

Virtual Marketing
New Rules and Challenges in the Networked Marketplace

Efthymios Constantinides

Dissertation Supervisors

Prof. dr. W. van Rossum, University of Twente
Prof. dr. R. A. Stegwee, University of Twente

Examining Committee

Prof. dr. ir. J.M.L. van Engelen, Rijksuniversiteit Groningen
Prof. dr. B. Englis, Campbell School of Business, Berry College
Prof. dr. C. Millar, University of Twente
Prof. ir. R. Pieper, University of Twente
Dr. A. Groen, University of Twente

Text Edditor

Michael Maier

Cover

Thomas van Oostrum

Printed by

PrintPartners IPSKAMP
Enschede, The Netherlands

© Efthymios Constantinides, Enschede, 2005

No part of this book may be reproduced by print, photocopy or any other means without the written permission of the writer or the publishers of the research essays

ISBN 90-365-2137-8

VIRTUAL MARKETING
NEW RULES AND CHALLENGES IN THE NETWORKED
MARKETPLACE
DISSERTATION

to obtain
the doctor's degree at the University of Twente,
on the authority of the rector magnificus ,
prof. dr. W.H.M. Zijm
on account of the decision of the graduation committee
to be publicly defended
on Thursday 31st of March 2005 at 13.15

by
Efthymios Constantinides
born on the 3rd of April 1955
in Athens, Greece

ἐν οἶδα ὅτι οὐδέν οἶδα
Socrates (469 – 399 BC)

Abstract

In the course of the last forty years, major social, political, demographic and technological developments have placed commercial organizations in the front line of change. Marketing academics often point to the shifting character of marketing in a changing world and frequently emphasize the need for new conceptual and practical approaches in managing the marketing process.

Electronic Marketing, part of the wider array of IT-based business activities commonly described as Electronic Commerce or E-Commerce, is a discipline in urgent need of new and solid theoretical foundations, considering the rapid evolution of this field from a technological oddity ten years ago into a mature mainstream commercial activity today. Despite upheavals in world markets and high-tech industry, Electronic Marketing has become a generally accepted reality presenting 21st century businesses with both opportunities and threats. The effects of a technology-mediated, networked marketplace on future corporate structure, culture, practices and skills are fundamental elements in the debate over how to effectively manage online commercial processes.

In line with public interest and the growing magnitude of commercial activities in virtual environments, scholastic attention in this challenging field has been impressive yet fragmented. This dissertation proposes an integrative approach addressing a mix of key managerial issues in the field of Electronic Marketing; issues not only of academic interest but of practical marketing significance, involving fundamental questions and challenges in the networked global marketplace.

The thesis emphasizes the fact that while deep-seated and time-honored business laws are always valid, survival and success in the virtual commercial environment requires some distance from the established, customary patterns of management thought and behavior. Proactive managerial attitude is essential considering the exceptional nature of the technologies, actors and environmental conditions defining online commerce.

The thesis proposes, describes and studies a comprehensive managerial approach for online marketing based on a process integrating four main areas of entrepreneurial activity of the virtual firm: strategic, operational, organizational and technical. Managing these processes simultaneously requires new organizational approaches based on flexibility that allow for frequent policy assessments and adjustments in the short term rather than the medium or long term. Decreasing the strategic horizon – described in the thesis as “operationalization of strategy” - is a crucial condition for developing and maintaining long-term competitive advantages for virtual corporations.

The thesis focuses on two of the four above-mentioned areas of the virtual entrepreneurial activity, strategic and operational. It analyses the strategic idiosyncrasies of online markets and identifies approaches that have contributed to the successful commercial presence of some exemplar online businesses. Furthermore the thesis examines the operational aspects of Electronic Marketing and focuses on online customers to identify behavioral similarities and differences between them and their traditional counterparts. Understanding the nature of online customers’ needs and behavior is essential for developing the virtual experience that will attract and retain clients in a highly competitive and rapidly changing networked marketplace.

Acknowledgments

Several persons have contributed in one way or another to this dissertation. These contributions go back as far as 1996, the year that I first got involved in teaching Electronic Commerce. While E-Marketing sounded to many as a rather exotic issue at that time, the enthusiastic reactions of my European MBA students as well as the interest and support of some of my colleagues in Larenstein College convinced me that it was worthwhile to continue working on the Web Marketing Mix model, the conceptual framework that became the foundation of this dissertation. In that respect I own many thanks and appreciation to the late Rob Pierie, my Larenstein colleagues Hendrik Kupper and Daan Kappenbourg as well as my MBA students from 1996 to 2000 for their enthusiasm and encouragement. I also own many thanks to the management of AIPS S.A. in Athens, Greece for the opportunity to work as consultant with them in 1998 during my sabbatical leave, something that gave me the opportunity to test and improve the Web Marketing Mix model in real market conditions.

This dissertation would never have been realized without the help of some people from the University of Twente who appreciated my ideas on E-Marketing and found them interesting and worthy of academic consideration and appraisal. People who showed their trust to me, encouraged me to continue and were involved in my application process in the UT are Dr. Giorgos Karayiannis and Dr. Val Jones from the Informatics Faculty, Dr. Arjen Wassenaar, Prof. ir. Roel Pieper, Prof. Dr. Robert Stegwee and Prof. Dr. Wouter van Rossum from the Faculty Business, Public Administration and Technology.

I furthermore want to express my gratitude to the anonymous referees who reviewed the research papers included in this thesis and published in various Academic Journals for their valuable contributions. Their critical remarks and constructive suggestions helped me improve my research papers both methodologically and conceptually as well as sharpen my perspectives and conclusions. I would like to express my gratitude to colleagues in and outside the faculty for their remarks and comments on my manuscripts, especially Paul Kirwan for his valuable linguistic advices. I am also thankful to students of the University of Twente and other institutions who put some of my ideas to the test by applying them as the methodological basis in their own theses.

I want to express my special thanks and gratitude to my colleague Peter Geurts, co-author of my last paper, for his valuable contribution this study. I would like to express my thanks and gratitude to my dissertation supervisors Prof. dr. Wouter van Rossum and Prof. dr. Robert Stegwee for their support and valuable contributions to this thesis in the form of criticism, advice, and guidance.

My family and friends in both Greece and Holland have been always very supportive and I would like to thank all of them. Finally my thanks to my wife Marion and our children Alexander and Stefan for their love, understanding, patience and support all of which made it possible for me to bring this thesis to an end.

Table of Contents

Abstract	5
Acknowledgments	6
PART 1. OVERVIEW OF THE DISSERTATION	8
1. INTRODUCTION.....	8
1.1. Background of this research	10
1.2 Objectives and Contributions of the Thesis.....	11
1.3 Justification, Focus and Structure of the Thesis	12
1.4 Research Hypothesis and Methodology	13
2. OBJECTIVES, OVERVIEW OF THE RESULTS AND MAIN CONTRIBUTION PER ESSAY	15
2.1 Essay I: The 4S Web-Marketing Mix model	15
2.2 Essay II: The Marketing Mix revisited: Towards the 21 st Century Marketing	17
2.3 Essay III: Strategies for surviving the Internet meltdown: The case of two Internet incumbents	18
2.4 Essay IV: Influencing the online consumer's behavior: The Web Experience	20
2.5 Essay V: The Impact of Web Experience on Virtual Buying Behavior: An Empirical Study	21
3. DISCUSSION AND CONCLUSIONS	23
3.1 Review of the results	23
3.1.1 Theoretical Contributions of the Thesis	23
3.1.2 Research questions and conclusions of the thesis.....	24
3.1.3 Practical Implications of the Thesis	26
3.2 Limitations of the study and issues for further research	28
4. LITERATURE REFERENCES	30
5. LIST OF DEFINITIONS.....	33
PART 2. THE ESSAYS.....	35
2.1. Essay I: Constantinides E., 2002, The 4S Web-Marketing Mix Model. E-Commerce Research and Applications, Elsevier Science, July 2002, vol 1/1, pp 57-76.....	37
2.2 Essay II: Constantinides E., The Marketing Mix Revisited: Towards the 21 st Century Marketing, Journal of Marketing Management, Westburn Publishers Ltd, Forthcoming	63
2.3 Essay III: Constantinides E., 2004, Strategies for Surviving the Internet meltdown: The Case of Two Internet Incumbents, Management Decision, vol 42, nr 1-2, pp 89-107.....	91
2.4. Essay IV: Constantinides E., 2004, Influencing The Online Consumer's Behavior: The Web Experience, Internet Research: Electronic Networking Applications and Policy, vol 14, nr 2, pp. 111-126	111
2.5 Essay V: Constantinides E., Geurts P., 2004, The Impact of Web Experience on Virtual Buying Behavior: An Empirical study	143

PART 1. OVERVIEW OF THE DISSERTATION

1. INTRODUCTION

“The Internet changes everything” was one of the prominent aphorisms of the 90’s, when technology visionaries popularized the looming digital revolution by envisaging the inevitable substitution of old economic and business orders by a networked, virtual, high-tech New Economy. The Information Superhighway known as the Internet, the heart and the nervous system of the digital marketplace, was frequently praised as the new global source of wealth, a business El Dorado within reach of anyone fast enough to catch the passing ICT¹ train.

With the ensuing collapse of the New Economy still fresh in the memory, the old aphorism can be viewed today with a certain degree of nuance and disillusion: Has the commercial Internet indeed changed everything?

A plausible answer is that the while Internet has changed a lot, it certainly has not changed everything (Manes, 2000; Spar, 2001). Most of the fundamental, time-honored business tenets often overlooked in the time of techno-optimism of the 90’s are as valid today as they always have been: profit remains the undisputed basis for long-term business survival while market orientation unquestionably remains a crucial component of commercial success (Kotler 2003). Ignorance or disregard of these principles led many ambitious, high profile Internet start-ups of the 90’s to mistaken priorities, objectives and policies (Janenko, 2003) and resulted in their ultimate demise.

What has been changing in an increasingly ICT-mediated, networked and global marketplace (Malone et al, 1987) is the way firms look at themselves, their industries, competitors and customers. For many new online players and traditional incumbents entering the virtual age it is quite obvious that critical re-assessment of cultural orientation, management attitudes, resources and organizational processes is imperative for survival, let alone success in the online marketplace (Gallaughner, 1999; Prastacos et al, 2001; Tapp and Hughes, 2004) In a chaotic and unpredictable global network characterized by the constant and rapid change (Brown and Eisenhardt, 1998) typical of online markets, strategic horizons and product life cycles are curtailed while long-term competitive advantages are difficult to build and even harder to retain (Porter, 2001). In such business settings organizations find themselves under continuous and immense pressure to transform their strategies and redefine their business tactics on many fronts (Doyle, 1995; Sharma and Sheth, 2004), including marketing (Harridge-March, 2004).

The urge for marketing approach changes in the virtual markets is part of a movement not confined to electronic markets only. Firms operating in physical markets are also confronted with diminishing effectiveness of some trusted former tactics. Marketers are increasingly forced to substitute mass marketing approaches and standardized offers meant to satisfy the often explicit needs of loyal customers, with one-to-one marketing and customized offers designed to attract the treacherous, powerful, well-informed, unpredictable and individualistic customers of today (Urban and Hauser, 2003). This new breed of customers do not base their choices on brand preferences or perceived product value but increasingly on their “offline” and online shopping experience (Christofer, 2001; Zwick and Dholakia, 2004, Andrews, 2004).

Against a background of constant change, 21st century marketing executives must learn to operate in highly competitive global markets while trying to reach unpredictable customers with diverse needs. Surviving such conditions requires a balanced approach between adopting new strategies and tactics on one hand and adopting proper technologies on the other

¹ ICT: Information and Communication Technologies

(Zinkhan and Watson, 1998; Ba et al., 2001). One of the lessons of the High-Tech bubble is that, despite the worldwide increasing popularity of the Internet as a commercial platform, blindly pronouncing technology as a new commercial mantra is a dangerous error. Despite their superb technologies, many of the ill-fated first generation Internet firms of the 90's were surprisingly naïve in their commercial and financial assumptions (Shama, 2001; Benbya and Belbaly, 2002; Siddiqui et al, 2000). A lot of these pioneers set off to conquer cyberspace based on still-born business models, often marketing products and services along the lines of the long-abandoned product orientation principle, and failing to understand the real needs and mechanisms of their markets as well as the new strategic realities (Kalakota and Robinson, 1999; Christensen 2000; Thornton and Marche, 2003).

1.1. Background of this research

This thesis is the latest stage of a process that began in 1996 when I developed my first syllabus for a series of lectures on Internet Marketing. This was part of the curriculum of the European MBA of the International Agricultural College Larenstein (NL). In those early days of the commercial Web, the vast economic significance and commercial potential of the Internet was evident in the pioneering work of a number of Internet start-ups such as amazon.com, dell.com and yahoo.com. This quickly captured the attention of the press, business interest and the public imagination.

Despite the immense public interest, academic interest was limited and college teaching material was in short supply. A number of scholars were taking the first steps towards embracing the Internet as a subject of academic teaching and research, setting up the first college courses in Electronic Commerce and publishing the first research papers. Limitations on teaching material left me with no option but to develop the necessary course material myself.

Looking closely at the first successful cases of virtual businesses and the evolving and expanding online landscape, I began to be conscious of the unique features of the web. I also became aware of some fundamental flaws of traditional marketing theory and practice when applied to virtual marketplaces; flaws related to the very nature of online markets but also to the different disposition and attitudes of the emerging online consumer. My feeling at the time was that marketing in this virtual and ubiquitous global network requires different entrepreneurial thinking, new management approaches and tools other than traditional marketing. These thoughts evolved into the underlying hypothesis of this dissertation. I was also convinced that any effort to understand and model the online marketing process should not be confined by a narrow educational scope. A broader and deeper study of online marketing issues was part of an academic debate that should yield fresh knowledge on managing the Electronic Marketing process. This knowledge is vital for tapping the enormous potential of the Web and transforming the promising technology into a mainstream commercial activity and real sources of business prosperity.

1.2 Objectives and Contributions of the Thesis

The main objective of this dissertation is to reduce the knowledge vacuum in the area of Electronic (or Online) Marketing by addressing a number of key topics and developing new conceptual approaches of academic as well as practical value.

The thesis argues that marketing products and/or services in multi-media, virtual and network-dominated marketplaces differ in a number of key aspects from traditional marketing in, physical marketplaces. Understanding these differences and developing new methodological processes and management tools is a necessary condition for utilizing the full potential of online markets.

The main contribution of this dissertation to the academic body of knowledge is the identification and study of the critical elements of online marketing management. These elements are recapped in the 4S Web Marketing Mix concept identifying Strategic (Scope), Operational (Site), Organizational (Synergy) and Technological (System) parameters as the key components of the virtual marketing process and main contributing factors to a successful online commercial proposition. This thesis examines a complex, multi-dimensional and wide-ranging management area, too broad to be dealt with in a single study. The dissertation is therefore limited to two groups of factors affecting the marketing management decisions in online environments:

- a. Strategic factors and
- b. Operational factors (including the virtual consumer).

The practical contribution of the study is the identification of management concepts and insights useful to E-Marketing practitioners; these are meant to help e-marketers better understand the mechanisms and challenges of the online environment in order to effectively pursue their virtual business objectives. In addition to fresh theoretical knowledge and insights on E-Marketing, the thesis identifies issues requiring further analysis and research.

1.3 Justification, Focus and Structure of the Thesis

During the 90's more and more people began referring to Electronic Commerce (or E-Commerce) as something essentially different from Electronic Data Interchange (EDI), the technology mostly associated with this term in the pre-Internet era. Unlike the static, proprietary and technical EDI, the new Internet-mediated E-Commerce became synonymous with dynamism, growth, progress, innovation and success (Mahadevan, 2000). The euphoric climate around the Internet as a commercial platform and source of business opportunity spilled over to equity markets while vast amounts of venture capital became easily available to pioneers who seemed to have good ideas about how to take advantage of the untapped potential of the fast-expanding virtual marketplace.

The collapse of the High-Tech industry and the bust of the dot.com bubble that followed this exhilarating period saw a destruction of equity value and venture capital invested in shaky virtual businesses unique in its proportions (Michalak and Calder, 2003; Ayres and Williams, 2004). The high-tech failure initiated a financial domino effect that was responsible for the first global economic recession of the 21st Century.

The pessimistic economic climate that followed the web meltdown has placed the Internet and E-Commerce in a more balanced context. Excessive enthusiasm has been replaced by healthy skepticism, cautiousness and debate while scholastic attention has begun focusing on problem areas and issues around electronic enterprise. Vigorous academic research (Ngai and Wat, 2001, Cheung et al. 2003) has already yielded new strategic and operational insights presenting researchers and online businesses with a clearer picture of the virtual commercial environment. On the other hand, despite the thousands of conference hours and the impressive volume of academic publications of recent years, relatively little research effort has been done towards integrating the extensive knowledge into new theoretical frameworks with practical aptitude. As a result, many writers of Electronic Marketing textbooks prefer as a rule to adapt old marketing concepts to new conditions rather than forge a new understanding of current marketing realities and new managerial needs. The apparent focus on old theoretical contexts (Grönroos, 1994) could explain to some degree the tragic end of so many first generation Internet ventures (Essay I).

As stated earlier, the objective of this thesis is to contribute new knowledge and define new methodological tools valuable to academic research and business practice. It focuses on some of the main strategic and operational issues of E-Marketing, proposing new conceptual approaches for improvement of E-Marketing management techniques. This is based on the study and classification of existing knowledge, case studies as well as empirical research.

Furthermore, the dissertation is committed to providing a valuable contribution to the current discussions, academic and otherwise, on the causes behind the initial collapse of the Internet industry and lessons learned from these failures. Along these lines the issues addressed by the five essays ² which constitute the main body of this thesis, can be summarized as follows:

The well-known 4P Marketing Mix model (Borden, 1964; McCarthy, 1964), for all intents and purposes considered the conventional marketing paradigm for more than forty years, does not seem to address the needs of the 21st Century marketer. The thesis summarizes the current standing of the debate on this issue from the point of view of different traditional marketing sub-disciplinary areas and questions the appropriateness of conventional marketing

² It must be mentioned here that the order of these essays is based on the chronology of their submission for publication, something not necessarily reflecting the chronological progress of the dissertation.

methodologies and practices when applied to online environments. The thesis proposes the 4S Web-Marketing Mix as a new approach and conceptual basis for online marketing. This study focuses on two of the four elements of the model, namely the strategic and operational elements of the online marketing management process.

1.4 Research Hypothesis and Methodology

The fundamental research hypothesis of the thesis can be formulated as follows:

“The increased role of the Internet as a commercial platform requires a reassessment of the conceptual foundations, managerial attitudes and practical approaches of 21st Century marketing management.”

In order to assess the validity of the research hypothesis in a systematic way the following research questions have been formulated outlining the issues central to this thesis:

1. Do changes in the marketing landscape during the last four decades justify a shift from traditional marketing management practices by E-Marketers?
2. What are the differences between traditional and virtual marketing management practices from the strategic and operational management perspective?
3. What are the differences between traditional and virtual consumers and what are the effects of these differences on online marketing operations?

The wide and complex domain outlined by the hypothesis and research questions requires a mix of research approaches. This dissertation utilizes multiple methodologies as a result of the different types of research essays, published, forthcoming or submitted to different academic journals. The following short overview of the five essays provides a brief description and identifies the various methodological approaches.

a. Essay I: Conceptual paper. This essay reviews the main issues underlying the need for a fresh managerial approach in Electronic Marketing. The study identifies the strategic, operational, organizational and technological elements of the managerial process underpinning a successful commercial online operation. These four elements, classified in a conceptual framework (the 4S Web Marketing Mix), illustrate the critical factors of E-Marketing and outline a comprehensive methodology dealing with management issues in a networked commercial environment. In addition to theoretical justifications, the 4S framework has been tested and further refined by means of real-life projects, two of which are described in the essay.

b. Essay II: Literature review. This essay reviews trends in marketing management theory and classifies academic attitudes regarding the need for a fresh theoretical approach in this field. The main objective of this paper is to assess and classify research conclusions and views about the standing of the traditional and highly popular marketing management toolkit known as the 4P Marketing Mix framework (Borden, 1964, McCarthy, 1965). Based on a literature review the study classified the attitudes of researchers towards the 4P framework in different disciplinary areas of marketing management (consumer marketing, services marketing, industrial marketing, retailing, E-Marketing).

c. Essay III: Case study. The focus of this essay is the online strategic process, the first parameter of the Web Marketing Mix model. The paper reviews, analyses and compares the corporate strategic philosophy and approach of two successful virtual firms over a period of

five years, comparing their managerial attitudes with traditional strategic practices. The objective of the study was to assess whether the strategic bearing of these firms has contributed to their survival and successful online presence and if so what lessons can we learned from their strategic experience. The study is a step towards the identification of strategic challenges and options for online organizations as well as an identification of best long-term oriented practices in the online environment.

The Essay has received the 2005 Literati Club Award for Excellence for outstanding papers.

d. Essay IV: Literature review. This study reviews recent research findings and focuses on identification and classification of the controllable e-marketing factors likely to bring about an attractive online (or web) experience. Knowledge of the components and effects of the online experience will allow E-Marketers to develop effective virtual propositions and improve their online offers, a vital condition for attracting and retaining the online consumer. The paper classifies the large number of isolated factors contributing to the customer’s online experience into five categories: Usability, Interactivity, Trust, Aesthetics and Marketing Mix.

e. Essay V: Empirical research. The results of the previous study are validated by means of a survey assessing the actual impact of the web experience factors, identified in Essay IV, on buying behavior of online consumers. The study evaluates and refines the proposed Web Experience classification, measuring the weight and relative importance of the different web experience components and their combined effect on the online consumer’s decision-making process.

The five essays address a variety of issues and different research questions. Table 1 plots the contributions of each essay in this study in relation to the previously mentioned research questions.

Essay Research Question	I	II	III	IV	V
1	X	X	X	X	X
2	X		X		
3				X	X

Table 1. Essay contribution to research questions

2. OBJECTIVES, OVERVIEW OF THE RESULTS AND MAIN CONTRIBUTION PER ESSAY

This section presents the objectives, a summary and the main theoretical contributions of the five essays to the dissertation.

2.1 Essay I: The 4S Web-Marketing Mix model ³

Objectives and overview

The essay assesses the need for a new approach in managing online marketing processes, considering the essential differences between physical and virtual marketing. It outlines the shortcomings of traditional marketing methodologies in online environments, and develops a conceptual framework that identifies functional managerial steps for creating a successful online presence.

The essay examines the role of the traditional and popular management archetype, widely known as the 4P Marketing Mix⁴, as a foundation for marketing planning in Internet-mediated marketing environments. It argues that essential differences between physical and virtual marketplaces and some fundamental weaknesses of the 4P mix make it unfit as the online marketing toolkit.

The main weaknesses of the 4P approach in the online marketing context are summarized in the following four issues:

- Lack of strategic dimensions: the 4P elements designate operational dimensions of the marketing management process making this model inappropriate as a strategic tool.
- Emphasis of the mix on mass marketing of standardized products and/or services rather than on customized offers targeting individual customers.
- The 4P framework identifies the four critical marketing factors as independent management processes affecting the customers' buying behavior in different ways and in different stages of the buying process. In an online situation, the traditional Ps are not longer critical elements of marketing but actors experienced simultaneously with several other components of the corporate web site.
- The 4P model is static and lacks interactivity.

The essay proposes a new approach in dealing with elemental management problems in the virtual marketplace, classifying the critical issues of E-Marketing in the form of the 4S Web-Marketing Mix conceptual framework.

The 4S mix takes into consideration the rapid environmental changes and low entry barriers that characterize the commercial Internet. For firms trying to establish and maintain online competitive advantages, these features of online markets require new techniques. These include developing a flexible managerial attitude based on close monitoring of environmental factors and allowing swift response to change. Such an approach integrates the strategic, operational, organizational and technical elements of the marketing management process and is subject to frequent and extensive reviews. In this respect, the proposed framework should not be compared or associated with the 4P model as a tool of marketing planning, since it

³ Constantinides E., 2002, The 4S Web-Marketing Mix Model. E-Commerce Research and Applications, Elsevier Science, July 2002, vol 1/1, pp 57-76

⁴ Product, Price, Promotion and Place.

presents a comprehensive methodology describing the necessary steps for conceptualizing, designing and building a successful online presence.

More specifically, the 4S mix identifies the following four critical managerial ingredients of E-Marketing:

- a. **SCOPE:** Defines the main strategic issues underpinning the online presence; these are subject to continuous management review and appraisal. Issues of scope include markets and competitors, customer profiles, effects of the online operation on existing internal processes and identification of the strategic role of the firm's online presence.
- b. **SITE:** Identifies the operational aspects of the online presence reflecting the character, positioning and market focus of online firms. The corporate web site, as the main interface between the firm and its customers, must be designed in a way that facilitates contact with the target group(s). The web site must convey a virtual experience that encourages customer interaction as well as customer retention.
- c. **SYNERGY:** Designates areas where integration between the online presence and the organization or its networks is essential. Online firms will maximize their market impact by capitalizing on synergies with existing commercial and organizational processes while fully utilizing their commercial networks. This requires:
 - Integration with the Front Office: integration of the firm's virtual activities in the total corporate marketing plan. This is necessary in order to provide the firm's online presence the initial support needed in order to develop as a significant component of the total marketing program.
 - Integration with the Back Office: Emphasizes the fact that a far-reaching integration of virtual activities in the existing organizational processes is a vital condition for meeting the service needs and expectations of online customers. Integration of the online presence with existing organizational processes might mean that some of the traditional operations or procedural routines have to be upgraded or re-designed in order to deliver the proper level of virtual customer service and value.
 - Integration with external parties and company networks: necessary for promotional and logistic activities as well as outsourcing processes that cannot be done internally in a cost – efficient manner.
- d. **SYSTEM:** Outlines technical factors underpinning the secure, safe, cost-efficient and customer-friendly operation of the corporate web site.

Main contributions

The essay describes and explains a simple yet comprehensive methodological basis for developing attractive, competitive, flexible and potentially successful web propositions. It proposes a managerial concept that can be applied as an initial step in the designing and building a corporate online presence or as a tool for evaluating and improving existing E-Marketing concepts. Next to its theoretical and practical aspects the essay describes an educational tool for E-Marketing teaching and contributes to the academic debate about modeling the online marketing management processes.

2.2 Essay II: The Marketing Mix revisited: Towards the 21st Century Marketing ⁵

Objectives and overview

The essay reviews and ascertains the present status of the traditional 4P Marketing Mix model from the perspective of several Marketing sub-disciplines. The results of the study question the standing and value of the framework as the marketing paradigm of the 21st Century Marketing.

This study identifies the effects of changing marketing conditions and the impact of theoretical developments on the aptitude of the 4P Marketing Mix model during the last few decades (Borden 1964, McCarthy 1964). The essay reviews academic papers and marketing textbooks addressing the status of the model from the perspective of a number of Marketing Management sub-disciplines: Consumer Marketing, Services Marketing, Industrial Marketing, Retention Marketing, Retail Marketing and Electronic Marketing.

The study is a detailed analysis of the role of the model and systematically addresses the position expressed in the previous essay regarding the suitability of the 4Ps as a proper basis for developing marketing plans in contemporary and future markets. The analysis leads to the conclusion that the large majority of the reviewed writers agree that two basic flaws of the 4P framework - lack of customization and internal orientation – are indicative of the different marketing landscape and business philosophy of today. These two failings combined with several minor flaws make the 4P concept inappropriate as the basic tool of contemporary marketing management in the sub-disciplinary areas reviewed. In all these areas (with the surprising exception of Electronic Marketing), the large majority of academics point to inadequacies of the 4P framework and propose either the addition of new parameters addressing specific problems and conditions or rejection of this concept as a management tool altogether.

The cautious and rather mild approach towards the 4Ps by a relatively high number of writers from the E-Commerce / E-Marketing domain is a paradox that indicates a sharp contrast between some of the writers in this field and the course chosen by the majority of their colleagues in more traditional marketing domains. This inconsistency can be explained by the novelty of the subject, a lack of research evidence and limited empirical experience.

Main contributions

This essay provides a comprehensive picture of the current vigorous debate about the appropriateness of the 4P Marketing Mix as the cornerstone of Marketing teaching and practice. It examines the issue in relation to developments and trends in a number of marketing domains, emphasizing the need to expand the analysis to other marketing disciplinary sections. The essay underlines the need for new theoretical methodologies and practical tools that better address the needs of virtual marketers.

⁵ Constantinides E., The Marketing Mix Revisited: Towards the 21st Century Marketing, Journal of Marketing Management, Westburn Publishers Ltd, Forthcoming

2.3 Essay III: Strategies for surviving the Internet meltdown: The case of two Internet incumbents⁶

Objectives and overview

One of the fundamental notions of the 4S Web Marketing Mix framework is the contiguity of strategic and operational decisions in volatile and fast developing online markets. The essay argues that strategic “operationalization”, flexibility and proactive managerial attitudes towards strategy formulation have been one the main contributing factors to the survival and success of some exemplar Internet players without however attempting to generalize the conclusions or exclude other strategic options.

The thought that changing environmental conditions require efficient strategic responses is not new (Mintzberg and Waters, 1885). In recent years it has been frequently argued that surviving in quickly evolving and chaotic marketplaces requires special corporate skills and attitudes (Beinhocker, 1997; Brown and Eisenhardt, 1998; Eisenhardt and Sull, 2001). In online marketplaces fast and continuous change is a permanent factor of the corporate macro-environment, while the very nature of the Web tends to weaken rather than strengthen competitive advantages in the long run (Porter 2001). These conditions make the survival and growth of online firms an extraordinary challenge.

Anecdotal evidence suggests that survivors of the dot.com meltdown and most of the Internet firms claiming market leadership are firms that manage to adapt quickly to fast evolving environmental conditions by embracing change as their main strategic thrust; this is the way to maintain technological and market leadership over time.

The essay reviews the strategic course and attitudes of two industry leaders from the first dot.com generation, widely considered as successful Internet corporations today. These firms not only survived the shock of the high-tech meltdown of the 1990s but also retained or even expanded their market leadership afterwards.

The study proposes a model for analyzing and comparing online corporate strategies and applies this methodology to the case studies. The analysis focuses on the identification of the qualitative and quantitative elements of the growth-oriented strategic decisions taken and implemented by the two Internet pioneers in a period of five years (1997-2001).

The qualitative classification of strategic decisions was based on the growth strategies model proposed by Igor Ansoff (1965). The quantitative data indicates that the low-risk Market Penetration strategy has been the least popular choice for these pioneers, both of whom have shown a clear preference to relatively riskier growth-oriented strategic options (Diversification, Market Development and Product Development).

These preferences for growth are based on innovation-centered expansion and can be explained by the very nature of online competition and traits of the virtual marketplace: Low entry barriers and low investment costs attract competitors with similar or substitute offers to profitable online markets discovered by the pioneers, resulting in quick market saturation, price-based competition and depletion of profit margins. This is forcing market leaders to pursue other opportunities for growth in new market segments, to develop new product

⁶ Constantinides E., 2004, Strategies for Surviving the Internet meltdown: The Case of Two Internet Incumbents, *Management Decision*, vol. 42, nr 1-2, pp 89-107

categories or combine both of these strategies if they wish to maintain profitability and market position.

The study identifies several similarities in the strategic culture and overall approach between these two firms while the number, nature and frequency distribution of their strategic decisions during the period in question follow fairly similar patterns.

Main Contributions

The study underlines the importance of corporate strategic flexibility as an important parameter for survival and success of online firms. The cases indicate the obvious preference of some model online businesses for short-term rather than long-term orientation. These firms base their strategic response on continuous market monitoring, flexibility and proactive attitudes towards new opportunities with less regard to strategic objectives and formal strategies. The study highlights the gap between “traditional” strategic decision-making culture versus successful strategic practices in cyberspace, arguing that continuous managerial involvement and short-term or “operational” strategic processes are essential conditions for sustainable growth in online environments.

2.4 Essay IV: Influencing the online consumer's behavior: The Web Experience ⁷

Objectives and overview

The essay identifies factors controllable by online marketers likely to exercise an influence on the buying behavior of virtual customers. These factors are classified in five groups forming the building blocks of the Web (or online) Experience.

The review of recent literature on the Internet buying behavior reveals the immense quantity of research interest in this area. Yet research has been so far fragmented, by and large focused on effects of isolated parameters on the virtual buying behavior and decision-making process. Comparison of traditional and online buying behavior indicates a similarity of underlying principles: both cases are influenced by uncontrollable – external and personal – as well as controllable⁸ factors. (Cheung et al., 2003; O'Cass and Fenech, 2003). An important difference between the two categories emerges when controllable factors are closely examined. In the case of traditional consumers, most marketers and textbooks agree that the main tools for influencing the customer's behavior are the four P elements (Product, Price, Place, Promotion) of the Marketing Mix (Kotler, 2003). The essay argues that in the case of virtual consumers, marketers can affect online buying behavior by creating and communicating the proper Web Experience or Online Experience; online marketers must understand what Web Experience is and how they can use it as an effective marketing tool for customer persuasion.

This study reviewed forty-eight recent academic papers investigating the nature and importance of controllable parameters influencing virtual consumer behavior. The review yielded a wide variety of web experience factors, classified in three main clusters: Functionality factors, Psychological factors and Content factors.

These clusters were further divided into groups of closely related elements resulting in a detailed taxonomy identifying the five main Web Experience components: Usability, Interactivity, Trust, Aesthetics and Marketing Mix.

The Web Experience classification is based on qualitative criteria and is subject to further refinement. Important issues for further research are the relative importance of the different components, the combined impact of web experience ingredients on online consumers and their effects on the different stages of the online buying process and on different types of virtual consumers.

Main contributions

The essay focuses on the operational issues of online marketing, defining elements responsible for attracting and retaining online customers. The study presents a clear picture of the current academic stance regarding the effects of these elements on online consumer behavior.

⁷ Essay IV: Constantinides E., 2004, Influencing The Online Consumer's Behavior: The Web Experience, Internet Research: Electronic Networking Applications and Policy, vol 14, nr 2, pp. 111-126

⁸ controllable factors are those subject to marketing manipulation

2.5 Essay V: The Impact of Web Experience on Virtual Buying Behavior: An Empirical Study⁹

Objectives and overview

This essay provides an empirical validation of the Web Experience classification proposed in Essay IV. By means of a simulated purchasing situation, the study tests and refines the theory. Additionally, the study measures the individual and relative importance of the various Web Experience elements as influencing factors of online consumer behavior.

A convenience sample consisted from undergraduate and doctoral students formed the population of a contingent valuation survey. The majority of participants were Internet users with longer than five years of experience with this medium while 77% of them had also previous experience with online shopping.

Finding cheaper products, saving time and the possibility to compare product prices were the most important reasons for buying products online while the lack of physical contact with the product, preference for traditional shopping and lack of trust for online shops were the main reasons for not buying products or services online for those without previous record in online shopping.

The survey was based on a simulation of online shopping conditions, meant to test the effect of the five elements of the Web Experience (WE), consisted by totally 25 components, on the choice of online vendor. Participants could spend a fictitious budget of 300 Euro (approx \$ US 360) for purchasing a digital camera online. Participants were obliged to adhere to minimum requirements as to the technical specifications of the camera that had to be new and not bought in any online auction site but in a web shop. There were no restrictions as to the search methods and participants were free to buy the product of their choice from any online shop provided that delivery in The Netherlands was possible. .

A group of eighty-four persons participated in this experiment; they had to fill in a four-parts questionnaire designed to identify the influence of the different Web Experience factors on their choice of an online vendor. Participants were also asked to identify one online shop that they consider as their second choice as well as a vendor that for any reason was excluded from their consideration set. In this manner we were able to identify the effect of the individual WE elements on the choice or rejection of online vendors and identify the factors that play a critical role in the choice between candidates vendors.

The statistical analysis of the survey results yielded very interesting insights on the online buying behavior of the participants.

Asked as to their opinion about the importance of the five WE elements in the choice of an online vendor, the overwhelming majority found all of them very important or important influencers of their choice with Trust the most influential factor of all.

The regression analysis performed (the five WE factors were the explanatory variables and the purchase of the product was the dependent variable) revealed some very interesting results. From the five WE factors two (Usability and Marketing Mix) seem to have played a significant role in the choice of the online dealer, the role of Trust and Aesthetics was very limited and very surprisingly the Interactivity, one of the main advantages of the web against the traditional mass media, seemed to have even a negative effect on the choice. The study

⁹ Under review

indicated also that the motives and the previous experience with the Internet and online shopping do not substantially influence the effects of the WE factors on their vendor choice. Some important limitations in this study (composition of the population, the lack of risk elements, the time limitation etc) make it necessary that one should be very cautious with generalizations of the conclusions.

Main contributions

This study tested theoretical findings and revealed a somehow unexpected picture generating new questions as to the buying behavior of the online consumer. The study indicated that assumptions as to the actual online buying process and consumer decision-making mechanisms must be critically evaluated and knowledge in this area should be updated with continuous theoretical and empirical research. It also revealed that specific types of Internet users are likely to behave in unexpected ways and possibly modify their buying behavior overtime. It is essential to look very closely to the behavior of specific demographic segments of web consumers while new generations of users are entering the Internet market; generations skillful in the use of the web, looking to the digital marketplace as a natural source of information and business channel

3. DISCUSSION AND CONCLUSIONS

This chapter summarizes the contributions of this thesis to the theoretical and practical body of knowledge and discusses its main conclusions and results. The limitations of this study are also discussed and issues for further research are identified.

3.1 Review of the results

3.1.1 Theoretical Contributions of the Thesis

A principal theoretical contribution of this dissertation is the appraisal of the popular 4P Marketing Mix model as a managerial toolkit of online marketing. The resulting critical assessment as to the aptitude of the model, is in line with findings of previous academic research on the role of the 4P concept as an educational instrument and toolkit of traditional, physical marketing. The question of whether the traditional marketing mix is the proper management tool for online marketing is addressed by previous research to a very limited extent. Along these lines, the thesis also rejects the assumption that influencing online customers is simply a matter of properly combining and deploying the 4P Marketing Mix elements, an assumption widely held among traditional marketers and marketing textbook writers.

The thesis develops an alternative conceptual framework, the 4S Web Marketing Mix, as a proper methodological basis for online marketing management. The 4S methodology integrates a number of managerial areas and processes considered unrelated or not directly related to marketing planning by traditional marketers, into a single framework. The framework identifies the critical parameters of E-Marketing, emphasizing the importance of a comprehensive and versatile approach in designing and building online commercial concepts. To be clear: The 4P Marketing Mix and the 4S Web Marketing Mix concepts, despite their semantic similarity, are not really comparable as to their nature, purpose and use. The 4P model is a tool of physical marketing limited to operational marketing decisions and elements. The 4S mix defines a comprehensive managerial process, including Strategic, Operational, Organizational and Technological elements, all of which underpin the design, construction, commercialization and evaluation of a corporate Web proposition. The 4S methodology depicts a perpetual process, something essential for maintaining and improving market position as well as sustaining competitiveness.

A second theoretical contribution of the thesis is the study of two of the components of the 4S framework: the strategic and operational principles underpinning online marketing activities. The strategic analysis, based on the approach suggested by organizational sociologists, is focused on issues related to strategic evolution and corporate survival in the context of environmental change and other structural influences likely to trigger organizational change. In this context, shortening strategic cycles and departure from conventional strategic practices in fast changing, highly competitive environments are issues often discussed in the more recent strategic literature. The thesis concludes that managerial attitudes based on flexibility, innovation and short-term strategic focus are important contributors to the long-term survival and market leadership of successful online corporations. The thesis argues that strategy in online environments must have an “operational” character i.e., become short-term rather than long-term oriented.

As to the operational aspects of the online marketing process, the study identifies and examines a number of factors influencing the virtual consumer’s behavior i.e., factors of vital importance for success or failure of consumer-oriented online businesses. Essays IV and V are focused on the identification and classification of factors under the control of online

marketers likely to attract and retain virtual customers. These factors in combination will create and communicate the Online (or Web) Experience that makes a web site attractive or not. Isolated factors identified by previous research as ingredients of the Web Experience are reviewed and classified in five categories. This classification is the basis of a quantitative study meant to test and validate the proposed classification as well as measure the relevance and weight of each category as influential to the virtual consumer's behavior.

3.1.2 Research questions and conclusions of the thesis

The basic research hypothesis underpinning this dissertation (par. 1.4) has been refined by means of three research questions. The following analysis summarizes the answers to these questions and the main conclusions arising therein.

Research question 1: Do changes in the marketing landscape during the last four decades justify a shift from traditional marketing management practices by E-Marketers?

The thesis addresses this question on three different levels: procedural, strategic and operational.

On a procedural level, Essays I and II explore the merits of the 4P Marketing Mix, one of the most widely known and popular theoretical foundations of marketing management, as the conceptual basis of marketing planning in traditional as well as virtual marketplaces. The essays argue that the mix is not the proper tool of marketing management in the current commercial context and is certainly inapt for virtual marketplaces. The most important reasons for that are changing conditions on the ground, increasing complexity of the marketing function and the changing consumer.

On a strategic level, Essay I outlines the basic dimensions of the basic ingredients of the online strategy while Essay III identifies policy approaches that have contributed to the survival and market leadership online. Given the strategic idiosyncrasies of the virtual marketplace (global competition, fast changing technologies, low-entry barriers etc.), Essay III argues that a versatile and proactive attitude is imperative for survival. This is due to the fact that constantly changing market parameters quickly offset first movers or any other competitive advantages. Firms unable to adapt and innovate quickly are unable to build sustainable competitive positions. In this respect, conventional strategic planning routines and traditional long-term thinking as to strategic mission, objectives and strategy implementation can be limiting factors and a threat for long-term survival.

On an operational level, Essays IV and V examine the changing attitudes of contemporary online consumers. This examination illuminates the fact that online buyers apply different criteria than their traditional counterparts when evaluating commercial offers while the online experience plays a very important role in the virtual customer's decisions and choices. In online environments customer influence and persuasion require different management thinking, tools and approaches.

Conclusion 1: E-Marketers should distance themselves from customary managerial approaches when dealing with online management questions on procedural, strategic and operational levels.

Research Question 2: What are the differences between traditional and virtual marketing management practices from the strategic and operational management perspective?

Essay III analyses strategic practices and growth patterns of two model online firms over a period of five years and identifies common strategic approaches that contributed to their success. Lack of long-term strategic commitment, permanent focus on innovation and high-risk growth strategies, realized by a large number of strategic decisions are all indicative of flexibility and efficiency in policy formulation and implementation. The short-term orientation of virtual market leaders is aimed at establishing temporary competitive positions rather than creating and maintaining enduring competitive advantages.

On an operational level, the thesis argues that some of the traditional marketing assumptions do not apply to online markets. The contrast here centers on the tradition of 4P Marketing Mix factors as essential to attracting customers. The role of 4P elements in the virtual marketplace is much more limited than in traditional marketing being only minor parts of the Online Customer Experience (Essay IV and V). Online marketers must redesign their attitudes and tactics regarding customer acquisition, influence, persuasion and retention.

Conclusion 2: On a strategic level, E-Marketing requires a new managerial attitude based on efficiency, innovation and flexibility. On an operational level it is important for online marketers to understand differences between traditional and virtual marketing as well as learn more about the marketing tools available for influencing online customer behavior.

Research Question 3: What are the differences between traditional and virtual consumers and what are the effects of these differences on online marketing operations?

The forces affecting consumer behavior and choices can be divided into two categories: those controlled by the marketer and those beyond the control of the marketing executive (external influences and personal characteristics). Unlike traditional marketing, where 4P Marketing Mix factors are – rightly or wrongly - considered the main instruments of customer influence and persuasion, influencing the behavior of virtual customers is a question of creating and delivering an attractive Web (or online) Experience. Essay IV reviews factors contributing to the Web Experience and classifies those in a number of categories. This classification is based on previous research findings and reflects the complex nature of virtual buying behavior. It is indicative of the difficulties facing online marketers in optimizing diverse elements in order to create a virtual experience with the greatest possible impact.

