Dining at home and having a family meal everyday is also a traditional habit of Vietnamese people. At work, colleges would like to have an office meal together at the lunch break which usually takes one hour or more. Meanwhile in Western countries, fast-food is more preferred and people spend a quite short amount of time for this meal. This also influences the habit of ordering food of people. Some examples about eating habits of Vietnamese can be found in Appendix 4. It is no doubt that understanding these habits is critical in delivering food services to consumers.

However, eating habits are changing. There are Western people who look for Asian food in Chinese, Indian or Vietnamese restaurants and there are Asian consumers who look for fast-food meals. These changes bring opportunities for foreign and new firms who want to serve these emerging consumers. For example, a report from Business Monitor International (2012) shows that there is a trend of using canned and processed foods instead of fresh produce in Vietnam. This trend can be seen

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from the increasing consumption of canned food, confectionery and beverages by 8-10% annually (BMI, 2012). This example may not reflect the whole picture of the change in eating habit in Vietnam, but it shows that dining preference changed. People increasingly prefer to use processed food because of the lack of time. A survey in Vietnam conducted by Ogilvy & Mather Co. (Vietbao.vn, 2000) shows that 35% of the answerers have three meals outside a week and 50% of them eat snack-like foods all day. These numbers are expected to increase in recent years. Thus, businesses in this sector need to understand these changes to better serve their customers.

Online shopping is something new in Vietnam, and so is online food ordering. Similar to food service, online food ordering requires appropriate level of quality from the service provider in addition to the quality of food. However, as has been discussed, online service has distinctive characteristics that differentiate it from traditional service. In online food ordering business, the quality of service is presented in the quality of the website that provides ordering service. In the case study's model, the service provider is different from the food providers. This model will be discussed later in this paper. This causes trouble when evaluating and managing overall quality of the whole model.

To conclude, online food ordering is a new concept to most of consumers in Vietnam. Although it has been popular in some foreign countries, such as US or Singapore, applying this model in Vietnam requires some modifications. The differences in culture, including shopping and eating habits, are the most important factors that firms need to consider. Localization of this unfamiliar business in Vietnam requires firms to understand Vietnamese consumer behavior clearly.

2.5. Framework of customer value in localized online marketing channels

This section is going to summarize the review of literature by presenting a framework of customer value in localized online marketing channels. As can be seen in Figure 21, customer values are impacted by many factors. Firms can deliver customer values through several sources including information, product, interaction, environment and ownership transfer (see Appendix 1). In addition, the characteristics of local environment no doubt have impacts on the perception of customer regarding product values. Customer perception, as has been discussed, changes the way product values are perceived within customers' mind. Therefore, firms need to understand how their products and services are evaluated in customers' perspective. This can be done by looking into cultural characteristics of local consumers (see Appendix 4).
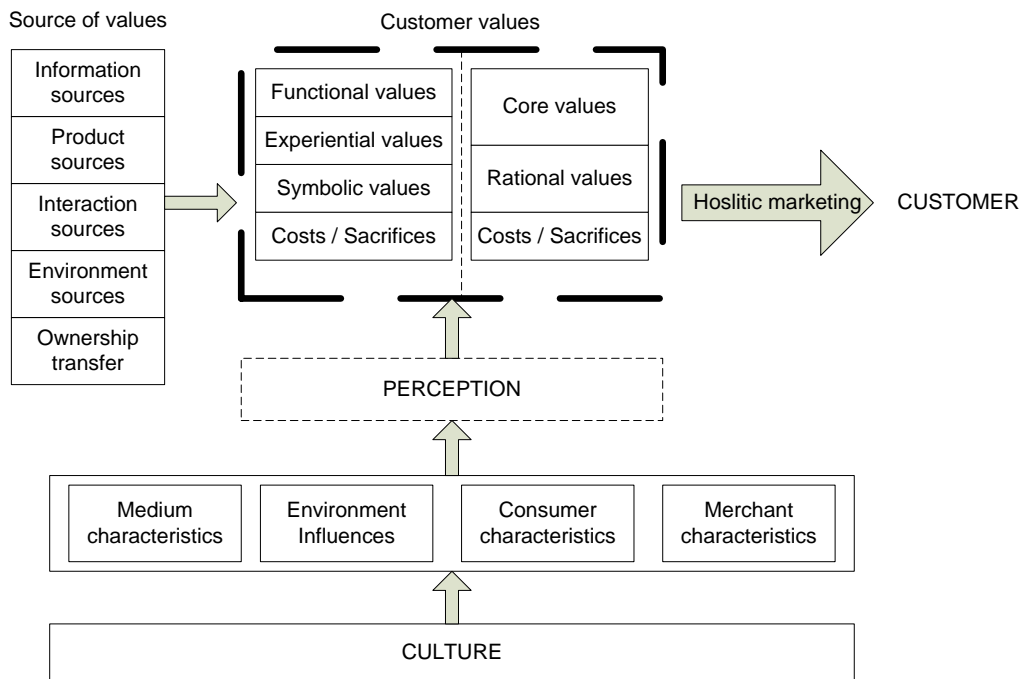
Figure 21. Framework of customer value in localized online marketing channels

Customer values are categorized in several elements in several ways. This study follows the categorization of Smith & Colgate (2007) and using the SEVQUAL model to evaluate the quality of a service (see Appendix 2). The SEVQUAL model has been modified to adapt with the online environment of service (Table 6, p.23). The list of 15 elements of online service quality can be later divided in appropriate groups of customer values. However, it depends on the characteristics of the service itself and the perception of local customers that the manager should place elements in appropriate groups.

The implication of the framework is to show how customer values can be developed. Sources and factors which influence customer values are defined so that firms know where they should put effort to improve products and services' quality. As has been shown in Figure 9 (p.24), these factors have direct impacts on customer demand. Therefore, the problems that need to be solved by managers of the case company are:

- To identify how sources of values can offer benefits to customers; and
- To determine local market's characteristics which affect the perception of customers.

The framework shown in Appendix 1 is a great source of reference for managers to manage and create the service's customer value. Figure 21 above (p.42) is the combination of frameworks in Appendix 1 and Appendix 3. It answers to the third problem of the research regarding managerial perspective of creating customer value and improve customer demand.

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Other research problems raised in the first chapter have also been clearly addressed. First, characteristics of online business have been discussed in the first section of chapter 2. Success factors of online business are determined as execution and demand fulfillment, collaboration, and flexibility and speed (Table 4, p.14). Second, dimensions of customer value are defined in Appendix 2 and the adapted version for online service is in Table 6 (p.23). In addition, sources of customer value can be found in Appendix 1 where Smith & Colgate (2007) have defined clearly how different types of customer value can be built from those sources. Third, discussion regarding marketing channels in consumer and business market has shown the differences in attaining customers in the two markets. Fourth, the impacts of culture on online shopping behavior are presented in the previous section. Specific cultural characteristics of Vietnamese consumers listed in Appendix 4 give a nice hint for managers and researchers to understand this local market.

The next research problem is about discussing the business model of online food delivery service in general and in Vietnam specifically. This will be done in the next chapter. In addition, this chapter will do a benchmark between the two similar services in other countries and similar services in local market. The background knowledge for conducting the study is the framework shown in Figure 21 above (p.42). These following points will be examined:

- How the two benchmarked services exploited the sources of customer value; or in other words, what are the sources of their value?
- What are the benefits that the two benchmarked services offer to customers; or in other words, what are the customer values of those services?
- What are the most important characteristics of market that have impacts on the perception of customer about the online food ordering service?
- How the benchmarked services conduct their marketing activities; or in other words, what are their holistic marketing plans?
- How the differences in culture between Vietnamese market and foreign markets affect the business model and operation of local online food delivery service?

Finally, the final framework for the case company to attain potential customers is constructed in the last chapter. This framework combines the literature-based framework in chapter 2 and the empirical study in chapter 3. It will address the last problem of the research mentioned in the first chapter.

Additionally, questions asked to the managers are related to the shopping behavior of local consumers and business customers. They give hints for analyzing the differences between markets and application of existing model into local environment. Their suggestions for improving the service are collected and presented in the conclusion section of this study.

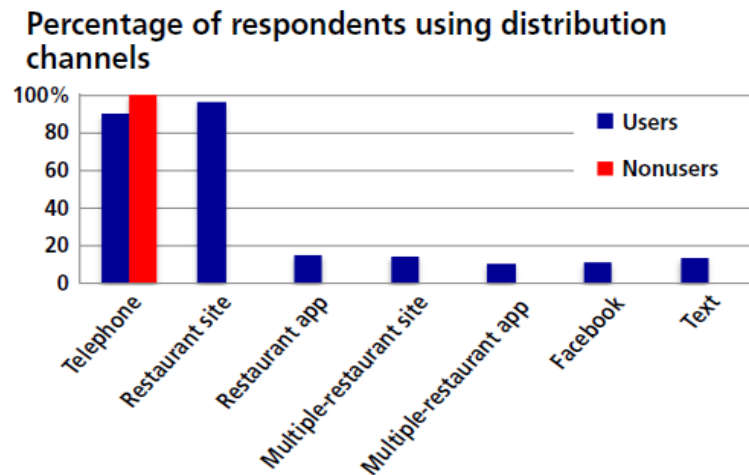# 3. ANALYSIS OF ONLINE FOOD ORDERING SERVICE

3.1. Overview of online food ordering service

Online food ordering is a part of restaurant industry and currently a growing trend in e-commerce. In their recent study, Kimes & Laqué (2011) found that 44 percent of adults in U.S. have ordered food online and 23 percent of the largest restaurant chains allow online ordering. There are several approaches to provide online ordering. Some restaurants allow customer to order directly via their Internet and mobile sites (such as PizzaHut[3] and Subway[3]). Some restaurants build mobile apps and Facebook[4] app (PizzaHut[3]). Customers can also order favorite food by sending a well-formatted text message to the restaurant (Mc Donald[3], Subway[3]). In addition, there are multiple-restaurant sites and apps which host thousands of restaurants' data. Customers can search restaurants on these websites and apps, choose a favorite restaurant and order directly from that restaurant's sub-page. Some of these websites are *Grubhub.com*, *Delivery.com*, *Eat24hours.com, WaiterOnWheels.com, Just-eat.com* (multiple-restaurant sites) and *Chownow.com* (multiple-restaurant mobile app and Facebook app).

