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Abstract

In spite of all the glamour and hype surrounding it, it could be argued that electronic retailing is nothing more than glorified catalog selling. While this may appear to be so at present, we argue emphatically that it will not remain this way. Using a socio-technical framework, we analyze the enormous potential that electronic retailing has to alter the very way we think about retailing and the benefits accruing for customers and sellers.

Introduction

The mail order business in the USA, which by definition includes catalog selling and home shopping via media such as the television and the computer, amounts to a staggering $46 billion market today (Niemira, 1996). Of this, shopping online accounts for a mere 1% (about $500 million). Today, in spite of all the hype about the potential for shopping via the computer, electronic retailing, as it is currently carried out, appears to have merely chipped the tip of the nonstore sales iceberg. And in turn, these nonstore sales are a mere fraction (about 2%) of total retail sales. (Niemira, 1996). Possible reasons for these small proportions could be that potential customers use the computer to merely gather information before making a purchase, security issues, and the fact that people using online services are few when compared to the entire market.

It could be argued that online purchasing is nothing more than glorified catalog shopping - that companies who open and maintain online shopping sites are only trying to enhance current sales by allowing people to browse through a catalog of their wares, and perhaps eventually make a purchase via an 800 number or by using a credit card. In this paper, our contention is that although the current scene might appear to be as described, the potential benefits afforded for the customer and the seller far outweigh those of any traditional nonstore medium, and can perhaps even offer some benefits over instore retailing. We believe that electronic retailing will take a larger and larger share of the retail pie, at the expense of more traditional media like catalogs. Our use of the term "electronic retailing" in this paper will be confined to retailing done through computer networks and include only the selling of tangible goods (i.e., we exclude transactions involving services of any kind.) We have attempted to analyze the problem from a Socio-Technical perspective, considering the customers and sellers from the "social" perspective, and the implications of technology, from the "technical" angle.

The structure of the paper is as follows: The following section outlines electronic retailing firstly from the Customer's perspective and the benefits it has for him/ her over more conventional media. The next section looks at it from the Seller's perspective. The last section considers the changing role of technology and its impact on current and potential electronic-retail sellers and buyers.

Benefits of Electronic Retailing

We start with the basic premise that in the foreseeable future, computers and networking will be accessible to and affordable by everyone, and will be as widespread in usage as the television, with the progression of the diffusion curve being much more rapid than with products such as the television. We proceed to highlight the benefits of electronic retailing by organizing our thesis around the framework presented in Figure 1.

Customer's Perspective

From the Customer's perspective, enormous gains will be made, and these can be considered in the light of three major dimensions: experience, information, and interaction. Catalog shopping and instore buying can be thought of as two ends of an "experiential continuum", with maximum interaction between the customer and the product in instore buying and minimal
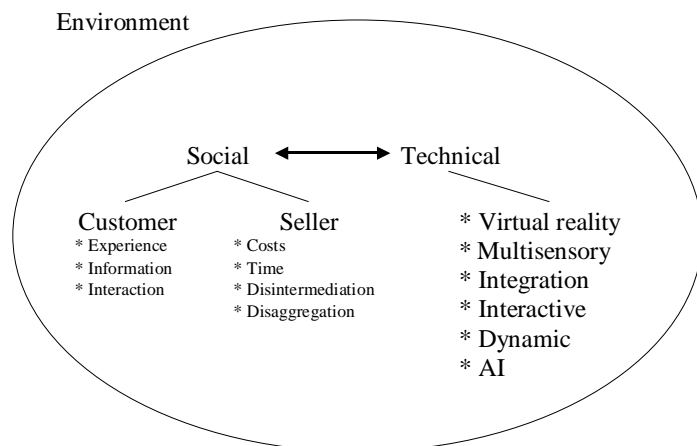
Environment

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                    Social  ←——→  Technical

     Customer          Seller          * Virtual reality
   * Experience      * Costs           * Multisensory
   * Information     * Time            * Integration
   * Interaction     * Disintermediation * Interactive
                     * Disaggregation  * Dynamic
                                       * AI
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Figure 1. A Socio-technical Framework to Analyze Electronic Retailing Benefits

experiencing the product before purchase in catalog shopping. People who purchase by catalogs do so for various reasons such as convenience and avoiding the limitations of time and location that going to a store entail, but are willing to put up with the various shortcomings of catalog purchasing. We strongly believe that electronic retailing has the potential of coming closer than any other nonstore medium to the instore end of the experience continuum, while preserving and extending all the benefits of catalog shopping.

Secondly, information gathering is a very important aspect of many types of purchases. Provision of adequate information for a potential purchaser has been a weak area for most retail establishments. A customer walking into a store wanting to know about a certain product or brand, more often than not, encounters dissatisfaction with the level of information he is likely to receive when compared with what he would like to have. Typically, the potential customer has to gather information about the product that he would like to buy from multiple sources. For example, before making a purchase of an electronic item like a stereo system, one usually consults numerous sources such as brochures, sales clerks, friends and relatives, publications, the Web, and visits numerous retail outlets to match prices and features. With electronic retailing however, the potential exists for a turnkey solution to all the customer's information needs. It would be possible for the potential buyer to compare prices, competitors' products, and features and get the full information he/ she needs from a single source. The implied savings in time and effort would be enormous. The information so obtained is also likely to be more accurate as it can be updated frequently and with little effort. This would prevent customer dissatisfaction with situations such as unanticipated price increases or stock-outs.