Essay V empirically validates the Web Experience classification and assesses the relative weight and function of each Web Experience category. A comprehensive insight into the importance and impact of each of these factors will allow E-Marketers to design web propositions attractive to online consumers, persuade them to interact and motivate them to return to the company's web site for future transactions.

Conclusion 3:

E-marketers have a difficult and complicated task in the battle to win the online consumers. The marketer of the 21st Century will deal not only with a fast changing market context but also with a different customer: changing, empowered and unpredictable. The critical issue for attracting and retaining online customers becomes a very delicate issue where a complex collection of elements making part of the Online or Web Experience plays a significant role. The fact that the composition and elements of the Web Experience can vary depending on circumstances and target groups makes it imperative that E-marketers should recognize and

understand not only the online customers' needs but also their behavior and attitudes in different commercial settings.

The above conclusions lead to acceptance of the research hypothesis formulated in par. 1.4: "The increased role of the Internet as a commercial platform requires a reassessment of the conceptual foundations, managerial attitudes and practical approaches of 21st Century marketing management".

3.1.3 Practical Implications of the Thesis

The issues discussed in this dissertation are frequently subjects of the ongoing academic debate around proper managerial attitudes in virtual environments. The analysis and conclusions provide answers to a number of theoretical questions on procedural, strategic and operational levels.

In addition to its contribution to the academic debate, the thesis has resulted in a number of ideas and tools that can be applied in educational as well as applied contexts.

The main theoretical contributions of the thesis with obvious practical implications are the 4S Web Marketing Mix framework, findings about the strategic orientation of online firms and the classification of the Web Experience elements.

The 4S Web Marketing Mix. Practical application of the 4S framework as a basis for designing and building commercial web presentations confirms the usability of this approach. Students of the University of Twente, (in the context of graduate theses,) as well as the author, have applied this methodology in several occasions to real life projects. Feedback obtained from different sources in the Netherlands and abroad indicates that the model has been occasionally used as an educational tool, a planning model for online presentations and as an instrument for control, analysis or improvement of existing web presentations. The 4S framework has been discussed in Internet forums¹⁰ and has been adopted as the basic methodological approach by consultants¹¹ while Essay I remains steadily among the top-5 most viewed papers of the Electronic Commerce Research and Applications journal¹² over the last two years. Other essays of the thesis have also been included as reference literature in the syllabi of different academic E-Commerce courses.

Strategic management orientation of successful web firm: The case studies analyzed and the classification of online strategies followed by two model web firms present a clear message as to best policy practices for virtual firms. The conclusions are important for practitioners interested in learning from the experience of successful online players. The essay was assigned a high rating as to its practical implications by the journal in which it was published and was named as a Literati Club Award for Excellence outstanding paper for 2005.

Web Experience classification: Practitioners can design better and more effective online presentations if they comprehend not only the needs but also the buying behavior of their

¹⁰ <http://www.e-global.es/postt5.html&sid=43d355509c6abe9c199d671a3107e537>

¹¹ http://www.seibert-media.net/wissen/online-marketing-management_mit_dem_4s-modell_7171.shtml

¹² <http://www1.elsevier.com/homepage/sac/downloads/15674223.htm>

online client and understand what factors are likely to influence that behavior. In this respect the Web Experience classification and its empirical validation can offer many interesting perspectives to E-Marketers. Essay IV has been included in the syllabi of academic courses about web design and is available¹³ as a sample article by the journal in which it was published¹⁴.

¹³ The paper was available on the 6th of January 2005, the date this thesis was edited for the last time

¹⁴ <http://juno.emeraldinsight.com/vl=6111186/cl=67/nw=1/rpsv/journals/intr/sample.htm>

3.2 Limitations of the study and issues for further research

This thesis covers a theoretical domain too extensive for any single study to explore in sufficient width and depth. The study defines its breadth of interest along the dimensions of the 4S Web Marketing Mix framework and limits itself to a more detailed study of two of the four elements of this model. The reader should keep in mind the fact that E-Marketing is a field subject to continuous development and transformation. The findings and conclusions of this study should therefore be interpreted against the unique characteristics of the field and the above contextual limitations.

Specific limitations of the five studies that make up the main body of the dissertation and issues for further research are discussed in detail within each essay. In addition to these research limitations, the thesis is subject to a number of deliberate delimitations defining industry barriers and the applicability of conclusions.

Given the focus of the thesis as defined in the first essay, it is clear that the findings and conclusions are pertinent to the online Business to Consumer (B2C) domain¹⁵. More specifically they are relevant to online operations carried out by organizations engaged in commercial or non-profit virtual activities targeting individuals or consumer groups rather than industrial, commercial or institutional publics. The type of organizations engaged in such activities can be either the so-called “pure-play” (or “dot.com”) type or multi-channel organizations, also known as “click-and-mortars”; in other words, any type of organization involved in online consumer marketing as part of its broader marketing strategy.

Two important issues discussed in the first essay, yet not studied in depth in this thesis, are elements of the 4S Web Marketing Mix framework: the organizational (Synergy) and technological (System) components identified as parts of the online marketing management process. Further research on both of these issues is necessary to refine all theoretical aspects of the 4S methodology.

Specific issues requiring further research are mentioned in the individual essays. A summary of the most important ones:

- As part of the ongoing academic debate, more research is necessary on the actual status of the traditional 4P Marketing Mix as a paradigm in marketing sub-disciplines not addressed in Essay II. Such research will sketch a more complete picture of this widely discussed model in the context of present and future marketing.
- A less prominent yet important issue for further research is the culpability of marketing strategies and methodologies in the demise of numerous Internet start-ups of the 90's as well as the extent to which these concepts were applied by the management of those firms. Given the fact that research interest around the dot.com disaster is growing and serious efforts towards preserving records and data from the dot.com boom are under way¹⁶, we should expect an increase of scholarly research in this area. Research will contribute not only to better understand the background of the E-Commerce gold rush but also to identify areas of difference, and similarity, between traditional and online marketing as a basis for developing a comprehensive 21st Century marketing paradigm. Areas of special attention are issues related to building up and maintaining competitive advantages by means of conventional marketing approaches (market customization, positioning, branding), and approaches based on cost advantages through efficient logistics and distribution tactics.

¹⁵ This is not to say that some of the conclusions and concepts resulting from this study can be relevant for Business-to-Business (B2B) online marketing or other E-Commerce categories.

¹⁶ Web Business Plan Archives: University of Maryland's Robert H. Smith School of Business, <http://www.businessplanarchive.org/>

- More research is needed on the effects of environmental factors and contextual change on the online strategy that should result in identification of best strategic practices not only on corporate but also on strategic business level (developing human resources, developing market opportunities, developing new products/services, resource allocation, structure and control mechanisms) and operational level (integration of resources, processes, people and skills). In addition, special research emphasis must be focused on identification of similarities and differences between traditional and virtual strategic practices.
- The issue of online consumer behavior is a broad area of research interest, and is addressed in an integrative manner only to a limited degree. This study underlined the importance of learning more about the differences between online and traditional customers. More research is necessary to obtain insights into the online buying process and the way online experience is perceived by different categories of consumers in diverse contexts.

Finally, two effects add an extra dimension and difficulty to designing and carrying out academic research in many of the areas mentioned: the effects of globalization and the dynamic character of the online markets. These parameters are of particular importance not only for scholastic research but also for online marketing practitioners. The dynamic character of E-Commerce due to the increasing online population, the rising importance and penetration of E-Marketing, changing customer needs, new demographic profiles and last but not least the technological evolution all add on an almost daily basis new dimensions to the online marketplace. Comprehensive knowledge of the new rules of the game and innovative attitude followed by a balanced approach towards technology has been and will continue to be basic provisos for surviving the implacable yet inevitable process of virtual selection.

4. LITERATURE REFERENCES

Andrews R., 2004, Behavioral differences between consumers attracted to shopping online versus traditional supermarkets: implications for enterprise design and marketing strategy, *International Journal of Marketing and Advertising*, vol 1, nr 1, pp 38- 61

Ansoff H.I., (1965), *Corporate Strategy*, McGraw-Hill, New York.

Ayres R., Williams E., 2004, The digital economy: Where do we stand? *Technological Forecasting and Social Change*, Volume 71, Issue 4, pp 315-339

Ba S., Stallaert J., Whinston A., 2001, Optimal Investment in Knowledge Within a Firm Using a Market Mechanism, *Management Science*, vol. 47, No. 9, September 2001 pp. 1203–1219

Beinhocker E.D., (1997), *Strategy at the Edge of Chaos*, *The McKinsey Quarterly*, nr 1

Benbya H., Belbaly M., 2002, The “New” New Economy: Lessons learned from the burst of the dot-com’s bubble, dispelling the myths of the New Economy, *Journal of E-Business*, vol 2, issue 2

Brown S.L., Eisenhardt K.M., 1998, *Competing on the Edge*, Harvard Business School Press, Boston MA.

Borden N.H. (1964). “The concept of the Marketing Mix”, *Journal of Advertising Research*, June, pp 2-7.

Cheung C.M.K, Zhu I., Kwong T., Chan G.W.W, Limayem M. (2003), *Online Consumer Behavior: A Review and Agenda for Future Research*, Proceedings of the 16th Bled eCommerce Conference, Bled, Slovenia, 9-11 June 2003

Christofer M., 1989, The Existential Consumer, *European Journal of Marketing*, vol 23, nr 8.

Christensen C.M., 2000, *After the Gold Rush: Patterns of Success and Failure on the Internet*, Innosight, www.innosight.com

Doyle P., 1995, *Marketing in the New Millennium*, *European Journal of Marketing*, vol. 29, nr. 13, pp.23-41

Eisenhardt K., Sull D., 2001, *Strategy as simple rules*, *Harvard Business Review*, January 3

Harridge-March S., 2004, *Electronic Marketing, the new kid on the block*, *Marketing Intelligence and Planning*, vol. 22, nr 23, pp. 297-309.

Janenko P., 2003, *E-business: the illusion of automated success*, *The TQM Magazine*, vol. 15, nr 3, pp 180 -- 186

Gallaughar J., 1999, *Internet Commerce Strategies: Challenging the New Conventional Wisdom*, *Communications of the ACM*, vol 42, no 7, pp.27 – 29

- Grönroos C., (1994), From Marketing Mix to Relationship Marketing – Towards a Paradigm Shift in Marketing, *Management Decision* 32/2, MCB University Press
- Kalakota R., Robinson M., 1999, *e-Business: Roadmap for success*, Addison-Wesley, Reading, Massachusetts.
- Kotler P., 2003, *Marketing Management, International Edition*, 11th Edition, Prentice Hall International Editions
- Mahadevan B., 2000, Business Models for Internet based E-Commerce, *An Anatomy*, *California Management Review*, vol 42, nr 4
- Malone T., Yates J., Benjamin R., 1987, Electronic markets and electronic hierarchies, effects of information technology on market structure and corporate strategy, *Communications of the ACM*, vol 30, no 6, pp.484 – 497
- Manes S, 2000, The Net Doesn't Change Everything, *PC World*, September 2000, <http://www.pcworld.com/howto/article/0,aid,17692,00.asp>
- Michalak W., Calder L., 2003, Integration of E-Commerce as a retail channel: impact of youth: on E-Commerce trends in Canada, *Progress in Planning*, vol 60, Issue 1, pp. 111-126
- Mintzberg H, Waters JA., 1985. Of Strategies, Deliberate and Emergent. *Strategic Management Journal*, vol 6, nr 3, pp 257-272
- McCarthy E.J., 1964, *Basic Marketing, a Managerial Approach*, Homewood, Ill. Richard D. Irwin, Inc.
- Ngai E.W.T, Wat F.K T. ,2002, A literature review and Classification of Electronic Commerce Research, *Information and Management*, Elsevier, nr 39, pp 415 – 429
- O' Cass A., Fenech T., 2003, Web Retailing Adoption: Exploring the Nature of Internet Users Web Retailing behaviour, *Journal of Retailing and Consumer Services*, vol. 10, pp. 81-94
- Porter M.A., 2001, *Strategy and the Internet*, *Harvard Business Review*, March
- Prastacos G., Soderquist K., Spanos Y., van Wassenhove L., 2001, An integrated framework for managing change in the new competitive landscape, *European Management Journal*, vol. 20, nr. 1, pp 55-71
- Shama A., 2001, E-Coms and their marketing strategies, *Business Horizons*, September – October 2001
- Sharma Q., Sheth J., 2004, Web-based Marketing: The coming revolution in Marketing thought and strategy, *Journal of Business Research*, vol 57, pp. 696 – 702
- Siddiqui F., Tarn M., Razi M., 2002, why E-Marketplaces fail, *Decision Science Institute, 2002 Annual Meeting Proceedings*

Spar P, 2001, Ruling the Waves: Cycles of Discovery, Chaos, and Wealth from the Compass to the Internet, Harcourt.

Tapp A., Hughes T., 2004, New Technology and the changing role of Marketing, Marketing Intelligence and Planning, vol. 22, nr. 3, pp. 284 – 296

Thornton J., Marche S., 2003, Sorting through the dot bomb rubble: how did the high-profile e-tailers fail? International Journal of Information Management, vol 23, Issue 2, pp 121-138

Urban G., Hauser J., 2003, “Listening In” to Find Unmet Customer Needs and Solutions, MIT Center for E-Business,
http://ebusiness.mit.edu/research/papers/156_Urban_ListeningInv3.pdf

Zwick D., Dholakia N., 2004, Consumer subjectivity in the Age of Internet: the radical concept of marketing control through customer relationship management, Information and Organization, Volume 14, Issue 3, pp 211-236

Zinkan G., Watson R, 1998, Electronic Commerce: A Marriage of Management Information Systems and Marketing, Journal of Market Focused Management, vol 3, issue 5–22

Web Business Plan Archives: University of Maryland's Robert H. Smith School of Business,
<http://www.businessplanarchive.org/>

5. LIST OF DEFINITIONS

Electronic Commerce (E-Commerce):

An interdisciplinary collection of Web - based technologies, tools and business processes improving, supporting, supplementing or replacing traditional commercial (and non-commercial) practices.

Source: E. Constantinides

Major E-Commerce disciplines

Computer science
Marketing and Consumer Behavior (E-Marketing)
Finance
Economics
Management information systems

E-Commerce can be defined from different perspectives:

Communications: delivery of goods, services, information, or payments over computer networks or any other electronic means

Commercial (trading): provides capability of buying and selling products, services, and information on the Internet and via other online services

Business process: doing business electronically by completing business processes over electronic networks, thereby substituting information for physical business processes

Service: a tool that addresses the desire of governments, firms, consumers, and management to cut service costs while improving the quality of customer service and increasing the speed of service delivery

Learning: an enabler of online training and education in schools, universities, and other organizations, including businesses

Collaborative: the framework for inter- and intra-organizational collaboration

Community: provides a gathering place for community members to learn, transact, and collaborate

Source: Efraim Turban, David King, Jae Lee, Dennis Viehland, Electronic Commerce 2004: A Managerial Perspective, 3/e, Prentice Hall

Electronic Marketing (E-Marketing)

The use of the Internet as a platform of marketing activities like:

- Advertisement, Promotion, PR, Product information
- Customer Recruitment, Acquisition, Retention
- Customer Data Collection, Direct Marketing, Database Marketing
- Market Research
- Transactions: Selling, Invoicing, Payments, Delivery
- Customer Service and CRM

Source: E. Constantinides

PART 2. THE ESSAYS

2.1. Essay I: Constantinides E., 2002, The 4S Web-Marketing Mix Model. E-Commerce Research and Applications, Elsevier Science, July 2002, vol 1/1, pp 57-76

The 4S Web-Marketing Mix Model

Abstract

The paper reviews the criticism on the 4Ps Marketing Mix framework, the popular tool of traditional marketing management and categorizes the main objections of using the model as the foundation of physical marketing. It argues that applying the traditional approach, based on the 4Ps paradigm, is also a poor choice in the case of virtual marketing and identifies two main limitations of the framework in online environments: the drastically diminished role of the Ps and the lack of any strategic elements in the model.

Next to identifying the critical factors of the Web marketing the paper argues that the basis for successful E-Commerce is the full integration of the virtual activities into the company's physical strategy, marketing plan and organizational processes. The four S elements of the Web Marketing Mix framework present a sound and functional conceptual basis for designing, developing and commercializing Business to Consumer online projects. The model was originally developed for educational purposes and has been tested and refined by means of field projects; two of them are presented as case studies in the paper.

Keywords

E-Commerce Strategy, E-Commerce Marketing, Web Marketing Mix, 4S Model.

1. E-Commerce landscape in transition

A recent report (eTFForecasts.com, 2001)[1] predicts a Web population of over the 1bln. users in 2005 while many indications point to an upcoming fast growth of E-Commerce revenues and a growing consumer willingness to engage in online transactions (emarketer.com, 2001, ecommerce.internet.com, 2001) [2,3].

For the 210 Internet companies (a large percentage of them publicly traded) that shut their virtual doors in the year 2000 and the one dot.com that daily goes out of business since the beginning of 2001 (ft.com 2001, webmergers.com 2001) [4,5] this kind of news sound a bit beside the point. In the Internet after-the-gold-rush period many of the first wave Web gold seekers struggle for survival by downsizing, streamlining processes and cutting costs, while academics, consultants, analysts, managers and journalists try to figure out what went wrong and ascertain the lessons to be learned from the present Web dejection. Learning is particularly important for the survivals of the crisis and the incumbents, who will be the next to join the virtual marketplace (Boston consulting Group, 2001)[6].

Analyzing the causes of the Internet crisis Christensen (Innosight, 2001)[7] argues that the a major factors for E-Commerce failures are the lack of awareness by many of the Internet players as to the basis of their industry competition and the failure of several businesses to exploit new technologies in a sustainable manner (Christensen, 1998)[8]. Lack of strategy and clear objectives (Porter, 2001)[9], old-fashion product orientation, limited understanding of customer needs and poor commercial competencies are also frequently mentioned as issues having contributed to the continuing dot.com demise. An important, though less visible and often overlooked source of problems for the Internet players is the weakness of the traditional marketing paradigm, embodied in the well-known Marketing Mix framework proposed by Borden (1964)[10] and popularized as the 4Ps (Product, Price, Place, Promotion) by McCarthy (1964)[11], to provide an adequate platform for E-Commerce marketing management. The assumption that the 4Ps framework is widely used by E-Marketers as the underpinning of their marketing planning is based on the high degree of acceptance of the Marketing Mix by marketing practitioners as the universal marketing paradigm. Grönroos (1997, p 323) [12] argues that the 4Ps framework has won an overwhelming acceptance among marketing practitioners, noticing that ... “ Marketing in practice has, to a large extent, been turned into managing this toolbox”..., a point shared by Goldsmith (1999, p 178)[13] who argues that the ...”time-honoured concept of the 4 Ps - the Marketing Mix” ...is the heart of the contemporary marketing management.

The shortcomings of the 4Ps marketing mix framework, as the pillar of the traditional marketing management have frequently become the target of intense criticism. Despite the fact that hardly any marketing textbook avoids mentioning the 4Ps, more than 75% of marketing academics are not satisfied with it as a pedagogic tool (Rafiq et al, 1995, p 9)[14].

The 4Ps framework is also criticized by researchers who identify several deficiencies in dealing with the marketing realities of today. A number of critics even go as far as rejecting the 4Ps altogether, proposing alternative frameworks. Ohma (1982) [15] reviews the 4Ps from the Strategic Management perspective concluding that no strategic elements are to be found in the model. He proposes that three Cs shape the marketing strategy: Customers, Competitors and Corporation. Bennet (1987)[16] suggests that the 4Ps are focused on internal variables and therefore form an incomplete basis for marketing. He suggests five Vs (Value, Viability, Variety, Volume and Virtue) as the criteria of customer disposition, while Lauterborn (1990)

[17] finds the model too product oriented arguing that the customer must be placed in the center of the marketing planning. One of the most outspoken critics of the 4Ps from the Relationship Marketing angle is Grönroos (1997)[12] who is identifying several reasons against using the 4Ps as a planning tool for marketing. He argues that the model has become a management straightjacket victimizing not only the marketing theory but also the customer. Godin (2001) [18] considers also the Marketing Mix as an obsolete product of the mass marketing, unable to promote the personalization required by modern marketing.

2.The need for new E-Commerce conceptual frameworks

Essential differences between the virtual and physical commerce have prompted calls for a re-evaluation of the existing marketing principles, when dealing with E-Commerce. According to Hoffman and Novak (1997)[19] “...marketers should focus on playing an active role in the construction of new organic paradigms for facilitating commerce in the emerging electronic society underlying the Web, rather than infiltrating the existing primitive mechanical structures”. Such suggestions, added to the objections raised on the role of the Marketing Mix as the basis of the physical Marketing Management, have prompted several academics and practitioners to question the potential role of the 4P model for the virtual Marketing. These questions are frequently debated in E-Commerce forums and in a growing number of marketing management textbooks, academic papers and press articles. Two main streams are visible in this literature:

(a). Most writers addressing primarily practitioners’ audiences, are usually focused on outlining and optimizing the management processes by identifying best E-Commerce practices (Sterne. 1999, Bayne. 1997, Vassos. 1996, Ecademy.com, PriceWaterhouse Coopers. 2001, I-strategies.com) [20,21,22,23,24,25] or advising on Web design tips (jaderiver.com)[26]. A basically descriptive and process- focused methodology is followed by Chaffey et al (2001)[27] outlining the E-Commerce marketing planning as a process based on eight decision points. Seybold (1999)[28] had earlier proposed a similar approach while Oliver (2000) [29] identifies seven E-Commerce laws as the basic parameters of the E-Commerce strategy.

(b). Contributions of academics and practitioners focused on E-Commerce marketing have yielded a growing list of articles and books. Some writers focus their attention on value creation (Amit and Zott, 2000, Mahadevan, 2000)[30,31] while others distillate on the differences and similarities between traditional commercial practices and Web business models (Rappa, 2000)[32] or processes (Hart and Doherty, 2000)[33]. Angehrn (1998)[34] proposes a strategic model of a merely descriptive and explanatory nature, suitable for diagnosing the maturity and strategies of E-Commerce sectors as well as structuring and detecting opportunities in individual companies. Another modeling approach is suggested by E. Huizingh (1999)[35] who delimits the online commerce issues by the Strategic Internet Applications Model (SIAM), the Customer Interaction Cycle (CIC) and the Accessibility, Design, Offer and Fulfillment (ADOF) model. Lawrence et al (1999, p 79)[36] propose the Marketing Mix as a proper basis of E-Commerce marketing activities.

Despite the growing attention on strategic modelling there are still, according to Chaffey et al (2000, p 152)[27], “... a few appraisals of methods of implementing an Internet marketing plan from an academic viewpoint”. Writers attempting to develop such a viewpoint often choose for a conservative approach by resorting on established Marketing Management concepts and suggesting ways to convert existing frameworks into usable concepts for the

online Marketing. This approach often emphasizes the role of the Marketing Mix 4Ps Model as the proper basis of the Marketing Management planning in virtual environments. A number of writers suggest that the 4P model could constitute the conceptual platform for E-Commerce marketing planning virtually unchanged (Lawrence et al. 2000, Bickerton et al. 1996)[36,37]. Others suggest a few transformations in order to adapt the model to the digital marketplace (Patty, 1997)[38] while O'Connor and Galvin (2001)[39] are diagnosing Marketing in a condition of a mid-life crisis and argue that new technologies can improve and optimize the 4Ps-based management process. The obvious explanation for the loyalty of many writers to the 4Ps model is its undisputed record, intrinsic simplicity and comprehensiveness, making it a very popular tool among practicing marketers as explained earlier.

3. The Traditional Marketing Mix Paradigm is incompatible with E-Commerce

The Internet, as commercial environment, embraces some of the most substantial developments that took place in the marketing landscape of the last 40 years. The virtual marketplace epitomizes the evolution process from the mass markets of the 60s to the increasingly segmented, niche-dominated or even mass-customized, highly interactive and global markets of today. The effect of the new setting is that the focus of marketers has shifted towards satisfying individual and personalized rather than collective needs while placing much more emphasis on customer retention, customer service and relationship marketing. Such changes follow closely the shifting behavior patterns of new generations of individualistic, better-informed, wired and wealthier consumers. Consumers increasingly demanding more control over the marketing process (Hoffman, Novak, Schlosser, 2000)[40], value the personalized approach and prefer products or services that can be promptly adapted to their constantly changing needs.

Having analyzed the criticism on the role of the Marketing Mix as the marketing paradigm in the physical world one could argue that this criticism is reconfirmed when attempting to apply the 4Ps in the virtual environment. One obvious weakness is the fact that the model does not explicitly include any interactive elements (Grönroos, 1997, p324)[12], while interactivity is the basis of the Internet Marketing. It can be argued furthermore that two more important points are indicating the limitations of the 4Ps in the virtual marketing.

(1). Applying the Marketing Mix model in traditional markets implies that the four P parameters of the model delimit four distinct, well-defined and independent management processes. Despite the consistent effort by many physical businesses to deal with the four Ps in an integrated manner, the drafting but mainly the implementation of the P policies remains largely the task of various departments and persons within the organization. Even more significant though is the fact that the physical customer is typically experiencing the individual effects of each of the four P's in diverse occasions, times and places, even in cases that companies take great pains to fully integrate their marketing activities internally.

Unlike the physical world, in the virtual marketplace the four elements of the mix are not detached from each other. They are heavily interrelated and for all intents and purposes jointly experienced by the online customer, being merely parts of the content of the Company-Customer interface, better known as the Web Site.

This suggestion has important implications for the customer's buying behavior. While the traditional buyer behavior model (Kotler, 2000, p 161)[41] considers the 4 Ps as the controllable factors likely to influence the conventional consumer's buying decisions, it is the

Web Experience - the Web experience is the consumer's impression about the online company (Watchfire Whitepapers, 2001)[42] - the factor under the marketer's direct control likely to influence the buying behavior of the online consumer. From the customer's perspective the Web site depicts the very aspects likely to prompt his reaction to the online offering, the 4 Ps being merely a part of the site based Web Experience and as such simultaneously experienced by the customer (Constantinides, 2002) [48]:

3.1. Product

The Web site is the prime online product and brand of the online organization. The customer should become aware, develop interest and be persuaded to search for the site/product before going on looking into the company's detailed online offering.

3.2. Price

The majority of commercial sites function as price lists for the company's physical product assortment. Besides that, the Web site is perceived by the online prospect and customer as a cost element (due to connectivity cost, transaction costs, time and opportunity cost). Although these costs will be in most cases lower than the cost of performing these activities physically, the customer will compare these with the cost of finding other online competitors and doing business with them.

3.3. Promotion

The Web site is the promotional medium as well as the promotional content. The communicational and emotional impact of the Web site is an important part of the Web experience and a major factor in attracting and retaining online customers.

3.4. Place

For the majority of E-Commerce cases involving any form of online interaction/transaction, the Web site is the counter, helpdesk and sales outlet where the actual commercial or non-commercial transaction takes place. Moreover for products delivered in digital form (music, information, software and online services) the site fulfils even the task of the physical distributor by allowing the product delivery online.

The above analysis suggests that attempting to approach the four Ps in isolation in the Web environment is not a sound strategy, since online customers by and large experience them in a simultaneous and direct manner, as elements of the Web site based customer experience. For Internet customers this experience will include many other elements like findability of the site, ease of navigation, prompt replies to emails and easy to use shopping and payment procedures and will be the criterion for the customer to come back to the site or not.

(2). The 4Ps Marketing Mix paradigm has been developed as an operational rather than a strategic tool and conventional marketers have always treated it as such. In the physical world the strategic management aspects are in effect separated from the commercial operations due to the very nature of the strategic management itself. Most marketers regard therefore the corporate strategy as an external variable over-imposed to their marketing mix. Applying the 4Ps Marketing Mix model as the sole planning platform for E-Commerce operations could mean that the strategic aspects would remain underexposed or disregarded

altogether. An option for defining the strategy of an online organization is to follow the conventional strategic management procedure (Porter, 1980, Harberberg and Rieple, 2001)[43,44] but two hitches make such an option often unattractive for Web marketers:

- The conventional strategic process is by nature time consuming and time in the Web is often in short supply.
- The volatile, fast changing and constantly evolving nature of the Internet can rapidly outdate conventionally developed strategies making them abruptly obsolete (Oliver, 2000)[29].

The customary strategic management processes is in other words time consuming, inflexible and in effect inappropriate for the dynamic and unpredictable online markets. The shortcomings of the classic strategic approach can explain the obvious aversion for strategic planning by the majority of dot.coms (Forrester Research, May 2000)[45]. Most brick-and-mortars entering the Web on the other hand would presumably find it more convenient to apply their existing strategic model to their Web operations rather than delineating a new E-Commerce strategy. In some cases such a policy is sensible, in other cases not. British Airways (BA) learned the hard way that competing online on the basis of the existing strategic model with EasyJet.com and other value-oriented airlines was impossible. After the initial poor results of the new BA Web site as a ticket counter the company drafted a new strategic approach by launching the low-cost offshoot airline Go to compete in the online low-budget market.

A way of solving the Web strategy problem is by integrating the online strategic planning into the operational marketing planning, this way building much more flexibility into the system. *This would mean introducing an E-Commerce 'micro-strategy' that while in line with the corporate physical strategy would be flexible and easily adaptable to fast changing online conditions.*

4. The Web-Marketing Mix (WMM) model

The Web Marketing Mix model identifies the online marketing critical elements and addresses the main E-Commerce strategic, operational and organizational issues in an integrated and manageable manner. The WMM is an appropriate basis for the Web Strategic and Marketing planning, especially intended for click-and-mortars operating in the in the Business-to-Consumer segment. The tool is designed primarily for conventional, physical corporations planning to establish an Internet presence. The model can be also useful to pure-plays or existing online organizations in re-evaluating their E-Commerce presence, provided that such organizations already have or are considering having a physical presence next to the virtual one.

The Web Marketing Mix approaches the marketing planning process in an integral manner, on different levels:

On *strategic* level the model identifies the main strategic issues to be addressed in order to build up a flexible, value adding and potentially successful E-Commerce organization. The model emphasizes the fact that online activities should be assigned their own strategic objectives in line with the corporate ones. Next to that it recommends the highest possible assimilation of the online venture into the physical corporate commercial strategy in order to capitalize on the existing organization's strengths and competitive advantages.

On *operational* level the WMM proposes a method for drafting realistic and consistent Web marketing plans. The prime objective of the operational planning is the development of a market-oriented, effective, flexible and unique online presence.

On *organizational* level the WMM addresses the issue of building up the proper organizational, human and knowledge infrastructure necessary for a smooth online operation. The model identifies areas where a high degree of integration of the virtual business into the corporate infrastructure is necessary in order to maximize the synergies between the virtual and physical business and improve the overall organizational efficiency.

Next to these three main focus areas the WMM denotes the need for further improving the competitiveness of the online organization by seeking synergies with “complementors” i.e. third parties or industries. These complementary firms have been recommended by Shapiro and Varian (1999) [46] as the sixth force to be added to Porter’s five competitive forces model in order to fully understand the competitive strength and competitive position of firms operating in information markets.

Finally the model identifies the main technological and administrative issues that will underpin E-Commerce activities.

The above-mentioned issues describe the successive steps of the Web commercial planning methodology and are classified in four groups. Each group is labeled by a word beginning with the letter S namely the Scope, Site, Synergy and System (Exhibit 1). The content of each S-group is based on the previous steps but feedback during the planning process is necessary for fine-tuning of each step. The final result - the Web Strategic and Marketing Plan - will become the basis of the Internet project, the groundwork of a process including several more stages: the development of the technical and organizational infrastructure, the technical implementation, the testing of processes and the commercialization of the Web site.

Finally, it should be mentioned that the fast changing character of the Web makes it imperative that the planning procedure is frequently repeated - the frequency depending on the branch, the market developments and the competitive reactions - in order to maintain the competitive advantage of the online organization overtime.

5. Description of the Web-Marketing Mix Model

The Web-Marketing Mix identifies four online marketing strategic, operational, organizational and technical critical factors: the Scope (strategic issues), the Site (operational issues), the Synergy (integration into the physical processes) and the System (technical issues).

5.1. Scope

This content of this element is of primarily strategic character and outlines the decisions to be made on four areas:

- The strategic and operational objectives of the online venture
- The market definition including measuring the market potential and the identification / classification of the potential competitors, visitors and customers of the site
- The degree of readiness of the organization for E-Commerce
- The strategic role of E-Commerce for the organization

More specifically:

5.1.1. Objectives

The online activities must pursue their own, clearly defined strategic objectives, in line with the corporate mission and strategic goals. This way the online operation will be able to generate additional value and assist the physical organization to attain the corporate objectives.

Online strategic objectives do not essentially differ from the traditional ones and are subject to the same quality criteria. Such objectives can be: enhancing profitability, improving the company image, raising revenue, reducing operational costs, expanding the customer base, increasing the customer retention or augmenting the product and brand awareness among new groups. The Web objectives will form the basis for outlining the operational trajectory of the E-Commerce venture, based on different tactics or combinations of tactics. Increasing revenues for example could be realized by online promoting the company brands and company products and expanding the brand awareness while at the same time launching promotional activities in order to attract new and existing customers to the physical sales outlets. The same objective could also be reached by a retention-oriented site aiming at improving customer service and customer relations or even by establishing an online sales outlet.

5.1.2. Market analysis

It is of vital importance for Web companies to identify their market domain, market potential, the profiles of potential customers and the online strategies of competitors. The global character of the Internet, the fast growth of online businesses and users numbers, the changing demographics of the online population and the limited familiarity of many mainstream managers with E-Commerce makes the market analysis a challenging task. The analysis however will yield a clear picture as to the market size, customer profiles, competitive situation and future trends. It will also reveal new market opportunities, assist the budgeting process and provide creative ideas as basis for the online marketing activities.

Identifying the potential online customer and his or her needs is the task often posing most difficulties. This due to the fact that the potential online buyer can be quite a different individual from the physical customer who traditionally buys the company's products and services. Web clients can be persons with different buying motives, cultural backgrounds, needs, demographic, "technographic" or lifestyle profiles from the conventional customers. Moreover online clients can be located outside the geographical areas where the company normally operates, a fact by itself raising serious logistic, legal and administrative problems.

In case that market research data is not available, a number of initial, basic assumptions must be made as to the most likely profiles, needs, motives, attitudes and demographics of the potential Web customers. These assumptions will help the online marketer to identify potential market segments and decide the initial site positioning, unique selling proposition, style, design, structure, product assortment policies and pricing strategy. Assumptions made in this initial stage should be constantly refined using online as well as physically collected customer and market information.

5.1.3. Internal Analysis

Adoption of new technologies can have sustaining or disruptive effects on organizations, depending on the firm's resources, processes and values (Christensen, 1998)[8]. The internal analysis should be focused on these three factors in order to identify the degree of company readiness to assimilate E-Commerce and assess the possible effects of it on the organizational

value chain (Porter, 1985)[47]. Based on the internal analysis the management will further refine the Web strategic objectives and will identify the proper Strategic Role (see point d) of the online activity. The management will obtain a clear insight into the real costs of the operation not only in financial terms but also in terms of disruption of the established physical processes and infrastructures. It is likely that in some cases the outcome of the internal assessment will be a No-Go decision, due for example to the high degree of organizational disruption, low added value or extremely high expenditure against low expected benefits. In such cases the management should consider alternative options, one of the possible alternatives being separating the Web operations from the existing corporate body. While such a strategy seems often to be an attractive solution, such options must be always treated with caution (Porter, 2001)[9].

5.1.4. Strategic role

The strategic role describes the tasks assigned to the online activity and will be reflected on the firm's online model.

Web marketers can choose between a number of generic strategic roles, the most common being the informational, educational, service oriented, promotional, relational and transactional ones. The actual strategic role - the business model - is frequently based on a combination of more of these generic types.

An example: The strategic role assigned to the Web presence of an insurance company can be an informational one (an online brochure) i.e. simply informing the site visitors about the company and assisting potential customers to find information about its products and dealer network. The role however will be a transactional one (an online insurance agent) if the company chooses to sell its products online.

The strategic role as defined here, will have important consequences for the site identity, positioning, style and atmosphere, content, structure, functionality, organizational/technical infrastructure and any other element of the Web Experience. The objective of the E-Marketer must be to differentiate the site and create a Web Unique Selling Proposition appealing to the target group(s), conveying customer value and consolidating competitive advantages. Such a proposition must be proprietary, hard to be imitated by competitors able to produce win-win situations with the existing business partners flexible enough to be easily adapted to changing market conditions and external developments.

5.2. Site

The Web Site is the company / customer interface, the prime source of customer experience and therefore the most important communication element of E-Commerce.

As explained earlier, the Web site is the virtual product display, promotional material, price catalogue and sales/distribution point. The Web site is therefore the functional platform of communication, interaction and transaction with the Web customer.

The prime mission of the Web Site is to attract traffic, establish contact with the online target markets and brand the online organization. Next to this "generic" mission the Web site can be assigned a mix of commercial objectives –but often also non-commercial ones like personnel recruitment, shareholders info etc. - and tasks, depending on the previously defined strategic role. Some of the common site objectives and tasks are:

- Communicating and promoting the E-business image, labels and products/services.

- Providing company information to customers and stakeholders
- Effectively communicating the firm physical or virtual promotional activities
- Providing customer service and helpdesk functionality in order to enhance the customer loyalty and retention
- Providing sales leads and customer /market data.
- Allowing customers to communicate and interact with the company as well as creating online content.
- Allowing direct sales and facilitating online payments (transactional sites)

A number of Internet specific aspects like domain names, site and transaction security as well as privacy policies are critical parameters of the Web site and the Web experience. Online privacy and protection of personal data are often overlooked by online businesses despite the fact that millions of consumers seem to be very concerned about the way their personal information is used. According to Forrester Research this lack of confidence represented as much as \$12.4 bill. in lost sales in the year 2000 (Forrester, 2001).

It is obvious that the Web site is expected to fulfill a variety of roles not common to any single conventional marketing instrument. Assigning roles to a Web site while maintaining its functionality and user friendliness is a delicate process depending not only on the available funds and technological options but foremost on good knowledge on the potential customer's motives, needs, expectations and behavior.

Special attention must be finally placed to aspects like the site findability and site speed, keeping in mind the average user's skills, available bandwidth and other technical limitations.

5.3. Synergy

For the purpose of this analysis we define term Synergy as the integrating processes necessary for realizing the virtual organization's objectives. Such synergies can develop between the virtual and the physical organization as well as between the virtual organization and third parties.

The above definition implies that the following analysis is appropriate for organizations with both physical and virtual presence i.e. brick-and-mortars engaging in E-Commerce or Internet companies willing to establish and develop some type of physical commercial and organizational presence next to the virtual one.

This Synergy factor embraces a wide range of issues divided into three categories: The Front Office, the Back Office and the Third Parties.

5.3.1. The Front Office.

The web industry usually refers to the front office as the web site itself. In the context of the Web Marketing Mix model the Front Office refers to the conventional corporate communication and distribution strategies. The Front-Office element underlines the need to examine and identify ways that would facilitate the full integration of the Web operation into the company's communication plan, corporate style as well as the existing physical retail channels.

Incumbents intending to establish an online presence must analyze the extent, magnitude and financial cost of the adjustments necessary in order to accommodate and integrate the communication of the virtual activities into their current promotional plan. The effort must be focused on utilizing existing communication strategies, brands, tools and channels in order to promote and support the Web operation during the introduction stage. The objective of this

communication is to inform existing as well as potential customers about the future Web activities and outline the advantages of doing business online.

The need for integration and synergy between the online and the physical communication plan is obvious. Utilizing existing promotional activities and capitalizing on embedded customer goodwill is economical, less time consuming and more effective than launching new promotional campaigns with the purpose of establishing new commercial concepts and brand identities. Furthermore existing customers are more sensitive than non-customers are to company communication and most probably willing to make use of the online functionality.

The synergy of the online operation with the Front-Office activities will obviously not be limited to the introduction stage of the E-Commerce project. One should expect that in the long run in the majority of cases the dependence of the virtual business on the physical business will be gradually reduced while the dependence of the physical business on the web will most likely increase. A mature online operation will be able to support the corporate marketing strategy as a low-cost source of customer and market data as well as a retail outlet and an efficient communication instrument.

In addition to the promotional integration the web operation must be able to operate along the existing distribution framework adding value to it. Traditional distribution channels are often resisting on line sales fearful of profit cannibalization. Empirical evidence however reveals examples of successful integration of virtual business with existing distribution channels without serious disruption of existing business (Innosight, 2001)[7]. A good example (but certainly not the only one) are mail-order or telephone sales firms who have been able to fully utilize existing logistics infrastructures since the similarities between their conventional and virtual business models are obvious (The Boston Consulting Group, 2001)[6]. The task of the Web marketer is to find ways to minimize the channel conflicts by recognizing possible mutual benefits and translating them into win-win situations for all parties.

5.3.2. The Back Office:

The Back Office synergy embraces a wide set of issues, including:

1. The integration of E-Commerce physical support activities (customer service, order processing, fulfillment and reverse logistics) into the existing organizational processes
2. The legacy integration
3. Integration of the online operation into the company's value system (Porter, 1985)[43].

Making existing organizational infrastructures available to the online operation is a more sensible option than crating new ones. Next to the obvious cost aspects, the online organization is likely to benefit from economies of scale and learning effects. Whenever changes in existing infrastructures are necessary, in order to meet the usually higher quality standards of the Web operations, such changes will be beneficial for the organization as a whole, physical and virtual. Therefore E-Commerce can become a catalyst of organizational re-engineering and change.

In more detail:

1. *Organizational integration.* Integration into the existing support operations is necessary for the online firm in order to be able to provide the fulfillment and back-office support expected by Web customers. Back Office efficiency is essential from the very moment the Web operation goes live and customer data, queries and online orders begin streaming in. With competitors only one click away, customers disappointed or frustrated by poor fulfillment and service need to put very little effort to bring their business elsewhere.

Online service, the Achilles heel of many Internet businesses, is an extensive domain where a wide variety of problems and situations can occur. Poor web service practices range from

simple failure to react or overdue reaction to customer emails to more complex problems like frustrating ordering and return procedures, lack of order tracking, inefficient helpdesk support, poor after-sales service. Failure to meet delivery deadlines, non-delivered goods, incorrect or inferior quality products and erroneous invoicing are also common fulfillment flaws.

The Web manager should evaluate the physical Value Chain (Porter, 2001)[9] and its capacity to facilitate the Web back-office needs. Such an evaluation, utilizing the previously conducted Scope analysis (see point c), will reveal possible weaknesses and outline the changes necessary in order to upgrade the existing Back Office to the necessary quality level. Constant monitoring - requiring efficient auditing mechanisms, benchmarking and close monitoring of customer behavior - must detect flaws and initiate corrective action.

2. *Legacy integration.* Integration of online activities into the existing Information Infrastructure including Management Information Systems (MIS), Efficient Resource Planning (ERP) Systems, databases and data warehouses is vital for the management and administration of E-Commerce activities. Efficient utilization of the company IT legacy will result in cost advantages, improved decision-making and more efficient information management.

3. *Integration with the company Value System.* In cases of transactional sites the Back-Office integration process should expand beyond the company boundaries and include all external participants in the firm value system: intermediaries, suppliers of raw materials and any other parties directly or indirectly affecting the production, distribution and logistic processes. Online ordering, typical for transactional sites, requires Efficient Consumer Response (ECR) strategies: synchronized production, JIT and efficient inventory management. Such tactics demand a high degree of efficiency within the Value System. Moreover Intranet and Extranet replacing expensive proprietary EDI and EFT systems as functional platforms will allow cost reductions and higher efficiency.