Nevertheless, telephone is still the most favorite way of ordering. A study on the online food ordering habit of U.S. consumers conducted by Kimes[a] (2011) indicated that nearly 90 percent of customers who have ordered online still use telephone in ordering (Figure 22). In addition, ordering via restaurants' own websites seems to be the only way of online ordering with 98 percent of online orders. Other ordering channels only account for less than 10 percent of online orders. However, the positive impacts of online ordering can be neglected. The study has found that about a third of restaurants have improved their sales volume and enhanced their service by implementing such system (Kimes[b] 2011). Thus, implementing an online ordering system is an advantage for restaurants.

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[3] PizzaHut, Mc Donald, Subway are three of the largest restaurant chains in the world

[4] Facebook is the largest online social network with more than 800 million users worldwide http://www.internetworldstats.com/facebook.htm (accessed 05/10/2012)

Percentage of respondents using distribution channels

Note: *Users* are the ones who have ordered food online
         Nonusers are the ones who haven't ordered food online

Figure 22. Channels of online food ordering (Kimes[b], 2011)

The case company in this study operates a multiple-restaurant website called *Goimon.vn* (the Vietnamese phrase "Gọi món" means *food ordering* in English). Like other multiple-restaurant website, this site has many member restaurants in its system. The site earns commissions on each order generated for restaurants. Similar websites in Vietnam at the moment are *Eat.vn*, *Hungry.vn*, *HungryPanda.vn*, *Hotmeal.vn* and *Vietnammm.com*. The detail flow of data, food and service in this model is presented in Figure 23.

Figure 23 shows a standard model of a multiple-restaurant site. Nevertheless, site operators have slightly different implementations. For example, *WaiterOnWheels.com* takes care of the delivery whilst *Grubhub.com* leaves the delivery and payment to restaurants (NY Times, 2010). To transfer orders to restaurants, *Grubhub.com* uses fax, phone and tablet app whilst *Delivery.com* sends orders online and via a fax machine. In payment method, *Seamless.com* only allows using credit cards while *Grubhub.com* and *Delivery.com* accept cash payment. It depends on technological implementation and strategies of each site.
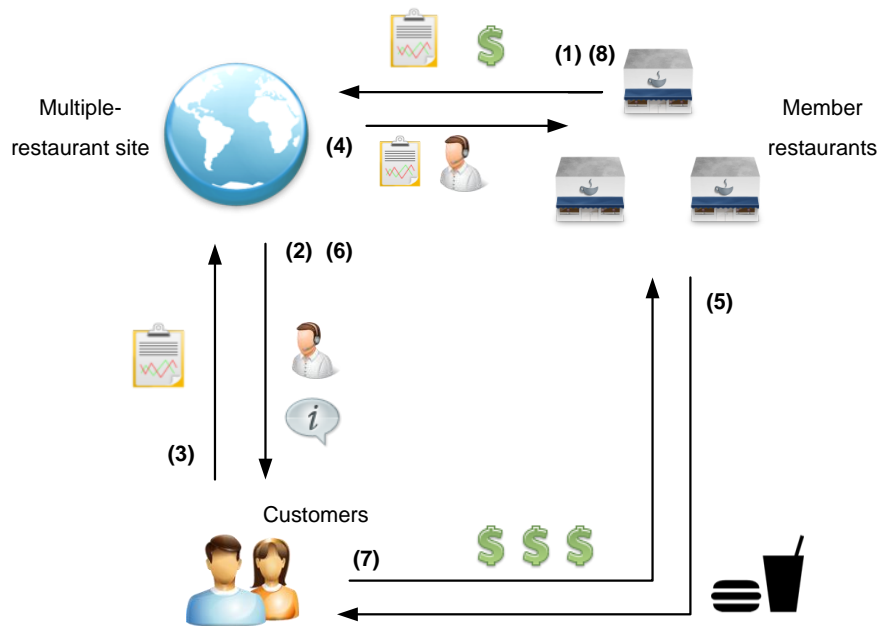
1. *Member restaurants join a multi-restaurant site.*
   They submit data such as menu and delivery policies to the site operator.
2. *This data is published on multi-restaurant sites for users to search.*
3. *Customers order food from their favorite restaurants and submit personal data to the site.*
4. *Orders are passed to the restaurant.*
5. *Food is prepared and delivered to customers.*
6. *Service site provides support in cases there are problems in the delivery.*
7. *Customers receive food and pay.*
8. *Restaurants pay commissions to the service site.*

Figure 23. Online food ordering model of multi-restaurants sites

3.2. Overview of *Goimon.vn* and similar services in Vietnam

According to Mr. Nguyen Van Tri, CEO of *Goimon.vn,* target customers of the service is office staff. They are the ones having limited time to prepare meals for lunch and often going out to eat. The problem that these kinds of services solve is to provide an online marketplace where people can order food at ease. Without going out at lunch time, people can save time and eliminate the annoyance of weather and traffic. Dixon et al. (2009) also stated that consumers appreciate the ease, speed and precision of online ordering services. However, a significant number of hungry people ordered food at home. Recorded in the system of *Goimon.vn,* approximately 70 percent of orders are delivered to home. This percentage indicates a change in the target customer segment.

In US, Kimes's study (2011) showed a list of the most favorite cuisines ordered online. In which, pizza is the most favorite cuisine with 46.6% of orders are pizza, followed by Sandwiches (37.9%), Mexican (36.8%) and Asian food (36.4%). A similar list in this case study can be built by analyzing *Goimon.vn*'s order history (Figure 24). The most common food ordered is also pizza (30%), which is not surprising. One possible explanation is that customers are young and well-educated. They are good at using Internet and technology, therefore get used to foreign culture. Pizza is popular in Western countries and thus easy to be adopted by young people. Pizza and fast-food are also easy to deliver compared to Asian foods which need to be served hot and usually go with soups. Vietnamese main dishes are also ordered as frequently as pizza at 30 percent.
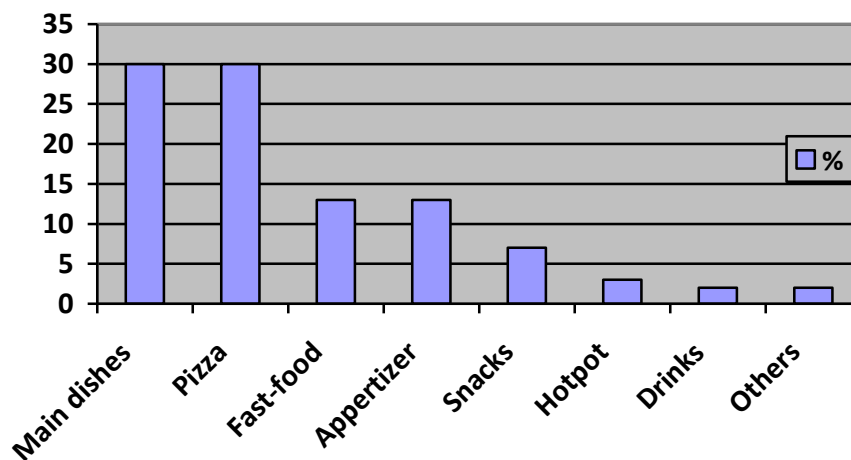
Figure 24. Orders by cuisine at Goimon.vn (statistics from Goimon.vn)

According to the observation, there are three critical points that need to be considered in this model. First, there are a significant percentage of customers calling directly to support department to order whilst they are able to use the online ordering system on website. In a study of US market, Kimes[b] (2011) found out that more than 50 percent of orders are placed by phone while 10 percent of orders are placed online. From recorded data of *Goimon.vn*, the same percentage is captured at the first months of this service. However, the number drops to only 10 percent currently. This figure is probably due to the installation of a real-time chat support application on site. Customers are able to chat directly with the supporters, thus phone calls are unnecessary. As a result, customers are able to place orders themselves with the guide of supporters. Regarding technological issues, *Goimon.vn* has implemented a web version of the service in order to serve mobile customers. Numbers show that 20 percent of visitors are from mobile devices, but only 5 percent orders were made by these visitors. Reasons given by the company managers are the habit of not doing online shopping via mobile and the friendliness of mobile web application. Figure 25 shows how customers place orders via different mediums on *Goimon.vn*.
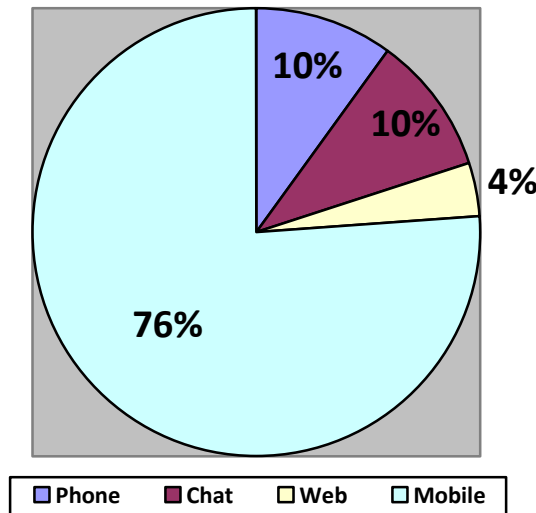
Figure 25. Orders placed by different tools at Goimon.vn

Second, confirmation from the website to customer can be done by several methods including email, text message and phone call. Depending on customer preferences, website operators can decide what kind of confirmation should be given. For example, *Eat.vn* does not take any actions to confirm the order except sending an email to the customer after the order is made. In order to do that, customers need to register an account at *Eat.vn* using their mobile phone number. In addition, customers need to login using that account before be able to order. And importantly, its customers are mainly foreign people which are supposed to be 'trusted' users. It means that the possibility of rejecting the orders of foreign people is lower than local people, due to the characteristics of local market. Thus, order confirmation is not necessary in this case. In contrast, *Goimon.vn* targets at local customers and allows non-registered users to order. As a matter of fact, *Goimon.vn* needs to confirm via telephone to make sure the order is made by real person and is valid. Therefore, the company needs to design a suitable order processing flow to meet customer preferences.

