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# IRISH MARKETING REVIEW

in association with



호남마케팅학회  
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Journal of Korean Academy of Marketing Science

전라남도

Special joint issue on **RESEARCHING THE CYBERMARKET**

Edited by John A. Murray & Eunju Ko



Volume 15 Number 2 2002

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# IRISH MARKETING REVIEW

*Enhancing Marketing Thought and Practice*

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It organises conferences and seminars in marketing science, and publishes the *Journal of Korean Academy of Marketing Science*. Kams aims to satisfy the needs of marketers, to provide information to its members, and to advance thinking and practice in marketing.

The Korean Academy of Marketing Science is delighted to have had the opportunity to work with *Irish Marketing Review* and The Marketing Institute of Ireland in producing this joint special issue.

Kyung Hoon Kim, President, Korean Academy of Marketing Science  
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# PREFACE

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## **Ambassador of Ireland to the Republic of Korea**

Since my arrival in the Republic of Korea three and a half years ago, I have been convinced that the interrelated areas of higher education and high technology represent valuable opportunities for enhanced cooperation between Korea and Ireland.

The cooperation agreements signed between Korean and Irish universities since 2000 have begun the process of fulfilling this potential. Now, with the publication of the special joint issue of *Irish Marketing Review* and the *Journal of the Korean Academy of Marketing Science* we are seeing the relationships broaden out from the initial exchange of students. The fact that 'researching the cybermarket' is the sub-title of this special issue, featuring an equal number of articles from Korean and Irish contributors, reflects the determination of both countries to pursue excellence in the information technology field.

While the relationship between countries may be a largely impersonal process, energising it to fulfil its true potential requires the dedicated efforts of individuals. In this respect we have been lucky in having just such people in both countries. Professors John A. Murray of Trinity College Dublin and Professor Kyung Hoon Kim have both applied that personal energy which made a success of the cooperation agreement between their institutions. Professor Kim is also, of course, president of KAMS. I would like to pay tribute to both of them, together with Professor Ko of Yonsei University and all others who have contributed to making this special issue such a success.

This special joint issue is being published in an auspicious year for Ireland–Korea relations, marking as it does the seventieth anniversary of the arrival of the Columban Order in Korea as well as the twentieth anniversary of the establishment of diplomatic relations between our two countries.

The pace of our mutual engagement in quickening a network of relationships is rapidly advancing, in the economic and cultural spheres especially. I congratulate the Korean Academy of Marketing Science and the Marketing Institute of Ireland for being part of this most encouraging process.

*Paul Murray*

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## **Ambassador of the Republic of Korea to Ireland**

It is with great pleasure that I have the opportunity to pen a few words in this publication, which represents such a wonderful partnership between Ireland and Korea. This issue celebrates the culmination of almost three years collaboration between Trinity College Dublin and some Korean universities.

The history of cooperation and friendship between Ireland and Korea dates back to 1933, when Ireland's Columban Fathers were dispatched as missionaries to my country. In 1983, this interaction and interchange came to fruition with the establishment of diplomatic relations between the two countries. Since then, we have maintained very friendly and constructive relations in all sectors including political, economic, and cultural areas.

2003 marks the 20th anniversary of diplomatic relations between Ireland and Korea. The publication of this special joint issue is therefore timely and meaningful in that it demonstrates the depth and degree of mutual cooperation and interaction.

Taking this opportunity, I would like to thank Professor John A. Murray, Trinity College Dublin, Professor Eunju Ko, Yonsei University, and other contributors, for their dedication and untiring efforts. I sincerely hope this achievement will lead to promoting further cooperation and exchange between our two peoples.

Go raibh maith agaibh.

*Yang Lee*



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# RESEARCHING THE CYBERMARKET

*John A. Murray & Eunju Ko*

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**Markets continue to be redefined and restructured by the effects of Internet usage. In cybermarkets, buyers, sellers and intermediaries interact in novel ways through emerging market structures. Research has an important role to play in making sense of the new market phenomena by providing accurate descriptions of what is happening and developing theory to explain why it is happening. In enacting this role researchers make an important contribution to our understanding of contemporary society while also assisting policy makers and organisations to make better informed decisions.**

**The article reviews the diffusion of Internet access and use. It reflects on the arguments for the Internet as a revolutionary or evolutionary instrument. It considers the implications of the emerging cybermarket for marketing strategy and practice, and stresses the importance of extending consumer behaviour research into this new domain. Finally, the article considers how the papers in this special issue relate to each other and make their contribution to the emerging body of knowledge about marketing in a digital age.**

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## **Introduction**

Information technology and the Internet are having a profound impact on society and on the practice of management and marketing globally. In the field of marketing their effect has been to create a new digital environment for markets, sometimes referred to as the cybermarket, in which buyers, sellers, their intermediaries and agents interact in historically novel ways. Research on the structure and dynamics of cybermarkets and on consumer behaviour in this context is vital to maintaining the continuing relevance of marketing theory, and to providing managers with an understanding of this new field of practice. The conversation on cybermarkets encompasses proponents of radical and revolutionary as well as adaptive and evolutionary change. Research plays an important role in mediating and informing this debate, bringing empirical evidence to bear, and searching for fit with established theory or for the makings of new theory where the old is inappropriate. Is the Internet revolutionizing business, management and marketing or is it driving a period of rapid adaptation during which change is at high speed but not discontinuous? Currently, the answer seems to lie between these two extremes and it may well be in the subtleties of such a nuanced perspective that better understanding lies.

That the world has been changed by the Internet is beyond doubt. There were approximately 581 million people online around the world in 2002.

The greatest number was in Europe (186m), followed by Canada and the USA (183m), followed by Asia-Pacific, including Australasia (168m). The almost equal distribution of this online population between Europe, Asia-Pacific and North America re-emphasises Ohmae's (1985) picture of the globe as a triad of vital trading partners while also highlighting the challenge of the 'digital divide' between the triad and the rest of the world, and within the triad, between those with ready access and those without. These cybercitizens and the organizations they work with were responsible for an estimated Internet generated revenue of US\$1,234 billion in 2002, a number which has approximately doubled in each of the past four years (Table 1).

The penetration of the Internet varies widely across countries. In Asia/Australasia, South Korea ranks seventh among 46 countries (including Australia and New Zealand) for which data are available, with 46 per cent of its population online. More recent data, for which comparisons are not available, suggest that online users are already 58 per cent of the Korean population (*Korea Times*, 23 July 2002, quoting the Korean Ministry of Information and Communication). At this point, the Korean government warns that domestic penetration is reaching saturation. The seven countries in Asia and Australasia with more than 40 per cent of the population online are shown in Table 2.



**Table 1** Estimated Internet Generated Annual Revenues (US\$)

	1998	1999	2000	2001	2002
	74bn	180bn	377bn	717bn	1,234bn

Source: Nua.com and Forrester Research

**Table 2** Countries in Asia/Australasia with more than 40 per cent of the Population Online in 2002

Country	Number online	Per cent of national population
Hong Kong*	4.35m	59.58*
Australia	10.63m	54.38
Taiwan	11.60m	51.85
Singapore	2.31m	51.84
New Zealand	2.00m	51.29
South Korea	22.23m	46.40
Japan	51.34m	40.43
Total	104.46m	

\*Hong Kong is of course part of the People's Republic of China and therefore not a 'country', but its statistics are reported separately. The comparative figure for China is 2.92 per cent of population.

Source: Nua.com, drawing on various rating agencies and government agencies

In Europe, countries with more than 40 per cent of the population online in 2002 numbered nine, with another nine between 30 and 39 per cent. Ireland, with 34 per cent online, ranked 15th out of 44 European countries for which comparative statistics are available. This was estimated to have grown to 38 per cent by late 2002 and was projected to grow to 43 per cent in 2003 (Amarach Consulting, 2002). Countries in Europe with more than 40 per cent of the population online are shown in Table 3.

Figures of 60 per cent or more of the total popula-

tion should indeed be close to saturation, as pointed out by the Korean Government, since this will account for most of the adult population. The USA is frequently regarded as the leader in adoption of Internet use. It passed 50 per cent penetration of the population in 2000 and is now at 59.10 per cent, also approaching that supposed saturation level. However, traditional notions of saturation may turn out to be suspect, as may be seen from the figures for mobile phone density, which are at 62 per cent for Europe at large and still growing. Korean Internet statistics are now reported for age groups beginning with 6-19 years

**Table 3** Countries in Europe with more than 40 per cent of the Population Online in 2002

Country	Number online	Per cent of national population
Iceland	0.19m	69.80
Sweden	5.74m	64.68
Denmark	3.23m	60.38
The Netherlands	9.28m	58.07
United Kingdom	34.00m	56.88
Norway	2.46m	54.40
Finland	2.69m	51.89
Switzerland	3.41m	46.82
Austria	3.55m	43.00
Total	64.55m	

Ireland = 33.67 per cent; 1.30m people

Source: Nua.com, drawing on various rating agencies and government agencies

(93 per cent online in 2002 according to the Ministry of Information and Communication). Including six year olds in the Internet user population certainly changes the parameters of any demographic research and opens up the possibility of vastly greater than 60 per cent saturation penetration, as the latter is usually associated with an assumption of an 'adult market'.

The figure for children and adolescents serves to underscore the dramatic social impact of the Internet. A recent study reported by the BBC indicated that 60 per cent of UK children knew that 'a homepage' was the front page of a website, whereas only 9 per cent could explain what the preface of a book was; almost 60 per cent of UK children knew a hard drive was part of a computer but only 33 per cent could explain that a hardback was a type of book (BBC Online Network, 2002).

The extent of basic Internet access, usage and literacy suggests the possibility of radical change in society and in business. Just as the invention of movable type revolutionised the printing of books and made them available to a mass market of citizens and thereby transformed education, access to information and knowledge, and democratised learning, the much more rapid diffusion of Internet usage holds a potential for profound social and cultural change. One has to look no further than its impact on the practice of medicine. Individuals can now acquire previously inconceivable and detailed information on their health condition from the web and enter into dialogue with doctors and specialists in a manner that revolutionises their traditionally asymmetrical power relationship. Consumers can discipline powerful producers by using a variety of auction and bidding mechanisms on the net as well as by combining into powerful purchasing blocs through 'demand aggregators' acting on their behalf to bargain with major suppliers. In this context, some begin to consider recasting the conception of a marketing manager from that of an agent of the producer-seller to that of an agent of the consumer-user: the marketing manager is transformed into the consumer's agent within the firm, seeking the best solution to their demands (see also Achrol and Kotler, 1999), a concept that fits well with the disaggregation of vertical markets and the recognition of markets as network- as well as hierarchy- and transaction-based.

Such new features of life, and life in markets, certainly provide the evidence of revolution and discontinuity – and the emergence of the so-called 'new economy'. Nonetheless, other evidence can be marshalled into a picture of evolution and continuity. The Internet is just another force of technological change that precipitates continuing adaptation of life in general as well as life in markets. It facilitates the current wave of outsourcing and the disaggregation of traditional industry structures. It provides a glossy new look to long-established direct marketing mechanisms. It is just more of what we already know, but faster and sometimes more efficient. Does the Internet change everything or does it just accelerate the speed with which the business of markets is conducted? The perennial trap of debates such as this lies in their being cast in 'either-or' format. There is no necessity to view the two perspectives as mutually exclusive. As with so many other aspects of life, the truth may be closer to a 'both-and' formulation. The Internet produces both radical change and adaptive, evolutionary change. It is in investigating the subtleties of this perspective that we may have most to learn about marketing in an Internet age.

### **Strategy, Marketing and the Cybermarket**

Marketing practice exists in a strategic context. It provides part of the implementation process for organizational strategy and it also informs and shapes organizational strategy. Strategy in most organizations has, at this time, been touched by the arrival of cybermarkets. In a purely technical sense, the Internet is a complex network of technology artefacts: high speed computers and servers, digital switchers and routers, telecommunications infrastructure and computers on desks in offices, homes and in carry-bags around the world. But the social, business and market system that exists around these artefacts continues to reshape market and competitive structures at unimagined speed. Industry and market structures are redefined by the general tendency for cybermarkets to intensify competitive rivalry, to lower barriers to entry, to shift power and value from suppliers to sellers to customers, to prompt and support disaggregation and disintermediation in vertical market structures, to redefine organisational resources, competencies and capability, and to have this effect at higher speed than has been experienced in most traditional markets.

In this strategic market context, old and new companies are challenged to adapt and invent their ways of going to market. Marketing theory and research are vital to understanding how cyber and traditional market structures and dynamics intermingle and produce new hybrid forms. Knowledge of the cybermarket is an essential element of the resource base and of competitive advantage in most contemporary firms and the practice and organisation of marketing are essential to effective strategy implementation. Market structures are re-cast increasingly as networks, not just as hierarchical or transaction-based phenomena, and process, activity and value chains become as important to theory and practice as traditional concepts of structure. In this context, there is a fundamental shift in our understanding of strategy reflecting a movement from mechanistic to organic assumptions, from time as discrete to time as continuous, from directional to interactive flows and from differentiated to integrated constructs and models (Farjoun, 2002).

Marketing's role in this changing strategic management context is twofold. It has to absorb and adapt to changes in the broader strategic parameters of market reality and managerial practice. Since it is also the specialist repository of knowledge about markets, its role is to generate theoretical and applied knowledge that ensures understanding of cybermarkets and supports marketing practice. This represents a challenge to achieve balance between extending existing knowledge into the realm of the cybermarket – adapting and fitting it in a contingent manner to the new marketplace – while also innovating to develop novel insights and understanding. It is therefore useful to consider how easily the field can be misled by the champions of revolution or the defenders of orthodoxy. Wind et al. (2002) suggest that some myths have become attached to the cyberconsumer. The first is that people do not want to be bothered with shopping: screens, mouse clicks and credit card numbers are the means of avoiding the drudgery of traditional shopping activity. But of course real life shopping has been one of humanity's most persistent sources of social pleasure since the first village was formed. People enjoy the bustle, the social interaction, the smell, touch, texture, sight and sound of the bazaar. Avoidance of traditional shopping is not a platform for cybermarkets. A second myth is that efficiency is every-

thing. The ideal of the frictionless transaction is seen by some as the uncontested reason why digital must supplant physical markets. If a consumer needs just one specific book and needs it quickly, an Internet bookseller may be the efficient solution (although their shipping charges may question the economic logic). If a consumer wishes to read a book of literary fiction or political autobiography there may be few things more pleasurable than an hour spent browsing the shelves of a bookstore and the satisfaction of the chase when a previously unknown title is taken to the check-out.

A third myth, it is suggested, is that price is all that counts – another variation on the efficiency assertion. Experience seems to point to a more complex reality in which consumers sometimes search for the lowest price through price comparisons, auctions, bids and low price brokers but sometimes pay extra for buying from known suppliers or trade-off purchasing for a fixed price against the probability of lower price through auction or bidding. That the world is divided into online and offline people is the fourth myth: Wind et al. (2002: 46) note that the 'the great myth of the cyberconsumer is that there is no such thing as a cyberconsumer'. Online consumers spend most of their time in the marketplace in the physical rather than the cyber version. Their experience of Internet markets affects their more general behaviour in the market and their relationships with suppliers in turn affects all markets for all consumers so that the offline consumer also feels the reverberations of change in their physical marketplace. Marketing must deal with consumers who inhabit both kinds of marketplace simultaneously in the way it has always had to deal with consumers who patronise different channels simultaneously. The fifth myth suggested – and the one that seduces the champions of cybermarketing – is that the Internet is intrinsically fascinating and irresistible. Amazingly, in the short period to March 2000, this proposition, argued vehemently enough, was sufficient to fuel much of the dot.com bubble. However, for many if not most people, technology and its artefacts can be devastatingly boring. Logging on to the 'world-wide wait' and finally connecting to shoddy websites with poor content and no evidence of intuitive interface design is one of life's least attractive uses of time. Novelty has a very short lifespan, and part of the 'dot.bomb' experi-

ence reflects this perennial truth. When cybermarkets have excellent, user-oriented content for appropriate products, services and segments, they will join the traditional marketplace as potentially interesting places to spend time. But by then, it is likely that the Internet will have faded into the background just like many other utilities and 'highways', while content will occupy the foreground. After all, who thinks of having light in their home as a result of 'logging on' to the electrical utility grid?

While the myths of Internet 'hype' may be exposed, there is little evidence to support an argument that marketing remains unchanged. It is almost self-evident that marketing decision-making is being fundamentally altered. Processes of market identification and choice are recast by the sheer vastness of data on customer behaviour that can be collected directly at low cost and transformed into decision support information in real-time. The possibility of identifying, communicating with, customising for, and servicing segments of one, has moved from the realm of fantasy into that of reality awaiting full exploitation. The positioning of organisations and their offerings in cyberspace becomes the subject of equal refinement and seems to dramatise further the need for clarity in market and competitive positioning, given customers with such ready access to comparative information and such heightened expectations of tailored responses.

The nature of 'products' has changed. They represent bundles of consumer satisfactions that are now digital and community-based, as well as physical and service-enhanced. Their information content is often separated from their physical content. Consumers have increasing opportunity to customise unique products and to participate in their design and creation. But the existence of real-time information interchange creates unheard-of pressures on the performance of the physical activity chain. This creates a pressure for speed of response. The combination of new cybermarket business models, the disaggregation of vertical markets, the incentives to focus on core competencies and to outsource all other activities also create a new logistics world in which networks of organisations must be integrated to assemble products and deliver at high speed, with no tolerance of failure and at low cost. The interpenetra-

tion of product and logistics management embedded in novel organisational forms creates a truly new world necessary to support the cybermarket.

Pricing is more a continuous than a discrete periodic process: subscriptions are substituted for transactions and access for ownership. Consumers can pitch a price and see which producers choose to respond. With vastly expanded transparency as between supply chains, producers, logistics suppliers and consumers, power has shifted dramatically towards the end consumer in many markets so that many, if not most, of the efficiency gains of cybermarkets are passed on to the final user. Shopping robots can systematically search for products and service options and rank them by price, just as specialist organisational agents already purport to do on a wide scale in areas such as travel. Curiously, through its individualisation of the search and buying process, the new technology has the ability to create a cybermarket that reverts, in many of its features, to the traditional bazaar. Bazaar merchants notoriously learn as much as possible about the customer from enquiry and observation before they are drawn into a discussion of price. When they have learned as much as possible they then pitch a price 'just for you'. It may be higher or lower than that offered the next person and may be subject to bargaining, but it is definitely 'for you' as a segment of one. Part of the joy of the bazaar is precisely this individualisation of the purchase process and the *frisson* of excitement in a workaday world, deriving from self-conscious ignorance as to whether the great elusive bargain has been found or a clever sleight of hand has been performed.

Promotional strategists have to think in terms of interaction, conversation, community and supplier response rather than broadcast declaratory communication. Deighton and Barwise (2001: 339–40) compare the arrival of digital communications with the emergence of print, radio, television, telephone and mail as media in the last century and claim that being first to master and deploy the new technology and media will be critical to the creation of a new cohort of consumer companies for the twenty-first century. They identify three properties of digital communication which must be mastered: fragmented attention, radical interactivity and instrumentality. Because the web segments rather than aggregates audi-

ences, there are no great mass audiences for the equivalent of the national Friday night talk show on television. The cybermarket communicator must struggle with integration across consumers' fragmented vision and attention. Because interaction is multi-dimensional and has negligible cost, it is claimed that 'market-making becomes conversation management' – based on a competence in building intimacy, relationship and community. Finally, Internet conversation has difficulty in generating emotional involvement. It is a fundamentally instrumental medium, and Deighton and Barwise (2001, p. 359) claim that its most secure future may be when 'people are elbowed aside and computers talk to computers, a festival of rampant electronic data interchange, designed by marketers but executed by software'.

Distribution has to manage the divided flows of information, product and service and has to find new ways of building routes for physical product to customers, bypassing much of the traditional physical distribution system and delivering individualised products to markets of one. Fisher and Reibstein (2001) draw attention to two underlying features of cybermarkets: the immense increase in ability to capture, analyse and disseminate through the supply chain detailed information about customer behaviour and preferences at low cost; and the ability to react to this information rapidly, and even at individual level, through flexible manufacturing and logistics systems.

Research on consumer behaviour forms the micro foundation of the marketing discipline. It is not surprising that research on consumer behaviour in digital environments has grown rapidly and in line with the diffusion of Internet usage. Several themes appear to emerge from work to date, including the impact of Internet on market relationships, consumer motivation, consumer mind-set, consumer decision processes and barriers to engagement with the cybermarket. While there has been widespread concern that relationship marketing would suffer by virtue of the 'commoditisation' of cybermarkets, Day and Hubbard's (2002) recent survey of senior managers found that 30 per cent see the impact of the Internet on their ability to manage customer relationships as a major opportunity; 1 per cent see it as a major threat; 52 per cent see it as a minor opportunity and 13 per cent see little impact. Research examin-

ing the construct of 'flow', derived from motivational psychology (Csikszentmihalyi, 1977), provides insight into consumers' cybermarket experience. 'Flow' is used to describe a state in which individuals feel powerful, in control and detached from mundane experience. Digital environments can present the setting for such experiences, in so far as the individual feels challenged, feels uninterrupted, experiences rapid feedback to each action, and is in control of the situation (Dholakia and Bagozzi, 2001). While 'flow' may not be commonly experienced, and while its experience may decline with exposure to digital environments, it nonetheless provides one possible insight into the motivational forces at work among cyber-consumers. Mind-set concepts have been elaborated to suggest typologies and their different cognitive and information processing characteristics. Deliberative, implementational, exploratory and hedonic mind-set categories have been proposed (Dholakia and Bagozzi, 2001). These different categories allow for the analysis of behaviour in cybermarkets ranging from the the 'mindless' to the sharply focused, while also exploring their relationship with consumer activity and their modification by external factors such as marketing actions. Decision making in digital environments is the subject of continuing research. Information can be acquired at very low cost in digital environments and product information is separated from the physical product. But as information availability increases, the cognitive cost of processing also increases, suggesting a powerful role for electronic agents in support of individual information processing. Contrary to expectation, there is evidence of greater dispersion of retail prices online than offline, with non-price differences between retailers amplified in the cybermarket – possibly as a result of perceived trust (Brynjolfsson and Smith, 1999, cited in Dholakia and Bagozzi, 2001).

The factors influencing consumer purchasing in cybermarkets have received considerable attention as it is of great managerial as well as theoretical interest. Hoffman et al. (1999) identify three barriers to purchase: a) perceived loss of control of personal information, b) perceived loss of control over others' actions during transactions, and c) the possibility of the further, secondary, use of personal information as a result of interaction or purchase in the cybermarket. How exactly these perceptions are formed and the conditions under

which control of personal information is yielded or retained are critical aspects of the research agenda as they appear to be so central to the acceptance of the cybermarket. These issues are all connected to the issue of trust in the new medium. And while more effective marketing may serve to reassure and build trust, some aspects of trust are cultural and socially embedded. A recent study suggests a strong relationship between Internet adoption and a cultural value of trust (*The Economist*, 2002). The opportunity for sociological research into the nature and functioning of digital communities seems considerable. Transaction, interest, fantasy and relationship communities have been identified by Armstrong and Hagel (1996) and an important debate has developed around the relationship between digital community membership and participation in more traditional social groups and networks. The latter highlights some alarming consequences of digital community: the possibility of increased conflict in the absence of salient social cues (Bayam, 1995) or the possibility of decline in communication within family and traditional social circle leading to increased depression and loneliness (Kraut et al., 1998).

The Internet brings both revolution and evolution. The consumer is both cyberconsumer and traditional visitor to the bazaar. The challenges of these early years of the twenty-first century may have much to do with appreciating these dualities and managing the necessary balance in marketing understanding and marketing practice.

### **Perspectives on the Cybermarket**

The remaining eight papers from Korean and Irish researchers in this special issue of *Irish Marketing Review* observe cybermarkets from a range of perspectives. The first is broad and is positioned to set the context for the whole set of papers. It deals with the assimilation of information technology into marketing practice. A second perspective – on consumer behaviour in the cyber marketplace – is provided by three studies of shopping, trust and clothing purchase. The third perspective is from the viewpoint of managers – contrasting the perceptions of traditional marketers and cybermarketers of their roles, and those of Internet adopting managers in advertising agencies with non-adopters. The fourth viewpoint is from the vantage point of the supply chain and logistics

system. The final perspective is the most broadly focused. It draws attention to the overspill of Internet technology and management practice into the realms of e-government and e-democracy. While it acknowledges the benefits of these developments, it voices important cautions for theorists and practitioners who might uncritically interpret markets in public services and political choice as no more than another domain within the cybermarket.

The Brady et al. paper provides a background and context for the whole issue with its exploration of the assimilation of IT into marketing practice. The process of assimilation into managerial practice is explored using two theoretical frameworks provided by the relationship marketing school and by the concept of stages of IT assimilation. It is useful to start by drawing attention to the manner in which IT affects marketplace relationships. Many voices in the debate over digital marketing stress above all the potential efficiency gains of the new technology. The lure of the frictionless transaction is compelling. But we also know that behaviour in the marketplace may be modelled as relationship-based and not just atomistic. Enquiring into how IT assimilation and relationship marketing are interconnected is therefore important. IT, its deployment and use, is not ingested whole and instantaneously into organisations. The stages of assimilation model grows from this assumption and is used to probe the extent of current assimilation in marketing practice. The results provide evidence with regard to the revolution–adaptation debate. The facts argue strongly for an interpretation of contemporary practice as one in which the power and innovative potential of IT are used to reinforce rather than transform. The new technology is used to ‘do better’ rather than to ‘do differently’. If the revolutionaries feel disappointed by this evidence from the front line they might pause to consider that cumulative change can be much more fundamental and long-lasting than discontinuous change.

Relationship marketing does not dominate transactional marketing practices – professional managers tailor their approach to the circumstances they face. For example, in the companies that had a dominant transactional marketing approach, there is a focus on IT at the automational stage of IT assimilation. For relationally focused marketing

departments, there is greater IT focus and they are at the informational stage of assimilation. IT is seen as critical to practice, but this research reveals a sharp awareness of implementation difficulties. While all companies researched had experienced the automational stage of IT assimilation, movement to the informational stage accompanied a move to a relationship marketing perspective. The authors suggest that this supports evidence in IT studies that organisational change must occur before IT can enhance such change. This is a timely reminder to technophile: having technology is of limited advantage. Having a clear strategy and a well focused organisation comes first, and forms the necessary precondition for effective technology adoption and exploitation. IT, as the authors put it, enables change rather than drives it. The findings also remind us of the importance of organisational politics and process through evidence that the major barrier is the automational stage of IT development in which access to, and knowledge of, IT is centralised in the IT department. In such organisational settings differences in training, disciplinary outlook and occupational allegiances can lead to damaging miscommunication. In order to address these issues of organisational and interpersonal conflict, marketers must become more IT-expert to support a more productive conversation with their technology colleagues.

The next four papers address important topics in consumer behaviour among cyberconsumers. They are therefore more micro in perspective and reflect the maturing of research on cybermarketing. These papers leave behind the familiar hype of Internet optimism and aphorism and focus on the painstaking task of formulating and testing theoretically based hypotheses about the specifics of individual behaviour in the digital marketplace. Kim and Shim's paper seeks to measure four features of Internet shopping malls which are identified *ex ante* as important influences on consumers' intentions to purchase. The relationship between consumer hedonism and pragmatism and their purchase intentions is also investigated. The results reinforce other studies and show that Internet shopping malls have to attend to the basic practicalities of design, service, and security as surely as their physical counterparts must.

In drawing lessons from this research it might be argued that the quality of the shopping mall infor-

mation system must provide continuous fault-free access, movement and use; customer support services must be excellent; perceptions of the mall must be positive and reinforced; and security must be seen to be guaranteed. In a recent study, 66 per cent of Irish online shoppers agreed that companies are not doing enough to demonstrate the security and safety of online shopping (Amarach, 2002). In terms of the shopping traits of users, hedonistic pursuit traits and practical pursuit traits are both positively associated with purchase intent. We are reminded of the theme of duality, of a world of 'both, and' when we approach cyberconsumption. Both pleasure and practicality are associated with purchase intention in the cybermall. Overall, the quality of the IT system, and shopping-mall perception, have the biggest influences on the purchase intent of users, a useful reminder that while Internet retailing may be different from the more traditional shopping environment, it is nonetheless the basic practicalities that appear to drive success.

McCole and Palmer's research picks up an important and continuing source of concern and debate about behaviour in cybermarkets: is the environment so devoid of human contact and normal social cues that trust is impaired and the market must be limited to exchanges in which trust is likely to play a limited role? If this were the case, the future of cybermarkets would be quite limited. They investigate trust in the Internet generically as a medium, rather than in any specific buyer-seller exchanges. Their work therefore probes what we might regard as a background or 'halo' effect of the cybermarket which will set a context for all individual relationships and transactions. They probe the extent to which repeated use is related to greater or lesser trust. They conceptualise trust as a multi-dimensional phenomenon and explore the possibility that consumers learn to trust. The research suggests that mistrust in the Internet may be based on lack of familiarity. If this is the case, as consumers become more familiar with the Internet, their trust will increase. Given the observed association between experience of Internet use and trust in the Internet as a medium, the authors propose that companies take specific action to support neophytes in their early use of the medium through web design, support, transparency of information, quality seals, cues that replicate those in the physical marketplace,

and so on. The research also tests a new instrument for measuring trust, and its implementation points the way towards further refinement.

The study of Internet advertising effects in the Korean clothing industry by Ko and Park provides another detailed insight into consumer behaviour in a familiar product category, but in the novel context of the cybermarket. The research examines the effect of different types of Internet advertisement and the manner in which consumer 'involvement' in clothing consumption affects advertising impact. The types of advertisement studied were banner advertisements, websites themselves as advertisements, and e-mail advertisements. The effects of advertising were measured in terms of impact on attitude to advertising, attitude to the product, and attitude to the brand. The factor analysis identifies four important aspects of clothing involvement: clothing importance, symbolism, interest, and risk perception. Significant relationships are found between clothing involvement and advertising effect: the 'clothing interest' dimension had the highest impact on advertisement effect. Clothing involvement and advertisement types are seen to influence advertising effects.

Kim et al.'s paper explores the motivations of those involved in on-line gaming. On-line gaming is an enormous market that continues to grow at record levels. On-line games involve simultaneous real-time participation by many players interacting through the Internet. The authors investigate the lifestyle characteristics of those who play such games and their motives. An established tradition in marketing and consumer behaviour research has been to capture lifestyle by measuring attitudes, interests and opinions using well established 'AIO' research instruments. In this study, it is argued that there is a 'cyber-lifestyle' characterised by specific consumption patterns associated with the content, community, commerce and communication aspects of game involvement.

Motivation is examined by extending previous research on features of video and computer games, such as competition, socialisation, illusion and challenge, into the on-line arena. It is hypothesised that motives reflect drives for sociability, entertainment and escape. It is posited that e-lifestyle factors influence motives and that the

relationship between these two is shaped by the types of games played. Respondents were drawn from the on-line gaming community. The findings indicate that different lifestyle patterns are associated with different motivations and that different games are associated with different motives. It is argued that an understanding of consumer lifestyles and their variation is basic to the effective marketing of on-line games.

The next paper is quite different in focus. From the theme of consumer behaviour in the cybermarket we turn to the issue of managers in the cybermarket. O'Callaghan and Fahy ask whether the cybermarket 'dumbs down' the practice of marketing; are marketing professionals diminished by the new environment and by the apparent loss of human contact between buyer and seller? Is a cybermarket an inhuman, alienating, unsociable space where the traditional manager is de-skilled? These are uneasy questions, but ones that are, and must be, asked as markets evolve with the impact of the digital technology. For professionals in the field they carry considerable personal and career importance. The research methodology is very different here – selective personal interviews of senior marketing managers are used to explore perceptions and attitudes. The research reveals differences between those practising marketing management in traditional markets and cybermarkets, but no indication that the latter is a diminished group. The results suggest that marketing managers are similarly motivated in both environments and that their organisational roles remain constant. Marketers moving to cybermarket practice must acquire information technology skills, but these are additional, not substitute, competencies in their repertoire. Traditional marketers see the new technologies as additional communication and distribution mechanisms. Both groups agree that interpersonal contact and relationship are vital to marketing effectiveness, posing a challenge for the cybermarketer to develop new means of ensuring contact and relationship with their customers. Traditional marketers did not see the Internet as a revolution undermining their accumulated skill base. New-era marketers noted that more flexible organisational structures, teamwork and speed of decision making characterised their new-era companies. Both groups agreed that the Internet would not 'dumb down' marketing and make it a less interesting profession. The research



appears to support the contention that the impact of the Internet will be evolutionary, building on the increasing role played by technology in marketing over the past three decades. It is interesting to note the authors' report that practitioners' estimates of the impact of the Internet are more muted than those of the popular press and some academic commentators.

