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ABSTRACT

Today's business environment has an ever-changing landscape. The environment is no longer just local, regional, or national. It is a global environment. The most successful businesses will have to be able to meet the needs of its customers before its competitors. Many people do not like huge stores and crowded aisles. Also, the element of customer service seems to be vanishing. This has led to customer dissatisfaction. Customers are increasingly looking for a new format in which they can buy their goods. They have increasingly turned to the Internet. The future of the Internet looks bright. Retailers are making their home pages user friendly and consumers are gaining more confidence and becoming more computer literate.

I. INTRODUCTION

Welcome to the world of cybershopping, a world where consumers are searching and purchasing their goods in stores from across the globe - all without crowds, parking, and check-out lines (Earnest and Young, 1999,p. 4). The landscape of the business world is changing. Consumers are searching for more convenient ways to shop for all types of consumer goods from durable to nondurable goods, services, entertainment, travel, and investments. These markets are getting increasingly competitive. Companies have been searching for ways to remain competitive and maintain or increase their market share. Some traditional retailers are increasing marketing expenditures, increasing advertising, increasing research and development, and better defining their target markets. While other retailers are acquiring or merging with their competitors and some retailers are building superstores in order to appeal to many different market segments.

Consumers flock to these superstores in large numbers. A consumer can literally buy groceries, clothing, jewelry, get a haircut, be fitted for glasses, and have preventative maintenance performed on his car - all under one roof. This provides convenience and saves the time it would take to commute to several different stores. However, some consumers are intimidated by the enormity of the superstores and the herding of customers that accompanied these new wave shopping centers. Many people long for the simplicity and comfort they had known in the past at the local grocers and hardware stores. This need of the consumer for a new avenue to purchase goods has not been overlooked by marketers and retailers. Retailers and marketers have been busy searching for what can satisfy the customer's need for simplicity and comfort. The technique that many experts believe will fulfill the consumer's need for simplicity and comfort is the Internet. This is evident through the amount of money being spent on the Internet by both consumers and businesses and of revenues being generated by businesses. These amounts continue to increase exponentially. Furthermore, businesses are being faced with increased competition, both locally and globally. The Internet can provide these businesses with a competitive advantage or help make the playing field more level. Therefore, the Internet is a tool that, if utilized effectively, can provide businesses with increased sales, more precise data for targeting the correct market, and the opportunity to compete globally. The future landscape of the business world is yet to be determined. It is becoming more evident that the Internet is a part of that future. However, the Internet also brings new concerns and fears for consumers. These concerns deal mainly with security and privacy issues. Together, the Internet and superstores are changing the way that goods and services are being purchased. They are leading the charge and providing growth in the retail industry.

There are several factors that are fueling this growth in alternative methods of retailing. These include a mature market, new entrants into the already saturated market, and decreased profit margins. These factors necessitate the need to develop new avenues for growth.

II. THE COMPETITIVE RETAILING ENVIRONMENT

Most changes in retailing in the past were brought about by population shifts and increased competition. Retailers had to differentiate themselves from their competitors and move closer to the consumer. The same is true today. Sales dollars are getting harder and harder to come by for many retailers. Margins have been cut to the point where it is difficult for many of the smaller firms to stay in business. The "mom and pop" local stores cannot compete with the large national chains. The large nationals can use their extensive networks to decrease their cost and decrease the prices charged to the consumers and increase the variety of goods which they carry. Many of these national companies are vertically integrated and own all aspects of their operations from raw materials and transportation to the retail outlets. The national companies bypass this middleman and pass the savings onto the consumer. This creates problems for small retailers when it comes to being competitive with consumer prices and product variety. They are dependent on others for their goods and the transportation of those goods. Also, the "mom and pop" stores only have a limited number of suppliers. Costs are higher if small quantities of goods are purchased from many suppliers instead of buying the majority of goods from one or two suppliers. This also limits the variety of goods offered. The prices charged to consumers will be higher if costs are higher. This creates a Catch 22 situation for the small retailers. If they compete on variety with the large national chains, they lose out on price. If they try to compete on price, they lose out on variety. This move from the small "mom and pop" stores to the larger national chains with great buying power and variety is supported by research conducted at Old Dominion University. The research reports a few facts about today's retail shoppers: 1) Consumers do not enjoy shopping as much as in the past. 2) Consumers would rather spend time at home than shop. 3) Consumers want convenience and efficiency. 4) They prefer retailers who provide ease of shopping, service, and value. 5) They prefer well-known brands but are extremely value conscious (Flaherty, T., 1998). Most of these desires of the retail shopper can be more easily met by the large national chains such as Wal-Mart and K-Mart. This problem faced by the local retailers has also been compounded lately by mergers among the industry giants. For example in the retail grocery industry, there has been a flurry of activity by the industry leaders in merging or acquiring rival supermarkets. These larger companies make it even harder for the smaller establishments to challenge the price offered to the consumer. With the increased purchasing power of the large supermarket chains, the "mom and pop" grocery stores are being left by the wayside because they cannot compete. This has reduced the number of "mom and pop" retail outlets and has created a very competitive market place for the retailers that have been left standing.