The third issue is the delivery process. Two available approaches are using restaurants' deliverymen and using an independent delivery system managed by the website operator. *Eat.vn, Hungry.vn,* and *Hotmeal.vn* are those who have their own deliverymen, whilst *Goimon.vn* and *Vietnammm.com* depend on restaurants' deliverymen. Each method has its own advantages and disadvantages. The choice of delivery method depends on the company's strategies. Using restaurants' delivery men can reduce the effort of managing delivery process. When the system scales up, managing hundreds of delivery men can be a great hassle. However, restaurants' deliverymen may not follow the system's service quality standard. Once they are not well managed, latency in delivery can happen and communication with customers can be unprofessional. In addition, having own delivery system solves the matter of

inviting non-delivery restaurants to join the supply chain. This system can enhance to delivery capacity of current restaurants and decrease the waiting time of customers. As the matter of fact, it requires experience and appropriate level of resource to build and manage such delivery system.

Adding more channels in receiving orders and delivery (Figure 26), the site operator is able to ease the process of ordering and receiving food of customers. Customers can choose either to order online or to order by phone. Delivery time can be reduced. However, not all of service providers implement these channels. The reason is related to the target customer segment of each provider.
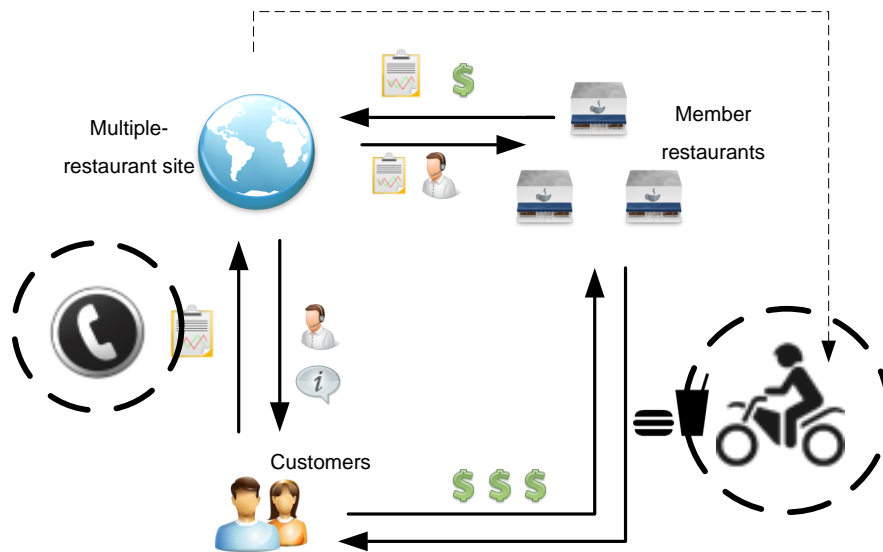
Figure 26. Modified model of multiple-restaurant food ordering site

A list of service providers in this market can be counted easily. There are only six notable websites operating as multiple-restaurant food ordering service in Vietnam, which are *Eat.vn*, *HungryPanda.vn*, *Hungry.vn*, *Hotmeal.vn*, *Vietnammm.com* and *Goimon.vn.* A comparison of these services on several factors can be found in Table 10. As can be seen, most services do not accept online payment. There are difficulties in offering this payment method because of the popularity of using electronic card in shopping, according to the manager of *Goimon.vn*. This is the issue regarding both consumers and restaurants.

Table 10. Characteristics of multiple-restaurant food ordering websites in Vietnam

	Eat.vn	HungryPanda.vn	Hungry.vn	Hotmeal.vn	Vietnammm.com	Goimon.vn
Accept online payment					x [*]	
Accept cash	x	x	x	x	x	x
Do delivery	x		x	x		
Allow guest ordering		x		x		x
Use SMS confirmation for customer	x	x			x	
Use phone confirmation for customer			x	x	x [**]	x
Use email confirmation for customer	x	x	x	x	x	x

[*] Available only in 3 restaurants

[**] For first time orders

In addition, there are differences in choosing delivery and confirmation method between services. There is not a dominant model for this kind of service because the market leader position has not set up. There is no evidence that a certain method is more effective than the others. Thus, it is based on the target customers of each service that a preferred model is used. For example, *Eat.vn* mainly targets foreign people living in Vietnam; therefore using SMS confirmation is more convenient for customers. In contrast, *Goimon.vn* targets at Vietnamese customers only. As a result, confirmation by phone is more preferred because of the consumer shopping habit, according to *Goimon.vn*'s manager.

There is not any recorded data in online food ordering so far as this market in Vietnam is new and still small. *Eat.vn* is the only company that is supposed to be profitable at the moment[5]. However, its target customers are quite different from other services. Foreign customers have distinctive characteristics compared to local customers. Thus, the operating model of *Eat.vn* cannot be applied by other services that target at local customers.

According to Mr. Tri, *Goimon.vn* is required to build an effective model that is friendly with Vietnamese people and adapt with local environment. Market is expanding and market leader is not established yet. Thus, there is not any successful model for this kind of service in Vietnam. According to Mr. Tri, the company has to address these problems:

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[5] http://westart.vn/2012/08/tro-chuyen-voi-founder-eat-vn-trai-nghiem-dich-vu-la-uu-tien-hang-dau-cua-chung-toi/ (Vietnamese), accessed 05/10/2012

- Customers' awareness regarding online food ordering is low
- Customers' preferences in having outside meal is higher than ordering deliverable food
- Most of Vietnamese food are not suitable for delivery
- Price level of deliverable food is often higher than dine-in food
- Most of restaurants do not have professional deliver men
- Technology anxiety of both consumers and restaurants is high

First, online food ordering is a new model and especially multiple-restaurant ordering sites have just appeared within a year in Vietnam. To increase the awareness of customers, "they need to be educated", said Mr. Tri. Second, eating habit of Vietnamese consumers is to have meal with friends and family members. Eating alone which probably is a characteristic of people who order food online, is one negative factor to consumers. Third, Vietnamese food requires to be served hot with some kinds of soup. To delivery these kinds of food needs special packing method and short transfer time. This matter affects the choices of available food on site. Forth, the price of deliverable food is added by delivery fee. In addition, minimum order is high (order is only valid when the total price of order is higher than a minimum value). This increases the average price for a person. Fifth, even with restaurants that offer delivery service, they use unprofessional deliverymen. They do not work in the restaurant or for any professional catering service. Thus, the service quality may be low and has negative impact on the overall performance. Last, the scare of using technology-based service is high for most of people. Consumers prefer to have direct contact with sellers rather than using an automatic method. In addition, restaurants do not have enough staff which technical skills. Therefore, it is hard to convince both consumers and restaurants to adopt this business model.

To conclude, multiple-restaurant ordering site model in Vietnam requires appropriate modification to succeed. However, there is not any successful model in this market at the moment. A reasonable approach for the firm is to analyze similar services in foreign markets. In addition, the firm needs to study carefully local market to reveal insight regarding customers' wants and needs.

3.3. Benchmarking of similar online food ordering services

This section discusses the two picked services which are similar to the case company's service. One is *Grubhub.com*, a successful U.S company in offering online food ordering service. The other one is *Foodpanda.com* which is a multinational company headquartered in Singapore but has its service presented in Philippines, Thailand, Indonesia, Malaysia, India, Columbia and Vietnam. FoodPanda is backed up by Rocket Internet, a German startup company, whose

business model is to clone and replicate successful internet websites from one country into other countries. This online incubator is successful in this model with the famous acquisition of *CityDeal*, a clone of U.S. coupon site *Groupon*, in 2010.

GrubHub is chosen because it is considered one of the most successful companies in this market in U.S. Its restaurant network has over 250,000 members in total and in which there are 15,000 restaurants that allow online ordering. GrubHub has offered its service to nearly every biggest city in U.S[6]. The study of GrubHub's business would reveal valuable data. In addition, Rocket Internet is a big player in online market. The appearance of FoodPanda in Asian countries like Thailand, Indonesia, Singapore and Vietnam is a sign for entrepreneurs to see that online food ordering is a promising business. Moreover, there are a lot of similarities in the culture of these countries which may provide a good benchmark for the case company.

In general, these kinds of services work almost the same. Both of the companies offer multiple-restaurant ordering service which allows customers to browse a list of restaurants that deliver to their place (Figure 27 & 28). Customers enter their address, in form of a full address string or post code, and then start searching for restaurants. In each restaurant page, detail menu is presented. Customers will add menu items into their order. Once the order is confirmed, it is sent to the service provider and then passed to restaurants in different ways.

Figure 27. Grubhub.com's homepage

Figure 28. FoodPanda's homepage

Thus, basically these services work like the model in Figure 23 (p.46). In customer's perspective, the differences may come from the design and functions of the websites

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[6] Grubhub.com

as well as customer service quality. Table 11 below shows a comparison in several front-end factors between these two services. As can be seen, there are many similar factors as well as distinctive characteristics.

