U-Commerce: Expanding the Universe of Marketing

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Abstract: Ubiquity means that computers are everywhere, and people are able to access networks and be reachable at anytime and anyplace. Universality will eliminate the problem of incompatibility caused by the lack of standardization, so people can have universal devices that stay connected all the time regardless of their locations. Uniqueness suggests that users can be uniquely identified not only by identity and preferences, but also in terms of geographical positions. Therefore, uniqueness incorporates the idea of identification, personalization, and localization. Unison allows data to be integrated across different applications so that people have a consistent view of information. With the rapid development of ubiquitous computing and mobile communication technologies, the traditional business model will change drastically. U-commerce will transform our view of business by changing the interaction with customers in time and space.

Keywords: Ubiquity, Uniqueness, Unison

1. Introduction

The Internet has introduced a significant wave of change. Our communication patterns have changed. We have become dependent on email. We interact with firms via Web sites. The next wave—introduced through wireless technology—is about to change our lives even more. The increase in transmission capacity of wireless devices lays the foundation for communication unrestricted by physical locations. In the near future, we will experience another wave of change—a world that provides the ultimate form of ubiquitous networks and universal devices, a world that presents an alternative view of space and time and, thus, should be called the ultimate commerce, or simply u-commerce. U-commerce represents a state of commerce that we have not reached yet and that is rather visionary in nature at present. It represents a form of commerce that goes over, above, and beyond traditional commerce. Accordingly, u-commerce is defined as “the use of ubiquitous networks to support personalized and uninterrupted communications and transactions between a firm and its various stakeholders to provide a level of value over, above, and beyond traditional commerce”

2. From E-Commerce, M-Commerce, to U-Commerce

U-commerce can be viewed as a logical extension of e-commerce and m-commerce. It represents the next phase of commerce, which is initiated by e-commerce and propagated by m-commerce. E-commerce refers to the use of Internet technology for communications and transactions between an organization and its various stakeholders; m-commerce extends e-commerce into mobile and wireless channels and possesses unique features such as portability, reachability accessibility localization and identification. The four factors that can shape m-commerce into u-commerce: mobile applications, mobile networks, mobile devices, and data synchronization.
3. New Spaces for Marketing

The notion of one-to-one marketing, which contends that customers can and should be addressed individually, one at a time is now well established in marketing thinking. There are two opposing forces striving for the attention of marketers. On one hand, they feel compelled by customers and competition to provide everything that the individual wants in exactly the way that they want it, at exactly the right time. Customers want tailoring, personalization, and customization, and marketers strive to provide these in a way that not only beats competitors but also allows them to build relationships with individual customers. While in principle this thinking is difficult to fault, in practice, one-to-one marketing can be excessively difficult to manage.

Managers may attempt to be and even regard themselves as rational, but what this rational view of marketing decision makers neglects, according to Nobel Laureate Simon, is the cost implicit in “calculating the optimal, which might even be very high and thus discourage investigation to discover the maximum optimal return”. In a one-to-one context, while one-to-one relationships are ideal, they carry the tremendous costs of learning about the different needs of millions of individuals. Managing individual customer relationships on a large scale places enormous demand on managerial time. So, while the rational manager realizes that the ideal strategy might be to manage customers one-to-one all the time, reality causes this rationality to be bounded, and instead, managers do the best they can under the circumstances. Customers are similarly affected in their purchasing behavior by bounded rationality.

Every day, every firm competes with the bounds of rationality. Humans’ limited capacity to process information forces them to make compromises, or satisfies, in almost all their decisions. The source of bounded rationality is our limited capacity to process information, and information technology presents the prospect of alleviating this shortcoming. The particular problem now faced by marketing is how to use networks to extend the bounds of rationality of existing and prospective customers to attain marketing goals. Conversely, if we can use networks to extend the bounds of rationality, how do we use networks to ease the burden of information processing, so as to retain customers?

The American Marketing Association (AMA) defines marketing as “the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives. Implicit in this definition are assumptions about the temporal and spatial separation of buyers and sellers, as well as of the sequential stages in marketing planning operations. As we will explore in this article, these boundaries or distinctions are being extended and blurred as the time-space paradigm on which traditional marketing is based implodes into the “virtual-now” of the network age. The next generation of network technology can be used to expand the bounds of rationality and marketing.