With the increased competition, it is becoming increasingly hard to increase or even maintain market share. Potential customers are turning away from the traditional purchasing channels and marketers are trying to find a new means to reach these customers. The Internet has emerged as the leading tool to reach many market segments.

III. THE INTERNET AS A RETAILING TOOL

The Internet was originally developed for the United States Defense Department in 1969. The agency provided the money and the computers so that the American scientists could compete with their Soviet counterparts (Fordahl, M., 1999,p. A6). The Internet is the largest computer network and is characterized by its diversity and growth rate. "The combination of high-speed access to international resources, standards to enable data exchange among companies, global e-mail, and millions of apparently information-hungry users make the Internet an appealing investment for companies of all sizes and types" (Cronin, M., 1994,p. 4, 18). Consumers are using the Internet for many different services. They are buying goods, conducting research, and looking for entertainment, to name a few. These are all areas that businesses can capitalize on through moving to the Internet. Recent studies suggest that the trend will continue and more consumers will be on-line and buy on-line. The percentage of

American households in a study that had purchased goods and services on-line increased from 1997 to 1998 from 7 percent to 10 percent. Similarly, on-line sales are expected to become a larger portion of total sales for retailers already on the Internet. Today it is 1 percent of sales, but it is expected to reach 9 percent of sales by the year 2001 (Earnest and Young, 1999,p. 6).

It is also predicted that sales from household on-line shopping will increase from $14.3 billion in 1999 to more than $64 billion in 2003 (Rechin, K., 1999, p. E15). Consumers also use the Internet to research goods before they buy. Companies can use this by providing information to the consumer about their company and the goods or services it can provide. However, some consumers will still insist on buying from the store, by telephone, or by mail because of fears about shopping on-line. The fact that consumers do use the Internet for research does present retailers with a great opportunity. Advertising on the Internet tends to be cheaper than traditional advertising. However, to be effective, the Internet advertisement must not use traditional type advertising. The consumer wants the interactive and fun advertising that the Internet can provide (Leang, E. and et al, 1998,p. 49). An example of making the advertisement fun is where one company has taken the traditional banner advertisement - the billboards of the Internet-and "changed them into small programs that can enable viewers to play games, get

information, print out forms, or give advertisers information about themselves (Gimein, M., 1999,p. 64). One ad will let web surfers play nine holes of virtual golf. This gives the Internet user extensive exposure to the company's name and products. It is indeed evident that the Internet presents many opportunities to retailers. However, the Internet can also provide benefits to consumers and retailers.

