

# EVALUATION OF THE EFFECTIVENESS OF MANAGEMENT OF INNOVATIVE ECONOMIC FORMS OF ENTREPRENEURSHIP

Vladimir Simakov<sup>1</sup>

**Abstract.** In the article the key success factor in the e-commerce market, which is an adequate assessment of the effectiveness of management of innovative economic forms of entrepreneurship is analyzed. The types of areas that form the basis for the functioning and development of innovative economic forms of entrepreneurship, in particular – the field of e-commerce. The content and significance of each of these areas are described.

Keywords: efficiency assessment, management, innovative economic forms, entrepreneurship, economy.

**JEL Classification:** L81, L26

## 1. Introduction

The dynamic development of e-commerce systems and ICT systems leads to the intensification of innovative business structures operating in the field of e-business. More and more companies are expanding their business with new sales channels related to e-commerce. Thus, the e-commerce industry already generates more than 5% of European GDP (Eurostat data: Individuals using the internet for ordering goods or services; B2C e-commerce as percentage of global GDP in Western Europe from 2009 to 2018). The Internet is also the most adaptable environment – compared to television, radio or telephone, it took the least time to reach 50 million users (Worldwide Retail and Ecommerce Sales: eMarketer's Estimates for 2016–2021).

Convenience and often the desire to save time have led some consumers to choose e-commerce as a way to purchase products. At the same time, e-commerce market operators often have a similar or identical range in their offer at similar prices, so they are forced to look for the latest, innovative solutions that would help create a competitive advantage and maintain it as long as possible.

Studies show that 44% of Internet users consider the key factor in choosing a particular product for a particular e-commerce company is the price of delivery, 38% – the price of the product, 31% of respondents say the best guarantee (Schwartzman; Global B2C E-commerce Report 2016). Since sellers occupy a relatively similar position in e-commerce, it is extremely important to look for

non-traditional solutions to attract the attention of buyers. It is equally important to measure performance. This applies not only to advertising itself, but also to all other areas of e-business.

Thus, in our opinion, one of the key success factors in the e-commerce market is an adequate assessment of the effectiveness of management of innovative economic forms of entrepreneurship, which allows to objectively assess opportunities and constraints on the internal and external environment of business structure and form (or adjust) management decisions. the consequence of which should be a further increase in the efficiency of entrepreneurial activity in the field of e-commerce of a particular business entity.

## 2. Presentation of research material

To properly assess the effectiveness of e-commerce, it is necessary to identify certain internal factors that are key to the development of a particular e-commerce project. Based on the analysis of existing research, in particular (Merkulova, Lubenets, Yangolenko, 2019; Malovichko, 2015; Tardaskin, Strelchuk, Tereshko, 2011), we have identified areas that form the basis for the functioning and development of innovative economic forms of entrepreneurship, in particular – the field of e-commerce:

1. Performance indicators.
2. Logistics processes.
3. Customer relationship management.
4. IT infrastructure.

*Corresponding author:*

<sup>1</sup> PJSC "Novokramatorsky Engineering Factory", Ukraine.

Although e-commerce is a specific innovative economic form of entrepreneurship, the process of analyzing financial indicators is related to the traditional trade tool. Proper analysis and interpretation of performance indicators allows to identify the degree of effectiveness of the adopted strategy and, if necessary, to anticipate the necessary changes in business processes, technologies or advertising (Roberts, Zahay, 2017). It is important that the financial analysis examines the indicators that can be characterized by the principle of SMART, namely (Doran, 1981):

- **Specific** – simple and specific, leaving no place for any interpretation;
- **Measurable** – measured, ie quantified;
- **Agreed** – be related to business activities and agreed with the executors of management decisions;
- **Realistic** – realistic, achievable;
- **Time-related** – timely identified, corresponding to a specific period of time.

Consistently analyze each of the four areas of evaluation of the effectiveness of management of innovative economic forms of entrepreneurship – e-commerce.

#### *1. Performance indicators.*

This study will describe only examples of such indicators that can be successfully used in the work of e-commerce businesses. Research of works of scientists who dealt with this issue (Krutova, 2011; Vishnyakov, Loikovich, 2009; Sherdani, 2008), generalization and structuring of their positions, allowed the author of this work to formulate the following list of such indicators (table 1).

All key metrics should be measurable using web analytics tools. For an online store, the main business indicator that characterizes the activity of its customers is the number of sales, the goal will be to ensure the transition of the consumer to the last page of the order form, which confirms the sending of data on the order.

With the help of analytical tools it is possible to track the entire sales funnel of e-commerce products: from product selection to confirmation and payment. The visualization tool for this process is called the "sales funnel" and can be configured in basic statistics systems such as Google Analytics.