5.3.3. *Third parties.*

Next to the synergies described above, success in the virtual marketplace often requires co-operation with Internet partners outside the organization and its value system. This networking aims at strengthening the competitive position of virtual organizations and the network created must be seen as complementary to the traditional promotional activities. Candidate partners for such online synergies are:

- *Search engines and Web directories.* These partnerships can increase the exposure of the online organization into the Web marketplace by allowing online customers to locate and easily access the site. Learning the way search engines and Web directories operate and delineating search engine strategies can result in substantial increase of the Web site exposure, attracting a substantial percentage of Web users who use such tools when searching for online products, information and services. The search engine strategy is based on a combination of active registration and the effective use of techniques and programming tools (for example meta-tags) increasing the chances of the Web site to be listed in high positions in search queries. A sound search engine strategy provides finally for mechanisms allowing the frequent evaluation of the site fundability and if necessary fast corrective action.
- *Affiliate networks.* Affiliate networking is a popular method of online promotion, introduced and popularized by amazon.com. On line organizations create affiliate networks by recruiting other sites willing to place a banner or a link on their pages in

exchange for a commission based on click-through or more commonly on revenue generated by click-through customers.

Such networks can substantially strengthen the market exposure of online organizations in a cost-effective manner making them an attractive option to many new online organizations. Next to creating their own affiliate networks online organizations can become members of other affiliate schemes in order to generate additional incomes.

Management issues and the possible association of the online company with questionable partners participating in the network are the main points of concern around affiliate marketing.

- *Online advertising.* This type of promotion is based on placing interactive advertisements (banners, buttons or hyperlinks) at high traffic sites or sites likely to attract potential customers at a cost usually based on the popularity of the advertising site.

Industry observers have often questioned the effectiveness and value of online advertising as a promotional medium. This because click-through rates ^{17} (ranging typically between 3 and 5 percent) are perceived by many advertisers as low but the question whether the click-through rate is a sufficient basis for evaluating the effect of online advertisement in its totality, has not been fully answered yet.

The selection criteria of partners for online advertising are obviously more stringent than the criteria for appointing affiliate partners while efforts to relate fees to actual and measurable results will sooner or later become the subject of a wider industry debate.

Next to the careful selection of partners other success factors of online advertising are the originality, capturing power and timing of the advertising copy.

5.4. System

This factor identifies the technological issues as well as the site servicing issues to be addressed by the E-Commerce management. In the early days of the commercial Web, technology was widely considered as the main driving force behind the Internet growth. This fact often led to technology overkill, undermining the strategic and commercial principles that should underpin any online organization. Technology overdoses can result in customer confusion, dissatisfaction, diminishing Web experience and lost business. Despite the fact that ICT remains the functional backbone of the E-Commerce, the role of technology must be put into perspective and technology should never become the starting point of online activities.

The main areas where the System-related decisions are to be made are:

- *Web site administration, maintenance and service.* Availability of technical and service personnel on a 24-hour, 7 days a week basis is the basic requirement for a reliable site.
- *Web server hosting and choice of the Internet Service Provider.* External hosting is a popular option mainly for small and medium-size organizations.
- *Site construction.* Constructing an above the average, transactional E-Commerce site requires a substantial initial investment. Outsourcing this activity is usual, there are

¹⁷ Click-through rate is the percentage of the visitors of a Web Page clicking-through on an advertising banner or button

however many editing tools available for low-budget solutions. Presentation quality, user friendliness, easy navigation, browser independence and speed are important success factors determining the choice of programming and development tools.

- *Content management.* Important elements of content management are the frequent reviewing and updating of the content in response to constantly changing customer needs, market conditions, competitive strategies and market trends as well as the decentralization of the Web site updating procedures. The later requires training and empowerment of employees of different departments in managing the site data under their responsibility and is needed for avoiding bureaucratic procedures harmful for the content quality.
- *Site security.* Protection against any forms of malicious attacks as well as transaction and customer data safety are paramount concerns of E-Commerce managers and online customers alike. Identifying the proper security level for each content category is a sensitive issue since increasing security levels usually result in reduced functionality or diminishing user friendliness. A good approach is customizing security levels on the different site elements therefore avoiding unnecessary safety overdoses while the sensitive data is adequately protected with minimum functionality sacrifice.
- *Transaction functionality.* The main elements here are the construction of communication interfaces, the choice of the transaction and payment technology, the testing and administration of the system.
- *Collection, processing and dissemination of the Web site traffic and transaction data.* This type of data fulfils, next to its administrative significance, an important commercial role as the vital input for evaluating the site performance, testing new ideas or assessing the effect of promotional activities.
- *System backup.* A sound back-up mechanism is vital for Internet organizations expected to be operational on an around-the-clock availability basis. Technical problems and system failures must be quickly addressed with the minimum operational disruption.

Finally the site technical management must regularly and in collaboration with the commercial management identify and evaluate new technologies and new available products that could upgrade the site performance, enhance the customer experience and effectuate operational economies.

6. Implementing the Web-Marketing Mix: Two exploratory cases

6.1 The background of the case studies

During the second half of 1998 making use of a sabbatical leave I accepted the invitation of a consulting firm in Athens, Greece to work as E-Commerce consultant for a period of six months. This appointment was an excellent opportunity to test in the field the applicability and practical value of the 4S model as basis of E-Commerce strategic planning. The two cases presented are summarizing the main issues resolved during the planning process of the E-Commerce activities, based on the Web-Marketing Mix model. The planning process produced a strategic and operational blueprint that became the basis of the whole E-Commerce project.

The case studies explain how the 4S framework has been applied in the field and outline the main empirical conclusions drawn from these particular projects. The purpose of the case studies is assisting the reader to understand how the methodology works rather than evaluate the actual commercial or other results of the online activities in question.

Case 1: The ABC Portfolio* case

The Web Presence of ABC Portfolio*

ABC Portfolio* is a Portfolio Management firm based in Athens, Greece. The firm was at that time a new player in the Greek financial market and commenced operations in 1998. The company management decided to introduce a corporate web site that would be launched simultaneously with the first of the company's products, the ABC Mutual Fund*.

The 4S Web-Marketing Mix framework was used as the platform for drafting the Strategic and Marketing plan for the company online activities. This plan would provide the framework for developing and commercializing the corporate Web site and integrating the online with the traditional company operations.

Prior to the introduction of the first of ABC Mutual Fund* products, the company launched a mass media advertising campaign. The objective of the campaign was to create brand and product awareness and to position the ABC Mutual Fund* as a new investment fund managed by a highly skilful and dynamic management team. Next to the management qualities other key words of this campaign were the terms Teamwork, Information, Openness and Reliability.

The basic problems to be addressed in designing and commercializing the corporate site were: How the Web presence can add value to the company and what role the site should play as a company strategic element.

How the Web site could attract and retain visitors

How the Web operations would be evaluated.

Having defined these problem areas a detailed strategic and marketing plan was drafted based on the 4S framework. Due to the limited time available, most of the required market and customer information was obtained by means of desk research and expert interviews.

The main elements of the plan based on the 4Ss were:

Scope (Strategy): Potential site visitors would be portfolio managers, shareholders, private investors and the press. The target market was primarily the Greek market but also English-speaking individuals. Considering the number and profiles of Internet users at that time in Greece the objective as to the average number of potential visitors of the site was estimated to be between the one thousand and five thousand daily.

One of the main difficulties at the time was the limited Internet experience among the majority of the potential users at that time. Most potential users preferred the traditional sources of information and traditional ways of contact with investment funds. Turning to the Internet could be a difficult step if that involved complicated and time-consuming processes.

The main motive for visiting the site was thought to be finding reliable and up to date market information and access to market analyses that would reduce investment risks taken by visitors: portfolio managers, investors and stockholders. Other type of information interesting to the potential visitor would be company news, and the actual price of the fund's stock closing price. Next to that site visitors should be able to find a daily update on the fund's net asset value and portfolio composition. The last two elements were a major innovation for the Greek market, considering that investment funds are obliged by law to publish this data on quarterly basis.

Major factors influencing the site visitor to use it and return to the site would be the high quality of the information found in the site as well as the speed, easy navigation and user friendliness.

The main strategic objectives of the ABC Web site were formulated as follows:

to become the prime source of market information about the Athens Stock Exchange.

to become a source of company value as a promotional and relational site. This should be achieved by assisting the overall marketing effort in communicating the company brand and products as well as attracting and retaining a number of site users that would become, on basis of their own consensus, the prime prospects for future company products.

Site (Operational aspects /Web experience): Based on the above strategic analysis it was decided that the site experience should be based on the following elements:

Information would be the "strategic product" offered by the site. The Unique Selling Proposition of the site became the Power of Information, a position that would appeal to the target group. Openness, honesty and respect for the customer were also basic elements of the site positioning.

The site design should allow ease of use and very speedy downloading (less than 20 sec) of the home page and the other web pages. All information should be accessible with a maximum of three mouse clicks.

The site content would be continuously updated.

The site would be bilingual (Greek and English).

In order to increase the customer retention the site would offer to frequent users the option of getting access to a second layer of specialized and high-quality information provided by the analysts of the company by becoming members of the ABC Club*. Membership to the club would provide users with a number of attractive privileges. Next to the retention element of this strategy, direct promotional activities regarding future products would be possible using the club database.

A second instrument of customer retention would be an educational section providing a frequently updated educational content partly based on actual customer questions and interests.

Synergy (Organizational aspects): a. Front Office. The Web site became a clearly visible part of the promotional and PR campaign prior to the launching of the fund and one of the basic elements of the official presentation to the public. The site address was also visible to all documents and communication material of the company. An extended direct mail campaign would support the site introduction.

b. Back Office. a team of analysts would be responsible for the updating the site content, daily market comments and analyses while a marketing team would handle the contacts with the users, and would be responsible for the management of the ABC Club database and the online commercial activities.

c. Third parties. An extensive effort was made for registering the site URL with the major search engines, meta-search engines and Web directories. Also advertising banners were placed in a number of high traffic web sites.

System (Technical and technological aspects): Important element of the site design was the browser independency and simplicity. It was decided that for reasons of efficiency the company should host the site itself. Important aspects to be addressed were the content management, the continuous technical improvement and the management of the incoming user information and inquiries. The security requirements were moderate at the initial stage with the only protected area being the ABC Club* section. Also special attention was placed in monitoring of the site performance.

Creative Process and Evaluation

Based on these guidelines a detailed site map was drafted indicating the main elements as well as the details of the site content. In the initial form the site was extremely simple to use as well as fast, something that was obviously very much appreciated by the user. The first major renovation of the site was done after a year.

The combination of advertisement and PR as the main promotional instruments in combination with an original positioning proved to be fairly successful and the site received a lot of free publicity prior to the launching. The most important elements of the evaluations that took place after the site launching and later on were:

- The 4S framework covers all major strategic and operational areas of the Web operation of ABC Portfolio*.
- The Strategic and Marketing plan based on the 4S framework allowed the site designers to concentrate on the technical aspects of building the site, saving them from a lot of time in planning and research work. The construction time was very short.
- The synergetic effect of the promotional campaigns and the PR activities attracted within 3 weeks an average of around the 16.000 hits per day. This number was at that time the highest for a Greek commercial site (excluding the sites of Internet Service Providers).
- The ABC Club* became highly popular in a short time; the number of the registered users after a year reached the 35.000 persons.
- The number of the daily hits after a year was close to the number of the registered ABC Club* users, indicating a high degree of customer retention.
- The group of users registered in the ABC Club* became a very valuable target group for future ABC Portfolio*.

*ABC Portfolio, ABC Mutual Fund and ABC Club are aliases.

Case 2: The Fidelity Insurances case**

The Fidelity Insurances** is a mid-sized Greek insurance organization with a good market position and reputation. The time the Fidelity Insurances** decided to enter the E-Commerce arena coincided with some difficulties the company experienced in marketing a line of innovative products (special types of insurances, services and credit cards etc), some of them unique to the Greek market. The existing distribution channel (agents) was showing low interest for these new products, that like most innovations in the services sector, required a lot of push effort and personal selling.

The Web project was the first serious Internet operation of the company. The whole project was based on a strategic and operational blueprint drafted according to the 4S Web-Marketing Mix methodology and took place in the end of 1998. The 4 S's in detail:

Scope (Strategy)

The prime strategic goal was to increase the market awareness and if possible the sales of the before-mentioned new services by communicating directly with the market, outside the traditional distribution channels. Furthermore it was important for Fidelity Insurances ** to take a lead in the E-Commerce for assurance products in Greece. This, next to the obvious positive effect on the bottom line, would also enhance the company's image as a modern, reliable, innovative, customer friendly and efficient organization.

Improving the customer retention through better communication, customer management and customer service as well as being prepared for global competition were also strategic objectives of the E-Commerce project, in line with the long-term organizational vision.

Another important strategic goal was the creation of a customer and prospects database based on customer data collected online. The database would provide the agent network with sales leads, this way reducing the chances of channel conflict and ensuring the support of the network to the online project. This database would be used also for direct marketing and other types of traditional promotional activities.

The competitive analysis indicated that all major insurance players in Greece had already an online presence. A closer look however revealed that the Web sites of the vast majority of competitors were much less professional than one would expect. A common element of almost all sites was a brochure-like presentation with massive texts, very slow downloading times, limited interaction and no online transaction possibilities. The effort of most companies was obviously to impress the online visitors by presenting them with a bulk of information about the organization, its services and financial achievements, in fact doing nothing more than providing the type of information that most web users would find annoying or irrelevant. The product information was often based on long texts, sometimes containing even the contract fine print.

Research on the Internet users' demographics was combined with the company information as to customer profiles in order to identify market segments and potential target groups. The study identified a number of prospective target groups for the online products among Fidelity's customer population and non-customer segments. The market potential was estimated to be the 4% of the Greek households at that time.

The strategic function of the Web presence was defined by a combination of Transactional, Promotional and Informational roles, with the management placing more emphasis on the first one of them. The study revealed though, that the expectations as to online sales should be very limited, given the stage of development of E-Commerce at that time in Greece. This warning was indeed confirmed by the subsequent experience.

The strategy as described above would be reviewed in regular intervals considering the fast changing market conditions and technological developments.

Site (Operational aspects / Web experience)

Based on the above strategic issues the operational elements of the study were focused on identifying a number of elements likely to play a major role in the site design. These elements were:

the online customer profiles and their needs

the customer's motives to search for and purchase insurance products

the way potential site visitors are likely to search the Internet for the site products and browse the information in it

the physical vs. the virtual interaction process and the emotional issues likely to affect the customer experience

Based on these aspects the following suggestions were drafted:

a. "Security", "Advice" and "Reliability" were the generic concepts that would communicate the site's emotional positioning. These attributes were also in line with the "physical" company image.

b. The Web presentation would be differentiated from the competition by means of user friendliness, focus on the site visitor's needs, value, and efficient service.

c. Important elements of the Web Experience were the content, the interactivity and the service offered online. Information about the company, its network and financials was also available but only as a background options.

d. Since assurance products are typically requiring personal selling one of the site objectives was to simulate as much as possible the conditions of the physical interaction

between the sales rep and the customer and to guide the online customer through an interactive process that would lead to the successful conclusion of an online sale.

e. Considering the technical limitations of that time, it was evident that multimedia was a future option and in the initial stage the online presentation was to be based on more conventional web tools. Important elements of the presentation were:

Ease of navigation. Necessary condition was that all available information could be accessible to the site visitor with a maximum of three mouse clicks. A simple and very easy to use start menu would save time eliminating unnecessary searching while the maximum page download time should not exceed the 20 seconds for an average user.

Easy access to information about the products and services. The product information was to be presented in three layers starting from a short description of the product, followed by a summary of the main product attributes and in the third layer offering an extended product description for potential customers interested in details. Potential visitors could identify this way very early in the search process whether a specific product or service was interesting and minimize this way the searching time.

- In all information layers the customer had access to a calculation tool and an order / information request form. The customer was also presented the option to be contacted by a sales rep and ask for online assistance in filling in the order form.

- Easy ordering procedures and special incentives (discount) for new customers ordering products online were aiming at lowering the threshold of engaging in online transactions.

f. An important issue was the selection of a domain name. Since the original Greek brand name translated in English was yielding a difficult to remember and write word, a new domain name was found.

Synergy (Organizational aspects)

a. Front Office integration. A detailed introduction plan was drafted combining traditional media (Direct Mail, advertisement, PR) and electronic media (online advertisement, multimedia presentation) for supporting the site during the commercialization and the initial stage of its online presence. The campaign was to be fully compatible with the existing and future marketing activities. The message of the campaign should be focused on value and advantages of doing business online that would be attractive for the target groups. The online activity should be also integrated as much as possible to every future traditional promotional action in order to increase the market awareness as to company's online presence.

b. Back office integration. The internal processes and resources had to be reviewed in order to spot the possible areas of conflict and the weak points of the existing organization (partly) migrating to an online-based environment. The review identified the main organizational issues to be addressed and produced a number of suggestions facilitating the smooth integration of the web activity into the existing business. Important topics addressed were the communication process, the integration of E-Commerce within the infrastructure legacy, the site administration, order fulfillment and the content management. Other essential issues were the problems of the online customer service and the efficient as well as fast handling of transactions, customer problems and emails. Such issues indicated the need for forming a separate E-Commerce organizational unit. Finally special attention was placed on the management of the databank and the site traffic data.

c. Third parties. The site was registered with all major web directories and search engines while special attention was placed on increasing the findability of the site by the, in that time, growing number of meta-search engines. During the introduction stage some online

advertisement activities aiming at the greater possible exposure of the brand would also take place.

System (Technical and Technological aspects)

The main technological parameters of the project were not much different than the previous case, with a few new dimensions, namely the settlement of the online transactions and the increased security requirements.

Other important issues were the hosting of the system, that the company kept in-house rather than outsourcing it, the technical support of the E-Commerce applications and the criteria for selecting the designer and constructor of the site.

Evaluation of the Fidelity Insurance ** project

Fidelity Insurances** became the first Greek and one of the pioneering sites in Europe to offer insurance services for sale on the Internet. Like the previous case, one of the main advantages of the 4S methodology was the important time saving in site-building time and the realization of an innovative and clearly positioned online presentation. The site attracted a lot of attention in Greece and became an example for other insurance sites.

Although no financial or traffic data have been released the management considered that the site had achieved most of its strategic objectives, becoming a valuable marketing tool and maintaining its original, initial form for almost three years. The long life cycle of the site could be attributed to the fact that the comprehensive strategic and operational analysis as the foundation of designing the Fidelity Insurance** site, gave to the site a long-term competitive advantage, saving substantial amounts by preventing frequent changes and experimentation.

** Fidelity Insurance is an alias

7. Summary

The paper reviews the criticism on the role of the Marketing Mix 4Ps model as the paradigm of the traditional marketing and evaluates its role in E-Commerce defined markets. The frequent criticism of the 4P Marketing Mix model as the backbone of the traditional, physical marketing management is also applicable to online marketing management, while two more factors further undermine the effectiveness of the model as the marketing management platform in virtual environments:

- The very role of the 4Ps in an online environment is quite different than their role in a physical market setting. The 4 Ps are not the critical factors of the virtual marketing process but rather elements of the total Web Experience. In this respect the effect of these factors on the consumer's decision making process is much more limited in the virtual environment than in the physical one.
- The 4Ps are operational parameters. Management of E-Commerce activities based only on the 4P framework ignores the dynamic strategic elements of the online marketing process that are extremely important for survival in the volatile and fast-changing virtual markets.

As an alternative option the paper proposes the 4S Web-Marketing Mix framework that allows the web marketer to solve the strategic and operational issues of the Internet marketing in an integral and efficient way. The proposed framework emphasizes the need for a new approach towards the online marketing, by fully integrating the virtual activities within the existing company strategy, marketing and operations. The practical objective of the paper is to help established or future E-Businesses to utilize the Internet technology and the online

market potential in an efficient way, adding value to the overall company operations. The methodology proposed is however the subject of further research and empirical testing. The review of two field projects outlines some interesting aspects. The companies in question have experienced both projects as successful and both projects have been also seen as very innovative in the Greek Internet Market. Yet the purpose of presenting these cases is not to evaluate their commercial merits (measuring the ROI of online activities is a notoriously complicated issue) but rather to explain how the Web-Marketing Mix methodology can be applied in practice.

Summarizing the cases we can identify the following main conclusions:

- The 4S framework defines the main elements of an E-Commerce project in a simple and practical way. It offers a platform for drafting a comprehensive Strategic and Marketing plan for the fast changing Web environment.
- E-Commerce plans drafted on the basis of the 4S methodology save considerable time in designing and completing the online project. Presenting web designers with a strategic and operational blueprint allows them to focus on the implementation aspects of the project
- A deep and extensive situation analysis and the consequent identification of the 4S factors is likely to yield a Web site that can maintain for longer time its proprietary competitive advantages, reducing the cost of upgrades and updates.
- Planning and implementing an E-Commerce B2C project involves a considerable amount of classic marketing effort. The Scope, Site and to a lesser extend the Synergy elements of the mix require clear strategic vision and market orientation.
- The Web site's competitive advantage must be based on its market orientation and the customer's Web Experience rather than technology. E-Commerce must therefore be considered and approached primarily as a marketing management problem rather than a technological issue.

Acknowledgements

The earlier version of this paper was presented at the HICSS-35 Conference, in the Big Island, Hawaii, on January 2002.

References

- [1] <http://www.etforecasts.com/pr/pr201.htm>
- [2] http://www.emarketer.com/ereports/ecommerce_b2c/
- [3]http://ecommerce.internet.com/opinions/article/0,1467,3551_751371,00.html
- [4]<http://news.ft.com/ft/gx.cgi/ftc?pagename=View&c=Article&cid=FT3JIJ9RCLC&live=true&tagid=ZZZC00L1B0C&Collid=ZZZ96PECC0C>
- [5] <http://www.webmergers.com/editorial/article.php?id=10>Allen C., Kania D. Yaeckel B. Internet World Guide to One-To-One Web Marketing (Internet World Series) 1998, Mecklermedia
- [6] The Boston Consulting Group Inc, 2000. Winning in the New Economy: Consumer Marketers Face the Challenges http://www.bcg.com/publications/files/Chapter_Two_Feb_01.pdf
- [7] Christensen C.M. 2000, After the Gold Rush: Patterns of Success and Failure on the Internet. www.innosight.com
- [8] Christensen C. M. 1998. The Innovator's Dilemma, Harvard Business School Press.
- [9] Porter M.E. 2001. Strategy and the Internet, Harvard Business Review, March 2001
- [10] Borden N.H. 1964. "The concept of the Marketing Mix", Journal of Advertising Research, vol 4, June 1964. pp 2-7
- [11] McCarthy, 1964. Basic Marketing, a Managerial Approach, Irwin, Homewood, IL
- [12] Grönroos C., 1997 From Marketing Mix to Relationship Marketing – Towards a Paradigm Shift in Marketing, Management Decision 34/5, pp 322-339, MCB University Press
- [13] Goldsmith R.E. , 1999. The personalised marketplace: beyond the 4Ps. Marketing Intelligence and Planning. Vol 17 nr 4 pp 178-185
- [14] Rafiq M., Ahmed P.K., 1995. Using the 7Ps as a generic marketing mix , an exploratory survey of UK and European marketing academics, Marketing intelligence and Planning, Vol 13, n 9. MCB University Press
- [15] Ohmae K. 1982. The Mind of the Strategist : The Art of Japanese Business. McGraw-Hill. NY
- [16] Bennet A.R. 1997. The five Vs- a buyer's perspective of the marketing mix. Marketing Intelligence and Planning, Vol 15, nr 3 pp 151 - 156
- [17] Lauterborn, B. 1990. New marketing litany: four Ps passé: C-words take over. Advertising age. 61 (41), October 1990, p26
- [18] Godin S.2001., The New P's of Marketing, sales and Marketing Management, Bill communications, N.Y. February 2001
- [19] Hoffman D. and Novak T. 1997. A New Marketing Paradigm for Electronic Commerce.The Information Society, Special issue for electronic Commerce, 13(Jan –Mar) pp 43-54
- [20] Sterne J. 1999. World Wide Web Marketing: Integrating the Web into Your Marketing Strategy (2nd Ed), J. Wiley & Sons.

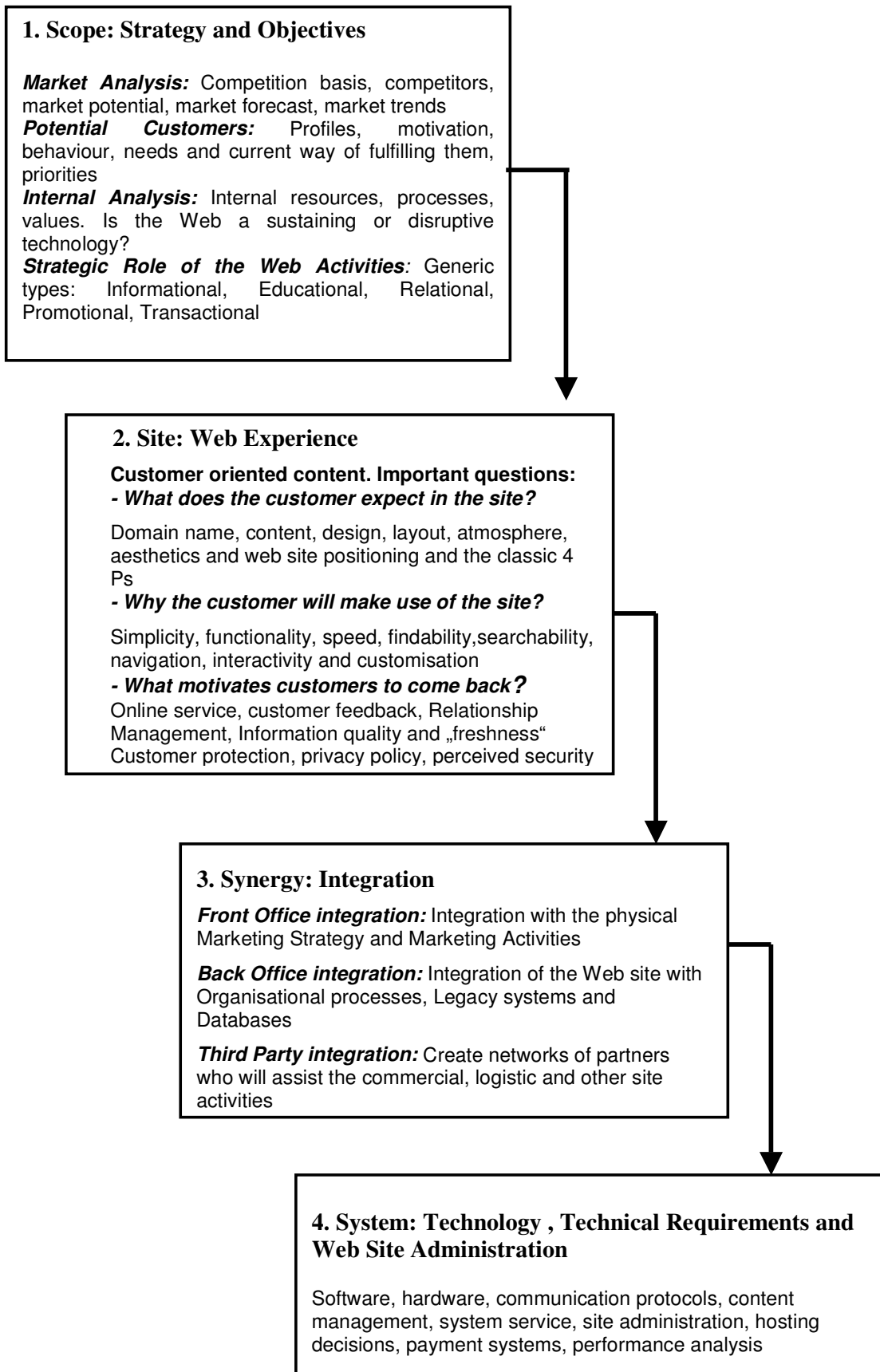
- [21] Bayne, K. 1997. *The Internet Marketing Plan*, John Willey and sons, New York
- [22] Vassos T. 1996. Strategic Internet Marketing. Que, Indianapolis, IN
- [23] <http://www.ecademy.com>
- [24] <http://www.pwcglobal.com/>
- [25] <http://www.i-strategies.com/homepage.html>
- [26] <http://www.jaderiver.com/>
- [27] Chaffey D., Mayer R., Johnston K., Ellis-Chadwick F. 2000. *Internet Marketing, Strategy, Implementation and Practice*, FT/Prentice Hall
- [28] Seybold P. 1999. *Customers.com*, Century Business Books. Random house, London
- [29] Oliver R. W. 2000. The Seven Laws of E-Commerce Strategy, *Journal of Business Strategy*, Sept/Oct 2000 pp 8-10
- [30] Amit R., Zott C. 2000, Strategies for Value Creation in E-Commerce: Best Practice in Europe *European management journal* vol 18
- [31] Mahadevan B. 2000, *Business Models for Internet based E-Commerce An Anatomy*, *California Management Review*, Vol.42, 4
- [32] Rappa M. Business models on the web, 2001 <http://digitalenterprise.org/models/models.html>
- [33] Hart C, Doherty N Ellis-Chadwick F. 2000, *The European Journal of Marketing*,. Vol.34, nr8
- [34] Angehrn, A.A. 1997, *Designing mature Internet strategies: The ICDT Model*, *European Management Journal*, August 1997
- [35] Huizingh E.K.R.E. 1999. *Towards successful electronic Commerce strategies: An hierarchy of three management models*, University of Groningen(NL). <http://www.ub.rug.nl/eldoc/som/b/99B45/>
- [36] Lawrence E., Corbitt B, Fisher J.A, Lawrence J., Tidwell A. 1999. *Internet Commerce*, 2nd Edition, John Wiley & Sons Australia Ltd.
- [37] Bickerton P. Bickerton M. Pardesi U. 1996. *CyberMarketing*. Oxford: Buittenworth - Heineman. Chartered Institute of Marketing Series
- [38] Patty T., 1997. *Mastering the Five P's of Marketing*.
www.chiatday.com/raw_materials/insights/5ps/5p_mkt.html
- [39] O'Connor J. Galvin E. 1997. *Marketing and information technology-The strategy, application and implementation of IT in marketing*. Pitman Publishing, London
- [40] Hoffman, D. Novak T, Schlosser A. 2000, *Consumer Control in Online Environments*, Working Paper, eLab, Owen Graduate School of Management, Vanderbilt University

- [41] Kotler P. Marketing Management, 2000. The Millennium Edition. Prentice Hall
- [42] Watchfire Whitepaper Series, 2000. Bad Things Shouldn't Happen to Good Web sites, Best Practices for Managing the Web Experience.
- [43] Porter M. E. 1980, Competitive Strategy, Techniques for Analyzing Industries and Competitors, The Free Press
- [44] Harberberg A. Rieple A. 2001. The Strategic Management of Organisations, Prentice Hall
- [45] Forrester Research, May 2000, Targeting European Consumers – Market Overview, Edwin van der Harst, www.forrester.com
- [46] Shapiro, C. Varian R. 1999. Information Rules: A Strategic Guide to the Network Economy. Boston: Harvard Business School Press
- [47] Porter M.E. 1985. Competitive Advantage, Free Press, Macmillan Publishing Co., Inc. NY
- [48] HICSS-35, Proceedings of the Hawaii International Conference in Systems Sciences, 2002, Big Island Hawaii.

Additional Literature

- Amit R., Zott C. 2000, Strategies for Value Creation in E-Commerce: Best Practice in Europe European management journal vol 18
- Bielski L. 2000. E-Business Models Stress Putting the Customer First, ABA Banking Journal, July 2000
- Kalokota R, Whinston A.B. 1997. Electronic Commerce. A manager's guide. Addison-Wesley, Reading, MA
- Kosiur D. 1997, Understanding Electronic Commerce, Microsoft Press, USA
- Malhotra, Y. 1997. Internet Enterprise Strategy and Design: A Real-World Introduction to Electronic Commerce - An Online Guide for Net Entrepreneurs & Managerial End Users. <http://www.brint.com/enterprise.htm>
- Ranchhod A., Zhou F., Tomson J. 2000. Factors Influencing Marketing Effectiveness on the Web, Information Resources Management Journal, Jan – Mar 2001, pp 4 – 12
- Robinson T. 2000. Modelling for Success: Why Strategy Comes First, Arthur Andersen Consulting
- Tompson L, 2000. E-Commerce: Changing the Rules of Strategy Implementation. Strategy and Leadership, 28.4.2000 pp 35-39

Table 1. The 4 Ss of the Web-Marketing Mix



2.2 Essay II: Constantinides E., The Marketing Mix Revisited: Towards the 21st Century Marketing, Journal of Marketing Management, Westburn Publishers Ltd, Forthcoming

The Marketing Mix revisited: Towards the 21st Century Marketing

Abstract

The paper assesses the current standing of the 4Ps Marketing Mix framework as the dominant marketing management paradigm and identifies market developments, environmental changes, trends as well as changing academic attitudes likely to affect the future of the Mix as theoretical concept as well as the favorite management tool of marketing practitioners. Reviews the criticism on the 4P's emanating from five "traditional" marketing areas - Consumer Marketing, Relationship Marketing, Services Marketing, Retail Marketing, Industrial Marketing - and the emerging field of Electronic Marketing. Identifies two main limitations of the Marketing Mix as management tool, common in all examined domains, namely the model's internal orientation and lack of personalization, as well as several area-specific ones and underlines the need for further research on the issue. The weaknesses identified in the study seem to support the frequently expressed suggestion that marketing scholars should focus their efforts in formulating the conceptual foundations and marketing methodologies that better address the needs of today's and tomorrow's marketer.

Keywords

4P's, Marketing Mix, Marketing Management, E-Marketing, Consumer Marketing, Retailing, Industrial Marketing, Retention Marketing, Services Marketing

Introduction

Few topics of the commercial theory have so intensively inspired as well as divided the marketing academia as the 4Ps Marketing Mix framework, “the Rosetta stone of marketing education” according to Lauterborn (1990). The Mix has its origins in the 60’s: Neil Borden (1964) identified twelve controllable marketing elements that, properly managed, would result to a “profitable business operation”. Jerome McCarthy (1964) reduced Borden’s factors to a simple four-element framework: Product, Price, Promotion and Place. Practitioners and academics alike promptly embraced the Mix paradigm that soon became the prevalent and indispensable element of marketing theory and operational marketing management.

The majority of marketing practitioners consider the Mix as the toolkit of transaction marketing and archetype for operational marketing planning (Grönroos, 1994). While empirical evidence on the exact role and contribution of the Mix to the success of commercial organizations is very limited, several studies confirm that the 4Ps Mix is indeed the trusted conceptual platform of practitioners dealing with tactical/operational marketing issues (Sriram and Sapienza, 1991, Romano and Ratnatunga, 1995, Coviello et al., 2000). A large-scale study carried out among executives of 550 Dutch companies (Alsem et al., 1996) revealed that about 70% of the companies surveyed apply formal marketing planning as basis of their operational marketing plans but responsibility for the Mix decisions is divided among different departments. According to the same study market leaders trust the formal operational marketing planning based on the 4P paradigm much more than the market followers¹⁸.

The wide acceptance of the Mix among field marketers is the result of their profound exposure to this concept during college years, since most introductory marketing manuals embrace it as “the heart of their structure” (Cowell, 1984) and identify the 4Ps as the controllable parameters likely to influence the consumer buying process and decisions (Kotler, 2003, Brassington and Pettitt, 2003). An additional strong asset of the mix is the fact that it is a concept easy to memorize and apply. In the words of David Jobber (2001): “The strength of the 4Ps approach is that it represents a memorable and practical framework for marketing decision-making and has proved useful for case study analysis in business schools for many years”. Enjoying large-scale endorsement, it is hardly surprising that the 4Ps became even synonymous to the very term Marketing, as this was formulated by the American Marketing Association (Bennet, 1995).

Next to its significance as a marketing toolkit, the Marketing Mix has played also an important role in the evolution of the marketing management science as a fundamental concept of the commercial philosophy (Rafiq and Ahmed, 1995), with theoretical foundations in the optimization theory (Kotler, 1967, Webster, 1992). The theoretic endorsement of the Mix in its early days was underlined by the sympathy of many academics to the idea that the chances for successful marketing activities would increase if the decisions (and resource allocation) on the 4P activities were optimized; Philip Kotler elucidated in 1967 how “mathematical programming provides an alternative framework for finding the optimal marketing mix tool that allows the optimal allocation of the marketing effort”¹⁹. The theoretical value of the Mix is also underlined by the widely held view that the framework constitutes one of the pillars of the influential Managerial School of Marketing along with the

¹⁸ 53.1% of the market leaders consider marketing as a major input to the company’s operational planning against 39.6% of the market followers having the same opinion.

¹⁹ Philip Kotler still considers the Mix as one of the elements of the Marketing strategy, yet this approach has developed gradually over the years from the “academic” perspective (Kotler, 1976) to a more “practical” one (Kotler, 1984). In his more recent books the author becomes more critical by underlining one of the main limitations of the Mix namely the internal orientation arguing that “the four P’s represent the sellers’ view of the marketing tools available for influencing buyers” (Kotler, 2003)

concepts of “Marketing Myopia”, “Market Segmentation”, “Product Positioning” and “Marketing Concept” (Kotler, 1967, Sheth et al., 1988),

Despite the background and status of the Mix as a major theoretical and practical parameter of contemporary marketing, several academics have at times expressed doubts and objections as to the value and the future of the Mix, proposing alternatives that range from minor modifications to total rejection. It is often evident in both the academic literature and marketing textbooks that the mix is deemed by many researchers and writers as inadequate to address specific marketing situations like the marketing of services, the management of relationships or the marketing of industrial products.

The main objective of this paper is to present an up-to-date picture of the current standing in the debate around the Mix as marketing paradigm and predominant marketing management tool by reviewing academic views and criticism originating from five marketing management sub-disciplines: Consumer Marketing, Relationship Marketing, Services Marketing, Retail Marketing, Industrial Marketing. Next to these “traditional” areas the paper reviews the arguments as to the value of the mix in an emerging marketing management domain, the E(lectronic)-Marketing.

Objective and Delimitation of the research

As mentioned above the objective of the study is to present a realistic picture on the current standing of an old and ongoing debate about the merits of the 4P Marketing Mix as a present and future marketing management conceptual platform. The paper highlights academic approaches and underlines the need for further research rather on the issue.

The most important constraints and limitations of this approach are the following:

The marketing domains chosen. The review of the literature originating from six marketing sub-disciplines does not imply that the Mix is irrelevant for other marketing areas. The reason for selecting six areas only was purely related to the length of the study. It must be also clear that any conclusions drawn are tentative and relevant for the respective areas only. Furthermore the classification is by no means meant to demarcate marketing disciplines, alternative marketing schools or alternative paradigms but rather to identify managerial situations facing distinctive as well a common practical marketing issues and problems.

The literature classification criteria applied. The reviewed authors were assigned to one of the six domains examined, depending on the content of the article / book reviewed and its intended audience.

The type of sources used. Attempting a review of opinions about the Marketing Mix one can turn to exclusively academic quarters or alternatively look for views based on field experience. In each case it can be argued that the approach is one-sided, either not contemplating the real world or lacking theoretical foundations. The authors reviewed in this study were limited to academic opinions published in research papers and academic textbooks.

The fact that the - often normative – views expressed in textbooks were included in the study can be seen as a compromise to a strictly scholastic approach. There are two reasons explaining this choice. Firstly, the fact that the volume of academic research on the suitability of the 4Ps as marketing tool in the new domain of E-Marketing lacks the depth found in more traditional marketing areas; the available theoretic material is very limited due to the newness of the issue. Secondly the author believes that the inclusion of (often normative) opinions expressed in marketing textbooks leads to a more pragmatic and comprehensive picture of the Marketing Mix debate.

Review of a Marketing Management paradigm: The backgrounds of the debate

Developments on the commercial landscape and changes in consumer and organizational attitudes over the last four decades, have frequently prompted marketing thinkers to explore

new theoretical approaches addressing specific marketing problems and expanding the scope of the marketing management theory. The most important landmarks of the evolution of the marketing management theory include...”the broadening of the marketing concept during the 70’s, the emphasis on the exchange transaction in the 80’s, the development of the Relationship Marketing and Total Quality Management in the 90’s” (Yudelson, 1999)... and last but not least the emergence of Information and Communication Technologies as major actors of the 21st century Marketing. At the same period the consumer behavior has also evolved; one of the noticeable changes has been the gradual evolution from the mass consumer markets of the 60’s (Wolf, 1998) towards increasingly global, segmented, customized or even personalized markets of today (Kotler et al., 2001) where innovation, customization, relationships building and networking have become issues of vital significance. The developments on the ground have prompted the development of new theoretical approaches dealing with specific rather than general marketing problems and situations.

In the course of these developments the 4Ps Marketing Mix framework has been one of the subjects that frequently became the source of controversy and scientific debate (Dixon and Blois, 1983, Rafiq and Ahmed, 1992). Surprisingly in a sense, this scientific debate has hardly been echoed in the practitioners’ quarters. Unlike academics, practicing marketers have been reluctant to question, let alone dismiss the trusted paradigm (Bowman-Upton et al. 1989, Sriram and Sapienza, 1991, Grönroos, 1994), presumably anticipating that the academic debate will yield some new, apparently better marketing methodologies and usable concepts. Some of the criticism to the address of the 4Ps framework has its roots in the discrepancy between the philosophy behind the Marketing Mix on one hand and the fundamentals of the Management School of Marketing on the other. The Management School that embraced the Mix as one of its “most important conceptual breakthroughs” (Sheth et al., 1988) has given the Mix, as already mentioned, similar status with the Marketing Concept and the Market Orientation principles (Kotler, 1984). Yet the very nature of the four P’s as manageable i.e. controllable factors combined with the explicit lack of market input in the model (Kotler, 2003) is in sharp contrast with the Marketing Concept and Market Orientation principles implying that marketing activities should be based on identification of customer needs and wants, typical external and therefore uncontrollable factors. This paradox has been highlighted by researchers like Dixon and Blois (1983) and Grönroos(1994).

The expanded theoretical scope of the marketing theory reflects the scholarly urge to better understand the managerial consequences of transformations taking place and identify sources of superior firm performance in constantly evolving competitive environments. The debate has been focused on developments of consumer and organizational behavior, the increasing complexity of the environment and the growing importance of technology as marketing enabler. (Kaufman, 1995, Brown and Eisenhardt, 1998, Beinhocker and Kaplan, 2002).

The marketing thematic entities that have emerged – Strategic Marketing, Consumer Marketing, Services Marketing, Industrial Marketing, International Marketing, Social Marketing, Retail Marketing, Non-Profit Marketing, Trade Marketing, Relationship Marketing, Direct Marketing, Network Marketing, Online Marketing, to name some of the most common terms used, underline the need for a systematic theoretical approach of specialized and complex marketing management issues. Researchers dealing with issues and problems emanating within these new marketing domains often dispute the Marketing Mix’s appropriateness as the underpinning marketing paradigm, at least in its original simplified form. The growing pressure on marketers to better identify and satisfy constantly changing customer and industry needs, the increasing importance of services and the need to build-up long-lasting relationships with the client, have further contributed to the exposure of several limitations of the 4P framework as a marketing management tool.

A disciplinary classification of the Marketing Mix criticism.

One of the criteria for classifying the attitudes of researchers towards the 4Ps Marketing Mix framework is the disciplinary origin of the arguments, but such a classification can raise always questions; the apparent difficulty of this approach is to exactly demarcate the different marketing domains, something that underlines the complexity of the marketing environment today. A “qualitative” classification offers however a good insight to research attitudes in analyzing and modeling a changing, expanding and sometimes turbulent marketing environment.

On the basis of the disciplinary approach the theoretical status quo of the Marketing Mix will be reviewed based on publications referring to five traditional and one emerging Marketing Management sub-disciplines: Consumer Marketing, Relationship Marketing, Services marketing, Retail Marketing, Industrial Marketing and E-Commerce. It speaks for itself that further research in other marketing sub-disciplines is needed for drawing up final conclusions and comprehensive judgment on the question of the value of the 4Ps.