Table 11. GrubHub and FoodPand front-end comparison[7]

	GrubHub.com	**_FoodPanda.sg_**
Search query	Full address & cuisine	Postal code
Restaurant types	Delivery & Pickup	Delivery
Restaurant network	15,000 delivery restaurants of 250,000 restaurants total in 400 American cities	110 delivery restaurants in Singapore
Accept order	Online	Online & by phone
Filter factors	Discount, open status, and cuisine	Discount, open status, minimum order value, budget and cuisine
Cuisine types	Various	Various
Restaurant information	Menu, address, minimum order, delivery fee, delivery hours, delivery time, review, rating	Menu, address, minimum order, delivery fee, delivery hours, delivery time
Payment method	Cash on delivery (CoD), Credit card, Paypal	Cash on delivery (CoD)
Support channel	Online chat	Hotline
Order confirmation	Email	Email & SMS (text message)
Order by guests	Accepted	Accepted
Member benefits	Order histories, saved personal data, game prizes	None
Promotion	Coupons	Coupons
Social integration	Facebook, Twitter, Google+	Facebook, Twitter
Delivery	Restaurants	Restaurants
Mobile support	Mobile web & mobile app	Mobile web

The most notable difference is the number of restaurants. However, it is not an important factor when taking into account the market size in U.S. and in Singapore. In addition, the U.S. company was founded 7 years before the Singaporean company exists. Thus, there is no doubt that GrubHub has a huge network of restaurants. Nevertheless, the more restaurants in the network, the more choices customers have when placing orders. As a result, having a large network of restaurants is an advantage over other services. Besides, there are some differences which can be explained in the cultural point of view. First, whilst GrubHub only allows online ordering, FoodPanda accepts both online orders and order via phone. Second, FoodPanda has hotline support to directly answer customer's phone call. Third, CoD is the only payment method offered by FoodPanda. Forth, the Singaporean service allows more filtering conditions for searching restaurants than GrubHub.

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[7] Information is captured from service's official website at the time of this research

These four points can be explained by discussing consumers' cultural and market-specific characteristics. Consumers prefer direct contact with service providers rather than doing completely electronic transactions. Thus, offering a hotline number for customers is a suitable function. At last, price of food is a critical factor that impacts Singaporean customer's decisions. Therefore, *FoodPanda* allows customers to filter the results by minimum order value and budget conditions. This function helps customers to find suitable restaurants to make orders. Other factors, such as order confirmation via email in U.S. and SMS in Singapore and mobile app support by *GrubHub*, are due to technological usage habit of consumers in these two markets.

Both services do not handle the delivery process. Their function is to pass the order to the restaurants and then leave the delivery task for restaurants. Doing delivery or logistics is another business which is probably out of an online ordering website's strategy. Thus, the choice of doing delivery depends on company's resources. In addition, both services do offer mobile access. This is an important feature of nowadays e-commerce application. Enabling mobile access is an advantage to the service as it increases the convenience of customers when using the service.

Social networks integration is used more popular in today business. The three biggest social networks, which are *Facebook*, *Twitter* and *Google+*, are used to raise the awareness of online customers to the services. For example, GrubHub's Facebook *fanpage*[8] has more than 122,000 members in October 2012, and *FoodPanda* has around 1,600 members on *Facebook*. These are big numbers of potential customers who can be converted to profitable customers. In addition, word-of-mouth of these members is valuable factor for viral marketing. The posts on these fanpage can reach thousands of members in a second, and re-posts from these members can broadcast the message to friends of friends of members. Thus, there is no doubt that social network is a useful marketing channel for online businesses.

Another notable difference is the membership registration feature. *FoodPanda* does not accept new members at the moment, while it still has login function for existing accounts. However, *FoodPanda* automatically create a free account for after a customer makes the first order. This knowledge is quite hidden to customer. In contrast, *GrubHub* does allow guests to order, but provides many benefits to its registered customers. This allows *GrubHub* to serve wide range of customers whilst having loyal ones.

Regarding customer service, both two services are not responsible for order-related issues after order information has been passed to restaurant. Customer service policies can be seen in Table 12. The two services act as an information carrier between customers and restaurants. This can be a disadvantage of using these kinds

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[8] *Facebook fanpage* is a personal page of an account on Facebook, usually used to promote a brand

of service. Any food- and delivery-related problems can cause dissatisfactions for both ordering website and the restaurant. Problems caused by restaurant, for example late delivery or unacceptable food quality, may have negative effects on the service providers.

Table 12. GrubHub & FoodPanda customer service policy

	GrubHub.com	*FoodPanda.sg*
Changes in order	Possible, depends on restaurants	Possible, depends on restaurants
Cancel order	No information	Possible, depends on restaurants
Discount or refund for unsatisfied orders	No information	Possible, depends on restaurants
Urgent issues	Email contact	Email contact & hotline

To summarize, both services have similar business flow. It is not easy for customers to realize the differences in these services. When there are similar businesses with identical service quality, customers have to find a reason to use one instead of the others. Price, quality, after-sales service and promotions are some of the most important decision factors. In this model, price is inappropriate as it completely depends on restaurants' price range. There is no fee for using the service. Nevertheless, the site can choose to reach a sub-segment of online customers so that the price range of the restaurants network fits the customer group. Quality, as has been discussed, is almost the same between competitors. One thing would make the difference is how they really care about customer after orders have been made. For example, customers are able to track the status of their orders and to have their problems solved. If customers do not satisfy with the after-service once, it is likely they will switch to another service provider. Thus, the quality of service is believed to be raised from customer care service.

Promotion is an effective tool to attain new customers and increase customer loyalty. When there are no differences, customers are likely to look for promotion. FoodPanda provides a lot of discounts for new and recurring orders (Figure 29). It should be noted that this is discount offered by FoodPanda, not by restaurants. It is likely that the service has partnered with several restaurants to launch these promotions. Meanwhile, GrubHub provide additional benefits for registered members. That means it focused on increasing the loyalty of customers.
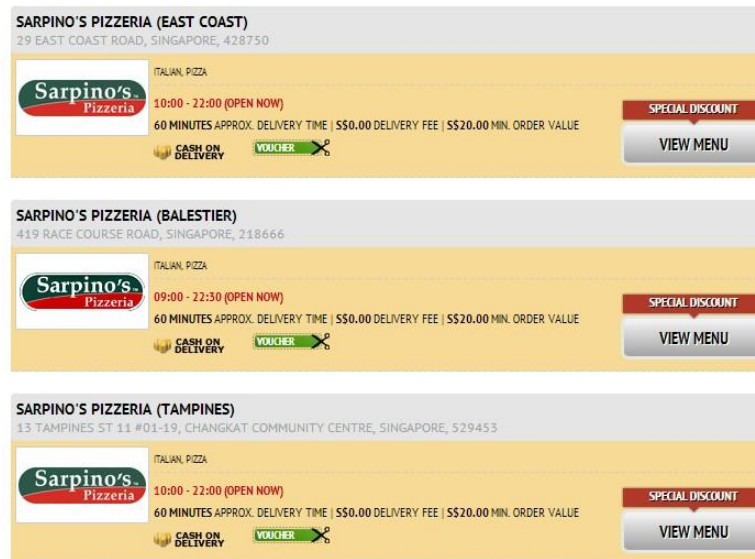
Figure 29. Discounts on FoodPanda.sg

As has been discussed before, three success factors of an e-business are execution and demand fulfillment, collaboration, and flexibility and speed. Table 13 summarizes several important points in implementing these factors of the two services. Regarding *GrubHub*, this website was found based on founders' own hobby and problems. It was built to help hungry people find restaurants that deliver to their place. *GrubHub*'s design and user interface are user-centric as they always listen the users' opinion[9]. It was flexible in adapting with business changes when the website switched its business model from premium model to commission model.

Table 13. GrubHub & FoodPanda's e-commerce success factors

	GrubHub	FoodPanda
Execution & Demand fulfillment	Founders' own hobby and problem User-centric design	Potential Market E-commerce experience and resource
Collaboration	Investment and funding	Local entrepreneurs
Flexibility & Speed	Business model changes Market share increase	Promotion and marketing

At first, *GrubHub* was an information listing website which charges restaurants for their appearance on site. When the website received a lot of inquiries about an online ordering system, the site owners saw the opportunity and decided to change the model. After that, they increased the market share by increasing the number of restaurants and serving cities at fast growing speed (for example, number of cities

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[9] Interview with Michael Evans, GrubHub's founder, see http://mixergy.com/grubhub-michael-evans-interview/

increased from 4 to 13 in 2010). In order to expand at such speed, *GrubHub* received investments from investors and venture capitals; it rose total funding at $84.1M this year[10].

With *FoodPanda*, the e-commerce implementation is different. Its owner, Rocket Internet, is a successful player on the Internet. The firm has great online experience and resource to operate the website. Thus, *FoodPanda* is built based on successful models of online food ordering service in U.S. (*GrupHub.com*) and Europe (*Just-eat.com*). The success of proved model in those countries plus the professional execution of an Internet giant are the key success factors. FoodPanda was opened not only in Singapore but also in India, Thailand, Malaysia and other Asian countries at the same time. In order to do that, it has collaborated with local entrepreneurs to fast adapt with local market. These strategies are quite effective to raise the awareness of consumers in online food ordering service.

The diagram in Figure 30 shows how *GrubHub* raises the demand for service. As the matter of fact, the core quality of online ordering service is the availability of food and the accuracy in delivering food. The huge network of restaurants helps *GrubHub* ensure that customers are able to find a suitable restaurant in their area at any time. In addition, customers would like to receive the food as what they ordered and in time. Thus, the accuracy of delivery is a core factor that determines the quality of the service. Rational quality of the service, in case of *GrubHub*, is the benefits that registered members will receive. The more they order, the more benefits they would have. Additionally, great customer service is what *GrubHub* promises to treat customers[11]. What customers perceive is they can order whatever and whenever they want with *GrubHub*[12].

