

RISKS OF DOTCOM COMPANIES

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Key words and phrases: buyer's risks; dotcom company; e-project development risks; e-shop seller's risks; website promotion risks.

Abstract: We analyze the risks related to the functioning of dotcom companies applying modern information technologies in their business activity. The risk management is reviewed in terms of special risks of e-projects development, dotcom companies' websites promotion risks, e-shops sellers' risks and e-buyers' risks. We give the definition for every risk group, the forms of risk indications and possible ways of reduction in the emergence of risks.

New websites appear on the Internet day by day, dotcom companies develop applying advanced Internet-technologies actively in their business activity. Both scientific literary sources and legislative acts define business activity as innovative independent activity of people – both individuals and legal entities – aimed at receiving revenues or personal income, implemented in one's own name, at one's own risk and under one's own property liability. The business activity of dotcom companies is based on applying the latest IT achievements, particularly on Internet-technologies bringing about possible risks that must be taken into account by the dotcom companies functioning on the Internet or planning to implement their business activity in the new Russian economy.

Dotcom companies are the companies of innovative type implementing their basic commercial activity on the Internet and based at their own website. The website is the company's Internet-office or a number of interrelated web-pages that are conceptually grouped by their content and navigation and physically placed at one web-server. A website serves as the basis for the dotcom company accumulating the entire information that should be brought to the potential customer.

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A risk is a possibility of non-conformance of the object condition characteristics and the expected values for the risk subject. Thus, a risk is an event that can either take place or not. If this event takes place the result can be presented in three variants: positive, negative and zero. The first variant is a positive outcome of the event when you may receive some income. The second variant is a negative outcome of the event when a businessman suffers some losses or damage. The third variant is a zero one when after completing the project the company finds itself in the situation when it doesn't spend its money. The main objective for the risk manager is to specify a set of special actions enabling to level up the chance of the positive outcome of the event and minimize the chance of the negative result.

The Internet-activity of any business entity at any stage meets different types of risk. And you should have exhaustive information on the sales market, competitors, business partners and product suppliers at any moment and any planning and economic activity stage. Thus, we can specify the four groups of risks related to the dotcom companies' functioning:

- 1) e-project developer's risks;
- 2) e-project promotion risks;
- 3) e-shop seller's risks;
- 4) e-shop product buyer's risks.

1. *Internet-project developer's risks.* Every Internet-project is closely related to overcoming certain difficulties and negative factors threatening its successful implementation. You need to estimate the degree of risk and find the problems which may arise at both the stage of developing and implementing, supporting and administrating the Internet-project. This risk group includes:

- extension of terms due to lack of coordination with the customer;
- Internet-project layout errors;
- customer's financial problems;
- low professional level of the project executors;
- changes of the e-market situation and thus minimizing the entire project relevance;
- loss of important information stored in the computer;
- executors' diseases, etc.

The basic outcomes of the Internet-project developer's risk are: extension of the Internet-project deadline, problems with Internet-project financing by the customer.

We should also mention the following methods of minimizing this type of risk: competent compiling of the statement of work for the project development, preliminary marketing research aimed at analyzing the market situation at the target e-market segment.

2. *Internet-project promotion risks.* The choice of methods of Internet-promotion is one of the most important steps in developing and introducing the dotcom company's web-site. And websites promotion at the search engines is becoming more and more popular among promotion tools. Search engines are becoming the main method for the Internet users to look for new websites. According to Forrester Research, 73.4 % of Internet users find new websites via different search engines [1]. And we can explain it by the fact that the topical search query is created by the customers that acknowledge the necessity of

some information but don't know how to find it. Without applying any search engines, you can lose about 47 % of your visitors using them to find some products [2]. The search engines audience is more likely to buy the product. According to the research of NPD Group, search engines bring about 55 % of the customers to this or that website [2]. Thus, SEO is becoming more and more popular for website promotion. At the present, the Russian SEO market is being at its formation stage. The first SEO services were offered in the market in 2000. The Russian Internet audience was slowly growing as well the number of search queries and the search traffic was gradually becoming more attractive and targeted than banner advertising. That was the way how SEO service appeared. The first organizations and individuals appeared specializing in SEO promotion and offering this kind of services.

When working with search engines one should take into consideration all the risks related to the specific characteristics of these systems. The most important of them are represented in Figure. One can specify technical risks directly related to the search engines peculiarities and non-technical risks associated with the Internet visitors' and competitors' behavior [3, p. 173]. Technical risks include the changes in search engines indexing algorithm and the search indexing ban. Non-technical risks include user's omission of the web-page suggested by the search engine, aggressive competitors' activity in the search engines, and invalid data entry by the user.