Park and Kim's paper on cyberlogistics provides a fourth perspective on cybermarkets: a view from the logistics and supply chain. The structure, efficiency and management of supply chains has received intensive scrutiny in parallel with developments in Internet commerce. A variety of forces has generated this burgeoning interest in marketing, and between marketing and related disciplines concerned with the production and movement of goods and services. The increasing separation of information and physical flows focused attention on the necessity for coordination. The insistent demand for rapid order fulfilment to match digital search and purchase speeds has drawn attention to the need to redesign logistic flows and system structures. The trend to disaggregation of vertical corporate structures has highlighted the challenge of managing logistics as a separate specialty while also ensuring its integration into a coherent supply chain.

The research by Park and Kim focuses on the growth of third party logistics suppliers to whom so many cybermarketers outsource the logistics function. The research investigates the factors that influence choice of logistics supplier by Internet-based firms. The views of logistics managers in Korean Internet firms are sought and the findings indicate that risk avoidance and pursuit of a low cost strategy are important influences on choice of third party logistics providers. Internet firms are seen as pressured to focus on the core parts of their businesses and to maximise profitability through cost reduction in logistics. Outsourcing to a third party with specialised core capacity, and scale to generate low cost performance, is a crucial factor in providing competitive advantage in cybermarkets. Internet firms may derive a direct benefit in transportation and storage costs through selecting third-party logistics. To achieve this enhanced performance, it is argued that firms must focus on their own core activities while building strong alliances with logistics partners.

The final perspective is the most broadly focused one. It reminds us that the Internet is having a profound impact on the business of government as well as the business of commerce. e-government is the shorthand designation for two important consequences: first, the creation of cybermarkets in government service provision and second, the possibility of cybermarkets in political choice. To regard public services, let alone political choice, as market-based phenomena may be seen by some as inaccurate or even objectionable. The issue of inaccuracy is easily dealt with. Most public services are provided to citizens in what may well be modelled as a marketplace. Very often this market is characterised by a single supplier and limited or no choice by the citizen as consumer. Indeed, this very aspect of public service markets is seen by some as the root of inherent inefficiency and unresponsiveness. Nevertheless, approaching the provision of public services from this standpoint has become a common feature of worldwide public sector reform movements and the transfer of marketing knowledge and practice is helping to make the delivery of public services more citizen-responsive and service-oriented. Whether this application of traditionally private sector management practice is seen as objectionable is usually more a matter of political and ideological orientation, but it is difficult to argue against the consequences if it produces greater efficiency and better service levels. However, when the debate turns to the conceptualisation of a cybermarket in political choice, the issues are not just more difficult but are also different in substance, as Collins and Butler argue. This is an important distinction which may sometimes be lost on the more enthusiastic and ambitious proponents of e-government. The authors note that while citizens expect to be treated as customers, they may not care to be referred to as such. Citizen and consumer roles are different and even as public service consumers, people play multiple roles – being at the same time funders, users and assessors. Public service channels, like their private sector counterparts, are being altered by disintermediation, the establishment of information intermediaries and the emergence of metamediaries.

The authors draw attention to dangers posed by e-government and e-democracy. An inherent attribute of Internet technology allows the individual to customise and filter out everything other

than that which they wish to see, hear and read – a distinctly consumer-oriented approach. However, in the world of democracy, such an exercise of consumer choice may lead to a fragmented society as communities are exposed to less of others' interests and concerns. So the authors warn of a danger for democracy and urge a contingency approach, sensitive to the distinctive characteristics of the political and public sector contexts. They believe the challenge for marketing and management is to recognise and involve the mechanisms of representative democracy, so that they can be incorporated into electronic delivery systems rather than clash with them.

These five perspectives on the cyber marketplace each provide us with a different impression: its context in relation to the long term process of assimilation of information technology into marketing practice; its micro behavioural detail in terms of features and determinants of consumer behaviour; its impact on managers, their role and their innovativeness; its implications for supply chains and the disaggregation of vertical market structures; and finally its interpenetration with the world of public services and democratic process. While the authors present a great variety of insights based on their research, they all agree on one thing: information technology and the Internet have had a major impact on society and on the practice of management and marketing.

### **Korea-Ireland Research Collaboration**

This special issue was not conceived as an exercise in comparative marketing or management. It is, however, symbolic of a changed world, shaped *inter alia* by the Internet and its impact on the global community of scholars. The project owes its origins to the creation of The Association for Korea and Ireland Studies in 2000, under its inaugural President, Professor Hong-Kyu Park. Among other things this led to a meeting in Changwon, Korea between Professors Kim, Kyung-Hoon, Ko and Eunju of Changwon National University and John Murray of Trinity College, Dublin, at which it was decided to produce two special journal issues, first of *Irish Marketing Review* and then of the *Journal of the Korean Academy of Marketing Science* in which Korean and Irish marketing scholars would report research on two topics of common interest. The first topic identified was

that of marketing and the Internet – as topical in the year 2000 as now in 2002. Rather than dictate the thematic content, researchers were invited to contribute from their current research agenda, and the results of their work appear here. The papers show no particular 'Irish-ness' or 'Korean-ness'. The issues at stake appear to belong to a broadly shared agenda of research. This agenda reflects the maturing of cybermarkets after the initial reckless promises of revolution and the subsequent mood of despair and betrayal as the Internet bubble burst. Both scholars and practitioners seem to have settled down to the less dramatic work of measuring, understanding and modelling behaviour and performance in cybermarkets – and contributing positively to their development as critical features of society and the economy. Methodologies vary, as is appropriate for such a broad field of investigation, ranging from detailed theorising and hypothesis testing to qualitative exploration, to initial conceptualisation of issues and relationships. It is hoped that the collection of papers in this special issue will add to the beginnings of research in the field and provide a stimulus to those managing in such dynamic contexts.

The preparation, editing and production of this special issue has been undertaken entirely by Internet communication, linking researchers in two countries and two continents that are just about on opposite sides of the globe. Academia has always nurtured what it refers to as the invisible college – the global network of scholars joined by research interests and disciplinary formation and recognising few, if any, geographic or political boundaries. This has always been a powerful basis for the advancement of knowledge, but its potential appears to be only marginally exploited when presented with the infrastructural potential of the Internet. Perhaps it is no accident that the roots of the web and Internet are found in the academic and scientific communities.

Korea and Ireland have some mutually recognised similarities. Both are on the edge of great continents with large and powerful neighbours. Both share a history of temporary colonisation and resolute determination to be independent. Both appear to share outgoing and expressive social traits. Both have experienced poverty and economic disadvantage in their modern history. Both have built thriving economies and been cate-

gorised in the species *tigris oeconomicus*: the Asian and Celtic Tigers. There are, of course, many differences too, enough to make collaboration inter-

esting and occasionally surprising. What better platform for learning (or even cyberlearning) could one hope for?

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# THE ASSIMILATION OF IT INTO MARKETING PRACTICE

*Mairead Brady, Mike Saren & Nikos Tzokas*

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**Marketing practitioners and academics are challenged by the necessity to address the separate but related roles of relationship marketing and information technology in contemporary marketing practice. The role of IT in the management and control of relationships is an important, but often overlooked, component of relationship marketing. More and more relationships are IT based, controlled and managed, and IT extends relationship management practices to mass consumer markets, providing the possibility of 'individualising' mass markets.**

**In this context, research aimed at a better understanding of the IT dimension of contemporary marketing practice is important. The relationship marketing literature provides frameworks for analysing marketing approaches linked to forms of exchange ranging from transactional to relational. A stages of assimilation framework is drawn from the IT literature. Based on these frameworks, propositions that there is an IT dimension to the transactional-relational continuum and that the assimilation of IT in marketing practice occurs in stages are advanced and tested. Ten case studies were researched in depth using personal interviews, observation and documentary evidence. The findings show that IT plays a variety of roles, which predominantly reinforce current practices rather than transform marketing practice. In addition, the research reveals a range of differential challenges to IT assimilation, dependent on the stage of IT assimilation within marketing departments.**

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## Introduction

This research was designed to study two contemporary issues in marketing practice which are challenging academics and practitioners, namely the role of relationship marketing and the assimilation of IT into marketing practice. An expanding body of literature discusses the relationship marketing perspective on marketing practice (Gummesson, 1987; Gronroos, 1997; Brodie et al., 1997; Pels, 1999; Thomas, 2000; Wolfe, 1998; Coviello et al., 1997). There is also a less well developed focus on IT and its current role in marketing (Glazer, 1991; Webster, 1992; Bruce et al., 1996; Leverick et al., 1998; Sheth and Sisodia, 1995; McKenna, 1991, 1995, 1998).

Despite the widespread use of IT in marketing, there is a lack of understanding of its role and impact. What we need to know and what this paper seeks to discover is whether IT is supporting, reinforcing or transforming marketing. The dominant demand from educators and practitioners is to understand the role of IT in marketing and to capitalise on and harness the tremendous power, interactivity and connectivity that it allows.

## IT as a Critical Component of Contemporary Marketing Practice

During the past decade marketing practices have been in transition, with marketing practitioners struggling to implement different solutions, many of which are failing (Baker, 2000; Mitchell, 1994; Barnes, 1993; Sheth and Sisodia, 1995). Discussion and decisions abound in regard to 'what to add, what to retain, what to modify, what to delete from the current inventory of ideas, concepts, analytic framework tools and techniques' (Varadarajan, 1999, p. 88). Webster (1998, p. 54) suggests that we need to study 'how to break out of the paradigms that currently constrain the marketing field, so that we can best respond to the opportunities and requirement of the new environment of interactivity and other aspects of information technology'. It is imperative that IT is included in the current toolbox of marketing techniques.

There is some suggestion that IT will ultimately allow marketing to attain the levels of creativity and influence that it has long sought. Some hope that IT will lead to 'supportive creativity' (Peattie,

1997, p. 145) with marketers who think 'like science fiction writers' (Sterne, 1995, p. 295), who 'think out of the box' (Schlegelmilch and Sinkovics, 1998, p. 169). Fisher et al. (2000), in an article titled 'Rocket science retailing – are marketers ready?', question the ability of marketers to utilise IT to its full potential, harnessing its power and matching it to the creativity of marketing. McKenna (1991, 1995, 1998) suggests that IT and marketing are critical elements that must be united but that there are obvious difficulties and conflicts to be overcome. He notes that 'the cold impersonal sameness of technology and the high-touch human uniqueness of marketing seem eternally at odds' (McKenna, 1998, p. 78).

### **Relationship Marketing – the IT Imperative**

The concept of relationship marketing is a topic of academic and practitioner interest with lack of agreement on many aspects of the suggested new paradigm. Some contend that relationship marketing is a new transformational model (Gummesson, 1987, 1994; O'Malley and Patterson, 1998; Piercy, 1998; Snow, 1997; Tzokas and Saren, 1997; Payne, 1995; Sheth and Parvatiyar, 1995; Pels, 1999; Thomas, 2000; Wolfe, 1998) even as debate continues into many of the tenets of relationship marketing (Fournier et al., 1998; Saren and Tzokas, 1997; Sheth and Sisodia, 1999). Relationship marketing is seen as a necessity for some companies and industries (Gronroos, 1996) and 'a clear sign of the bright future' for marketing (Tzokas and Saren, 1997, p. 105), and is even viewed as 'the saviour of marketing replacing the negativity of transaction marketing' (Thomas, 2000, p. 524).

There is support for relationship marketing as a genuine paradigm shift (Gronroos, 1994, 1997; Morgan and Hunt, 1994). Gronroos (1997) suggests that the marketing mix paradigm has restricted and narrowed the focus of marketing and that relationship marketing as a new paradigm allows for the multifaceted nature of marketing practice to emerge. Others question whether a paradigm shift is actually occurring (Coviello et al., 1997; Pels, 1999; Gummesson, 1998; Piercy, 1998).

It is suggested that the role of IT in the management and control of relationships is an important, though often overlooked, component of relationship marketing. Calls are made for research into IT linkages internally and externally and how these

developments impact on marketing practice (Webster, 1992; Pine et al., 1995; Thomas, 2000; Payne, 2001). The fact that more and more relationships are IT based, controlled and managed, suggests that an understanding of the role of IT is of paramount importance to marketers. Many authors have ascribed a dominant role to IT in relationship marketing (Talvinen and Saarinen, 1995; Gronroos, 1996; Brodie et al., 1997; Peattie, 1997; Copulsky and Wolfe, 1990; McKenna, 1991, 1995, 1998). As Morgan and Hunt (1994, p. 22) observe, 'what should be central to understanding relationship marketing is whatever distinguishes productive, effective, relational exchanges from those that are unproductive and ineffective'. IT could be one of these features as it has a multifaceted impact within the range of marketing relationships.

The impact of information technology on marketing strategy goes beyond the firm's relations with its competitors and customers. It extends to the firm's dealing with the other players in the value-added chain; upstream to suppliers and downstream to distributors and retailers'.

Glazer, 1990, p. 14

It is contended that IT is a major driver of the orientation (or reorientation) to relationship marketing and that without IT, relationship marketing practices would be curtailed (Zineldin, 2000; O'Malley and Tynan, 2000; Mattsson, 1997). Sheth and Parvatiyar (1995, p. 409) suggest that IT is one of five macro-environmental forces with 'the impact of the technological revolution changing the nature and activities of the marketing institutions'. Using an environmental audit to review the move to relationship marketing, Palmer (2001) highlights the pivotal importance of the technological environment as a central cause. Zineldin (2000) contends that without effective use of IT, relationship marketing is not achievable and suggests that the time has come to stress its indispensable role. Pine et al. (1995) confirm the need for IT in relationship marketing, but comment that marketers are struggling to utilise IT effectively.

The applicability of relationship marketing in consumer markets is a key area of discussion. Originally, relationship marketing was not considered applicable to consumer markets (O'Malley and Tynan, 2000). IT is seen by many as the key enabler of relationship development at the consumer interface. Without IT, maintenance of relationships with mass consumers would be very dif-

ficult (McKenna, 1991, 1995, 1998). 'The ability to "individualise" mass markets, due to modern information, communications and production technology, is an important reason for this development' (Mattsson, 2000, p. 153). Webster (1992) concurred that, while relationship marketing's importance can readily be seen in industrial markets, it is through the use of IT to create direct contact between consumers, resellers and manufacturers that it can exist in mass consumer markets. Sheth and Parvatiyar (1995, p. 409) add that:

The current development and introduction of sophisticated electronic and computerised communication systems into our society is making it easier for consumers to interact directly with the producers. Producers are also becoming more knowledgeable about their consumers by maintaining and accessing sophisticated databases that capture information related to each interaction with individual consumers at a very low cost.

### **Studying IT Assimilation in Marketing Practice**

The preceding discussion highlights a need for research to understand the IT dimension of contemporary marketing practice. At the EMAC 1999 conference and in a subsequent article we reported the results of a quantitative study of 500 marketing managers examining the assimilation of IT into marketing practice in Ireland (Brady et al., 1999a, 1999b). One of the main findings of this study was the need for more in-depth research and the development of frameworks which could advance both theory and practice.

A review of the relationship marketing literature provided a selection of frameworks for marketing approaches linked to forms of exchange, from transactional to relational (Bagozzi, 1975; Dwyer et al., 1987; Gronroos, 1991; Webster, 1992; Gummesson, 1994; Coviello et al., 1997). These frameworks lacked an IT dimension though recently Coviello et al. (2001, 2002) added an e-marketing approach. The Coviello et al. (1997) framework was chosen for use in this study as the most well developed and empirically tested framework (Brodie et al., 1997; Lindgreen et al., 1999). The framework, designed along a continuum from transactional to relational marketing, identifies four distinct, related marketing perspectives. These are transactional, database, interaction and network marketing approaches and they prescribe associated management activities and processes

with each approach. IT is not included as a major activity within any of the approaches though it is mentioned briefly within database marketing, under the headings of formality of relational exchange and managerial investment.

In the IT literature, the stages theory framework (Nolan, 1973, 1979, 1996; Gibson and Nolan, 1974; Nolan et al., 1993; Nolan and Croson, 1995) has been discussed and developed by various authors (Haeckel, 1985, 1998; Zuboff, 1988; Remenyi et al., 1997; Mooney et al., 1995; Gibson and Jackson, 1988) and is the most widely used and cited theory in IT assimilation (Galliers and Sutherland, 1999). Though empirical support in the marketing area is lacking, there has been discussion of the stages approach to IT in marketing (Hammer and Mangurian, 1987; Little, 1987; Baker, 1994; Peattie, 1997). It must be noted that no model or framework can offer a generic or complete set of rules under which IT assimilation may be governed and optimised (Leverick et al., 1998; Holtham, 1994; Galliers and Baets, 1998).

Benefits of the framework include its assumption that IT will develop within the legacy of previous systems and its links to business management issues at each stage, centred on the learning processes associated with IT assimilation. The framework suggests ways of taking advantage of the evolving nature of IT assimilation, emerging practices and unanticipated outcomes of IT usage. It has intuitive appeal to both IT and marketing personnel. It is critical to note that IT assimilation is not always change-oriented or beneficial. IT can simply reinforce existing behaviours rather than change them (Davies and Mitchell, 1994; Douzou and Legare, 1994). IT has no inherent ability to introduce change. Rather, change must occur first before IT can enable its implementation (Applegate, 1994).

There is little consensus on terminology to describe each stage or on the number of stages. For this study, three stages were chosen, namely automation, information and transformation (Zuboff, 1988).

### **Research Methodology**

Ample literature supports the contention that IT is an important and developing dimension of marketing and particularly relationship marketing. The key research propositions were:

- 1 There is an IT dimension to the transactional to relational continuum.

- 2 IT assimilation in marketing practice occurs in stages.

The research was undertaken within the realism tradition, with the intention of understanding the deeper structure of the phenomenon, an understanding which can then be used to inform other settings. The primary purpose was to answer 'how' and 'why' questions and to describe the underlying process of IT assimilation in marketing. To this end, the research design used multiple case studies selected for comparative analysis. A sound research design was achieved by selecting ten cases, using theoretical and literal replication logic (Yin, 1989). The selection was based on maximum variation (Perry and Coote, 1994) and polar opposites (Pettigrew, 1987), researching the IT assimilation process at different stages. The selection was cross-sectional, including cases with transactional and cases with relational marketing approaches.

The data collection techniques relied on personal interviews with a range of informants, the observation of IT systems in use and documentary evidence. The data analysis was aided by the Nudist software programme and involved the interpretation of the data collected, with the aid of nodes, codes, and hierarchical trees.

The research focused on IT and marketing practice in large firms in Ireland and expands the research in this area (see Domegan and Doyle, 2000; Geiger and Martin, 1999). All case companies have some level of internationalisation and six of the cases are multinationals.

### Significant Findings

The findings show evidence of a pluralism of marketing approaches and non-uniform assimilation of IT into marketing practice.

Though relationship marketing practices exist, there is no support for the dominance of relationship marketing over transactional marketing practice. Relationship marketing practices were specific to business-to-business and service organisations. Where marketing is oriented towards relationship marketing, there is an influential IT dimension and IT is viewed as a critical component of the marketer's ability to practise relationship marketing. Despite the desire for increased and proficient use of IT, there were major IT implementation difficulties.

The use of the stages theory for describing the marketing department's assimilation of IT is sup-

ported. Individual IT applications (35 for this study) could be placed into the framework and stages of assimilation could be recognised.

The findings support the inclusion of an IT dimension in the Coviello et al. (1997) transactional to relational marketing framework, matched to the stages of IT assimilation. For example, for cases which had a dominant transactional marketing approach, there is a focus on IT at the automational stage of IT assimilation. For relationally focused marketing departments, there is greater IT focus and they are at the informational stage of assimilation. Table 1 summarises the main findings.

Including an IT dimension in the framework provides information and support for marketers and academics by tracing movement through stages of IT assimilation. All cases had experienced the automational stage of IT assimilation. The table highlights the applications which are associated with a more informationally based assimilation of IT. It must be noted that not all IT applications will move through the stages and that IT is predominantly used to support or reinforce current marketing practice rather than to transform it.

The motivation for the move to the informational stage centred on the recent move to a relationship marketing perspective. This supports IT studies suggesting that organisational change must occur before IT can enhance such change. For example, the relational focused case companies were developing IT applications to gain knowledge and to increase their effectiveness in relationship marketing. In contrast, the transactional focused companies lacked a driver for IT assimilation as they were content with and intended to continue with their successful traditional tactics and strategies.

There is a range of marketing-specific barriers and challenges for marketers in developing and implementing marketing-specific IT. The major barrier is the automational stage of IT development in which access to, and knowledge of, IT is centralised in the IT department. Among a variety of solutions utilised in overcoming this barrier the dominant requirement was for marketers to increase their IT knowledge and expertise.

### The Findings and Existing Research Studies

The findings reveal an IT dimension of marketing practice. They provide further evidence that IT

**Table 1** **Assimilation of IT into Marketing: the Stages Theory and Marketing Approaches Classified by Relational Exchange and Managerial Dimensions**

		TRANSACTIONAL APPROACHES	←	→	RELATIONAL APPROACHES
		<i>Transaction marketing</i>			<i>Database marketing</i>
ASSIMILATION OF IT – THE STAGES THEORY	Automation (efficiency)	Company-wide finance focused centralised information systems; limited automation of marketing practices for increased efficiency; minimal impact from IT on marketing practices			Company-wide finance focused centralised information systems; limited automation of marketing practices for increased efficiency; minimal impact from IT on marketing practices
	Information (effectiveness)	Lack of evidence from cases			Creation of new marketing-specific databases; development of IT based interactions internally and externally; marketing-specific IT applications to automate internal marketing operations for increased efficiency and effectiveness
	Transformation	Lack of evidence			Lack of evidence

applications are slowly diffusing into marketing practice, with a dominant automational focus, supporting and reinforcing existing practice. They provide tentative support for the stages theory framework and its applicability to marketing practice. They confirm that IT assimilation in marketing encounters barriers which are multidimensional, complex and context-specific. They also affirm findings from the general IT literature that IT is an enabler rather than a driver of change. It was clear from these case studies that where marketers were oriented towards change, then IT enabled that change. The results do not support assertions that intra-functional difficulties between IT and other areas have receded. Rather they highlight the dissatisfaction of marketing departments with IT departments. They provide evidence of personality differences between marketing and IT personnel, presenting an interface challenge, a subject which warranted a special issue of *Irish Marketing Review* (vol. 11, no. 1, 1998). Critically for marketing, they show that many internal IT developments are designed to match IT's expertise and knowledge rather than marketing's operational and strategic needs.

### Implications for Theory and Practice

The primary contribution of this study is to suggest and design the inclusion of an IT dimension in the Coviello et al. (1997) transactional to relational framework (see Table 1). From an IT perspective, the research supports the use of a stages theory and suggests that the IT component of marketing practice is assimilated in stages and may be

researched and managed from this viewpoint.

The major managerial implication, from the IT perspective, relates to the development of the stages theory of IT assimilation. Use of a stages theory can assist marketing's IT development and highlights challenges that will be encountered. Movement from an automational, centralised control of the IT infrastructure demands that marketing managers have the knowledge, vision and orientation towards IT to capitalise on this development. For assimilation to proceed, marketing managers need to have an IT orientation and to be able to engage with and challenge IT personnel and systems. Generally IT infrastructures in companies are finance or production focused. Therefore IT expertise and knowledge in the marketing department is critical.

### Conclusion

The main contribution of this research is the inclusion of a critical but omitted IT dimension in the transactional to relational continuum of marketing practice, in the conceptualisation developed by Coviello et al. (1997). A second contribution is the application of the stages theory of automational, informational and transformational IT assimilation in marketing practice. The resulting framework highlights the nature of IT assimilation and the practical steps that marketers can take to exploit IT. Finally, the study recognises and confirms the central role that IT plays in contemporary marketing practice and provides evidence of continuing assimilation of IT into marketing practice.



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# THE INFLUENCE OF INTERNET SHOPPING MALL CHARACTERISTICS AND USER TRAITS ON PURCHASE INTENT

*Yong-Man Kim & Kyu-Yeol Shim*

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**Internet shopping malls are the cyberspace analogue of traditional physical shopping malls. Retailers can congregate in cyberspace to overcome many of the traditional limitations of time and space inherent in geographic location. In this new environment it is important to develop research based evidence on how cybershoppers are influenced by features of shopping malls and to understand how consumers' characteristics influence their shopping behaviour.**

**Based on the emerging literature about Internet shopping, the impact of four features of Internet shopping malls on consumers intentions to purchase is investigated: the quality of the mall's computing and information system; customer support services; perceptions of the shopping mall; and transaction and information security. Consumers' propensity to pursue hedonistic and pragmatic goals in their shopping is explored and its relationship to purchase intent analysed. A large scale survey of Korean consumers with experience of purchasing at Internet shopping malls provides the data for the analysis.**

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## **Introduction**

The Internet has brought about an immense change in industry structures and commerce. It has provided global networks linking every part of the world and created information-sharing space that transcends traditional concepts of time and space. The Internet serves as a vast marketplace attracting 130 million customers with the help of networks connecting the world as well as offering information. Many people wish to do business with the customers in this huge market. E-commerce has revolutionised traditional commerce and has risen to prominence along with the development of the Internet.

E-commerce is classified into four categories: e-commerce between enterprises and enterprises; e-commerce between enterprises and government; e-commerce between individuals and enterprises; e-commerce between individuals and governments. E-commerce can also be divided in accordance with the kinds of electronic communication media used: PC-based online home shopping; EDI (electronic data interchange); and web-based electronic/cybershopping malls. And e-commerce can be grouped into inter-organisational e-commerce and customer-oriented e-commerce (Kalakota and Whinston, 1996), where customer-ori-

ented e-commerce relates to electronic commerce between enterprises and customers.

The acceleration of Internet use has caused home shopping and home banking to grow rapidly. While established commerce can be referred to as a real field purchase, e-commerce can be referred to as commerce transacted in cyberspace. E-commerce offers a new environment distinguished from traditional ways of doing business and it is important that research on its cognitive and psychological aspects should be undertaken. In other words, there is a need for investigating customers' attitudes toward the spread of e-commerce and its inhibiting and facilitating factors.

Internet shopping malls are places where a number of stores wishing to sell products converge on the Internet for the purpose of business. Web shopping malls are characterised by the ability to overcome limits of time and space. As they find it easy to access target groups, they can enhance the customers' satisfaction by offering differentiated service and it is possible for the customers and enterprises to engage in mutual communication. Additionally, e-commerce helps reduce the complexity of logistics and can respond to the needs of customers more quickly.

Accordingly, this study is aimed at finding clues to help enterprises improve the purchase intent of customers by looking corroboratively into the influences of the supplier characteristics of Internet shopping malls – including the quality of the information system, customer-support service, shopping mall perception and security – and users' traits such as hedonistic pursuit traits and practical pursuit traits, on the purchase intentions of users. In this context, the established research literature is surveyed and we look corroboratively into the factors that companies should provide to support the growth of e-commerce.

### **Theoretical Background**

The focus of this work is the examination of the Internet shopping mall using what is known from studies of information system effectiveness and store-based retailing. Because we are interested in pragmatic factors that may be readily controlled by a virtual retailer and Internet shopping mall designer, we focus specifically on those factors that have been shown to influence retail purchase intention. Based on a synthesis of this work, we group the factors into two categories relating to first, quality of information system, customer support service, shopping mall perception, and security, which are derived largely from studies of the suppliers' characteristics, and second, hedonistic pursuit trait and practical pursuit trait characteristics, which have been studied in relation to users' traits. Because the relative importance of the factors may change for different channel and market conditions, we examine each only in the shopping context of virtual reality.

#### **The Quality of the System**

The Internet shopping malls depend heavily on the information and computing systems of 'resident' companies. The systems of the Internet shopping malls must be equipped with high-quality performance, capable of dealing effectively with the needs of the customers when they get online.

Necessary information system standards for e-commerce may be summarised as follows. Systems should provide smooth access to information and its comprehensible presentation, quick loading time and the availability and performance of the system regardless of geographic location. According to Jarvenpaa and Todd (1997), the needs of customers when web shopping include: 1. that

good care should be taken of access and response time in order to save time; 2. that it should be easy to shop; 3. that it should be easy to retrieve the desired goods and services and that customers should be helped to obtain necessary information. They indicate that customers, in the case of shopping malls, should be helped to move to wherever they want. Investigating the value of Internet purchase, they group it into 25 categories, which include ease of use and access to information.

Westbrook and Newman (1979) analyse the features of retail stores that enable customer satisfaction, including the capacity to help locate goods. When measuring positive responses to shopping malls, they identify ease of movement to particular destinations and the ease of surfing in terms of the arrangement of shopping malls. Now that the computing and information system of the shopping mall replaces traditional employees, a critical challenge lies with the capacity of the system to provide Internet users with enough support.

DeLone and McLean (1992) group the factors for success in MIS (management information system) into six categories, among which the measures of quality include ease of use, convenience of access, system reliability, and response time. This study refers to ease of use and convenience of access as convenient access, basing its evaluation of Internet shopping mall systems on the following: whether the systems of the shopping malls help provide customers with convenient access to where they want to go; whether the system is working in a reliable way for the customers; and whether the system responds quickly.

#### **Customer-support Service**

Selz and Schubert (1998) point out that even if the marketing support and special marketing programmes of firms play a pivotal role in the diffusion process, earlier studies have ignored the relationship between the provision of marketing support and their marketing success. Yet the business of Internet shopping malls is intensely service based. If firms are to have customers come back and form communities, they need to manage their relationship with customers on a continuous basis and give thoughtful consideration to them.

Factors relating to customer support service that may be used in assessing an Internet shopping

mall may be summarised as follows. Access possibilities such as help desks, FAQ service, e-mail contact and feedback response time should be evaluated. Mall web pages should be customised in accordance with customer profiles and should offer personalised starting pages, and provide certain customer groups with special service and easy-to-use keyboard functions.

Jarvenpaa and Todd (1997) mention coincidence with customers' lifestyles or their desired ways of shopping, responses to questions in e-mails or chat functions and understanding and controlling the needs of individual customers. In regard to the level of customer support service, Keeney's (1999) research on loyalty to supermarkets includes items in relation to individualised interest in the customers, understanding their needs and will to assist them in the measurement of the general quality of service rendered by persons working with the customers, customer-oriented stores, and kind and immediate service.

All in all, the suggested customer-support service aspects of Internet shopping malls include having service personalised, the degree of understanding and taking an interest in the needs of each customer and the degree of supporting communication between customers and customers as well as communication between customers and shopping mall managers.

### **Shopping Mall Recognition**

Internet shopping malls enjoying high recognition can exert more direct influences on the formation of customers' confidence than their counterparts, just like brand recognition based on traditional concepts. Factors that give Web visitors confidence include brand names, search facilities, satisfaction with shopping malls, contents of malls' products and delivery system, updated skills in making visitors use websites more easily and faster, guaranteed transaction safety and logos, among which brand names are the most important factor of all. Cheskin Research (1999) claim that as competing products are simultaneously supplied in a shopping mall, it is hard to isolate the connection between products and the mall company. Therefore this study focuses on the customers' perception of companies setting up shopping mall sites, which is expected to have a positive influence on their general confidence and satisfaction in the site.

The brand recognition is based on a brand being known to the customers and the extent to which they can discern it from others. In fact, the customers seldom make a decision to purchase a product when they fail to recognise its brand and find it very hard to understand the advantage or merits of a new product when the brand name is not recognised. That is why brand recognition is of great significance.

In this study, shopping mall recognition is related to the degree of knowing the URL of the shopping mall site, the degree of discerning it from others and the degree of the site being known to people.

### **Security**

Security has emerged as one of the most important problems facing the Internet in relation to the abuse of personal information and the system of financial settlement after purchase. Security relates to the safety of personal information. And it turns out that the majority of potential customers avoid Internet shopping due to the possibility that their personal information will be abused.