IV. CONSUMER BENEFITS

Consumers receive benefits from Internet use. First, the Internet provides customers with convenience. They do not have to navigate through the crowds and the aisles of superstores. They also do not have the problem of waiting in long lines at the checkout stands. The experience is made more enjoyable because consumers do not have to put up with the traffic and the hassles associated with going shopping. Furthermore, Internet retailers are open at all times. Late at night, during holidays, and on weekends the Internet is open. The next advantage for consumers is the availability of information. This information will help the shopper make a much more informed purchasing decision. This information can come in many forms. There could be product information on features, availability, pricing options, or substitute products. The information could also come in the form of a message board. Other consumers can type messages concerning problems they have had or qualities they liked about a particular product. It could take a whole community of people to give the information that is available from one single site on the Internet. With this information consumers will be able to shop with more intelligence than ever before. Another benefit for consumers is pricing. Comparison shopping is made easy with the information obtained from the Internet at the click of a button. This availability and ease of price comparisons will make it hard for one retailer to charge much more than others. This will reduce the variability of prices, but could cause price wars. "Bottom line: From here on, prices aren't static. They're more like a moving target" (Maney, K., 1999, p.E1). The next area that consumers receive a benefit from the Internet is in customer service. The most common forms of customer service on the Internet are information and personalization. However, there are many companies that are attempting to find better service. One such company is Lands' End Live. While a consumer is on this site and they need to speak with a human, they can click a button. The consumer can either type in their home telephone number and speak with a Lands' End operator or use a chat box to ask the questions and receive feedback. In the future consumers will be able to push a button on the screen and speak with an operator over the Internet connection. Also the larger retailers on the Internet will build warehouses closer to the consumers. This will allow for quicker delivery and better customer service. These advances will help make buying on the Internet a more "human" experience. Finally, consumers do not have to face the hassles of salespeople and listen to the sales pitch. They can use the objective information they have obtained and make an informed decision. This takes the subjectivity out of the decision and leaves just the important issues such as prices, performance, and quality. Therefore, it is evident that on-line shopping does provide consumers with real benefits.

V. RETAILER BENEFITS

Retailers also receive benefits from the Internet. They can make quick adjustments to the changing market conditions. Retailers can make quick adjustments in price and product offerings to coincide with the changing conditions. The consumers are going to be relatively price elastic and have very little loyalty to a particular company. If they find a better price at another retailer's site, they will purchase that product from the other retailer. Therefore, the retailer has to be able to monitor these prices and adjust accordingly. However, as mentioned earlier, these price adjustments could lead to price wars. If that happens, retailer will feel the bite in their bottom line. Next, costs for the on-line retailer can be lower than for traditional retailers. Lower overhead costs such as rent, insurance, and utilities will mean lower total costs. These lower costs can lead to lower prices charged to the consumers. This is always a good way to increase the customer base. Also, the Internet provides a means of transferring information quickly, thereby eliminating mailings and catalogs. Next, relationships can be built between the retailer and his customers. They can exchange information and make the relationship more rewarding for both. These relationships will tend to be short and dissolve quickly. It is very important that the consumer ends the individual relationship on good terms. This will mean more repeat customers. Another benefit for retailers on the Internet is getting accurate information regarding who is visiting their site. They can obtain information to help better define their target market and better target these people. The types of information needed for defining the target market are demographic, geographic, psychographic, and behavioral. This information can be obtained through on-line questionnaires and by tracking the buying habits of the consumers. There are also four distinct advantages for on-line retailers. First, it is affordable. The size of the company does not matter. Second, there is unlimited advertising space. Third, information can be exchanged very fast, at the click of a button. And finally, shopping on the Internet is fast and private (Kotler, P., 1997, p. 731). Two of these, affordability and privacy, will be discussed in more detail in a different section.

VI. DEMOGRAPHICS OF INTERNET CONSUMERS

The Internet facilitates the exchange of information between retailers and consumers. Retailers are particularly interested in this information. The most important information from this exchange is the demographic information. The demographic information will tell retailers all about their customers. Some of the demographics are: education, age, sex, income, purchase frequencies, geographic location and purchasing habits. This information is used to better define target markets and to adjust product offerings. An example of this in use comes from a food manufacturer. This manufacturer has determined that the typical food and beverage Internet shopper is 37 years old with an annual income of $58,000. Also, more than 75 percent of Internet shoppers have a college degree. Furthermore, only one percent of groceries are purchased over the Internet at this time. It is predicted, however, that this number will increase from about $200,000 in 1997 to between $15 million and $20 million in the next few years (Swientek, B., 1999,p. 11). Another example of using the Internet for demographic information gathering is a computer company offering a free PC and free Internet access for unlimited demographic information and a high exposure to Internet advertising. This company claims to have 300,000 subscribers today and plan on having one million customers by year's end. The information is gathered through questionnaires and responses to advertisements. This is attractive to many retailers because they know exactly who is seeing their ads (Krouse, J., 1999,p. 26). Research has shown that the average Internet user is a male, 35 years of age, has two kids, is college educated, and has annual income of $70,000 (Levine, J., 1999). This type of information can save the retailer money because they can more efficiently use their resources to better reach their target market. Therefore, the demographic information is of great use to retailers in reaching specific target markets.