Thirdly, the changes can be considered from the point of the interaction involved. With catalogs, there is minimal interaction between the seller and the buyer. With electronic retailing, the quality of interaction is greatly enhanced with the use of interactive on-line query and response systems, and there is likely to be greater overall satisfaction on the part of the buyer because the interaction is under his/ her control; he/she can control the pace and the nature of the interaction without having to worry about pushy salespeople, for example. Communication between the buyer and the seller can be improved because there are no intermediaries, and the use of expert systems can make it possible for the seller to tailor responses to individual queries, giving the perception of one-to-one communication and interaction.

Seller's Perspective

From the Seller's perspective, the potential benefits are manifold. There can be substantial cost savings when compared with catalog selling. Start-up costs are likely to be less, for example, as there would not have to be printing and distribution of catalogs. The inventory-carrying costs of retail establishments could be virtually eliminated. There would be cost and time savings with the elimination of intermediaries and the "electronization" of ordering, warehousing, invoicing and payment. The focus of marketing would shift from aggregation to disaggregation (Curry, 1993), as the enormous wealth of information available to sellers would put them in a much better position to understand the unique needs of individual customers and respond to these in the shortest possible time with customized products (Armstrong & Hagel III, 1996). They would be able to build stronger relationships on a one-to-one basis, and foster the kind of customer loyalty that can only be dreamed of at present. (Armstrong & Hagel III, 1996). The gap (or chasm) that has been existing till now between the customer and seller can be reduced to a minimum. After all, the aim of marketing has always been to cater as best as possible to *individual* needs, a logistic impossibility till now.

Technological Perspective

Now, we move on to considering what role Technology has to play in the changing role of electronic retailing. Till now, it is technology which has been the driving force in electronic retailing, that is, such retailing has been pushed by technological innovations and breakthroughs. Once the novelty of having a site on the Web as a mere promotion tool has worn off, sellers and buyers alike will realize the enormous potential benefits for both sides, and their needs will be the determinants of the shape and direction that technology will take. For example, security issues being a major concern to online buyers has been the driving force behind new and improved ways of financing transactions, such as electronic cash. Websites will no longer be designed just

by IT staff. It will have to be a joint marketing effort requiring the co-operation of marketing, advertising, distribution, finance as well as creative and IT staff (Carr, 1997).

In the meanwhile, the technology that is currently available is hardly being exploited to its full capacity; retailers on the networks are merely scratching the surface. Companies will need to do much more than post static information - a site actively canvassing sales will have to be dynamic and interactive (Stevens, 1997). The complaint of many online retailers has been that websites simply have not paid off in revenues, because visitors merely use them to gather needed information and then either go on to make purchases elsewhere or not buy at all. The available technology can be effectively utilized to move visitors painlessly and with minimal effort on their part, from information gathering to completing the transaction online (Armstrong & Hagel III, 1996).

An electronic site for a retailer also does not need to be confined to sound, video, graphics and text. (Romei, 1997) Virtual reality, for example, affords limitless possibilities to vendors on the Web. 3-D image capabilities on the Web can enable customers to examine products from all angles, using just the mouse to control the movement of the image. (Oberndorf, 1996). Companies are currently working on developing entire virtual shopping malls (McKay, 1996). In the near future, a furniture seller can perhaps, with the aid of virtual reality, enable potential customers to project pieces of furniture that they like into their living rooms to enable them to judge for themselves how they look right in the location where they intend to keep them. The day may not be far off when smells, touch and tastes could be added to the virtual experience.

Conclusion

As discussed in the preceding paragraphs, the potency of the Social-Technical system afforded by electronic retailing is hard to contend with by traditional methods of nonstore retailing, such as catalogs. It may be argued that the profile of catalog users is very different from that of web-browsers, and that consequently, one will never replace the other as they are two distinct, non-overlapping segments. Currently, users of online services on the computer are typically younger people (mostly males) with more education and more disposable income (Mogelonsky, 1996). Catalog purchasers are in the 45 - 65 age group and also have the most money to spend (Niemira, 1996). However, people who argue this way have not accounted for the fact that computers, online networks and associated software constitute a bundle of innovation that has one of the most rapidly-progressing diffusion curves, and that it has been projected that users of the Internet are estimated to number 100 million by the year 2000 (Direct Marketing, 1995). People will not need to be technophiles to become electronic retail customers - they will only have to have needs and wants and the ability to satisfy them.

To conclude, will virtual retailing be nothing more than a glorified catalog business? We feel that it will most definitely not be so. The emerging Social-Technical system that is electronic retailing will be a major player in the retailing arena, for the reason that it promises incomparable benefits to customers and sellers. The retail stores who have the vision and foresight to see the potential here and exploit it most rapidly will reap the benefits.

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