Alice (1998) insists that institutionally established measures to enhance confidence in, and the safety of, transactions on the web are essential to the development of e-commerce. Roberto Galbiati (2000) attributes the limited use of e-commerce to a lack of security. His survey reports that barriers to Internet shopping include the insecurity of online credit card business (97 per cent), followed by consumers wishing to see products before a purchase (53 per cent), being unable to converse about a purchase (18 per cent), being unable to obtain adequate information on products (16 per cent), lengthy proceedings (11 per cent), being forced to download special software (11 per cent), and finding it hard to look into websites (10 per cent).

These findings suggest that the risk perceived by the customers will not decrease and transactions will not increase until customers can trust in the complete security of their personal information.

### **Hedonistic Pursuit Traits**

Customers shop not only to gather information and make purchases but also to satisfy experiential and emotional needs (Hirschman and Holbrook,

1982). In a cyberenvironment, customers make use of shopping malls not only for practical purposes but also for hedonistic pursuit. Pleasure value – subjective and personal value – originates in amusement and excitement. Pleasure value reflects the potential entertainment value of a purchase act. The purchase act can occur by chance, and pleasure value can be gained by a shopping process devoid of a real purchase. Such pleasure value reflects the potential entertainment and emotional value of shopping, and pleasure can have an influence on individual satisfaction.

### **Practical Pursuit Traits**

The consumer behaviour may be explained in terms of rational purpose related mainly to a task. Practical pursuit traits involve the intentional purchase of products, reflecting specific task requirements, information gathering and rational choice processes. In short, buying is successful only when it satisfies explicit consumer needs. The customers' practical pursuit traits relate to the considered choice of effective products through Internet shopping malls (Hirschman and Holbrook, 1982).

### **Purchase Intent**

Maintaining transactions with existing customers is more effective in terms of effort and expense and has a more positive influence on the creation of profits for an enterprise than attracting new customers and converting the customers of rival companies. Customers' favourable purchase intentions can be looked on as a sign of customer maintenance and customers' unfavorable purchase intent as a sign of customers' secession (Zeithaml et al., 1996). Internet shopping mall enterprises should therefore be interested in the purchase intent of their customers.

## **Formulation of Hypotheses**

### **Influence of the Features of Internet Shopping Malls on Purchase Intent**

Internet shopping malls depend heavily on the performance of the information and computing systems of the firms in the mall to provide effective service delivery. The provision of functions which enable customers to search for desired information saves shopping time and makes it easier to shop, potentially leading to an increase in purchases.

As the demand for Internet shopping malls increases, the need to manage the relationship

with customers increases. Jarvenpaa and Todd (1997) state that when fit with the lifestyle of customers and their ways of shopping, when responses to questions with e-mail or chatting functions and when capacities to understand the needs of individual customers are excellent, customers' satisfaction will increase. So, the provision of services supporting Internet shopping malls will exert a positive influence on the purchase intent of users.

Internet shopping malls with high recognition will build the confidence of customers more successfully than those without such recognition. My recent study shows that factors giving confidence to Web visitors include brand names, search, satisfaction with shopping malls, contents of malls' products and delivery system, updated technology in making visitors use websites more easily and faster, and logos guaranteeing the safety of transactions. Furthermore, brand names of malls were shown to have the most importance influence. The customers' recognition of the firms operating shopping mall sites is related to trust, having a positive influence on general confidence and satisfaction with the site, and it is expected to have a favorable influence on purchases.

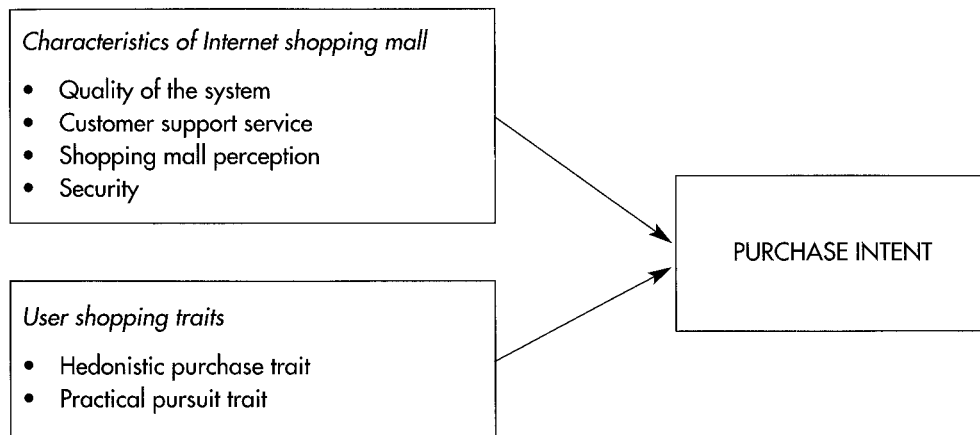
As consumers are not familiar with transactions through Internet shopping malls, security and the minimisation of risk are important. Sharma and Patterson (1999) show that minimising potential loss to customers will lead to public confidence. Therefore, guaranteeing the safety of transactions through Internet shopping malls and positively solving problems when they arise will increase usage.

All in all, these characteristics of Internet shopping malls are expected to have a direct influence on the purchase intent of users, leading to the following hypotheses.

H1 The features of Internet shopping malls will influence purchase intent.

H1.1 The quality of the information and computing system of Internet shopping malls will influence purchase intent.

H1.2 The customer-support service of Internet shopping malls will influence purchase intent.

**Figure 1****Research Model**

H1.3 The recognition of Internet shopping malls will influence purchase intent.

H1.4 The security of Internet shopping malls will influence purchase intent.

#### **Influence of Traits of the Users of Internet Shopping Malls on Purchase Intent**

Users' pursuit traits are assessed from the aspects of practical pursuit traits and hedonistic pursuit traits. Shoppers pursue not only task related rational goals but also the enjoyment that may be gained from elaborate web design, diverse images and sounds, Internet games and a variety of linking services. These are in addition to practical features such as information on various enterprises, products and technology. These propositions lead to the following hypotheses.

H2 The pursuit intent of the users of Internet shopping malls will influence their purchase intent.

H2.1 Hedonistic pursuit traits will influence the purchase intent of the users of Internet shopping malls.

H2.2 Practical pursuit traits will influence the purchase intent of the users of Internet shopping malls.

This study has used the following research model with a view to grasping how the features of Internet shopping malls and their users' pursuit traits exert an influence on purchase intent.

### **Research Methodology**

#### **Subjects and Samples**

The subjects of this study were the staff of the electronic offices within the distribution complexes of Daegu, a big city in the Gyeongsang province of Korea, programmers working for

information system firms, university professors and instructors specialising in computer, electronic engineering and EDPS, including undergraduates. The subjects include college researchers and business buyers frequenting airports. Personal interviews based on a questionnaire were undertaken between 15 July and 24 August 2001. The researchers and four part-time undergraduates interviewed subjects who had experience of purchasing products from Internet shopping malls. A total of 250 subjects responded to the questionnaires, of whom 236 were suitable for analysis. Table 1 shows the characteristics of the respondents. Subjects were chosen by samples.

#### **Operational Definition of Variables and Measurement Methods**

##### *The Quality of the System*

The extent to which the system of the shopping mall is effective in providing service to customers is used as an evaluative attribute. Three five-point scale questions measure the speed of the system's operation, the degree of easy access to the site, and the degree of reliable operation.

##### *Customer Support Service*

The extent to which the shopping mall supports individual customers is used as an evaluative attribute. Three five-point scale questions measure the degree to which service is personalised, the degree of understanding and engagement with the needs of individual customers, and the degree to which communication between customers, and customers and between customers and mall is supported.

##### *Shopping-mall Recognition*

Shopping mall recognition is defined as the extent of the customer's recognition of an Internet shopping mall and its reputation. Measures of reputation are based on Keller's (1993) study. A five-



**Table 1** The General Characteristics of the Subjects

Demographic feature		Number of samples	Ratio (per cent)
Sex	Male	132	56.1
	Female	104	43.9
	Total	236	100
Age	Teens	6	2.5
	Twenties	130	55.1
	Thirties	59	25.0
	Forties	35	14.8
	Fifties	6	2.5
	Total	236	100
Academic background	High school graduates	45	19.1
	Undergraduates	87	36.9
	College graduates	81	34.3
	Graduates and higher schooling	23	9.7
	Total	236	100
Job	Specialist	30	12.7
	Company employee	23	9.7
	Government employee	13	5.5
	Independent businessman	8	3.4
	Student	85	36.0
	Faculty (professor, instructor)	64	27.2
	Housewife	10	4.2
	Others	3	1.3
	Total	236	100
Average monthly income	Less than 1 million won	122	51.7
	More than 1 million won	75	31.8
	More than 2 million won	28	11.9
	More than 3 million won	9	3.8
	More than 4 million won	2	0.8
	Total	236	100
Internet-using time (weekly)	Less than 1 hour	4	1.7
	More than 1 hour	34	14.4
	More than 3 hours	76	32.2
	More than 5 hours	55	23.3
	More than 10 hours	43	18.2
	More than 20 hours	24	10.2
	Total	236	100
Products in use	Book	75	31.8
	Record (CD included)	78	33.1
	Game software	27	11.4
	Performance ticket	24	10.2
	Others	32	13.6
	Total	236	100

point scale is used to measure the extent of knowledge of shopping mall sites, the extent to which respondents discriminate between shopping mall sites, and the reputation of shopping malls.

#### Security

Security is defined as the customer's belief with regard to the risk of abuse of customer information, and is measured using Alice's (1998) approach. A five-point scale is utilised to measure the extent of guarantee against the leaking of personal information, the extent of guarantee con-

cerning security in the purchase of products, and the extent of guarantee of the reliable delivery of products ordered.

#### Hedonistic Pursuit Traits

The hedonistic pursuit traits of the user are defined as the perception of entertainment in the shopping experience and are measured using the approach of Barbin et al. (1994). A five-point scale is used to record responses to: 'shopping at this shopping mall was delightful'; 'examining various information on shopping malls is amusing';

**Table 2 Component Analysis and Findings of Reliability Analysis by Research Concept**

Research concept	Comp. 1	Comp. 2	Comp. 3	Comp. 4	Comp. 5	Comp. 6	Reliability coefficient
System quality	.821 .87 .760						.8982
Customer support service		.834 .876 .760					.8324
Shopping mall recognition			.616 .733 .726				.7548
Security				.723 .848 .804			.7025
Hedonistic pursuit trait					.756 .848 .804		.7948
Practical pursuit trait						.756 .848 .804	.7250
Eigen value	5.108	4.672	4.145	3.960	3.696	2.975	
Ratio (per cent)	17.026	15.572	13.816	13.205	12.320	10.526	

'spending time at shopping malls is amusing in comparison with other things in daily life'.

#### *Practical Pursuit Traits*

Practical pursuit traits are defined as shopping acts based on rational necessity in relation to a specific task and are measured using the approach of Barbin et al. (1994). A five-point scale is used to record responses to: 'what is desired is achieved by this shopping'; and 'the article that I want is discovered'.

#### *Purchase Intent*

Purchase intent relates to customers' predicted or planned behaviour and is defined as a possibility of beliefs and attitudes being converted into acts. This is measured using the approach of Engel et al. (1995). A five-point scale is used to measure purchase intent.

#### **Analysis Methods**

A factor analysis and a reliability analysis were conducted, as well as a multiple regression analysis for the purpose of testing the validity and reliability of each questionnaire question.

#### **Findings**

##### **The Evaluation of Measuring Scales**

First of all, a component analysis were conducted to test the validity of the measures. A searching component analysis was conducted in accordance with a maximum likelihood method, based on varimax rotation based on a principal component analysis. In Bagozzi and Yi's (1988) research, com-

ponent loading value as an evaluative standard is fixed at more than 0.3 and the variance extracted as another evaluative standard is fixed at more than 0.5. A component analysis of all measures was conducted with a view to ascertaining what components make up the contents of the whole research concepts. As can be seen from Table 2, the features of Internet shopping malls, the shopping traits of the users, and their purchase intent are divided into each dimension. The findings, based on the analysis of all measures, show that they are loaded with components whose eigen value is more than 1 and that discriminant validity is secured. Each measure is loaded in components representing the research concepts of relevance, and the construct validity of measures by each research concept is confirmed.

The findings, based on the analysis of components, show that there is no deleted item and Cronbach's  $\alpha$  was calculated to look into the inner consistency of items. As Table 2 shows, the findings of the reliability analysis indicate that there is no item which degrades reliability and that reliability is high when its value is between 0.7025 and 0.8982. According to Nunnally (1978), the  $\alpha$  coefficient should generally be more than 0.60 for measurement variables to be judged to have high inner consistency. The reliability of the scales can be seen to be confirmed.

##### **Results of the Hypothesis Tests**

The hypotheses can be expressed with the following equation. These equations are estimated by

**Table 3 The Results of the Regression Analysis of the Purchase Intent of the Users of Internet Shopping Malls**

Name of independent variable	Beta	SE B	T value	Relevant hypothesis	Adoption or rejection
Quality of system	.278	.044	5.15**	H1.1	Adopted
Customer-support service	.166	.025	3.40**	H1.2	Adopted
Shopping mall perception	.203	.034	4.20**	H1.3	Adopted
Security	.173	.54	2.78*	H1.4	Adopted
Hedonistic pursuit trait	.205	.047	3.87**	H2.1	Adopted
Practical pursuit trait	.185	.039	3.06*	H2.2	Adopted
R <sup>2</sup>	.528				
F	25.313				
P	.000				

\* p < .01 \*\* p < .001

ordinary least squares, and the statistic test of each hypothesis is given by the size of the beta coefficients (t statistic volume).

#### Purchase Intent

$$= \alpha + \beta_1 \text{System} + \beta_2 \text{Service} + \beta_3 \text{Recognition} + \beta_4 \text{Security} + \beta_5 \text{Hedonistic trait} + \beta_6 \text{Practical trait} + \epsilon$$

The results of the test using multiple regression analysis are summarised in Table 3.

As Table 3 shows, the R<sup>2</sup> value accounts for 0.528 (F value: 25.313, p = 0.00), indicating that the regression expression, or the research model accounts for 52.8 per cent of the variance. The findings of the analysis support all the hypotheses.

The findings of the corroborative analysis of H1.1 'The quality of the system will have a positive influence on purchase intent' shows that the  $\beta$  coefficient stands at 0.278 with its t value amounting to 5.15 and that it is significant at the reliability level of 99.9 per cent, marking the hypothesis as adopted. The findings of the corroborative analysis of H1.2 'Customer-support service will have a positive influence on purchase intent' shows that the  $\beta$  coefficient stands at 0.166 with its t value amounting to 3.40 and that it is significant at the reliability level of 99.9 per cent, marking the hypothesis as adopted. The findings of the corroborative analysis of H1.3 'Shopping-mall recognition will have a positive influence on purchase intent' shows that the  $\beta$  coefficient stands at 0.203 with its t value amounting to 4.20 and that it is significant at the reliability level of 99.9 per cent, marking the hypothesis as adopted. The findings of the corroborative analysis of H1.4 'Security will have a positive influence on pur-

chase intent' shows that the  $\beta$  coefficient stands at 0.173 with its t value amounting to 2.78 and that it is significant at the reliability level of 99 per cent, marking the hypothesis as adopted.

The findings of the corroborative analysis of H2.1 'Hedonistic pursuit traits will have a positive influence on purchase intent' shows that the  $\beta$  coefficient stands at 0.205 with its t value amounting to 3.87 and that it is significant at the reliability level of 99.9 per cent, marking the hypothesis as adopted. The findings of the corroborative analysis of H2.2 'Practical pursuit traits will have a positive influence on purchase intent' shows that the  $\beta$  coefficient stands at 0.185 with its t value amounting to 3.06 and that it is significant at the reliability level of 99 per cent, marking the hypothesis as adopted.

Examining the relative size of the  $\beta$  values to assess relative influences on purchase intent shows that the *quality of the system and shopping mall perception* have the biggest influences on the purchase intent of users. The performance of the information/computing system enabling customers to search easily for product information or results exerts an important influence on the purchase intent of users of Internet shopping malls.

Shopping mall recognition is shown to be an important factor in enhancing the safety of transaction under the cyberenvironment, whose reliability and security are critical. Firms should examine how to develop transaction safety and system security for users and what to do lest they feel bored or tired while doing their shopping. It is important to respond rapidly to the needs of customers, to take an individual interest in them and to have a proper understanding of their needs.

The findings indicate that both hedonistic pursuit traits and practical pursuit traits have a positive influence on the purchase intent of users of cyber-shopping malls.

## **Conclusion**

### **Summary and Implications**

The results of earlier studies show that, in terms of the features of shopping malls, the quality of the information system, customer support service, shopping mall perception and security have an influence on purchase intent and that in terms of the shopping traits of users, hedonistic pursuit traits and practical pursuit traits influence purchase intent. This study was designed to explore what variables influence the purchases of users of Internet shopping malls and to support effective marketing strategy formulation aimed at overcoming obstacles. The analysis indicates that all the variables studied have a significant influence on the purchase intent of the users.

Internet shopping mall service firms can draw some lessons from the findings. For example, they should have system specifications allowing many users to connect at any time. They should increase user convenience through trouble-free hyperlinks and various search functions. They should furnish customers with functions that help them to compare shopping malls. They should impress users with advertising and various events in order to enhance shopping mall perception. They should make sure that personal information related to transactions will not be leaked, to encourage customers to trust in e-commerce. They should set standards regarding after-sales service, including product return and punctual delivery. They should engender customer trust, working out any purchase-related problems with sincerity. They should respond quickly to the requests of customers through e-mail and chat facilities to enhance customer care. In short, they should take an individual interest in understanding and helping customers. So as to activate communities, malls should give positive support to customers so that they may promote mutual friendship and

share information, as well as purchase products.

### **Limits and Discussion**

This study was designed corroboratively to analyse the influence of features of Internet shopping malls and consumer shopping traits on purchase intent. This will hopefully contribute to the establishment of specific marketing policies for the Internet. The research is subject to the following limitations. First, this study is limited in terms of the selection of the sample. It is too restricted to generalise the findings safely. Therefore it is necessary to try to enhance the precision of the study by securing more representative samples.

Second, there are deficiencies in the measurement tools for each variable. The study is based on measurements whose validity and reliability are acknowledged in earlier research. It is necessary that a more thorough test of questionnaire items should be undertaken. More sophisticated and precise variable definitions, measures and questionnaires should be developed.

Third, the study is affected by the limitations of cross-sectional research design. Cross-sectional research cannot conduct an analysis through time and this study cannot analyse how the purchase intent of customers changes. Therefore it will be necessary to conduct procedural research, taking longitudinal data into consideration.

Fourth, besides the variables presented in this research model, other factors such as perceived risk, product recognition, community, and guarantee, can be considered as factors affecting purchase intention on the Internet shopping mall. The need to understand other important influences on purchase intent, in addition to those presented in this study, must be examined in future studies.

Fifth, other than the regression analysis used, a more vigorous examination of the causal relationships between variables should be conducted and Lisrel should be considered for use in detailed analysis.

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# TRANSACTION FREQUENCY AND TRUST IN INTERNET BUYING BEHAVIOUR

*Patrick McCole & Adrian Palmer*

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**There has been much discussion of the role of trust in Internet environments and it has been argued that a lack of consumer trust is the primary barrier to the full commercial development of the Internet. Trust has been conceptualised as a crucial antecedent and outcome of buyer–seller relationships but there is debate as to whether established models can be readily applied to online environments. This research adopts a relational perspective on trust in business-to-consumer environments by examining the effects of repeated usage of the Internet on consumer trust in the medium as a generic instrument for transacting business. It is hypothesised that trust in the Internet as an exchange medium is positively related to consumers' experience of the medium.**

**Starting with established approaches to measuring trust, focus group analysis was used to refine and develop a multidimensional measurement approach which was then embodied in a questionnaire survey, administered by post and over the Internet. Responses from 470 Internet users are analysed and it is found that, along many dimensions, trust increased with increasing use of the medium.**

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## **Introduction**

The concept of trust has long been discussed by marketers, building on an extensive body of knowledge developed within the discipline of sociology, psychology and economics (e.g. Gambetta, 1988; Fukuyama, 1995; Giddens, 1987; Misztal, 1996). Recently, there has been much discussion about the role of trust in Internet environments where the absence of face to face contact and other tangible cues can cause partners to an exchange to be uncertain about the trustworthiness of their potential exchange partner. Hoffman et al. (1997) noted that the primary barrier to the successful commercial development of the Internet is the current lack of consumer trust in this new commercial medium. Participation in a highly developed technological society demands a relatively high level of trust and confidence in the system due to the multiplication of dependency relationships. One must believe that vital goods and services will not be maliciously withheld and that their flow will not be disrupted by accident or incompetence. Many consumers have concerns about credit card fraud using the Internet, and so long as the perception of fraudulent use remains, the full potential of electronic commerce may not be achieved.

Trust has been conceptualised as a crucial antecedent and outcome of buyer–seller relation-

ship development. A number of models of trust development within the context of relationship marketing have been proposed (Morgan and Hunt, 1994; Geyskens et al., 1998). However, it is widely reported that users of the Internet have high levels of distrust of the medium as an exchange mechanism (Morrison and Firmstone, 2000; Hoffman et al., 1998). The construct of trust has been widely interpreted and doubts raised about whether established models of trust can be readily applied to online environments, or whether new conceptualisations of trust are called for. Although efforts have been made towards a consensual definition of trust, some researchers have argued that the resulting conceptualisations are so 'stretched' that they have limited usefulness for conceptual and/or empirical work (Bigley and Pearce, 1998).

This paper takes a relational perspective on the degree of trust present in business-to-consumer (B2C) Internet environments by examining the effects of repeated usage of the Internet on consumers' perceptions of trust. There is extensive evidence that trust results from the cumulative effects of interactions between partners to a relationship (Lewicki and Bunker, 1996; Shapiro et al., 1992).

This study is concerned with the relationship that exists between a consumer and the Internet as a

generic instrument for transacting business. The research issue focused on the Internet as a transaction medium rather than the specific transaction partner. Of course, in reality it is difficult to separate the effects of the partner from the communication medium, for example the medium of the Internet may be perceived as being more trustworthy if a known and trusted partner was the focus of communication, rather than a partner whose trustworthiness had not yet been established. The subsequent research framework sought to isolate the effects of partners' trustworthiness from trust in the medium by eliciting respondents' general views about the medium rather than specific partners.

With this caveat, the hypothesis can be specified as:

A private consumer's trust in the Internet as an exchange medium is positively related to the number of interactions that they experience with the medium.

The hypothesis was tested with respect to a sample of Internet users who have used the medium to purchase travel related services. There is considerable evidence of the widespread use of the Internet by consumers to purchase travel related services. The intangibility and commodity-type nature of many travel services make them ideal for distribution through the Internet. However, consumers buy on trust and cannot fully evaluate service delivery until their travel services have been consumed. Despite the existence of legislative and trade association guarantees against fraud, consumers remain vulnerable to fraudulent or negligent delivery of the services, which they requested. The characteristics of intangibility, commodity type products and vulnerability to non-delivery are shared by many other services (for example, financial and information services) thereby allowing some generalisability from this study to other service sectors.

## Methodology

Trust has often been regarded a multidimensional construct, yet few studies have specifically looked at its multidimensional nature, preferring to focus on a unidimensional view of a very complex issue. A review of literature revealed ten conditions cited most frequently. They were:

- Availability – the goods and services promised are actually available for the purchaser to buy (Butler, 1991).
- Competence – the other party has the competence to deliver on his/her promises (Butler, 1991; Dwyer and Lagace, 1986).
- Consistency – a belief that the promised standard of delivery will not deviate from the norm (Butler, 1991; Larzelere and Huston, 1980).
- Discreetness (each party will respect the privacy of the other) (O'Malley et al., 1997).
- Fairness – the relationship between exchange partners will be governed by principles of equity (Rotter, 1971).
- Integrity – a belief that the partner will act with soundness and honesty (Morgan and Hunt, 1994; Butler, 1991).
- Loyalty – the other party will be faithful (Berry, 1993; Andaleeb, 1991; Butler, 1991).
- Openness – exchanges between partners will take place without the existence of hidden agendas (Butler, 1991; Gabarro, 1978).
- Promise fulfilment – promises made by the other party will be acted upon and goods and services delivered as promised (Anderson and Narus, 1990; Anderson et al., 1987; Crosby et al., 1990).
- Receptivity – the other party will react quickly to needs as they emerge (Butler, 1991; Fletcher and Peters, 1997).

Butler (1991) added an eleventh condition of overall trust, which was conceptualised as the cumulative effect of a number of dimensions of trust.

In this study, trust was measured using scales adapted from Butler's 'conditions of trust inventory' (CTI) (Butler, 1991). Butler's study represents one of the best frameworks for measuring trust in a specific manner. He developed a multidimensional measure of trust that best encapsulates all definitions and variances of trust mentioned in the literature. The original scales were developed from secondary data (Jennings, 1971; Gabarro, 1978) and a series of qualitative interviews in organisational settings. For each condition Butler (1991) developed four scale items and conducted a series of confirmatory analyses guided by Jackson's

(1984) four principles for scale construction and validity. His results indicated that the scales tapped nine different conditions of trust and that the a priori scales he developed had high alphas and test-retest reliabilities. Butler's (1991) CTI was chosen over other trust-based scales as it focused exclusively on understanding and measuring conditions that lead to trust in a specific person. The distinction between conditions leading to trust, dimensions, and the antecedents and consequences of the phenomenon is an important one. In this study, conditions of trust refer to factors that are present in a buyer-seller relationship and are associated with the existence of trust. The conditions of trust inventory items do not in themselves make any presumptions about the processes by which trust is developed.

Butler developed 44 scale items, which were indicators of eleven emerged constructs describing conditions of trust. Although Butler's scales were developed in a business-to-business context, it was believed that these scales would be a good starting point for measuring causes of trust in the context of consumers' use of the Internet. It was therefore necessary to define the constructs in order to be in a position to search for relevant indicators, to write or select items. Having closely followed the contribution of Butler (1991), focus groups were held to assess the applicability of his conditions for measuring trust in Internet buying behaviour. Although the researcher did not want to deviate too much from the original scales, a certain amount of deviation was inevitable. Using Butler's 11 conditions of trust, the focus groups were analysed so as to support the already established construct and content validity of the original scales. The focus groups were mainly concerned with understanding participant perception of online buying and to clarify exactly the meaning of the reworded items developed.

Given the inductive dimension to this phase of the research, the criteria for analysis were developed simultaneously. While there was an element of 'analysis as you go', it was necessary to develop an initial analytical framework. This framework was developed from both the predetermined and emergent topic areas from the literature. The focus groups were recorded on audiocassette and unabridged transcripts were then generated. The process of data analysis followed Wolcott (1994) in

that it incorporated the three major phases of description (relying heavily on verbatim quotes from respondents), analysis (identifying important factors, themes and relationships) and interpretation (making sense of meanings in context). To end the session, and to aid in analysis, participants were asked to talk about the most important thing that was raised during the session.

The transcripts were content analysed under the original conditions. In an attempt to locate these major themes within the data, each interview transcript was read and re-read (Hill et al., 1999; Hill and McGowan, 1999). A separate file, which is similar to the diary method recommended by Easterby-Smith et al. (1991), was used as a means of recording insights into the data as they occurred. Once several readings of the data had taken place the process was temporarily halted and the file scanned through to check for emerging patterns. With these patterns in mind, the transcripts were read once more. The process was again halted, this time to attempt to bring together the various separate themes identified into one coherent pattern. Once a logical pattern had been established it was necessary to code data in some way.

The discussion guide was used as the basis of this coding frame. According to Hart (1989), coding is the process of flagging key issues within each transcript so that they can be compared. Colour coding as advocated by Griggs (1987) was deemed the most user friendly method. Each discussion topic was therefore given an identification colour.

The material was then reviewed to check for missing information or wrongly coded information. Once the researcher was satisfied the codes were correct, it was necessary to categorise these topics and sub-topics physically. This involved manually cutting and pasting the information. Analysis was carried out using Microsoft Word instead of computer assisted qualitative data analysis software (CAQDAS) packages such as NUD\*IST or NVivo. The researcher did not believe in using quantitative vectors to analyse qualitative data, as these packages do. Using Microsoft Word, each topic area was brought together within a separate file. At the end of the third focus group it was decided that the data had reached saturation point.



Establishing indicators of reliability and validity in qualitative research is difficult, if not impossible with the exception of ecological validity which relates to the naturalness of the research approach in qualitative research (Bryman, 2001). Ecological validity therefore has parallels with Kirk and Miller's (1986) adaptation of reliability and validity and Lincoln and Guba's (1985) notion of trustworthiness. They state that each element of trustworthiness (credibility, transferability, dependability and confirmability) has a parallel with quantitative research criteria. Hammersley (1992) proposed the notion of relevance as a criterion to judge qualitative research. To establish the credibility of the qualitative findings in this phase of the research, a panel of experts was assembled. As a great deal of subjective judgement was involved in this part of the research (and indeed with qualitative research in general), it was noted that there was the possibility that there could be a lack of credibility or relevance in the coding and subsequent translation of qualitative transcripts. Therefore, a copy of the researcher's qualitative findings and transcriptions were given to an independent person so as to verify the researcher's perceived meaning of the statements. Therefore a panel of experts was asked to validate and to ensure that the newly revised items had construct and content validity (for a full account of the refinement process, see McCole, 2002).

In keeping with the results of the focus group analysis, all eleven constructs were used in the new instrument with between two and four scale items written for each. Seven causes of trust from Butler's original study (availability, competence, consistency, discreetness, integrity, overall trust, and promise fulfilment) were used using slightly different wording of the items (see Appendix A).

Four of the causes of trust in the original study (fairness, loyalty, openness, and receptivity) were used as constructs only, with new scales borrowed/developed as appropriate based on focus group analysis and various previously validated scale items.

For example, it was decided to create a new scale for fairness because consumers regarded fairness in the Internet context differently to that intended in Butler's original context (for example, fairness of pricing was not the meaning used in the original

research). Several studies were consulted for scales that measured fairness. Kumar et al. (1995) fostered a few ideas for measurement criteria, many studies involving trust in marketing channels tended to deal with B2B commerce, and few drew on the work of Butler (1991). It was decided to develop new scales based on focus group transcriptions. Singh and Sirdeshmukh (2000) proposed that benevolence trust/distrust would influence pre-purchase price fairness. The main concern uncovered in focus groups was the availability and appeal of price differentials, which were, on occasions, not as good as conventional channels. Therefore, as an explanatory exercise, the current research project needed to draw correlations of price and trust effects, and the best way to do this is to develop new scales. A two-item, five-point Likert scale was developed.

It was decided to create a new scale for loyalty because loyalty to repurchase was not the meaning used in the original research. Several studies were consulted for scales that measured loyalty. Despite the plethora of loyalty scales consulted in various handbooks of marketing scales (for example, Bruner and Hensel, 1992; Bearden et al., 1993), few were successful because loyalty, like trust, is both attitudinal and conative and is best examined as a separate study. Loyalty is a vast construct and there are a lot of ongoing empirical studies of the phenomenon. The focus groups believed that branding was important for deciding to purchase online with a particular site, or the availability of that brand online. However, when purchasing a hospitality and tourism related commodity a certain degree of brand presence is expected. For example, all airline service principals operate under a brand name. Most accommodation providers operate under a brand, or are at least affiliated to a brand via consortium membership. Increasingly, Internet intermediaries are developing brands in their own right. Thus it seemed inappropriate to ask consumers how brand influenced trust, as there are too many brands and this is not the focus of this particular study. It is accepted that for purchases of hospitality and tourism related commodities brand consumption is unavoidable. A consumer's evoked set, however, would contain various branded options. Other important points raised by the focus groups were that often, after a negative experience with one site, they would not use it again. This negative experience included poor information, technical

difficulties or logistical problems of delivery and receipt. As loyalty involves an investment of one's interest, it was decided to examine Internet loyalty in terms of the presence of a recognised brand, and how one 'bad experience' with the Internet would effect re-purchase intentions. It was decided that it would be best to devise new scales using a two-item, five-point Likert scale.