As a result, *GrubHub*'s customers feel conveniently in using the service as the satisfaction is high. This increases the intention to use the service for the second time. Reports show that 62 percent of *GrubHub*'s customers would recommend their friends to use the service, which is high recommendation rate[13]. In addition, the study conducted by Kimes[a] (2011) showed that approximately 40 percent of food delivery orders are placed because of recommendation from friends and family. Thus, recommendation is a great source of customer demand. Other factors that affect the intention to order online are the easiness to access the service (via web, mobile), the awareness of market (people are familiar with the business), the habit of consumers (U.S. consumers are used to online shopping), and the diversity of

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[10] GrubHub's profile at http://www.crunchbase.com/company/grubhub
[11] Interview with Michael Evans, GrubHub's founder, see http://mixergy.com/grubhub-michael-evans-interview/
[12] "Whatever, whenever" is a commercial advertisement campaign of GrubHub, see http://www.youtube.com/watch?v=SUzqrMYYzJ4
[13] Interview with Michael Evans, GrubHub's founder, see http://mixergy.com/grubhub-michael-evans-interview/

restaurant in the delivery network (there are a great number of restaurants in service). These factors together increase the customer demand in respect of online food ordering service.
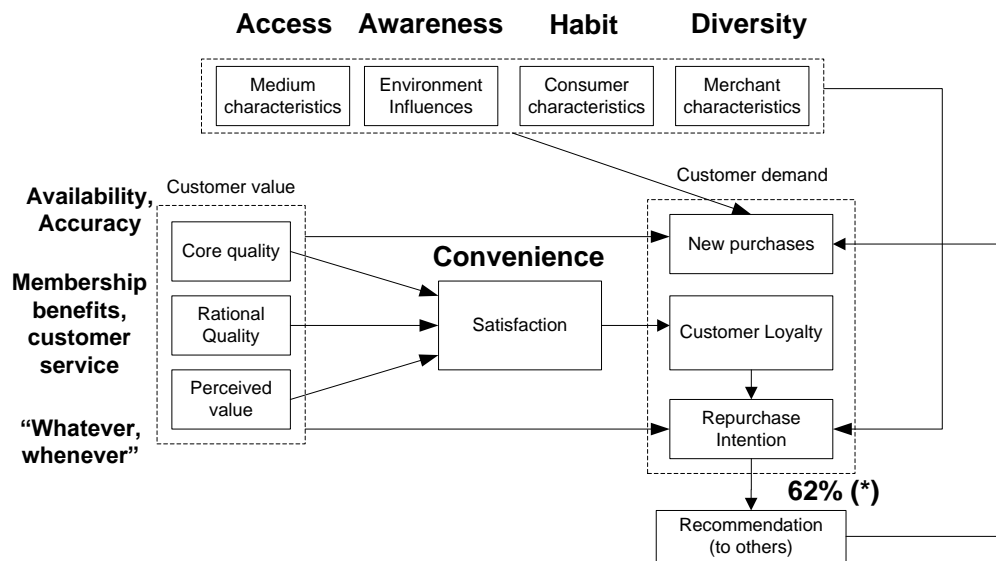
(*) figure in 2009[11]

Figure 30. GrubHub's customer demand creation framework

When considering above factors in relation with Smith & Colgate's value creation framework (2007), it is possible to arrange them in appropriate placements (Table 14). First, as a free service for consumers, the cost for using service is totally free. By delivering such information to customers, people feel encouraged to try the service. Product is certainly the main source of customer value. Availability of restaurants and service is the core value that customers find valuable on website. Great membership benefits and social sharing provide satisfied experience and self-identity. In addition, free service is a source to increase customer perceived value. Interactions between employees and customers are reduced to minimum as the ordering process is automated. Communication is conducted only when there is an issue. Thus, annoyance is low.

Environment is the design and functions of website. It provides experience of convenience to customer when using the ordering system. At last, delivery is a critical factor in this business model. Customers want the food to be arrived at the right time. Additionally, when there are issues related to the delivery, customer service must deal the problem. Delivery service together with the ordering service should also provide convenience and respect to customers.

Table 14. An application of value creation framework for GrubHub

	Type of value			
Sources	**Functional**	**Experiential**	**Symbolic**	**Cost**
Information				Free
Product/Service	Availability	Membership benefits	Membership benefits	Free
Interactions		Customer service	Customer service	Low annoyance
Environment		Convenience		
Ownership transfer (delivery)	Accuracy	Customer service	Customer service	

A similar analysis can be applied to *FoodPanda* case (Table 15). The only difference is the extra benefits that the service offers its customers. *FoodPanda* offers on-site promotion instead of membership benefits. To increase the purchase intention of customers, *FoodPanda* delivers such information clearly on its homepage. Thus, customers have the feeling of being always able to find low-price meals on the website. That is how *FoodPanda* create value for customers.

Table 15. An application of customer value framework for FoodPanda

	Type of value			
Sources	**Functional**	**Experiential**	**Symbolic**	**Cost**
Information		Promotion		Free
Product/Service	Availability			Free
Interactions		Customer service	Customer service	Low annoyance
Environment		Convenience		
Ownership transfer (delivery)	Accuracy	Customer service	Customer service	

To conclude, this section has reviewed numbers of factors of two similar websites in online food ordering service. The review has applied several theoretical frameworks to analyze the business model and operation of the two services.

4. CONCLUSION AND RECOMMENDATION

4.1. Conclusion

As has been discussed so far, online food ordering is a new service not only in Vietnam but also in other markets. There are a lot of challenges that need to be solved. In which, most of the challenges are mainly related to the behavior of customers which is similar in several factors between studied countries. According to the study of Kimes[a] (2011), the habit of talking to a live person is the main reason why consumers do not prefer online ordering. This issue cannot be solved easily. Other reasons include accuracy- and trust-related issues, and poor knowledge about service's functionality. Technically, these challenges can be addressed if the firm can deliver appropriate messages regarding its service to customers. For example, the accuracy- and trust-related issues can be solved by joining authorized e-commerce organization and integrating SSL (Secure Socket Layer) certificate on website. Market knowledge about service can be increased once the marketing activities are done properly. The increasing competition in market is also a factor that increases the awareness of customer regarding this service.

Nevertheless, it is easier said than done. Building strategies to increase customer demand require an appropriate roadmap (Figure 31). First, firm needs to determine what value that will be delivered to customers. Core values and rational values must be specified so that customers see the differences between products. As has been discussed, there is little difference between online food ordering firms. Thing that the firm could do is to focus in rational values of service. In which, customer service and delivery service are two important factors that customers evaluate an online food ordering service.

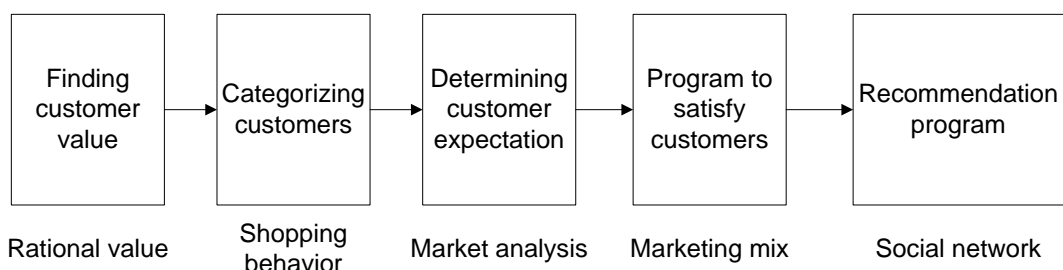| Finding customer value	Categorizing customers	Determining customer expectation	Program to satisfy customers	Recommendation program
Rational value	Shopping behavior	Market analysis	Marketing mix	Social network

Figure 31. Demand creation roadmap

Second, it is important to know target customers. In this case, firm needs to categorize customers based on their shopping behavior. There are customers who

resist online purchasing and there are ones who have not tried it before. In addition, there are people who frequently look for low price offer and there are ones who care only about quality. Each group of customers has different characteristics and thus requires suitable approaching plan. A possible solution is conducting a survey. This helps firm understand customers' wants and needs.

The next step that needs to be done is to determine expectation of each group. This requires a good analysis of market to reveal which factors of service should be better than others. It is possible to compare the expectation of each group. Habitual shoppers are the ones who are highly loyal to their familiar products and services, thus they have little consideration about substitute products. As the matter of fact, they have highest expectation for the new service. High-involvement shoppers also have high loyalty; however they have the potential to switch to other service providers. Therefore, their expectation is lower than the previous group. Total customer value of the service may be lower than the expectation of these two groups (Figure 32). Consequently, customers in these groups are not interested in the service. In contrast, variety-loving and high-value deal shoppers have low expectation as they are easy to switch the provider. These types of customers are easy to obtain, for example by providing membership benefits or promotions and deals.
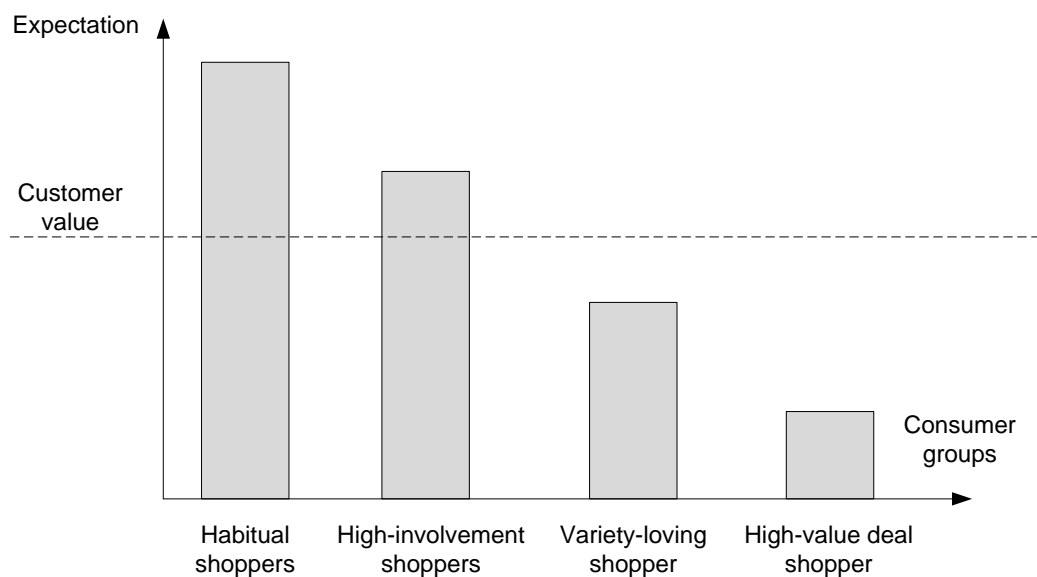
Figure 32. Expectation of each consumer group

Depending on the analysis of customer expectation, firms are able to focus on potential customers. If the number of potential customers is big enough, firms can target their marketing resources to attain such market. However, if the expectation is much higher than total customer value, firms have to increase the benefits of the service. Otherwise, it is impossible to sell the product. Customer expectation is a

critical factor that determines the perceived value of customer. The higher the difference between total benefit and expectation, the higher the perceived value is. As has been discussed, perceived value positively affects purchase attention. Thus, targeting the correct customer groups and addressing their expectation are the main source of raising customer demand.