The number of items placed in the cart and their range can also be tracked using analytical tools using special "events" that are programmatically installed in the website code. Creating a "core of regular customers" and repeat purchases is also one of the important indicators for online stores. Here,

the purpose of tracking is to achieve registration and verification of user credentials.

#### *2. Logistics processes.*

One of the areas where effective management of innovative forms of business is important is the management of logistics processes. There are many problems that coincide with traditional trade. The difference is that these processes usually occur within a single application, so it is much easier to study their movement and impact on the implementation of the adopted management strategy. relationships with suppliers.

The process of supplier relationship management takes place at the stage of supplier selection (Standing, Lin, 2007). In this case, in addition to the price of the goods offered, special attention should be paid to the delivery time, after-sales service, which also provides effective consideration of complaints and returns of goods.

The logistics process of ordering in the field of e-commerce begins before the range will be available. Lack of product availability can have a negative impact not only on conversion rates, but also on the rate of return of people to the site, when users recognize that competition can more effectively maintain inventory at the desired level (Standing, Lin, 2007).

Due to the fact that the online store, unlike traditional stores, works around the clock, effective logistics management becomes an extremely important aspect. It's not just about the composition of the staff, the division of responsibilities and the organization of work of employees. Also important is the consistency of the processes taking place in the warehouse with the database of the online store of the e-commerce company.

E-commerce from trade, which is conducted by traditional methods, is distinguished by the fact that the buyer in the online store can later check the correctness of his order (Standing, Lin, 2007). In case of an error – delivery costs are borne by the seller, it also often happens that such an event causes loss of the customer or even damage to the brand image, which, in turn, reduces the number of visits to the website and, consequently, the conversion rate.

Emphasis should also be placed on the importance of establishing effective cooperation between e-commerce companies and courier companies. A very common mistake is to bet only on a low price, because the speed of delivery of orders is equally important. Errors in the work of the courier

Table 1

**Indicators used to assess the effectiveness of management  
of innovative economic forms of entrepreneurship – e-commerce enterprises**

| Indicator  | Characteristics, use in the practice of enterprise management   |
|--|---|
| Traffic of users of the Internet resource of e-commerce            | An indicator by which a manager can obtain information about daily, weekly and monthly visits to the website. This allows you to get information about the time of day, days of the week or days of the month when activity is greatest. Identifying these trends is essential not only for marketing activities, but also for the proper organization of logistics or planning activities related to the maintenance and upgrade of the IT system  |
| Activity of viewing pages of specific goods (groups of goods)      | An indicator that is important for management because it allows you to find out which products may be of particular interest to visitors: more views may indicate attractive content on these pages (photos of exhibited products, their descriptions, multimedia materials that affect user interaction. Proper analysis this indicator will help to adapt the content of the Internet resource (product range) to the expectations of visitors  |
| The average number of views and the average time spent on the site | An indicator used to determine whether site traffic is targeted, that is, whether the content on the login page is used for interaction. Further analysis allows you to choose keywords. Because queries in Google's browser are encrypted and you can't specify keywords that lead to a page in that browser, you should use other, more sophisticated tools, such as Google Adwords. The average time spent on research on the site allows you to separate the visit of search engines from the traffic of potential customers and analyze the attractiveness of the presented content  |
| Pages on which the exit is most active                             | The indicator allows you to specify pages in the online store that force the user to leave the program. If this is, for example, the time of choosing a payment, you should check for payment errors or secure preferred payment methods. There can be many more reasons for withdrawal (refusal to use the resource, therefore, as a consequence – actual or potential refusal to purchase goods from this e-commerce company). These can be invisible CTA buttons (call to action – promotion to action, for example, the button "add to cart"), or audio / video materials with the function of autoplay, distracting from the process of buying goods |
| Sources of referrals   | An indicator that shows the sources of website traffic directly related to advertising and social activity. Analysis of sources of links to the web application allows you to form an action strategy in web browsers, social media, create content and a group of recipients of the newsletter, as well as other traditional forms of advertising  |
| Conversion rate  | An indicator of the effectiveness of store traffic on a website. This indicator indicates the relationship between sales and total visits to the online store's website. This is one of the key values that allows you to assess how valuable the traffic on a website is. The conversion rate may also relate to other aspects, such as the ratio of the number of baskets to visits or the number of entries on the contact tab relative to the total number of entries.  |
| Customer retention indicator                                       | Proper interpretation of this indicator allows you to take appropriate action regarding the relationship of users returning to the site total traffic. In almost every case, maintaining existing customers is much cheaper than getting new ones. This indicator is improved due to proper contact with the client and proper presentation of content  |
| Net profit   | An indicator that is the basis of traditional forms of sales. It directly indicates the profitability of the project and is calculated after receiving all data on income and expenses for a certain period   |
| Cost structure analysis  | When allocating costs to fixed and variable costs, most of the costs should be attributed to fixed costs (FC), as the analysis of efficiency shows that it is impossible to flexibly change these indicators depending on changes in sales. These costs include the cost of renting offices and warehouses, communications (telephone and Internet), development and maintenance of the store site, transportation costs and labor costs. Marketing costs (M) should be allocated separately as a dynamically changing parameter, which, in addition to the market situation, significantly depends on the marketing strategy of competitors              |
| The average cost of the order                                      | It is calculated by dividing the total cost of sales for a certain period by the number of executed orders. The information obtained in this way allows, for example, to specify the maximum level of the order value from which the day of free delivery will extend. If the average cost of the order is at the level of the cost of delivery or even slightly exceeds it, it should be expected that the introduction of this type of promotion will be below break-even point. Understanding this indicator allows us to take further steps to identify specific growth strategies  |
| Indicator of abandoned baskets                                     | If the value of the abandoned basket index increases over a period of time, this may indicate a problem with the current operation of the store. This means the need to identify the causes and diagnose this negative phenomenon. This may be due to technical issues with the website, such as a missing or poorly visible button to continue shopping during the order process, payment errors, unclear policies or services that do not meet the expectations of potential buyers.  |