The Marketing Mix and the Consumer’s Marketing

Significant cultural, social, demographic, political and economic influences during the last decades of the 20th century, combined with rapid technological advances have radically transformed the consumer’s needs, nature and behavior. The new consumer has been described as existential, less responsive to traditional marketing stimuli and less sensitive to brands and marketing cues while the influence of family or other types of reference groups on the new consumer’s behavior is changing or diminishing (Christopher, 1989). More researchers share the view that the modern consumer is different: demanding, individualistic, involved, independent, better informed and more critical (Capon and Hulbert, 2000, Lewis and Bridger, 2000). A factor underlining the change is the increasing consumer power and sophistication due to wide availability of affordable personal computing power and easy access to online global commercial firms, networks, databases, communities or marketplaces. These developments have intensified the pressure on marketers to switch from mass marketing approaches towards methods allowing personalization, interaction and sincere, direct dialog with the customer. Such approaches allow marketers not only to improve communications with their target groups but also to identify the constantly changing and evolving customer needs, respond quickly to competitive movements and predict market trends early and accurately. The opinions on the role of the Marketing Mix in the evolving consumer marketing environment are summarized in the following review. (Table 1)

Several shortcomings of the Marketing Mix have led the majority of the authors reviewed to suggest that the 4Ps framework should not be considered as the foundation of Consumer Marketing management any longer. In the reviewed papers and books the criticism is focused on three main areas:

Internal Orientation: a frequent objection underlying the Mix’s explicit lack of customer orientation. Kotler (1984), Robins (1991), Vignali and Davies (1994) Bennett (1997) and Schultz (2001) are one way or another identifying this as the prime limitation of the Mix.

Lack of consumer interactivity: Doyle (1994), and Yudelso (1999) argue that the Mix ignores the evolving nature of the consumer who demands not only higher value but also

more control on the communication and transaction process. Allowing better interaction reduces the customer defection rates and increases customer trust.

Lack of strategic elements: Ohmae, 1982, Vignali and Davies 1994 argue that lack of strategic content is a major deficiency of the framework, making it unfit as planning instrument in an environment where external and uncontrollable factors define the firm's strategic opportunities and threats.

The majority of the reviewed authors propose alternative frameworks while those willing to accept a role for the 4Ps often propose modified versions, with new elements added to the traditional parameters.

The Marketing Mix and the Relationship Marketing

Focus on sales volume through creation of large commercial firms, use of intermediaries and mass marketing during the 60's and 70's undermined the role of customer loyalty as important parameter of marketing activities for quite some time. One of the noteworthy recent changes in the marketing thinking has been the obvious emphasis shift from transaction-oriented exchanges to relation building, from acquisition-oriented to retention-oriented marketing (Parvatiyar and Sheth, 1997). Marketers seemed to rediscover the forgotten advantages of offer personalization and life long customer value and realize that building customer loyalty as well as holding on existing customers is as important as soliciting new customers and expanding business (McKenna, 1991, Rozenberg and Czepiel, 1992).

This change in attitudes did not come about overnight. Market saturation, economic crises and increasing global competition combined with inconsistent and unpredictable consumer behavior are some of the main drivers behind the relationship movement. Quite a few researchers argue that relationship-orientation requires new approaches towards consumers (Wolf, 1998) or even a marketing paradigm shift (Grönroos, 1994, Gummesson, 1994, Sheth and Parvatiyar, 1995, Healy et al., 2001). The 4Ps Marketing Mix has been often subject of debate and research as to its capacity to address the relationship marketing. Research done by Ailawadi et al. (2001) questions the effect of promotions and advertising as marketing tools for customer retention while the study of Alsem et al. (1996) confirms that creating long-term relationships with customers is considered as the main company marketing focus of approximately 60% of the companies surveyed (this percentage has gone up by 20% in five years). A summary of opinions on the use of the Mix in a relationship-marketing context is illustrated in Table 2.

The overwhelming majority of authors from the relationship-marketing field are clear and categorical on the role of the 4Ps in the context of Relationship Marketing: the framework cannot be the basis for retention-based marketing. Some specific limitations of the Mix draw most of the attention:

Product orientation rather than customer orientation and focus (Lauterborn, 1990, Rozenberg, Czepiel, 1992). The explicit focus of the Mix on internal processes undermines the elements of customer feedback and interaction as basis of building up relationships and retention. In the context of relationship building the Mix fails to address the individual customer needs.

One-way orientation: No interactivity and personalized communication is supported given the background and character of the mix as a mass-marketing era concept (Gummesson, 1994, 1997, Grönroos, 1994, Goldsmith, 1999) .

The 4Ps framework is perceived as having an offensive rather than collaborative character (Patterson and Ward, 2000).

Relationship marketing supporters are quite critical as to the academic and practical value of the 4P paradigm. All reviewed authors propose new conceptual frameworks where communication, personalization and interaction are central.

The Marketing Mix and the Services Marketing

Early references identifying differences between tangibles and intangibles underlying the distinctive character of services marketing are found in the works of Branton (1969) and Wilson (1972). During the 70's more researchers emphasized the special character of the services (Blois, 1974, Bessom and Jackson, 1975, Shostack, 1977); several alternative methodologies and marketing conceptual frameworks for services marketing have been proposed ever since. The services marketing domain gradually acquired a distinct position among other marketing sub-disciplines.

Two reasons contributed to this development:

Services have become major generators of economic activity and substantial source of corporate revenue in western post-industrial economies.

Service became increasingly part of physical products, as element of the augmented product dimension (Kotler et al., 2001, Jobber, 2001). As such, service became significant parameter of product differentiation and important basis of competitive advantages.

The special nature of services and the proposed approaches to services marketing are summarized below (Table 3).

All reviewed authors agree on the special character of services vs. tangibles and highlight the need for specific management attitudes when dealing with services marketing issues.

A key factor distinguishing the services marketing from marketing of physical products is the human element, often included as new parameter in the services marketing mix. (Booms and Bitner, 1981, Cowell, 1984, Heuvel, 1993, Melewar and Saunders, 2000, Grove et al., 2000). The human factor underlines the personal nature of the services marketing; service providers play a double role in the marketing process as service delivering factors: the personnel is a powerful element tool of customer persuasion and a major parameter affecting the customer's perception on the delivered service quality.

Interaction and quality are often identified as two issues missing in the 4P framework, yet requiring special attention in services marketing. Furthermore the personal character of services makes the quality standardization a difficult and challenging task. (Rushton and Carson, 1989, Fryar, 1991, Beckwith, 2001).

One-to-One communication and relationship building are also fundamental elements of the services marketing not adequately addressed by the 4Ps (Doyle, 1994), English, 2000).

Most reviewed researchers resist the idea of applying the 4Ps as the single tool for designing services marketing, proposing either the addition of new elements to the Mix or its substitution by different approaches.

Marketing Mix and the Retail Marketing

As recently as two decades ago most manufacturers of consumer products considered communication with the final customer as one of their essential marketing tasks. Being the dominant market party, producers would employ mass marketing campaigns aiming at increasing brand recognition, product awareness and mind share, as basic ingredients for stimulating product demand. Retailers and other intermediaries were considered as somewhat secondary actors in the marketing process, their responsibility confined in the functions of stocking and re-selling products (McCarthy, 1978).

Consolidations of the retailing sector, globalization and private branding have transformed the retailing landscape. A significant power migration along the supply chain gave retailers gradually more control over the marketing processes and at the same time exposed them to increasing industry competition. Trying to build up strong market positions and competitive advantages, retailers were forced to adopt more professional and proactive commercial approaches, becoming gradually real marketers, rather than distributors and in-store merchandisers (Mulhern, 1997). Supply chain management, efficiency, customer retention and customer lifetime value (Reichheld and Sasser, 1990, Rosenberg and Czepiel, 1992) form the cornerstone of many retailers' marketing strategies today. The consistent effort to build long-term relationships with the customer (Alexander and Colgate, 2000) shifted the focus from the passive application of the 4Ps to "execution" (Salmon, 1989) where retail formats, personnel, service and presentation are becoming the critical elements of retail marketing. (Table 4).

The retail marketing theory embraces elements of both services marketing and relationship marketing, discussed in the previous chapters. The arguments against using the 4Ps as basis for services and relationship marketing can be easily expanded to retail marketing (Mulhern, 1997, Kotler, 2003). Yet retail marketing includes some additional, distinctive aspects that the Marketing Mix also fails to address: physical evidence, shopping experience, atmosphere (van der Ster, 1993, Boekema et al., 1995, Mulhern, 1997, Kotler, 2003) and personalized rather than mass contacts (Wang et al. 2000). The authors reviewed agree that the 4Ps do not present an adequate platform for planning of marketing activities in this domain. Most researchers suggest replacing the mix with new concepts or adding new elements to it. Personnel, Presentation and Retail Format are factors contributing to unique customer experience as basis of differentiation and retention.

The Marketing Mix and the Industrial Marketing

The Industrial or Business-to-Business Marketing is a theoretical domain that obtained early on an independent status as marketing sub-discipline; the majority of contemporary Marketing textbooks assign a separate chapter to B2B marketing and the buying behavior of industrial organizations. While some authors think that Industrial Marketing and Consumer Marketing are not fundamentally dissimilar (Smallbone, 1969 and recently Coviello and Brodie 2001), most researchers agree that Industrial marketing is indeed different from consumer marketing in a number of aspects like the formalized decision making procedures, the buying practices and rationality of choices and the special character of the industrial customer (Alexander et al., 1961, Kotler, 1976, Wind and Webster, 1972, Fern and Brown, 1984). Long-term relationships, based on empathy, mutual benefits and co-operation (Flint et

al., 1997), understanding of customer's needs (Shaw, 1995) and service (Cunningham and Roberts, 1974) are other important success factors.

The 4P Marketing Mix is seldom mentioned in the Industrial Marketing literature as a usable management tool. (Table 5)

The criticism of the Marketing Mix from the Industrial Marketing domain is concentrated on the following issues:

The emphasis of Industrial marketing on collaboration and personalized approach is at odds with the impersonal, mass-oriented and acquisition oriented character of the Mix (Turnbull, Ford and Cunningham, 1996). Mutual dependence and close relationships between industrial sellers and buyers have been important aspects of Industrial Marketing. In this setting personal selling rather than mass communication and promotion, has traditionally been the prime industrial marketing instrument. Perceived personality similarities and trust (Dion et al., 1995) are core elements of the industrial commercial interaction. Furthermore the long-term character of the buyer – seller relationships in industrial markets underlines two more weakness of the Marketing Mix as Industrial Marketing tool namely its operational orientation and the lack of strategic components.

Building successful industrial relationships requires creating value for the customer, something depending on understanding and delivering value (Parasuraman, 1998, Andersen and Naurus, 1999).

The Marketing Mix and E – Marketing

The commercialization of Internet brought about a new breed of virtual business engaged in a variety of commercial (and often non-profit) online activities usually referred to as E-Commerce. [²⁰] Without being something essentially new as to the types of the supported commercial practices and activities, E-Commerce presented Marketing academics and practitioners with several unique challenges: customer empowerment, new forms of communication and interaction, global and around-the-clock orations, high degree of market transparency and difficulty in maintaining competitive advantages (Weltz, 1995, Seybold and Marshak, 1998, Porter, 2001).

During the second half of the 90s the world witnessed an explosive growth of Internet firms and online users; the Web seemed to become the new and promising business frontier. Yet the initial excitement and inflated hopes did not prevent massive failures of ambitious online projects that brought an end to the Internet gold rush of the 90s. The dot.com demise (Webmergers.com, 2002) demonstrated that the optimistic promises of a so-called New Economy were largely unfounded and commercially unsustainable, at least for the time being. The apparent difficulty of the many Internet pioneers to effectively exploit the virtual marketplace in the 90's and the reasons for their failures is already and will continue for some time to be the subject of debate and research. Researchers, consultants and practitioners have already identified several causes behind the dot.com failures. Managerial skills, naivety, technology drawbacks, lack of financial control, non-viable business models and last but not least old-fashion product orientation, have been named as contributing reasons to the dot.com demise (Colony, 2000, Innosight 2001, Porter, 2001, Owen, 2001, Pew Internet, 2001, webmergers.com). The suitability of the Marketing Mix as tool of E-Marketing and its possible contribution to creation of unsustainable online business models has also been suggested as possible contributors to dot.com failures (Cash, 1994, Hoffman and Novak,

²⁰ E-Commerce can be defined today as a collection of Internet-based tools, processes and activities supporting, supplementing, improving or replacing traditional commercial (and some times non-commercial) practices. Such practices include Promotion, Acquisition, Sales, Communication, Customer Retention, Personnel Recruitment, Market Research etc.

1997, Constantinides, 2002). From 1995 on an ever-increasing number of scientific papers and textbooks have been dealing with the issue of E-Marketing Mix and the role of the 4Ps in it (Table 6).

Comparing the extend of criticism expressed in the more “traditional” marketing areas one could argue that the proportion of researchers and writers who seem to be in favor of the 4P’s as the E-Commerce marketing paradigm even in its basic, original form is relatively high (Peattie, 1997, O’Connor and Galvin, 2000, Bhatt and Emdad, 2001, Allen and Fjermestad, 2001). Other authors favor minor changes likely to make the framework more suitable for the Internet environment (Aldridge et al., 1997, Lawrence et al., 2000).

Most writers though are clearly in favor for totally new approaches (Mosley, 1997, Evans and King, 1999, Chaffey et al., 2000, Kambil and Galvin, 2000, Schultz, 2001, Constantinides, 2002). Internal orientation, lack of interactivity and personalization, lack of strategic elements and lack of community building are some of the frequently mentioned weaknesses of the Mix.

The apparently cautious attitude of several authors towards the Marketing Mix framework in this novel marketing domain is at odds with the more categorical rejection of the Mix in the previously discussed more “traditional” marketing areas. This paradox can be attributed to the newness of the subject and the relatively limited research on this area. Yet E-Marketing is a complicated terrain combining several elements of most of the previously reviewed categories – consumer marketing, retail marketing, services marketing, relationship marketing – along with some unique features; in this respect one can argue that the criticism expressed in the other examined domains is also relevant to E-Marketing.

Issues for further research

There is little doubt that new technologies and market trends will keep shaping the marketing landscape of the 21st century, frequently changing the rules and modifying the critical factors affecting the marketing processes. The question of the present and future status of the Marketing Mix must be assessed in more marketing domains both traditional and emerging. Objective evaluation remains though a challenging problem, considering the complexity of experimentation and validation of normative frameworks. Nevertheless research and debate about the Marketing Mix as foundation of contemporary marketing should be further encouraged.

In that respect it is necessary that identification and analysis of academic arguments and opinions on the suitability of the Marketing Mix as reaching and management tool in other marketing domains not covered by this study must be undertaken, so that a comprehensive picture on the present and the future of the Mix can be drawn.

An interesting yet more specific question relevant to this effort can be the degree of possible contribution of the 4Ps to the demise of many pioneering and ambitious Internet companies of the 90’s. Two issues worth further study along this line:

To what extend online marketers had been applying the Mix as the sole tool of marketing planning for Internet start-ups during the booming years of the 90s?

b. Is there a link between using the 4Ps as basis of their marketing planning and the demise of their firms?

Findings in this area will offer useful input in the Marketing Mix debate and help in the direction of developing fresh conceptual approaches, suitable for new forms of 21st century marketing.

Summary - Conclusions

The ongoing debate surrounding the Marketing Mix as a marketing management tool has been primarily fought on theoretical rather than empirical level. This due to lack of reliable

research data on the way the Mix is used by practitioners dealing with marketing problems as well as lack of data about the exact effects of the Ps on the success or failure of marketing programs. This means that a clear and undisputed answer to the question whether the mix will survive as the marketing tool of the 21st century requires further research and debate. In this background this study attempts to identify the current standing in this dispute by reviewing the relevant academic literature covering a segment of the marketing terrain: six marketing sub-domains or marketing areas, five of them “traditional” and one emerging.

The majority of researchers and writers reviewed in these domains express serious doubts as to the role of the Mix as marketing management tool in its original form, proposing alternative approaches: adding new parameters to the original Mix or replacing it with alternative frameworks altogether. Doubts on the hands-on practical value of the Mix as a marketing toolkit are echoed by skepticism expressed as to its value as a teaching tool (Rafiq and Ahmed, 1992).

Some of the weaknesses of the 4Ps identified in the study are domain-specific: ignoring the human factor, lack of strategic dimensions, offensive posture and lack of interactivity. Two limitations however seem to be common in all reviewed categories: The model’s internal orientation and the lack of personalization.

The internal orientation of the Mix – the lack of explicit market input in the framework- stems from the origin of the concept. The Mix was originally developed as a concept suitable for marketing of consumer products in the mass-oriented US manufacturing sector of the 60’s, an era when producers could afford to pay much less attention to customer’s voice and needs than today. Applying the Mix as basis of Marketing Planning in its original form in today’s highly competitive, dynamic and technology-mediated markets (McKenna, 2003) can lead to serious undermining of the firm’s competitive position. Marketing efforts in today’s and future marketplace are likely to succeed if they are based on close and constant monitoring of the external environment, with special attention on the frequently changing customer behavior and needs. Competition, trends and macro-environment are also elements reacquiring constant attention.

If marketing is to exist as a significant value-adding corporate activity in the future (Porter, 1985), marketers must focus their attention on getting better insight on the dynamics and the constantly changing rules of the marketing environment of the 21st century. Instead of managing the 4Ps-defined processes managers should focus on the factors underlining customer value as well as building market-oriented, flexible and inventive organizations, able to constantly innovate and adapt to fast-changing market conditions.

The lack of personalization i.e. the mass-market orientation of the Mix can likewise be traced in the origin of the framework. Significant shifts of consumer behavior (individualization, diminishing brand preference, value orientation, increasing sophistication etc.) have undermined the effectiveness of the impersonal one-way communication and the mass marketing approaches. The constant stream of new technologies available to businesses and customers not only reduces transaction and switching costs but also offers to customers more choices, global access of products or services and new possibilities in addressing individual and very specific needs. In such an environment the service and the personalized client approach have become imperatives; one should expect that the Marketing in the 21st century will become not only more sophisticated but also much more interactive and individual. The quality of the personal relationship between seller and customer and successful customer retention are becoming basic ingredients of commercial performance in all markets, either consumer or institutional ones.

Evaluating the standing of a marketing axiom as the 4Ps Marketing Mix is a complex issue and arguments will be always open to debate. Skeptics might even question the very logic of

disputing the merits of the Mix, arguing that the way of applying a tool is what really matters, rather than the tool itself.

The findings of study support the frequently expressed opinion that marketing management and teaching is ripe for a paradigm shift, at least within the reviewed marketing domains. New concepts proposed should adequately deal with the new realities of marketing the old Mix was never meant to address.

An essential parameter for any theoretical development is the trust of the marketing practitioner in the 4Ps; marketers have embraced the Mix for more than 40 years, despite the lack of solid evidence that the concept is actually better than other alternatives. For all intents and purposes practitioners will endorse a new framework only if they are persuaded that this can meet their management and planning needs better than the 4Ps, while upholding the Mix's essential features, namely simplicity, applicability and richness.

References

- Ailawadi K.L., Lehmann D.R., Neslin S.A., (2001), Market Response to a Major Policy Change in the Marketing Mix: Learning from Procter & Gamble's Value Pricing Strategy. *Journal of Marketing*, vol. 65 Issue 1, p44
- Aldridge A., Forcht K., Pierson J., (1997). Get linked or get lost: Marketing strategy for the Internet. *Internet Research: Electronic Networking Applications and Policy*, vol 7, nr 3. Pp.161-169
- Alexander R.S., Cross J.S., Cunningham R.M., (1961) *Industrial Marketing*, re.ed. , Homewood Ill, Richard D, Irwin, Inc.
- Alexander N., Colgate M., (2000), Retail financial services: transaction to relationship marketing, *International Journal of Operations & Production Management*, vol 34, nr 8, pp 938-953
- Allen E., Fjermestad J.(2001). E-commerce marketing strategies: an integrated framework and case analysis, *Logistics Information Management*, Vol 14 Number ½ 2001 pp. 14-23
- Alsem, K.J., J.C. Hoekstra, B. van der Heide (1996), *Marketing Orientation and Strategies in the Netherlands*, SOM research report 96B02, Faculty of Economics, University of Groningen.
- Andersen J.C., Narus J.A., (1999), *Business Market Management, Understanding, Creating and Delivering Value*, Prentice Hall, New Jersey
- Beckwith H., (2001), *The Invisible Touch – the Four Keys of Modern Marketing*, Texere Publishing
- Bennet P.D., (1995). *Dictionary of Marketing Terms*, American Marketing Association, Chicago
- Bennett A.R., (1997), The five Vs - a buyer's perspective of the marketing mix, *Marketing Intelligence & Planning*, Volume: 15 Number: 3 Page: 151 -- 156
- Bessom R.M., Jackson D.W., (1975) *Service Retailing: A Strategic Marketing Approach*, *Journal of Retailing*, Summer 1975, p 84
- Bhatt G., Emdad A.F., (2001). An analysis of the virtual chain in electronic commerce, *Logistics Information Management*, vol 14, nr 1 - 2, pp. 78-85
- Blois K.J., (1974), *The Marketing of Services: an Approach*, *European Journal of Marketing*, vol 8, nr 2, pp. 137-145
- Boekema J.J., Bueren van E.B, Lobstein S., Oosterhuis A., Schweitzer P., (1995), *Basisboek Marketing (Basic Book of Marketing)*, Derde druk, Wolters-Noordhoff, Groningen, NL

- Booms B.H, Bitner M.J. (1981), Marketing Strategies and Organization Structures for Service Firms, Marketing of Services. Donnelly J.H and George W.R. Chicago American Marketing Association, pp. 47 – 51
- Borden N.H. (1964). “The concept of the Marketing Mix”, Journal of Advertising Research, June, pp 2-7.
- Bowman-Upton N., Seaman S.L., Sexton D.L., (1989), Innovation Evaluation Programs: do they help the Inventors?, Journal of Small Business Management , vol. 27, nr. 1, pp 23-30.
- Branton N., (1969), The Marketing of Services, Marketing World, vol 1, nr 2.
- Brassington F., Pettitt S.,(2003), Principles of Marketing, Third Edition, Prentice Hall / Financial Times
- Beinhocker E.D.,Kaplan S., 2002, Tired of Strategic Planning? The McKinsey Quarterly, nr 2
- Brown S., Eisenhardt K, 1998, Competing on the edge: Strategy and Structured Chaos, Boston, MA, Harvard Business School Press
- Brunner, G.C., (1989), “The Marketing Mix: Time for Reconceptualization”, *Journal of Marketing Education*, vol. 11, pp. 72-7.
- Capon N., Hulbert J.M., (2000), Marketing in the 21st Century, Pearson Education
- Cash J.L., (1994), A new Farmer’s Marketing, Information Week, December, 26
- Chaffey D., Mayer R., Johnston K., Ellis-Chadwick F.,(2000), Internet Marketing, Strategy, Implementation and Practice, FT/Prentice Hall. Pp. 40-48, 151-168
- Christopher M., (1989), The Existential Consumer, European Journal of Marketing, vol 23 N 8, pp. 80-84
- Colony G., (2000), My View: Hollow Com, April, Forrester Research.
<http://www.forrester.com/ER/Marketing/0,1503,183,00.html>
- Constantinides E., (2002), The 4S Web-Marketing Mix Model, E-Commerce Research and Applications , Elsevier Science, July 2002, vol 1/1, pp 57-76
- Coviello N.E., Brodie R.J Munro H.J., (2000), An investigation of marketing practice by firm size, Journal of Business Venturing, vol 15, Pages 523-545
- Coviello N.E., Brodie R.J. (2001), Contemporary marketing practices of consumer and business-to-business firms: how different are they?, The Journal of Business and Industrial Marketing, Vol. 16, Nr. 5 pp. 382 – 400
- Cowell D.W., (1984), The Marketing of Services, Institute of Marketing and the CAM Foundation, Heineman Professional Publishing

- Cunningham M.T., Roberts D.A., (1974), The role of customer service in industrial marketing, *European Journal of Marketing*, vol. 8, Nr. 1, pp. 15 - 28
- Davis W., Brush K. E., (1997). High-Tech Industry Marketing: The Elements of a Sophisticated Global Strategy, *Industrial Marketing Management*, vol 26, pp. 1-13
- Dion P., Easterling D, Miller S.J.,(1995), What Is Really Necessary in Successful Buyer/Seller Relationships? *Industrial Marketing Management*, Vol 24, issue 1, pp 1-9
- Dixon D.F., Blois K.J., (1983), Some Limitations of the 4 P's as a Paradigm for Marketing," Keith J. Blois), in *Back to Basics*, Proceedings of the Marketing Education Group, Cranfield School of Management, 1983, pp. 92-107
- Doyle P. (1994), *Marketing Management and Strategy*, Prentice Hall
- English J., (2000), The four "P"s of marketing are dead, *Marketing Health Services*, Volume 20, Issue 2, pp 20-23.
- Evans J.R., King V.E., (1999), Business-to-Business Marketing and the World Wide Web: Planning, Managing and Assessing Web Sites, *Industrial Marketing Management*, vol 28, pp. 343-358
- Fern, E.F., Brown, J.R., (1984), "The industrial/consumer marketing dichotomy: a case of insufficient justification", *Journal of Marketing*, 48, Spring, 68-77.
- Flint D., Woodruff R., Gardial S.F., (1997), Customer Value Change in Industrial Marketing Relationships. A Call for New Strategies and Research, *Industrial Marketing Management*, Vol 26 pp. 163 –175
- Fryar C.R., (1991), What's Different About Services Marketing? *The Journal of Marketing Services*, Vol 5, nr 4 pp. 53-58
- Goldsmith R.E., (1999), The personalised marketplace: beyond the 4Ps, *Marketing Intelligence & Planning*, Volume: 17 Number: 4 pp. 178 - 185
- Grönroos C. (1994), Quo Vadis, Marketing? Toward a Relationship Marketing Paradigm, *Journal of Marketing Management*, vol 10 pp 347 - 360
- Grönroos C., (1994), From Marketing Mix to Relationship Marketing – Towards a Paradigm Shift in Marketing, *Management Decision* 32/2, MCB University Press
- Grove S.J., Fisk R.P., John J., (2000), Service as Theater, Guidelines and Implications. *Handbook services Marketing and Management*, Sage Publications Inc. p 25
- Gummesson E., (1994), Making Relationship Marketing Operational, *International Journal of Service Industry Management*, Volume 05 Number 5 pp. 5-20
- Gummesson E., (1997). Relationship marketing as a paradigm shift: some conclusions from the 30R approach, *Management Decision*, Volume 35 Number 4 pp. 267-272

Healy M., Hastings K., Brown L., Gardiner M., (2001), The old, the new and the complicated - A trilogy of marketing relationships, European Journal of Marketing, Volume 35 Number 1-2, pp. 182-193

Heuvel J., (1993), Diensten Marketing (Services Marketing), Wolters-Noordhoff Groningen, The Netherlands

Hoffman D. L. Novak T.P., (1997), A New Marketing Paradigm for Electronic Commerce. The Information Society, Special issue for Electronic Commerce, 13(Jan –Mar) pp 43-54

Innosight / Christensen C.M., (2001), After the Gold Rush: Patterns of Success and Failure on the Internet. www.innosight.com

Jobber D. (2001) Principles and Practice of Marketing, Third edition, McGraw Hill

Kambil A., Nunes P. , (2000), Internet Marketing: Lessons from the Field, Research Note, Accenture Institute for Strategic Change, 24 July, 2000.
http://www.accenture.com/xd/xd.asp?it=enweb&xd=isc/iscresearchnote_12.xml

Kaufman A.S. 1995, Technology and Evolution: Escaping the Red Queen Effect, The McKinsey Quarterly, nr 1, pp 118-129

Kotler P., (1967), Marketing Management, Englewood Cliffs, New Jersey; Prentice-Hall, 1st edition

Kotler P., (1984), Marketing Management: Analysis, planning and Control, Fifth edition, Prentice-Hall, Englewood Cliffs, New Jersey

Kotler P., (2003), Marketing Management, 11th Edition, Prentice Hall International Editions

Kotler P., Armstrong G., Saunders J., Wong V., (2001), Principles of Marketing, Third European Edition, Prentice Hall, Pearson Education Limited

Lauterborn, B., (1990), New marketing litany: four Ps passé: C-words take over. Advertising age. 61 (41), October , p26

Lawrence E., Corbitt B, Fisher J.A, Lawrence J., Tidwell A., (2000), Internet Commerce, 2nd Edition, John Wiley & Sons Australia Ltd., pp. 79

Lewis D., Bridger D. (2000), The soul of the new consumer : authenticity - what we buy and why in the new economy. 2000, Brealey, London

McCarthy E.J., (1964), Basic Marketing, a Managerial Approach, Homewood, Ill. Richard D. Irwin, Inc.

McCarthy E.J., (1978), Basic Marketing, a Managerial Approach, Sixth Edition, Homewood, Ill. Richard D. Irwin, Inc.

McKenna, R. (1991), Relationship Marketing: Successful Strategies for the Age of the Customer. Addison-Wesley Publishing Co, Reading, MA.

- McKenna R, (2003), *Total Access: Giving Customers What They Want in an Anytime, Anywhere World*, Harvard Business School Press
- Melewar T.C, Saunders J., (2000), *Global Corporate Visual Identity Systems: Using an Extended Marketing Mix*, *European Journal of Marketing*, Volume 34 Number 5/6, pp. 538-550
- Mosley-Matchett J.D., (1997), *Include the Internet in marketing Mix*, *Marketing News*, vol 31, nr 25
- Mulhern F.J., (1997), *Retail Marketing: from Distribution to Integration*, *International Journal of Research in Marketing*, 14, pp. 103-124
- O'Connor J. Galvin E., (1997). *Marketing and information technology-The strategy, application and implementation of IT in marketing*. Pitman Publishing, London
- Ohmae K., (1982), *The mind of the Strategist: The Art of Japanese Business*. McGraw-Hill Inc, New York, NY
- Owen, S., (2001), "The Rise and Fall of the Dot.com: The Impact of Growth Rates and Funding Options on the Mortality of Internet Start-ups", *2001 International Conference on Electronic Commerce*, Vienna, Austria.
- Parvatiyar A., Sheth J.N., (1997), *Paradigm Shift in Interfirm Marketing Relationships*, *Emerging Research Issues*, *Research in Marketing*, Vol. 13, 233-256
- Parasuraman A., (1998), *Customer service in business-to-business markets: an agenda for research*, *The Journal of Business and Industrial Marketing*, Vol. 13, nr: 4 Page: 309 - 321
- Patterson G.P., Ward T., (2000), *Relationship Marketing and Management*, *Handbook services Marketing and Management*, Sage Publications Inc. p 416
- Peattie K., (1997), *The marketing mix in the third age of computing*, *Marketing Intelligence & Planning*, Volume 15 nr. 3, pp. 142-150
- Pew Internet and American Life, (2001).
<http://www.pewinternet.org/reports/reports.asp?Report=31&Section=ReportLevel1&Field=Level1ID&ID=111#navigate>
- Porter M.E., (1985), *Competitive Advantage*, Free Press, Macmillan Publishing Co., Inc. NY
- Porter M.E., (2001), *Strategy and the Internet*, *Harvard Business Review*, March 2001
- Rafiq M., Ahmed P.K., (1992), *The Marketing Mix Reconsidered*, *Proceedings of the Marketing Education Group Conference*, Salford, 439 –51
- Rafiq M., Ahmed P.K., (1995). *Using the 7Ps as a generic marketing mix, an exploratory survey of UK and European marketing academics*, *Marketing intelligence and Planning*, V 13, n 9. MCB University Press

- Reichheld F., Sasser W., (1990), Zero Defections: Quality Comes to Services, Harvard Business Review, 68 – 5, pp. 105-111
- Robins, F., (1991), Four Ps or Four Cs or Four Ps and Four Cs, MEG Conference
- Romano C., Ratnatunga J., (1996), The Role of Marketing, European Journal of Marketing, vol 29, nr 7, pp 9-30.
- Rosenberg L., Czepiel J., (1992), A Marketing Approach to Consumer Retention, Journal of Consumer Marketing, vol 59 pp. 58-70
- Rousey S.P. Morganosky M.A., (1996), Retail format change in US markets, International Journal of Retail & Distribution Management, Vol 24, nr 3, pp. 8-16
- Rushton A, Carson D.J., (1989), Services – Marketing with a Difference?, Marketing Intelligence and Planning 7, 5/6 pp. 12- 17
- Salmon, W.J., (1989), Retailing in the age of execution, Journal of retailing, 65, pp. 368-377
- Schultz D.E., (2001), Marketers: Bid Farewell to Strategy Based on old 4Ps, Marketing News Feb 2001, vol 35. Nr.2 p7
- Seybold P, Marshak R. (1998), Customers.com® Handbook an Executive Guide and Technology Roadmap for Your Customers.com®, www.customers.com
- Shaw V., (1995), Successful Marketing Strategies, A Study of British and German Companies in the Machine Tool Industry, Industrial Marketing Management, Vol 21, Issue 4 pp 329-339
- Sheth J., Parvatiyar A., (1995), The Evolution of Relationship Marketing, International Business Review, vol 4, nr 4 pp. 397 - 418
- Sheth J.N., Gardner D.M., Garett D.M., (1988). Marketing Theory: Evolution and Evaluation, John Wiley & Sons, Inc, New York
- Shostack G.L., (1977), Breaking Free From Product Marketing, Journal of Marketing, Vol 41, nr 2
- Smallbone D.W. (1969), Is industrial marketing different? European Journal of Marketing, Vol. 3, nr 2, pp. 120
- Sriram, V and Sapienza, HJ, (1991). An empirical investigation of the role of marketing for small exporters. Journal of Small Business Management, 29(4): 33-43.
- Ster van der W., (1993), Marketing en Detailhandel, (Marketing and Retailing), Wolters-Noordhoff, Groningen, The Netherlands p 328
- Turnbull P., Ford D. Cunningham M., (1996), Interaction, relationships and networks in business markets: an evolving perspective, Journal of Business & Industrial Marketing, vol 11, nr ¾, pp. 44-62

- Vignalli C. Davies B.J., (1994), The Marketing Mix Redefined and Mapped, Introducing the MIXMAP model, *Management Decision*, vol 32, nr 8, pp 11-16
- Wang F., Head M, Archer N., (2000), A relationship-building model for the Web retail marketplace, *Internet Research: Electronic Networking Applications and Policy*, Volume 10, nr 5, pp. 374-384
- Webmergers.com, (2002), <http://www.webmergers.com/editorial/article.php?id=49>
- Webster, F.E., (1992). The changing role of marketing in the corporation. *Journal of Marketing*, vol 56 4, pp. 1–17.
- Weltz. G., (1995), *New Deals*, *Internet World*, June, pp 36-43
- Wilson A., (1972), *The Marketing of Professional services*, McGraw-Hill, New York
- Wind Y., Webster F., (1972), On the Study of Industrial Buying Behavior: Current Practices and Future Trends, *Industrial Marketing Management*, Vol 1, nr 4, pp 411 –416
- Wolf D.B., (1998), Developmental relationship marketing (connecting messages with mind: an empathetic marketing system). *Journal of Consumer Marketing*, Vol 15, nr 5 1998, pp. 449-467
- Yudelson J., (1999), Adapting McCarthy's Four P's for the Twenty-first Century, *Journal of Marketing Education*, Apr 99, Vol 21, issue 1, p 60

TABLES

Author(s)	Arguments	Proposition
Kotler P, 1984	External and uncontrollable environmental factors are very important elements of the marketing strategy Programs	The Marketing mix should include - Customers - Environmental variables - Competitive variables Two additional Ps to the 4 traditional ones: - Political power - Public opinion formulation
Ohmae, 1982	No strategic elements are to be found in the marketing mix. The marketing strategy is defined by three factors	Three Cs define and shape the marketing strategy: - Customers - Competitors - Corporation
Robins, 1991	The 4Ps Marketing Mix is too much internally oriented	Four C's expressing the external orientation of a Marketing Mix: - Customers - Competitors - Capabilities - Company
Ohmae, 1982	No strategic elements are to be found in the marketing mix. The marketing strategy is defined by three factors	Three Cs define and shape the marketing strategy: - Customers - Competitors - Corporation
Vignalli and Davies,1994	Marketing planning will contribute to the organizational success if it is closely related to strategy. The Marketing Mix is limited to internal and not strategic issues	The MIXMAP technique allows the exact mapping of marketing mix elements and variables, allowing the consistency between strategy and tactics.
Doyle,1994	While the 4Ps dominate the marketing Management activities most marketing practitioners would add two more elements in this mix in order to position their products and achieve the marketing objectives	Two more factors must be added to the 4P mix: - Services - Staff
Bennett A.R,1997	Focused on internal variables therefore incomplete basis for marketing. Customers are disposed to buy products from the opposite direction to that suggested by the Marketing Mix	Five Vs are the criteria of customer disposition: - Value - Viability - Variety - Volume - Virtue
Yudelson J, 1999	The 4Ps are not the proper basis of the 21 st century marketing. The Marketing developments of the last 40 years require a new flexible Platform while the simplicity of the old model remains an attractive factor	4 new Ps based on exchange activities Product -> Performance Price-> Penalty Promotion-> Perceptions Place-> Process
Schultz D.E., 2001	Marketplaces today are customer oriented. The 4Ps have less relevance today, they made sense the time they were invented	- End-consumer controls the market - Network systems should define the orientation of a new Marketing - A new Marketing mix must be based on the Marketing Triad Marketer, Employee and Customer

Table 1. Review of Consumer Marketing theory literature

Author(s)	Arguments	Proposition
Lauterborn, 1990	The 4Ps Marketing Mix is product oriented, The successful marketing plan must place the customer in The center of the marketing planning	Four Cs replace the 4Ps, indicating the customer orientation - Customer needs - Convenience - Cost (customer's) - Communication
Rozenberg, Czepiel, 1992	Keeping existing customers is as important as acquiring new ones. The approach towards existing customers must be active, based on a separate marketing mix for customer retention	Retention Marketing Mix: Product extras Reinforcing promotions Sales-force connections Specialized distribution Post-purchase communication
Gummesson, 1994, 1997	... "The role of the 4Ps is changing from being founding Parameters of Marketing to one of being contributing parameters to relationships, network and interaction"...	30 R(relationship) parameters illustrate the role of marketing as a mix of relationships, networks and interaction
Grönoors, 1994,	Several arguments underlying the limitations of the marketing mix as the Marketing paradigm: Obsolete, not integrative, based on conditions not common to all markets, production oriented, not interactive etc.	Relationship marketing offers all the necessary ingredients to become the new Marketing Paradigm, while the Marketing Mix is not suitable to support a relation-based approach
Goldsmith, 1999	The trend towards personalization has resulted in an increasing contribution of services to the marketing of products. Personalization must become the basis of the marketing management trajectory	The personalized Marketing Plan includes 4 more P's next to the traditional Ps of the Marketing Mix - Personalization - Personnel - Physical Assets - Procedures
Patterson and Ward, 2000	The traditional Marketing Mix therefore has a clearly offensive character because the strategies associated to the 4Ps tend to be function-oriented and output oriented. Well-managed organizations must shift the emphasis in managing valued customer relationships in order to retain and increase their customer base.	Four information-intensive strategies form the "new Cs" of Marketing: - Communication - Customization - Collaboration - Clairvoyance
Healy et al., 2001	The weight of Marketing Management is clearly switching towards relationship marketing as the future marketing paradigm	The Relationship Marketing addresses the elements of Marketing Management identified by the Marketing Relationship trilogy: - Relationships - Neo-Relationship Marketing - Networks

Table 2. Review of Relationship Marketing literature

Author(s)	Arguments	Proposition
Booms and Bitner, 1981	Recognizing the special character of the services as products, they demonstrated the importance of Environmental factors (Physical Evidence) influencing the quality perception. They included the Participants (personnel and customers) and the Process of service delivery as the additional Marketing Mix factors.	The Services Marketing Mix includes next to the 4Ps three more P's: - Participants - Physical Evidence - Process
Cowell, 1984	Three aspects justifying the revision of the original Marketing mix framework: - <i>the original mix was developed for manufacturing companies</i> - <i>empirical evidence suggesting that marketing practitioners in the service sector find the marketing mix not being inclusive enough for their needs</i>	Adopts the framework proposed by Booms and Bitner
Brunner, 1989	The 4P Marketing mix elements must be extended to include more factors affecting the services marketing thus becoming mixes themselves	- Concept Mix - Cost Mix - Channels Mix - Communication Mix
Ruston and Carson, 1989	The unique characteristics of the services –intangibility, inseparability, perishability and variability – make the control of the marketing process, using the generalized tools of marketing, inadequate	New instruments and concepts must be developed to explain and manage the services intangibility
Fryar, 1991	Segmentation and differentiation is the basis of successful positioning of services. Furthermore the personal relationship with the customer and the quality of the service are important elements of the services Marketing	The Marketing of services requires: - Differentiation based on segmentation and positioning - Customer contact - Unique vision on quality
Heuvel, 1993	Interaction between the one delivering the service and the customer is very important and has direct effect on the service quality and quality perception. The Product element can be better demonstrated as having two components, the primary and secondary service elements as well as the process	The Services Marketing Mix: - Personnel - Product - Place - Price - Promotion
Doyle, 1994	While recognizing that the content of the 4Ps in the service sector is somehow different from that of the tangibles he does accept the 4Ps as the elements of the services marketing mix. He identifies special difficulties in Promotion and Place preferring to replace them by the terms Communication and Distribution	Service Marketing Mix: - Product - Price - Communication - Distribution
Melewar, Saunders, 2000	The Corporate Visual Identity System (CVIS) is the basis of the corporate differentiation and the core of the company's visual identity.	A new P must be added to the 4Ps of the Marketing Mix (and the 3Ps of the Services Mix) namely the - Publications
English, 2000	The traditional Marketing has never been an effective tool for health services marketing	A new framework emerges, emphasizing the 4 Rs - Relevance - Response - Relationships - Results
Grove et al., 2000	Services Marketing can be compared to a theatrical production. How the service is performed is as important as what is performed. Critical factor is therefore the customer experience. The traditional Marketing Mix does not adequately capture the special circumstances that are present when marketing a service product	Four strategic theatrical elements constitute the Services Experience: - Actors - Audience - Setting - Performance These elements must be added to the extended services Marketing Mix model of Booms and Bitner
Beckwith, 2001	Marketing services in a changing world requires focusing on increasing the customer satisfaction and rejecting old product paradigms and marketing fallacies.	The four keys of Modern (services) Marketing - Price - Brand - Packaging - Relationships

Table 3. Review of Services Marketing literature

Author(s)	Arguments	Proposition
Ster van der, 1993	The retail format is the focus of retail marketing, the basis of merchant differentiation and the element that attracts potential customers in the retail outlet. The Marketing Mix for retailers is divided into two groups of factors the logistical and commercial ones	The Retailing Marketing Mix: Logistics Concept: - Place Mix - Physical Distribution Mix - Personnel Mix Commercial Concept - Product Mix - Presentation Mix - Price Mix - Promotion Mix
Boekema et al., 1995	The consumer choice for a retail outlet depends on the “ Shop Picture” the customer develops. The retailers can use the Marketing mix instruments in order to give form to their retail format (retail formula) which addresses the consumer’s expectations and influences his/her choice	The Retailing Marketing Mix: - Place - Assortment - Shop Presentation - Price Policy - Personnel - Promotion
Rousey, Morganosky, 1996	Empirical evidence suggests that the retail formats rather than the individual elements of the Marketing Mix are the building blocks of customer value.	Retailing marketers should replace the 4Ps with the Lauterborn’s 4 C’s - Customer needs - Convenience - Cost (customer’s) - Communication
Mulhern, 1997	Modern retailing is increasingly based on a shift from traditional merchandising that usually places attention to marketing mix elements, towards active customer management by means of an integrated approach to retailing. More emphasis to customer relationships, rewarding regular customers and close cooperation with manufacturers	Elements of the integrated Retailing Strategy are: - Store location - Store positioning - Store image - Physical environment - Retail service
Wang et al., 2000	While the 4Ps form the basis of the traditional marketing, the task of marketers in relationship marketing is different: The main tasks are identifying, establishing, maintaining and enhancing relationships (Grönroos, 1996).	The Basic components of Web retail are the three basic components of relationship marketing: - Database - Interaction - Network
Kotler , 2003	The customer sophistication has forced retailers to review their strategies. Factors like procurement and service have become basic elements of the retailer’s marketing mix	Retailer’s marketing Decisions: - Target Market - Product assortment and Procurement - Services and Store Atmosphere - Price Decision - Promotion decision - Place Decision

Table 4. Review of Retail Marketing literature.