With regard to openness, participants felt that when purchasing online, especially for the first time, contact details of the supplier firm should be available on screen. Openness in the original questionnaire dealt with explicit one to one communication between manager and subordinate, and this was not the interpreted meaning in the new research. In addition to the focus groups, one particular study (Smith and Barclay, 1997) was useful for developing a new scale to measure openness of information perceived by consumers over different media relating to their purchase. The focus groups were concerned about the information content they received from different media. The vast majority of the focus group participants were happy with the content of information, especially that provided by EasyJet. It was again decided that it would be best to devise new scales using a two-item, five-point Likert scale. The openness scale that was developed therefore needed to examine the manner in which there was a provision of relevant information together with how responsive agents were to people who needed more information. Therefore a two-item scale of openness based on previous work by Smith and Barclay (1997) was developed.

Finally, scales for receptivity were adapted from a UK study conducted by Fletcher and Peters (1997), which examined 'offer receptivity' and trust in direct marketing. This study also drew on Butler's original scales. Items generated from the qualitative phase, including notes (where applicable) are presented in Appendix A.

There were issues raised during the focus groups such as ability to contact a tangible person via telephone, and influence of security initiatives on websites, that could not be easily 'categorised' into original scale items. It was decided to include these in the questionnaire under no particular condition, as additional questions that would yield interesting correlations in analyses.

In total six other items were added to the questionnaire after discussions with the supervision team and based on comments made by focus group participants. They included the effect that security Web initiatives such as 'TRUSTe' had on propensity to purchase (Web initiatives such as 'Which? Web Trader', 'VeriSign' (BT TrustWise), 'ChamberSeal', or 'TRUSTe' that specialise in addressing user privacy and security concerns are important to me for buying online). Another question that had to be included was the effect that recommendation had on the decision to use the Internet in the first place – 'I would only use the Internet after it has been recommended to me by another person'. The third examined the number of people who would make a small purchase over the Internet before carrying out a large one – 'I would carry out a small purchase over the Internet before buying a service which costs a lot of money'. The fourth examined the number of people who would ring the company to see if everything had been processed in the absence of a tangible receipt – 'I would always ring the company providing the service to confirm that everything is OK after having bought online'. The fifth asked respondents whether they considered themselves to be a trusting type of person – 'I would consider myself a trusting type of person'. The sixth examined the number of people who would abandon their online transactions because too much information had to be disclosed before the completion of a transaction – 'Often I abandon my online purchase because of the amount of information I have to disclose about myself before completing a purchase online'.

One item was developed based on advice from Chircu et al.'s (2000) study to measure adoption intention. Propensity to purchase, which can be used as a proxy for actual purchase behaviour, was measured by one item based on verification from qualitative usage intention data from the focus groups – 'I can see myself using this way of buying to purchase the majority of my future purchases of this service'.

Frequency of using the Internet was defined in terms of the number of occasions during the previous six months that a respondent had used the Internet to make purchases. Respondents were also asked about the place (for example, office, home) where most transactions took place.

**Table 1** Profile of Sample

<i>Origin</i>	Eire	47 (10%)	<i>Gender</i>	Male	276 (58.7%)
	GB	152 (32.3%)		Female	194 (41.3%)
	NI	201 (42.8%)	<i>Age</i>	0-20	4 (0.9%)
	Other	70 (14.9%)		21-30	142 (30.2%)
<i>Product</i>	Travel package	41 (8.7%)		31-40	140 (29.8%)
	Hotel accommodation	69 (14.7%)		41-50	97 (20.6%)
	Flight only	360 (76.6%)		51-60	61 (13%)
				61+	10 (2.1%)
<i>Income (GBP)</i>	£0-£9999	42 (8.9%)	Missing	16 (3.4%)	
	£10000-£19999	114 (24.3%)	<i>Transaction frequency</i>	1 to 5	217 (46.2%)
	£20000-£29999	94 (20%)		6 to 10	119 (25.3%)
	£30000-£39999	78 (16.6%)		11 to 15	42 (8.9%)
	£40000-£49999	35 (7.4%)		16 to 20	35 (7.4%)
	£50000+	44 (9.4%)		21+	35 (7.4%)
	Missing	63 (13.4%)		Missing	22 (4.7%)
<i>Education</i>	Secondary	22 (4.7%)			
	Vocational	21 (4.5%)			
	Some college	47 (10%)			
	Graduate	113 (24%)			
	Masters	134 (28.5%)			
	Doctorate	23 (4.9%)			
	Professional	89 (18.9%)			
	Other	14 (3%)			
Missing	7 (1.5%)				

The final survey instrument comprised 45 scale items used to measure trust. This was effectively a modified and extended conditions of trust inventory. Questionnaires were distributed via electronic and 'traditional' means through a probabilistic and quasi-probabilistic sampling frame respectively. Due to limitations of data protection legislation, cooperating companies administered the dispatch of questionnaires. 1,007 postal questionnaires were dispatched, and this resulted in a 28 per cent response rate. This should be considered a good response rate, compared to typical response rates. The existence of a prior relationship between the cooperating company and potential respondents may have been important in increasing the response rate. An electronic questionnaire was hosted by an Irish low fares airline and generated 1,877 'hits'. A total of 188 electronic responses resulted in a 10 per cent response rate (based on the percentage of hits which were translated into completed surveys).

Overall the sample comprised 470 usable responses. A summary of the demographic characteristics of the sample is given in Table 1. It must be recognised that the survey samples possessed many characteristics of a convenience sample. This was probably especially true in the case of the Web-based survey, as it is not known how many people were exposed to the link which led to the questionnaire, and furthermore, it is not known

whether the characteristics of respondents were representative of all visitors to the host site. However, the profile of the sample is comparable to other Internet studies (see amarach.ie; nua.ie, UK Office of National Statistics). The sampling methodology was felt to be sufficiently robust to allow inferences to be made about the conditions of trust as they applied to the sample studied. The survey was essentially concerned with the attitude as the unit of analysis.

Data from the two samples (Internet and postal questionnaire) was aggregated for analysis. This can be justified as no significant differences emerged between the two samples when assessed by responses to most of the scale item questions. The survey was administered during summer 2000 as part of a larger study.

## Results

To test the hypothesis, the Kruskal-Wallis test was used to evaluate whether the population means of the dependent variable were the same across all levels of a factor. This technique was chosen over its parametric alternative (ANOVA) for two reasons. First, the distributional assumptions associated with parametric procedures were not met. Secondly, as the nature of the dependent variable is ordinal, it is preferable to conduct a Kruskal-Wallis or median test because the medians are a more meaningful measure of central tendency

than means for ordinal data (Green et al., 2000).

Descriptive statistics classified respondents according to the number of transactions that they had undertaken using the Internet during the previous six months (see Table 1).

A number of notable differences were observed between respondents who had conducted 'infrequent' and 'frequent' transactions over the Internet. So that the results are useful and meaningful, they were arranged into a classification similar to that devised by Shapiro et al. (1992) and Lewicki and Bunker (1996). These authors argued that the development of trust occurs in stages with deterrence-based being the first and identification as the last stages having the highest trust. Ratnasingham (1998) believed that the development of trust is the same for all types of relationship be it romantic, manager-employee, or among peers and trading partners in electronic commerce. Thus this research attempts to classify respondents based on bivariate analyses into low-intermediate-high trusting tendencies. This research classifies transaction frequency into low (1-5 transactions); intermediate (11-15 transactions); and high (16+ transactions)

In many ways, respondents exhibiting low trust may be similar to the deterrence/calculus dimension by Shapiro et al. (1992) and Lewicki and Bunker (1996). Similarly respondents exhibiting intermediate trust may be similar to the knowledge-based dimension by Shapiro et al. (1992) and Lewicki and Bunker (1996). Finally, respondents exhibiting high trust may be similar to the identification-based dimension by Shapiro et al. (1992) and Lewicki and Bunker (1996).

Interestingly, there was variation between the dimensions of trust in the differences between these groups. The main results of this study are presented in Appendix B. Due to the wealth of data, only significant differences are presented. An interpretation of these results is presented next.

#### **Low Trust**

Respondents who considered themselves to be lowly skilled in using the Internet and who had conducted fewer than five transactions are considered to be typical of those exhibiting low trust towards Internet buying behaviour.

The rationale for this may be calculus based. Calculus based trust is often ensured both by the rewards of being trusting and by the threat that if trust is violated when one's investments may not be honoured, then consumers are either going to be hesitant about purchasing online or simply will not have the courage to commit to the 'purchase click'. This calculative process emphasises utilitarian considerations that enable one party to believe that another will be trustworthy, because the costly sanctions in place for breach of trust exceed any potential benefits from opportunistic behaviour (Ring and Van de Ven, 1992; Shapiro et al., 1992). As trust at its narrowest bandwidth, this calculative process has the qualities of low distrust/low trust where costs of breaching trust are high and the involvement between the parties is limited in the first place.

Let us look at the first type of consumers in the low trust classification. Respondents who have conducted fewer than five transactions may exhibit low trust tendencies due to the yet unfamiliar environment offered by Internet enabled e-commerce. These types of consumers:

- Did not believe that the Internet fulfilled their purchase requests competently.
- Did not believe that the Internet could be trusted.
- Did not believe that the Internet followed through on promises made.
- Did not believe that they could count on the Internet to be trustworthy.
- Did not believe that the Internet would not make false claims to them during purchasing actions.
- Did not believe that the Internet kept private information disclosed to it.
- Reported that they seldom knew what the Internet would do next in carrying out requests.
- Reported that they did not believe that confidential information was kept confidential via the Internet.
- Reported that they did not trust the Internet.
- Stated that sometimes they could not trust the Internet.

- Did not feel that the Internet did the same thing every time the situation was the same.
- Did not feel that the Internet did not tell others about things if they asked for it to be kept private.
- Stated that after one bad experience with the Internet they would be more cautious of using it again.
- Could not see themselves using the Internet to purchase future hospitality and tourism related commodities.
- Did not believe that the Internet offered services at the best price.
- Would only use the Internet after it was recommended by another person.
- Would carry out a small purchase first.
- Were more inclined to ring the company to confirm that everything was OK after having bought online.
- Were more inclined to abandon online purchases because of the amount of information needed to complete a transaction.

There are really no surprising consumer types in this category. These consumers may exhibit low trust for a variety of reasons. They may be the late majority or laggards of society (Rogers, 1962) in terms of innovativeness. They may have a lower trusting disposition in terms of Web security, or may simply prefer traditional means of purchasing hospitality and tourism related commodities. However, it is likely that these consumers may move to other categories with time. For example, Kemp (2000) states that as people become experienced online buyers, their expectations of online vendors increase, in terms of service and the 'buying experience'. As people demand more in the way of assurances for safety, security, and confidentiality of information, the industry continues to respond with better solutions. Efforts such as CPA WebTrust, Shop Safe!, TRUSTe and P3P are certain to expand and flourish. The study suggests that greater experience with a website is associated with lower trust and higher risk in a particular Internet agent.

**Intermediate Trust**

Interestingly, respondents who conducted between

11 and 15 transactions are considered to be typical of those exhibiting low trust towards Internet buying behaviour. The rationale for this may be knowledge-based and is consistent with rational choice motivations. This is grounded in the knowledge of the other trading partner (Internet agent or agents) which allows the trustor (consumer) to understand and predict the behaviour of the trustee. The key factor in this type of trust is the information derived over time that allows one trading partner to predict the behaviour of another trading partner. It is reasonable to assume that these types of respondents may accept the possibility of Internet opportunism, but are equally aware that they can have recourse to 'institutional safety' (credit card protection, company guarantee, etc.). This is similar to Fukuyama's (1995) belief in fiduciary responsibility. Similarly, in this vein Luhmann (1979) has proposed that the development of institutional trust acts as a mechanism for the reduction of complexity and stated that interpersonal mechanisms are no longer adequate for trust production in such a society.

Respondents who completed between 11 and 15 transactions:

- Did not believe that the Internet could be trusted as much as respondents who conducted 16-20 transactions.
- Seldom knew what the Internet would do next in carrying out requests compared with respondents who conducted 16-20 and 21+ transactions.
- Believed that the Internet did not deal with their requests in a consistent manner to a higher degree than respondents who conducted 16-20 transactions.
- Stated that they could not trust the Internet as much as respondents who conducted 16-20 transactions did.
- Stated that after one bad experience with the Internet they would be more cautious than did respondents who conducted 16-20 transactions.
- Were more inclined to ring the company to confirm that everything was OK after having bought online than respondents who conducted 16-20 transactions.

Consumers in this category may exhibit intermediate trust for a variety of reasons. They may use the Internet more regularly because it is part of their daily lives. Thus consumer convenience may be an important influence. However, there is evidence that they are aware of potential risks and are confident that they have recourse to institutional safeguards. These consumers are also unlikely to have loyalty towards the medium, they display fickle habits in terms of purchasing via Internet enabled e-commerce and are likely to have hybrid marketing channels in their evoked consideration set. They may also represent the early majority society (Rogers, 1962) in terms of innovativeness.

### High Trust

Respondents who conducted more than 16 transactions are considered to be typical of those exhibiting high trust towards Internet buying behaviour.

The rationale for this may be identification-based. This is based on empathy and common values with the other trading partner's desires and intentions, to the point that one trading partner is able to act as an agent (in terms of recommending that Internet site (part-time marketer)) over time. Consumers exhibiting high trust in Internet buying behaviour are those who have repeated interactions over time. Consumers in this category have a long history of interaction with this medium and have often been in the other two categories before being 'promoted' to this category. High trust may be the result of objective/subjective assessments on the behaviour of the Internet agent and the history of interactions with it. Consumers in this classification are believed to be the most loyal to purchasing over the Internet through previous satisfaction and previous consumption of the services bought. This high trust tendency is related to the way in which any given transaction is carried out from which the customer consciously evaluates the service provided against pre-determined standards and expectations. Andaleeb (1992) referred to this dimension as the firm's 'motive or intent'. Gronroos (1994) believed that in relationship marketing this functional quality dimension would grow in importance.

As stated, consumers in this classification will not just exhibit high trusting tendencies. Respondents would start with one transaction and then judge the satisfaction of that against personal expecta-

tions. This would occur several times. Reliability and dependability in previous interactions with the trustor give rise to positive expectations about the trustee's intentions. Emotion enters into the relationship between the parties, because frequent, longer-term interaction leads to the formation of attachments based upon reciprocated interpersonal care and concern (McAllister, 1995). For this reason, scholars often refer to this form of trust as 'affective trust' (McAllister, 1995) and as 'identity-based trust' at its broadest scope (Coleman, 1990).

High trust therefore is built through 'spiral reinforcement', in that low trust can move from being fragile to being resilient (high trust) based on post-purchase evaluation. Consumers in this type of trust may depend more on symbolic and less formalised types of governance (Etzioni, 1988; Ouchi, 1980). Granovetter (1985) suggested that these are antecedents of the kinds of social relations that he describes as necessary conditions for trust and trustworthy behaviour. In turn, high levels of trust within a society or community may be accompanied by less formal control systems. Thus consumers in this classification tend to be less concerned with security issues and exercise habitual trust in their purchasing episodes.

Specifically, respondents who have conducted more than 16 transactions:

- Believed that the Internet fulfils their purchase requests competently.
- Believed that the Internet could be trusted.
- Believed that the Internet followed through on promises made.
- Believed that they could count on the Internet to be trustworthy.
- Believed that the Internet would not make false claims to them during purchasing actions.
- Believed that the Internet kept private information disclosed to it.
- Knew what the Internet would do next in carrying out requests.
- Believed that confidential information was kept confidential via the Internet.
- Trusted the Internet.

- Believed that the Internet dealt with their requests in a consistent manner.
- Felt that the Internet does the same thing every time the situation is the same.
- Felt that the Internet does not tell others about things if they asked for them to be kept private.
- Believed that after one bad experience with the Internet they would be willing to try it again.
- Could see themselves using the Internet to purchase future hospitality and tourism related commodities.
- Believed that the Internet offered services at the best price.
- Would carry out large purchases.
- Were not inclined to ring the company to confirm that everything was OK after having bought online.
- Were not inclined to abandon online purchases because of the amount of information needed to complete a transaction.

Consumers in this category may exhibit high trust for a variety of reasons. They may be inclined to use the Internet more regularly because it is part of their daily lives. Thus consumer convenience may be an important influencer on these consumers. These types of consumers are also likely to have loyalty towards this medium, and be more forgiving in the event of an undelivered promise. They display habitual trust in terms of purchasing via Internet enabled e-commerce and are likely to have Internet only marketing channels in their evoked consideration set. These types of consumers are likely to enjoy Internet shopping and have sufficient skills (optimal stimulation levels) and means to use the medium more frequently. They may also represent the innovators and/or early adopters in society (Rogers, 1962) in terms of innovativeness.

#### 'Grey Areas'

Respondents who conducted between 6 and 10 transactions were difficult to classify as there were non-consistent answers to individual items measuring trust in Internet buying behaviour in relation to this segment of respondent profile. This classification tended to exhibit intermediate to high trust tendencies, but seemed to be sceptical about various websites ('I seldom know what this

way of buying will do next in carrying out my requests' ( $z = -2.01$ ;  $p = .041$ )) compared to respondents who had conducted more than this amount. Further, respondents in this profile would be more cautious of using the Internet in the future to buy a similar service ( $z = -2.20$ ;  $p = .028$ ) compared to respondents who had conducted more than this amount. Finally, respondents in this profile did not believe that it was easier for them to find a service at the best price using the Internet ( $z = -2.03$ ;  $p = .042$ ) to a higher degree than respondents who conducted more than this amount (specifically those who conducted more than 21 transactions). It is likely that this classification is in the 'spiral reinforcement stage', whereby the future of their Internet use is unclear. The results suggest that this classification may either resort to low trust tendencies or be promoted to either stable intermediate or high trust tendencies in Internet buying behaviour in their evaluation of future interactions.

#### Discussion and Management Implications

Mistrust has been frequently cited as inhibiting a more widespread adoption of the Internet for business-to-consumer transactions. Newspapers have published stories of credit card numbers being intercepted and used fraudulently. Although the chances of this happening are low – and probably much lower than fraud, which results from traditional credit card transactions – consumers' perceptions of the trustworthiness of the Internet may be at variance with reality. Mistrust in many situations (for example, personal relationships, commercial rivalry, diplomatic relations between countries) may be based on fear of the unknown. This research would suggest that mistrust in the Internet might be based on respondents' lack of familiarity with the medium. It is possible that as consumers become more familiar with the benefits of undertaking transactions through the Internet, benefits figure more prominently than the perceived risks. This study has shown a relationship between the level of trust and level of experience of using the Internet.

Of the 45 scale items used to measure causes of trust, 20 showed significant differences between respondents who exhibited low-high trust tendencies. Most of these items are newly developed items as presented in Appendix A. This modified CTI represents a new insight into causes of trust in

the Internet domain. Butler's (1991) study provided reliable constructs that needed to be included to measure causes of trust. Thus, Butler's work provided theoretical reliability, but ecological validity (Bryman, 2001) was established during the refinement phase and as such comparison between the original and modified CTI would be unfair.

This study has produced some evidence to confirm that repeated exposure to the Internet as a means of conducting transactions increases users' level of trust in the medium. Although it was not within the scope of this study to examine the psychological and behavioural processes by which trust is developed, the results are consistent with previous studies of trust which have shown it to be a developmental concept. In this sense, trust in Internet environments is similar to trust in more traditional environments. However, the processes by which trust is developed may differ between the two. Internet environments in themselves present relatively few cues by which trust can be assessed, for example body language and having sight of products being offered are absent. It is also likely that different types of product are associated with different levels of trust. The Internet has been used extensively to distribute intangible services, where the relative absence of tangible goods can give a competitive advantage over more traditional distribution channels. However, purchases of such services involve a much greater element of faith and vulnerability on the part of the buyer than is the case with tangible commodity goods whose properties (or replicas of them) can be examined prior to purchase.

It must be recognised that distinguishing trust in the medium from trust in the exchange partner can be difficult. This study focused questioning on the medium and it must be accepted that responses may have been influenced by an individual's predisposition towards a specific exchange partner. However, across the range of respondents, this study has found significant differences between experienced and inexperienced Internet users in their levels of trust. It may be assumed that the trustworthiness of exchange partners was randomly distributed across inexperienced and experienced groups, so the observed effects are due to trust in the medium.

The study has been unable to say whether prior

trust in a partner increases trust in the medium. For companies seeking to migrate their existing face-to-face customers to an online environment, an existing trusting relationship with the company may be one factor which facilitates trust in the medium. However, this research would suggest that more experience of using the Internet *per se* is likely to be effective in increasing levels of trust.

Further analysis of the data set is under way to identify further antecedents of trust in Internet trading environments, in particular the influence of demographic characteristics and product type.

Given the observed association between experience of Internet use and trust in the Internet as a medium, it might appear that the best long-term strategy for companies to develop trust in their Internet based trading systems is to increase the general level of Internet usage, whether with their own websites or those of other organisations.

While the development of greater general Internet experience is beyond the capability of most companies, there are a number of methods which a company can use to take site visitors through the stages of gaining experience and thereby trust. Essentially, websites should seek to give users experience prior to commitment.

In the case of inexperienced Internet users, who by implication may be the least trusting, website marketers should:

- Promote onsite navigation with user friendly graphics and appropriate content.
- Develop a Web adviser to help consumers during a purchase episode that consumers can choose to use or not.
- Encourage repeat transactions by providing open, unbiased, relevant and clear information.
- Incorporate customer testimonials, and provide contact details.
- Market the Internet company as if it is actually managed by people.
- Provide receipt and authentic proof of purchase.
- Incorporate trust seals (VeriSign, TRUSTe).
- Inform customers of tracking technology.



- Provide details of what will be done with information gathered.
- Offer a facility to build relationships, i.e. adopt a permission marketing approach.
- Provide guarantees.

For consumers with intermediate levels of experience, website marketers should continue this trust building by additionally offering:

- Website profiling based on number of transactions, skill, and sex (Nairn and Evans, 1998).
- Involve the consumer in online discussion groups.
- Encourage consumers to voice their opinions.

- Provide search and comparison facilities for alternative commodities.
- Provide facilities for 'one-stop' shopping.
- Provide incentives to return (some sort of loyalty initiative).

For experienced users of the Internet, website marketers should additionally:

- Offer personalised service webpages.
- Recommend present and future purchases based on interaction history.
- Provide complementary services with affiliates.
- Involve the consumer in the future direction of the company.

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**Appendix A** **Items Developed for Main Constructs**

CONSTRUCTS	ITEMS DEVELOPED	NOTES
<p><i>Availability</i> Origins from Butler (1991) but modified by focus groups</p>	<p>This way of buying is usually accessible when I need to use it I can find what I want with this way of buying whenever I need to with ease It is difficult for me to get in contact with this way of buying when I want to or when I am concerned about anything This way of buying makes more services/gives me more choice when I am considering buying a service</p>	<p>Negatively worded</p>
<p><i>Competence</i> Origins from Butler (1991) but modified by focus groups</p>	<p>This way of buying fulfils my purchasing needs or requests competently Unfortunately, this way of buying deals with my purchase requests poorly This way of buying performs the transaction with skill This way of buying deals with my purchasing actions or requests in a capable manner</p>	<p>Negatively worded</p>
<p><i>Consistency</i> Origins from Butler (1991) but modified by focus groups</p>	<p>Every time I deal with this way of buying, it deals with my purchase requests in a consistent manner This way of buying does the same thing every time the situation is the same This way of buying does its job in a consistent manner I seldom know what this way of buying will do next in carrying out my requests</p>	<p>Negatively worded</p>
<p><i>Discreetness</i> Origins from Butler (1991) but modified by focus groups</p>	<p>This way of buying keeps private information that I disclose to it This way of buying shares sensitive information that I disclose to it If I give this way of buying confidential information, it will be kept confidential This way of buying does not tell others about things if I ask that they be kept private</p>	<p>Negatively worded</p>
<p><i>Fairness</i> New scale based on focus groups</p>	<p>This way of buying offers services at the best price It is easier for me to find a service at the best price by using this way of buying</p>	
<p><i>Integrity</i> Origins from Butler (1991) but modified by focus groups</p>	<p>This way of buying always tells me the truth about what is being offered This way of buying would not make false claims to me during my purchase actions This way of buying deals honestly with me in my purchasing actions Sometimes this way of buying does dishonest things during my purchasing actions</p>	<p>Negatively worded</p>
<p><i>Loyalty</i> New scale based on focus groups</p>	<p>I would only use this way of buying to purchase from a recognised brand After one 'bad experience' with this way of buying, I would never use it again in the future to buy a similar product</p>	
<p><i>Openness</i> New scale based on work of Smith and Barclay (1997) and focus groups</p>	<p>Everything I need to know about purchasing with this way of buying is clearly communicated to me This way of buying is responsive to my need for information</p>	
<p><i>Promise fulfilment</i> Origins from Butler (1991) but modified by focus groups</p>	<p>This way of buying follows through on promises made to me This way of buying does deliver what it promises to deliver If this way of buying promises something to me it will stick to it This way of buying does things that it promises to do for me</p>	
<p><i>Receptivity</i> Origins from Butler (1991) and Fletcher and Peters (1997), slightly modified by focus groups</p>	<p>I like to receive exclusive offers from this way of buying I like to receive information about services from this way of buying Most of the information I receive via this way of buying is of interest to me I am willing to buy new services if they are offered to me by this way of buying</p>	
<p><i>Overall trust</i> Origins from Butler (1991) but modified by focus groups</p>	<p>Sometimes I cannot trust this way of buying I can count on this way of buying to be trustworthy I feel that this way of buying can be trusted I trust this way of buying</p>	<p>Negatively worded</p>

## Appendix B The Effects of Usage on the Development of Trust in Internet Environments

ITEM AND TEST STATISTIC	NUMBER OF TRANSACTIONS					COMMENT
	1-5	6-10	11-15	16-20	21+	
'This way of buying fulfils my purchasing needs or requests competently' $\chi^2 = 10.50$ ; $df = 4$ ; $p < 0.05$	1-5 6-10 11-15 16-20 21+			$z = -2.49$ ; $p = .013$	$z = -2.17$ ; $p = .030$	Respondents who conducted >16 transactions believed that the Internet fulfilled their purchase requests more competently than did respondents who conducted <5.
'I feel that this way of buying can be trusted' $\chi^2 = 21.25$ ; $df = 4$ ; $p < 0.001$	1-5 6-10 11-15 16-20 21+	$z = -2.74$ ; $p = .006$		$z = -3.60$ ; $p = .000$	$z = -3.00$ ; $p = .003$	Respondents who conducted 6-10 and 16+ transactions felt that the Internet could be trusted more than respondents who carried out 1-5 and 11-15 transactions.
'If this way of buying promises something to me, it will stick to it' $\chi^2 = 11.01$ ; $df = 4$ ; $p < 0.05$	1-5 6-10 11-15 16-20 21+			$z = -2.61$ ; $p = .009$	$z = -2.58$ ; $p = .010$	Respondents who carried out >16 transactions believed that if the Internet site in question promised something, then it would stick to it more than respondents who had conducted <5 transactions did.
'I can count on this way of buying to be trustworthy' $\chi^2 = 11.70$ ; $df = 4$ ; $p < 0.05$	1-5 6-10 11-15 16-21 21+			$z = -2.56$ ; $p = .011$	$z = -2.64$ ; $p = .008$	Respondents who conducted >16 transactions believed that they could count on the Internet to be trustworthy more than respondents who conducted <5 transactions could.
'This way of buying would not make false claims to me during my purchasing actions' $\chi^2 = 9.94$ ; $df = 4$ ; $p < 0.05$	1-5 6-10 11-15 16-20 21+				$z = -2.94$ ; $p = .003$	Respondents who conducted >21 transactions were higher in their belief that the Internet would not make false claims to them during the purchasing episode.
'This way of buying keeps private information that I disclose to it' $\chi^2 = 9.79$ ; $df = 4$ ; $p < 0.05$	1-5 6-10 11-15 16-20 21+	$z = -2.40$ ; $p = .016$			$z = -2.41$ ; $p = .016$	Respondents with less experience in purchasing over the Internet did not believe that the Internet kept private information, whereas respondents who conducted 6-10 and >21 transactions did.
'I seldom know what this way of buying will do next in carrying out my requests' (-) $\chi^2 = 12.21$ ; $df = 4$ ; $p < 0.05$	1-5 6-10 11-15 16-20 21+			$z = -2.76$ ; $p = .006$ ; $z = -2.01$ ; $p = .041$ ; $z = -2.28$ ; $p = .023$	$z = -2.36$ ; $p = .018$ ; $z = -2.03$ ; $p = .042$	Respondents who conducted >16 transactions were more familiar with what the Internet did when it carried out requests than were respondents who conducted up to 15 transactions.
'If I give this way of buying confidential information, it will be kept confidential' $\chi^2 = 19.45$ ; $df = 4$ ; $p < 0.001$	1-5 6-10 11-15 16-20 21+	$z = -3.72$ ; $p = .000$			$z = -3.00$ ; $p = .003$	Respondents who conducted <5 transactions did not believe that confidential information disclosed was kept confidential as much as respondents who conducted 6-10 and >21 transactions did.
'I trust this way of buying' $\chi^2 = 24.94$ ; $df = 4$ ; $p < 0.001$	1-5 6-10 11-16 16-20 21+	$z = -3.39$ ; $p = .001$		$z = -3.97$ ; $p = .001$	$z = -2.26$ ; $p = .008$	Respondents who conducted 1-5 transactions did not trust the Internet to the same extent as respondents who carried 6-10 and >16 transactions did.
'Every time I deal with this way of buying, it deals with my requests in a consistent manner' $\chi^2 = 24.94$ ; $df = 4$ ; $p < 0.001$	1-5 6-10 11-15 16-20 21+	$z = -2.26$ ; $p = .024$		$z = -2.48$ ; $p = .013$ ; $z = -2.03$ ; $p = .043$		Respondents who conducted 16-20 transactions felt that the Internet was consistent in dealing with their requests more than respondents who conducted <5 or 11-15 transactions.
'Sometimes I cannot trust this way of buying' (-) $\chi^2 = 20.60$ ; $df = 4$ ; $p < 0.001$	1-5 6-10 11-15 16-20 21+	$z = -3.39$ ; $p = .001$		$z = -3.57$ ; $p = .000$ ; $z = -2.24$ ; $p = .025$		Respondents who conducted 16-20 transactions were lower in this belief than were respondents who conducted fewer transactions.
'This way of buying does the same thing every time the situation is the same' $\chi^2 = 11.75$ ; $df = 4$ ; $p < 0.05$	1-5 6-10 11-15 16-20 21+	$z = -2.72$ ; $p = .006$			$z = -2.62$ ; $p = .009$	Respondents who conducted 6-10 transactions and >21 transactions were higher in their belief that the Internet did the same thing every time the situation was the same than were respondents who conducted <5 transactions.
'This way of buying does not tell others about things if I ask that they be kept private' $\chi^2 = 11.06$ ; $df = 4$ ; $p < 0.05$	1-5 6-10 11-15 16-20 21+	$z = -3.31$ ; $p = .001$				Respondents who conducted 6-10 transactions were higher in their belief that the Internet did not 'tell others' about their information which they asked to be kept private than were respondents who conducted <5 transactions.