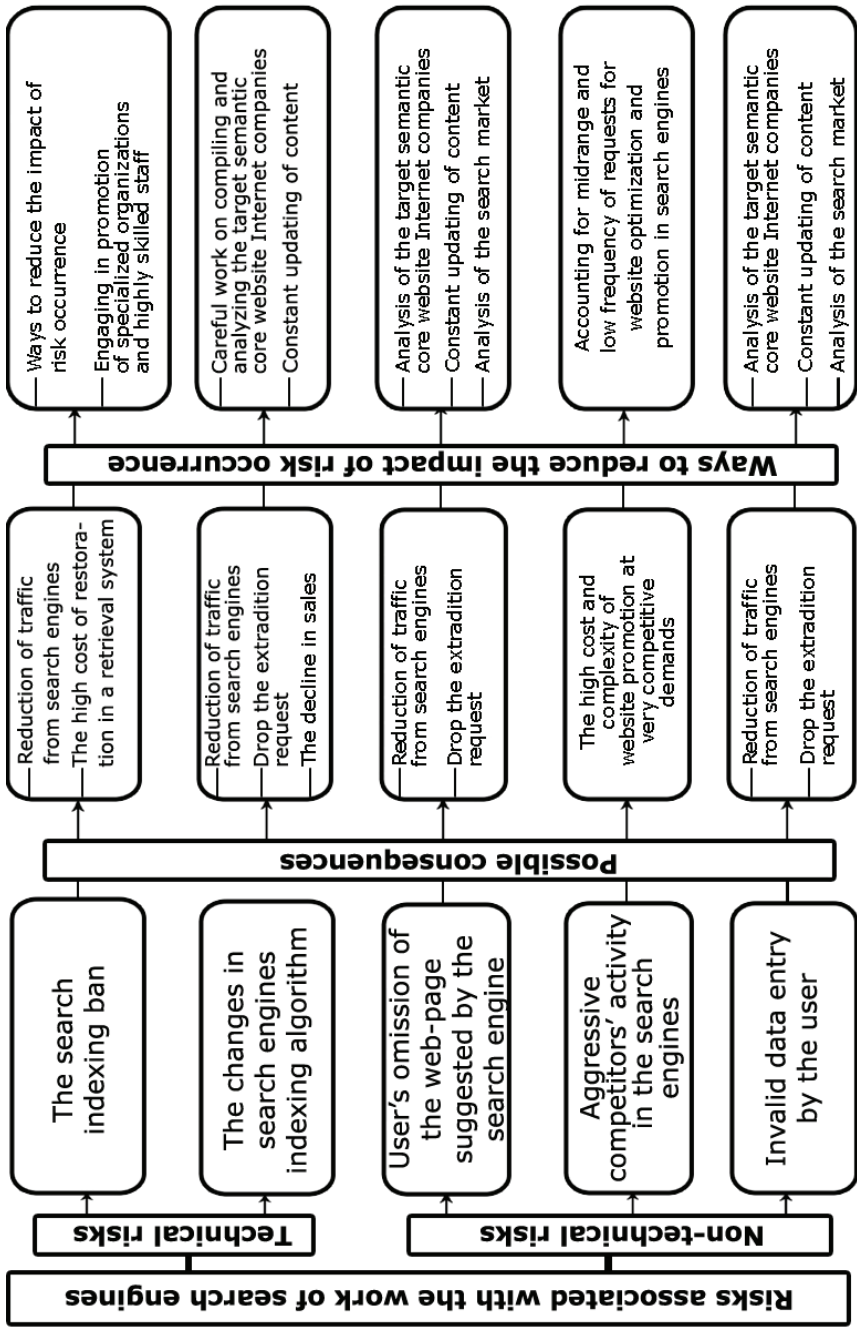
Search indexing ban risk is one of the main search engine risks. It is the search engine ban for the web-site indexing or adding this web-site to the «black list» if the web-site promotion in the search engines use «spam» or prohibited web-site promoting methods. When using these methods the web-site is banned or deleted from the search index for using spamming methods.

The main outcome of this risk is the search traffic falling especially if the website was put on Yandex black list. The web-site will be added back to the search database only if the promoting methods applied are absolutely removed. As a rule, no search engines give any clear spamming methods list; they specify it as «a try to cheat on the search engine user». There are the following methods for this risk minimizing:

- using exclusively «white» website promoting methods. The difficulty is that there are no clear criteria to divide promoting methods into «black» and «white» for the present. Item 3.5 of Yandex License does not describe all the forbidden methods for the web-site promotion, thus it provides the basis for dittology;

- attracting specialized organizations to the website promotion on the search engines. As a rule, these organizations try to escape forbidden SEO methods. But they cannot provide 100 % guarantee that the website will always be in the search index and won't be banned. If the spam methods are quickly corrected the web-site can be re-included into the index in about a month after being added to the ban-list.

Search ranking algorithm changes by the search engines is one of the most unpredictable risks. Search engines constantly enhance the search algorithms to improve the quality of providing the necessary information. The basic outcomes of dramatic changes of ranking algorithms are: search traffic reduction, falling in the search return by the number of queries, sales decrease.