Author(s)	Arguments	Proposition
Turnbull, Ford and Cunningham, 1996	More than 20 years of research by the International Marketing and Purchasing Group (IMP) indicate that success in Business to Business Marketing is based on the degree and the quality of the interdependence between firms	Competitive advantage of firms engaged in B2B marketing will depend on: - Interaction with Customers - Interaction Strategies - Organization Evolution - Improvements in Customer Portfolios - Inter-organizational – Personal Contacts - Network Mobilization
Davis, Brush. 1997	The 4Ps Marketing Mix is not suitable as the conceptual basis for the Marketing of the High-tech Industry. This because: a. The 4Ps are based on marketing of consumer products, b. International elements are not taken into consideration	13 strategic elements form the Marketing platform of the High-tech industry
Parasuraman, 1998	The key to value creation is assisting the customer to achieve his own corporate objectives.	The basis of Industrial Marketing is the Personalized Approach with special emphasis on: - Customer Service - Teamwork - Service Quality - Excellence
Andersen, Narus. 1999	The role of business marketing in a value-based environment is the efficient management of relationships and networks.	Value-based positioning orients and updates each of the four Ps

Table 5. Review of Industrial Marketing literature

Author(s)	Arguments	Proposition
Peattie. 1997	The new communication and interaction capabilities will change everything around marketing in many industries, yet the basic marketing concept will remain unchanged. New role for the 4P's of the Marketing Mix.	<ul style="list-style-type: none"> - Product: co-design and production - Price: more transparency - Place: direct contacts with customers - Promotion: more control of the customer, interaction
Aldridge, Forcht, Pierson. 1997	There are several and important differences between the physical Marketing and the online marketing. Many new factors define the limitations of the traditional Marketing Management	While the 4P's can remain the backbone activities of E-commerce they acquire a new and different role in the online marketplace.
Mosley-Matchett. 1997	A successful presence on the Internet is based on a Web site designed on the basis of a Marketing Mix of 5 W's	<ul style="list-style-type: none"> - Who: Target audience / market - What: Content - When: Timing and updating - Where: Findability - Why: Unique Selling Proposition
Evans and King. 1999	There are four steps in building a successful B2B web site. Each of these steps brings with it a number of major managerial implications.	<ul style="list-style-type: none"> - Web Planning: defining mission and goals - Web Access: How to get Web entry - Site Design and Implementation: Content - Site Promotion, Management and Evaluation: Commercial and managerial aspects
Chaffey et al. 2000	Argues that the Internet can provide opportunities to vary the elements of the traditional marketing mix, while he identifies six key elements for effective web site design: Capture, Content, Community, Commerce, Customer Orientation, Credibility.	<p>The Internet marketing planning is based on eight critical factors:</p> <ul style="list-style-type: none"> - Potential Audience - Integration - Marketing Support - Brand migration - Strategic Partnerships - Organizational Structure - Budget
Lawrence et al. 2000	A hybrid approach suggesting that creating an online marketing activity should be based on the traditional Ps of the marketing mix (indeed with two add-ons; people and packaging) as well as the new five P's of Marketing	<p>The New Five Ps of Marketing are:</p> <ul style="list-style-type: none"> - Paradox - Perspective - Paradigm - Persuasion - Passion
Kambil and Nunes, 2000*	Looking to the marketing of music products E-Commerce Marketing requires new approach from marketers, they have to move away from the traditional approach based on the 4P Marketing Mix * Research note based on a seminar on online marketing of music products, presented by M. Bguntheim	<p>Important elements of the online marketing are:</p> <ul style="list-style-type: none"> - Community building - Original event programming - Convenience - Connectivity
O'Connor and Galvin, 1997	While concluding that the marketing is finding itself in a mid-life crisis they suggest that the 4P's can remain the backbone of online marketing they argue that technology can be implemented in order to improve and optimize the online, 4P-based marketing activities	New technology-based functionality maintains the 4P's as the basic planning tool for online marketing
Bhatt and Emdad, 2001	The virtual value chain is changing the nature of the 4P's and transforms them by adding new dimensions. Businesses still make their strategic marketing decisions based on the 4P Marketing Mix.	<p>New Character of the 4P's</p> <ul style="list-style-type: none"> - Product: new options for customized information - Place: no time and location restrictions, direct delivery - Price: price discrimination and customization, price transparency - Promotion: action-oriented promotional activities are possible, promotional flexibility
Schultz ., 2001	Marketplaces today are customer oriented. The 4P's have less relevance today; they made sense the time they were invented. Succeeding in the 21 st century interactive marketplace means that marketing has to move from an internal orientation illustrated by the 4 Ps to a view of the network or system	<ul style="list-style-type: none"> - End-consumer controls the market - Network systems should define the orientation of a new Marketing - A new Marketing mix must be based on the Marketing Triad Marketer, Employee and customer
Allen and Fjermestad, 2001	Accept that the traditional 4P marketing Mix can be the basis of the E-Commerce strategy and identify the changes that are needed to make the model suitable for e-marketing	<p>4P's major changes in an E-commerce situation</p> <ul style="list-style-type: none"> - Product: information, innovation - Place: Reach - Price: Increased competition - Promotion: More information, direct links

Constantinides, 2002	Some major flaws of the 4Ps mix as basis of online marketing activities: Lack of interactivity, lack of strategic elements in a constantly developing environment, the 4Ps are not the critical elements of online marketing	The 4S model offers a comprehensive, integrated approach on managing the online presence: - Scope: Strategic issues - Site: Operational issues - Synergy: Organizational issues - System: Technological issues
----------------------	---	--

Table 6. Review of E-Commerce Marketing literature

**2.3 Essay III: Constantinides E., 2004, Strategies for Surviving the Internet meltdown:
The Case of Two Internet Incumbents, Management Decision, vol 42, nr 1-2, pp 89-107**

Strategies for Surviving The Internet Meltdown: The Case of Two Internet Incumbents

Abstract

This paper reviews a number of theoretical issues dealing with the strategic management process in fast evolving, uncertain environments and examines the fit between theory and practice by means of two case studies, two successful dot.com incumbents from the first generation of Internet start-ups. Analysis of survival and growth strategies of the two virtual firms reveals interesting similarities in their evolutionary processes and corporate strategic attitudes. In both cases the company management has ensured survival and growth through rigorous organizational transformation based on very intensive, flexible and short-term rather than long-term oriented strategic decision-making. This approach has helped out both companies not only to escape the Internet fall-out but also to build up strong brands and leading market position. Next to identifying managerial approaches the case studies show analogies to theoretical approaches on managing the strategic process in evolving and chaotic environments.

Key words

E-Commerce, E-Strategy, Online Strategy, Strategic Management, Organizational Evolution

The end of a hype

The high profile bankruptcy of boo.com, one of the most flamboyant - as well as naïve - web start-ups of the 90's, marked the beginning of a landslide that wiped-out thousands of Internet firms (Webmergers.com, 2003) and evaporated ambitious plans and chimerical ventures worth billions of dollars (Upside.com, 2002).

The Internet meltdown, that followed almost seven years of staggering growth and irrational exuberance, is still the subject of extensive analysis and discussion. Lack of basic commercial and managerial experience, insufficient market insight, ignorance of business fundamentals, high cash burn rates, poor financial supervision, technological pitfalls, quick-buck mentality, product orientation and organizational problems are frequently mentioned reasons for Internet mishaps by academics (Christesen/ Innosight, 2001, Porter, 2001, Owen 2001, Finkelstein, 2001, Shah and Dawson, 2002, Lumpkin et al, 2002,) as well as practitioners (Colony, 2000, Olsen, 2000, Sussis, 2000, Isaacs N., 2000, Pew Internet 2001, Shalit and Danielson , 2001 Thomas, 2001, Bartlett M, 2002, Webmergers, 2003). Summarizing the findings of a study of the Boston Consulting Group study Lovelock (2001) identified the “weaknesses in financial planning and control, insufficient market and competitive analysis, inadequate understanding of consumer behavior, and weaknesses in implementation” as underlying causes for the demise of several web start-ups.

While the above discussion is not yet over, some recent publications turn the focus on survivors of the Internet turmoil. Riolli-Saltzman and Luthans (2001) argue that future orientation combined with organizational adaptability and flexibility were basic ingredients for success in the new network-mediated marketplaces. Market orientation, frequent assessment of business plans and focus on core activities are the main elements of successful Internet strategies according to Shah and Dawson (2002) while Kotha et al (2001) identified reputation building as a basic contributor of Internet firms successful performance.

The objective of this paper is to identify and compare successful corporate strategic management approaches underpinning the survival and commercial success of two Internet incumbents. The cases analyzed are by no means sufficient for generalizations or definite conclusions. They rather highlight managerial attitudes in dealing with some of the challenges of the virtual marketplace namely the openness and low entry barriers that can erode competitive advantages, strategic positions or first mover advantages (Porter, 2001). The study also attempts a comparison between the strategic approaches of virtual and traditional organizations and identifies issues of future research focus.

Strategy in technology-based and virtual environments: some theoretical issues

Compared to the extensive literature on the importance and potential of the Internet as component of the business environment (Appelgate and Gogan, 1995, Zwass, 1996, Kalakota and Winston, 1997, Bakos, 1998, Aldridge, 1998, Dutta and Segev, 1999, Shapiro and Varian, 1999 as indicative examples of a long list) research on organizational evolution and corporate level strategy of Internet firms is limited and sketchy. The majority of publications, textbooks, press articles and white papers on Internet strategy deal with this issue on a somewhat tactical level: How to build up unique competitive positions in the Internet High Streets, attract customers and increase sales. (Welz. 1995, Peattie. 1997, Aldridge et al. 1997, Mosley-Matchett. 1997, O'Connor and Galvin, 1997, Kalakota et.al. 1999, Downes and Chunka, 1998, Seybold and Marshak. 1998, Evans and King. 1999, Thomson, 2000, Chaffey

et al. 2000, Lawrence et al. 2000, Kambil and Nunes, 2000, Bhatt and Emdad, 2001, Schultz, 2001, Allen and Fjermestad, 2001, Boyer et al, 2002, Yu et al, 2002).

Organization sociologists studying the dynamics of the strategic evolution as corporate survival and growth factors look often beyond “operational” strategic issues. Instead of focusing on sales and profitability the organizational sociology is concerned with environmental developments and structural influences instigating organizational change (Hannan and Freeman, 1998). Researchers following the organizational ecology approach in online environments often challenge the conventional thinking in dealing with corporate strategic issues; they often question the traditional strategic approach based on long-term planning and competitive advantages through solid strategies for short-term, flexible and adaptable processes (Oliver, 2000, Evans and Wurster, 1997, Thompson, 2000, Prastacos et.al, 2002). Beinhocker (1997) compared the Internet with “complex adaptive systems”, a notion borrowed from chaotic natural settings²¹ and identified two important differences in the way survival and growth are pursued in such idiosyncratic business settings:

Focused versus robust strategies: Traditional strategy tends to emphasize a single focused line of attack- a clear statement of where, how and when to compete – but this strategy is sufficient only in the short-term. Beinhocker argues that “ given an uncertain environment, strategies must be robust – that is, capable of performing well in a variety of possible future environments”.

Competitive advantage versus continuous adaptation due to the Red Queen Effect (Kaufman, 1995). Based on a study of company performance over a period of 30 years Beinhocker is challenging the dominant competitive advantage perspective (Porter, 1985), suggesting that superior performance in complex adaptive systems “ is achieved not through sustainable competitive advantage but by continuously developing and adapting new sources of temporary advantage”... He adds “the role of the strategist is changing from conservative operator to radical innovator, strategies tend to become more diverse than routinized and flexibility is more important than scale”.

The idea that strategy can be affected by environmental, internal or randomly evolving conditions is not new. Mintzberg and Waters (1985) argued that realized strategy is seldom the same as the intended strategy due to Imposed and Emergent conditions interfering in the strategic process. Also Kippenberger (1998) argued “ strategy formulation is determined by time or circumstance” therefore there is no “one best way to form strategy”.

Brown and Eisenhardt (1998) placed the uncertainty element in a more general context, noticing, “change is the striking feature of contemporary business” and underlined the different dilemmas of managing change. They argue that “ability to survive, to change, and ultimately to reinvent the firm constantly over time” is the criterion as well as the basis of success while management of change becomes one of the most challenging issues facing today’s managers. M. Porter (2001), discussing the strategic aspects of Internet as a new type of marketplace seems to largely share similar views and ascribes the failures of many web start-ups on their difficulty to maintain unique and proprietary competitive advantages to the openness of the online markets and the low industry entry barriers.

²¹ Complex adaptive systems in the corporate world are complicated, fast changing and unpredictable environments where competitive advantages tend to be short-lived.

Two case studies: Amazon.com and Etrade.com

There is plenty of anecdotal evidence that many dot.coms who survived the Internet fall-out have evolved to something essentially different from what they were when they started their virtual ventures. Yahoo.com entered the cyberspace as an Internet directory, monster.com as a site for employment classified ads, priceline.com as a reverse auction for air tickets, ebay.com as a small auction site, msn.com as provider of email services and amazon.com as an online bookstore. All these firms entered the web primarily focused on the US market. A simple look to the their web sites reveals not only considerable expansion of their bottom line and market scope but also the degree of their organizational transformation as well as a totally different corporate disposition. Transformation was necessary as survival strategy for these firms. Common elements of the virtual markets where these firms operate are low entry barriers and difficulty to safeguard original ideas from imitation. The initial success of the pioneers quickly attracted competitors with similar offers, eager to acquire their part from the growing Web pie. The competition in the original core markets turned into a price-cutting race that threatened to evaporate profits and first mover advantages of the incumbents. The survival instinct quickly forced the pioneers to look for new markets and products for survival and growth.

In this background the study examines the corporate strategic approach of two E-Commerce firms widely considered as market leaders and models of online businesses today; the online retailer Amazon (www.amazon.com), and E*Trade Inc (www.etrade.com) an Internet provider of financial services.

Methodology

a. *Choice of the case studies:* The firms chosen in this study share some common characteristics:

Both organizations began their online presence as Internet pure-plays, targeting consumer markets, with a value proposition as their basic selling point and source of their competitive advantage. Both firms are publicly listed since 1996 and turned into profitability after the year 2000.

They are fully operational in the spring of 2003 without any visible immediate threats to their continuity in the short and medium term.

They are well-known brands, considered as commercially successful; both firms have been frequently referred as models of sound and innovative Internet entrepreneurship. Furthermore both companies are in the top-10 list of Fortune most successful e-businesses. (Fortuneonline, 2002)

The period examined in both cases covers five years, from 1997 to 2001. The data use in this study comes from publicly available sources: press articles, reports, commentary, company press releases and investor information.

b. *Methodological process.* The process followed for the identification, classification and analysis of the corporate strategies of the two firms is based on a 6-step procedure illustrated below

(take Figure 1)

The six- step methodology in more detail:

Step 0: This stage identifies the corporate policies as foundations of the company vision, strategic orientation and aspirations. Corporate policies outline the basic, long-term company objectives and define the operational terrain (Davis, 2000), usually summarized

in the corporate mission statement. For all intents and purposes the mission statement sums up the basic and enduring corporate values as these are expressed in the long-term strategic vision, basic technologies and the business terrain of the firm.

Step 1. This step involves information review for identification of company strategic decisions. Since the term “strategy” is often frequently used for labeling some quite common operational decisions, a good deal of attention was given in identifying decisions and activities of real strategic character. In order to separate the strategic issues from the non-strategic ones all corporate decisions and actions during the period 1997 – 2001 were evaluated as to their strategic merits. Corporate decisions qualifying as “strategic” are those having a long-term character, obvious impact on company growth while providing the organization at the same time with a new, unique or rare property renewing the company’s competitive advantage as the environment changes (Hardenberg and Rieple, 2001).

Step 2. Company decisions meeting the above requirements are further weighed up against the criteria of Magnitude, Time-scale and Commitment (Harderberg and Rieple, 2001). The impact of the various strategic decisions was rated in each of these criteria with a maximum score of 3 and a minimum of 0 points. The score given is subjective, yet it is based on information verified by different sources as to the expected effects and gravity of each decision. Strategic decisions are those scoring with at least 1 point in all three criteria. Decisions with a cumulative score equal or higher than 6 points were labeled as Major strategic decisions while those with a score lower than 6 are Minor ones. Decisions scoring lower than three were removed from the list and do not further qualify as strategic decisions.

Step 3. The strategic decisions were classified according to a modified growth strategy matrix of Igor Ansoff (1965) (Figure 2).

Each of the four cells is divided in two parts; based on the score derived from the previous step, each strategic decision is positioned in the matrix.

The distinction between Major and Minor strategic decisions helps identifying those strategic actions likely to have a considerable and often disruptive impact not only on the company’s market position but also on the organization itself. Minor strategic decisions while enhancing the overall company ability to compete and grow are not likely to have a disruptive impact on the organization or its markets.

Step 4: The frequency, distribution and nature of the strategic decisions over the period of five years is analyzed and compared.

Step 5: The conclusions are summarized

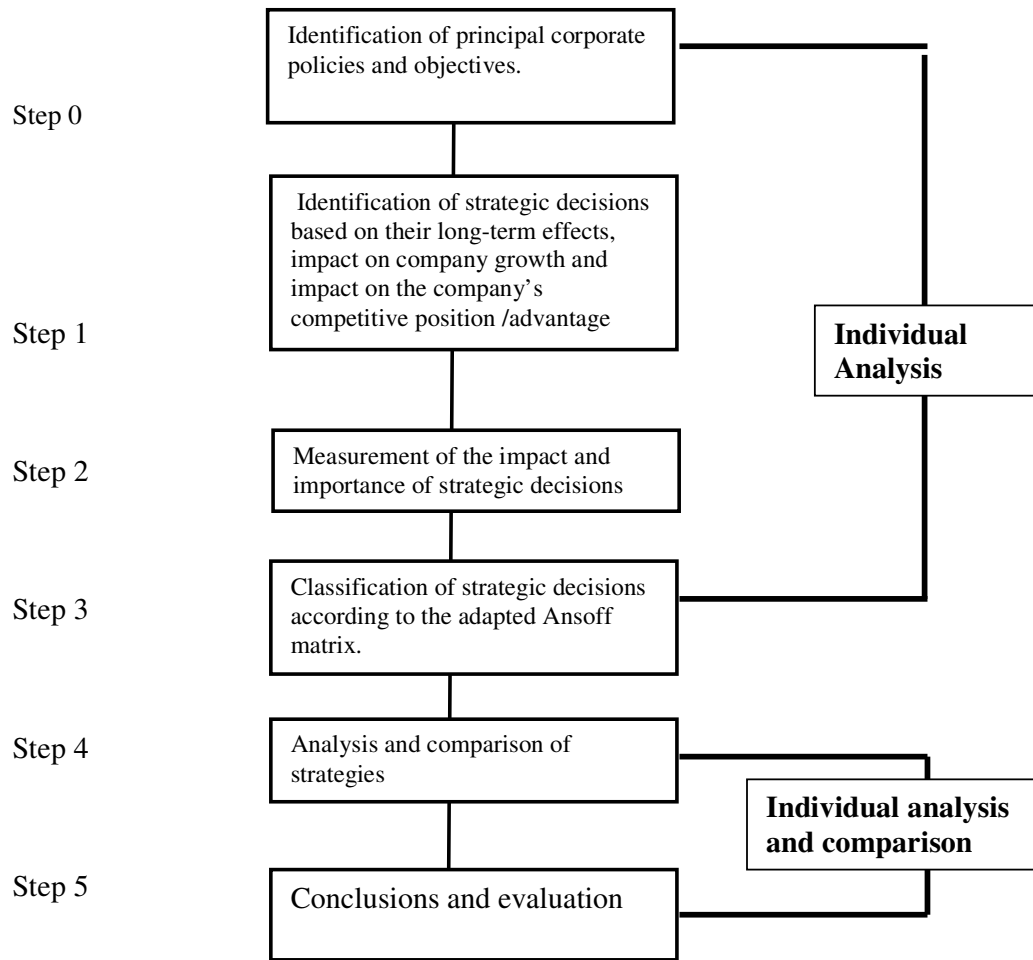


Figure 1: Methodological process for identification, analysis, evaluation and classification of online strategies

	<i>Existing Product</i>	<i>New Product</i>
<i>Existing Market</i>	Market Penetration Minor / Major	Product Development Minor / Major
<i>New Market</i>	Market Development Minor / Major	Diversification Minor / Major

Figure 2: The adapted Ansoff Matrix of Growth Strategies

Findings of the study

1. *There is a clear similarity in corporate strategic foundations and intensity of the strategic process of the two Internet firms examined.*

Following the previously explained methodology the strategic foundations and the strategic intensity of E*Trade and Amazon was reviewed and compared on two separate issues:

a. Corporate Policy: the set of – relatively - fixed principles that help developing and sustaining direction as well as defining the reasons for existing (Davis, 2000). The corporate policy refers to major long-term objectives and vision and is usually expressed in the corporate mission statement.

b. Corporate strategy: The actual management decisions and actions aiming at survival and growth as well as at accomplishing the long-term corporate objectives.

a. Comparison of Corporate Policies of the two firms.

The corporate mission of E*Trade (Annual Reports 1997 – 2000) does not appear to be a consistent long-term statement; it is based on short-term and constantly evolving assumptions as to the company’s business terrain and market focus. From a narrowly defined value-based approach targeting a quite specific customer segment within the financial services domain in 1997, the company seems to gradually move towards a much wider and need-oriented business model. This philosophy shift is clearly reflected in the constant redefinition of the corporate mission of E*Trade during the period in question, expressed by the company’s Business Terrain and Market Focus. The obvious expansion of the business terrain and the market scope over the years indicate a continuous policy redefinition and reorientation. (Table I).

Year	Business Terrain	Focus on
1997	Investment services	Value oriented investor
1998	Personal Financial services	Self-directed customers
1999	High level Services	Customers, associates, partners, shareowners, local communities
2000	Customer Empowerment Solutions	Success oriented Customers

Table I: E*Trade’s corporate mission main parameters 1997 - 2000. (Source: company annual reports)

The business scope initially defined within the concrete domain of “Investment Services” (1997) was gradually expanded to the much more ambiguous “Customer Empowerment Solutions”(2000). On the other hand the market scope of E*Trade evolved in the same period from focusing on the well-defined “Value Oriented Investor” (1997) to the much more challenging “ Success Oriented Customer”(2000). The E*Trade corporate mission is a constantly amended, short-term oriented statement, defining an ever-widening and less consistent business terrain that requires a differentiated from year to year business approach or even a new business model.

Unlike E*Trade, Amazon does not attempt to specify any clear policy principles in its mission statement. This is reflected on the fact that the management consistently commits itself on

“promoting the long-term interests of shareholders and customers” by “maximizing the present value of future cash-flows rather than optimizing the appearance of the accounting statements”.²² The vague pledge to shareholders’ and customers’ interests seems to provide the management the flexibility needed in order to act and react according to actual market developments rather than follow pre-determined strategic trajectories.

Superficial comparison of the two companies indicates a quite different approach in formulating their business mission. Yet despite the apparently different formulation there is an underlining element in both approaches, namely the obvious lack of a clear long-term policy and strategic commitment, explicit in the case of E*Trade and implicit in the case of Amazon. The different formulation is not the really essential issue here. Much more important is that in both cases the management seems to realize that the evolutionary nature of the Internet requires flexibility and ad-hoc changes in the strategic course. Rigid long-term strategic plans do not allow this flexible approach.

b. Comparison of the Corporate Strategies of the two firms

The number and distribution of the actual survival and growth-oriented strategic activities of the two firms over time reveals a quite similar pattern. A noticeable common element is a “strategic frenzy” expressed in a remarkably high number of strategic decisions taken and implemented over the period under review (in total eighty-eight for E*Trade and seventy-seven for Amazon). (Chart 1).

E*Trade felt in 1997 the urge to pursue expansion in new markets. The sixteen decisions taken in that year refer mainly to active penetration of overseas markets (Canada, Australia, New Zealand) as well as entering strategic alliances (AOL, Yahoo!) and acquisitions (Pointcast) that quickly increased its customer base.

In 1997 Amazon remained focused on consolidation of its position in the online book market. Most of the strategic decisions of that year refer to engaging in alliances with leading Internet Services Providers with large customer base (Yahoo!, AOL, Prodigy, Netscape, @Home Network) and expanding its distribution capacity in the USA.

From 1998 on we observe a parallel pattern of strategic activity between the two firms as to the total number of decisions by both firms per year. A common element from 1998 onwards is the strategic focus on expansion and diversification of the revenue stream by entering new markets, developing new products or combining both these strategies (See Chart 4).

The two companies reached the peak of strategic intensity in 1999 and 2000 respectively, with a similar annual number of 23 decisions, resulting in the quite impressive average of approximately two per month. After the peak number of 23 decisions both firms began reducing the pace of strategic expansion. This reduction of the total strategic decisions per year coincides with the recession in the Internet industry from 2000 on.

A further classification of these strategic activities according to the criteria of Magnitude, Time-Scale and Commitment (Step 2) indicates the more than 50% of them are of Major importance for both firms; 53 decisions (60%) in the case of E*Trade and 40 decisions (52%) in the case of Amazon. The steady increase of the number of major strategic decisions after

²² In order to clearly underline its conviction to the original company values the management attaches every year a copy of the 1997 Letter to Shareholders to every annual letter to shareholders, confirming this way its persistence on this consistent yet rather wide-ranging policy line. (Letter to Our Shareholders, Amazon Annual Report, 2002)

1998 indicates that E*Trade's strategic expansion was marginally affected by the problems of the Internet industry after the year 2000. (Chart 2)

**E*Trade - Amazon Total Strategic Decisions
1997-2001**

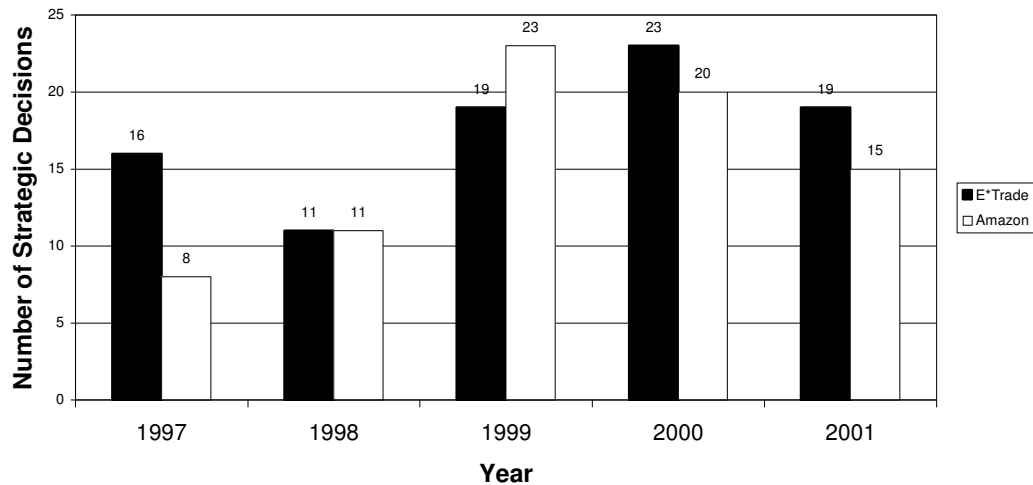


Chart 1: Distribution of strategic decisions: 1997 - 2001.

E*Trade - Amazon Major Strategic Decisions

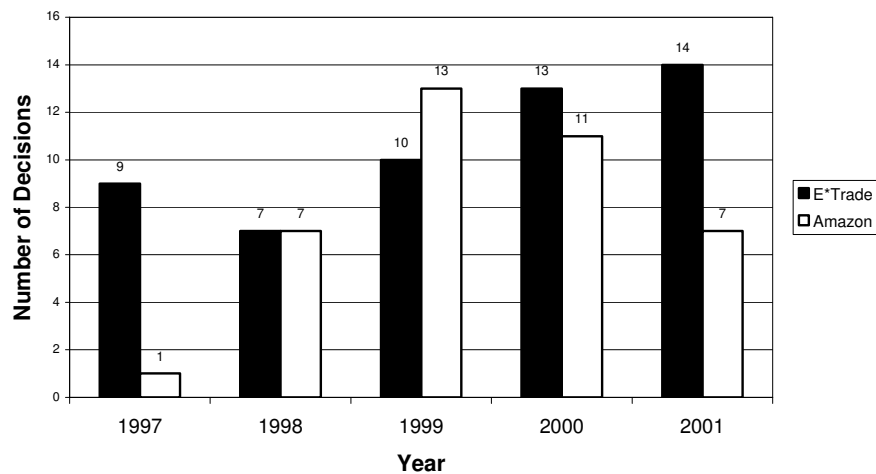


Chart 2: Major strategic decisions per year

Amazon on the other hand appears to reduce its major strategic decisions, partly compensating them with minor ones. The overall picture of the minor strategic activity of the

two firms (with the exception of the year 2001) is furthermore remarkably similar, as the Chart 3 indicates.

E*Trade - Amazon Minor Strategic Decisions

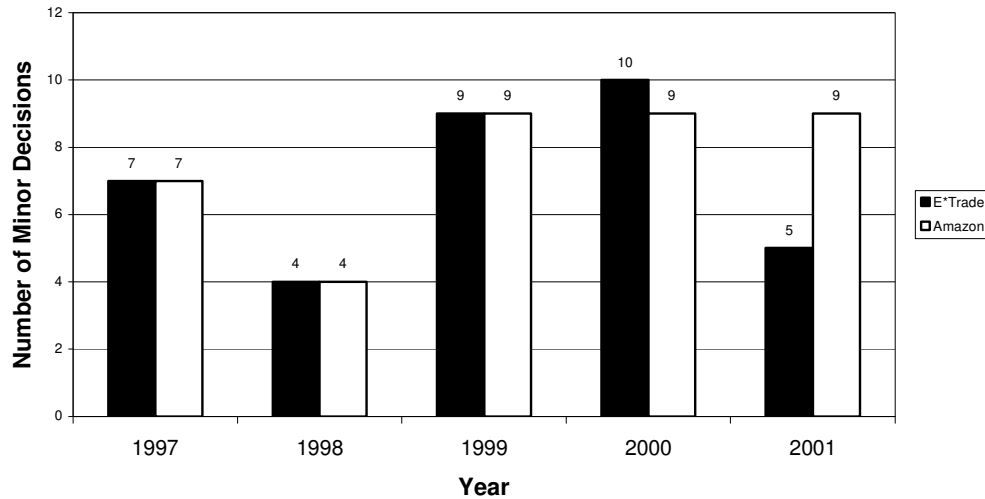


Chart 3: Minor strategic decisions per year

2: Successful Internet firms pursue multiple growth strategies

The qualitative classification of the strategic activity according to the Ansoff matrix (Step 3) indicates that both companies have pursued multiple and to a great extent high-risk growth strategies, namely those of Market Development, Product Development and Diversification. The rather moderate approach of Market Penetration was the least favorite option by both of them (Chart 4).

E*Trade - Amazon Strategic Decisions

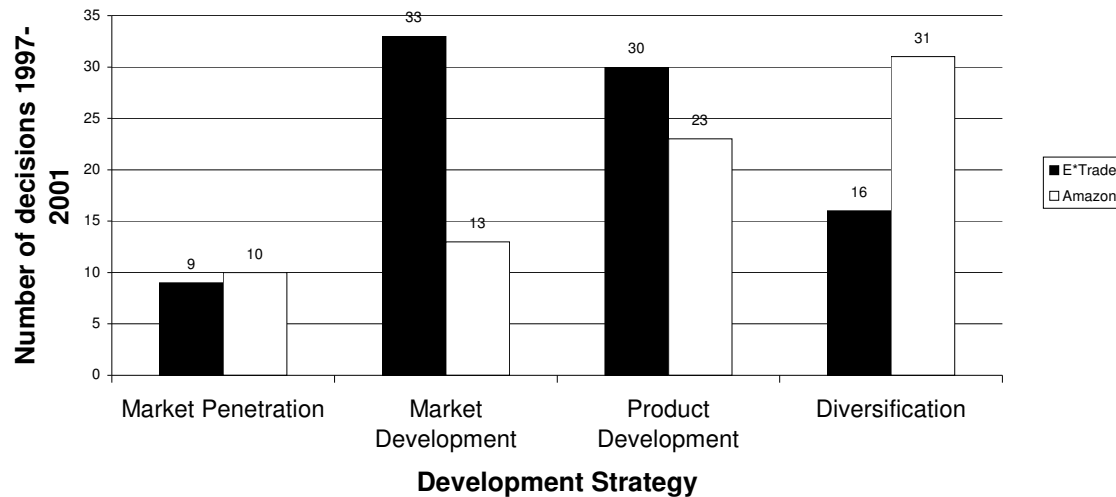


Chart 4: Growth strategies of E*trade and Amazon per Ansoff category

Amazon placed its main emphasis on Diversification (New Products in New Markets) while E*Trade on Market Development (Existing Products in New Markets). This difference as to the most favorite growth approach can be attributed to the type of market each company operates. Amazon operating in the wider retail terrain could diversify much more than E*Trade who is limited in the narrower domain of financial services retailing. Yet there is an absolute convergence between the two firms on the second most preferred strategic option – Product Development – indicating their solid commitment on product and services innovation as a main strategic thrust.

The fact that the strategy of market penetration was the least favored option for both (10% of all strategic decisions by E*Trade and 13% by Amazon) indicates the limited growth potential for maturing Internet firms into their initial core markets. This because these firms are often marketing more or less generic type products in markets with low entry barriers where proprietary competitive advantages are difficult to be maintained. A common element of both companies is their innovative market approach when they enter new markets, something however that does not deter aggressive competitors to imitate them using similar if not more refined approaches. (Table II).

Company		
Strategy issue	E*Trade	Amazon
Policy as expressed	Nominally evolving without long-term commitment	Nominally stable without long-term commitment
In Mission Statement		
Business Model	Continuously evolving	Continuously evolving
Growth strategies pursued	All four Ansoff growth strategies	All four Ansoff growth strategies
Most favorite strategy	Market Development (38%)	Diversification (40%)
Second favorite strategy	Product Development (34%)	Product Development (30%)
Least favorite strategy	Market Penetration (10%)	Market Penetration (13%)
Total strategic decisions in 5 y.	88	77
Average str. decisions p.y.	17,6	15,4
Major vs. Minor strategies	60% / 40%	52% / 48%

Table II: Summary of findings

Summarizing one could argue that the intense strategic activity expressed in a high average annual number of decisions during the 5-year period seems to be the response to challenges posed by the networked environment where both firms are operating, an environment resembling to a “complex, adaptive system” (Beinhocker, 1997). The findings of the study underline the view that E-Commerce companies can be successful if they combine future orientation with organizational adaptability and flexibility (Riolfi-Saltzman and Luthans, 2001). The cases also indicate that change is a major strategic parameter in the online environment (Brown and Eisenhardt, 1998) where firms can only survive and prosper by adapting themselves in a setting where “strategy formulation is determined by time and circumstance (Kippenberger, 1998).

3: Successful Internet firms in markets with low entry barriers maintain their competitive position by continuously reshaping over time.

This issue has been partly addressed in the previous section. It is clear that surviving as well as establishing and maintaining a competitive position in the online marketplace requires a constant strategic re-orientation and organizational evolution. A review of the product portfolio of Amazon at the end of 2002 (nine product /service categories with approx. 50 different products) and E*Trade (five different categories with over 40 products) reveals the size of the transformation from single product start-ups to online department stores. Both firms have also embraced a multi-channel approach with increasing emphasis on offline commercial activities and distribution channels. Amazon products are now available not only through web site but also through chains like Target, Toys-R-Us, Office Depot, and Circuit City stores. E*Trade operates several physical outlets: Financial Centers and Super Stores, Financial zones in Target stores as well as E*Access, the second biggest ATM network in the USA. From the original online bookstore (Amazon) and online discount broker (E*Trade) both firms have evolved to a hybrid (click and brick), complex, wide-scope organization targeting several markets, with diversified revenue sources and increasingly dependent on

physical market presence. The fast growth of both firms is clearly illustrated in the following table (Table III)

Growth between 1997- 2001	E*Trade	Amazon
Customer Accounts	1678 %	1566 %
Revenue increase	420 %	2027 %

Table III: Development of Customer Accounts and Revenues between 1997 – 2001 (Source: Annual Reports)

One important question arising is for how long and to what extend a commercial organization (an Internet market leader for that matter) can maintain this constant growth through expansion and reshaping. In other words, what will be the next strategic move of E*Trade and Amazon once they reach the limits of growth within their business domain?

With a reasonable degree of certainty one can argue that the Red Queen Effect will force them to keep-up with the growth pace. One of the possible strategic options will be to attempt a new round of conglomerate diversification in totally new, unfamiliar commercial fields. This would mean for example opening online bookstores, music shops or online grocery outlets for E*Trade and entering the mortgages market or the ISP services for Amazon. Such a strategy would primarily aim at capitalizing on synergies based on brand loyalty as a way for attracting and retaining existing customers in the new categories and would presumably lead to further market consolidation, eventually turning companies like E*Trade and Amazon into potential competitors.

An alternative strategic option for both firms could be to concentrate on the present business domains and pursue further grow by expanding their physical activities rather than the virtual ones, at the cost of traditional players; such a strategy is likely to trigger reactions of traditional, physical firms.

An issue for further research: Do Internet firms follow different approaches than traditional ones in formulating their corporate strategy?

Given the limited extent of this case study no solid answer to this question can be given. Yet the findings seem to confirm earlier research also suggesting that the strategic approach and strategy formulation in fast evolving markets requires different attitudes than in traditional ones. The above question for further research has actually two aspects, a quantitative aspect and a qualitative one. These two issues could be expressed in two new research hypotheses as subjects of more detailed further research:

H 1. The average number of survival and growth-oriented corporate strategic decisions of new online firms is higher than the average number of similar traditional start-ups.

The two companies examined have taken and implemented an exceptionally high number of strategic decisions in the period of five years. Such intensive strategic activity, not generally common among traditional corporations, seems to confirm the findings of Feurer and

Chaharbaghi (1995) that "High performance in dynamic environments is a characteristic that must be constantly pursued through an ongoing process of change which is in line with changes in the competitive environment". This element seems to be the reason for the apparent reluctance of the management of the two firms examined to undertake any long-term strategy commitments.

H 2. The nature of the growth strategies pursued by Internet market leaders requires different types of decision-making and organizational structures than traditional firms.

The very nature of the growth pursued by the firms examined (combined with the high volume of decisions taken and implemented) makes it unlikely that their strategy development is based on traditional-style, rigid, top-down and formalized procedures (Feurer and Chaharbaghi 1995, Beinhocker and Kaplan, 2002, Lumpkin et al, 2002). The ad-hock, short-term oriented nature of strategic decisions of Internet firms leads to corporate strategies having a short-term rather than long-term character. These decisions are driven by actual market developments rather than by detailed analysis and long-term planning. Prerequisites for such intensive and extensive strategic decision-making and implementation are efficient systems of knowledge generation, efficient procedures for quick situation assessment, flexible decision-making processes and short lines of communication and command.

Summary and Conclusions

The online market terrain opened many outstanding business opportunities but at the same time presented virtual corporations with various and unique new challenges. Some Internet pioneers realized quite early that building up and maintaining long-term competitive positions in this marketplace is an almost impossible task. Continuous change, low entry barriers and inability to protect proprietary strategic advantages are the most important reasons for that.

The online environment requires continuous vigilance, quick responses and versatility as well as willingness to assume risks in order to survive and grow. Surviving the Internet battlefield asks for new strategic thinking and organizational flexibility that allows for continuous business transformation and innovation. Managers are facing incredible new challenges as well as increasing pressure to adopt new processes facilitating the fast and efficient strategy formation and implementation.

The immense expansion and diversification that E*Trade and Amazon have undergone in a period of five years has presumably contributed to their survival through the Internet meltdown and to their undisputed market leadership. The strategies pursued allowed both firms to expand in new online and traditional markets, achieve synergies between offline and online channels, differentiate their income sources and reduce their exposure to competitive moves and maintain short and medium-term strategic advantages. It is maybe not a coincidence that two well known direct competitors of E*Trade and Amazon, datec.com and bol.com, who failed to diversify, remaining focused in their original core markets, did not survive the Internet challenge. Despite their aggressive entry in the cyberspace and the initial optimism both failed to survive in the long-run, either taken over by competitors (datek.com was taken over by Ameritrade) or finding themselves in the threshold of liquidation (the owner of bol.com Bertelsmann has approached amazon.com among other potential buyers).

Case Study Conclusion 1: The pace of change of the online environment requires continuous evaluation of market conditions, frequent strategy assessment and close monitoring of competitive moves. The factors of timing and time-to-market become in such

an environment parameters of vital importance. The lack of long-term policy commitment, reflected on the way the mission statement is formulated and the extraordinary high number of strategic decisions taken by both Internet firms examined in a period of five years, indicate some interesting parallels in their corporate strategic approach.

Case study Conclusion 2: The numbers, distribution and types of strategic decisions taken and implemented over the five-year period by the two firms examined show remarkable similarities.

In both cases the majority of strategic decisions taken were decisions of foremost strategic weight with significant organizational and financial consequences. Both firms reviewed in this study have engaged a variety of growth strategies covering the whole spectrum of the Ansoff growth strategies classification, with obvious preference for high-risk expansion decisions. Limited growth margins in existing markets persuaded these firms that survival and growth is only possible through aggressive, continuous expansion either by entering new markets or developing new products/services/technologies as well as a combination of both. This approach helped them to limit their dependency on any single market while the constant business innovation allowed them to stay a step ahead of the competition.

Case study Conclusion 3: Permanent orientation towards innovation and expansion has been a prime strategic thrust of the two Internet firms as a means of surviving, maintaining competitive advantages and pursuing growth; yet the next crucial strategic challenge for these firms as well as other Internet market leaders following similar strategies will emerge as soon as they approach the boundaries of their present business domains. The strategic choices made at this point will eventually define the shape of the Internet as a commercial platform in the 21st century.

Finally an issue for further research is the possible limitation of the traditional strategic approaches in the Internet-mediated marketplaces. This is a question concerning not only Internet pure-plays but also traditional companies expanding in the Web. Physical companies going online unaware of the shortcomings of the traditional strategic approach or attempting to apply traditional methodologies and processes online are likely to face serious setbacks. The online market environment requires managers sensitive to change as well as flexible organizational frameworks allowing swift decision-making and implementation procedures.

Literature

Aldridge A., Forcht K., Pierson J., (1997). Get linked or get lost: Marketing strategy for the Internet. Internet Research: Electronic Networking Applications and Policy, vol 7, nr 3. Pp.161-169

Aldridge D., (1998), Purchasing on the Net – The New Opportunities for Electronic Commerce, Electronic Markets vol. 8 nr. 1

Allen E., Fjermestad J.(2001). E-commerce marketing strategies: an integrated framework and case analysis, Logistics Information Management, Volume 14 Number ½ 2001 pp. 14-23

Amazon Annual Reports and Press Releases 1997, 1998,1999, 2000, 2001 www.amazon.com

Ansoff H.I., (1965), Corporate Strategy, McGraw-Hill, New York.