Source: compiled by the author

company affect the perception of customers of the work of e-commerce in general (Hagiu, 2014). In our opinion, because the sales process largely depends on the quality and price of transportation of the ordered package from supplier to recipient, it is extremely important to choose the right courier company: the store owner is responsible for every aspect of the business – from providing the right offer to the customer. through his service, to the delivery of the right goods at the right time and acceptable to him, so a special role should be given to the selection of a reliable courier.

Choosing a company that supports electronic payments is similar to choosing a courier service. A large selection of payment methods can affect the perception of the website as reliable (Apopi, Shaleva, Krednets, 2013). The most popular method of payment in the practice of e-commerce in developed countries – bank payment by debit / credit card (Hagiu, 2014). In Ukraine, a more popular form is cash payment upon receipt of goods (Sokolenko; Ilyashenko, Ivanova, 2014; Research: features of online payments in Ukraine). Thus, it is important to take into account the popularity of certain ways of organizing payments in online stores and, if possible, provide consumers with a wider choice of payment options, which will reduce the likelihood of cancellation due to inconvenience in making payments for certain categories of customers.

### 3. *Customer relationship management.*

All logistics processes take place in a specific environment and are initiated by customers, which determines the relevance of the study of the online store, called customer relationship management, which can use specific types of indicators to measure the impact of promotional activities on e-commerce business strategy (Standing, Lin, 2007). For the formation of values, the essence of which is to provide competence and organizational decisions, it is necessary to properly manage product positioning and customer relations.

The first direction of customer relationship assessment should be based on the need to manage product promotion, which is an important and complex problem of e-commerce efficiency. All promotions should primarily increase metrics such as website traffic.

One of the most popular is positioning and paid advertising in the Google AdWords system (or Google Ads from 2018), which is a service of contextual, mainly search advertising from Google,

which provides a user-friendly interface and many tools for creating effective advertising messages (Howie Jacobson).

Google AdWords is an online advertising platform where advertisers pay to display short ads, service offers, product lists, video content, and mobile applications on Google. Advertisers can use this tool to advertise in search results for search engines such as Google, as well as on non-search websites, mobile applications and videos (Google Display Network) (Google Ads).

Google Ads account statistics are reflected in reports at the ad, ad group, keyword, or site levels. It includes: clicks, impressions, clickthrough rate (CTR), average cost-per-click or thousand impressions (average CPC or CPM), cost (cost), average position (average position), conversion rate (conversion rate), as well as the cost of conversion (cost-per-conversion). The web publisher can generate statistical reports from the campaign level to the site level (Google Ads). You can also use the service Google Analytics, which analyzes which pages are visited by readers on the website of the web publisher (Jerry Ledford, Mary E. Tyler).

In this way, Google Ads provides the necessary tools and generates data that allows you to control and change the progress of the advertising campaign to achieve its maximum effectiveness. Therefore, in our opinion, it is quite expedient to use as indicators of assessment of this direction of indicators used by this system and the like. To determine the effectiveness of your advertising campaign, you should analyze and compare the index of referral sources with website traffic.

At the same time, a simple encouragement to visit the site is not always a guarantee of success. It is also important to ensure that customers who make purchases return in the future. You can use remarketing tools to target your ads to people who have visited the site before or taken the right action on the store's website. Preferential prices for active customers will increase customer retention. In this way, you can influence not only the conversion rate, but also increase customer loyalty, which will increase the efficiency of e-commerce enterprise management.