ITEM AND TEST STATISTIC	NUMBER OF TRANSACTIONS					COMMENT
	1-5	6-10	11-15	16-20	21+	
'After one bad experience with this way of buying, I would be cautious of using it in the future to buy a similar service' $\chi^2 = 17.24$ ; $df = 4$ ; $p < 0.01$	1-5	$z = -2.35$ ; $p = .019$		$z = -3.84$ ; $p = .000$		Respondents who conducted 1-5 transactions would be more cautious of using the Internet again following one bad experience than were respondents who conducted >5 transactions.
	6-10			$z = -2.20$ ; $p = .028$		
	11-15			$z = -2.47$ ; $p = .013$		
	16-20					
	21+					
'I can see myself using this way of buying to purchase the majority of my future purchases of this service' $\chi^2 = 21.64$ ; $df = 4$ ; $p < 0.001$	1-5	$z = -2.71$ ; $p = .007$		$z = -2.78$ ; $p = .005$		Respondents who conducted >5 transactions could see themselves using the Internet in the future to buy similar services.
	6-10		$z = -2.08$ ; $p = .038$		$z = -3.54$ ; $p = .000$	
	11-15					
	16-20					
	21+					
'It is easier for me to find a service at the best price using this way of buying' $\chi^2 = 19.80$ ; $df = 4$ ; $p < 0.01$	1-5	$z = -2.62$ ; $p = .009$		$z = -2.68$ ; $p = .007$		Respondents who carried out 6-10 and 16-20 transactions were more able to find a service at the best price on the Internet than were respondents who conducted <5. Respondents who conducted >21 were more able to find a service at the best price on the Internet than were respondents who conducted 16-20 transactions.
	6-10				$z = -3.46$ ; $p = .001$	
	11-15				$z = -2.03$ ; $p = .042$	
	16-20					
	21+					
'I would only use the Internet after it was recommended to me by another person' $\chi^2 = 19.80$ ; $df = 4$ ; $p < 0.01$	1-5			$z = -3.19$ ; $p = .001$		Respondents who conducted <5 transactions were more inclined to use the Internet after it was recommended by another person more than respondents who carried out between 16-20 transactions.
	6-10					
	11-15					
	16-20					
	21+					
'I would only carry out a small purchase over the Internet before buying a service which costs a lot of money' $\chi^2 = 15.34$ ; $df = 4$ ; $p < 0.01$	1-5	$z = -3.54$ ; $p = .000$		$z = -2.10$ ; $p = .036$		Respondents who carried out <5 were more likely to carry out a small purchase first than were respondents who conducted 6-10 and 16-20 transactions.
	6-10					
	11-15					
	16-20					
	21+					
'I would always ring the company providing the service to confirm that everything was OK after having bought online' $\chi^2 = 12.07$ ; $df = 4$ ; $p < 0.05$	1-5	$z = -2.06$ ; $p = .037$		$z = -3.03$ ; $p = .002$		Respondents who conducted <5 transactions were more inclined to ring the company to confirm that everything was OK than were respondents who conducted 6-10 and 16-20 transactions. The same was true for respondents conducting 11-15 and 16-20 transactions
	6-10					
	11-15			$z = -2.19$ ; $p = .028$		
	16-20					
	21+					
'Often I abandon my online purchasing because of the amount of information I have to disclose about myself before completing a transaction' $\chi^2 = 21.17$ ; $df = 4$ ; $p < 0.01$	1-5	$z = -2.83$ ; $p = .005$		$z = -3.64$ ; $p = .000$		Respondents who conducted < 5 transactions were more likely to abandon their purchase due to the information requested than were respondents who conducted 6-10 and >16 transactions
	6-10				$z = -2.46$ ; $p = .014$	
	11-15					
	16-20					
	21+					

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# DETERMINANTS OF INTERNET ADVERTISING EFFECTS: ADVERTISEMENT TYPES AND CLOTHING INVOLVEMENT

*Eunjo Ko & Yeung Bong Park*

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**Internet advertising has grown rapidly in Korea since 1995. Half of the Korean population has used the Internet and it has become an important marketing medium for the fashion industry. This study fills a research gap by investigating the relationship between consumer characteristics and the effect of Internet advertising.**

**The study investigates the nature of involvement in clothing consumption and the manner in which this consumer characteristic influences the effects of advertising and moderates the relationship between different types of Internet advertisement and their effects.**

**Based on data collected on the Internet from a sample of 152 Korean casual wear consumers, the analysis identifies four dimensions of clothing involvement: the extent of a consumer's interest in clothing, the importance of clothing to them, the symbolism of clothing for them, and their perception of risk in relation to clothing purchase. The extent of involvement is found to affect three aspects of advertising effect: attitude to advertising, attitude to brand, and attitude to product.**

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## **Introduction**

In a competitive, global environment apparel companies have to respond to various consumer needs. In focusing on consumer satisfaction, knowledge about consumers is essential in developing marketing strategy. Advertisements are a vital link between consumers and producers and while the major advertising media are television, newspaper, magazine and radio, the Internet has recently become an additional media tool as a result of the development of computer and communication technologies.

Specifically, the Internet is perceived as one of the most useful and effective type of media by Korean consumers. Samsung's Anycall was the first Korean Internet advertisement and Internet advertising has dramatically increased since 1995, with most of industry now using it (Chang, 1998). The volume of Internet advertising in Korea was predicted at US\$78 million in 2000 and US\$180 million in 2001 (*Mail Business Newspaper*, 2000, p. 12).

Half of Koreans have already had experience of using the Internet and its usage has dramatically increased (Nielsen-netratings, 2001). So, the Internet is perceived as an important marketing tool in

the Korean fashion industry, but there has been little related research undertaken. Studies have been completed on concept development, identification, characteristics, and effects of Internet advertisements, and consumer attitudes in non-fashion industries. However, research about the identification of consumers' characteristics and their impact on the effects of Internet advertisements does not yet exist.

Therefore, a study of Internet users' characteristics and their relationships to Internet advertisements seemed timely. The purpose of this study was: 1. to investigate the dimensions of 'clothing involvement'; 2. to examine the relationship between the level of 'clothing involvement' and Internet advertising effects; and 3. to identify the moderating effects of 'clothing involvement' on the relationship between advertising types and advertising effects. Using the dependent variable of Internet advertising effects (that is, attitude to advertising, attitude to product, attitude to brand), advertising types and 'clothing involvement' were used as the independent variables. This study focused on the casual wear industry because casual wear is a basic fashion item and Internet sales are high relative to other categories.

**Table 1** Types of Internet Advertisements

Type of advertisement	Jung and Choi (1999)	Jupiter Communication (1997)
Search engine	Attractive tool	Not applicable
Electronically commission		
Usenet news group		
Banner advertisement	Advertisement content	Media buy
Intervals advertisement		
Sponsor advertisement		
Website advertisement		Advertisement contents
Insertion advertisement		
E-mail advertisement	Follow-up marketing	Selectable AD platform
Chat advertisement		
Push advertisement		
Internet access		

This study makes the following contribution. First, information about Internet users' characteristics can be used when apparel companies develop strategy and evaluate Internet markets and advertisements. Informed decisions are critical in developing better links and marketing communication channels with target consumers, in using resources more efficiently, and in providing improved services to the final consumer. Second, the findings extend the body of literature regarding Internet marketing models.

### A Review of the Literature The Casual Wear Industry in Korea

Changes in consumer lifestyles have dramatically increased consumer demand for casual wear. Sales volume in Korea was 53.59 trillion Won (€4.25bn) in 2001 and will be about 60 trillion Won (€4.76bn) in 2002 (SDN, 2002). Over fifty per cent (51.3 per cent) of the casual wear market was young casual, targeting teens and twenties, while male adult casual was 25.5 per cent and female adult casual was 23.2 per cent in 2001 (SDN, 2002). In the young casual category, jeans, knitwear and sweaters have been the primary categories.

### Types of Internet Advertisement

Internet advertisements include all advertisements using the Internet and are defined as marketing communications that involve companies providing information, promotion and selling through a paid or free advertisement made by multimedia.

Jung and Choi (1999) classified advertisements into three groups: attraction tools, advertisement contents and follow-up marketing. The first type, the attraction tool, provides an easy method for

consumers to find and visit a site through banners and search engines. The advertisement content type provides core advertising messages and information on products and services. The follow-up marketing type provides information to special targets through e-mail or 'push' advertisements.

According to Jupiter Communication of the USA (1997), Internet advertisements may be classified into three categories. The first is 'media buy' – paid or free advertisement messages with hyper-linking to web sites. The second is 'advertisement contents' that provide advertising content to web-sites, and the third is 'selectable advertising platform' providing advertisement messages to each Internet user (Jung and Choi, 1999; Lee, 2000). Table 1 shows the classification of Internet advertisements based on two studies.

### Internet Advertising and Effects

In previous studies, Internet advertisements were studied from three perspectives: the relationship between characteristics of consumers and the contents of Internet advertisements (Baker and Grone, 1996; Kim and Lee, 1999), consumer attitudes to Internet advertisements (Chang, 1998), and the effects of Internet advertisements (Ha, 1998; Karson, 1998; Kim et al., 2000; Gwon, 1997). Baker and Grone (1996) discussed the characteristics of Internet users, the benefits of the Internet advertising, products and design methods for Internet advertising. Kim and Lee (1999) studied the demographics of Internet users, their attitudes toward Internet advertisements, and the effects of Internet advertisements in relation to consumer characteristics. High involvement products were found to be suitable for Internet advertisements. Banner advertisements using images

and offering gifts were more effective than text based advertisements. Chang (1998) found that consumer involvement was not related to attitudes to advertising and brands, but attitudes to advertising did influence attitudes to brands.

Karson (1998) studied differences in the effectiveness of Internet advertising, depending on consumer involvement, the degrees of persuasiveness and existence of cues. Ha (1998) found that consumers' attitudes to aspects of advertisements (product information, social role and social image, delight), involvement, cognitive/emotional needs and attitude to advertising (delights, interest, utility) were all related to cognitive thinking of the Internet advertisement, attitudes toward brands and purchase intentions. Kim et al. (2000) examined how the expression of advertising messages influenced attitudes toward advertisements and products. E-mail advertising proved to be more effective than banner advertising. Consumer attitudes and advertising effects were also found to be significantly related to consumer involvement and demographics.

By 'advertisement effects' is meant achievement of the objectives of advertising and influence on consumers. Advertisement effects include behaviour effects, sales effects, and communication effects. Communication effects are most generally used in measuring advertisement effects (Lee, 1998; Park, 1987). A systematic model of advertising effects was proposed in the 1960s and mediators (for example, consumer involvement) were adopted in integrated models, including 'advertisement-attitude'. After the 1980s, previously ignored aspects of persuasion were examined such as atmosphere, traditional conditions, simple exposure, and information processing of pre-recognition and attitude toward advertisements. Debate continues about the merits of various models but there are consistent findings that the recognition of advertisements and brands affects attitudes toward brands and purchase intention.

### **Clothing Involvement**

Consumer involvement refers to the level of anxiety felt about, and the importance to the consumer of, certain products and services. Robertson (1976) defined involvement in terms of the consumer's belief system in relation to a product or brand. Consumers with higher involvement have

higher loyalties and stronger preferences. Consumers with lower involvement obtain information passively and purchase a brand with little sensitivity because of their low acknowledgement of differences in brand attributes.

Previous studies show that the concept of clothing involvement is multi-dimensional. Clothing involvement in Korea has been studied in the following areas: fashion leadership, clothing purchase behaviour, the spread of fashion and information search (Kim and Lim, 1996). Bloch (1981, 1983, 1984) reported that the concept of product involvement was multidimensional, including product importance, interest, symbolism, perceived risk and pleasure. Clothing involvement is also defined as a multidimensional concept including interest, symbolism, pleasure, fashion and perceived risk by Chung and Rhee (1999). The dimensions of clothing involvement were shown to be significantly related to purchase behaviour (Rhee, 1991).

## **Methodology**

### **Sampling**

For the study, a sample of 152 apparel consumers participated in a questionnaire based survey. The sample of those involved with various Internet communities was stratified by gender (male, female). The most frequently used types of fashion advertisement were included: banner type, website type, and e-mail type. Two clothing brands were selected based on their use of banner, website, and e-mail types of advertising (Figure 1).

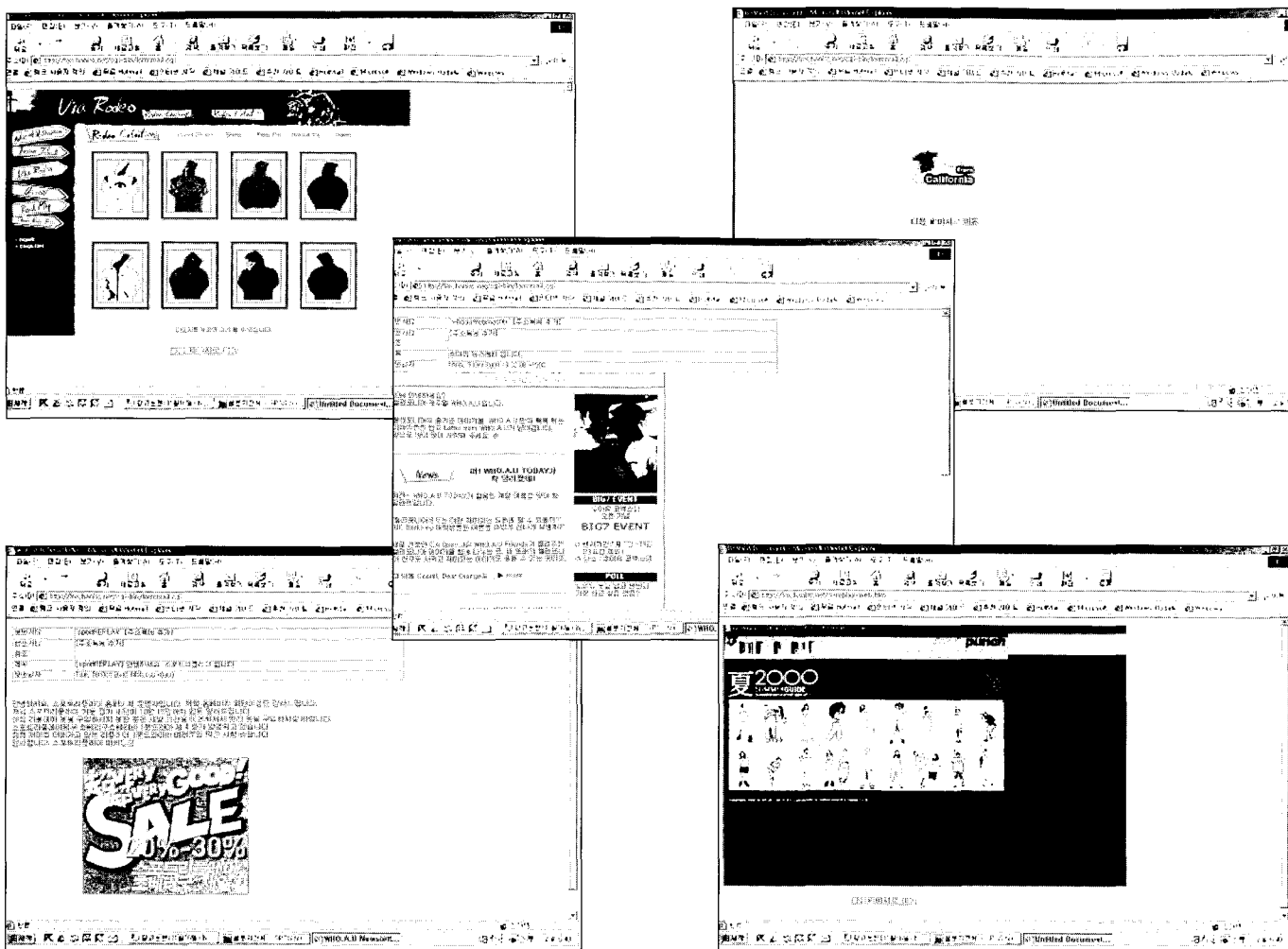
The questionnaire was developed in html web language and data collection was undertaken in Korea through the Internet in October 2000. The questionnaire was sent to 500 respondents by e-mail in html format. To analyse the data collected, descriptive statistics (frequency, percentage), factor analysis, reliability analysis, linear regression and ANOVA were used.

### **Research Instrument**

The questionnaire was divided into two parts. Part A measured Internet lifestyle, clothing involvement and demographic information. Part B measured the effects of advertisements. Six advertising stimuli (2 brands x 3 ad types each) were provided. The three advertisement types were banners, websites, and e-mail. Two brands



**Figure 1** Internet Advertising Stimulus



were selected for the study, which has all three types of advertisements. Brands were selected based on their sales record from Texherald's 2000–2001 fashion brand dictionary. 'A' brand made 42 million Won sales through 70 shops in 1999. 'B' brand made 42 thousand Won sales per day at the Coex shop (*Seoul Economic News*, 2000, vol. 8, no. 3).

**Results and Discussion**

**1. Dimensions of Clothing Involvement**

Factor analysis was used to examine the dimensions of clothing involvement. Through the factor analysis, clothing involvement was identified as having four dimensions for the consumer – clothing interest, clothing importance, clothing symbolism, and clothing risk perception.

Factor 1 was named 'clothing interest'. Seven items were retained in this factor with the items loading between 0.598 and 0.898. 'It is important to me that I purchase high quality and more refined clothing than other people.' 'I am more interested in

fashion than other people.' 'I am interested in many things related to clothing.' 'Although I don't have any plans to buy clothing, I would like to drop by the shop.' 'I think about clothing frequently.' 'I have always been interested in fashion.' 'I talk with other people about new fashion frequently.'

Three more factors: clothing importance, clothing symbolism, and clothing perceived risk are identified as additional dimensions of clothing involvement in Table 2. Clothing involvement was shown to be a multidimensional rather than a unidimensional concept.

**2. The Relationship between Internet Advertising Effect and Clothing Involvement**

Through regression analysis, clothing involvement was related to respondents' attitudes to advertisements, brands and products, using the dimensions of clothing involvement as the independent variables. The regression models were all significant in predicting overall attitude toward advertisements ( $F = 6.620, p = .000$ ), brand ( $F = 8.340, p = .000$ )

**Table 2** Dimensions of Clothing Involvement\*

Factor	M	sd	Factor loading	Eigen value	% of variance	Alpha
<i>Factor 1. Clothing interest</i>						
It is important to me that I purchase high quality and more refined clothing than other people.	3.26	1.05	.704	7.24	42.790	.90
I am more interested in fashion than other people	2.85	1.04	.898			
I am interested in many things related to clothing.	3.15	1.11	.598			
Although I don't have any plan to buy clothing, I would like to drop by the shop.	3.44	1.02	.701			
I think about clothing frequently.	3.28	1.17	.806			
I have always been interested in fashion.	2.87	.99	.897			
I talk with other people about new fashion frequently.	2.65	1.03	.801			
<i>Factor 2. Clothing importance</i>						
I think clothing represents people's lifestyle (opinion, attitude, interest).	3.87	.83	.836	2.181	12.827	.88
Clothing is very important to me.	3.22	1.00	.656			
Clothing expresses my aesthetic sensibility.	3.56	1.00	.754			
Clothing is important in my values and lifestyle.	3.33	1.05	.708			
I think that clothing impacts on people's first impression of a person.	3.96	.87	.814			
When I buy clothing, I consider value in relation to price.	3.85	.83	.557			
<i>Factor 3. Clothing symbolism</i>						
Clothing reveals people's economic and social class.	3.31	1.00	.865	1.447	8.517	.79
When we see a person's clothing, we make assumptions about that person's lifestyle.	3.52	1.00	.847			
<i>Factor 4. Clothing perceived risk</i>						
When people buy clothing they are not convinced they have made a good decision	3.00	1.08	.842	1.361	8.003	.66
Choice of clothing is difficult because of the variety of prices, styles and textiles available	3.37	1.00	.838			

\*The translation of the questions from Korean to English may result in some loss of meaning

and product ( $F = 10.415$ ,  $p = .000$ ) (see Table 3).  $R^2$ , the coefficient of multiple determination for advertisement effect, was 0.221, indicating that 22.1 per cent of the variance in advertisement effect is explained by the dimension of clothing involvement. Only 'fashion and interest' was found to impact on attitude toward advertisements ( $t = 2.522$ ,  $p = .013$ ) in the model. Also 'fashion and interest' was found to be related to attitudes toward brands ( $t = 3.161$ ,  $p = .002$ ) and to attitudes toward products ( $t = 4.363$ ,  $p = .000$ ).

The results are consistent with Gwon's study (1997) on how product involvement affected advertisement effects, as well as how involvement affected attitudes toward brands and purchase intentions.

### 3. The Moderating Effect of Clothing Involvement on the Relationship between Advertisement Types and Advertisement Effects

A two way ANOVA analysis was used to find the moderating effects of clothing involvement

(dimension, level) on the relationship between advertisement types and advertisement effects. The independent variables included involvement dimensions (fashion and interest, importance, symbolism, risk perception), levels of involvement types (high, low), Internet advertising (website, e-mail and banner), while using advertisement effects (attitude toward advertisement, brand and product) as the dependent variables.

The main effects of all dimensions in clothing involvement were found to be significant. The correlation and interaction effects of the involvement dimension and the Internet advertisement types were not significant. Among the four dimensions of clothing involvement, importance and symbolism have a main effect on attitude to advertisement and brand. 'Fashion and interest' and 'risk perception' were related to attitude toward products and clothing dimensions. Advertisement types were related towards attitudes to advertisements and brands (see Table 4).

**Table 3** Analysis of the Advertisement Effect on Clothing Involvement

Model	Dependent variable	Independent variable	R <sup>2</sup>	F	p	B	Beta	t	p
1	Attitude to advertisement	Clothing involvement dimension							
		Fashion and interest	.153	6.620	.000	.314	.278	2.522	.013
		Importance				.126	.104	.910	.364
		Risk perception				0.044	.038	.433	.666
2	Attitude to brand	Clothing involvement dimension							
		Fashion and interest	.147	25.765	.000	.532	.383	5.076	.000
		Importance				0.060	.052	.460	.646
		Risk perception				0.064	.062	.721	.472
3	Attitude to product	Clothing involvement dimension							
		Fashion and interest	.185	8.340	.000	.367	.342	3.161	.002
		Importance				0.060	.052	.460	.646
		Risk perception				0.050	.061	.756	.451
4	Attitude to brand	Clothing involvement level	.174	31.580	.000	.551	.417	5.620	.000
		Fashion and interest	.221	10.415	.000	.309	.461	4.363	.000
		Importance				-.093	-.130	-1.189	.236
		Risk perception				0.085	.131	1.552	.123
5	Attitude to product	Clothing involvement dimension							
		Fashion and interest	.221	10.415	.000	.309	.461	4.363	.000
		Importance				-.093	-.130	-1.189	.236
		Risk perception				0.047	.090	1.146	.254
6	Attitude to brand	Clothing involvement level	.173	31.417	.000	.343	.416	5.605	.000

Regarding the level of clothing involvement, main effects were significant, but not the interaction effects. Attitudes toward advertisements and brands were affected by clothing involvement and advertisement types, but attitudes toward products were affected only by the level of clothing involvement (see Table 4).

### Conclusion

The purpose of this study was: 1. to investigate the dimensions of clothing involvement, 2. to examine the relationship between clothing involvement and Internet advertising effects, and 3. to identify the moderating effect of clothing involvement on the relationship between advertising types and advertising effects. Using Internet advertising effects (attitude to advertising, attitude to product, attitude to brand) as the dependent variables, advertising types (banner, website and e-mail types) and fashion involvement (dimensions, level) were used as independent variables.

Through factor analysis, the dimensions of clothing involvement were identified as four: clothing importance, symbolism, interest, and risk perception. Significant relationships were found between the dimensions and levels of clothing involvement

and advertising effect. Involvement dimensions influence advertisement effect and, specifically, the 'clothing interest' dimension had the highest impact on the advertisement effect. The level of involvement also was a significant factor in advertisement effect.

These results are consistent with Gwon's (1997) and Ha's (1998) results. Clothing involvement (dimension, levels) and advertisement types influence advertising effects. Therefore, Internet advertising effects were influenced by consumer characteristics, specifically involvement. Consumers' perception was also influenced by product attributes (brand, advertisement type). This result indicates that fashion marketers should choose Internet advertising types while considering consumer characteristics and product attributes.

The scope of this study focused on the Internet advertisement effect in the Korea casual clothing industry. In the future, other clothing categories and other advertisement types might be studied. The Internet advertising information assembled in the review of literature, and the results of this study, provide direction for organisations developing Internet marketing or Internet advertising strategy.

**Table 4 Advertisement Effect by Clothing Involvement and Advertisement Types**

Group	Independent variables	Dependent variables	Effects	ANALYSIS				
				Sum of squares	df	Mean square	F	p
DIMENSIONS/LEVEL OF CLOTHING INVOLVEMENT	Importance	Attitude to advertisement	Main effect	31.399	3	10.466	10.950	.000
			Ad. types	7.579	2	3.789	3.964	.020
			Importance	23.820	1	23.820	24.292	.000
			Interaction	3.524	2	1.762	1.844	.160
		Attitude to brand	Main effect	29.569	3	9.856	11.684	.000
			Ad. types	6.401	2	3.201	3.794	.023
			Importance	23.168	1	23.168	27.464	.000
			Interaction	1.651	2	.825	.979	.377
		Attitude to product	Main effect	2.357	3	.786	2.252	.082
			Ad. types	.802	2	.401	1.148	.318
			Importance	1.556	1	1.556	4.458	.035
			Interaction	.355	2	.178	.509	.601
	Symbolism	Attitude to advertisement	Main effect	12.467	3	4.156	4.133	.007
			Ad. types	7.579	2	3.789	3.769	.024
			Symbolism	4.889	1	4.889	4.862	.028
			Interaction	.965	2	.483	.480	.619
		Attitude to brand	Main effect	13.118	3	4.373	4.966	.002
			Ad. types	6.401	2	3.201	3.635	.027
			Symbolism	6.717	1	6.717	7.629	.006
			Interaction	2.146	2	1.703	1.218	.297
		Attitude to product	Main effect	2.107	3	.702	2.008	.112
			Ad. types	.802	2	.401	1.146	.319
			Symbolism	1.305	1	1.305	3.732	.054
			Interaction	.258	2	.129	.369	.691
	Fashion and interest	Attitude to advertisement	Main effect	34.292	3	11.431	11.980	.000
			Ad. types	7.579	2	3.789	3.971	.020
			Fashion and interest	26.713	1	26.713	27.997	.000
			Interaction	1.365	2	.683	.716	.489
		Attitude to brand	Main effect	30.398	3	10.113	12.081	.000
			Ad. types	6.401	2	3.201	3.796	.023
			Fashion and interest	23.997	1	23.997	28.461	.000
			Interaction	.998	2	.499	.592	.554
		Attitude to product	Main effect	8.965	3	2.988	8.938	.000
			Ad. types	.802	2	.401	1.199	.303
			Fashion and interest	8.163	1	8.163	24.417	.000
			Interaction	.085	2	.043	.127	.880
Risk perception	Attitude to advertisement	Main effect	17.367	3	5.789	5.819	.001	
		Ad. types	7.579	2	3.789	3.809	.023	
		Risk perception	9.788	1	9.788	9.838	.002	
		Interaction	.631	2	.315	.317	.728	
	Attitude to brand	Main effect	16.556	3	5.519	6.296	.000	
		Ad. types	6.401	2	3.201	3.651	.027	
		Risk perception	10.154	1	10.154	11.584	.001	
		Interaction	.377	2	.188	.215	.807	
	Attitude to product	Main effect	5.654	3	1.885	5.511	.001	
		Ad. types	.802	2	.401	1.172	.311	
		Risk perception	4.852	1	4.852	14.188	.000	
		Interaction	.078	2	.039	.114	.892	
Clothing involvement level	Attitude to advertisement	Main effect	32.719	3	10.906	11.196	.000	
		Ad. types	7.282	2	3.641	3.738	.025	
		Level	25.437	1	25.437	26.113	.025	
		Interaction	1.445	2	.722	.742	.477	
	Attitude to brand	Main effect	26.574	3	8.858	10.218	.000	
		Ad. types	6.195	2	3.097	3.573	.029	
		Level	20.379	1	20.379	23.508	.000	
		Interaction	.919	2	.459	.530	.589	
	Attitude to product	Main effect	6.779	3	2.260	6.691	.000	
		Ad. Types level	.760	2	.380	1.125	.326	
		level	6.019	1	6.019	17.822	.000	
		Interaction	.214	2	.107	.317	.728	

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# IS THE INTERNET DUMBING DOWN MARKETING?

*Dympna O'Callaghan & John Fahy*

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**The Internet is a significant global medium for communications, content and commerce. It has created a great opportunity for all business disciplines, but none more so than for the marketer as it is a powerful medium for building relationships with all of a company's communications targets. But is this new bond between consumer and computer less emotional than the relationship that has existed through traditional media? Internet marketing requires no interpersonal contact between the company and the consumer. What is this loss of human contact doing to marketing? What is life like for the marketer in this new environment and does it mean that marketing is being dumbed down by the Internet? This paper reports the results of research undertaken to explore these questions.**

**A review of the marketing literature in both the traditional (offline) and new era (online) environments was undertaken to compare and contrast marketing's role in both types of organisation. Insights derived from this review formed the basis for a series of in-depth interviews with leading marketing professionals in Ireland. The paper draws conclusions regarding the overall effect of the Internet on marketing. In particular it notes that, while marketing has evolved into an all-encompassing role in the organisation, the 'marketer' remains the focal actor. The paper looks to a future with two distinct kinds of marketer and highlights the importance of retaining the traditional commitments of marketing practice.**

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## **Introduction**

The Internet is a significant global medium for communications, content and commerce. It is a powerful tool for building relationships with all of a company's communication targets. It is cheap, immediate and repeatable. With appropriate technology it can be personalised and is measurable. Building one-to-one relationships with customers online provides marketers with the ability to cut through the clutter that is characteristic of traditional marketing activities such as TV/radio and newspaper advertising, PR and outdoor, ambient media.

While much has been written about the potential impact of the Internet on marketing, very little thought to date has been given to its impact on the person in charge of marketing activities – the marketer. What is it like to work in a dot.com environment? Companies such as Amazon.com make life easier for the consumer. The process of purchasing an item simply requires the consumer to browse, click and order, and the goods are delivered to the doorstep. This requires no inter-

personal contact between company and consumer. What does this loss of human contact do to marketing? What is life like for the marketer? Is it less exciting? Does working and interacting with customers via IT lead to marketing being dumbed down?