- Appelgate L, Gogan J., (1995), *Electronic commerce, Opportunities and Trends*, Harvard Business School Publishing, Boston, MA
- Bakos, Y., (1998), *The Emerging Role of Electronic Marketplaces on the Internet*, *Communications of the ACM*, August 1998
- Bartlett M, (2002), *Dot-Com Shutdowns Continue To Dwindle*, *Newbytes.com*, 07 Mar2002, <http://www.newsbytes.com/news/02/175044.html>
- Beinhocker E.D., (1997), *Strategy at the Edge of Chaos*, *The McKinsey Quarterly*, nr 1
- Beinhocker E.D.,Kaplan S., (2002), *Tired of Strategic Planning?* *The McKinsey Quarterly*, nr 2
- Bhatt G., Emdad A.F., (2001). *An analysis of the virtual chain in electronic commerce*, *Logistics Information Management*, vol 14, nr 1 - 2, pp. 78-85
- Boyer K., Hallowell R. Roth A., (2002), *E-services: operating strategy—a case study and a method for analyzing operational benefits*, *Journal of Operations Management*, Volume 20, Issue 2, April 2002, Pages 175-188.
- Brown S., Eisenhardt K, (1998), *Competing on the edge: Strategy and Structured Chaos*, Boston, MA, Harvard Business School Press
- Chaffey D., Mayer R., Johnston K., Ellis-Chadwick F., (2000), *Internet Marketing, Strategy, Implementation and Practice*, FT/Prentice Hall. Pp. 40-48, 151-168
- Christensen C.M/ Innosight, (2001), *After the Gold Rush: Patterns of Success and Failure on the Internet*. www.innosight.com
- Colony G., (2000), *My View: Hollow Com*, April, Forrester Research. <http://www.forrester.com/ER/Marketing/0,1503,183,00.html>
- Davis W., (2000), *Understanding strategy*, *Strategy and Leadership*, Volume 28 No. 5. pp 25-30
- Downes L., Chunka M., (1998), *Unleashing the Killer App: Digital Strategies for Market Dominance*. Boston, Harvard Business School Press
- Dutta S., Segev A., (1999), *Business transformation on the internet*. *European Management Journal*, Volume 17, Number 5
- E*TRADE Annual reports, Press releases 1997, 1997, 1998, 1999, 2000, 2001
www.etrade.com
- Evans J.R., King V.E., (1999), *Business-to-Business Marketing and the World Wide Web: Planning, Managing and Assessing Web Sites*, *Industrial Marketing Management*, vol 28, pp. 343-358

- Evans, P, Wurster T., (2000), Strategy and the New Economics of Information, Harvard Business Review, September –October Issue, pages 71 – 82
- Feurer R., Chaharbaghi K., (1995), Strategy Development: Past, Present and Future, Management Decision, vol 33, nr 6, pp. 11 – 21
- Finkelstein S., (2001), The myth of managerial superiority in internet startups: An autopsy, Organizational Dynamics, Volume 30, Issue 2, Pages 172-185.
- Fortune e-50 list, (2002),
http://www.fortune.com/indexw.jhtml?channel=list.jhtml&list_frag=list_3column_e50.jhtml&list=6&_requestid=29178
- Hannan M., Freeman J., (1989), Organizational Ecology, Harvard University Press, Cambridge, Massachusetts, London, England
- Hardenberg A, Rieple A., (2001), The Strategic Management of Organizations, Pearson Education Ltd, UK
- Isaacs N., (2000), Dot-bomb survivors piece through the wreckage, Upside.com,
<http://www.upside.com/texis/mvm/story?id=3a707ba91>
- Kalakota, R. and Whinston, A., (1997), *Electronic Commerce: A Manager's Guide*. Addison-Wesley, Reading, MA
- Kalakota R., Robinson M., (1999), E- Business Roadmap for Success. Reading, MA: Addison-Wesley.
- Kambil A., Nunes P. , (2000), Internet Marketing: Lessons from the Field, Research Note, Accenture Institute for Strategic Change, 24 July, 2000.
http://www.accenture.com/xd/xd.asp?it=enweb&xd=isc/iscresearchnote_12.xml
- Kaufman A.S., (1995), Technology and Evolution: Escaping the Red Queen Effect, The McKinsey Quarterly, 1995, nr 1, pp 118-129
- Kippenberger T, (1998), How is strategy formed? Ten schools of thought, The Antidote, Emerald, Volume 3 No. 6, pp 11-14
- Kotha S. Rajgopal S. Rindova V., (2001), Reputation Building and Performance: An Empirical Analysis of the Top-50 Pure Internet Firms, European Management Journal. Vol 19, issue 6 pp. 571 - 586
- Lawrence E., Corbitt B, Fisher J.A, Lawrence J., Tidwell A., (2000), Internet Commerce, 2nd Edition, John Wiley & Sons Australia Ltd., pp. 79
- Lovelock C., (2001), The dot.com meltdown: what does it mean for teaching and research in services? , Managing Service Quality, MCB University Press, Vol 11, Number 5, pp.302 – 306

Lumpkin G.T., Droege S.B., Dess G.G., (2002), E-Commerce Strategies: Achieving Sustainable Competitive Advantage and Avoiding Pitfalls, *Organizational Dynamics*, Vol 30, Issue 4, pp. 325-340

Mintzberg H., Walters J.A., (1985), Of strategies, deliberate and emergent, *Strategic Management Journal*, July – September pp 257-272

Mosley-Matchett J.D., (1997), Include the Internet in marketing Mix, *Marketing News*, vol 31, nr 25

O'Connor J. Galvin E., (1997). *Marketing and information technology-The strategy, application and implementation of IT in marketing*. Pitman Publishing, London

Oliver, R., (2000), The seven Laws of E-Commerce Strategy, *Journal of Business Strategy*, Sep- Oct 2000, pp 8-10

Olsen S, (2000), Stagnant market hastens demise of some Net firms, *CNET News.com*, May 16. <http://news.com.com/2100-1017-240620.html?legacy=cnet>

Owen, S., (2001), “The Rise and Fall of the Dot.com: The Impact of Growth Rates and Funding Options on the Mortality of Internet Start-ups”, *2001 International Conference on Electronic Commerce*, Vienna, Austria.

Peattie K., (1997), The marketing mix in the third age of computing, *Marketing Intelligence & Planning*, Volume 15 nr. 3, pp. 142-150

Pew Internet, <http://www.pewinternet.org/>,
<http://www.pewinternet.org/reports/toc.asp?Report=48>

Porter M.E., (1985), *Competitive Advantage*, Free Press, Macmillan Publishing Co., Inc. NY

Porter M.E., (2001), Strategy and the Internet, *Harvard Business Review*, March

Prastacos G., Söderquist K., Spanos Y., Van Wassenhove L., (2002), An Integrated Framework for Managing Change in the New Competitive Landscape, *European Management Journal*, Volume 20, Issue 1, Pages 55-71.

Riulli-Saltzman L., Luthans F., (2001), After the bubble burst: how small high-tech firms can keep in front of the wave, *The Academy of Management Executive*, Volume 15, Issue 3, pp. 114-124

Schultz D.E., (2001), Marketers: Bid Farewell to Strategy Based on old 4Ps, *Marketing News*, Feb, Vol 35. Nr.2 p7

Seybold P, Marshak R. (1998), *Customers.com® Handbook an Executive Guide and Technology Roadmap for Your Customers.com®, www.customers.com*

Shah N., Dawson R. (2002), How to be an E-survivor in the current Economic climate: E-Commerce Strategies and Tactics to adopt for success, *Journal of E-Business, International Academy of E-Business*, vol 1, issue 2, June 2002

Shalit R., Danielson H. R., (2002), The day the brads died, Salon.com,
<http://www.salon.com/tech/feature/2001/07/11/brands/index.html?CP=YAH&DN=110>

Shapiro C., Varian H.R., (1999), *Information Rules: A Strategic Guide to the Network Economy*. Boston. Harvard Business School Press

Sussis D., (2000), Dot Com Bankruptcy and the Goblet of Fire, internet.com, November 2, 2000.
http://ecommerce.internet.com/news/insights/econsultant/article/0,,9571_501741,00.html

Thomas J.W., (2001), The Dot.com Meltdown, White Papers, Decision Analyst Inc,
http://www.decisionanalyst.com/publ_art/Meltdown.htm

Thomson L., (2000), E-Commerce: Changing the Rules of Strategy Implementation, *Strategy and Leadership*, April 2000, pp 35-39

Webmergers.com, (2003), Internet Companies Three Years After the Height of the Bubble,
<http://www.webmergers.com/data/article.php?id=67>

Webmergers.com, (2003), Top Ten Lessons from the Internet Shakeout, Tim Miller
<http://www.webmergers.com/data/article.php?id=48>

Weltz. G., (1995), New Deals, *Internet World*, June, pp 36-43
Upside.com <http://www.upside.com/>

Yu H., Hsu K., His K., (2002), Setting up an e-marketplace: a three-stage approach, *Technology in Society*, Volume 24, Issue 4, Pages 473-482.

Zwass, V. (1996). Electronic commerce: structures and issues, *International Journal of Electronic Commerce*, 1(1), 3-23.

2.4. Essay IV: Constantinides E., 2004, Influencing The Online Consumer's Behavior: The Web Experience, Internet Research: Electronic Networking Applications and Policy, vol 14, nr 2, pp. 111-126

Influencing the Online Consumer's Behavior: The Web Experience

Abstract

This paper addresses one of the fundamental issues of E-Marketing: How to attract and win over the consumer in the highly competitive Internet marketplace. It analyses the factors affecting the online consumer's behavior and examines how E-Marketers can influence the outcome of the virtual interaction and buying process by focusing their marketing efforts on elements shaping the customer's virtual experience, the Web Experience.

Identifying the Web Experience components and understanding their role as inputs in the online customer's decision-making process, is the first step in developing and delivering an attractive online presence likely to have the maximum impact on Internet users, convincing them to become and remain customers.

An enticing online presentation is not imperative for web pure-plays only. Click-and-mortar firms delivering superior Web

Experience not only attract and retain online customers but also positively influence their physical clients' perceptions and attitudes, driving additional traffic to traditional sales outlets.

While focusing on a fairly practical issue the paper also provides a contribution to the theoretical debate around the factors influencing the online consumer's behavior and outlines some noticeable similarities and differences between the traditional and virtual consumers.

Keywords

E-Marketing, Web Experience, Online Strategies, Online Consumer Behavior, Buying Decision Process

Consumer's behavior in traditional marketing settings

The consumers' buying behavior has been always a popular marketing topic, extensively studied and debated over the last decades while no contemporary marketing textbook is complete without a chapter dedicated to this subject. The predominant approach, explaining the fundamentals of consumer behavior, describes the consumer buying process as a learning, information-processing and decision-making activity divided in several consequent steps: Problem Identification, Information Search, Alternatives Evaluation, Purchasing Decision and Post-Purchase Behavior (Bettman, 1979; Dibb et.al, 2000; Jobber, 2001; Boyd et al, 2002; Kotler, 2003; Brassington and Pettitt, 2003).

A distinction is frequently made between high and low involvement purchasing, implying that in practice the actual buying activity can be less or more consistent with this model, depending on the buyer's perceived purchasing risks. High or low degree of involvement is also a question of buyer experience; products purchased for the first time are in general requiring more involvement than frequently purchased products. (Boyd et al, 2002).

Next to identifying the steps of the buying process and the potential role of marketing in each stage, marketers are eager to comprehend how purchasing choices and decisions are made, how consumers are likely to react to innovation and how to predict the outcome of the customer-vendor interaction (Davis et al, 1989; Ajzen, 1991; Legris et al, 2003).

Most academics and practitioners agree that demographic, social, economic, cultural, psychological and other personal factors, largely beyond the control and influence of the marketer, have a major effect on consumer behavior and purchasing decisions (Harrel and Frazier, 1999; Czinkota et.al, 2000; Czinkota and Kotabe; 2000, Dibb et.al, 2000; Jobber, 2001; Boyd et al, 2002; Solomon and Stuart, 2003). Despite their incapacity to exercise any substantial influence on the above factors, marketers can have some bearing on the outcome of the buying process by engaging different marketing tools, the most prominent being the 4Ps - Product, Price, Place and Promotion – also known as the Marketing Mix (Borden, 1964; McCarthy, 1964). While the value and current standing of the Mix as a marketing toolkit is frequently disputed (Dixon and Blois 1983; Grönroos 1994; Gummesson 1997; Goldsmith 1999) marketing practitioners nonetheless widely deem the 4Ps as the tools that can influence the consumer's behavior and the final outcome of the buyer-seller interaction (Kotler and Armstrong, 2001; Kotler, 2003; Brassington and Pettitt, 2003).

Online Buying Behavior

Understanding the mechanisms of virtual shopping and the behavior of the online consumer is a priority issue for practitioners competing in the fast expanding virtual marketplace. This topic is also increasingly drawing the attention of researchers. Indicative of this is the fact that more than 120 relevant academic papers were published in 2001 alone (Cheung et al., 2003). Given the continuous expansion of the Internet in terms of user numbers, transaction volumes and business penetration this massive research endeavor is not surprising. More than 20% of Internet users in several countries buy already products and services online (Taylor Nelson Sofres, 2002) while more than 50% of US net users regularly buying online (Forrester Research, 2003). These developments are gradually transforming E-Commerce into a mainstream business activity while at the same time online consumers are maturing and virtual vendors realize the importance and urgency for a professional and customer-oriented approach. Yet the Internet meltdown at the end of the 90's and plenty of more recent

anecdotal and empirical evidence indicate that many online firms still do not completely understand the needs and behavior of the online consumer (Lee, 2002) while many of them ...“continue to struggle with how effectively to market and sell products online.” (Joines et al. 2003, page 93).

As in the case of traditional marketing in the past, most of the recent research and debate is focused on the identification and analysis of factors that one way or another can influence or even shape the online consumer’s behavior; a good deal of research effort is focused on modeling the online buying and decision-making process (Miles et al., 2000; Liu and Arnett, 2000; Cockburn and McKenzie, 2001; Liao and Cheung, 2001; McKnight et al., 2002; Joines et al., 2003; O’Cass and Fenech, 2003) . While many researchers do not see any fundamental differences between the traditional and online buying behavior, it is often argued that a new step has been added to the online buying process: the step of Building Trust or Confidence (Lee, 2002; Liebermann and Stashevsky, 2002; McKnight et al., 2002; Suh and Han, 2002; Liang and Lai, 2002).

An important contribution in classifying the increasingly growing number of research papers on the subject of the virtual customer’s behavior is the study of Cheung et al. (2003). The findings of their comprehensive literature review are summarized in a model depicting the main categories of factors affecting the online consumer. The study identifies two groups of uncontrollable factors – Consumer Characteristics and Environmental Influences – as well as three groups of controllable ones - Product/Service Characteristics, Medium Characteristics and Merchant/Intermediary Characteristics. This classification underlines the fact that most researchers endorse the suggestion that – like in traditional markets – the interaction of controllable and uncontrollable factors underpins also the online decision-making process (O’Cass and Fenech, 2003).

Online Marketer’s persuasion tools and the Web Experience

Next to the personal and external uncontrollable factors influencing the buying behavior, exposure of customers to the company’s marketing can affect the decision-making by providing inputs for the consumer’s Black Box where information is processed before the final consumer’s decision is made (Kotler, 2003). Online marketers can influence the decision making process of the virtual customers by engaging traditional, physical marketing tools but mainly by creating and delivering the proper online experience, the Web Experience: a combination of online functionality, information, emotions, cues, stimuli and products/services, in other words a complex mix of elements going beyond the 4 Ps of the traditional Marketing Mix. The prime medium of delivering the Web Experience is the corporate web site, the interfacing platform between the firm and its online clients (Constantinides, 2002).

This paper focuses on identifying and classifying the Web Experience elements: the marketing tools and actors under the control of the e-marketer that can influence or shape the online consumer’s behavior during the virtual interaction. The Web Experience is in this sense a new, additional input in the traditional buying behavior frameworks found in marketing textbooks (P. Kotler, 2003). In Figure 1 a new category of controllable elements - the Web Experience – has been added to the factors influencing the online consumer. Identification and classification of the Web Experience elements is necessary for an all-inclusive picture of the controllable actors likely to affect or even determine the outcome of

the virtual interaction. The classification can help marketing practitioners to recognize and better understand the nature and potential of their online marketing tools. It can also contribute to the ongoing theoretical debate on online consumer's behavior by summarizing the prevailing ideas of researchers and identifying issues for further research

Web Experience: definition and importance

Several academics and practitioners have identified the “online shopping experience” or “virtual experience” as a crucial E-Commerce marketing issue. Tamini et al. (2003) define the online shopping experience as a process of four stages describing the successive steps of an online transaction. Considering that an online customer is not simply a shopper but also an information technology user (Cho and Park, 2001) one can argue that the online experience is a more complicated issue than the physical shopping experience: the Web Experience can be defined as the consumer's total impression about the online company (Watchfire, 2000) resulting from his/her exposure to a combination of virtual marketing tools ...“under the marketer's direct control, likely to influence the buying behavior of the online consumer” (Constantinides, 2002, page 60). The Web Experience embraces elements like searching, browsing, finding, selecting, comparing and evaluating information as well as interacting and transacting with the online firm. The virtual customer's total impression and actions are influenced by design, events, emotions, atmosphere and other elements experienced during interaction with a given web site, elements meant to induce customer goodwill and affect the final outcome of the online interaction²³. It should be noticed here that the Web Experience is important not only for web sites marketing products or services but also for sites targeting customers interested in informational content (news, weather, sports etc.), sites acting as online intermediaries and generally to all types of Internet ventures competing for the attention of the online public.

The Web Experience as a major parameter of customer influence is crucial for dot.com – type firms but also for multi-channel vendors. For traditional firms expanding their business with Internet presence, the quality of online experience they deliver is an issue requiring special attention: poorly designed and dysfunctional web sites are a potential threat not only to the company's virtual aspirations but also a hazard for their physical activities. According to the Dieringer Research Group half of all adult Internet users who have abandoned online orders seem to have changed their opinion about brands due to negative online experience, while sixty percent of those online adults whose opinions changed, switched brands at purchase, whether they bought via the Net or at a brick-and-mortar store (Nua Internet Surveys, 2002). Research also underlines the synergic effects of the positive web experience on customers making use of a company's web site next to its traditional channels. Based on the collection of online and either in-store or catalog traffic of US retailers in 2002 Nielsen/Net Ratings(2002) found that compared to the average internet users, customers visiting well designed web sites like J. Crew's and Bloomingdale's are 10 more times likely to visit the brick-and-mortar stores; visitors of NiemanMarcus.com are 18 times more likely to visit a Nieman Marcus physical store than the average net user while for Coach shops this figure goes up to 27 times.

²³ Recognizing the influence of the Web Experience on the online consumer many companies have even been appointing, for some time already, the so-called Customer Experience Managers, responsible for the online marketing, site development, and content (McKinsey, 1999)

The primary means of delivering the Web Experience is the corporate web site. Sites delivering superb Web Experience are designed in a way not only addressing the client's product needs and expectations but also assisting the customers through the steps of the buying process. In that respect the back-office E-Commerce infrastructure (O'Keefe and McEachern, 1998) is also of crucial importance. Web sites must be seen therefore as vital instruments of customer service and persuasion rather than simply as online brochures or catalogues of the company's products.

Methodology

This study presents the results of the review of 48 academic papers selected from a large pool of articles on consumer behavior in online environments. The criterion for the paper selection was the focus on studying the effects of controllable (by the online marketer) factors on the online buying decision-making process (See Appendix). The papers selected for the review were published after 1997 in 28 academic journals and 5 conference proceedings. Out of the 48 papers, 42 (88%) were published between the years 2000 and 2003 and 6 (12%) between 1997 and 1999. The majority of papers were drawn from the Journal of Electronic Commerce Research, the Journal of Consumer Marketing, the Journal of Information Management and the Journal of Internet Research.

The controllable elements identified in the literature as influencing the online buying behavior were grouped into three main categories and five sub-categories, each one including several of these elements (Table 1). The selection of papers, review and allocation of the Web Experience elements to one of the above categories and sub-categories was done by the author, in order to ensure the conformity of the selection criteria; a minimum of one literature reference was necessary for including a given component in the classification.

The definitions used in describing the main building blocks of the Web Experiences, as basis of the classification are the following:

- a. **Functionality factors:** Factors enhancing the online experience by presenting the virtual client with an good functioning, easy to explore, fast, interactive web site. Functionality includes *Usability* and *Interactivity* elements.
- b. **Psychological factors:** Web sites must communicate integrity and credibility in order to persuade customers to stop, explore them and interact online. Psychological factors are those playing a crucial role in helping online customers unfamiliar with the vendor or unfamiliar with online transactions to overcome fears of fraud and doubts as to the trustworthiness of the web site and vendor.
- c. **Content factors:** Factors referring to creative and marketing mix-related elements of the web site. These factors exercise a direct and crucial influence on the Web Experience. They are divided in two sub-categories: *Aesthetics* and *Marketing Mix*.

The above terms reflect the nature and/or the effect of the Web experience elements on the buying process. As an example the policies regarding the use of customer data by online vendors and product return policies, factors likely to affect the customer trust, were classified as psychological issues while design and atmosphere, typical aesthetic elements were considered as elements of the web site content.

A few remarks on the results of this review: The total number of literature references per Web Experience factor and the frequency of references for each component per subcategory can be found in the Graphics 1 – 6. The number of references could be indicative of the importance of each factor but these numbers must be seen and explained with some degree of caution. The relative importance and the effects of the different elements of the Web Experience during the online buying process are separate questions that this study was not meant to address; answering these question is an issue for further research. The classification is normative and descriptive, meant to present the total picture of an extensive and fragmented research. Finally it should be noticed also that the order of listing of the three categories neither reflects any hierarchical ranking nor is meant to be associated with any particular steps of the decision-making process.

Web Experience Taxonomy

The three main building blocks of the Web Experience, their sub-categories and components are listed in Table 1. The table illustrates the complexities online marketers face in their effort to optimize their customers' Web Experience; creating a successful online presence means developing a comprehensive and customer-oriented virtual proposition addressing a wide variety of issues and delivering the maximum possible effect, the utmost Web Experience. Practitioners should learn and understand the parameters affecting the customer experience before they design and built their online venture. Yet deciding the right combination of Web Experience elements is not an easy task, the specific buying conditions, the customer's experience and needs can shift the importance among the different elements as influencers of the buying process. Two examples underlining this point:

1. The significance of the Web Experience elements can differ depending on the buying situation, the type of online customers targeted by the web site as well as the client's intentions visiting the site. It can be argued for example that potential online buyers consider the transaction security and the fulfillment process much more essential issues than web site visitors who are merely interested in product prices or general company information.
2. The effects and importance of the different Web Experience elements can vary, depending on whether customers are new to the web site or frequent visitors. The present study attempts no explicit distinction here but one could assume that retaining online customers requires a positive Web Experience plus many other things. Online Customer Relationship Management and online customer retention are currently also subjects of vigorous academic research (Ha et al, 2002; Shankar et al. 2003; Grewal et al, 2003).

The Main Building Blocks of the Web Experience

The Web Experience components per category (Functionality Factors, Psychological Factors and Content Factors) and sub-category (Usability, Interactivity, Trust, Aesthetics, Marketing Mix) and the total number of literature references on are illustrated in Graphic 1.

Usability and Trust are the issues more frequently found to influence the web consumers' behavior but as mentioned earlier the number of references should not been seen as indicative of the relative importance of the Web Experience elements. These elements should be not considered in isolation but rather as a collection of parts of the dynamic online interface, addressing simultaneously diverse needs of the online consumer, in different stages of the buying process and in different ways.

a. *Functionality factors*

Usability and Interactivity are the two components of web site functionality. These factors are frequently referred in the literature as closely associated with success or failure of web sites, by directly and profoundly influencing the online consumer's experience. Slow, dysfunctional web pages and poor interactivity prompt most online customers to look for alternatives, since time saving and shopping convenience are important motives to do business online for the majority of Internet users.

a.1. Usability

Nah and Davis (2002) define web usability as “ the ability to find one's way around the Web, to locate desired information, to know what to do next, and, very importantly, to do so with minimal effort. Central to this idea of usability are the important concepts of ease of navigation and search”(page 99). Usability is considered as an important quality criterion of information systems (Preece et al, 1994) and web sites (Osterbauer et al., 1999). Elements enhancing the web site usability are the convenience of using the site, the loading speed of the pages, the information structure etc. Creating a user-friendly web site not only requires high quality, state-of-the-art technology but also thorough knowledge of the needs and characteristics of the potential web site user.

Usability of web sites has been constantly improving over the years (Internet Confidence Index, Yahoo /AC Nielsen, 2002, American Customer Satisfaction Index, 2003) not only because online firms and web designers gain more experience but also as a result of technological developments. Broadband connectivity – more than 20% of web users have a broadband connection in the USA in 2003 - and new programming tools have contributed to faster loading times saving valuable customer time²⁴. The usability components and the number of literature references per component are illustrated in Graphic 2.

The different components of usability in short:

- *Convenience*: research indicates that convenience is a prime motivator for web customers to stop and interact with online vendors. Customers associate convenience with easy and fast information browsing, shopping and settling of the online transaction; web designers must try to understand how their customers are likely to perform these activities online and adjust their procedures accordingly.
- *Site Navigation, Information Architecture and Search Facilities / Search Process*: Online customers expect easy site navigation and easily accessible information. Search engines providing fast and reliable results helping customers to quickly locate information in the site, must be part of every well-designed commercial web site.
- *Site Findability and Accessibility*. Most web consumers are searching for products and services by means of search engines and online directories. It is very important that site designers apply a consistent search engine strategy so that online consumers can easily find the site. Web sites must be furthermore accessible by users making use of different types of web browsers.

²⁴ The online user spends today on average more than one hour less on line than in 1999 (Forrester Research, 2003).

- *Site speed.* Online customers expect fast loading web pages. Web designers must keep in mind that the average time customers per page viewed is low and steadily diminishing over time (Cockburn and McKenzie, 2001).
- *Ordering / Payment processes.* Cumbersome and lengthy processes required for ordering and settling online transactions are still one of the most important sources of customer irritation, loss of goodwill and interrupted online transactions. A balanced approach is necessary so that web sites remain simple to use and secure at the same time.

a.2. Interactivity

The interactivity of Internet allows online vendors to enhance the Web Experience by presenting the customer with more personalized services and facilitating interaction with other online users willing to share experiences and suggestions. Interactivity therefore can be seen as underpinning two of the basic elements of the Internet revolution, namely personalization²⁵ and networking²⁶. Interactive elements are contributing to a positive customer experience by reducing uncertainty during the online transaction and the cognitive dissonance afterwards. Elements enhancing interactivity are facilities allowing interaction with vendors in case customers have questions or difficulty to use the site, online help-desks for technical assistance or support. Networking and the possibility of establishing contacts with other users by means of active or passive interfaces (user's forums, chat-rooms or bulletin boards) are also factors enhancing the web site interactivity. (See Graphic 3).

The Interactivity components are divided in two categories: Interactivity with the online vendor and interactivity with other web users.

Customer service / after sales service online, Interaction with company personnel and Customization are components of interactivity between customer and online vendor. Web customers expect next to convenient shopping also support in case of problems with products or services purchased. Good organized online or offline helpdesks, efficient reverse logistics, quick response to email complains and inquiries are some of the issues where marketers and web designers must focus their attention. As in the case of usability, good knowledge of customer profiles and needs are of vital importance for the designers of these online services.

Network Effects were considered in the 90's as a major Internet innovation in communication, likely to bring about customer empowerment and dissemination of market knowledge through interaction between online clients. Yet the number of recent literature references to Users' Forums, Bulletin Boards, Chartrooms, Guest books – typical vehicles of online C2C interaction - as essential Web Experience elements is rather limited. More research is necessary in order to assess the exact role and effects of such elements as well as the trends in this area. This because changing web “technographics” (Forrester Research, 2000) and technological innovation seem to support new forms of C2C interaction, often allowing consumer interaction and transactions outside the traditional or even the “classic” online trade environment. Online consumer auctions, online bartering, virtual classifieds (Cravatts, 2003) or entirely new forms of Peer-to-Peer (P2P) interaction without clear

²⁵ Personalization includes the ability of the web firm to tailor its services, online offer and sometimes even the prices to individual customers.

²⁶ Network effects refer to elements facilitating interaction with other customers either actively (ex chat rooms) or passively (ex bulletin boards).

commercial objectives (music files exchange, web-logging) are forms of virtual interaction gaining fast popularity and fields of intensifying online commercial and non-commercial activity (Lee, 2001).

b. Psychological elements: Online Trust

Online Trust is one of the issues researchers as well as practitioners frequently associate with the success or failure of online ventures. According to Harris Interactive (2001) around 70% of the US web users are seriously concerned about the safety of their personal information, transaction security and misuse of private consumer data. Subjects like hacking, fraud, spam and online scams frequently make headlines, raising security concerns as well as skepticism and mistrust. The physical distance, lack of personal contact and the anonymity of the Internet are also factors further increasing the consumers' anxiety and risk perceptions. Online firms, especially those lacking strong brand recognition and physical presence, should not underestimate the importance of trust as a Web Experience element.

The multi-dimensional character of online trust makes it a complicated issue and despite considerable research attention several online trust issues are still very little explored. A study of Grabner-Kräuter and Kaluscha (2003) underlines the complexity of this subject. Based on an extensive review of research work done in this field these researchers identified trust constructs reflecting ... “ both institutional phenomena (system trust) and personal and interpersonal forms of trust (dispositional trust, trusting beliefs, trusting intentions and trust-related behaviors”...(page 783)

Online marketers should identify elements enhancing or undermining trust among potential customers and try to understand how those can affect the online customer's perceptions. This knowledge is valuable for including the right mix of trust-establishing elements in the web site and creating the proper organizational infrastructure – technological, organizational as well as managerial – needed for delivering this mix. Next to web site trust-enhancing elements, the “off-line” vendor image and reputation have been often found to be critical enablers of virtual interactions and transactions by lowering the transaction risk threshold and reducing customer anxiety.

For web pure-plays the question of winning customer trust must be a central issue when designing their web site. Addressing trust-related issues is also possible by pursuing synergies with marketing activities taking place in the physical marketplace. An interesting question in the debate around gaining the consumer's trust online is the effect of third-party approvals and endorsements (Verisign, Truste, WebTrust, Trusted Site Seal etc) on abating the consumer's risk perception (Lin et al, 2001; Loebbecke, 2003)

Multi-channel firms with well-established reputation, brands or products have usually a serious advantage against online novices and startups. High levels of brand awareness and good reputation make easier for customers of physical firms to trust them online, reducing the online customers' demands for credibility or integrity credentials. (Hoffman et al, 1999; Lee, 2002; Kim et al, 2003; Nah and Davis, 2002; Madu and Madu, 2002; McKnight et al, 2002; Joines et al, 2003; Russo, 2003).

The psychological factors affecting online trust are illustrated in Graphic 4.

The different elements of the online trust in more detail.

Transaction Security and Customer Data safety are principal concerns of online customers purchasing products or services online. Service disruptions, hacking into online vendors' databases and display of customer data on clandestine web sites are frequent Internet incidents asking for constant vigilance by online firms.

Clear ordering, payment and refunding procedures as well as concrete customer policies, good communication and strict security help customers face online transactions with more confidence. Online vendors can also win security-minded customers by offering multiple payment alternatives, something though not always feasible (ex. customers overseas).

Customer Data Abuse. A critical question for privacy-minded customers is whether personal data known to online firms is used for any type of commercial purposes against their knowledge and will. This is a growing concern among Internet users confronted daily with an explosive growth of spam, fraud and online scams (Harris Interactive, 2001). Web vendors should allow online customers to opt for possible follow-up activities and ask always the customer's clear permission for any further use of data for commercial purposes.

Guarantees and return policies. Like in traditional business, product guarantees offered by web firms are powerful tools for gaining competitive advantages, raising the level of customer trust and reducing the online transaction anxiety. Clear policies outlining product returning procedures and compensation in case of dissatisfaction with the product have been found to have a positive effect on online vendors' credibility.

Uncertainty reducing elements. Components of uncertainty reducing elements are Frequently Asked Questions (FAQs) and conflict-resolution policies. Allowing easy access of online customers to this type of information enhances trust but also reduces the number of inquiries of customers with questions on such issues.

c. Content Elements

The content factors are divided in two categories: Aesthetics and Marketing Mix.

c.1. Aesthetics

Special attention must be paid to Aesthetics, not only because aesthetic elements are often important indicators of online vendor quality (Vrechopoulos et al, 2000) but also form the main clue of vendor and web site credibility for the majority of web users (Fogg et al, 2003).

Aesthetics embrace the artistic and creative elements of the online presentation, aiming at a pleasing appearance or effect (Merriam-Webster's online dictionary). These elements communicate the web site's atmosphere, something important for attracting online customers by inducing positive and powerful motives for visitors to stop, explore and possibly interact with the site.

Traditional retailers are well aware of the fact that a positive experience of new customers entering their shop is an important factor in their decision to stay or leave; the atmosphere²⁷ is a major retailing quality evidence affecting his/her impression about a sales outlet and defining the customer's further actions and behavior (Donovan and Rossiter, 1982; Lewison, 1994; Boekema et al, 1995; Rousey and Morganosky 1996; Jobber 2001; Kotler 2003).

²⁷ Shop atmosphere is made up by a combination of different components like colours, lighting, lay-out and service personnel

Research suggests that aesthetics influence online and traditional shoppers in similar ways, underlying the importance of these elements as success factors in online retailing (Vrechopoulos et al, 2000; Madu and Madu, 2002; Kim et al, 2003; NUA, 2003). In practice low quality web sites are the rule rather than the exception on the Internet marketplace (Interactive Bureau, 2003).

The aesthetic elements of the Web Experience are illustrated in Graphic 5.

- Design and Style / Atmosphere of web sites are elements quite crucial in shaping the online experience and the buying decision making process. Like shoppers in traditional shops, for first-time web site visitors these elements are particularly important. But unlike traditional shoppers online consumers spend much less time in web shops they visit. Given the very limited time the average Internet users spend on browsed pages when searching for information or products online ²⁸ the design and atmosphere of web sites must attract the attention and capture the interest of the online customer in a very short time.

There is furthermore strong evidence that the web site design is one of the most important factors communicating the online firm's credibility, something crucial for transacting online. A study of Stanford University among 2.440 respondents meant to identify features of web sites that online customers usually associate with the site's credibility, found that 46.1% of them consider the Design Look as the most important credibility cue followed by Information Design / Structure (28.5%) and Information Focus (25.1%), (Fogg et al, 2002).

Presentation Quality refers generally to the customer's total impression on the web site. It is frequently mentioned as an important motivator for consumers to stop and interact with the site.

Design Elements specifically mentioned in the literature as contributing to the web experience are the domain name, colors and site layout.

c.2. Marketing Mix

Several researchers have been focused on the impact of Marketing Mix elements on the behavior of web users searching the Internet or buying products and services online. Researchers agree that the Marketing Mix's 4Ps - including fulfillment -, are essential contributors to the Web Experience. The ongoing debate on the value of the marketing mix as the toolkit of conventional marketing (Dixon and Blois 1983; Grönroos 1994; Gummesson 1997; Goldsmith 1999) underlines though the fact that more research is needed in order to define its exact role of the Ps as part of the online content and online marketing in general.

The marketing mix elements and the relevant literature references are depicted in Graphic 6.

- *Communication.* the literature references on this aspect refer to the quality of information provided about the firm's products, the clarity of selling conditions and the delivering terms. Information can to a certain degree compensate the lack of physical contact with the product, reducing the online consumer's uncertainties.
- *Fulfillment.* With the exception of digitized products (music, software, e-books etc) easily delivered online, for all other types of products offered online the order fulfillment and product delivery do not coincide with the placing the online order. The way online vendors follow up orders and deliver products has an immediate impact on the willingness of customers to order and more importantly, to return to the web site

²⁸ Cockburn and McKenzie (2001) found that the most frequent average time that people stop on a web page was approximately 1 second and that stops of more than 10 seconds were relatively rare.

for business in the future. Alternative payment methods, fast delivery, flexible delivery options and order tracking are frequently mentioned elements of the fulfillment process.

- *Product elements affecting the Web Experience.* Online brands and product assortment, product features and product presentation. Online vendors can in some cases improve the customer experience by enhancing their product presentation by means of 3D or other High-Tech methods.
- *Price.* The number of literature references of the price as an input influencing the online consumer's behavior is limited. Next to that, research on the role and importance of the online price contradicts the predominant belief that price is the main motivator for consumers when choosing a particular web site. And while most online consumers would insist that low price is their major motive to buy online products, facts do not seem to confirm this. Research based on click-through analysis indicates that only 8% of web users in N. America are aggressive price hunters and only 30% of purchasing managers identify lower prices as the key benefit of buying online (The McKinsey Quarterly, nr 2, 2001). Factors found in the literature associated with the price as part of the Web Experience are the price level, the online promotional actions or discounts and the price transparency.
- *Promotion.* This element is also rarely found to be one of the essential ingredients of the Web Experience, the number of relevant literature references is rather limited. Specific promotional elements mentioned in the literature as enhancing the Web Experience are free extra services, sales promotions and incentive programs (CyberAtlas, 1999).

Issues for Further Research

Given the complex, dynamic and continuously evolving character of the Internet is obvious that the Web Experience is an issue with a multi-faced and dynamic character. New methods, technologies and tools for enriching and enhancing the online experience are frequently emerging as a result of technological advancements, market trends or as a response of web vendors to the changing online population. Analyzing the structure and dynamics of the Web Experience goes beyond the scope of this study but some questions requiring further research have been already mentioned in this paper. A summary of the most important ones:

What is the exact role and weight of the Web Experience elements as influencers of the buying behavior and what Web Experience elements are crucial for the different stages of the online decision making process?

What is the influence of the Web Experience elements on the shopping behavior of new or returning customers?

What Web Experience elements are important for different types of web sites?

Last but not least, considering the dynamic character of the virtual marketplace, it is necessary that research attention should be focused on the way technologies delivering new form of communication, interaction and virtual experience affect the needs, perceptions, attitudes and buying behavior of online consumers.

Conclusions and Implications

Research on the buying behavior and the factors influencing the decision-making process of online consumers has revealed similarities as well as differences between them and the traditional customers. The uncontrollable factors (external and personal ones) affecting

consumer behavior are similar for both types of consumers. The tools however used by traditional and online marketers in order to influence the buying behavior of their customers are not quite the same. In the case of traditional consumers the 4Ps of the Marketing Mix are considered as the main controllable tools influencing the buying behavior. Research indicates that in the case of the web consumer a set of elements experienced during the virtual interaction are indeed the controllable factors affecting the online buyer.

This study identifies the main constituents of the online experience or Web Experience as being:

- the Functionality of the web site that includes the elements dealing with the site's usability and interactivity.
- the Psychological elements intended for lowering the customer's uncertainty by communicating trust and credibility of the online vendor and web site and
- the Content elements including the aesthetic aspects of the online presentation and the Marketing Mix.

These three sets of factors are the main online marketing tools under the control of the E-Marketer.

Despite the fact that a good deal of research has been done on identification of the individual components of the Web Experience during the last five years, little attention has been paid in integrating this research endeavor. This study, based on an extensive review of research published during the last six years, identifies and classifies these Web Experience components in a framework emphasizing their extend, variety and interdependence. The study also underlines the fact that knowledge as to the exact way these factors interact with each other as well as their individual weight and importance is still very limited.

The Web Experience framework can be useful to both practitioners and academics; it could help online marketers and web site designers to identify issues requiring special attention when designing and building their online firm or evaluating their existing online venture. For academic researchers this classification could be a basis for the formulation of new hypotheses and research questions leading to better mapping of the online consumer's behavior. The framework could also be the basis of further research focused on better understanding of the nature and weight of the Web Experience elements, either in isolation or in interaction with each other and in different virtual market settings.

The proposed classification has also limitations: Some of the factors included in this framework have presumably received relatively more research attention than others as indicated by the number of papers found to deal with these particular elements. It will be premature to draw any conclusions as to the importance of each of these elements or to relate them directly to any steps of the buying process on the basis of this study. It is also possible that factors not included in the classification can be important elements of the Web Experience yet neglected by researchers so far.

Finally, the Web Experience must be regarded as a dynamic and evolving subject rather than a static one; developments in the virtual marketplace, changing customer technographics and technological innovation will present E-marketers with new tools and methods for enhancing their customers' online experience. In that respect this study depicts the current picture of the research done thus far, a good starting point for further research in the direction of developing a comprehensive theory on the online buying behavior.