The next step in the roadmap is to satisfy customer with suitable marketing mix. Customer satisfaction is the determinant factor that increases the loyalty of customers. Therefore, the main purpose of marketing mix is to increase customer satisfaction and deliver the message that the service is able to satisfy customer expectation. The combination of service's core quality and rational quality must be adequate to customer expectation.

Finally, building recommendation program is vital in case of online services. As has been discussed, a significant number of customers purchased because of recommendation from friends and family. Thus, firms must find way to encourage customers to share their positive experience and recommendation. For example, *GrubHub* awards customers for inviting other friends to use the service. The Facebook fanpage of *GrubHub* shares images of existing customers with ordering experience. These retention campaigns utilize the power of social networks. No doubt, the use of social network shows its advantages with a pure online business for consumers like food ordering. Thousands of customers may get the message in a fraction of second. Thus, social networks are important channel to conduct recommendation program.

To conclude, Figure 33 illustrates a complete framework for demand creation of online services. Expectation and recommendation are two critical factors in this model. They are sources of customer demand that need to be dug. While the intention to recommend is derived from customer loyalty and repurchase intention, expectation is affected by a numerous of elements. Medium characteristics are related to web and mobile design and functionalities of the service. As the use of online service become more popular, customer expectation changes. It would be higher or lower than before depending on how familiar customers are with technology and business model. Culture, as has been discussed, is an important factor that needs to be examined when a new service enters the market. For example, expectation regarding online purchasing is usually high in a market where online shopping is not popular like Vietnam. Customers often compare online purchasing with traditional method, thus create a high expectation and barrier for the new method. Consumers' shopping behavior generates different expectation level, as shown in Figure 32 (p.63). Finally, merchant characteristics such as brand, quality and service also have impacts on customer expectation (see Appendix 3 for more detail). For example, merchant of famous brands has higher expectation from

consumers than others. Thus, building an effective restaurant network is an important task.
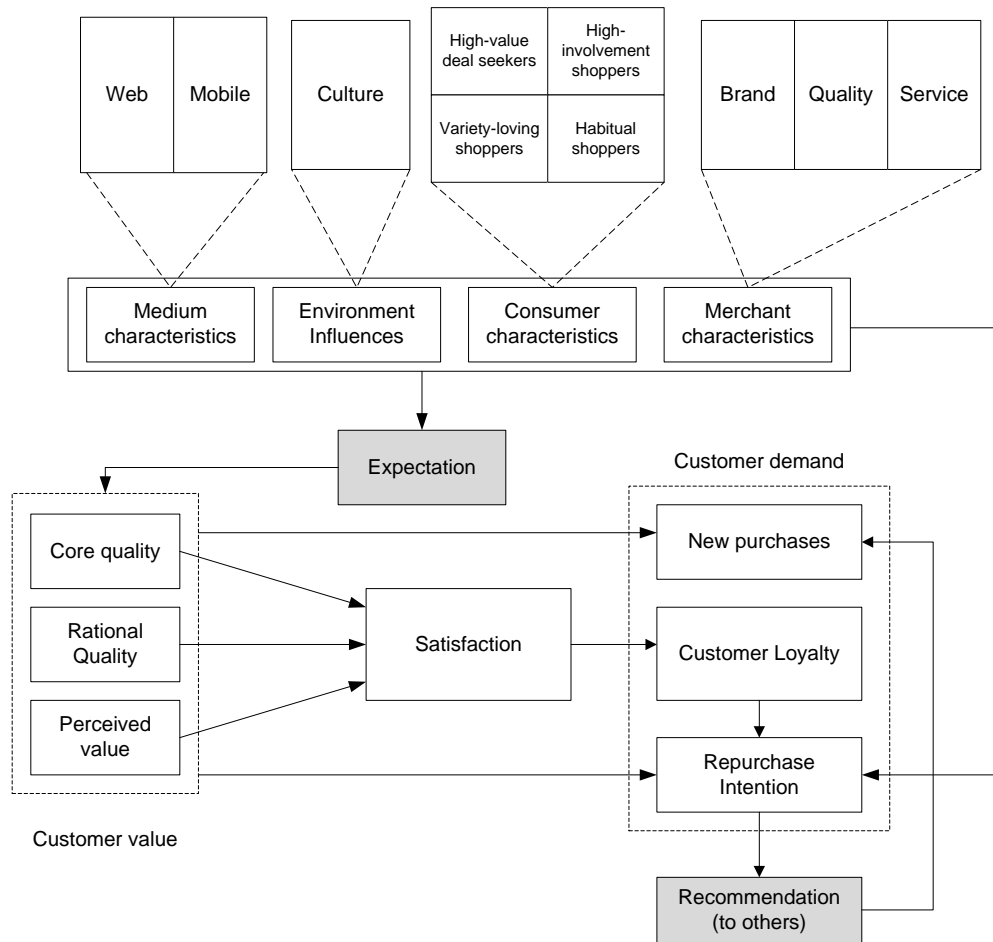
Figure 33. A complete demand creation framework for online service

This framework provides a comprehensive view on demand creation for online services. It should be noted that this framework concentrates on consumer market. However, most of factors can be applied in B2B context. The next section is going to discuss the application of framework for B2B market.

4.2. Online food delivery for business

Although the case company currently does not provide service for organizations, there are chances that can be exploited. The company manager has mentioned about the application of online food ordering and delivery for business. Some potential customers can be:

- Groups of employees within an office
- An office where employees' lunches are subsidized
- Company parties organizers

In the first case, orders are made in group. There will be a group representative who is responsible for ordering daily. In the second case, the representative is the administrator of the office. The order size is bigger than in the first case and is more stable. Orders in the last case have the biggest size; however they are made at smaller frequency than the others.

At first glance, these three cases can be categorized in the consumer market as the purchasers are eventually individuals. However, these purchasers' decisions are affected by several factors which are similar to B2B context. For example, there are several influencers in the purchasing process, such as initiators, users, influencers, deciders, approvers, buyers and gatekeepers. In addition, marketing activities cannot be done entirely online like in the case of consumer market. Direct sales to the representatives are the best way to initialize the transaction. Moreover, the negotiation process is often long as big buyers need higher benefits. Therefore, these cases should be placed in B2B context and need to be dealt with different strategies.

First, expectation of organizational buyers is often higher than consumers. In addition to the service quality and competitive pricing, B2B customers are interested in extra intangible benefits such as trust, commitment, and cooperation (Wilson, 1995). As it is unclear to categorize firms based on their online shopping behavior, expectation of B2B customers can be determined in specific cases. Interestingly, it is probably easier to define expectation of B2B customers than consumers through direct negotiation. This cannot be done in consumer market. Culture and merchant characteristics are not the determinant factors of expectation because customers seek for convenience in conducting big-size orders at first. Multi-restaurant sites are reasonable services that help firms organize and conduct food delivery transactions easily and comfortably. Nevertheless, an effective interface of web or mobile ordering system is in high expectation of customer. Empirical experience of the author showed that employees expect to take part in the ordering process objectively instead of being subjectively. In other words, they prefer to check the menu, customize and make the order themselves. Thus, the ordering system should be able to collect the choices of each person effectively and conveniently. It requires improvements in technology and business solutions.

Second, a same recommendation program with consumer market may not work in B2B context because buying process in business context is more rational. Encouraging customers to recommend to others by rewards is not a reasonable program. To increase satisfaction of customer is more important in earning positive recommendation from customers (Woodruff & Flint, 2003).