4. Implications for Marketing

Humans are five-channel information processors (see, hear, feel, smell, touch), and it is perception, through the combination and interaction of these five senses, that determines the quality of a product or service. For example, a customer’s perception of a car is based on its design, the sound of the engine, the feel of the highway, the smell of the interior, and the touch of the accelerator. We engage all of our senses in the assessment of any object or event. At its core, marketing is about the delivery of information because it is concerned with engaging the consumer’s information-processing capability to create a favorable impression or encourage certain behavior.
Digitization, which is the driving force of the current period, started with the telegraph and Morse code in the mid-nineteenth century. Revolutions take time to accelerate and reach their terminal speed because of the compounding effect of innovations flowing from the breakthrough invention. We are still on the upward slope of the digitization revolution. Some input channels have recently been digitized (e.g., sound). Others are already in the research labs. Cyrano is a proprietary sensing technology invented at the California Institute of Technology that provides a breakthrough capability to transform scents into digital “smellprints” via a small, low-cost NoseChip™. Digitization of the senses of touch and taste is probably on the drawing boards at the time of this writing.

5. Implications for Marketing Managers

U-commerce represents a major transformation of the business and marketing landscape. A new environment is emerging in which it will be imperative for managers to adopt and hold a point of view if their organizations are to survive and prosper. We identify three questions that decision makers must ask (although there will inevitably be many more managerial concerns that will emerge over time).

What Will U-Commerce Do to a Business and Industry Over Time?

U-commerce will affect the customers served by an industry and the firms within it so that marketing decision makers will have to ask what changes it will cause in customer behavior and the nature of firms within the industry. Obviously, it also has the potential to change the products and services provided by a particular industry and, in many cases, may render them redundant. For example, the alltoo-familiar home telephone may be superfluous when all members of a family have their own mobile telephones. The connectivity created by ubiquitous networks also means that the nature of communication between an organization and its stakeholders changes from a simple, unidirectional model to a complex multidirectional one in which stakeholders can more easily communicate with other stakeholders and with each other. The nature of competition will change, and technology might enable new entrants to take up large shares of existing markets at relatively short notice. This will mean that managers have to focus not only on the behavior of existing competitors but also on those entrants exploiting ubiquitous technologies. For example, when mobile phones can store and transfer money, the mobile phone industry becomes a potential competitor to the credit card business.

In brief, u-commerce has the potential to create undreamed of opportunities in industries that, if capitalized on, will change the nature of those industries, particularly the astute firms within them. However, it may also be a significant threat to some industries, particularly those firms within them that fail to understand its nature and its impact. Obviously, its effects in some markets will be more profound than in others. Managers will need to beware of complacency and the temptation to assume that because it is difficult to envision u-commerce’s effects under certain circumstances, it will have no effects. As a starting point, we advise managers to complete a competitive forces analysis of u-space for their firm and industry.

What Will U-Commerce Do to the Structure of Firms?

U-commerce may have significant implications for the way firms are structured. This is particularly true for the marketing function within organizations. Decision makers will need to consider what the nature and requirements of u-commerce will mean to existing structures and question whether product/brand management structures will still be appropriate, whether some form of customer or market management configuration will be more suitable, or whether entirely new arrangements will be required. To a large extent, this will also be dependent on the priorities the organization places on such metrics as
brand equity and customer equity. It has been suggested that information technology is driving a move in organizations from product to customer management structures, but it will remain to be seen whether ucommerce accelerates this trend, reverses it, or begins to create other structures for managing marketing in organizations.

6. Conclusion

Major innovations in our ability to process information have been the bedrock of cultural, social, political, and economic change. Ubiquitous connectivity to information and computer-processing power will be a profound change that represents the ultimate consummation of the digitization revolution that started more than a century ago. Ubiquity will have major consequences for marketing because of its central role in creating wealth. After all, it is marketing’s role to discover consumers’ wants and persuade them to exercise these wants. Marketing’s task for the near future is to discover how firms will successfully create value for consumers in the era of u-commerce.

7. References