Dealing with complaints and returns is generally regulated by law. Despite this, a significant number of users of e-commerce sites point to problems with complaints as one of the important problems from their own experience of interacting with online stores (Malovichko, 2015). Improperly

implemented return and complaint policies can have a negative impact on website traffic. Users may opt out of online shopping that they believe is illegal or against their expectations. Especially in a situation where they cannot see the product before buying.

Due to the fact that the products presented in the online store, buyers usually can not physically check until they receive the ordered delivery, it is very important to carefully inform customers about the properties and characteristics of the product.

Incorrect or missing descriptions can increase failure rates. When a user visits the site and does not receive information of interest to him, he is likely to leave the site and not make purchases. If in such a situation the store owner notices that the product page is the source page for many customers, then measures should be taken that will make the content on this page more attractive to the future buyer, for example, photos will be placed on the product card, descriptions are clarified, multimedia materials are added. etc.

#### 4. IT infrastructure.

The effective infrastructure of an e-commerce enterprise involves the use of effective software and the use of quality hosting. This applies to both the use of cloud applications and the traditional server. The IT infrastructure should be properly maintained in terms of both technology and security.

Infrastructure is extremely important, as any disruptions in service delivery related to breakdowns, maintenance, and service provider development directly affect key e-commerce performance metrics, especially site traffic and conversions.

Depending on the method of software distribution, online store owners have a choice of software in the SaaS model, which represents the highest level of software in the cloud stack (Malovichko, 2015) or a special application. If the owner chooses special software, he must also choose a hosting plan that will meet the requirements of the IT system.

When choosing the right software, you should be guided not only by price but first and foremost by quality and analyze issues related to application maintenance, updates, especially in the field of security and the possibility of expanding to new functionality to best meet sales functions and increase speed. conversions. The main aspects to be analyzed by indicators should be, first of all, technical aspects, accessibility and ease of use of online store websites (Drazhnytsia, 2014).

The use of electronic trading platforms usually occurs along with a number of other procurement methods. In our opinion, increasing efficiency and reducing operating costs can be achieved by transferring the existing market structure to the electronic market with its appropriate adaptation.

The advantage for the buyer when using an e-commerce platform, therefore, is to transfer some relative risk to the e-commerce company. However, many contracts are agreed upon before they are sent to the e-commerce platform, indicating that the buyer-supplier relationship is still an important factor.

### 3. Conclusions

Thus, the problem of assessing the functioning of e-commerce enterprises, presented in the paper, is to find methods and techniques for assessing certain areas of activity, identify problems and take immediate corrective management action. The presented problem necessitates the development of a method of rapid assessment of certain functional areas and types of e-commerce, based on the analysis of key KPI performance indicators and the development of an innovation system that supports decision-making in developing and implementing e-commerce development strategy.

Evaluation of the effectiveness of management of innovative economic forms of entrepreneurship, in particular – the activities of e-commerce, gives an idea of the conversion capacity of a source of customer involvement, its effectiveness in combination with marketing communication with the target audience.

After receiving the data, measures are identified and the necessary solutions are developed to improve the management of e-commerce enterprises. These decisions may be as follows:

- optimization of the advertising budget;
- change the list of keywords;
- search for alternative sources of attracting customers that give the maximum result of the conversion.

Measuring the effectiveness of customer base channels and conversion capabilities of the site is carried out using special formalized evaluation tools, both specific (developed and implemented within a particular enterprise), and, most often – universal, similar to *Google Ads*, *Facebook Ads* etc.

Thus, the specifics of assessing the effectiveness of management of innovative economic forms of entrepreneurship, for example, e-commerce, is

that it should be based on a comprehensive study of the conversion capacity of a source of customer engagement, its effectiveness in combination with marketing communication with target audiences, and system of key performance indicators, which can be both specific (developed by the company or for the company taking into account the specifics of its activities) and use the available evaluation tools of global platforms for online advertising and Internet market analysis.

Given the ease of use and prevalence of the practice of evaluating the activities of e-commerce enterprises on the basis of tools used for advertising purposes, it is advisable to consider the capabilities of the platforms Google Ads, Facebook Ads and

others. as a basis for forming an analytical data set, these data should be supplemented with specific tools developed and adapted to the needs of a particular e-commerce enterprise, taking into account its strategic development goals, key competitive advantages, resource and organizational capabilities and features of interaction with existing and potential customers.

Such an evaluation system will enable an e-commerce enterprise to manage its activities as effectively as possible on the basis of an objective and full assessment of performance and forecasting of the main aspects of development on the basis of the formulated development strategy of its main activities.

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