In addition, customer organizations seek for different values during time (Woodruff & Flint, 2003). Thus, it is needed to measure customer satisfaction over time to see what values need to be removed or enhanced. Depending on the characteristics of

products, the measurement can be conducted daily or longer (Woodruff & Flint, 2003). Additionally, there are a lot of independent suppliers who are direct competitors of multi-restaurant sites. The food is an easy-to-switch product that customers can change suppliers easily. Therefore, the benefits of using multi-restaurant sites must be high and the relationship between customers and provider should be close so that loyalty is increased. A same customer demand creation framework for B2B context with small modifications can be seen in Figure 34.
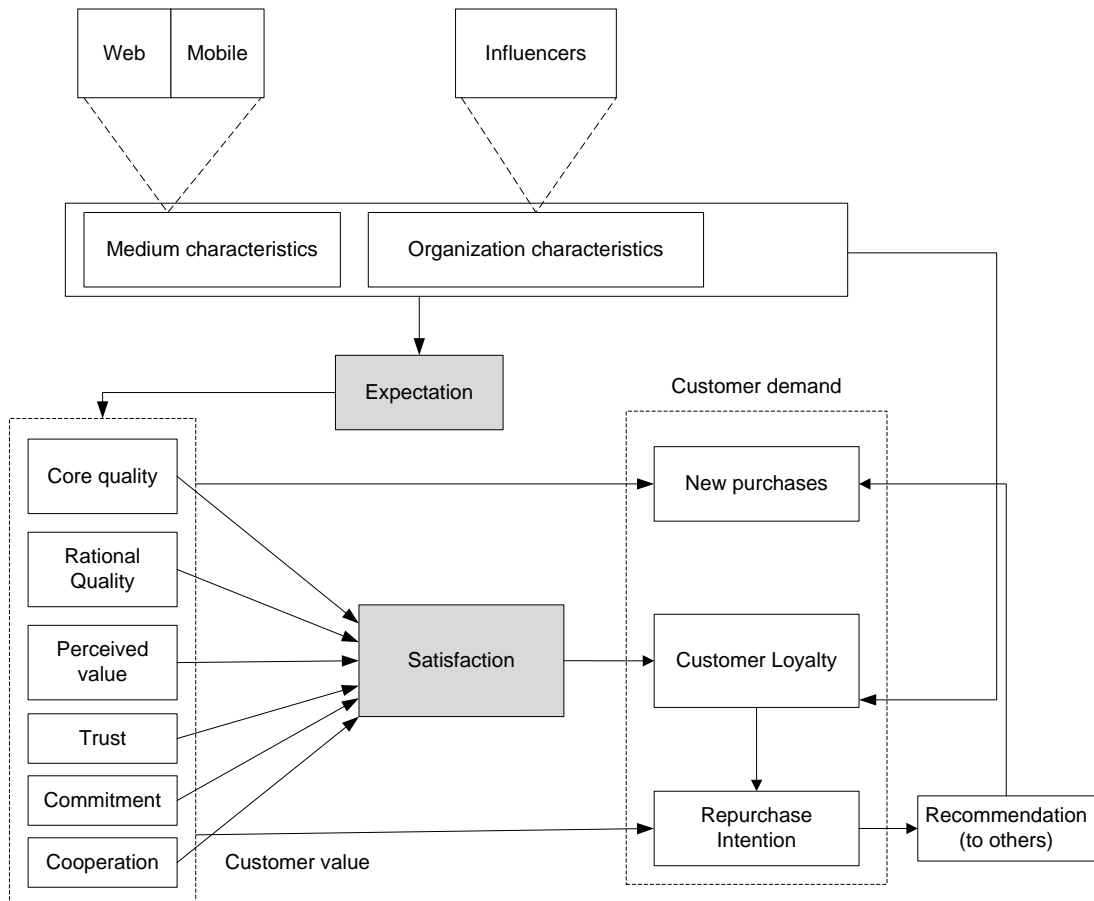
Figure 34. Demand creation framework in B2B context

In summary, there are several differences in the application of demand creation framework in consumer market and B2B market. Not surprisingly, there is little impact of online mediums to the demand of business customers. The use of web-based tools is only an advantage of the service. No doubt, the expectation of business customers regarding online system is higher than consumers'. The critical factor that increases the demand for organizations is still the business solution which creates benefits for them. Nevertheless, recommendation is still an exploitable factor. The advantage of using Internet-based recommendation program in delivering positive comments and word-of-mouth is undeniable.

4.3. Study outcomes and managerial implications

Online food delivery is a niche market in local e-commerce business. This kind of business is the combination of online shopping and local delivery. Interviews with several managers[14] have indicated that local e-commerce is an increasing trend not only in Vietnam but also in other developed markets. Major problems with these services are related to the shopping behavior of consumers.

To increase the demand of customers, the main issues that need to be addressed are to understand customer expectation and to increase the intention of recommendation. With consumers, expectation is influenced by many factors including medium characteristics, culture, shopping behavior and merchant characteristics. With customer organizations, medium and organization characteristics are the main impacts. Intention of recommendation is derived by customer satisfaction. However, while it is possible to drive consumers' intention by rewarding programs, business customers would recommend to others only when the satisfaction is high enough.

As the matter of fact, customer expectation is different with each buyer group. The critical problem for firms is to understand these differences to have appropriate attracting and retaining program. Benefits of the service must be higher than the expectation of the target customer group. It is possible to raise the benefits for high expectation group in order to obtain potential customers. With group and organizational buyers, the expectation can be identified from the influencers of buying decision. For example, the office administrator plays as a gatekeeper and an initiator of the service. To understand the wants and needs of business customers, the office administrator is the important contact.

To satisfy the expectation of customer, firms need to define which values should the service offer to customers. Online service has several characteristics which are different from traditional services. From the analysis of customer expectation, firms need to identify which values should be improved to satisfy customer wants and needs. The combination of product, price, place, and promotion of the marketing plan must deliver the correct values to the target customers. In addition to benefits of service itself, organizational customers are interested in additional benefits such as trust, commitment, and cooperation with the suppliers. These differences should not be ignored and should be focused to increase the satisfaction of customers.

The main outcome of this study is a comprehensive framework of customer demand creation. The framework shows how customer demand is influenced by different factors. It also suggests the critical points where firms should improve the benefits

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[14] Mr. Nguyen Van Tri, CEO of Goimon.vn; Mr. Nguyen Quang Thuan, CEO & Founder of Stox.vn; Mr. Le Huy Binh Yen, Senior Sales Manager of Smartlink Vietnam

offered to customers. Based on the framework, firms are able to build their strategies to attract new customer and increase the intention to purchase of both consumers and organizational customers.

In addition to the framework, related literatures have been discussed to provide managers sufficient knowledge regarding the main topic. Such discussions can be used as a reference source for managers such as the framework of customer value creation and online service quality components. Moreover, the review of two similar services in U.S. and Singapore is a good benchmark to analyze for the case company. The study has shown how the frameworks can be applied to the case of online food delivery service.

For the case company, the demand creation roadmap is a useful tool. The firm has a clear plan on what should be analyzed. Some concrete suggestions from the author, which have been collected from the interviews with managers, for the firm are:

- To focus on home delivery only;
- To strongly promote several key cuisines which have high demand;
- To engage closely with several key restaurants who have high reputation and quality;
- To have own deliverymen in order to enhance delivery capacity and quality;
- To ensure and enhance the quality of customer service;
- To take advantages of social networks;
- To encourage customers to recommend; and
- To have appropriate plans for business customers.

These suggestions are popped out from the analysis of similar services and the understanding of local environment. As these services have certain success in their markets, it is worth to have an enthusiastic consideration from the firm's managers to apply these suggestion into their service.

Questions and objectives of the study raised in the first chapter have been addressed clearly. Limitations of the study have also been introduced in the first chapter. However, to apply the outcomes of this study into the case company's environment, further researches need to be conducted. First, identifying customer expectation is a crucial task which needs a lot of effort. A consumer survey, and possibly a business survey, needs to be done with appropriate questions. Purposes of these surveys depend on the strategic decisions of the firm. Questions should be designed to catch the correct data from customers' wants and needs. Second, custom values of online food ordering must be defined clearly. Although basic benefits of the service have been stated, core and rational values of this kind of service have to be developed appropriately to increase customer satisfaction. Finally, this study has focused mainly in consumer market. Although several key characteristics of B2B market have been discussed, there is a lack of knowledge about the demand of business market regarding this kind of service. Due to the resource limitation of the author,

the conclusion related to business market is given based on logical explanation. Therefore, further research should study the chance to incorporate online food ordering service into business market. Three business opportunities discussed so far are a good start for the firm to study.

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APPENDIX 1. Customer Value Creation Framework (Smith & Colgate, 2007)

Sources of Value	Types of Value			
	Functional/Instrumental Value	**Experiential/Hedonic Value**	**Symbolic/Expressive Value**	**Cost/Sacrifice Value**
	• Correct/accurate attributes • Appropriate performances • Appropriate outcomes	• Sensory • Emotional • Social/relational • Epistemic	• Self-identity/worth • Personal meaning • Self-expression • Social meaning • Conditional meaning	• Economic • Psychological • Personal investment • Risk
Information	Information informs, educates, and helps customers realize performance and outcomes.	Copy and creativity can provide or enhance sensory, emotional, relational, and epistemic experiences.	Can position a product, help consumers identify with the product, help them make associations, and interpret meaning.	Helps consumers evaluate alternatives; make more informed, faster, and less stressful decisions; helps lower prices by greater competition.
Products	Products directly provide features, functions, and characteristics that allow performances and outcomes.	They provide sensory (e.g., restaurants), emotional (e.g., Six Flags), relational (e.g., board games), and epistemic (e.g., Disney Land) experiences: augmenting goods (e.g., IKEA) or as the focal product (e.g., Club Med).	Products enhance consumer self-concepts (e.g., Mac cosmetics), provide personal meaning (e.g., Campbell's soup), offer self-expression (e.g., Gap clothes), and provide social meaning (e.g., Hallmark cards).	Product price and augmented product considerations, such as operating costs, assembly, ease of use, warranty, and service terms, help to reduce costs and sacrifices.
Interactions (with employees and systems)	Sales call frequency and duration, service interactions and responsiveness, and interactions with systems (such as the telephone, billing, or customer support system) provide or enhance desired performances and outcomes.	Service attributes, such as staff politeness, friendliness, or empathy, create sensory, emotional, relational, and epistemic experiences for customers, as do service recovery, customer support, and other systems.	Staff and system interactions can make customers feel better about themselves and provide personal meaning to customers; privileged interactions support status and prestige. Equity policies can enhance sociocultural meaning.	Interactions with people and systems (such as electronic data interchange) add to or reduce the economic and psychological cost of a product and increase or reduce the personal investment required to acquire and consume the product.
Environment (purchase and consumption)	Furniture, fixtures, lighting, layout, and other decorative features and attributes of the purchasing or consumption environment contribute to functional/instrumental value by enhancing or detracting from product performances and outcomes.	Features and attributes of the purchasing or consumption environment such as music, ambiance, and atmosphere can create sensory, emotional, and epistemic experiences for customers.	Where a product is purchased or consumed can provide personal, social, or sociocultural meaning and can enhance self-worth and expression—a cup of coffee at an outdoor cafe may have more symbolic value than coffee at home.	Contributes to the economic cost of a product (e.g., popcorn at a movie theater), psychological cost (such as finding parking downtown), personal investment (how much searching is required), and risk (personal safety).
Ownership/Possession Transfer	Correct, accurate, and timely fulfillment processes (such as order taking, picking/packing, and delivery) provide functional/instrumental value.	Fulfilling delivery promises and how a product is delivered (such as the presentation of a meal) can enhance the customer experience—as can pride of ownership and product potency (future potential).	How a product is delivered (such as gift wrapped or via a ceremony) and by whom (such as the manager of a car dealership) can create symbolic value.	Can be enhanced with payment terms, delivery options, return policies, billing accuracy, order tracking systems, access to supplier personnel, and dispute resolution procedures.