Tables and Figures
Forces influencing the online consumer's behavior

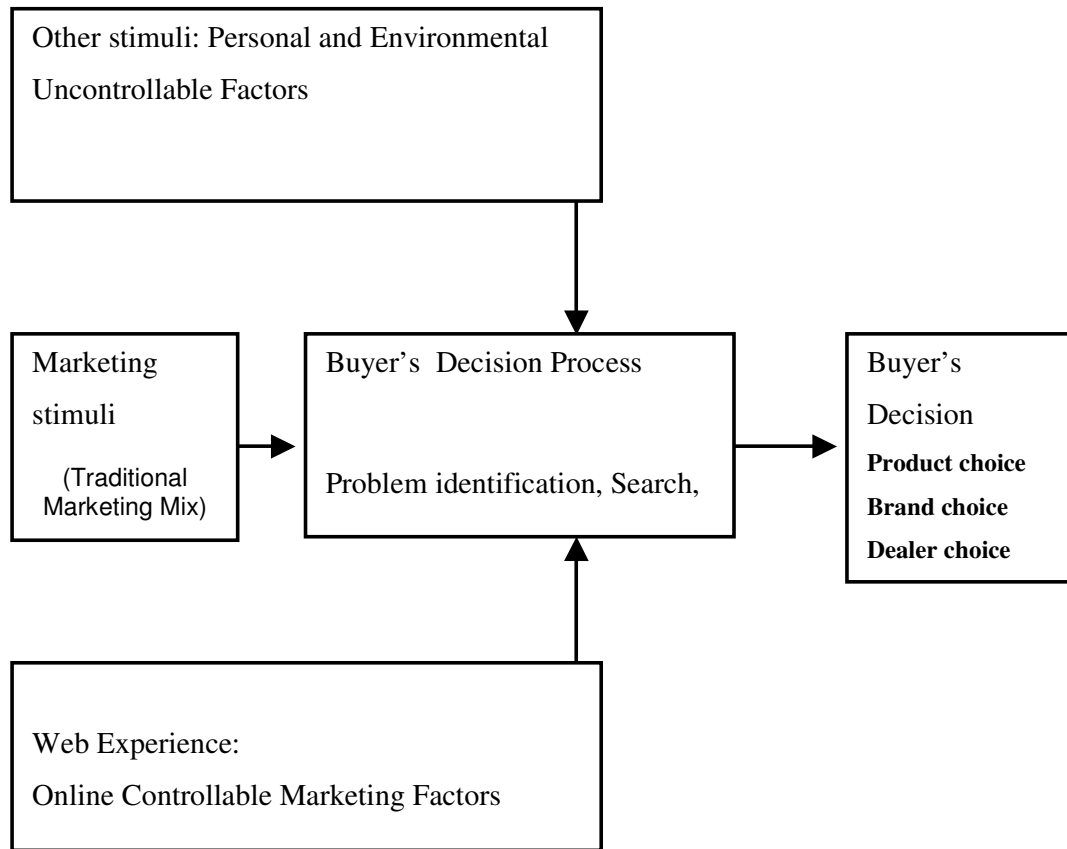
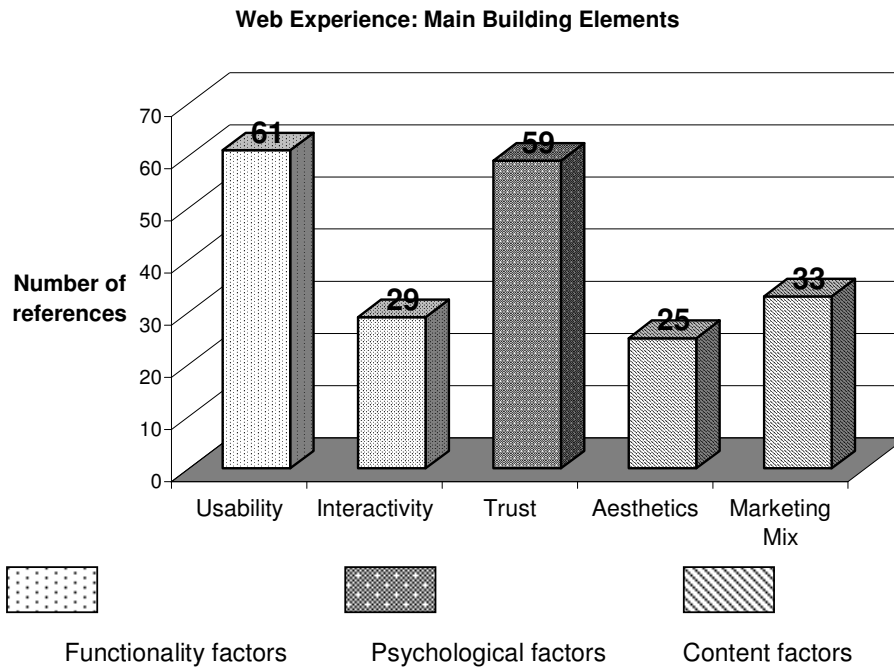


Figure 1: Factors affecting the online consumer's behavior (based on the P. Kotler's, 2003 framework)

Main Building Blocks of Web Experience

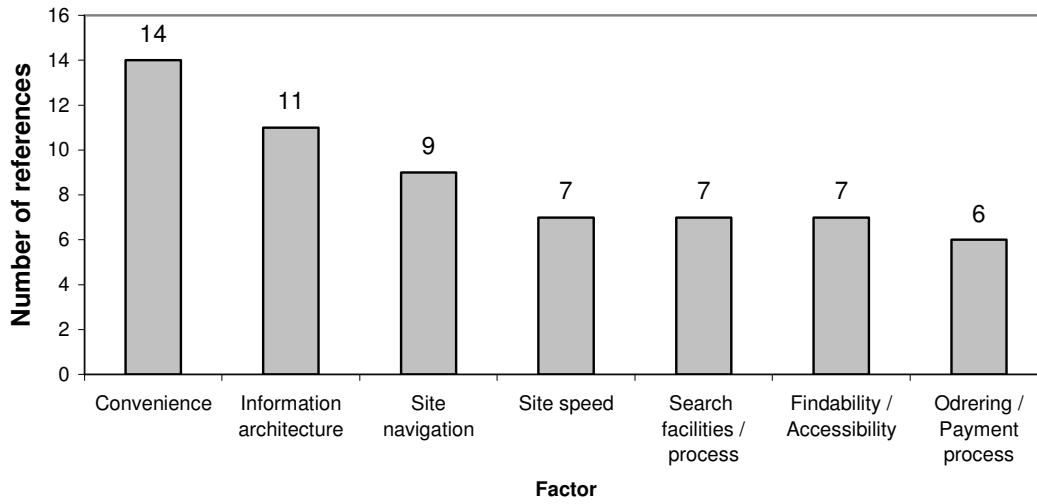
FUNCTIONALITY FACTORS		PSYCHOLOGICAL FACTORS	CONTENT FACTORS	
USABILITY	INTERACTIVITY	TRUST BUILDING	AESTHETICS	MARKETING MIX
Convenience	Customer service /after sales	Transaction security	Design	Communication
Site navigation	Interaction with personnel	Customer Data Misuse	Presentation Quality	Product
Information architecture	Customization	Customer Data Safety	Design elements	Promotion
Ordering/payment process	Network Effects	Uncertainty reducing elements	Style/atmosphere	Price
Search facilities and process		Guarantees/return policies		Fulfillment
Site speed				
Findability /accessibility				

Table 1. Main building blocks of Web Experience and their sub-categories



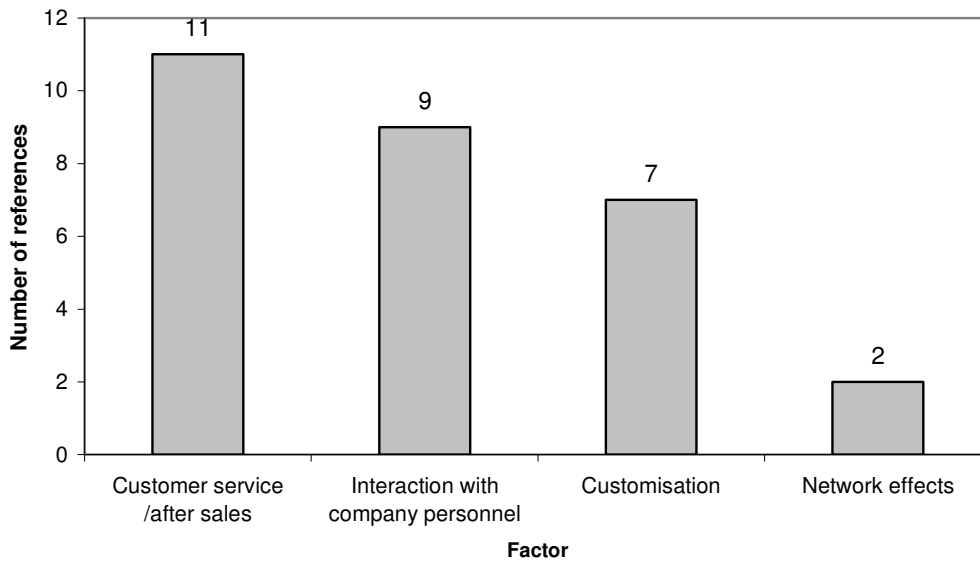
Graphic 1. Web Experience Building Blocks: Literature references per sub-category

Functionality factors: a. Usability



Graphic 2: Web Experience Functionality factors: Literature references of Usability elements

Functionality factors: b. Interactivity



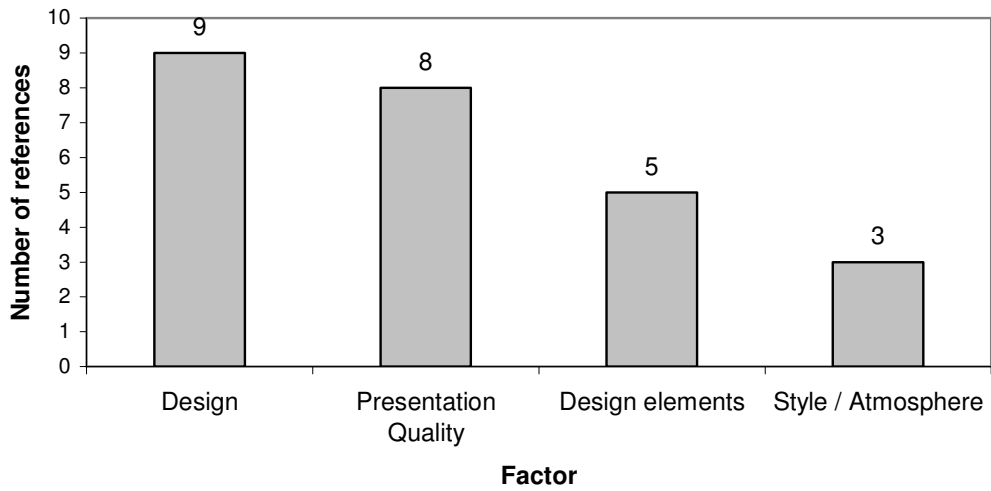
Graphic 3. Web Experience Functionality factors: Literature references of Interactivity Elements

Psychological factors: Online Trust

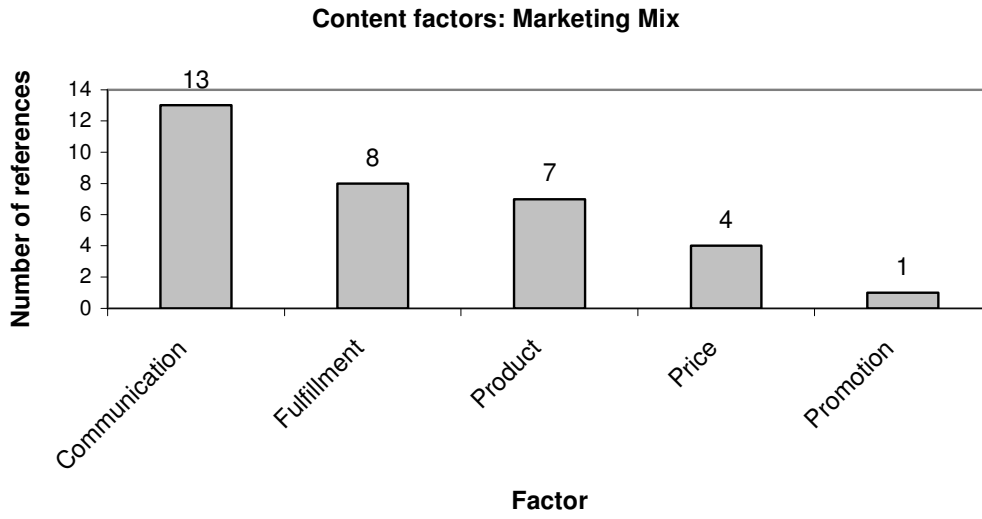


Graphic 4: Web Experience Psychological factors: Literature references of Trust elements

Content factors: a. Aesthetics



Graphic 5: Web Experience Content factors: Literature references of aesthetic elements



Graphic 6: Web Experience Content factors: Literature references of Marketing Mix elements

Literature

Ajzen I., (1991), The Theory of Planned Behavior, *Organizational Behavior and Human Decision Processes*, vol. 50, pp. 179-211.

American Customer Satisfaction Index (ACSI), <http://www.theacsi.org/overview.htm>

Bettman J.R., (1979), An information processing theory of consumer choice, Addison-Wesley Pub. Co. Ma, USA.

Boekema J.J., Bueren van E.B, Lobstein S., Oosterhuis A., Schweitzer P., (1995), *Basisboek Marketing*, Derde druk, Wolters-Noordhoff, Groningen, NL

Borden N.H., (1964), The concept of the Marketing Mix, *Journal of Advertising Research*, June, pp 2-7.

Boyd H.W., Walker O.C., Mullins J., Larréché J-C., (2002), *Marketing Management, A Strategic Decision-Making Approach*, McGraw-Hill Irwin

Brassington F., Pettitt S., (2003), *Principles of Marketing*, Third Edition Prentice Hall, Financial Times

Butler P., Peppard J., (1998), Consumer Purchasing on the Internet: Processes and Prospects, *European Management Journal*, vol. 16, issue 5, pp. 600 – 610

Cheung C.M.K, Zhu I., Kwong T., Chan G.W.W, Limayem M. (2003), Online Consumer Behavior: A Review and Agenda for Future Research, *Proceedings of the 16th Bled eCommerce Conference*, Bled, Slovenia, 9-11 June 2003

Childers T.L., Carr C.L., Peck J., Carson S., (2001), Hedonic an Utilitarian motivations for Retail Shopping Behavior, *Journal of Retailing*, vol. 77, issue 4, pp 51-535

Cho N., Park S., (2001), Development of Electronic Commerce User-Consumer Satisfaction Index (ECUSI) for Internet Shopping, *Industrial Management and Data Systems*, vol. 101, nr. 8, pp. 400-406

Cockburn A., McKenzie B., (2001), What do web users do? An empirical analysis of web use, *International Journal of Human-Computer Studies*, vol. 54, pp. 903-922

Constantinides E. (2002), The 4S Web-Marketing Mix Model, *E-Commerce Research and Applications* , Elsevier Science, July 2002, vol. 1/1, pp 57-76

Consumer Web Watch, (2002), How Do People Evaluate a Web Site's Credibility? http://www.consumerwebwatch.org/news/report3_credibilityresearch/stanfordPTL_abstract.htm

Cravatts R.L., (2003), Barter: A Strategic Tool for the New Economy, *Business Know-How*, <http://www.businessknowhow.com/money/barter.htm>

Czinkota M.R., Cickson P.R., Dune P., Griffin A., Hoffman K.D., Hutt M.D., Lindgren Jr J.H., Lusch r.F., Ronkainen I.A., Sheth J.N., Shimp T.A., Siguaw J.A., Simpson P.M., Speh T.W., Urbany J.E., (2000), *Marketing Best Practices*, The Dryden Press, Fort Worth, USA.
Czinkota M.R., Kotabe M., (2001), *Marketing Management*, 2nd edition, South-Western College Publishing, Cincinnati, Ohio.

Davis F.D., Bagozzi R., Warshaw P.R., (1989), User Acceptance of Computer Technology: a Comparison of two Theoretical Models, *Management Science*, vol. 35/9, pp 982 – 1003

Dennis C., Harris I., Sandhu B, (2002), From Bricks to clicks: Understanding the E-Consumer, *Qualitative Marketing Research*, vol. 5, nr 4, pp. 281-290

Dibb S., Simkin L., Pride W.P., Ferrell O.C., (2001), *Marketing Concepts and Strategies*, Third European Edition, Houghton Mifflin Company

Dixon D.F., Blois K.J., (1983), Some Limitations of the 4 P's as a Paradigm for Marketing, Keith J. Blois, in *Back to Basics*, Proceedings of the Marketing Education Group, Cranfield School of Management, 1983, pp. 92-107

Falkou H., Lytras G., Vrechopoulos A., Pramataris K., (1999), Putting the Consumer on "Top": Traditional Online Products store, Proceedings of the 8th European Conference on Information Systems, Copenhagen, Denmark, June. Published by Copenhagen Business School pp.142-156

Fogg B.G., Soohoo C., Danielson D., Marable L., Stanford J., Tauber E., (2002), How Do People Evaluate a web Site's Credibility? Results from a Large Study, Persuasive Technology Lab, Stanford University,
http://www.consumerwebwatch.org/news/report3_credibilityresearch/stanfordPTL_TOC.htm

Forrester Research, (2003), Forrester Research Projects US eCommerce To Hit Nearly \$230 Billion In 2008, Press Release,
<http://www.forrester.com/ER/Press/Release/0,1769,823,00.html> and Consumer technographics : The Online Consumer 1998 to2003
<http://www.forrester.com/ER/Research/Brief/Excerpt/0,1317,17225,00.html>

Foucault B.E., Scheufele D.A., (2002), Web vs Campus Store? Why Students Buy Textbooks Online, *Journal of Consumer Marketing*, vol. 19, nr 5, pp. 409-423

George J.F, (2002), Influences on the Intent to Make Internet Purchases, *Internet Research: Electronic Networking Applications and Policy*, vol. 12, nr.2, pp.165 –180

Goldsmith R.E., (1999), The personalized marketplace: beyond the 4Ps, *Marketing Intelligence & Planning*, vol. 17 Number: 4 pp. 178 – 185

Goldsmith R.E, Goldsmith E.B., (2002), Buying apparel over the Internet, *Journal of Product and Brand Management*, vol. 11, nr 2, pp. 89-102

- Grabner-Kräuter S., Kaluscha A.E., (2003), Empirical research in on-line trust: a review and critical assessment *International Journal of Human-Computer Studies*, Vol. 58, Issue 6, pp. 783-812
- Grewal D., Iyer G.R., Krishnan R., Sharma A., (2003), The Internet and the price–value–loyalty chain, *Journal of Business Research*, Vol. 56, Issue 5, pp. 391-398
- Grönroos C., (1994), From Marketing Mix to Relationship Marketing – Towards a Paradigm Shift in Marketing, *Management Decision* 32/2, MCB University Press
- Gummesson E., (1997). Relationship marketing as a paradigm shift: some conclusions from the 30R approach, *Management Decision*, Volume 35 Number 4 pp. 267-272
- Ha S.H., Bae S.M., Park S.C., (2002), Customer’s time-variant purchase behaviour and corresponding marketing strategies: an online retailer’s case *Computers & Industrial Engineering*, vol. 43, Issue 4, pp. 801-820
- Harrell G.D., Frazier G.L., (1999), *Marketing, Connecting with Customers*, Prentice Hall
- Harris Interactive, (2001), Privacy Leadership Initiative, <http://www.ftc.gov/bcp/workshops/glb/supporting/harris%20results.pdf>
- Hoffman D.L., Novak T.P, Peralta M.A., (1999), Building Consumer Trust Online, April, *Communications of the ACM*, vol. 42, Number 4, April, 80-85
- Internet Confidence Index, Yahoo /AC Nielsen, (2002), <http://docs.yahoo.com/docs/info/yici/06-02.html>
- Interactive Bureau (IAB), (2003) FTSE-100’s Web sites are still ‘wallowing in mediocrity’, <http://www.iablondon.com/news/news.cfm?newsID=150>
- Jarvenpaa, S.L, Grazioli s., (2002) Surfing Among sharks: How to Gain Trust in Cyberspace, *FPMastering*, <http://www.nationalpost.com/features/fpmastering/080701story1.html>
- Jarvenpaa, S.L., Todd P.A., (1997), Consumer Reactions to Electronic Shopping on the World Wide Web, *Journal of Electronic Commerce*, Vol. 1, No. 2: pp. 59-88
- Jobber D, (2001), *Principles & Practice of Marketing*, McGraw-Hill International (UK) Limited
- Joines J.L., Scherer C.W., Scheufele D.A., (2003), Exploring Motivations for Consumer Web use and their implications for E-commerce, *Journal of Consumer Marketing*, vol. 20, nr. 2, pp. 90-108
- Kim S-E., Shaw T, Schneider H., (2003), Web Site Design Benchmarking Within Industry Groups, *Internet Research: Electronic Networking Research and Policy*, vol. 13, nr 1, pp. 17-26
- Kotler P., Armstrong G., (2001), *Principles of Marketing*, Prentice Hall

- Kotler P. (2003), Marketing Management Eleventh Edition, Prentice Hall International Editions
- Koufaris M., Kambil A., LaBarbera A., (2002), Consumer Behavior in Web-based Commerce: An Empirical Study, International Journal of Electronic Commerce, vol. 6, nr 2, pp. 115-138
- Lee K.J., (2001), Peer-to-Peer Electronic Commerce: A Taxonomy and Cases, Proceedings of the 2001 International Conference on electronic Commerce (ICEC), Vienna, Austria
- Lee P-M., (2002), Behavioral Model of Online Purchasers in E-Commerce Environment, Electronic commerce Research, vol. 2, pp. 75-85
- Legrís P., Ingham J, Collette P., (2003), Why do People use Information Technology? A critical Review of the Technology Acceptance Model, Information and Management, vol. 40, pp. 191 – 204
- Lewis D.M., (1994), Retailing, 5th edition, Macmillan Publishing Company, New York, USA
- Liang T-P., Lai H-J, (2002), Effect of Store Design on Consumer Purchases: an Empirical Study of On-line Bookstores, Information & Management, vol. 39, pp. 431-444
- Liao Z., Cheung M.T., (2001), Internet-based E-shopping and Consumer Attitudes: An empirical Study, Information and Management, vol. 38, pp. 299-306
- Liebermann Y., Stashevsky S., (2002), Perceived Risks as Barriers to Internet and E-commerce Usage, Qualitative Market Research, vol. 5, nr 2, pp. 291-300
- Lightner N.J., Eastman C., (2002), User Preference for Product Information in Remote Purchase Environments, Journal of Electronic Commerce Research, vol. 3, nr 3, pp. 174-186
- Li H., Daugherty T., Biocca F., (2002), Impact of 3-D Advertising on Product Knowledge, Brand Attitude, and Purchase Intention: The Mediating Role of Presence, Forthcoming in the Journal of Advertising, available in Vanderbilt University, Elab, <http://elab.vanderbilt.edu/research/papers/pdf/manuscripts/JA.pdf>
- Li H., Daugherty T, Biocca F., (2002), The Role of Virtual Experience on Consumer Learning, forthcoming in Journal of Consumer Psychology, available in Vanderbilt University, Elab, <http://elab.vanderbilt.edu/research/manuscripts/index.htm>
- Lin, Z., Hu, X. and Zhang, H., (2001), Myth or Reality: Effect of Trust-Promoting Seals in Electronic Commerce , Proceedings of the 11th Workshop on Information Technologies and Systems, New Orleans, Louisiana, USA <http://zlin.ba.ttu.edu/papers/published/WITS01-trust.pdf>
- Liu C., Arnett K.P., (2000), Exploring the Factors Associated with Web Site Success in the Context of Electronic Commerce, Information and Management, vol. 38, pp. 23-33

- Loebbecke C., (2003), E-Business Trust Concepts Based on Seals and Insurance solutions, Information Systems and E-Business Management, vol. 1, issue 1, pp. 55-72
- Lowengart O., Tractinsky N., (2001), Differential Effects of Product Category on Shoppers' Selection of Web-based Stores: A Probabilistic Modeling Approach , Journal of Electronic Commerce Research, vol. 2, NO. 4, pp 142- 156
- Madu C.N., Madu A., (2002), Dimensions of E-Quality, International Journal of Quality and Reliability Management, vol. 19, nr 3, pp. 246-258
- McCarthy E.J., (1964), Basic Marketing, a Managerial Approach, Irwin, Homewood, IL
- McKinsey & Company, (1999), Superior Marketing in the Next Era of E-Commerce, McKinsey Marketing Practice, www.mckinsey.com
- McKinsey Quarterly, (2001), Getting Prices Right on the Web, Report nr 2, 2001. <http://www.mckinseyquarterly.com>
- McKnight D.H, Choudhury V., Kacmar C., (2002), The impact of initial consumer trust on intentions to transact with a web site: a trust building model, The Journal of Strategic Information Systems, vol. 11, issues 3-4, pp. 297-323
- McKnight, H.D., Choudhury V., Kacmar, C., (2002), The impact of initial consumer trust on intentions to transact with a web site: a trust building model, Journal of Strategic Information Systems, vol. 11, issues 3-4, pp. 297-323
- Merriam-Webster's online dictionary, <http://www.m-w.com/home.htm>
- Miles G.E., Howes A., Davis A., (2000), International Journal of Human-Computer Studies, vol.52, pp. 131-163
- Morganosky M.A., Cude B.J., (2000), Consumer Response to Online Grocery Shopping, International Journal of Retail and Distribution Management, vol. 28, nr. 1, pp. 17-26
- Nah F.F-H, Davis, (2002), HCI Research Issues in E-Commerce, Journal of Electronic Commerce Research, Special Issue: Human Factors in Web-based Interaction, Vol. 3, nr 3, <http://www.csulb.edu/web/journals/jecr/issues/20023/paper1.pdf>
- Nicholson M., Clarke I., Blakenmore M., (2001), Multichannel Consumer Behaviour in the Retail Fashion Sector: Toward a Longitudinal Ethnography, Proceedings of the 11th International Conference on Research in the Distributive Trades, Tilburg, The Netherlands, June 2001.
- NielsenNet Ratings, (2003), Coach, Neiman Marcus and J. Crew Maximize sales Channel Relationships With Web Customers, Press Release, 14 January 2003, http://www.nielsen-netratings.com/pr/pr_030114.pdf

- Nua Internet Surveys, (2002), Consumers See Brands Differently Online, http://www.nua.ie/surveys/index.cgi?f=VS&art_id=905358584&rel=true
- O’Cass A., Fenech T., (2003), Web Retailing Adoption: Exploring the Nature of Internet Users Web Retailing behaviour, *Journal of Retailing and Consumer Services*, vol. 10, pp. 81-94
- O’Keefe R.M., McEachern T.,(1998), Web-based Customer Decision Support Systems, *Communications of the ECM*, vol. 41, pp. 71-78
- Osterbauer, C., Köhle, M., Grechenig, T., Tscheligi, M., (1999), Web usability testing: a case study of usability testing of chosen sites (banks, daily newspapers, insurances), *Proceedings of 5th Australian World Wide Web Conference*, <http://ausWeb.scu.edu.au/aw2k/papers/osterbauer/>
- Preece, J., Rogers, Y., Sharp, H., Benyon, D., Holland, S., Carey, T., (1994), *Human-Computer Interaction*, Addison-Wesley, Workingham
- Prabhaker P.R., (2000), Who Owns the Online Consumer, *Journal of Consumer Marketing*, vol. 17, nr 2, pp 158-171
- Reicheld, F.F. & Schefter, P., (2000), E-loyalty: Your secret Weapon on the Web. *Harvard Business Review*, July-August, 105-113.
- Rousey S.P. Morganosky M.A., (1996), Retail format change in US markets, *International Journal of Retail & Distribution Management*, vol. 24, nr 3, pp. 8-16
- Russo J.E., (2002), Aiding Purchase Decisions on the Internet, *Proceedings of the Winter 2002 International conference on Advances in Infrastructure for Electronic Business, Education, Science and Medicine on the Internet*, 21-26 January, L’Aquila, Italy.
- Schoenbachler D.D, Gordon G.L, (2002), Multi-channel Shopping: Understanding What Drives Channel Choice, *Journal of Consumer Marketing*, vol. 19, nr 1, pp. 42-53
- Shankar V., Smith A.K. Rangaswamy A., (2003), Customer satisfaction and loyalty in online and offline environments, *International Journal of Research in Marketing*, vol. 20, Issue 2, Pages 153-175
- Shih C-F., (1998), Conceptualizing Consumer Experiences in Cyberspace, *European Journal of Marketing*, vol. 32, nr. 7, pp. 655-663
- Solomon M.R., Stuart E.W., (2003), *Marketing, Real People, Real Choices*, Third Edition, Prentice Hall
- Song J., Zahedi F., (2001), *Web Design in E-Commerce: A Theory and Empirical Analysis*, Twenty-second International Conference on Information Systems
- Suh B., Han I., (2002), Effect of Trust on Customer Acceptance of Internet Banking, *Electronic Commerce Research and Applications*, vol. 1, Issues 3-4, pp. 247-263

- Swaminathan V., Lepkowska-White E., Rao B.P., (1999), Browsers or Buyers in Cyberspace? An Investigation of Factors Influencing Electronic Exchange, Journal of Computer-Mediated Communication, vol. 5, nr 2,
<http://www.ascusc.org/jcmc/vol5/issue2/swaminathan.htm>
- Tamimi N., Rajan M., Sebastianelli R., (2003), The state of Online Retailing, Internet Research, Applications and Policy, vol. 13, Nr 3, pp. 146-155
- Taylor Nelson Sofres, (2002), The TNS Interactive - Global eCommerce Report 2002,
<http://www.tnsfres.com/ger2002/home.cfm>
- Tsang T., Durkin M., Garvin J., (2002), Successful E-Marketing: A Small Business Perspective, Journal of Internet Marketing, vol. 3, no. 2,
<http://www.arraydev.com/commerce/jim/MDurkin011202.htm>
- Vellido, A., P.J.G. Lisboa, and K. Meehan, (2000), Quantitative characterization and prediction of on-line purchasing behavior: A latent variable approach, International Journal of Electronic Commerce, vol. 4, No. 4, pp 83-104
- Vrecholopoulos A., O'Keefe R.M., Doukidis G.I., (2000), Virtual Store Atmosphere in Internet Retailing, Proceedings of the 13th International Bled Electronic Commerce Conference, Bled Slovenia, June 19-21
- Wan H.A., (2000), Opportunities to Enhance a Commercial Website, Information and Management, vol. 38, pp. 15-21
- Watchfire Whitepaper Series, (2000). Bad Things Shouldn't Happen to Good Web Sites, Best Practices for Managing the Web Experience, <http://www.watchfire.com/resources/search-and-ye-shall-find.pdf>
- Wikström S., Carlell C., Frostling-Henningsson M., (2002), From Real World to Mirror World Representation, Journal of Business Research, vol. 55, issue 8, pp.647-654
- Winkel van K.F.B.M., Montfort van A..J.G.M., (2002), The reliable organization - What is significant to prospective consumers? Journal of Internet Marketing, vol. 3, nr 2,
<http://www.arraydev.com/commerce/jim/AMontfort011202.htm>

APPENDIX

Literature references on Web Experience Elements

FUNCTIONALITY FACTORS

a. Usability

Convenience

Vellido et al, 2000
Nicholson et al, 2001
Goldsmith R.E, Goldsmith E.B. 2002
Russo J.E., 2002
Morganosky M.A., Cude B.J., 2000
Foucault B.E., Scheufele D.A., 2002
Childers et al., 2001
Koufaris et al, 2002
Madu and Madu, 2002
Joines et al, 2003
Liu and Arnett, 2000
Wan, 2000
Liang and Lai, 2002
Song and Zehedi, 2001
Fogg et al., 2002

Information Architecture

Falkou et al, 1999
Li et al, 2002
Daugherty and Biocca, 2001
Nah and Davis, 2002
Shih, 1998
Wikström et al, 2002
Li et al, 2002
Childers et al, 2001
Koufaris et al, 2002
Madu and Madu, 2002
Liu and Arnett, 2000

Site Navigation

Nah and Davis, 2002
Tsang et al, 2002
Kim et al, 2003
Fogg et al, 2002
Childers et al, 2001
Koufaris et al, 2002
Madu and Madu, 2002
Cockburn and McKenzie, 2001
Liang and Lai, 2002

Search Facilities / Process

b. Interactivity

Customer Service / After sales

Lee, 2002
van Winkel and van Montfort, 2002
Lowengart and Tractinsky, 2001
Vellido et al., 2000
Butler and Peppard 1998
Falkou et al, 1999
Jarvenpaa, S.L, Grazioli s., 2002
Foucault B.E., Scheufele D.A., 2002
Cho and Park, 2001
Joines et al, 2003
Wan, 2000

Interaction with Company Personnel

van Winkel and van Montfort, 2002
Madu and Madu, 2002
Liu and Arnett, 2000
Kim et al, 2003
Lee, 2002
Liebermann and Stashevsky, 2000
Falkou et al, 1999
Song and Zehedi, 2001

Customization

Falkou et al, 1999
Jarvenpaa, S.L, Grazioli s., 2002
Nah and Davis, 2002
Russo J.E., 2002
Song and Zehedi, 2001
Joines et al, 2003
Liu and Arnett, 2000

Network Effects

Song and Zehedi, 2001
Wikström et al, 2002

Liang and Lai, 2002
Madu and Madu, 2002
Lowengart and Tractinsky, 2001
Nah and Davis, 2002
Koufaris et al, 2002
Wan, 2000

Site Speed

Lightner & Eastman, 2002
Liebermann and Stashevsky, 2000
Kim et al, 2003
Shih, 1998
Madu and Madu, 2002
Cockburn and McKenzie, 2001
Liu and Arnett, 2000

Findability / Accessibility

Falkou et al, 1999
Wikström et al, 2002
Koufaris et al., 2002
Kim et al., 2003
Schoenbachler and Gordon 2002
Madu and Madu, 2002
Cockburn and McKenzie, 2001

Ordering / Payment Process

Lee, 2002
Kim et al, 2003
Cho and Park, 2001
Wan, 2000
Falkou et al, 1999
Liu and Arnett, 2000

PSYCHOLOGICAL FACTORS

Transaction Security

Lee, 2002
Reicheld, F.F. & Schefter, P., 2000
Liebermann and Stashevsky, 2000
Dennis et al, 2002
Jarvenpaa, S.L., Todd P.A., 1997
Swaminathan et al, 1999
Song and Zehedi, 2001
Vellido et al, 2000
O’Cass and Fenech, 2003
Shu and Han, 2002
Butler P., Peppard J., 1998
McKnight et al, 2002
Hoffman et al, 1999
Nah and Davis, 2002
Morganosky M.A., Cude B.J., 2000
Schoenbachler and Gordon 2002
George, 2002
Madu and Madu, 2002
Liao Z., Cheung M.T., 2001
Liu and Arnett, 2000
Wan, 2000
Liang and Lai, 2002

Customer Data Misuse

Lee, 2002
van Winkel and van Montfort, 2002
Nah and Davis, 2002
Liebermann and Stashevsky, 2000
Hoffman et al, 1999
Shu and Han, 2002
Butler P., Peppard J., 1998
McKnight et al, 2002
Prabhaker P.R., 2000
Jarvenpaa, S.L., Grazioli s., 2002
Joines et al, 2003
Schoenbachler and Gordon 2002
Foucault B.E., Scheufele D.A., 2002
George, 2002
Madu and Madu, 2002

Customer Data Safety

Hoffman et al, 1999
Butler P., Peppard J., 1998
McKnight et al, 2002
Prabhaker P.R., 2000

Jarvenpaa, S.L, Grazioli s., 2002
Hoffman et al, 1999
Foucault B.E., Scheufele D.A., 2002
Madu and Madu, 2002
Liang and Lai, 2002

Uncertainty Reducing Elements

Lee, 2002
Grabner-Kräuter and Kaluscha 2003
Jarvenpaa, S.L, Grazioli s., 2002
Nah and Davis, 2002
Madu and Madu, 2002
Liu and Arnett, 2000
Song and Zehedi, 2001

Guarantees / Return Policies

Lee, 2002
Dennis et al, 2002
Jarvenpaa, S.L, Grazioli s., 2002
Nah and Davis, 2002
Madu and Madu, 2002
Song and Zehedi, 2001

CONTENT FACTORS

a. Aesthetics

Design

Nah and Davis, 2002
Vrechopoulos et al., 2000
Kim et al., 2003
Wikström et al., 2002
Madu and Madu, 2002
Cho and Park, 2001
Liu and Arnett, 2000
Wan, 2000
Fogg et al., 2002

Presentation Quality

Lightner and Eastman, 2002
Kim et al., 2003
McKnight et al. 2002
Madu and Madu, 2002
Cockburn and McKenzie, 2001
Liu and Arnett, 2000
Liang and Lai, 2002
Song and Zehedi, 2001

Design elements

Tsang et al, 2002
Vrechopoulos et al., 2000
Madu and Madu, 2002
Li et al, 2002
Daugherty and Biocca, 2001

Style / Atmosphere

Vrechopoulos et al., 2000
Childers et al., 2001
Koufaris et al., 2002

b. Marketing Mix

Communication

Kim et al., 2003
Prabhaker P.R., 2000
Li et al, 2002
Daugherty and Biocca, 2001
Nicholson et al, 2001
Nah and Davis, 2002
Russo J.E., 2002
Morganosky M.A., Cude B.J., 2000
Wikström et al, 2002
Madu and Madu, 2002
Joines et al, 2003
Liu and Arnett, 2000
Wan, 2000

Fulfillment

Lee, 2002
Liebermann and Stashevsky, 2000
Hoffman et al, 1999
Dennis et al, 2002
Madu and Madu, 2002
Cho and Park, 2001
Wan, 2000
Liang and Lai, 2002

Product

Lee, 2002
Lowengart and Tractinsky, 2001
Vellido et al., 2000
Madu and Madu, 2002
Cho and Park, 2001
Lightner & Eastman, 2002
Wan, 2000

Price

Swaminathan et al, 1999
Joines et al, 2003
Wan, 2000
Song and Zehedi, 2001

Promotion

Song and Zehedi, 2001

2.5 Essay V: Constantinides E., Geurts P., 2004, The Impact of Web Experience on Virtual Buying Behavior: An Empirical study

The Impact of Web Experience on Virtual Buying Behavior: An Empirical Study

Efthymios Constantinides

Assistant Professor

Faculty of Business, Public Administration and Technology

Department Marketing, Strategy and Entrepreneurship

University of Twente,

The Netherlands

Email: e.constantinides@utwente.nl

Peter Geurts

Associate Professor

Faculty of Business, Public Administration and Technology

Department of Research Methods and Statistics

University of Twente,

The Netherlands

Email: p.a.t.m.geurts@utwente.nl

Abstract

This paper examines the effects and significance of various controllable marketing factors likely to influence the online consumers' behavior and buying decisions. The study is based on a proposed taxonomy of these factors, classified as elements of what is commonly called Online or Web Experience.

The paper analyses the results of a consumer survey held in a realistic online shopping environment and ascertains the influence of the various elements of the Online Experience on the choice of a virtual vendor.

Next to evaluating and validating the various elements of the proposed classification the study identifies the relative importance of these elements and their effects on the online consumers' decisions when acting in combination. The statistical analysis of the survey results leads to the conclusion that the usability of a web site and the trust-building elements of the web site are the most significant influencing factors of online customer behavior.

Key words

Internet Marketing, Web Marketing Strategy, Online Consumer Behavior, Online Marketing Tools, Web Experience, Online Experience

Introduction

The spectacular growth of the Internet, its economic importance and potential as a present and future commercial environment are subjects frequently analyzed and debated by academics and practitioners alike. During ten years of commercial presence, more than nine hundred million web users worldwide (ClickZ Statistics, 2004) have gained access to a vast virtual high street displaying a wide assortment of products, services, information, entertainment, education offered for browsing or sale on a ubiquitous, global basis. Having broken all previous adoption rates records of technological innovations, the Internet and more specifically its multimedia hypertext component better known as the Web, is widely considered as the motor behind the extraordinary high-tech boom and bust of the 1990's. Despite fears as to the future of the networked marketplace, the economic fall-out that followed the high-tech collapse of 2000 and 2001 does not seem to have left many scars on the Web's image; today the vast majority of consumers, managers and scholars consider the Internet as an essential parameter of economic and social life as well as one of the main constituents of the future commercial landscape. Internet-mediated commerce, commonly described as E-Commerce, is increasingly regarded as a mainstream commercial activity (Kraemer and Dedrick, 2002; Presutti, 2003; Drew, 2003) and as a valuable marketing tool (Lynn et al, 2002). Next to becoming a major retailing channel ²⁹for both pure-plays and click-and-mortar firms (Van den Poel and Leunis, 1999, Michalak and Calder, 2003, Adelaar et al., 2004, Keen et al., 2004) the Internet has also evolved to an important element of the corporate marketing program (Sharma and Sheth, 2002; Urban and Hauser, 2003) and organizational strategy (McBride, 1997, Sadoski et al, 2002).

The positive attitude of academics and practitioners towards the Internet is supported by forecasts as to the future of the virtual commerce. A recent study of Forrester Research (2004) predicts that online sales could account for 12% of US general merchandise retail spending by 2010. According to research of the Pew Internet and the American Life Project (Ecommerceguide.com, 2004), two-thirds of the US adult Internet users were active online shoppers in 2004 (up from 47,8% in 2000), corresponding to 134 million purchases. The number of online buyers in the EU is also rapidly increasing with more than 30% of European Internet users buying products and services online, while similar trends are visible in other parts of the world. (The e-tailing Group, 2004).

Understanding the online consumers' behavior

Factors affecting the propensity of consumers to engage in online business have been extensively studied and analyzed (Cappel and Myerscough, 1996; Cockburn and Wilson, 1996; Spiller and Lohse, 1997; Jarvenpaa and Todd, 1997; Degeratu et al, 2000; Childers et al, 2001, Dahan and Hauser, 2001; Eastin, 2002; Liu et al., 2003; Corbitt et al, 2003). Many researchers emphasize that the quality of the online presence is an important influencer of the online consumer's behavior, something also confirmed in research conducted by non-academic parties (Nielsen/Net Ratings, 2002).

In order to deliver the virtual quality that online customers expect, e-marketers and web site designers should understand not only the markets they operate in but also the online consumers: their needs, motives and buying behavior. Virtual marketers should also recognize the nature, power and function of the available online marketing tools and learn

²⁹ The Internet is today one of the three major retail channels according to a recent research report published by the Aberdeen Group (2004)

how to use these efficiently in order to positively influence the customers' decision-making process and choices.

The issue of mapping the virtual customer's needs, motives and buying behavior has attracted a good deal of academic interest, with hundreds of research papers published during the last years. Researchers are typically interested about the effects of different marketing factors on the online consumers' behavior but relatively little attention has been paid to classification of these factors, their simultaneous effects on the decision making processes and the identification of similarities or differences between the physical and virtual consumer. Cheung et al (2003) review a large number of research papers and conclude that the underlying principles shaping the virtual consumers' behavior are not fundamentally different from those shaping the behavior of the physical, traditional consumers (Harrel and Frazier, 1999; Czinkota and Kotabe, 2001; Dibb et al., 2000; Jobber, 2001; Boyd et al, 2002; Solomon and Stuart, 2003; Kotler, 2003). In broad terms, both types of buyers are subject to influences beyond as well as under the control of marketers. While the influencing elements beyond the marketer's control are quite similar for both traditional and virtual consumers (i.e. environmental factors and personal characteristics of the consumer), some essential differences can be found when one examines the nature of the controllable³⁰ inputs influencing the decision-making process.

Regarding controllable marketing tools it can be argued that the decision-making process of online consumers can be influenced not only by online but also by physical marketing in the form of mass advertising, sales promotions, publicity or direct marketing. Such tools are traditionally employed for a variety of reasons: establishing brand or product awareness, creating goodwill, attracting potential customers to the firm's sales outlet or boosting product demand. Yet traditional, physical marketing activities are not likely to play a significant role in acquiring and retaining online customers. This because of the diminishing effectiveness of mass marketing (Sharma and Seth, 2004; Urban, 2004), the changing nature of the virtual consumer (Urban and Hauser, 2003) plus the fact that the reach of traditional marketing tools is rather limited, considered the geographically dispersed or even global potential virtual audience targeted. Moreover plenty of anecdotal evidence suggests that word-of-mouth – at least in the beginning of their virtual presence - rather than any other form of advertising has help these to become dominant online players (Yahoo, Amazon, Ebay, Google etc.) A logical assumption here is that the main marketing influences on virtual customers surfing the web in search for a certain product of service are likely to be experienced online. This situation is similar the one experienced by a traditional shopper who during a walk through a shopping mall stops outside a shop he has never seen before; whether the customer will enter the shop, look around and complete a transaction there will depend on a number of elements like the shop's atmosphere, the product presentation and assortment, the friendliness of personnel, the product quality, the prices etc., in short the elements that create together the customer's shopping experience.

The online consumer likewise will find a company's web presence interesting, attractive and reliable enough to interact and possibly transact with it, depending on the impact of a number of virtual marketing elements shaping the customer's online shopping experience or Web Experience (Wan, 2000; O'Cass and Fenech, 2003; Tamini et al. 2003; Constantinides, 2002 and 2004).

The relationship between success in online business and Web Experience has been often a subject of research and discussion by scholars and practitioners and according to a recently

³⁰ Elements of the online marketing where E-marketers can exercise full control

published report the overwhelming majority of leading commercial web sites score the highest in online customer experience (Internet Retailer, 2004).

The positive impact of a Web shop on the potential customer – and mainly the first-time visitor - must be powerful and immediate in order to be effective. Web sites failing to capture the attention of the virtual potential customer in a very short time could risk losing substantial online business. According to a recent report of DoubleClick.com while the average number of web pages viewed per session is up by 12% in 2004 against 2003, the average consumer now spends 29 seconds per page, down from 32,5 last year. The report suggests that virtual consumers are now more active in the shopping process and marketers have less time available to attract attention (ecommerceinternet.com, 2004). Furthermore studies based on analysis of click-through patterns indicate that the average time Internet users spend in web pages during searching can in some cases be as low as one second (Cockburn and McKenzie, 2001) while the average time online customers spend per web site viewed is below the one minute (CyberAtlas, October 2003). A logical assumption is that the best way to attract and keep the online customers, particularly those visiting a web site for the first time, is to present them with attractive and compelling online content.

The Web Experience

While a visually appealing web site is the basic requirement for attracting virtual customers, visual attractiveness is one of several elements that combined shape the Online (or Web) Experience. The Web Experience (WE) can be defined as the total impression online customers get about the virtual firms (Watchfire, 2000) as the result of their exposure to a combination of notions, emotions and impulses caused by the design and other marketing elements of the online presentation (Constantinides, 2004). As such the WE is influenced by factors like searching, browsing, finding, selecting and evaluating information as well by impressions generated during interacting and transacting with the online firm.