The growing importance of technology in people's daily lives and the rise of the Internet have led to concerns about its impact on society and interpersonal relationships. Nie and Erbring (2000) argue that the Internet could be the ultimate isolating technology that further reduces our participation in communities, even more than television. They argue that as people spend more time using the Internet they will lose contact with their social environment, spending more time working at home and office. Electronic communications are limited in their ability to transmit the gestures, tones of voice, and eye movements that people use to regulate their interactions in face-to-face communications (Culnan and Markus, 1987) so that misinterpretations and angry, uninhibited exchanges often characterise them (Kiesler et al.,

**Table 1** **The Marketer – Skills and Characteristics**

<i>Author</i>	<i>The job</i>	<i>Characteristics</i>	<i>Skills</i>
Krief (1975)	Marketing director	<ul style="list-style-type: none"> <li>• Adaptability.</li> <li>• Mental curiosity, practical mind, logical reasoning.</li> <li>• Aptitude for analysis and synthesis.</li> <li>• Business flair, sense of profitability.</li> <li>• Leadership.</li> <li>• Emotional maturity.</li> <li>• Resistance to stress.</li> </ul>	<ul style="list-style-type: none"> <li>• Training in marketing.</li> <li>• Theoretical/practical knowledge of marketing mix.</li> <li>• Knowledge of research techniques – social psychology and market research.</li> <li>• Knowledge of sales promotion/advertising.</li> <li>• Knowledge of economics and statistics, public relations, managerial control, data processing.</li> </ul>
Willsmer (1976)	Marketing director	<ul style="list-style-type: none"> <li>• Searching mind. Must know why things happen, implications of actions and how they interrelate with other events.</li> </ul>	
Griffin (1983)	Marketing director		<ul style="list-style-type: none"> <li>• Competent to face challenges in complex and changing environment.</li> </ul>
Bonoma (1984)	Marketing director	<ul style="list-style-type: none"> <li>• Strong sense of identity – strong and able.</li> <li>• Customer concern.</li> </ul>	<ul style="list-style-type: none"> <li>• The 4 execution skills – interaction; allocating; monitoring; organisation.</li> <li>• Diagnostic skills.</li> <li>• Implementation skills.</li> <li>• Problem identification/solving skills.</li> <li>• Evaluation skills.</li> </ul>
Kotler (1986)	Marketing managers		<ul style="list-style-type: none"> <li>• Ability to work with all company functions and with outside organisations.</li> </ul>
Cannon (1996)	Marketing director	<ul style="list-style-type: none"> <li>• Personality characteristics such as creativity, drive, and innovativeness are at least as important as technical knowledge and functional skills.</li> </ul>	<ul style="list-style-type: none"> <li>• Effective communication, understanding and persuasion – NOT authority and power.</li> </ul>
Middleton and Long (1990)	Marketing director	<p><i>Characteristics:</i></p> <ul style="list-style-type: none"> <li>• Creativity.</li> <li>• Stamina; tenacity.</li> <li>• Innovativeness; drive.</li> <li>• Common sense; practicality.</li> <li>• Intelligence.</li> <li>• Sense of humour.</li> <li>• Individuality.</li> <li>• Energy.</li> <li>• Enthusiasm.</li> <li>• Friendliness.</li> <li>• Good judgement.</li> </ul> <p><i>Attitudes:</i></p> <ul style="list-style-type: none"> <li>• Leadership.</li> <li>• Entrepreneurial.</li> <li>• Initiative.</li> <li>• Tact.</li> <li>• Implementation.</li> <li>• Flexibility</li> <li>• Attention to detail.</li> <li>• Practicality</li> <li>• Teamwork.</li> <li>• Ambition.</li> <li>• Confidence</li> <li>• Empathy; warmth.</li> <li>• Decisiveness</li> <li>• Charisma/adaptability</li> </ul>	<ul style="list-style-type: none"> <li>• Communication.</li> <li>• Analytical.</li> <li>• Logic.</li> <li>• Organisational.</li> <li>• Problem-solving.</li> <li>• Numeracy.</li> <li>• Persuasiveness.</li> <li>• Planning.</li> <li>• Time management.</li> <li>• Salesmanship.</li> <li>• Presentation.</li> <li>• Literacy; driving.</li> <li>• Management.</li> <li>• Product knowledge.</li> <li>• Computer literacy.</li> </ul>
Murray and O'Driscoll (1999)	Marketing director		<ul style="list-style-type: none"> <li>• Expert in specialised knowledge of marketing – the 4 Ps.</li> <li>• Expert in designing, managing, co-managing vital process through which work is implemented (marketing strategy and implementation).</li> <li>• General management skills: analysing, decision making/implementation skills.</li> <li>• Ability to manage interfaces within the micro-business – not marketing as an isolated fiefdom.</li> <li>• Organisational, political and interpersonal skills.</li> <li>• Leadership.</li> <li>• Creativity, insightfulness and analytical skills.</li> <li>• Language skills for international marketing.</li> <li>• Appreciation of cultures/procedures of different countries.</li> <li>• How to conduct business relationships.</li> </ul>
The Conference Board 1973	Marketing executive	<ul style="list-style-type: none"> <li>• Good communicators/interpersonal relations.</li> <li>• Individual and group interaction.</li> <li>• Sophistication, sensibleness, self-assurance, self-confidence.</li> </ul>	<ul style="list-style-type: none"> <li>• High level of education.</li> <li>• Languages for international trade.</li> <li>• Good selling skills.</li> <li>• Good accounting skills.</li> <li>• Less emphasis on technical academic training. Greater emphasis on personality traits.</li> <li>• Knowledge of behavioural science.</li> </ul>

1984; Sproull and Kiesler, 1986). Is marketing, which is traditionally characterised by interpersonal relationships, human interaction and an intuitive feel for customers, likely to escape? Webster (1997) asks 'as on-line marketing gathers momentum, are we developing "keyboard potatoes" that are essentially asocial beings?'

The aim of this paper is to examine the impact of the Internet on the marketer. As it gains momentum, will the skill requirements of the marketer change, will greater emphasis be placed on knowledge of technology rather than interpersonal skills? Is marketing becoming a more 'passive' and less interesting profession?

### **Background Literature**

As the nature and role of marketing in the organisation has evolved, the kind of skill set required of the marketer has been the focus of much attention (see Table 1). The demands of the job are great; the marketer is the interface between the company and its customers. Success requires people who interact and liaise both in the company and with outside organisations. 'Successful implementation requires careful human resources planning and people who have the skills, motivation, and personal characteristics needed for strategy implementation' (Glueck and Jauch, 1984).

As illustrated in Table 1, the prescribed skills of the marketer have changed only slightly since the 1970s. A marketing director should be adaptable; have mental curiosity; have good business flair; show leadership; have emotional maturity; be able to withstand stress and have a searching mind, be able to know how marketing actions affect other parts of the business. These, coupled with good overall marketing skills – knowledge of the marketing mix, of economics, statistics, and managerial control, were the principal requirements of a marketing director (Krief, 1975; Willsmer, 1976). Moving into the 1980s and 1990s, the most notable additions include: customer concern; problem identification and solving skills; friendliness; tact; charisma; adaptability; effective communication; good presentation skills, and persuasiveness. And marketing's growing importance as a business function and its outward looking focus dictate that marketing directors have: stamina; tenacity; drive; good judgement; general management skills; decisiveness; teamwork; attention to

detail; organisational, political and interpersonal skills; and skill in business relationships.

### **Marketing in the 'New' Marketing Era**

Given its external orientation, the marketing function has always responded to changes in the environment. But the development of the Internet has presented a new environment which is set to transform conventional marketing activities. Traditional marketing department structures are changing, with the focus shifting to processes for defining, developing, and delivering customer value. Traditional structures may cause inflexibility and lack of responsiveness to changing market conditions, including customer priorities and competitive moves (Webster, 1997). Little has been written about the skill sets required of marketers in this new environment, though the main contributions to date are outlined in Table 2. It can be seen that many traditional marketing skills, such as negotiation; relationship management; strategic reasoning; adaptability; self-motivation; communication; teamwork; information interpretation; and particularly interpersonal skills are believed to remain important. New skills required include the ability to use and deal with technology. 'The real breakthrough is the ability to transform electronic communications into the kind of friendly, efficient customer service that customers generally associate with storefronts and bricks-and-mortar service centres' (Vestal, 2000).

### **Research Objectives and Methodology**

While the skill set required of the marketer in a traditional marketing environment is well documented and understood, there is less understanding of requirements in the 'new economy'. This research seeks to make a contribution by exploring how the Internet and related technologies are affecting the marketer's role in the organisation and whether the marketer needs to acquire new skills to operate effectively in the emerging environment.

Given the limited literature and the complex nature of the issues under consideration, an exploratory approach was adopted, based on eight in-depth interviews with leading marketers in Ireland. The interviews were unstructured, though six core themes were used to guide the discussion:



**Table 2** **Online Marketing Skills**

Author	The job	The role	Skills
Webster (1997)	Marketing led by marketing director	<ul style="list-style-type: none"> <li>• Designs and manages a multitude of partners.</li> <li>• Responsible for managing relationships with customers and with all providers of customer value.</li> <li>• Process will start with the customer, not the product.</li> <li>• Key role to play in managing teams of individual functional experts.</li> </ul>	<ul style="list-style-type: none"> <li>• Negotiation; conflict resolution; relationship management; internal communication and persuasion; managing interfaces; team building; information interpretation; strategic reasoning.</li> </ul> <p><i>vs traditional:</i></p> <ul style="list-style-type: none"> <li>• Heavy emphasis on individual skills in information gathering; data analysis; and persuasion.</li> <li>• Marketers were either 'researchers or hucksters'.</li> </ul>
Dolley (2000)	Marketing executives	<p>Marketers will face 9 culture shocks (Fusion 5):</p> <ol style="list-style-type: none"> <li>1. No titles – you may be the entire marketing team.</li> <li>2. Responsibilities – large organisation structures replaced by a 3–4-person team. Tasks in need of delegation change daily.</li> <li>3. Planning process – no room for annual plan.</li> <li>4. Key constituents: old order = consumers, the trade, management stockholders; new order = Wall Street, the venture capital firm, the consumer.</li> <li>5. Metrics: the ROI takes a back seat to the IPO.</li> <li>6. Resources: no raft of outside agencies. Their best brains have left to work for a dot.com company.</li> <li>7. Financial reward: safe salaries and performance-based bonuses supplanted by a barely-competitive salary and a promise of a big post-IPO pay-day.</li> <li>8. Psychic reward: marketers get to exchange the reflected glory of a big brand for the chance to build a new one.</li> <li>9. Downside: what used to be boredom is now anxiety.</li> </ol>	
Brady and Davis (1993)	Marketing generally	<ul style="list-style-type: none"> <li>• Focus on all parties.</li> <li>• Identify and support linkages between consumers and retailers.</li> <li>• Attend to whole shopping experience.</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to interpret consumer and retailer needs.</li> </ul>
Greengard (1999)	Marketing generally		<ul style="list-style-type: none"> <li>• Ability to use and deal with technology.</li> </ul>
Stewart (1999)	Marketing generally	<ul style="list-style-type: none"> <li>• Not so much related to specific activities.</li> <li>• Related more to expertise and knowledge of markets.</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to work across a variety of situations, customer types and products and services.</li> <li>• Ability to manage relationships with customers and partners in the value chain.</li> </ul>
McGovern (1999)	Marketing executives		<ul style="list-style-type: none"> <li>• Highly adaptable and able to learn new things.</li> <li>• Good at searching for and managing information.</li> <li>• Computer literate.</li> <li>• Self motivated.</li> <li>• Creative/innovative.</li> <li>• Excellent communications skills.</li> <li>• Good at working in teams.</li> <li>• Good networking skills.</li> <li>• Mobile and independent minded.</li> </ul>

- What attracts people to marketing?
- What is the role of marketing in the organisation?
- What types of skills does the marketer need?
- What is the role of relationships in marketing?
- Is technology impacting on marketing and if so how?

- What is the relative importance of the Internet as a marketing tool?

The managers interviewed were selected on the basis of their reputations. Five came from 'traditional' marketing companies with just three from 'new era' companies. Both B2B and B2C sectors were represented in traditional and new era companies ranging from financial services to giftware

and engineering components. Small-scale qualitative studies suffer from problems in the reflexivity of the design and the generalisability of the research findings. However, it was felt that the approach was appropriate as it allowed an open examination of the issues, as well as serving to develop directions for further research.

## Findings

### Marketing Generally

What attracts people to marketing in both environments? What are the dynamics that marketers like about their jobs?

There is tremendous similarity in the reasons both sets of marketers chose marketing as a career and why they continue to stay in it. They became marketers for many reasons: they had an inner draw to the profession which many felt was an innate quality – related to their personality and their need for challenge. This reflects characteristics identified by Cannon (1996), Middleton and Long (1990) and Krief (1975). Money was not a prime motivator; in fact they suggested they loved the job more than the money. They like building relationships with people and feel they have good people skills – as recognised by Krief (1975), The Conference Board (1973), Willsmer (1976), Webster (1997), Stewart (1999), and McGovern, (1999). They all have a good business sense, and like to know how business works. They display characteristics of determination and a non-compliant personality, and are not docile.

The ‘buzz’, excitement, and hothouse atmosphere of marketing – being privy to so many facets of business and being involved with large programmes – was a major attraction. For example, one manager reported:

When I was in [Company X], I was put into the Marketing Dept in a junior secretarial role and I loved the work and I suppose, although I was at such a junior level, there was a buzz and excitement about that end of the business that did not exist in other parts of the business.

and another:

What gave me the greatest buzz is to see people buying your product and for you to make a profit out of the same. It gives me a tremendous lift and also if you see something which can be a great prod-

uct but which is not communicated well but which if tweaked or changed, can then be made move.

All got into marketing through their own initiative – they ‘knew’ they were marketers, felt it was an all-encompassing role, that it was essentially about business strategy – ‘a vital function and a guiding management philosophy’ (Houston, 1986). The route to marketing for both sets of marketers, while varied, displays the same trait – it was generally framed by their first step into the business world. Most worked their way through the marketing functions in a range of companies, while some had spent time in business disciplines which gave them a sense of ‘business’ and insights that would prove beneficial in marketing. All had attained marketing director status through different routes, but all had a vast and hands-on background in all aspects of marketing and in many different environments – national and international. All worked their way to management positions or company directorship quite early in their careers. Traditional and new era marketers remain in the profession for much the same reasons. They stay because they are good listeners, good persuaders, good networkers and like to provide innovative solutions, again reflecting much of what has been written in the literature (Krief, 1975; Willsmer, 1976; Middleton and Long, 1990; Webster, 1997; Brady and Davis, 1993; McGovern, 1999). The traditional marketers do not want to ‘work with a computer all day’. They like seeing the results of their work – people buying product and the company making a profit. They enjoy ‘tweaking’ the marketing mix to adjust marketing strategies that are not delivering the desired results. They enjoy coming up with concepts that accurately match consumers’ needs and like the variety in marketing and the fact that it’s not too structured. For others it’s being part of people’s lives – knowing their wants and needs and generally making peoples’ lives easier – a sentiment expressed by both sets of marketers. They also stay in marketing for the challenge of being futuristic in their ideas (Nickels, 1978). Hence the reason for the new era marketers moving to the dot.com environment – they wanted the challenge of creating brand awareness and credibility through new marketing media. Nevertheless they still see marketing as encompassing everything they do – the packaging, the presentation and the selling may be done in a different way but ‘you still have to travel

around the brain or the behaviour' of the consumer to assess the decision making process and to provide the optimal marketing solution to satisfy those needs.

These results broadly support the existing literature. In both environments, the marketing discipline is perceived by practitioners as having the same purpose and themes. It involves collaboration internally and externally. This is a reason all interviewees became marketers – they enjoy being involved in all aspects of business – they are in marketing for a challenge, for the 'buzz' and, because they can make an impact on a business and influence its profitability. Marketing is not a static discipline; marketers are not static individuals – their minds are constantly alert to the requirement for change, in both the traditional and new environments. Other than being a new arena in which to test their skills, the Internet has not had a major impact on the reasons why marketers enter or remain in the marketing profession.

### **Marketing's Role in a Company**

Will it still be a critical part of the business but less interesting and dynamic due to the use of technology as a communications medium and the loss of interpersonal contact? Overall, will marketing become a more 'passive' job?

In traditional marketing companies, interviewees see marketing as responsible for ensuring a consumer focus. For new era marketers, marketing's function is to prove the company's products in the market. For example, for one company in the B2B market, marketing's role is to ensure that the company bridges the communications gap in the construction industry – not through 'glitzy promotions' but through focused promotion to the entire industry.

Marketing department structures varied in the traditional environment. For example, one company does not have a separate marketing department – marketing is central to the organisation with 'everyone a marketer' and every unit of the company used for marketing and sales, reflecting Kotler's (2000) claim that in effective marketing companies, all employees regard marketing as their job. In this company marketing decisions are made at the interface with the customer supported by feedback from the divisions. While marketing

in other companies was conducted by marketing departments these were part of a flat structure with few reporting layers.

The online marketers interviewed felt that older companies separate sales and marketing, 'which is a terrible mental divide'. Interestingly, 'structure' did not arise as an issue for online marketers – it was accepted that a very flexible environment was needed due to the pace of change. As cited by Webster (1997), these companies are 'highly flexible and dynamic, and able to respond to changing market conditions, including customer priorities and competitive moves'. In short, the term 'structure' almost appears to have been eliminated from the vocabulary of the new era marketers interviewed – they operate in a flexible and dynamic environment. However, as these are relatively recent start-ups, with an 'all hands on deck' approach, more formal structures will emerge, for example to control call-centre activity as it develops.

The findings demonstrated that the role of marketing in both environments is the same – to drive the organisation through the marketing concept; to help firms sustain profitability and to manage the day-to-day marketing activities for optimal return. Differences were evident in terms of structure, with 'new era' companies characterised by much lower levels of formal structure and greater flexibility.

### **Marketing Skills**

What type of skills did marketers traditionally need? Are they different in the online environment? Will marketers need to learn new skills?

All interviewees in the traditional marketing environment were consistent in their evaluation of the skills required of a marketer. Though the interviewees operated in both the B2B and the B2C environments, the various skills mentioned by the interviewees could be grouped into the following six categories.

#### *Interpersonal Skills*

Good people skills, an ability to engage with other departments, conciseness and brevity in making cold calls, a regard and empathy for the market – 'It is impossible to reach a market if you don't understand it'.

#### *Motivation*

Passion and belief, enthusiasm and intelligence to work in all environments, to be smart and have the right business attitude, to be entrepreneurial, to have a high resistance to pressure. Marketers need determination: 'Marketing can be lonely, so you must have belief' and 'To sell a marketing idea, you have to be prepared to be knocked'.

#### *Analytical Skills*

An ability to analyse a project's viability and understand its financial effect, to generate and understand quantitative data from the marketplace. 'Marketers need to have an eye on everything and also have a gut feeling for what is happening in business.'

#### *Creative Skills*

One traditional marketer felt that these were critical yet lacking in most areas of marketing. 'You can analyse something, you can empathise with the market and understand it, but you really have to make the connection – too much focus on results can stifle creativity.'

#### *Organisational Skills*

An ability to organise the entire marketing process and to organise people.

#### *Political Skills*

Marketers need to be politically aware, particularly in the B2B environment and in industries involving large expenditure; diplomacy and understanding 'it's the small things that count'.

It was felt that an online marketer needs all of the traditional skills, but also needs to be very efficient and to understand technology – not so much the hardware as the software. There is a great need for efficiency and speed – critical in the Internet environment. This echoes Webster's (1997) argument that 'the future for all marketers is all about having the capability to respond to the changing environment'.

Overall, it was felt that marketing is more exciting today. But the marketer still needs to ensure that the marketing ethos runs through the entire company and has to work to anticipate the market, not work behind it. The marketer still needs to build relationships – to develop the brand, as it is the relationship with the brand that

will be the strength of the Internet. Another interviewee felt that the marketer's tools are the same today as always. The Internet is just a feature of the environment and marketers still need to have a clear focus on what business needs are. Marketers still need lateral thinking; they need to be adaptable and flexible. One interviewee was adamant that 'the traditional buzz' has not gone out of marketing – it has been surpassed by 'something far greater'. One of the most interesting points made is that the technology people are moving into marketing and sales – 'that's the real change'. The 'technology-driven' period, they say, is over.

#### **Relationships in Marketing**

Do online marketers still need to build human contacts, and why? Is it because true human relationships are irreplaceable? Will people still want to have real life experiences? If so, can this be done via the Internet or via a mix of old and new communications media?

Traditional marketers place great emphasis on the importance of relationships in marketing. Views expressed include:

The Internet is becoming well established already but it is not going to change the world. There is still a need for human contact, for human relationships. We may look for easier and quicker ways to do certain things ... but we still need contact.

and

Marketers can be analytical, dispassionate, and removed from people while doing research, but have to be connected to customers, either through channels of customer service or knowledge – real knowledge of the market and people.

This concern for customer mirrors Drucker's (1983) definition of marketing, and the view expressed by Child et al. (1995) that marketers in the new environment should not forget the importance of 'understanding the customer'. In the B2B market, traditional marketers have direct contact with customers. A new era B2B marketer, however, notes that, even in the Internet environment, business will still be built through interpersonal relationships. He commented that:

Dot.com companies operating in this environment will not survive by doing otherwise.

In the traditional FMCG market, marketers have relationships with two channels – the consumer and the trade, with whom they spend time in ‘real time’ meetings. Marketing executives in this sector talk directly to the consumer and to research companies, and attend focus group sessions. One interviewee felt that the same level of rapport would have to remain even in a technology environment.

When asked for views on Internet relationships, traditional marketers expressed the view that to gain the ‘interpersonal-type feeling gained in offline marketing, online marketers will need to invest in customer relations to avoid loss of customer loyalty. Generally, the traditional marketers felt that if relationships are important to a company, the Internet poses a risk – people will still want human relationships and will still need human contact. The new era marketers agree and believe that relationship building has to be part of marketing, involving interpersonal communication with buyers and sellers, and it will always involve site meetings. Human interaction will be pertinent for customer retention but the new era marketers agree that the richness of communication with the customer gained by voice/personal contact will be lost. However, they note that, to compensate, new era marketers are being forced to use all their senses – to make their words and expressions stand out, to use expressive language, to provide immediate customer feedback by adding extra interaction points. The feeling, however, is that this replication of real life experience is not the same as the ‘real one’.

### Marketing and Technology

Is technology impacting on marketing and, if so, what aspects of the marketing job is it affecting?

This topic was of greater concern to traditional marketers than to the new era marketers. Traditional marketers were cautious about the importance of technology. For example:

There are plenty of people who are great technical IT people, who are great on the Internet, but they cannot communicate, they cannot get a sense of consumer. They would die in marketing – they cannot present. They are good in a solo environment but not in marketing.

and

By using technology to personalise marketing messages, companies are becoming more impersonal; in other words, if marketers use databases to manage customer information, they should use that technology with people in mind and only retain information that benefits the relationship with customers.

It was generally felt that IT systems used in marketing should be devised and managed carefully – ‘the marketer should not be compromised by new technology’. How the customer values technology is important – if they don’t, then the view is – don’t use it. The interviewees recognised that using technology for marketing can be invasive, so marketers should monitor their overuse of e-mail as a method of correspondence. They do not suggest that e-mail should not be used, but how it is used is important – a point raised by Markus (1994).

Overall, traditional marketers felt that technology in marketing is now a given – ‘but IT works with marketing and marketing works with IT’. They all feel that it’s another tool, another way of getting better information. The reason it is important to understand technology and the Internet is that is another conduit to the consumer – but it’s not the only one.

### The Internet

Do marketers regard the Internet as just another marketing tool, with the result that its impact on marketing will be minimal?

While the traditional marketers use websites for company profile and as an information source, they are not currently using them in a trading capacity and their views on the impact of e-commerce on their businesses varied. One felt that its impact on B2B would be in eliminating administrative functions. Another intends to use the Internet as a communications ‘tool’, introduced in a way that will not damage relationships built up over 200 years with ‘bricks and mortar’ retailers (see also Webster, 1996). Another saw it as having a limited role:

I think it is just another thing that we can use ... it will be helpful in some way, but in itself, I don’t think it is going to change everything; just because there is a new technology this does not necessarily mean that it improves everything that surrounds it.

Others noted that marketing objectives will remain the same – their attainment will be helped

by the new medium – but all the core elements of marketing will remain. Traditional marketers feel that when the ‘Internet buzz’ dies down, people will be more selective. Comparisons were made between the Internet and fashion:

It will move on quickly and the hype will die down and people will find that they still want human contact, and will look to the Internet to make life easier.

and

Marketing is not an exact science – there is no right or wrong answer – there are only right and wrong directions for brands – even in an Internet environment.

Others, particularly those in the FMCG sector, felt that while it is an exciting medium, it will be difficult to make a company stand out and that this is where use of Internet brokers will help. The same view was expressed by the new era marketers who believe they will be judged on brand awareness, credibility, and the impact of advertising.

A direct marketer interviewee regards the Internet as an extension of what he has been doing for 20 years, echoing a view that it is simply another form of catalogue selling (Douglass, 2000). The difference lies in the elimination of ‘live chat’ – the voice recognition element of direct marketing. His particular worry is the danger that it will ‘dumb down’ the selling process and that his sales people will be the most affected – ‘they will become order takers’. Hagel and Armstrong (1997), in contrast, believe the sales manager’s role will be enhanced in the ‘virtual community’ – and ‘will be regarded more as a customer manager’. This direct marketer felt that direct marketing is a much richer way of doing business but as ‘the Internet will become a way of life’ he will accept the challenge and ... ‘adopt it in some way’.

A summary of the findings of the interviews contrasted with perspectives from the literature is presented in Table 3.

## Conclusions

This paper set out to ascertain if ‘the Internet is dumbing down marketing’. An analysis of the literature and a series of in-depth interviews reveal the following.

- Marketers are driven by the same inner motivations in all environments. They are driven by the challenge which marketing provides; of being a part of the entire business process, and constantly conceiving and implementing new marketing concepts. This has not been lost in the new marketing environment – so the Internet has not ‘dumbed down’ the marketer’s spirit of enterprise and creativity.
- Marketing’s role in an organisation is the same in both environments – it still drives the marketing concept through the organisation. Technology has not impacted on this – online marketing is still a very proactive and critical business function, which responds to market conditions. So the Internet has not ‘dumbed down’ or affected marketing’s role.
- A marketer has a wide skill set ranging from interpersonal skills to analytical skills to organisational skills. While traditional marketers use technology, they do not need the same technological fluency as online marketers. To operate in the new marketing environment, traditional marketers need to upgrade their IT skills. However this would add to, not ‘dumb down’, their skills set.
- Traditional marketers regard technology as ‘another communication tool’ – a powerful tool, which they will use in some measure to optimise the delivery of their product/service to their customers. But it will be one part of the marketing mix; it will not dominate. They understand Markus’ (1994) view that negative outcomes of technology ‘do not result from the technology itself but from how people use it’. They therefore build in mechanisms, e.g. more interaction points in the communication process, to eliminate this negativity.
- Both sets of marketers agree that the positive aspects of interpersonal contact must not be lost in the online marketing environment – interpersonal contact is a basic human requirement. As the new marketers interviewed were grounded in traditional marketing, they are most conscious that they should seek to retain as much ‘human contact’ as possible in their marketing activities.

In summary, the interviews with some leading marketers revealed an interesting set of attitudes

**Table 3 Literature Review/Research Results**

CATEGORY	LITERATURE REVIEW	RESEARCH RESULTS
Marketing generally	<p><i>Comparison of traditional and new eras</i></p> <ul style="list-style-type: none"> <li>• Basically same themes in both. Satisfy customers' needs and wants through collaboration internally and externally.</li> <li>• New era more focused on building customer share. • Requires new marketing mindset, new electronic route to market.</li> </ul>	<p><i>Comparison of traditional and new eras</i></p> <ul style="list-style-type: none"> <li>• Similar results obtained in research. Marketing discipline the same encompassing role in both eras. Marketing and marketers not static – marketing is challenging and marketers love that. No difference in mindsets.</li> </ul>
Marketing's role in an organisation	<ul style="list-style-type: none"> <li>• No difference in marketing's role in the two eras. Marketing drives marketing concept – to optimise profit. Responds to market conditions.</li> </ul>	<ul style="list-style-type: none"> <li>• Similar to literature review – marketing's role the same in both environments – to drive the marketing concept.</li> </ul>
Marketing's structure	<ul style="list-style-type: none"> <li>• Totally different in new era – much flatter structure, more flexible. Sales and marketing totally integrated.</li> </ul>	<ul style="list-style-type: none"> <li>• Structure different in new era as per literature review – more team based, flexible. • Sales and marketing interlinked – as per literature review.</li> </ul>
Marketers' skills and characteristics	<ul style="list-style-type: none"> <li>• Great similarities in skill requirements in both – in innate qualities; analytical; interpersonal communications and overall business sense. • Biggest difference in the new era is requirement to be technology competent/computer literate.</li> </ul>	<ul style="list-style-type: none"> <li>• Results mirror literature review – similarities in skills in the two. • More encompassing skills given by traditional marketers – may be a factor for consideration – do they use more of their skills in the traditional? • The difference is the new requirement in new era for knowledge of technology and computers.</li> </ul>
Marketing and relationships	<ul style="list-style-type: none"> <li>• Relationships important in both.</li> <li>• Similarities between traditional and direct marketing with regard to 'human voice' interaction. • More 1-1 relationship in new era but through an electronic medium – not interpersonal. Great use of CRM technology to gather customer information.</li> </ul>	<ul style="list-style-type: none"> <li>• A slightly different outcome to research. All marketers are conscious of the need for 'interpersonal' relationships. The difference is that in the traditional they are with all links in the value chain whereas in the new era they are only with trade and suppliers – no interpersonal contact with customer.</li> <li>• Contrary to literature review – new marketers interviewed do not favour CRM as an information source – they use 'generic' data, for optimal use – not to annoy consumer.</li> <li>• 'Human voice' similarities between traditional and DM environments highlighted.</li> </ul>
Marketing and technology	<ul style="list-style-type: none"> <li>• Not taken as a separate topic in literature – permeates throughout.</li> </ul>	<ul style="list-style-type: none"> <li>• Traditional marketers believe technology should always be used with 'people in mind'. Marketers should not be compromised by technology. Know if your customers want to be dealt with via technology and be careful how e-mail is used. • Traditional marketers use technology – for administrative purposes mainly. Certain functions in TME – e.g. category managers use technology constantly. There is a niche in traditional for technology-minded marketers.</li> <li>• Traditional marketers accept IT as a given but don't want to spend all their time working on a computer. Need to understand technology as another route to customer, but marketing still drives product to market in any environment.</li> <li>• While technology is the new marketers' product and technology is central to their job, they still need to have the customer feel and identify and provide products and services that customers need.</li> </ul>
Impact of e-commerce	<ul style="list-style-type: none"> <li>• Not taken as a separate topic in literature – permeates throughout.</li> </ul>	<ul style="list-style-type: none"> <li>• All marketers (traditional and new) believe that a marketer still has to use all the senses to communicate with the consumer. • Traditional marketers see the Internet as another communication tool. While for new era marketers it is the conduit to the consumer, they are conscious of the need to manage the interactive element of the transaction and not to lose the 'interpersonal element' of communication. • In all environments, marketing is more an art than a science – there are no right or wrong answers – except for brands. • All believed marketing has to remain outward-looking. Marketers still measured by brand awareness, credibility, impact of marketing strategies. The difference is the Internet is the medium that makes it happen in the new era environment.</li> <li>• All feel people are 'human' and still need 'interpersonal contact'.</li> </ul>

to the Internet. Traditional marketers were of the view that it represented an additional tool available to compliment existing promotional media and existing channels. They saw it as providing new challenges and new opportunities but not as a revolution that would undermine their accumulated skill. The new era marketers, who had all previously worked in 'traditional' companies, were able to contrast the two environments and noted that more flexible organisational structures, teamwork and speed of decision making characterised new era companies. Both groups agreed that the Internet would not dumb down marketing and make it a less interesting profession. On the contrary, the Internet was seen as providing an additional challenge and interpersonal skills and relationships would remain important in the online environment.

The study has implications for research and practice. It supports the contention that the impact of the Internet will be evolutionary, building on the increasing role played by technology in marketing over the past three decades such as the growth in the use of databases, sales force technologies and so on. The managers surveyed clearly had not been seduced by the rhetoric of the Internet and generally saw it as the latest iteration of direct marketing. But it is also clear that working in an online environment is different. First, the research suggests that the question of how to build and foster human interactions in an environment where they are being replaced by technology will be critical. All respondents were in agreement that good interpersonal skills and relationships with customers are critical to marketing effectiveness, suggesting that the issue of how companies blend online and offline communications and relations is vital. Second, marketing structures may not be the same in online marketing companies, which tend to be characterised by loose, flexible structures and high levels of interaction between marketing and other activities. While this may be a function of the youth of many 'dot.coms', it suggests that the evolving organisation of marketing activities is a further fruitful line of research. Finally, it is interesting that the views of practitioners on the impact of the Internet were a great deal more muted than those of the popular press

and some academic contributors. This again raises the issue of how managers perceive and interpret their environment and highlights the question of 'sense-making' among practitioners.

In terms of practice it is apparent that there are traditional and 'new era' organisations, though these are likely to blend further with the passage of time. Some marketers will not want to make the transition to the new era environment; others will thrive in it. Dolley (2000) notes some of the challenges traditional marketers might face in making the transition. Many of the old 'comfort or status' factors are predicted to disappear – titles, singular responsibilities give way to teamwork, the venture capitalist is king even though there is a huge emphasis on customers, the financial rewards are more volatile, and it will be an 'anxiety-driven' profession. This may lead to two distinct factions of marketers (Howstan, 1999). The first is Internet-savvy and has interactive media experience. The second is well versed in customer relationship management and marketing to customers offline but not through new media. The skill is to find or develop people with a background in marketing combined with this 'Internet savvy' and first-hand experience of e-commerce.

For marketing educators this implies that there is a much greater need to incorporate technology and data analysis into teaching. More and more marketing activities such as selling, category management, customer relationship management and e-commerce require technical and quantitative analytical abilities. The extent to which managers highlighted numeracy skills and the ability to assess the financial impact of marketing decisions was interesting, as these are aspects which receive limited attention in marketing courses. So while marketing is becoming a more data-driven and technology-dependent profession, this research has found that in the minds of practising managers it is not being dumbed down. All the traditional skills of the marketer such as creativity, having a feel for the market and an ability to build relationships with customers will continue to be important. And for these managers, the excitement, enjoyment and challenge of marketing are not being displaced by technological developments.