APPENDIX 2. 18 determinants of service quality (Johnston et al., 1995)

Access: the physical approachability of service location, including the ease of finding one's way around the service environment and the clarity of route.

Aesthetics: extent to which the components of the service package are agreeable or pleasing to the customer, including both the appearance and the ambience of the service environment, the appearance and presentation of service facilities, goods and staff.

Attentiveness/helpfulness: the extent to which the service, particularly of contact staff, either provides help to the customer or gives the impression of interest in the customer and shows a willingness to serve.

Availability: the availability of service facilities, staff and goods to the customer. In the case of contact staff, this means both the staff/customer ratio and the amount of time each staff member has available to spend with each customer. In the case of service goods, availability includes both the quantity and the range of products made available to the customer.

Care: the concern, consideration, sympathy and patience shown to the customer. This includes the extent to which the customer is put at ease by the service and made to feel emotionally (rather than physically) comfortable.

Cleanliness/tidiness: the cleanliness, and the neat and tidy appearance of the tangible components of the service package, including the service environment, facilities, goods and contact staff.

Comfort: the physical comfort of the service environment and facilities.

Commitment: staff's apparent commitment to their work, including the pride and satisfaction they apparently take in their job, their diligence and thoroughness.

Communication: the ability of the service providers to communicate with the customer in a way he or she will understand. This includes the clarity, completeness and accuracy of both verbal and written information communicated to the customer and the ability of staff to listen to and understand the customer.

Competence: the skill, expertise and professionalism with which the service is executed. This includes the carrying out of correct procedures, correct execution of customer instructions, and degree of product or service knowledge exhibited by contact staff, the rendering of good, sound advice and the general ability to do a good job.

Courtesy: the politeness, respect and propriety shown by the service, usually contact staff, in dealing with the customer and his or her property. This includes the ability of staff to be unobtrusive and un-interfering when appropriate.

Flexibility: a willingness and ability on the part of the service worker to amend or alter the nature of the service or product to meet the needs of the customer.

Friendliness: the warmth and personal approachability (rather than physical approachability) of the service providers, particularly of contact staff, including cheerful attitude and the ability to make the customer feel welcome.

Functionality: the serviceability and fitness for purpose or "product quality" of service facilities and goods.

Integrity: the honesty, justice, fairness and trust with which customers are treated by the service organization.

Reliability: the reliability and consistency of performance of service facilities, goods and staff. This includes punctual service delivery and an ability to keep to agreements made with the customer.

Responsiveness: speed and timeliness of service delivery. This includes the speed of throughput and the ability of the service providers to respond promptly to customer requests, with minimal waiting and queuing time.

Security: personal safety of the customer and his or her possessions while participating in or benefiting from the service process. This includes the maintenance of confidentiality.

APPENDIX 3. Online consumer behavior framework (Cheung et al., 2003)
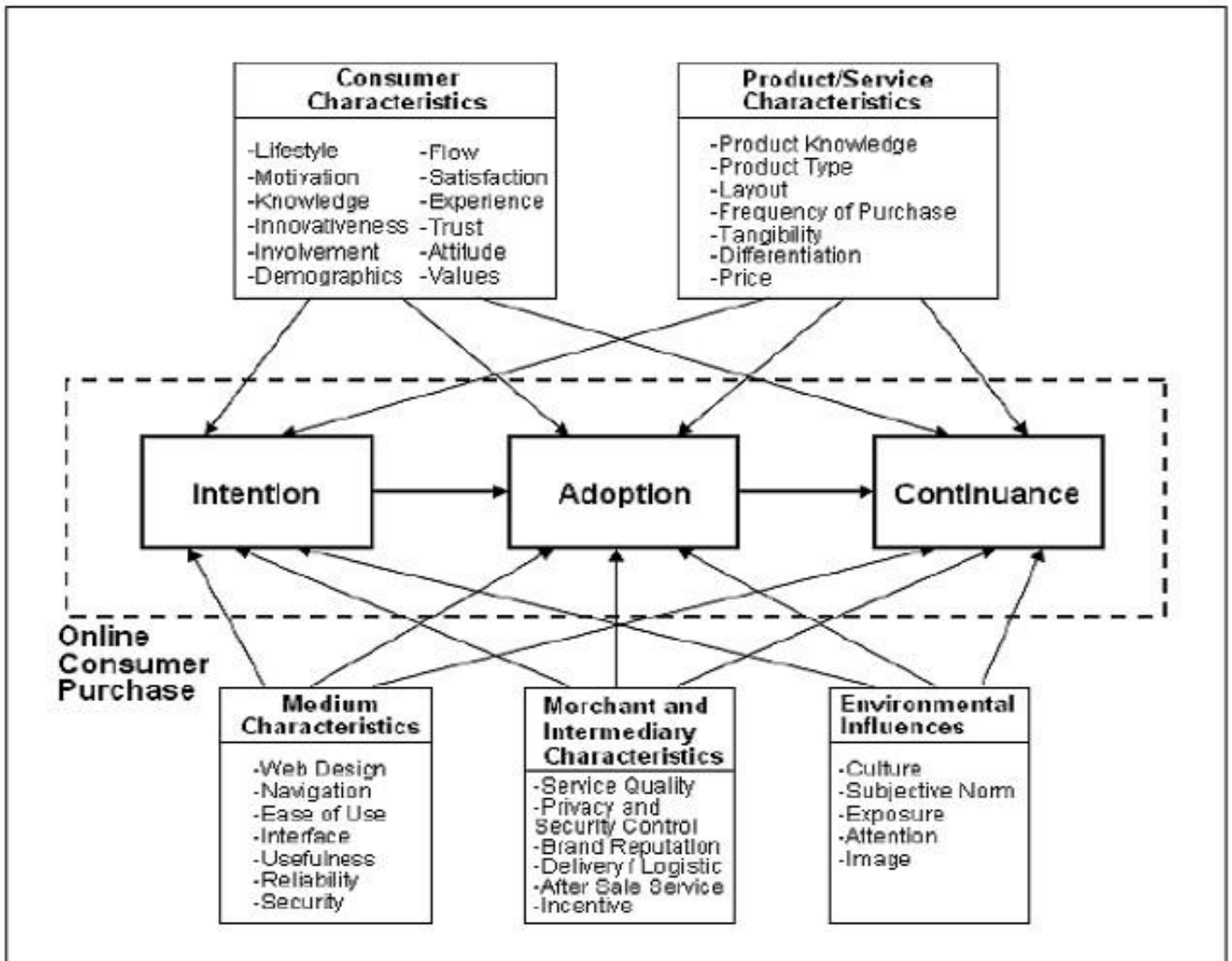
APPENDIX 4. Several eating habits of Vietnamese

Source: http://www.foodbycountry.com/Spain-to-Zimbabwe-Cumulative-Index/Vietnam.html#b (accessed 03/11/2012)

- Rice is the mainstay of the Vietnamese diet. Steamed rice is part of almost every meal.

- *Nuoc mam,* a salty fish sauce, is used in most Vietnamese recipes. *Nuoc mam* and other *nuoc cham* (dipping sauces) are present at practically every meal.

- Vietnamese cuisine varies somewhat by region, with Chinese influences (such as stir fries, noodles, and use of chopsticks) in the north, as well as Cambodia (Khmer) and French influences in the south.

- The typical Vietnamese meal includes meat and vegetables, either eaten with chopsticks and rice or rolled into rice paper or (red) leaf lettuce and dipped into an accompanying sauce. Traditional preparation techniques are determined by eating habits, geography, and economics.

- Vietnamese meals are rarely divided into separate courses. Rather, all the food is served at once and shared from common dishes set out on a low table. The family sits on mats on the floor, and each person has a rice bowl, chopsticks, and soup spoon. Most meals include soup, a stir-fry or other main dish, a light salad, and a variety of side dishes.

- Snacks are often purchased from street vendors. Popular handheld snacks include spring rolls or pork meatballs on a stick.

- Tea (*che* or *tra*) is the most common beverage in Vietnam. Tea is served before and after meals, but not during.

- Vietnamese city dwellers frequently eat meals outside the home.

Source: http://hocmon.hochiminhcity.gov.vn/tintuc/Lists/Posts/Post.aspx?List=f73cebc3-9669-400e-b5fd-9e63a89949f0&ID=2034 (Vietnamese, accessed 4/10/2012)

- Vietnamese likes to have meal in group and talking during the meal. They share the dishes in the meal. This is in contrast with Western meals in which each person has his or her own dishes. Meal-time is not only for eating but also for meeting family and friends.