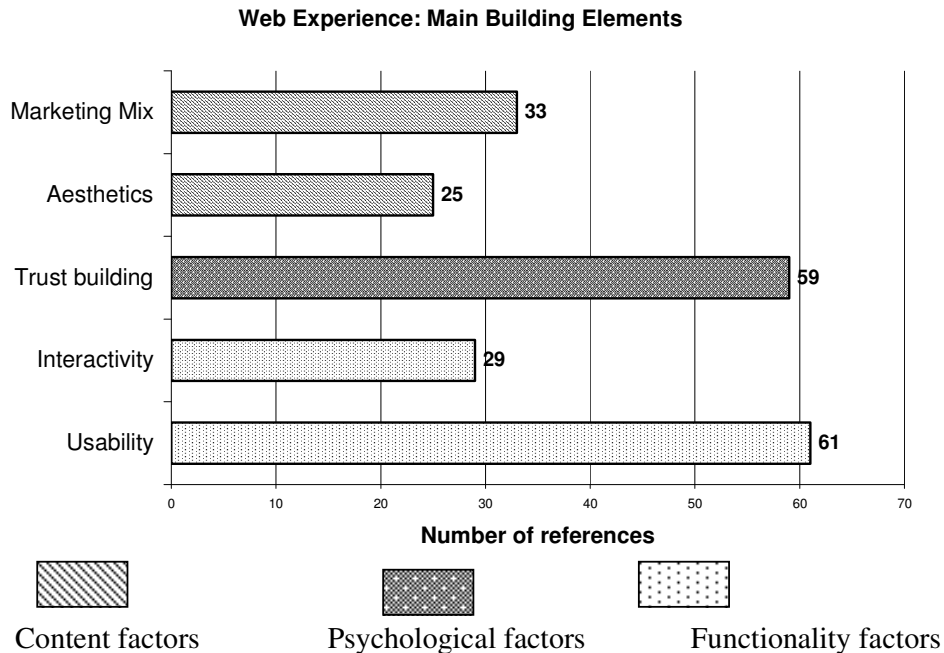
Novak et al. (2000) based on a conceptual model of flow describing the components of “a compelling online experience” (Hoffman and Novak, 1996), concluded that it is possible to define its ingredients, to measure them and relate them to important marketing variables. Other researchers have applied the flow theory (Csikszentmihalyi’s 1990) as the framework of analysis of human-computer interaction and as a model describing different aspects of the online consumer’s behavior (Koufaris, 2002; Pace, 2004). For all intents and purposes the large number of variables affecting the WE and the constantly changing, dynamic character of the online environment underline the need for more research on the components of the WE and continuous refinement of business approaches (Kuniavsky, 2003).

The medium for delivering the WE is the corporate Web site. Sites delivering high quality WE are designed and structured in ways not only addressing the customers needs, expectations and emotions but also evoking credibility, providing the right products and services, helping the customer through the steps of the buying process while offering fulfillment services, customer assistance and after-sales services (O’Keefe and McEachern, 1998).

A classification of Web Experience elements

A large portion of research done in analyzing and mapping the behavior of the online consumer is focused on modeling the online buying process as well as identifying and measuring the effects of different controllable and uncontrollable elements (Chung et al,

2003). Constantinides (2004) summarized the findings of different studies conducted between 1997 and 2003 on the effects of the controllable marketing elements on the virtual customer's behavior. The study, based on a review of forty-eight research papers published between 1997 and 2003, classifies the online marketing tools as elements of the WE in three main building blocks and five sub-categories. (Graph 1).



Graph 1. Main Building Blocks and sub-categories of the Web Experience (Constantinides, 2004)

The WE building blocks and sub-categories depicted in Graphic 1 in more detail:

a. Content factors: Factors exercising a direct and powerful influence on the WE by making the website aesthetically positive and its offer tangible and attractive. They are divided in two sub-categories: *Aesthetics* and *Marketing Mix*.

b. Psychological factors: Web sites must communicate trust and ensure users of the vendor's integrity and credibility in order to persuade customers to stop, explore them and interact online. Building trust is possible by deploying uncertainty-reducing elements, ensuring the safety of customer personal information and transaction data, eliminating fears of fraud and building trust between the online user and the often unknown and far away located vendor.

c. Functionality factors: Factors enhancing the online experience by presenting the virtual client with a good functioning, easy to use and search as well as interactive web site. Functionality factors are divided in *Usability* and *Interactivity* elements.

As mentioned earlier the classification is based on literature references. The objective of this study was to identify and classify all factors under the E-Marketer's control found by researchers to exercise influence on the decision-making process of the online consumer during the virtual interaction. The study did not measure the weight of these factors, therefore the number of references per category (Graph 1) does not reflect the absolute or relative

importance of each WE category but it is only indicative of the frequency of empirical findings that might also reflect the main research interests. What the classification clearly underlines is the complex nature of the WE as a major influencer of the online buying decision process. The complex nature of the WE is obvious if one looks to the individual components of its main elements (Table 1).

Main Web Experience Building Blocks

FUNCTIONALITY FACTORS		PSYCHOLOGICAL FACTORS	CONTENT FACTORS	
<i>USABILITY</i>	<i>INTERACTIVITY</i>	<i>TRUST BUILDING</i>	<i>AESTHETICS</i>	<i>MARKETING MIX</i>
Convenience	Customer service /after sales	Transaction security	Design	Communication
Site navigation	Interaction with personnel	Customer Data Misuse	Presentation Quality	Product
Information architecture	Customization	Customer Data Safety	Design elements	Promotion
Ordering/payment process	Network Effects	Uncertainty reducing elements	Style/atmosphere	Price
Search facilities and process		Guarantees/return policies		Fulfillment
Site speed				
Findability /accessibility				

Table 1. Main Web Experience building blocks, sub-categories and their twenty-five components (Constantinides, 2004)

Objectives and hypotheses of this study

The proposed taxonomy of WE elements is not indicative of the relative power and importance of each factor and does not reveal much about the way these act in combination as influencers of the online buying behavior. From the practitioner's point of view the value and usability of any such classification is useful if:

- there is empirical evidence as to the effects of these factors in combination on the online buying behavior and
- if there is a ranking of these factors in order of importance.

The prime objective of this paper is to empirically evaluate the proposed Web Experience classification and measure the relative importance of the Web Experience elements. These objectives have been translated to a number of research hypotheses tested by means of an empirical study based on a simulation of an online shopping situation and a survey.

The hypotheses tested are the following:

H1. The Web Experience factors (usability, interactivity, trust, aesthetics, and marketing mix) are significant influencers of the online buyers' preferences.

H2. Online customers prefer to buy from web shops scoring better in Usability and Trust while the Marketing Mix is not the main influencer of the online buying preference

H3. The motives of online customers to buy online do not have an effect on the way the Web Experience factors influence their online vendor preference.

H4. The degree of experience of virtual customers in online shopping affects the importance they attribute to Web Experience factors as influencers of their product and online vendor decisions

Research limitations

Considering the many different types of customers' interaction with web sites, the findings of the study must be limited to situations whereby online consumers are searching the Internet for a physical product with the intention to buy it online. There must be some caution with the applicability of the findings to non-tangibles or to situations where consumers are using the web for other than transactional purposes. The scenario of the survey was focused on a buying situation typical for specialty products (Kotler 2003) rather than a buying situation of products frequently and routinely purchased online. Also the fact that there are no financial risks involved might have exercised some influence on buying behavior of participants.

Another limitation of the study is the use of a convenience sample and the demographic composition of it; this requires a careful interpretation of the results and formulation of conclusions.

Methodology

In order to test the hypotheses and measure the relative weight of the WE factors (Table 1) we conducted a contingent valuation survey designed to identify behavioral aspects of online buyers in simulated shopping conditions.

a. The scenario

Survey participants were recruited from the student population of a research university on a voluntary basis but every participant received a small amount of money as compensation. The survey was consisted from two parts (see Appendix). The first part (Form I) had to be filled in before the participants read the instructions and start with the online buying process. This part includes questions about basic demographic characteristics and questions about the participants' attitudes towards online shopping and previous experience with the Internet. Participants with previous online buying record were asked to identify from a list the three main motives for shopping online while those without online shopping record were asked to identify the three most important reasons for not shopping online. This part included also a short five-point Likert-type questionnaire meant to identify the subjective opinion of participants on the importance of the five WE categories³¹ when choosing an online vendor, with values ranging from 1 (unimportant) to 5 (very important).

After that participants were presented with the second part of the questionnaire that was accompanied by detailed instructions as to the rules and tasks involved in the experiment.

A fictitious amount of 300 Euro³² per participant (covering price and postal costs) was available to spend on purchasing a digital camera online.

³¹ Usability, Interactivity, Trust, Aesthetics and Marketing Mix

³² Approx. US \$ 360

Limitations as to search and ordering process were kept to a minimum. As to the product there were a few minimum technical specifications that the digital camera should meet. Participants were free to buy the camera in any online shop anywhere in the world provided that delivery in The Netherlands was possible. One important limitation was that the camera had to be new (second-hand vendors and online auctions were excluded). After finding the vendor and the product of their preference, participants were asked to proceed with all the steps required for placing the order online, stopping the ordering procedure at the moment they were asked to activate the payment steps.

Participants were asked to identify and write down the name and URL of three online shops: These were the two shops that came in their “short list” of vendors: the shop they chose to buy the digital camera from and a second one they found good enough to consider as a second best choice even though they finally did not purchase anything there. The third choice was a web shop they came across during their search but they rejected as a possible vendor for any reason(s). For each of the three shops they had to answer a separate set of twenty-five questions meant to reveal their perceptions as to the performance of each web site in every one of the 25 individual components of the WE (Table 1).

Participants had to indicate whether they agree or disagree with statements like “ It is convenient to buy products in this online shop” by answering in a five-point Likert-type scale with values ranging from 1 (Fully disagree) to 5 (Fully agree).

The surveys and the whole process were tested with preliminary surveys, meant to identify problems in the scenario and the questions.

b. Participants

A convenience sample of eighty-five persons was used, divided in four sessions. Participants were mainly recruited among the undergraduate students and to a lesser degree among doctoral students of the University. The duration of each session was about one and a half hour and the participants could ask for assistance the supervisor of the session if necessary.

Empirical results and interpretation

a. Demographics and perceptions of participants on online shopping

Most of the survey participants were male (71%); the majority of them (66%) were between 20 and 25 years of age. A large percentage (84%) were experienced Internet users with more than four years of working experience: 11% of the participants had a working experience with the Internet between 3 to 4 years and only 6% less than 3 years. Sixty-five participants (77%) had previously bought products or services online and 21 % of them are spending between 50 and 100 Euros per year for online purchases. The penetration of credit cards in this group was 44 % against 16 % for those who do not buy products or services online.

Those with previous online shopping experience had to indicate the three most important reasons for shopping online choosing them from a list ³³. Likewise those without online shopping record had to indicate the three most important reasons ³⁴ for not buying products or services in the Web. The most important reason for buying products or services online for the majority of participants (27 %) was that they might find cheaper products online than in

³³ Source: Jupiter Research / Ipsos-Reid, Nov 2003

³⁴ Source: Ipsos – Reid, June 2003

physical shops. Saving time (11%) and the ease of comparing prices (11%) were the second and third more frequently mentioned main reasons for shopping online.

Most survey participants without previous experience in online buying (26%) mentioned the lack of physical contact with the product as the main reason for not buying products online. 21% of the participants mentioned the preference for physical shopping and 16% the lack of trust for online merchants as the most important reasons for avoiding Internet shopping.

As to the products (digital cameras) chosen, 45 different models were “bought”; a large majority (21 participants of 25%) chose the same model. Forty-four different shops appeared to be the first choice vendors of the participants and 20% of them “bought” the digital camera in an online shop they knew from the past.

In this part of the questionnaire participants were asked to indicate in a five-grades Likert scale the importance of the five WE factors on their choice of an online vendor. The answers per factor are plotted on Table 2, indicating the perceptions of participants (in %).

Web Experience factors affecting the choice for online vendors					
FACTOR	Very Important			Not important	
	5	4	3	2	1
Usability	22	53	22	2	
Interactivity	5	35	46	12	2
Trust	81	18	1		
Atmosphere	8	34	41	15	1
Marketing Mix	26	47	16	5	6

Table 2. Perceptions of Internet users on the importance of Web Experience factors on choice of an Internet vendor (in %)

In table 2 it is evident that following the subjective opinion of the participants all five WE factors are important influencers of their choice for online vendors. Effectively the single most important WE-factor is Trust, whereas Interactivity is the second most important WE-factor. Atmosphere (aesthetics) is perceived as the least important.

b. Statistical Results and Research Hypotheses

Each of the three websites chosen by the respondent has been evaluated on the role the WE elements have played in the decision to buy, include it in the short list or categorically reject it as possible online vendor. The evaluation was done with 25 evaluative theses with which the respondent could (totally) agree, agree nor disagree, or (totally) disagree. The results of the measurement of the five WE dimensions are reported in table 3. The quality of the measurement fulfills the usual standards. Only the consistency of the measurement of

interactivity is somewhat low. Deletion of items however doesn't improve this scale. In further analysis the component scores (regression method) of the five constructs is used.

Label	Example question	# of indicators	First own value	Cronbachs Alpha
Usability	q5. Convenient to buy	7	3.449	.82
Interactivity	q9. Easy interacting with staff	4	2.062	.67
Trust	q13. Guarantees for protection of data	5	3.028	.81
Atmosphere	q17. Superb site design	4	2.855	.87
Marketing Mix	q23. Reliable fulfillment process	5	2.385	.72

Table 3: Overview of measurement of WE factors

In order to test the hypotheses a logistic regression was executed with the five WE-factors as explanatory variables and the buying behavior as the dependent variable. The design of the survey requires that the product would be bought at one third of the evaluated websites. The dependent variable is therefore a dichotomy (buy = 1, not buying = 0).

Dependent variable	Preference		
	H1 /H2	H3	H4
Nagelkerke	.31	.33	.48
Hoshmer Lemeshow	48.89 (8)	34.57 (8)	11.06 (8)
Area under the ROC curve	.70	.70	.75
Usability	.74 (.22) *	.74 (.22)*	1.07 (.26)*
Interactivity	-.27 (.20)	-.28 (.20)	-.36 (.21)
Trust	.24 (.18)	.23 (.18)	.35 (.20)
Aesthetics	.11 (.20)	.12 (.20)	.16 (.22)
Marketing Mix	.55 (.22) *	.56 (.21)*	.72 (.25)*
Find products not available in stores **		-.76 (.39)*	
Years Internet Usage			-.26 (.09) *
Online Buyer			.11 (.31)

Table 4 Dimensions of Web Experience explaining buying preferences

Legend:

- Proxies of standardized regression parameters are presented in the cells
- Between brackets are the standard errors
- Proxy of the explained variables is the Nagelkerke criterion (Pseudo Rsquare)
- Hoshmer Lemeshow is X^2 with degrees of freedom (all are significant)
- Asterisk (*) indicates statistical significance on 5% level
- ** This is the motive to buy on line with the highest impact.

H1. The Web Experience factors (usability, interactivity, trust, aesthetics, and marketing mix) are significant influencers of the online buyers' preferences.

With the exception of interactivity all other the WE factors have a positive effect on buying preferences as predicted. Yet despite the fact that the subjective opinion of online customers is that all five WE factors are very significant influencers of the online vendor choice the results indicate that only the Usability and the Marketing mix play the predicted positive and significant role in this decision (Table 4). The hypothesis predicting that all five Web Experience factors would play a significant role in the on line buying behavior is rejected. The parameters do not change if we restrict the model only to the factors Usability and Marketing Mix.

H2. Online customers prefer to buy from web shops scoring better in Usability and Trust while the Marketing Mix is not the main influencer of the online buying preference

As predicted Usability exercises more influence on the online buying behavior than the Marketing Mix but contrary to the prediction, Trust does not play an important role in the online buying preference. The hypothesis is rejected.

H3. The motives of online customers to buy online do not have an effect on the way the Web Experience factors influence their online vendor preference.

We identified nine different statements as motives for shopping online (examples are: saving time, shopping when shops are closed, ease to compare prices, see appendix Q 3.1). The most common motive for shopping online is "Might be able to find better prices" followed by "Easier to compare prices" and "To save time by not going to store". None of the participants chose two of these statements as motives for shopping online ("Winning bonus points" and "Avoid the weekend or holiday crowds") as seen in the comparison of the results of H1/H2 and H3 in table 4.

None of these motives has any influence on the effect of the WE factors on the online buying preference. The hypothesis is accepted.

H4. The degree of experience of virtual customers in online shopping affects the importance they attribute to Web Experience factors as influencers of their product and online vendor decisions

We define experience in three ways:

- a. We make a distinction between those who have previously bought or not bought products and services online. In this case there is no effect observed as expected.
 - b. We looked to the number of years that someone is actively using the Internet and
 - c. We asked the participants whether or not they knew the web shop(s) they evaluated
- Controlling for the number of years of experience we found that the effect of this type of experience on the importance attributed to Usability and Marketing Mix is slightly stronger than the rest of the WE factors. Looking to the correlations between the years of Internet usage and the Web Experience factors we observed that the longer people have been using the Internet the more critical (i.e. the more difficult to be satisfied) they are with respect to the

Interactivity and Aesthetics of web sites while the years of internet usage have no significant effect on the appreciation of the other three WE factors (Usability, Trust and Marketing Mix). As to the previous familiarity with the web shop(s), twenty five percent of the experienced participants (four or more years of previous Internet usage) knew one or more of the evaluated web shops already. The effect of this factor was the same as the reported effect of the years of experience on the parameters (Table 4, H4) but when both of these factors - years of Internet experience and familiarity with the web shop(s) - are introduced together in the model their effect is not significant anymore.

The observed effects of these three dimensions of experience might explain why Interactivity and Design do not play the role one should expect based on the high number of references of these factors in the literature (Constantinides, 2004).

Conclusions and issues for further research

In this study three of the five Web Experience elements (Interactivity, Trust and Aesthetics) were not found to have substantial influence on the choice of online vendors. Usability of web sites is the most important criterion for choosing an online vendor followed by the Marketing Mix and the higher the combined impact of these two factors, the higher the probability that a virtual customer will chose the site to place an order. (The prediction improvement based on the area under the ROC curve is 37%). Usability and Marketing Mix are two WE elements very often named by researchers as important influencers of the consumers' behavior. Motives, familiarity with online shopping and the years of web usage do not seem to play any significant role on the online buying process.

Research in the past has occasionally indicated discrepancies between perceptions of online consumers as to what influences their buying decisions and their actual buying behavior. This study identifies one such discrepancy. Despite the perception of the vast majority of the participants in the survey that Trust as the most important WE factor affecting their choice of an online vendor their actual buying behavior does not indicate that. The same remark can be made for Atmosphere and Interactivity where the participants' perception as to the importance of these factors is not reflected in their actual behavior.

The fact that Trust did not play any important role on the choice of the online vendor in this survey was unexpected but there can be a number of plausible reasons for this. One reason could be the limited risk perception of the participants due to the fact that no real purchase was involved, so the prospect of dealing with an unreliable vendor did not weight much in the final decision. Also lack of risk considerations could be attributed to the fact that the majority of participants are experienced online shoppers, 20 % of them even knew the online shop they chose to buy the camera from previous transactions. A third factor likely to have reduced the importance of Trust was the condition to order the digital camera from a vendor who could deliver in the Netherlands, therefore the order was subjected to the strict Dutch consumer protection laws, which presumably reduce the consumers' perceived risk.

In view of the above it could be argued that the influence of this factor on the online buying behavior depends heavily on circumstances, therefore it is important that the role of Trust is further investigated in different buying conditions and contexts.

The limited contribution of Trust in the decision-making process might explain the low impact of Aesthetic aspects on the choice of online vendors; according to a study of the

University of Stanford (Fogg et al., 2002) these two factors are closely related since the design (one of the main aesthetic components) of web sites is considered by the majority of Internet users as the most important cue of web site credibility.

An interesting finding is that the Interactivity of web sites, considered as one of the most important benefits of using the Internet as a commercial channel, does not seem to have a decisive effect on the decision-making process. This finding is not totally unexpected since previous research has indicated ³⁵ that customization, personalized offers and personalized recommendations are online marketing tools that motivate very few customers to visit/patronize or buy more from the site. In this particular survey the low appreciation of Interactivity could indicate that web buyers are not willing to engage in time-consuming activities when working under time pressure. A second possible explanation for this fact is that according to our findings experienced Internet users apply higher standards in evaluating the Interactivity (well as the Aesthetics of web sites).

The exact role of interactivity of web sites on the decision making process is an issue requiring further research. It is interesting for example that the role of Interactivity of web sites is tested in conditions where no time restrictions are imposed as well as when more elaborate user profiles are used. If indeed Interactivity is not essential for the online user then one of the most important industry assumptions must be carefully revisited.

³⁵ ClickZstats retailing, Nov. 2003, http://www.clickz.com/stats/sectors/retailing/article.php/6061_3092341

Literature

Aberdeen Group, 2004, The Integrated Multichannel Benchmark Study: Gaining Competitive Advantage by Fulfilling Multichannel Demand,

<http://www.aberdeen.com/ab%5Fcompany/hottopic/multichannel%5Fselling/default.htm#dl>

Boyd H.W., Walker O.C., Mullins J., Larréché J-C., Marketing Management, A Strategic Decision-Making Approach, McGraw-Hill Irwin, 2002

Cappel, J.J., Myerscough, M.A., 1996. World Wide Web uses for Electronic Commerce: towards a classification scheme. <http://hsb.baylor.edu/ramsower/ais.ac.96/papers/aisor13.htm>.

Cheung C.M.K, Zhu I., Kwong T., Chan G.W.W, Limayem M, Online Consumer Behavior: A Review and Agenda for Future Research, Proceedings of the 16th Bled eCommerce Conference, Bled, Slovenia, June 2003

Childers T.L., Carr C.L., Peck J., Carson S., Hedonic and Utilitarian motivations for Retail Shopping Behavior, Journal of Retailing, vol. 77, issue 4, (2001), pp 51-535

ClickZ, 2004 http://www.clickz.com/stats/big_picture/geographics/article.php/151151

ClickZstats retailing, Nov. 2003,

http://www.clickz.com/stats/sectors/retailing/article.php/6061_3092341

Cockburn A., McKenzie B., What do web users do? An empirical analysis of web use, International Journal of Human-Computer Studies, vol. 54, (2001), pp. 903-922

Cockburn C., Wilson, T.D., Business use of the World Wide Web. International Journal of Information Management, vol 16, nr 2, (1996), pp. 83-102

Constantinides E., Influencing the Online Consumer's Behavior: The Web Experience, Journal of Internet Research: Electronic Networking Applications and Policy Vol. 14, No. 2, (2004) pp. 111-126.

Constantinides E., The 4S Web-Marketing Mix Model, E-Commerce Research and Applications, Elsevier Science, vol. 1/1, (2002), pp 57-76

Corbitt B., Thanasankit T., Yi H., Trust and e-commerce: a study of consumer perceptions, Electronic Commerce Research and Applications, Volume 2, Issue 3, (2003), pp. 203-215

Csikszentmihalyi M., Flow: The Psychology of Optimal Experience, HarperPerennial, New York, 1990

CyberAtlas, (2003), September 2003, Internet usage stats,

http://cyberatlas.internet.com/big_picture/traffic_patterns/article/0,1323,5931_3096031,00.html

Czinkota M.R., Kotabe M., Marketing Management, 2nd edition, South-Western College Publishing, Cincinnati, Ohio, 2001

Dahan E., Hauser J, 2001, The virtual consumer: Communication, conceptualization and computation, Paper 104, MIT Sloan School of Management, Center for E-Business, <http://ebusiness.mit.edu/research/papers/104%20EDahan,%20JHauser%20Virtual%20Customer.pdf>

Degeratu A., Rangaswamy A., Wu J., Consumer choice behavior in online and traditional supermarkets: The effects of brand name, price, and other search attributes, International Journal of Research in Marketing, Volume 17, Issue 1, 2000, pp. 55-78

Dholakia U.M., Bagozzi R. P, Consumer behavior in digital environments, Digital Marketing, New York: Wiley, (2001), pp. 163-200

Dibb S., Simkin L., Pride W.P., Ferrell O.C., Marketing Concepts and Strategies, Third European Edition, Houghton Mifflin Company, 2000

Dirk Van den Poel and Joseph Leunis, Consumer Acceptance of the Internet as a Channel of Distribution, [Journal of Business Research Volume 45, Issue 3](#) , July 1999, Pages 249-256

Drew S., Strategic Uses of E-Commerce by SMEs in the East of England, European Management Journal, Volume 21, Issue 1 , (2003), pp. 79-88

Eastin M., Diffusion of e-commerce: an analysis of the adoption of four e-commerce activities, Telematics and Informatics, Volume 19, Issue 3, (2002), pp. 251-267

Ecommerceguide.com, 2004, http://ecommerce.internet.com/news/insights/trends/article/0,,10417_3397531,00.html

Etailing Group, 2004, http://www.e-tailing.com/research/merchantsurvey/executive_summary_04.pdf

Fogg B.G., Soohoo C., Danielson D., Marable L., Stanford J., Tauber E., (2002), How Do People Evaluate a web Site's Credibility? Results from a Large Study, Persuasive Technology Lab, Stanford University, http://www.consumerwebwatch.org/news/report3_credibilityresearch/stanfordPTL_TOC.htm

Forrester Research, 2004, US eCommerce Overview: 2004 To 2010, A Six-Year Forecast Of US Online Retail Sales by Carrie A. Johnson , Sharyn Leaver, Esther H. Yuen <http://www.forrester.com/Research/Document/Excerpt/0,7211,34576,00.html>

Harrell G.D., Frazier G.L., Marketing, Connecting with Customers, Prentice Hall, 1999

Hoffman, D. Novak T., Marketing in Hypermedia Computer-Mediated Environments: Conceptual Foundations, Journal of Marketing, vol 60, (1996), pp. 50-68

- Jarvenpaa, S.L., Todd P.A., Consumer Reactions to Electronic Shopping on the World Wide Web, *Journal of Electronic Commerce*, Vol. 1, No. 2, (1997), pp. 59-88
- Jobber D, Principles & Practice of Marketing, McGraw-Hill International (UK) Limited, 2001
- Keen W., Wetzels M., de Ruyter K., Feinberg R, 2004, E-tailers versus retailers: Which factors determine consumer preferences. *Journal of Business Research*, vol 57, pp 685-695
- Kotler P., Marketing Management Eleventh Edition, Prentice Hall International Editions, 2003
- Koufaris M., Applying the technology acceptance model and flow theory to online consumer behavior, *Information Systems Research*, vol. 13, issue 2, (2002), pp. 205-223
- Kraemer K., Dedrick J., Strategic use of the Internet and e-commerce: Cisco Systems, *The Journal of Strategic Information Systems* Volume 11, Issue 1, (2002), pp. 5-29
- Kuniavsky M., Observing the User Experience A Practitioner's Guide to User Research, First Edition, The Morgan Kaufmann Series in Interactive Technologies, 2003
- Liu X., Kee Wei K., An empirical study of product differences in consumers' E-commerce adoption behavior, *Electronic Commerce Research and Applications*, Volume 2, Issue 3, (2003), pp. 229-239
- Lynn G., Lipp S., Akgün A. Cortez A., Factors Impacting the Adoption and Effectiveness of the World Wide Web in Marketing, *Industrial Marketing Management Journal*, vol 31, nr 1, (2002), pp. 35-49
- McBride N., Business use of the Internet: Strategic decision or another bandwagon?, *European Management Journal*, Volume 15, Issue 1, (1997), pp. 58-67
- NielsenNet Ratings, Coach, Neiman Marcus and J. Crew Maximize sales Channel Relationships With Web Customers, Press Release, 14 January 2003, http://www.nielsen-netratings.com/pr/pr_030114.pdf
- Novak T., Hoffman D., Yung Y., Measuring the Customer Experience in Online Environments: A Structural Modeling Approach, *Marketing Science*, vol 19, nr 1, (2000), pp. 22-42
- O'Cass A., Fenech T., Web Retailing Adoption: Exploring the Nature of Internet Users Web Retailing behaviour, *Journal of Retailing and Consumer Services*, vol. 10, (2003), pp. 81-94
- O'Keefe R.M., McEachern T., Web-based Customer Decision Support Systems, *Communications of the ECM*, vol. 41, (1998), pp. 71-78
- Pace S., A grounded theory of the flow experiences of Web users, *International Journal of Human-Computer Studies*, vol. 60, (2004), pp. 327 – 363

- Presutti, W., Supply management and e-procurement: creating value added in the supply chain, *Industrial Marketing Management*, Volume 32, Issue 3, (2002) pp. 219-226,
- Sadowski B.M., Maitland C., van Dongen J, Strategic use of the Internet by small- and medium-sized companies: an exploratory study, *Information Economics and Policy*, Volume 14, Issue 1, (2002), pp. 75-93
- Sharma Q., Sheth J., 2004, Web-based Marketing: The coming revolution in Marketing thought and strategy, *Journal of Business Research*, vol 57, pp. 696 – 702
- Solomon M.R., Stuart E.W., *Marketing, Real People, Real Choices*, Third Edition, Prentice Hall, 2003
- Spiller, P. and Lohse, G.L., A classification of Internet retail stores. *International Journal of Electronic Commerce*, vol 2, (1997), pp. 29–56
- Tamini N., Rajan M., Sebastianelli R., The state of Online Retailing, *Internet Research, Applications and Policy*, vol. 13, Nr 3, (2003), pp. 146-155
- Thomas Adelaar, Harry Bouwman and Charles Steinfield, Enhancing customer value through click-and-mortar e-commerce: implications for geographical market reach and customer type, [Telematics and Informatics Volume 21, Issue 2](#) , May 2004, Pages 167-182
- Urban G., Hauser J., 2003, “Listening In” to Find Unmet Customer Needs and Solutions, Paper 156, MIT Sloan School of Management, Center for E-Business, http://ebusiness.mit.edu/research/papers/156_Urban_ListeningInv3.pdf
- Urban G., 2004, Customer Advocacy Pyramid Audit, Workshop, MIT Sloan School of Management, Center for E-Business, Webcast at <http://web.mit.edu/webcast/sloan/mit-sloan-ebusiness-17nov2004-iso-am1.asx>
- Wan H.A., (2000), Opportunities to Enhance a Commercial Website, *Information and Management*, vol. 38, (2000), pp. 15-21
- Watchfire Whitepaper Series, (2000). Bad Things Shouldn't Happen to Good Web Sites, Best Practices for Managing the Web Experience, <http://www.watchfire.com/resources/search-and-ye-shall-find.pdf>
- Wieslaw Michalak and Lauren Calder, Integration of e-commerce as a retail channel: impact of youth: on e-commerce trends in Canada , [Progress in Planning Volume 60, Issue 1](#) , July 2003, Pages 111-126
- Zinkhan G., Watson R., Electronic Commerce: A Marriage of Management Information Systems and Marketing, *Journal of Market Focused Management*, vol. 3, (1998), pp. 5-22

APPENDIX

Below the Form I, instructions and Form A of the questionnaire. Forms B and C are similar to A (without the segments 1, 1.1.1, 1.2, 2, 3 and 4) which also list a number of indicative questions in the section 5.

FORM I

Max time 5 min.

Name:

St. Number:

Participant nr.

Email:

Please fill in the following information

1. Demographics

1.1 What is your age:years

1.2 Sex: Male Female

1.3 Study (or occupation):.....

2. Internet usage

You have experience with the Internet of

2.1 Less than 1 year

2.2 Between 1 and 2 years

2.3 Between 2 and 3years

2.4 Between 3 and 4years

2.5 More than 4 years

Have you ever bought any products or services online?

2.6 Yes go to question 3.1

2.7 No go to question 3.3

3.1 How much you spend approximately in online products / services per year? Euro:.....

What are the main reasons for you to buy products online? (Indicate with the numbers 1,2,3 the three most important ones: 1 is the most important, 2 and 3 the following in importance)

- 3.1.1 To save time by not going to store
- 3.1.2 I can shop when shops are closed
- 3.1.3 To avoid the weekend or holiday crowds
- 3.1.4 Might be able to find better prices
- 3.1.5 Can find products more easily
- 3.1.6 Find products not available in stores
- 3.1.7 Easier to compare prices
- 3.1.8 Have gifts send directly to recipient
- 3.1.9 Can earn loyalty points
- 3.1.10 Other

Do you have a credit card?

3.2.1 Yes

3.2.2 No

Continue with question 4

3.3 What are the reasons that you do not buy products or services on the Internet? (Indicate with the numbers 1,2,3 the three most important ones: 1 is the most important, 2 and 3 the following in importance)

- 3.3.1 Prefer shopping in other ways
- 3.3.2 Can't touch or see the product
- 3.3.3 Shopping costs
- 3.3.4 Follow up concerns (complaints/returns/problems)
- 3.3.5 Taxes / duties
- 3.3.6 I do not trust online shopping
- 3.3.7 I do not trust the online merchants
- 3.3.8 No Dutch (or English for English speakers) language sites to purchase from
- 3.3.9 Slow delivery
- 3.3.10 Limited selection
- 3.3.11 Hard to find what you are looking for
- 3.3.12 Other.....

Do you have a credit card?

- 3.4 Yes
- 3.5 No

4. Imagine that you want to buy a product (ex. a digital camera) online. What of the following elements you think will be important when you choose an online vendor?

Indicate your answer on a scale of 5 (very important) to 1 (unimportant) with an x

4.1 Ease of using the site

Very important	Unimportant				
5 <input type="checkbox"/>	4 <input type="checkbox"/>	3 <input type="checkbox"/>	2 <input type="checkbox"/>	1 <input type="checkbox"/>	

4.2 Interactivity of the site

Very important	Unimportant				
5 <input type="checkbox"/>	4 <input type="checkbox"/>	3 <input type="checkbox"/>	2 <input type="checkbox"/>	1 <input type="checkbox"/>	

4.3 Trustworthiness / credibility of the site

Very important	Unimportant				
5 <input type="checkbox"/>	4 <input type="checkbox"/>	3 <input type="checkbox"/>	2 <input type="checkbox"/>	1 <input type="checkbox"/>	

4.4 Atmosphere of the site

Very important	Unimportant				
5 <input type="checkbox"/>	4 <input type="checkbox"/>	3 <input type="checkbox"/>	2 <input type="checkbox"/>	1 <input type="checkbox"/>	

4.5 The Product/Price/Promotion/ Distribution mix of the site

Very important	Unimportant				
5 <input type="checkbox"/>	4 <input type="checkbox"/>	3 <input type="checkbox"/>	2 <input type="checkbox"/>	1 <input type="checkbox"/>	

Instructions to participants: Please read the instructions carefully (Time required 5 min)

GENERAL ABOUT THE SURVEY

You are participating in a research experiment, part of an empirical study aiming at mapping the behavior of Internet users. The experiment simulates the situation experienced by Internet users shopping on line. It is not important if you are a regular, experienced buyer of online products and services or not; what is important is that as participant in this survey you act reasonably and realistically, that is, act the same way that you would act in real life when searching, comparing, evaluating information and deciding about buying a product or service on the Internet.

THE SCENARIO

You have an amount of money that you intent to spend for buying a new digital camera. You do not have any idea what the type or model should be; you only have some basic requirements in your mind and you want to find and buy the camera in the Internet.

The amount available is a fictitious budget of **Euro 300,00** to “spend” in buying a new digital camera online. As mentioned earlier it is very important that searching, comparing and “ordering” must be done in the same way one would act if he/she would actually intend to buy such a product online in real life. The process of searching you follow will be registered by means of log files. You are furthermore asked to fill in a short introductory questionnaire (**I**) and three more questionnaires (**A, B, C**) identifying your experiences form this online purchase.

THE TERMS

You are interested to buy a **new** digital camera online. Your basic requirements are the following: The camera you need must have a resolution of at least 3 Mega Pixels (MP), a minimum of 16 MB memory and at least a x3 Optical Zoom.

Your budget available to spend for the digital camera (including postal costs) is Euro 300,00 (approx \$ US 360,00). It is no problem if you spend less but exceeding this budget is not allowed.

You must find and buy the digital camera online. You are free to choose the model and the shop yourself. There is also no restriction as to how you search for the product. Two restrictions are however important to remember:

- **You will not buy the camera in an online auction (like ebay).**
- **You will buy a new (no second hand) camera.**

You have a maximum time of **30 minutes** to complete your search and decide about the product and the online vendor/shop. Your online activities will be registered in a log file as part of the research.

There is no limitation as to the location of the online shop you buy the product. Internet allows you to choose the online vendor from the whole world provided that delivery to Holland is possible.

After you find the digital camera you would like to buy and decide about the vendor, you must start the ordering process until the point that you have to confirm the purchase by giving your credit card number or any other personal information necessary for the payment.

DO NOT ORDER THE PRODUCT: At this point you must interrupt the ordering procedure.

In order to be able to give us the feedback we need for this research you must comply with the following instructions.

1. When you finish searching for the camera and before you begin the ordering procedure (see e), you must have a **short list of two online shops** that you consider good enough to place your order. (you will “buy” the camera in one of them). The camera model does not have necessarily to be the same in both shops.

You must write the exact web address of these 2 shops (The home page) in **Form A** and then print the Web page where the camera you have chosen is depicted.

2. You must also make a “**blacklist**” of online shops that you would rather not buy the product from. In the **Form A** you must write the name and Home page URL of the online shop where **you would never order this product** because of different reasons (did not like it, did not trust the vendor etc).

The following step is to complete the survey by filling in three questionnaires (Forms A, B, C). While completing these forms it is possible that you need to go back to the pages for some details. The three forms are the following:

Form A: this form is registering your general impressions about the product and vendor of your choice with specific questions about the choice you made (see f.1).

Form B: this form is registering your impressions about the product and the vendor that came to your favorites list but finally you did not “buy” the product from (see f.1)

Form C: This form is registering your impressions about the shop in your black list, the one that you would never choose to buy the product from (see f.2).

THE PROCEDURE IN SHORT

The research will take place in three stages:

Stage 1. Before you log in and start searching the web for the digital camera: Fill in the short survey (**FORM I**) and after reading the instructions you can start. In case of questions you can ask the supervisors. Maximum time: 10 minutes.

Stage 2. You can now log in the PC.

Search the Internet for a digital camera according to the previous instructions and “buy” it online. Three different online shops must be identified: The one you order the product, a second one that you found very good but you did not order the product from and one you dislike and you would never buy a digital camera from (see f.1 and f.2).

Do not forget to print the web page with the information about the product you have chosen.

Maximum time available 30 minutes

Stage 3. Fill in the three questionnaires:

Form A (See e.), form B (See f.) and form C (See g.)

Maximum time available 20 minutes

**DO NOT FORGET TO FILL IN ALL INFORMATION REQUIRED IN ALL FORMS.
FAILING TO DO SO MAKES THE FORM USELESS FOR THE RESEARCH**

We would like to thank you for participating in the survey.

Disclaimer: Any personal information made available during this survey will not be disclosed to any commercial or other party and will be exclusively used for the purpose of academic research.

FORM A

Name:

Please fill in the following information.

1. What is the model of digital camera you bought?

1.1 **Shop 1:** What is the web shop you chose to buy the product online? (See f.1. in instructions)

Name.....URL OF HOME PAGE www.

1.1.1 Did you know this online shop before this session?

1.1.2 Yes

1.2.3 No

Pls make a printout of the camera you “bought” with the information available on the site and give it to the supervisor together with the surveys

1.2 What is the price you paid for the camera including postal costs? Euros.....

\$ US

£ UK

2. What was the **second web shop** in your final short list? (See f.1. in instructions)

2.1. Shop 2:

Name..... URL OF HOME PAGE www

2.2 What is the online shop you would never chose to buy the camera from? (See f.2. in instructions)

2.3. Shop 3:

Name..... URL OF HOME PAGE www

Product Choice

3. What of the following factors have influenced your decision for choosing **this digital camera (1)**? Indicate the **three most important factors** for your choice with an **x** and indicate their importance with the numbers 1,2,3 (1: the most important, 2: second important, 3: third important) in the rank column. Also indicate with an **x** the **three most unimportant factors** for this choice.

	Most Important	Rank (1,2,3)	Most Unimportant
3.1 It was the cheapest	<input type="checkbox"/>	()	<input type="checkbox"/>
3.2 I trust this brand	<input type="checkbox"/>	()	<input type="checkbox"/>
3.3 I liked the camera very much	<input type="checkbox"/>	()	<input type="checkbox"/>
3.4 I trust the shop that sells it	<input type="checkbox"/>	()	<input type="checkbox"/>
3.5 It was the best I could find for this money	<input type="checkbox"/>	()	<input type="checkbox"/>
3.6 I read positive comments about the camera	<input type="checkbox"/>	()	<input type="checkbox"/>
3.7 I know this camera	<input type="checkbox"/>	()	<input type="checkbox"/>
3.8 The shop's product assortment was very good	<input type="checkbox"/>	()	<input type="checkbox"/>
3.9 Ordering by this vendor was very simple	<input type="checkbox"/>	()	<input type="checkbox"/>
3.10 The site offers good warranties	<input type="checkbox"/>	()	<input type="checkbox"/>

Online shop choice

4. What of the following factors have influenced your decision for choosing **this online shop (1.1)**? Indicate the **three most important factors** for your choice with an x and indicate their importance with the numbers 1,2,3 (1: the most important, 2: second important, 3: third important) in the rank column. Also indicate with an x the **three most unimportant factors** for making this choice.

Most	Rank (1,2,3)	Most	Important	()	Unimportant
			<input type="checkbox"/>	()	<input type="checkbox"/>
4.1		The web site's convenience of use	<input type="checkbox"/>	()	<input type="checkbox"/>
4.2		The web site's interactivity	<input type="checkbox"/>	()	<input type="checkbox"/>
4.3		The online shop's reliability	<input type="checkbox"/>	()	<input type="checkbox"/>
4.4		The web site's aesthetical qualities	<input type="checkbox"/>	()	<input type="checkbox"/>
4.5		The quality of the product in relation to the price	<input type="checkbox"/>	()	<input type="checkbox"/>
4.6		I know this online shop	<input type="checkbox"/>	()	<input type="checkbox"/>
4.7		I have bought products in this online shop before	<input type="checkbox"/>	()	<input type="checkbox"/>
4.8		The shop's prices	<input type="checkbox"/>	()	<input type="checkbox"/>
4.9		The shop's promotions	<input type="checkbox"/>	()	<input type="checkbox"/>
4.10		The ease to find the online shop	<input type="checkbox"/>	()	<input type="checkbox"/>

5. The following questions refer to the online shop you decided to buy the digital camera and you indicated in question 1.

Read carefully the following statements and specify in the scale of 5 (Fully agree) to 1 (Fully disagree) to what degree the issues mentioned below played an important role in your choice for the online shop.

5.1 It is convenient to buy products in this online shop.

Fully agree 5 4 3 2 Fully disagree 1

5.6 The site's pages are loading very fast

Fully agree 5 4 3 2 Fully disagree 1

5.8. The shop offers excellent customer service

Fully agree 5 4 3 2 Fully disagree 1

5.12 The site offers adequate guarantees for the safety of online transactions

Fully agree 5 4 3 2 Fully disagree 1

5.15 The site displays prominently seals or logos of organizations that guarantee secure online shopping (like Thuiswinkel Waarborg, VeriSign etc)

Fully agree 5 4 3 2 Fully disagree 1

5.17 The site's design is superb

Fully agree 5 4 3 2 Fully disagree 1

5.22 The site offers a wide and deep product assortment

Fully agree 5 4 3 2 Fully disagree 1

5.24 The web shop offers very competitive prices

Fully agree 5 4 3 2 Fully disagree 1