VII. AFFORDABILITY OF THE INTERNET

The costs associated with the Internet for a retailer are quite variable. Most of the marketing channels are rather inexpensive. E-mail is the least expensive. All that it requires is a computer with a modem and an Internet connection. These connections will typically cost $20 per month. The very popular electronic billboards are also inexpensive and can cost as little as $240 for one year. Costs do increase for animation. Similarly, an electronic brochure can cost as little as $700 per year. Another relatively inexpensive medium on the Internet is classified ads. These ads can run $50 for 50 words and one photo for 3 months. The more expensive medium for retailing on the Internet is the electronic storefront. There are many companies that will host a website or storefront for retailers. They typically will offer several different choices based on features and cost. One such company is Online96 Information Technology. They offer three different website choices. They are Website Silver, Website Gold, and Website Professional. Website Silver costs $1,800 annually. It has limited features that include five pages of information, one logo and 10 photos, two storefronts, and an interactive map. The level 2 website, Website Gold, has an annual cost of $2,000. The only difference in this and Website Silver is it has eight pages of information and an order form. The Website Professional has an annual cost of $3,200. The cost for this is higher because it has more room for information and pictures (Online96 Information Technology, 1999). The main variables in the costs of the website are the features and the size. These costs can escalate for a retailer if they are not careful. The expectations and desired results of a website should be considered when deciding which options to purchase. The cost will of course be greater for the larger retailer with a high volume of transactions on-line. Also, as in traditional retailing, one of the main costs in Internet retailing will be inventory and delivery costs. However, there is a better way for the small retailers. United Parcel Service provides support to the on-line retailer. For a minimum fee, UPS will take control of the ordering system, delivery system, and tracking systems. For example, as a customer places an order at your website, the data can be sent to UPS directly and they will process the order and ship the order from your supplier straight to your customer. This in essence creates a Just In Time inventory system. This JIT system will save the retailer the inventory costs associated with owning and operating a warehouse. UPS will also provide software for creating labels, shipping records, and shipping rates. They can also add their logo to your website and give the consumer the choice of shipping schedules and shipping rates. UPS will further service the customer by providing tracking of the products purchased. The customer can contact UPS at anytime and find out where their goods are located (UPS E-Commerce Solutions, 1999). Most of the before mentioned services and costs are relevant for small and medium sized retailers. The large mass-merchandiser will pay in the millions of dollars to set-up and maintain their own Internet sites. The volume of business that can be generated from these sites often justify the costs associated with them. Having a website is becoming an increasingly important component of the new business environment. Research conducted by eStats shows that 40 percent of all medium to large sized businesses have a website and another 20 percent will have created one by 2000 (e-Land Inc., 1999). The Internet truly is a leveling field.

Large and small retailers can compete with one another because of the inexpensive, but effective marketing channels available.