Risks related to the search engines work

The cause of aggressive competitors' activity risks is the high level of competition in this market segment. At the moment, there are a number of high-competent topics in the Russian Internet segment: climatic equipment, tourism, mobile phones, real estate, computer games, etc. The high competition level can favor the companies' application of «black» promotion methods. The main aftereffects of this risk are the website expensive price and complicated promotion by the high-competent themes. The main method of this risk reduction is the website orientation at something in addition to high-frequent (popular) queries for the web-site promotion.

The risk of omission of the webpage suggested by the search engine is characteristic of the companies promoting their web-site by the queries that do not relate to the dotcom companies' website theme. You should take this risk into consideration when developing the website content. *The risk of the user's invalid data entry* means that he/she can misspell a word or a phrase and thus the website won't be on the search list. To minimize this risk, one should be very accurate on compiling the target semantic kernel and take into consideration all the possible queries of the Internet-users.

The target semantic kernel of the dotcom company's web-site includes a number of key words and phrases characterizing the dotcom company's website activity to the maximum [4, p. 166].

3. *E-shop seller's risks*. When implementing your commercial activity on the Internet, it is quite important to try to foresee the possibility of some commercial uncertainty that can arise at any stage of the dotcom company's functioning. The influence of the e-shop seller's risks can be so great that if you are not ready for the risk event the dotcom company can be brought to bankruptcy. It is quite difficult to escape this risk but you may always be ready for it and develop some possible ways to minimize it. Thus, when selling on the Internet the dotcom company can meet the following risks:

- hackers' attack;
- errors in the e-shop layout;
- non-buying the product bringing about the revenue losses of the e-shop and the - necessity to sell the product at a lower price;
- competitors' activity (dumping and price competition, aggressive advertising campaigns);
- production and technological problems (accidents, abandonment of equipment, software failures);
- insurance risk as a possible threat of product losses or considerable money losses due to the product spoilage through no fault of the buyer or the seller but through the fault of the third persons like due to the poor freightage;
- unstable economic law (lack of legislation on Internet transactions, e-commerce, e-shops, etc.);
- lack of environmental information analysis.

You can always escape all the above mentioned risks if you take into consideration all the necessary terms and conditions when signing the trade transaction contract. You should have the exhaustive information about the sales market, competitors, business partners, product suppliers and consumers' needs at any moment and any planning and economic activity stage. For

example, the lack of information on the amendments in the Tax Code of the Russian Federation can bring about punitive penalties that will cause the revenue reduction.

One should mention the following methods of this risk minimizing: careful work on providing the e-shop safety, competent staff recruitment, timely e-marketing research. You should have the exhaustive information about the dotcom company's home and external environment; provide the regular analysis of commercial activity, financial transactions results, and the quality of communication with the partners.

4. *E-shop buyers' risks*. Every Internet-user can potentially find himself or herself in the risk group as soon as he/she buys something on the Internet. We can specify the following risks related to the e-shop buyers':

- non-conformity between the qualitative characteristics and the design of the product sold at the e-shop web-site;
- lack of access to post-sale service;
- the prices can be higher than the market value.

We would like to specify the following methods of the abovementioned e-shop buyers' risk minimizing: the e-buyers' awareness of the Rules of Distance Selling approved by the Decree of the Government of the Russian Federation of September 27, 2007, No 612, confirming the seller's responsibilities and e-buyer's rights including the buyer's right to set up a claim to the product defects if they are found within the warranty or service life term. The buyer can also claim the full compensation of losses caused by the purchase of low quality goods. The losses are compensated within the terms specified by the Law of the Russian Federation "On Consumers Protection" to meet the buyer's needs and requirements.

Thus, we can specify four risk groups related to the dotcom company's functioning: Internet-project developer's risk, dotcom company's web-site promotion risks, e-shop seller's risks and e-shop buyer's risks. Every company when creating its own risk management system should consider that the risks have their own tactic and strategic character. The dotcom company's anti-risk policy should be aimed at reducing the negative aftereffects, the entire structural reconstruction of manufacturing and product selling system as well as financial rehabilitation of the whole dotcom company. On the whole, the risk management in the sphere of e-commerce is aimed at discovering, analyzing and controlling the risks that can threaten financial condition of a commercial company functioning on the Internet.

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Риски интернет-компаний

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Ключевые слова и фразы: интернет-компания; риски интернет-покупателя; риски, связанные с развитием электронных проектов; риски интернет-магазинов; риски, связанные с продвижением сайта.

Аннотация: Проанализированы риски, связанные с функционированием интернет-компаний, применяющих современные информационные технологии в своей предпринимательской деятельности. Данная проблема рассмотрена с точки зрения особых рисков, связанных с развитием электронных проектов, а также рисков, возникающих в результате продвижения веб-сайтов интернет-компаний, для продавцов и покупателей интернет-магазинов. Дано определение, представлены формы индикаторов для каждой группы риска, а также возможные пути снижения их возникновения.

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