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# E-LIFESTYLE AND MOTIVES TO USE ONLINE GAMES

*Kyung Hoon Kim, Jin Yong Park, Dong Yul Kim, Hak Il Moon & Ho Chan Chun*

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**Computer based and, more recently, online games have become a universal feature of popular culture. The drive for realism and dramatic fantasy demands some of the most sophisticated software, hardware, animation and graphic design performance standards in the information and communication technology domain. The associated skills endow companies and localities with significant competitive advantage. Korean participation in the market is among the highest in the world and acknowledged for its potential in its industrial policy.**

**This study examines the lifestyles and motivations of Korean online game players and, in particular, the relationship between e-lifestyle and motives to use online games. Users of online games were clustered in terms of four e-lifestyles: information-seekers, electronic purchasers, members of the cybersociety and fun-lovers. The study categorised online games into four types: MUD games, simulation games, role playing games and shooting games.**

**The research shows that e-lifestyle influences motives to use online games and that the types of online games played have an important effect on the relationship between e-lifestyle and motives to use online games.**

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## **Introduction**

The Internet has been the driving force behind the recent changes in Korean game industry. The Korean online industry is showing an outstanding rate of growth with the development of the Internet. The size of the global online game market has shown an increase of 44 per cent from US\$4.5billion in 1999 to US\$6.5billion in 2000 ([www.mct.go.kr](http://www.mct.go.kr)). In Korea, the size of the online game industry has an extremely high rate of growth: 500 per cent from 20 billion won (€16 million) in 1999 to 120 billion won (€96.5) in 2000 ([www.cpb.or.kr](http://www.cpb.or.kr)). As a country, Korea is supporting the development of the online game industry in order to build its global competitiveness, aiming at being the third largest game exporter in the world.

Because online games are used in many places, by people of all ages, they are part of new cultural patterns. This phenomenon has led the government to focus investment on the online game industry. The online game industry is expected to have a promising future because of its probable role in human life in the twenty-first century and growing interest in it resulting from increasing personal leisure time.

In spite of the growing importance of the online game industry, there has been little prior research in the usage pattern of online gaming. Cutis (1996), Kim (2000) and Shin (1998) have studied online gaming, but the focus of this research was limited to exploring the cybercommunity of online game and interface design.

In our study, we intended to analyse the lifestyle of Internet users, and the relationship between e-lifestyle and motives to use online games. The objectives of this study were as follows: first, to conceptualise the online game, e-lifestyle and motives to use online games; second, to build a research model relating e-lifestyle, motives to use online games and types of online games; third, to test related research hypotheses; and, fourth, to draw implications for marketing strategies based on the results of this study.

## **Background**

### **The Concept of the Online Game**

The critical aspect of online games is that many people can play them through the online network provided by PC communication services.

This has several advantages, such as interaction

**Table 1** Types of Online Game

<i>Types</i>	<i>Characteristics</i>	<i>Games</i>
Role playing games (RPG)	Playing the role in a given environment Scenario-centered	Ultima Online Wizard Series
Simulation games	Simulation of experience Strategic thinking	Starcraft, Three Nations Series, Tiberian Sun
MUD games	Text-oriented role playing game Cyber community-oriented	Avaron, DOOM, Nation of Wind
Shooting games	Shooting and hitting the target Changing from the arcade game to online game	Gallerg, Fortress 2

with outstanding graphics and sound, availability of various online games through the Internet and the excitement people feel while they are playing (Cutis, 1996; Shin, 1998).

It was difficult to find past research conceptualising online games clearly. To date there has been no attempt to differentiate between network games and Internet games. We define online games as games in which many people can participate at the same time through online communication networks. Online games have the following characteristics: first, players can directly interact with the game through a server. Second, players can enjoy interacting with each other through communication protocols.

After an extensive review of past research on types of online games, we classified online games into four categories: role playing games, simulation games, multi-user dimension (MUD) games, and shooting games (see Table 1).

### **E-Lifestyle**

The marketing literature has suggested different methods of understanding a consumer's lifestyle (Plummer, 1974; Kim et al., 2000b, 2001; Park, 1996). Past research typically defined the consumer's lifestyle by examining what a consumer's attitudes are, what they are interested in and what their opinions are.

We hypothesised in this study that there is a significant difference between the cyberlifestyle, the so-called e-lifestyle, and traditional lifestyles (Kim et al., 1999). It is argued that there is an Internet lifestyle which is entirely new and cannot be explained by using the vocabulary of the traditional lifestyle concepts (Kim et al., 2000b).

What do consumers want, what are they interested in, and what are their opinions and thoughts on cyberspace? To answer these questions, we must understand the Internet business, because

understanding the Internet business enables us to understand the benefits of interactions between firms and consumers via the Internet and the lifestyle of the Internet user.

The benefits firms provide to consumers on the Internet are suggested as content, community, commerce, and communication – the 4Cs (Kim et al., 2001). Firms doing business on the Internet try to provide customers with better 4Cs, and better technologies. The 4Cs suggested the approach to a better understanding of the lifestyle of Internet users from the firm's point of view.

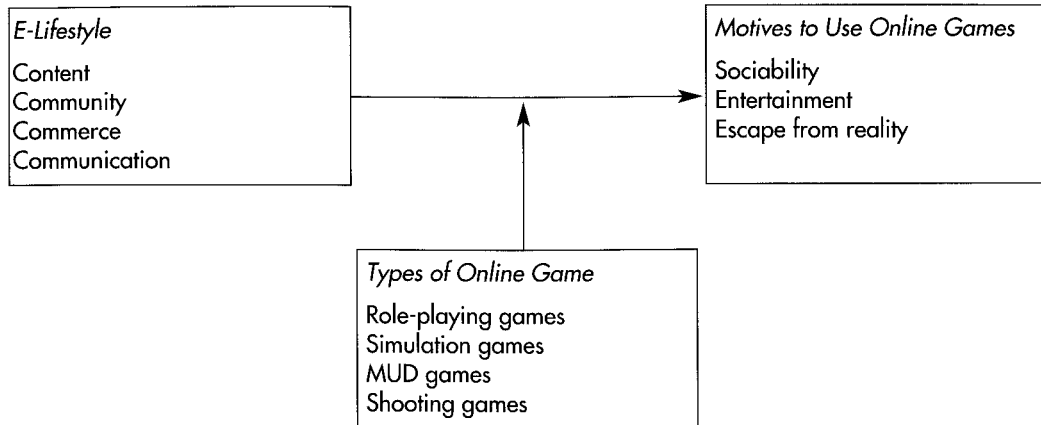
People look for information, enjoy the game and buy the product. People with similar interests participate in cybercommunity activities and contact each other through the Internet. Firms should understand these 4Cs of customers in order to provide a better service.

We suggest the 4Cs as major constructs of the e-lifestyle of Internet users and the definition of e-lifestyle used in this study consists of the elements of content, community, commerce, and communication. We used this concept to measure the e-lifestyle of Internet users.

### **Motives to Use an Online Game**

The motives to use a game, for example video games or PC games, have been studied in past research, but motives to use online games have never been studied. This study tried to explain the concept of motives to use online games by adopting concepts of motives to use games already employed in research on either video games or PC games (Malone, 1981; Feingstein, 1979).

In video games, players use video and computer technologies to play the game. People expect rewarding experiences in video games, as they do in other games. Ironically, people are eager to play video games because there is a high possibility of losing. Therefore, users of video games have the

**Figure 1****Research Model**

intention of seeking something special in their game playing experience (Johns, 1981; Stover, 1984).

Game activities include several features, such as competition, socialisation, illusion and challenge. Gamng has been characterised as a means of expending energy and as a way of recharging energy. It is seen as a reflection of culture and daily life. Malone (1981) investigated what made people enthusiastic about video games. He found that participants prefer video games which give them tangible goals, good visual effects, illusion, and a sense of achievement.

Fenigstein (1979) found that there is a relationship between watching violent TV programmes and a game-player's aggressiveness. Aggressive thoughts and behaviour predispose people to watching violent media scenes. His study suggested that aggressive thoughts and images attract people into the programmes that conform to their attitudes. The results of Fenigstein's study can be applied to the motives involved in playing video games.

Bang (1991) suggested that age, involvement motive and interest are critical predictors of a juvenile's motive to use video games. And it was shown that involvement is the most important predictor of use. The frequency of using games by juveniles increased with a stronger interest. It was found in this study that the higher the frequency of video game use, the lower the satisfaction of aggressive desire.

Kim (1995) identified five factors in the motives to use Internet games: 'participation and challenge', 'substitute for friend', 'tension alleviation', 'pleasure' and 'killing time'.

After review of past research on motives to use

games, this study defined the motives to use online games as consisting of three constructs: sociability, entertainment and escape from reality.

### Research Hypotheses and Research Model

Through the extensive review of past research, we hypothesised that the e-lifestyle of Internet users has an effect on their motives to use online games. Furthermore, the type of games used is hypothesised to play an important roles in the relationship between e-lifestyle and motives to use online games. Two research hypotheses were generated:

- H<sub>1</sub> E-lifestyle will influence motives to use online games.
- H<sub>2</sub> The relationship between e-lifestyle and motives to use online games will depend on types of online games.

Based upon these research hypotheses, we constructed a research model of our study (see Figure 1).

## Methods

### Data Collection

Fifty college students who had extensive prior experiences of playing online games were sampled to participate in the pilot test. The questionnaire was modified based upon the result of analysis of the pilot test. Electronic questionnaires were used to collect data.

People who recently played online games were selected as respondents for the main study. Online questionnaires were used to collect data. 563 respondents filled out online questionnaires for three weeks. 499 questionnaires were used to test the research hypotheses after screening the reliability of their responses.

**Table 2 Results of ANOVA on the Relationship Between E-Lifestyles and Motives to Use Online Games**

E-lifestyle	MOTIVES					
	Sociability	F /Sig	Entertainment	F /Sig	Escape from reality	F /Sig
Information-seeker	3.1108	24.521 /.000	2.4066	11.208 /.000	3.4639	6.736 /.000
Electronic purchaser	2.5500		2.0938		3.1548	
Member of cybersociety	3.3035		2.6283		3.6413	
Fun-lover	2.7425		2.1828		3.3022	

### Measures

E-lifestyle was measured by using the four constructs of: content, commerce, community and communication. Consumers' motives to use online games were measured using three constructs: sociability, entertainment, and escape from reality based on measures used in prior studies. Four types of online games were used in this study: MUD (multi-user dimension), simulation, RPG (role playing game), and shooting (Kim, 2000).

The reliability of these measures was analysed using Cronbach's alpha. The lowest level of reliability was found to be 0.6. The level of reliability of items used in the questionnaire was judged to be reasonable, based upon suggestions from Kim's (1993) study.

### The Sample

Of the 499 respondents, 28.9 per cent played simulation games, 19.2 per cent played role playing games, 14.2 per cent played MUD games, 8.0 per cent played shooting games, while 29.7 per cent played other types of online games.

With regard to location of use of online games, 45.3 per cent used online games in their homes, 36.9 per cent used online games in commercial game rooms, 6.8 per cent used online games in schools, 1.0 per cent used online games in their work places and 10.0 per cent used online games in other places.

With regard to monthly income, 464 (93.0 per cent) respondents earn less than 1 million won; 22 (2.2 per cent) earn between 1 and 1.5 million won, and 9 (1.8 per cent) earn between 1.5 and 2 million won, while 4 (0.8 per cent) earn over 2 million won. Male respondents accounted for 58.1 per cent of the total respondents.

### Cluster Analysis

We extracted factors from the e-lifestyle measures through factor analysis. The criterion used to classify variables into factors in this study was a loading value of more than 0.4 Eigen value and the percentage of variances was analysed to decide the

number of factors. Finally, eight factors were drawn from variables of e-lifestyle.

To find the proper number of clusters of e-lifestyle, this study performed a cluster analysis with factor scores extracted from e-lifestyle.

After finding a four clusters solution, ANOVA was performed to name the clusters. The four clusters were named as: information-seeker (166 respondents, 33 per cent), electronic purchaser (84 respondents, 17 per cent), member of cybersociety (115 respondents, 23 per cent) and fun-lover (134 respondents, 27 per cent).

### Testing the Hypotheses

#### Hypothesis 1

H<sub>1</sub> E-lifestyle will influence motives to use online games.

Results of the ANOVA for H<sub>1</sub> suggested that there were significant mean differences among types of e-lifestyle for all three motives to use online games at a level of 0.05.

In the case of sociability motive, 'member of cybersociety' had the highest mean value of 3.3035, 'information-seeker' had 3.1108, 'fun-lover' had 2.7425 and 'electronic purchaser' had 2.5500.

In the case of entertainment motive, 'member of cyber society' had the highest mean value of 2.6283, 'information-seeker' had 2.4066, 'fun-lover' had 2.1828 and 'electronic purchaser' had 2.0938.

In the case of the escape from reality, 'member of cybersociety' had the highest mean value of 3.6413, 'information-seeker' had 3.4639, 'fun-lover' had 3.3022 and 'electronic purchaser' had 3.1548.

Therefore the first research hypothesis (e-lifestyle will influence motives to use online game) was strongly supported by the results of the statistical analysis.

#### Hypothesis 2

H<sub>2</sub> The relationship between e-lifestyle and the motives to use online game will depend on types of online games.

**Table 3 Results of ANOVA on the Role of MUD Games in the Relationship between E-Lifestyles and Motives to Use Online Games**

<i>E-lifestyle</i>	<i>Sociability</i>	<i>MOTIVES</i>			
		<i>F</i> <i>/Sig</i>	<i>Entertainment</i>	<i>F</i> <i>/Sig</i>	<i>Escape from reality</i> <i>F</i> <i>/Sig</i>
Information-seeker	2.8053	2.931 /.040	2.0592	1.955 /.129	3.2895 .449 /.719
Electronic purchaser	2.2353		1.8529		3.0882
Member of cybersociety	2.9071		2.3571		3.4286
Fun-lover	2.6476		2.1012		3.2024

**Table 4 Results of ANOVA on the Role of Simulation Games in the Relationship between E-Lifestyles and Motives to Use Online Games**

<i>E-lifestyle</i>	<i>Sociability</i>	<i>MOTIVES</i>			
		<i>F</i> <i>/Sig</i>	<i>Entertainment</i>	<i>F</i> <i>/Sig</i>	<i>Escape from reality</i> <i>F</i> <i>/Sig</i>
Information-seeker	3.0550	6.822 /.000	2.3625	3.563 /.016	3.2438 .996 /.397
Electronic purchaser	2.6375		2.1484		3.2500
Member of cybersociety	3.2750		2.5714		3.5536
Fun-lover	2.7568		2.1449		3.2386

**Table 5 Results of ANOVA on the Role of Role Playing Games in the Relationship between E-Lifestyles and Motives to Use Online Games**

<i>E-lifestyle</i>	<i>Sociability</i>	<i>MOTIVES</i>			
		<i>F</i> <i>/Sig</i>	<i>Entertainment</i>	<i>F</i> <i>/Sig</i>	<i>Escape from reality</i> <i>F</i> <i>/Sig</i>
Information-seeker	2.9844	4.996 /.003	2.2461	1.008 /.393	3.3828 1.054 /.219
Electronic purchaser	2.3571		1.9048		2.9524
Member of cybersociety	3.0231		2.2404		3.3077
Fun-lover	2.5233		2.0917		3.1000

**Table 6 Results of ANOVA on the Role of Shooting Games in the Relationship between E-Lifestyles and Motives to Use Online Games**

<i>E-lifestyle</i>	<i>Sociability</i>	<i>MOTIVES</i>			
		<i>F</i> <i>/Sig</i>	<i>Entertainment</i>	<i>F</i> <i>/Sig</i>	<i>Escape from reality</i> <i>F</i> <i>/Sig</i>
Information-seeker	3.1643	2.434 /.081	2.4196	3.035 /.042	3.3393 1.456 /.243
Electronic purchaser	2.5600		1.8750		2.9000
Member of cybersociety	3.4545		2.7273		3.7045
Fun-lover	3.1900		2.0250		3.5000

This study performed four separate ANOVAs to compare results among different types of online games.

In the case of MUD games, only the sociability motive was significantly influenced by types of e-

lifestyle at the significance level of 0.05 (F-value = 2.913, P-value = 0.040). No other pattern was found in entertainment and escape from reality motives to use online games (Table 3).

In the case of simulation games, sociability and

**Table 7 Motives to Use Online Games Significantly Influenced by E-Lifestyle for Each Type of Online Game**

Type of Game	Motives to use online games influenced by e-lifestyle
MUD	Sociability
Simulation	Sociability, entertainment
RPG	Sociability
Shooting	Entertainment

entertainment motives were significantly influenced by types of e-lifestyle at a significance level of 0.05. No other pattern was found in the escape from reality motive to use online games (Table 4).

In the case of role playing games, only the sociability motive was significantly influenced by types of e-lifestyle at the significance level of 0.05 (F-value = 4.996, P-value = 0.003). No other pattern was found in entertainment and the escape from reality motives to use online games (Table 5).

In the case of shooting games, only the entertainment motive was significantly influenced by types of e-lifestyle at the significance level of 0.05 (F-value = 3.035, P-value = 0.042). No other pattern was found in sociability and the escape from reality motives to use online games (Table 6).

Table 7 shows that the sociability motive to use online games was the most influenced by e-lifestyle. The entertainment motive was the one next most influenced by e-lifestyle.

In MUD games and RPG, the sociability motive was significantly influenced by e-lifestyle. In simulation games, the sociability motive and the entertainment motive were significantly influenced by e-lifestyle. In shooting games, the entertainment motive was significantly influenced by e-lifestyle.

The analysis shows that types of online games definitely influence the relationship between e-lifestyle and motives to use online games. Therefore, the second research hypothesis (the relationship between e-lifestyle and motives to use online games will depend on types of online games) was supported by results of the statistical analysis.

**Conclusion**

To operationalise the Internet user's e-lifestyle, this study introduced the new measures of e-lifestyle of the 4Cs (contents, commerce, community, communication). Users of online games were clustered in terms of e-lifestyle, using the 4Cs concept. We found there were four types of e-lifestyle which were information-seeker, electronic purchaser, member of cybersociety and fun-lover.

We categorised online games into four types: MUD games, simulation games, role playing games and shooting games.

Our research showed that e-lifestyle definitely influenced motives to use online game and types of online games played important roles in the relationship between e-lifestyle and motives to use online games.

**Managerial Implications**

The online game market has enjoyed an outstanding growth rate and received governmental support in Korea. The number of players of online games is expected to continue to grow in the near future. Competition in the online market will become fierce. To meet these challenges, marketing managers of online games should focus their efforts on the following matters.

First, marketers of online games should understand the level of impact of e-lifestyle of customers on motives to use online games. Firms selling online games must identify what kind of e-lifestyle has the most influence upon the motives to use online games among their customers.

Second, marketers of online games have to understand that various types of e-lifestyles play different roles depending upon the types of online games in question. Marketing research should be conducted before launching a marketing campaign for an online game to decide the appeal that will attract the target market with a specific e-lifestyle.

Third, firms developing online games should continuously collect information about recent trends in consumer's e-lifestyles. The best new products can be developed based on results of e-lifestyle market research. The constant monitoring of trends in e-lifestyle can contribute to the success of new online games in the cybermarket.

Fourth, firms selling online games have to develop communication channels through the Internet to collect the players' motives to use online games. Motives to use online games may change rapidly considering the speed of the changes recently happening in the IT and socio-political environment in Korea. It is critical to use the Internet to collect real-time data on the online game market.

## Limitations

This study experienced limitations through being the first study to research online games. First, the reliability and the validity of the questionnaire used could be improved by better methods of pretesting. Second, the concepts suggested in this study could be elaborated with more thorough research of past research and lit-

erature. Third, a self-selected sample of respondents from the cybercommunity were used in this study. It is hard to generalise the results of the findings of the study to Internet users in general. Fourth, the research model we proposed was quite a simple one. Future studies can be improved by using a more elaborate causal model.

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# EFFECTS OF THIRD-PARTY LOGISTICS CHOICE ON THE PERFORMANCE OF CYBERLOGISTICS

*Yeung Kurn Park & Chang Wan Kim*

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**The revolutionary manner in which physical and information flows are separated by e-commerce has contributed to a renewed interest in logistics. The associated disaggregation of value chains has led to the rapid growth of third party logistics (3PL) specialists who provide e-commerce competitors with the option to focus on their core activities and sources of competitive advantage, while outsourcing logistics to a specialist, scale-based, logistics provider.**

**This research project investigates the factors that influence the 3PL choices made by e-commerce firms. The attitude to risk of top management teams and their emphasis on cost based strategies are factors that may lead to the choice of 3PL solutions, while 3PL itself is likely to lead to improved performance of a cyberlogistics system. These propositions are tested with the help of survey data from logistics managers in 130 Korean e-commerce firms.**

**A model linking risk aversion and cost containment strategies to the choice of 3PL and the performance of cyberlogistics systems is proposed and tested.**

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## **Introduction**

In the e-commerce market, transactions begin with a purchase decision, and continue through the making of a contract, payment, and movement of the product or service to the purchaser in the cybermarketplace. The role of logistics is becoming more important because e-commerce firms have to transport the ordered products to the customer through several delivery channels, without having direct contact with these channels. At the same time, customers' desires are increasingly moving from simple transportation and storage to high-quality logistics services emphasising rapid, accurate and safe transportation.

Firms have made various efforts to develop cost-saving methods as competition intensifies, and the need for improved logistics, including procurement, production, selling, and other intelligence activities beyond the existing physical distribution system, is attracting attention. As logistics become more important, third party logistics (TPL or 3PL) in the form of joint efforts between manufacturers, distributors and service providers has appeared. Many strategic changes are in progress to secure relative competitive advantages in cost, quality, flexibility, and logistics service, due to intense competition among firms.

In this situation, rapid product transportation and customer-oriented logistics activities are crucial factors in the acquisition of competitive advantage. Some firms' strategies have been transformed by focusing on logistics outsourcing and strategic alliances with third party logistics providers.

In the 1980s, integrated logistics management was rare, but after the 1990s, more attention has been given to the concept of logistics efficiency through the integration of logistics functions between firms. Now, the advancement of related information technology (IT) is changing the management climate fundamentally. Moreover, this change may herald a golden era of logistics with the development of these alliances with third party logistics firms. Third-party logistics choice has attracted attention especially in the context of e-commerce sales. Through the choice of third party providers with core capabilities in logistics, the procurement of competitive logistics resources may become a primary factor in determining a firm's success. There are several strategies for accomplishing this, such as outsourcing the firm's logistics, selecting a third party logistics firm in an efficient way, and enhancing competitive advantage through an intensified management system.

In this study, we reviewed the factors affecting the choice of third party logistics firms by e-commerce firms through a survey of the existing literature and then researched the relationship between these factors and between choice-related factors and the performance of cyberlogistics. The research findings suggest implications for improving the choice of third party logistics by e-commerce firms.

## Background

### Third Party Logistics

In 1988, the American National Council of Logistics Management (CLM) first used the term 'third party providers' in a survey on the logistics services of shippers. According to the CLM definition, 'third party' means the agent or mediator having a temporary or long-term relation with other members in the logistics channel. 'Contract logistics' means the process of fulfilling a certain service at a certain cost and within a certain period at the mutual agreement of shippers and single (or plural) third parties. Lieb and Randall (1996) assert that the concept of third party logistics includes logistics outsourcing activities and its function potentially includes all related processes and activities. Third party logistics may be defined as the process of providing logistics services, through outsourcing, for the partial or whole logistics function of a firm, under mutual agreement with a third party logistics provider for a certain period.

The context of the advancement of third party logistics includes the current intensified competition among firms, the desire to minimise inventories, changing circumstances that are pushing firms to focus intensively on their core business instead of vertical and horizontal integration, and the replacement of logistics activities inside a firm with contract-driven logistics activities (Sheffi, 1990).

The American third party logistics market enjoyed growth from 25 billion dollars in 1996 to 47–50 billion dollars in 2000 (Harrington, 1995). About 69 per cent of American companies listed in the *Fortune 500* have a relationship with third party logistics providers (Sandor et al., 1999). In Japan, according to the Ministry of Trade and Industry (MTI), the sales of third party logistics are 212.1 billion yen. This accounted for 1 per cent of Japan's entire logistics sales, 20 trillion yen. However, the

size of this market will rise to 1.0–1.2 trillion yen (Chamber of Korean Commerce, 2000, p. 7).

In Korea, manufacturing and distribution companies first perceived the importance of logistics efficiency in 1990. Shippers, however, paid more attention to the introduction and expansion of 'in-house' logistics systems because of the lack of the logistics industry's capability to meet industry demands. As a result, the Korean third party logistics market seems to be in its initial stage of development (Korean Chamber of Commerce and Industry (KCCI), 2000, p. 7).

Sandor et al. (1999) evaluated the factors that are employed to select third party logistics firms using a five-point Likert scale (1 = most important, 5 = least important). Their results showed the following rank order: most important was financial stability (1.29), followed by customer service capability (1.32), price of services (1.36), problem solving creativity (1.48), information system and technology capabilities (1.56), general reputation (1.60), reputation for continuous improvement (1.64), compatibility with company culture and philosophy (1.76), asset ownership (2.26), firm size (2.29), international scope (2.48), prior relationship with company (2.53), and human resources policy (2.60). Based on this, it appears that companies select third party logistics firms primarily on the basis of their financial stability, strong performance capacity for customer service, and low price.

Sink and Langley (1997) surveyed the existing research in this field and carried out in-depth interviews with 11 logistics managers while researching 116 logistics managers in the USA and Europe. They found that high-level communication and interaction are needed between logistics outsourcing firms and third party logistics providers and confirmed that the continuous evaluation of third party logistic service is important to enable the maintenance of efficient performance.

### Factors Affecting the Choice of Third-Party Logistics

According to Gilley (1997), top-management teams' risk aversion strategy and cost-containment strategy are variables affecting outsourcing.

*1. Top-management teams' risk aversion strategy*  
Gupta (1984) suggested that the characteristics of

top-management teams are related to a firm's strategy and performance. Sandor et al. (1999) found that firms performed better when there was a strong relationship between top-management teams' strategies and their careers. Wiersema and Bantel (1992) found that top-management teams' characteristics relate to the possibility of changing integrated strategies. Daboub et al. (1995) suggested that top management teams can mediate the relationship between interior–exterior leading factors and organisational decisions related to legal actions, and they found that top-management teams' characteristics have a crucial effect on the organisation. As decisions on logistics outsourcing are organisation-level decisions usually made by a firm's top-management teams (TMT), it is argued that it is valid to introduce top management team characteristics as a variable affecting the decision on logistics outsourcing (Gilley, 1997). Quinn (1992) argued that new technologies can be used, without specific investment in a new technology, through dependence on an external provider of products or services embodying the new technology. Similarly, Harrigan (1984) suggested that outsourcing can be used in the most risky areas among an organisation's resources. In general, it may therefore be argued that outsourcing may be used as an important method of reducing risk by the top management team. Moreover, firms with risk aversion-focused top-management teams are likely to seek logistics outsourcing (Gilley, 1997).

Based on these arguments, the following hypotheses were proposed:

- H1 The level of a top-management team's risk aversion will have a positive effect on the factors of third party logistics choice.
- H2 The level of a top-management team's risk aversion will have a positive effect on the cost-containment strategy.

### 2. *Managers' cost-containment strategy*

The character of a firm's strategy may prompt the choice of logistics outsourcing. The achievement of a cost leadership position (Porter, 1980) is possible through organisational efforts to acquire the lowest cost in the industry. Cost containment strategy is characterised by production and distribution performance which lead to the minimisation of cost. Cost containment strategy will utilise

strategies for third party logistics choice in order to obtain cost advantages in comparison with other firms.

Based on these arguments, the following hypothesis was proposed:

- H3 Cost containment strategy will have a positive effect on factors of third party logistics choice.

### 3. *Cyberlogistics Performance*

Based on the establishment of a logistics information system and network, a cyberlogistics function can develop new logistics services and products constantly, provide customer-oriented services in cyberspace, and support customers' competitiveness. IT (information technology) infrastructures and expertise in logistics are needed as the basis for cyberlogistics technology. Overseas logistics firms bring information into cyberspace and carry out communication with customers online. Therefore, they enjoy the effect of developing new markets with few limits of space and time: providing cost-saving and service according to the customers' direct participation.

Lieb and Randall (1996) listed the following effects from using third party logistics: reduction of transportation cost, reduction of material management and storage cost, decrease of stock level, shortened response time to customers' requests, and improved control of distribution channels. With their colleagues they researched logistics performance based on logistics outsourcing by large American companies. Respondents stated that they gained many advantages from using third party logistics services. Of the companies researched, 56 per cent mentioned cost-saving as an advantage, 55 per cent higher flexibility, 51 per cent greater focus in their core business, and 49 per cent improved customer service. The most important factor is cost-saving, indicating that through outsourcing, it's possible to share the effect of economies of scale of third party firms which specialise in logistics. In Van Damme and Van Amstel's study (1996), advantages on the producers' side and third party firms' side are distinguished. On the producers' side, they can reduce the input of capital goods needed in logistics flow, exercise flexibility in selection of storage place, and allot the logistics cost easily as logistic man-

**Table 1** Characteristics of the Sample

		Frequency	Proportion (per cent)
Business year	1–2 years	7	5.4
	2–3 years	63	48.5
	3–4 years	32	24.6
	over 4 years	28	21.5
Number of employees	below 20	19	14.6
	21–50	22	16.9
	51–100	23	17.7
	101–200	29	22.3
	over 201	37	28.5
Annual sales (unit: US\$)	below 800,000	31	23.8
	800,000–8,000,000	42	32.4
	over 8,000,000	57	43.8

agement costs can be shown clearly. On the third party firms' side, they can achieve improvement in customer service by smoothing demand fluctuation while improving service quality and flexibility through improved efficiency and economies of scale. Elsewhere, Bowersox (1989) stressed the identification of costs that reflect a firm's logistics performance directly. Specifically, costs can be evaluated by total cost analysis, cost analysis by unit, cost of sale, cost of freight transportation, storage cost, management cost, order processing cost, direct labour cost, comparison of actual and planned budget and cost tendency analysis.

Based on these studies, the ultimate goal of an e-commerce firm's logistics activities is to reduce investment in logistics facilities and costs. Our study defines the logistics performance of e-commerce firms as 'cyberlogistics performance', and shows the effect of third party logistics choice-related factors on cyberlogistics performance.

Based on these arguments, the following hypothesis was proposed:

H4 Third-party logistics choice will have a positive effect on cyberlogistics performance.

## Methodology

### Data Collection

In order to test the hypotheses a survey was designed over two months starting 4 January 2001. The survey population was logistics managers of e-commerce firms in Korea. A survey assistant who had been specially trained visited the logistics managers in person and explained the purpose of the study. Two methods were used to collect questionnaires: the first was completion of the questionnaire in person, and the second was to send questionnaires, made with the ASP (active server pages) program, to the logistics managers via e-mail.

The questionnaire survey was carried out for 28 days, from 16 March to 13 April 2001. Out of 200 questionnaires to e-commerce firms, 120 questionnaires were completed in person and 37 were returned via e-mail. Twenty-seven questionnaires were not suitable for analysis. A statistical analysis of 130 effective questionnaires was therefore conducted.

The characteristics of the sample are shown in Table 1.

### Measurement

All variables were measured using a Likert five-point scale. LISREL 8.0 (Joreskog and Sorbom, 1993) was used to test the hypotheses. For analysis using the LISREL model, the size of the sample is important. Bentler and Chun (1987) suggest that the size of the sample should be more than five times the unknown quantity, although opinion differs among scholars over what constitutes a sufficient sample size. The number of respondents was 130 and the number of parameters was no more than eight in the study. This satisfies the Bentler and Chun (1987) criteria. So, the number of observations for the study corresponded with the precondition for LISREL analysis. The empirical analysis used covariate analysis using LISREL 8.0. The data used in LISREL 8.0 formed the data matrix using PRELIS and we explored the relational channel by analysing each variable's channel coefficient and t-value from the research model. In the research model, the level of a manager's risk-aversion affected the selected factors such as the firm's cost-containment strategy and third party logistics choice.