VIII. SECURITY/PRIVACY ISSUES

Security has been one of the major concerns since the inception of on-line retailing. Seventy-four percent of on-line shoppers consider the security of the site when deciding whether to return to that site to make a purchase. However, the perception that the Internet is not secure is starting to change. According to a USA Today Poll, 95 percent of Americans would use their credit card on-line. There is also evidence to back up this confidence. Since 1995, the sales of Internet firewalls, extra layers of security placed between internal computers and the Internet, has increased more than seven fold. This suggests it should be harder for criminals to break into a computer and retrieve the credit card and personal information. Also, as compared to other types of fraud, Internet fraud is extremely low. In dollars per $1,000 lost to fraud, cellular telephone fraud was $19.83, toll call fraud was $16, Mastercard fraud was $1.41, and Internet fraud is expected to be $1 (e-Land Inc., Security Issues, 1999). Internet transactions have been made secure using technology called encryption. Encryption software is like a cable converter box on a television. It scrambles the information when it is sent. This information will not make sense until it reaches the other computer with the same software. The software will then unscramble the information into an understandable format. This is not foolproof, however, and can be decoded. Therefore, consumers need to keep a few things in mind. First, on-line stores should have a secure page. If the store does have this, a small lock icon at the bottom of the web browser will indicate this. Second, consumers should always deal with reputable companies. A quick call to the Better Business Bureau can alert a consumer to on-line merchants that have had consumer complaints. There is, however, one other type of security measure many companies have in place. This is located on their server. It is called Secure Sockets Layer (SSL). This provides data encryption, server authentication, message integrity, and optional client authentication. When a client program and a secure server connect, they exchange a "handshake" and a secure session is initiated. This will ensure that the payment and ordering documents are secure while the rest of the storefront is not. Therefore, the technological advances in security have made the use of credit cards on the Internet as safe as credit cards have ever been. Additionally, credit card users understand that they can dispute the credit card charges and that they have a limited liability (Michael Lerner Productions, 1999).

With the concerns over credit card use on the Internet eased, a new concern has arisen. This concern is over privacy. On a recent Georgetown University Internet Privacy Policy Survey, 93 percent of the 364 commercial websites studied collected some type of personal information. The collection breakdown is as follows: 91 percent e-mail address, 81 percent name, 63 percent postal address, 52 percent telephone number, 31 percent age/date of birth, 16 percent occupation, and 5 percent social security number (Anne Carey and Bob Laired, 1999,p B1). Increasingly, companies have been allowing Internet users to view particular personal information without revealing actual names. One highly publicized case was with Amazon.com. Amazon.com was allowing customers to look up buying habits of groups of customers; for example, the buying habits of IBM employees. Many consumer groups were outraged at this information security breach. They believe this is personal information that should not be allowed to circulate. This has prompted the formation of an e-commerce industry group that will formulate standards on an international basis. The group is called the Electronic Commerce and Consumer Protection Group. Members include America Online, Dell Computers, IBM, Microsoft, Time Warner, and Visa USA. Many consumers and industry leaders believe the more standards that can be agreed upon, the better off the industry will become. These standards, if accepted, should help re-enforce the consumer's trust in the Internet and allow for more productive use of the Internet by consumers and retailers (Kornblum, J., 1999,p. B5).

IX. CONCLUSION

The 1999 holiday season has provided both a reality check and encouragement to many on-line retailers. The reality check came in the form of delays, lost orders, and gifts not arriving in time for Christmas. Many consumers had to rush and try to replace gifts they though they had secured weeks earlier. Also, many on-line stores were sold out of popular items. These facts left many consumers frustrated and dissatisfied. However, they also highlighted the large volume of shopping that was conducted over the Internet. This is very encouraging to most retailers. The failures of this holiday season have identified the weaknesses of many web sites and distribution channels. It will help the on-line retailers prepare for the next holiday season. In fact, even with the delays and lost orders, 52 percent of on-line shoppers rated their experience as "excellent" in a survey conducted by Intelliquest (Thomas, K., 1999,p. A1). This fact alone provides substance to the belief that the Internet is the retailing tool of the future.

The Internet is a powerful tool for retailers. It brings customers and retailers together from all over the globe. It also brings competition from all over the globe. There is an intense battle for the consumer's money. The companies which can successfully capture this money through meeting the needs of the consumer will be the new industry leaders. There are also obstacles which must be eliminated for the Internet to be effectively utilized. Consumers note two reasons for not buying on-line. First, they fear giving out their credit card numbers. This security issue will probably never go away completely. However, it can be minimized through encrypting transactions and prosecuting those offenders who hack into computer networks. The second reason for not buying on-line is the need to see the product. This too will probably never go away completely. However, with the advances in technology, it will also be minimized. The Internet is a tool that companies can utilize to help build a profitable future or companies can stay away from the Internet and fall by the wayside. The Internet provides instantaneous access to customers and their needs. However, it will never replace the brick and mortar stores. Together they will lead the most successful companies into the new millennium. The consumers have spoken and the Internet is what they want. "You can't say it often enough: Don't lose touch with the customer (Cronin, 1999,p. 179).

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