Consequently, the factor of third party logistics choice formed the channel which has an effect on the logistics performance of e-commerce firms. We fixed the error variance at zero so as to solve

**Table 2** Rational Matrix

	Mean	Standard deviation	Competitor's cost analysis	Cost containment	Firm's general reputation	Firm's credibility	Effect of transportation cost reduction	Effect of storage cost reduction	Risky development of new product	Risky management innovation
Competitor's cost analysis	2.81	0.86	1.00							
Cost containment	2.72	0.98	0.62	1.00						
Firm's general reputation	3.45	0.94	0.30	0.35	1.00					
Firm's credibility	3.85	0.91	0.22	0.27	0.44	1.00				
Effect of transportation cost reduction	3.43	1.00	0.32	0.38	0.387	0.43	1.00			
Effect of storage cost reduction	3.52	0.88	0.22	0.27	0.33	0.32	0.61	1.00		
Risky development of new product	3.54	0.97	0.38	0.47	0.56	0.44	0.57	0.33	1.00	
Risky management innovation	3.27	0.85	0.40	0.46	0.43	0.51	0.32	0.37	0.44	1.00

the negative value of error variance from theoretic variables in the fundamental model (Joreskog and Sorbom, 1993). The rational matrix for the LISREL analysis is shown in Table 2.

### Results of Analysis

In the study, after selecting the measurable variables to be used, the channel coefficient of structural model in Figure 1 was assumed through para-

**Table 3** Parametric Estimation Expression and Results

Exogenous variables	$x_1 = 1.00 \times$ risky development of new product (0.062) 16.06	-	$R^2 = 1.00$
	$x_2 = 0.44 \times$ risky management innovation (0.084) 5.26	0.81 (0.10)* 8.03**	$R^2 = 0.19$
	$x_3 = 1.00 \times$ competitor's cost analysis	0.62 (0.077) 8.03	$R^2 = 0.38$
	$x_4 = 1.62 \times$ cost containment (0.18) 8.92	-	$R^2 = 1.00$
Endogenous variables	$y_1 = 1.00 \times$ firm's general reputation	0.56 (0.087) 6.47	$R^2 = 0.44$
	$y_2 = 0.88 \times$ firm's credibility (0.052) 5.52	0.66 (0.094) 7.04	$R^2 = 0.34$
	$y_3 = 1.00 \times$ effect of transportation cost reduction	-	$R^2 = 1.00$
	$y_4 = 0.61 \times$ effect of storage cost reduction (0.070) 8.70	0.63 (0.078) 8.03	$R^2 = 0.37$

$x_1$ : risky development of new product  
 $x_2$ : risky management innovation  
 $x_3$ : competitor's cost analysis  
 $x_4$ : cost containment

$y_1$ : firm's general reputation  
 $y_2$ : firm's credibility  
 $y_3$ : effect of transportation cost reduction  
 $y_4$ : effect of storage cost reduction

\*: standard deviation  
 \*\*: t-value

**Table 4** Estimated Structural Equation

Estimated structural equation	$R^2$
Cost containment strategy = 0.29 x risk-evasion strategy (0.061) 4.79	0.22
Factor of selecting third party logistics = 0.91 x cost containment strategy + 0.49 x risk-evasion strategy (0.097) (0.079) 1.97 6.15	0.70
Cyberlogistics performance = 1.03 x factor of selecting third party logistics (0.16) 6.23	0.46

metric estimation and structural equation.

After the LISREL analysis, based on the channel in the structural model, statistical significance was found in all channels when the t-value was 2.0 as standard. Specifically,  $\chi^2$  was 59.12 and p-value was 0.05, and non-normed fit index (NNFI) was 0.83. Also, the root mean square residual (RMR), which shows the factors' difference among the matrices reproduced by parameters and the matrices of analysed data, was 0.048. Generally, if analysis data is rational data and has an RMR below 0.05, it means that the model has a high fitness, as is the case for this model.

We present the results of the structural model dealing with the relationship among theoretical variables based on the results of the main channels in order to verify the hypotheses. The summary of results is presented in Table 6. The hypotheses are confirmed with statistical significance ( $p \leq 0.05$ ).

The following summarises the main results:

- 1 Risk-evasion strategy has a direct effect on factors of third party logistics choice and cost containment strategy (hypotheses 1, 2). Managers were inclined to seek the factors of third party logistics choice and cost containment strategy, so as to avoid management strategies with risk.

- 2 Cost containment strategy has a direct effect on the factors of third party logistics choice (hypothesis 3). That is, managers looking for cost containment strategies were inclined to save the cost of logistics in the firm by selecting third party logistics.
- 3 The factors of third party logistics choice have a direct effect on the cyberlogistics performance (hypothesis 4). That is, e-commerce firms were inclined to acquire the direct performance of cyberlogistics by selecting the third party logistics. Also, risk-evasion and cost containment strategies have an indirect effect on the cyberlogistics performance of e-commerce firms.

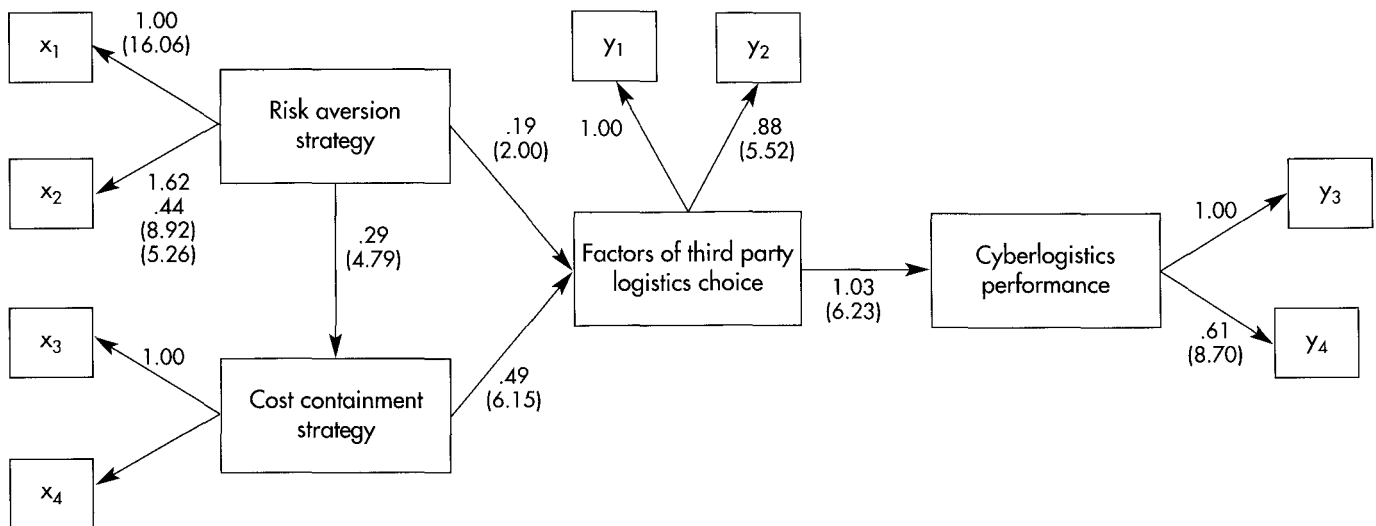
### Conclusion

E-commerce firms are pressed to intensify their focus on the core parts of their businesses such as the creation of new customers and the improvement of customer service. They also have to maximise the firm's profit through cost reduction in logistics. Under current competitive situations, procurement from, and sharing of, logistics resources with a third party with specialised core capacity in logistics is a crucial factor in providing globalised and differentiated service through the establishment of networks and alliances among firms in cyberspace.

**Table 5** General Fit Index of Proposed Model

Chi-square with 19 degrees of freedom	59.12 (p=0.05)
Root mean square residual (RMR)	0.048
Goodness of fit index (GFI)	0.91
Adjusted goodness of fit index (AGFI)	0.83
Normed fit index (NFI)	0.85
Non-normed fit index (NNFI)	0.83
Comparative fit index (CFI)	0.89

**Figure 1** Proposed Model



x<sub>1</sub>: risky development of new product  
 x<sub>2</sub>: risky management innovation  
 x<sub>3</sub>: competitor's cost analysis  
 x<sub>4</sub>: cost containment  
 y<sub>1</sub>: firm's general reputation  
 y<sub>2</sub>: firm's credibility  
 y<sub>3</sub>: effect of transportation cost reduction  
 y<sub>4</sub>: effect of storage cost reduction

Implications of our study, based on the theoretical review and the results of the empirical analysis, are as follows:

First, e-commerce firms have to choose when to change their logistics risk, considering the general reputation and credibility of third party logistics companies. Also, managers' risk aversion strategies have positive cost savings effects for e-commerce firms.

Second, cost containment strategy has a positive influence on the factors of third party logistics choice. That is, the analysis of a competitor's cost and the cost saving of firms have a positive effect on factors of third party logistics choice.

Third, factors of third party logistics choice have a positive effect on cyberlogistics performance. That is, e-commerce firms can get a direct benefit in their logistics sector such as transportation cost savings and storage cost savings, through selecting third party logistics. Also, risk evasion strategies and cost containment strategies contribute to the cyberperformance of e-commerce firms indirectly.

Finally, to get cyberlogistics performance, e-commerce firms have to pursue procurement and sharing of logistics resources and intensify their capabilities in the firm's core parts through strategic alliances with third party logistics firms for risky management strategies.

**Table 6** Channel Coefficient and t-value of Proposed Model

Channel	Coefficient value (t-value)
Risk-evasion strategy → factors of third party logistics choice	.19 (2.00)*
Risk-evasion strategy → cost containment strategy	.29 (4.79)*
Cost containment strategy → factors of third party logistics choice	.49 (6.15)*
Factors of third party logistics choice → cyberlogistics performance	1.03 (6.23)*

\* p ≤ 0.05

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# THE MARKETPLACE, E-GOVERNMENT AND E-DEMOCRACY

*Neil Collins & Patrick Butler*

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**The contribution of marketing to innovative developments in political and public service 'markets' is well recognised. Marketing's role in public management and in political campaigning and debate is undeniable. As marketing engages with new business models in e-commerce, it will encounter related issues and applications in the public sector and political arenas. E-government initiatives seek to enable access to public services, improve delivery of information and services, and respond to enquiries about rights and responsibilities. E-democracy, by contrast, seeks to support citizen communication with politicians, government and its agencies, including direct involvement with the institutions of state, with policy-making and its implementation.**

**With the inexorable growth of information and communication technology (ICT) applications in business and public sector management, the potential dangers of an uncritical and non-contingent transfer of e-commerce models from business to public sector are raised. For political and public sector interests to adopt a slavish imitation of the commercial pioneers in e-business modelling is questionable, and possibly perilous.**

**The inherently conflictual nature of both government and democracy demands that attention be given to the institutions and patterns of representative democracy. Consideration of the peculiar aspects of public sector products, organisations and marketplaces must precede the application of e-based business systems. Because the separation of government service delivery from the processes of representative democracy presents an incomplete picture of public administration and politics, analyses must address developments in both areas.**

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## **E-Government and E-Democracy**

The contribution of marketing to innovative developments in the political and public service 'markets' is widely recognised. There is increasing evidence of the role and application of marketing both in public management reform and in political campaigning and debate. This is observable in popular discussion, professional development and academic interest (Newman, 1999; Box, 1999; Rouban, 1999). As the marketing discipline continues to engage with new business models in electronic commerce, it will also encounter e-business issues and applications in the public sector and political arenas.

The calls for e-based approaches in public service and in politics may be regarded as having two primary strands: e-government and e-democracy. E-government is about enabling access to public ser-

vices, improving the efficiency of getting information on entitlements, making enquiries about rights and responsibilities, paying taxes, etc. It relies heavily upon the new public management principles of efficiency and measurement. The case is made that as electronic forms of communication diffuse into the community, public bodies and government departments will be more efficient in their activities by adopting and promoting the use of online services. Such services span many activities, perhaps initially by providing simple information such as price lists, addresses and contacts, entitlements and so on. At another level, there may be the facility to interact with the provider, such as by making enquiries online. Further to this is the facility to actually deliver public services online; submitting tax returns is an obvious early area of progress, there being little or no physical aspect to the transaction.

E-democracy, on the other hand, is about citizens communicating with politicians, government and agencies. It involves a debate that stresses 'being in touch', letting them know', giving and getting immediate responses and feedback and so on. Direct models of involvement with public institutions and of influencing policy-making and implementation and responses are central here. Speed of response, consumer advocacy and similar private sector marketing attitudes underpin this view.

E-government and e-democracy are widely discussed as if they could be usefully differentiated. The differences between them represent a recent manifestation of the recurring search for a distinction between public administration and politics, i.e. between the neutral application of management techniques, and politically charged expressions of value. A central contention of this paper is that the separation of these concepts conveys a false sense that they may be examined and developed in isolation. For individual citizens, policy is the experience of government – not declarations of intent. Similarly, politicians cannot be divorced from the activities of the bureaucracy, typified as 'administration'. To treat the policy preferences of permanent officials as incidental to the use of power in the political system would be counterproductive and unconvincing. The implications for developments in electronic and Internet-based solutions differ for e-government and e-democracy.

Liberal democracies have evolved to provide ways of facilitating popular participation within the constraints of political accountability, responsibility and transparency through the institutions of representative democracy. By implying that what is technically possible is politically or democratically desirable, the direct democracy commonly suggested in the e-government and e-democracy debate is potentially dangerous and naïve:

As direct democracy takes root, the American voter will become more involved and active. We don't have to wait anymore for the next election to express our views while Congress makes decisions for us. We don't have to wait for a call from a pollster to speak our piece. We are going to take to the Internet and tell our representatives what to do whenever we damn well feel like it.

Morris, 2000, p. xxii

Such assertions are not dissimilar to those inherent in the rise of demagogues and popular move-

ments in the late eighteenth century. It is notable, of course, that democracy did not always have positive connotations. For most 'thinking' people up until the twentieth century, democracy was to be treated with caution, since it meant rule by the common masses.

### **Political Discourse and the Market Analogy**

The dominant Western neo-liberal paradigm of current political discourse is based on an analogy with the free market. Deregulation, customers, clients, partnerships and so on are the concepts that inform new public management, and the application of new technologies is associated with this. But not everything that is technically possible is necessarily desirable either commercially or in terms of public policy. The recent situation regarding the failure of many Web-based business-to-business (B2B) exchanges is a case in point. The hyperbole surrounding the potential of such activity, based on the lowest cost–best price model, was seen to offer a false hope. This is a market that never reached anything near the expectations raised by many in the field. While there are multiple and complex explanations for this, there is a consensus that just because the technology was available to revise and improve the way firms organised their procurement processes, firms did not necessarily adopt what appeared to be the 'best' model (see Kaplan and Sawhney, 2000; Wise and Morrisson, 2000). There are many more factors involved in a holistic explanation than simply price. Indeed, one of the features of the industrial marketing literature in the past decade has been the shift away from a purely price-based model of competition, and toward a long-term, interactive relationship orientation (Webster, 1992; Ford, 1990; Anderson and Narus, 1998).

The market efficiencies assumed in the electronic business environment do not always provide the best overall model of exchange. In the political 'marketplace', similarly, the most technologically efficient approach will not necessarily provide for the most appropriate solution. Both e-government and e-democracy may well accentuate the cumulative inequalities that mark all liberal democracies in terms of access to public resources. The ownership and easy access to computers of the privileged reflects other advantages that they already enjoy.

Citizens give their opinions, whether electronically or otherwise, in an attempt to affect policy outcomes. Sometimes the results may be declaratory, i.e. the political system provides reassurance and explicit recognition, but more often the intention is a change in the pattern of service provision or financial burden. The emphasis here, therefore, is the attempt to broaden the discussion on applying information and communication technology (ICT) to governing. This is an important perspective, particularly in the context of continually evolving e-type models in all areas of the social sciences – including, importantly, economics and management. It is by no means clear that electronic brokerage effects and electronic integration effects have been fully understood, for instance. Given the disastrous market assessments within the ‘dot.com’ sectors, for political and public sector interests to follow slavishly the commercial pioneers is highly questionable and probably perilous.

Politics involves translating electors’ preferences into political action in the form of public services. The stable society is one where people feel that the pattern of service delivery is fair and equitable, as well as reliable and efficient. For many people, the pattern of interaction with public services and organisations is their daily engagement with democracy. Many of the descriptions of electronic government address this service delivery dimension. However, they may neglect fundamental questions of democratic principles and processes.

### **Public Opinion and Public Policy**

Short-term popular opinion makes for poor political decisions and government legislation. Existing representative systems of democracy have built up ‘checks and balances’ between popular opinion and the delivery of public services. In a democracy, every citizen is assumed to have views of equal value on a wide range of public issues. The number of potential combinations of opinion, therefore, is vast. The political system deals with the divergent tasks of facilitating the articulation of views while aggregating them into manageable combinations as expressed in party manifestos, government policy statements and the like. Ultimately, for any one policy issue, governments, parliaments and other public agencies must be presented with very few options for decision. Hence representative institutions play a role in drawing together and assessing ideas in the public

domain. These ‘filtering mechanisms’ have acted to dampen the impact of changes in public opinion on policy. New proposals relating to e-democracy and e-government tend to suggest more direct links between public opinion and government policy. The following is typical of the populist writings in the field:

When will voters be consulted on important issues? Whenever they want to be. Anytime enough Internet users want to have a referendum they will simply have one. There will likely be hundreds of referendums each year.

Morris, 2000, p. 33

Although this illustration tends toward the zealous, influential reports and discussion papers from international consulting groups reveal little depth of analysis of issues and implications for democracy of e-based applications in the broad government area. The main burden of commercial and civil service effort has been on rapid delivery via the Internet with an emphasis on a move from existing paper forms to online transaction processing for greater operational efficiency. The inherent implication is that the speed of response so increasingly popular and possible in other sectors ought to be replicated in the public domain. Such perspectives also appear to propose, implicitly, that the intermediating institutions may be bypassed. This ‘direct’ model, this ‘disintermediation’, is central to many of the arguments proposing the instant and widespread implementation of e-based approaches to linking citizens–consumers to the state.

Commercial models that promote a narrow definition of political reality, in which opinions on policy issues are the equivalent of consumer preferences, overly influence the debate on e-democracy. In the USA in particular, with its political system of weak legislative parties and fractured party competition, such analogous models may be assumed as the rule rather than the exception. In most liberal democracies, however, disciplined and ideologically differentiated parties provide well-defined options across a wide range of policy areas. The analogy of a market constantly being guided towards some optimal equilibrium by the ‘invisible hand’ of competing consumer preferences is too overdrawn to be helpful. It can be seen that the issues raised by the evolution of e-government and e-democracy are broad. While the quality of public service delivery may undoubtedly be improved by the application

of information and communications technologies under the banner of e-government, the concept of speed of response, so ingrained in strategy and marketing thinking, takes on a different meaning in the long term perspective of political reaction to public opinion. Those factors that distinguish public policy delivery and the applications of ICT within the constraints of representative democracy are emphasised here.

### **The New Public Sector**

With the managerialist public sector reforms in the Western democracies in recent years, the primary focus has been on drawing lessons from the private sector. Even the demise of the venerable term 'public administration' and the ascendancy of 'public management' suggest this. Notwithstanding critiques regarding both conceptualisation and progress in the field (for example, McKechnie and Litton, 1998), the thrust of reform in this direction is evident. ICT-driven developments in the private sector can reasonably be expected to follow in the public service domain, and many projects in this field are advancing worldwide. To make progress by incorporating electronic platforms and delivery mechanisms in the public sector, the changing relationship between the state and the citizen must be recognised, however. Hence, we are obliged to be unambiguous about how we conceptualise the public sector.

The literature on public management, including healthcare, education, leisure and tourism, is diverse and fragmented. There is no generally accepted model or framework that, by addressing the public sector context in its entirety, provides a guide to practitioners. No consensus exists about what the public sector and its 'products' are. There are no inherent properties of goods and services that make them 'naturally' public services. As Lane (1993) puts it: 'There is no single way to make the private-public distinction' (p. 45). In the same way that management analysts and practitioners in the field must grasp the key issues in, for example, the financial services, business-to-business, high technology or fast-moving consumer goods industries, the public sector must be understood in order to adapt management frameworks, tools and techniques. This contextual analysis should precede the added complications of considering and developing electronic communications and delivery mechanisms.

The distinctive factors in the public sector context that have implications for strategy and management are considered below. The three particular aspects of public services, an understanding of which give support to the application of electronically-based management approaches, are: the public sector product; the public sector organisation; and the public sector marketplace.

### **Public Sector Products and the E-Debate**

Several distinctive features combine to provide a useful marketing perspective on public sector products. While governments provide physical infrastructure such as roads, hospitals and housing, in the main the provision is service-based. Services have their own modes of delivery, the field is well established, and specific public sector models have been developed. It is notable that public services also include constraints on behaviour, such as rules and regulations that restrict activities, and duties that require adherence to particular behaviours, such as filling in census forms and voting in elections. Such private constraint is seen as the 'price' of public benefit; there exists an acceptance on the part of citizens in the democratic order of the need to be constrained (Butler and Collins, 1995). This acceptance, is, however, dependent on the assumption that due process has been followed, that is, that the constraints have been legitimised according to the norms of the political system. E-government will also have to demonstrate that it fulfils the criteria of liberal democracy. The problem of democratic deficit easily arises when citizens are not assured that due process has been observed.

Perhaps the most distinguishing aspect of concern to this discussion is that public services often include 'public goods' (Page, 1983). Specifically, these are consumed jointly, i.e. consumers are not rivals, and one cannot exclude from the consumption benefits those who do not pay. It is generally accepted that individualistic self-interest can militate against the general good in the allocation of certain products. The implications for managing public goods include the recognition of the imperfect link between provision and payment. The providers of public services face the classic 'free rider' dilemma, although non-citizens, such as tourists, also use public goods. But where publicly available products and services are accessible to people from any location, new issues of provision

and free riding may emerge. Within the nation state, even public goods in the public service portfolio are the responsibility of identifiable individuals and the democratic system can be held accountable: both the principal and agent are known. With e-delivery, however, this link can be more tenuous.

### **Public Sector Organisations and the E-Debate**

Among the primary characteristics of the management of most public sector organisations are the increasing adoption of managerialist perspectives and techniques, the not-for-profit ethos and political accountability. Professional management, explicit standards of performance, private sector styles of practice and parsimony in resource use are all features of the public sector today. While many products have not changed fundamentally, there have been radical changes in the organisation for their delivery. Public sector organisations also display many of the characteristics associated with those in the private not-for-profit sector. Among charities, trusts, human rights and medical organisations, the primary goal of the organisation is not profit, and the culture and ethos associated with such not-profit missions make for particular kinds of organisational attitude and behaviour.

The political accountability of public sector organisations has particular implications for how they might engage with electronic forms of information, communication and service delivery. The actions of public service organisations have the potential of being scrutinised by the public or their political representatives in ways that do not exist in the private commercial world. Even relatively new organisational arrangements, such as contracting out, executive agencies and public-private partnerships, have not generally severed this political link. As such, relatively minor errors may become political scandals. It follows that organisations in the public sector tend to be cautious, rule-bound and relatively inflexible. This, of course, is in contrast to the culture of openness, sharing and experimentation among individuals and entities in the virtual world, notwithstanding pressures from the commercial interests increasingly dominating the Web. The introduction of freedom of information legislation presents new legal issues that impact on organisational culture as it pertains to the perception and use of data and information, and raises yet further concerns in this regard.

The current legislative environments for political accountability routinely assume the framework of the nation state. The world wide web, almost by definition, transcends this assumption. By way of an example of the difficulties to which this political accountability gives rise, the case of the French government versus Yahoo.com is illustrative. In this situation, in 2000, the government sought to control public access to information regarding Nazi memorabilia on the world wide web via the Yahoo! website. The tradition of political institutions is that they provide a form of control in the interests of the community; the e-environment challenges and undermines this by its avowed openness. Accountability is important in many domains, but public sector organisational accountability is rife with sensitivities, principle and community acceptance. Where electronic communication issues enter the arena, the matters are exacerbated. Indeed, the November 2001 decision by the US federal court that Yahoo! need not heed the French order underpins this.

Further to questions regarding public organisation characteristics, the structuring of public sector organisations is traditionally functional. That is, government departments organise around functions such as finance, security, welfare, education and so forth. That makes organisational sense from the supplier's perspective. However, the consuming citizen might not understand that form of organisation. One of the lessons of e-business development is the successful application of metamediary theory – the notion of a market of markets. That is, while business firms tend to think in terms of products and industry sectors, consumers perceive their worlds in terms of activities. So, for instance, the human activity that draws together businesses in such ostensibly different industries as flowers, hotels, clothing, photography, music and religious services is the wedding. Similarly, a metamediary based on home ownership might cluster real estate agencies, decorators, financiers, gardeners and building contractors at one site. The Web offers a highly efficient medium for aggregating such streams; it is an aggregator that enables the convergence of services.

For government, and, critically, for e-democracy, there is significant merit in exploring how citizens perceive the overlap and separation of public services, and their entitlements and duties. There may be significant welfare effects in presenting the

approach that the government is integrated, united and working across functional boundaries in the common interest. The Web provides what appears to be, and may actually become, a highly efficient 'one-stop-shop' arrangement. This could be especially helpful for 'bureaucratically illiterate' citizens and their sponsors, who may conventionally have failed to access information and entitlements because they were spread across physically separate institutions such as justice, housing or childcare. Of course, it could also exacerbate the problems of those who find themselves experiencing access difficulties in any one area, and might also raise challenges in the areas of privacy and the separation of powers. Nonetheless, in the meta sense, this is a 'market of markets'. The e-government aspect is one of providing an intermediary function that combines or aggregates services that, while continuing to be performed by separated organisations, offer the citizen-consumer the appearance of a single integrated function.

The Irish e-government OASIS initiative, for example, involves the adoption of a 'life events' approach in attempting to develop integrated service delivery. While it remains at the information provision stage of development and is not yet interactive, it acknowledges that citizens experience events that require them to draw together the services of diversely structured public sector organisations. Hence, e-based technologies can enable a family expecting a child, for instance, to access material on maternity and paternity choices and benefits, workplace entitlements, education, vaccination, registration and so on. Similarly, events involving change of home or job, retirement and healthcare requirements are recognised in 'bundled' solutions to the often complex and interdisciplinary problems that reflect citizens' lives. Functionally-organised departments are challenged by such ICT-enabled initiatives.

### **Public Sector Markets and the E-Debate**

The public sector market is hugely diverse in terms of population, structure, demand and activity. In as much as society can be regarded as a market for public sector services, citizens can be understood as consumers of the outputs of political and public sector organisations and processes. Citizen-consumers take the form of students, patients, residents, motorists and so on. Their unifying charac-

teristic, however, is that they are citizens. As citizens, people define themselves in terms of identity, rights and duties. However, while they may expect to be treated as customers, citizens may not care to be referred to as such. Citizenship is also an egalitarian notion, suggesting equality of treatment by representatives of the state regardless of rank or fortune. This idea is reinforced by the fact that public goods are free at the point of delivery, and the link between use and taxation is long and tenuous. Further, people play multiple roles as public service consumers, being at the same time funders, users and assessors.

Citizens can usually find redress for grievances, i.e. dissatisfaction with services, through constitutional, political and legal remedies. Consumers, on the other hand, typically engage in complaining behaviour. Citizens owe loyalty but consumers can more easily exit the unsatisfactory relationship (Hirschman, 1970). Much of the change in the market characteristics for public services revolves around the attempts by governments tutored by public choice models to educate citizens to act like consumers. Thus, for example, the increasing use of citizens' charters in the public services is aimed at facilitating complaint and comprehension for service users, i.e. customers (Millar and Peroni, 1992). The authors of such charters expect better public services to result from a market of customers than one of citizens.

Getting services to the market is the function of channels, a critical marketing concept in understanding the potential for e-government. Three main channel effects of ICT developments may be identified. First, disintermediation occurs where the channel is shortened because the customer accesses the producer directly. In the government situation, this could be where the citizen no longer needs to go through an agency of some kind. The contact is direct, without need for intercession. Cultural norms, as well as established practices and structures, will influence the appropriateness or otherwise of disintermediation. Second, the establishment of information intermediaries (infomediaries) (Hagel and Rayport, 2000) is another development. In this case, the channel gets longer by the introduction of a new player, the function of which is to improve the information flows in one or both directions. Although the channels appears to have more members, and so become longer, if the info-

mediary cuts through complicated 'info-clutter', and actually adds value, it is a positive contribution. Third, the concept of metamediaries has been outlined above (Sawhney, 1999). In this context it may approach a combination of political and public sector services accessed through a single point. The obvious advantages include the development of political and public sector arrangements more in keeping with the public's perspectives than the providers'. These kinds of market or channel solutions are not mutually exclusive; all may exist in a complementary fashion. Their topicality is reflected in the current search for 'joined up' or 'whole' government solutions to the problem of so-called cross-cutting issues.

### **Conclusion: Separating E-Government and E-Democracy**

The debate on the democratic implications of e-government and e-democracy is still in its early stages. There is a danger that, as new concepts are refined, old definitions revisited and fresh models sketched out, the various participants will over-simplify each other's positions. This article has attempted to avoid this risk. Nevertheless, it is true that the case for e-democracy and e-government is being made most vigorously by committed advocates and in rather rhetorical style. It is as well to note, therefore, the common ground. In general, better-informed citizens, acting as confident consumers, make for a better democracy. The establishment of e-government should reduce the efforts of access and complaint, thereby enabling better quality feedback from the marketplace and more responsive service providers. Accepting the citizen as a consumer allows for development of the marketplace analogy. For ICT to make a realistic impact, its limitations also need to be acknowledged.

Separating e-government and e-democracy, even in the interests of making progress on the implementation of delivery systems, can reveal an incomplete picture of the challenges of applying ICT solutions in the public sector. When the distinctive characteristics of public services are subjected to a marketing analysis, it becomes clear that the issues arising are fundamentally bound up with politics. That is, there is no simple separation of the business of government and the business of politics. It may suit some to differentiate e-government from e-democracy, however. For instance, in the area of public service development, the action and imple-

mentation orientation of proponents may be aided by ignoring the difficult complexities of related democratic issues that may not immediately be revealed, notwithstanding real progress in streamlining, efficiency gains and process reengineering. Also, high technology service delivery modes are more amenable to the establishment of efficiency metrics than are principles and practices of democracy such as equality, participation and, crucially, deliberation. Separating these two aspects of government and democracy may serve to insulate agenda-driven projects, but political and organisation realities in the public arena are often too entwined to be treated separately.

The influence of new public management thinking is strong in ICT-based development. It penetrates the public sector with the metaphor of 'running government like a business'. The separation of politics from administration is based on generic views of managing, wherein professional managers regard the public as customers to be served rather than as citizens who govern themselves through collective discourse processes (Box, 1999). Marketing approaches promote the use of market research surveys and focus groups which ostensibly indicate the participation of citizens in design and delivery processes. However, democrats would argue that such measures should not replace politics and engagement in political processes. Market models of government service delivery – potentially enhanced by e-based technologies – must be examined for their compatibility with new modes of governance that emphasise partnership and cooperation.

The danger posed by those promoting a particularly consumer-driven approach to the Internet and its role in public participation is addressed by Sunstein (2001). The ability to filter out everything but that which we wish to see, hear and read is a central aspect of the users' ability to customise the Web for their own use – a distinctly consumer-oriented approach. However, if democracy depends on shared experiences and the requirement of citizens to be exposed to topics they would not have chosen in advance, then that consumer power merely leads to a fragmented society as communities are exposed to less of others' interests and concerns through customised media. The assumption in democratic theory of shifting majorities and dispersed inequalities could be seriously undermined (Birch, 1964).

Clearly, none of the advocates of e-government and e-democracy is ill intentioned towards democratic principles. They may feel some impatience at the idiosyncrasies of the current processes, and point optimistically to the potential for electronic access to information and channels of participation. The argument of this paper, however, is that these benefits, though real, involve a danger for democracy. E-democracy advocates may be in danger of being drawn by technical advances into neglecting the inherently conflictual nature of both government and democracy. However efficiently delivered, information about politics is never neutral; it is given to effect government outcomes. Importing technology-based solutions directly from the commercial world into the relations between the state, public institutions and the citizenry without due

regard for the context is unsafe. A contingency approach demands that the distinctive characteristics of the political and public sector contexts be addressed by the proponents of e-based solutions. Consideration in the first instance of the peculiar aspects of public services, organisations and marketplaces would bring a contextual sensitivity to the project, thereby improving subsequent design and application. However, the political and democratic contingencies noted lie outside conventional managerial, i.e. business-based, perspectives, thereby exacerbating the difficulties. Our conclusion is that the challenge for marketing and management is to recognise and involve the mechanisms of representative democracy, so that they can be incorporated into electronic delivery systems rather than clash with them.

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