INTERNET TRANSACTIONS AND BUSINESS MODELS

INTRODUCCIÓN

Las transacciones electrónicas han existido en el mundo de los negocios desde el uso del teléfono y los primeros computadores. Sin embargo, Internet ha popularizado las transacciones electrónicas en el campo de los negocios creando nuevos estereotipos en la economía global.

En este documento se tratan tres modelos de negocio creados por las transacciones en Internet: "Brick and Mortar, Brick and Click and Pure Play model". Estos tres modelos no pueden ser analizados por aparte, pues el mercado ha mostrado que las transacciones todavía requieren de presencia física, mientras ello facilita una transición del consumidor a una nueva economía en línea. En otras palabras, sentido comunitario, experiencia social en la tienda y factores de inmediatez todavía son relevantes para los consumidores.

En el texto se describen algunos obstáculos que estos modelos han atravesado y los retos para las compañías que han adoptado en comercio en línea, tales como separación e integración de los canales tradicionales y los canales en línea. Finalmente, de la literatura revisada se sugieren algunas estrategias para desarrollar en el corto y largo plazo.

INTRODUCTION

Electronic transaction has been in the business scenario since the use of telephone and the first computers. However, internet has popularized these electronic transactions in the business field creating new stereotypes in the global economy.

This paper deal with three business models shaped by internet transactions: Brick and Mortar, Brick and Click and Pure Play model. These three models can not be analyzed apart any more, as the market has dictated that online transactions still require offline presence, since it facilitates consumer transition to a new e-economy. In other word, sense of community, social experience in-store and immediacy factors are still relevant to consumers.

Here, it is described some of the drawbacks that these models have passed through and the challenges faced by the companies that have embraced e-commerce, such as separation and integration of the traditional channels and the online channels. Finally, from literature review, it is suggested some strategies to develop in the short and long term.

BRICK AND MORTAR

Traditional businesses that deal with their customers on face to face basis are called Brick and Mortar operators. They might have web page online; however, they do not perform transaction on Internet. There are two different types of B&M, street-sides small businesses that their target area does not require spending funds in developing a web page and some large businesses that do not want to create conflicts with their traditional channels of distribution, to mention one example Hewllet Packard (www.hp.com.au).

As e-commerce is an indispensable marketing tool, Brick and Mortars retailers are asked urgently to "reinvent themselves" to achieve the advantages of the new technology (Harvard Business Review, 2001). Birkhofer et al (2000) alleged that adopting either Brick and Click model or Pure Play model depend on the nature of the existing model and its consumers. He went on suggesting some strategies to be considered such as suitable project managers and the development of effective implementation process of multi-channel. Crittenden (2002) affirmed that to increase the level of success in the e-market, Brick and Mortar retailers might need as well a careful diagnosis and strategic planning. Maruca (1999) suggested some principles to avoid costly failures such as make e-commerce easy to use, create tangible benefits, test and refine new implementations, design compatible technology with consumer equipment, coordinate alliance's technology, use the technology to build costumer relationship. Richard G, chairman of Marks and Spencer, suggested not getting in to e-commerce unless there is certainty and clarity of what differential advantages have been added to the costumer.

* Administrador de empresas, maestría en mercadeo de Monash University. Actualmente se desempeña como docente e investigador del Centro de Mercadeo, adscrito a la Facultad de Administración de Empresas de la Universidad Externado de Colombia.

Even though, successful companies have integrated their traditional channels of communication with electronic marketing tools, a number of companies have found this integration not easily to overcome (Willcocks et al, 2001). As this integration has triggered conflicts in the existing channel of distribution, to illustrate sellers and distributors argue that it is difficult for them to compete with direct web-site promotions from the producers (Bevan & Murphy, 2001). Davison et al (2001) also remarked that there is some law issues to be considered on getting on line such as copyright for domain names, developing and hosting websites, online contracting, digital signatures, security, privacy rights, insurance, intellectual property and advertising issues such as spamming and targeting children (Austin et al, 1999).

However, to some Brick and Mortar retailers, e-commerce is just another tool of the ongoing direct marketing effort, since catalogs and other DM techniques have been a successful on going non-store shopping (Wood & Stacy, 2001). Wood went on highlighting that catalog will account for the 6.3% of total retail sales by 2004. As Maruca et al (1999) putted it, yet the critical factors of success in retailing are assortment, price, convenience, service and ambience therefore internet is just and expanded tool of the existing marketing channels such as telemarketing and catalog. Raymond Burke adds that "Internet hasn't changed the priorities", it just has enhanced the existing marketing techniques, (Maruca R et al, 1999).

There are other physical reasons why Brick and Mortar formats will be part of the retiling industry longer. Otto et al (2000) pointed out some reason why Brick and Mortars are still relevant, as follow: less risk involve, possibility to touch and inspect specific products, more monetary payments possibilities, interaction and sense of immediacy. Crittenden et al (2002) affirmed that even with the advantages of the new technology in-store direct sellers continue being indispensable in the selling process. Characteristically, Bellman (2001) added that Brick and Mortar consumers prefer visiting stores on sales promotion as all the merchandise offered convey the costumer to a special service experience.

Hewllet Packard is a technology provider that offers solution for business and home purposes; however, it does not commerce online, perhaps they think that selling products online competes with their channels of distribution such as Harris Technology, (www.ht.com.au). Other Brick and Mortar companies are just creating alliances with other models to enhance their channels of distribution, such as Borders Australia that has teamed with Amozon.com. As Bellman (2001) highlighted, Bricks and Mortar retailers are sharing revenues with pure-plays, since the marketing budget to build a brand image on the web is limited and risky.

To conclude, it is said that the ability to move from offline shopping to online commerce will distinguish successful companies; however, Otto (2000) argued that conversely cyber channels might move back to the physical retailing to overcome the weakness of e-commerce.

BRICK AND CLICKS

Bricks and Clicks retailers are traditional Bricks and Mortar organizations that have boosted their traditional channels of distribution. They have integrated sales offline and online. These models have found a successful balance between Brick and Mortar and Pure Players, since booth models have interlaced the advantages of a physical presence and electronic transaction model.

Brick and Click model integrate the benefits of physical retailing with click retailing marketing. This synergy opens some differential advantages in product marketing and marketing promotion. As the web-sites are 24/7 advertising channels also are able to establish strong relationship marketing. Steinfield (2002) at el mentioned other types of synergies: cost savings, improved differentiation, enhanced trust, and market extensions (Mieczkowska, 2002). Since "the dead of distance" companies also can reduce their physical presence therefore reduce the fixed costs, in addition, e-commerce can minimize human errors and build bigger market size that reach to scale economies (Sharma A, 2002, Gulany R , 2000).

However, Bricks and Clicks model is facing some drawbacks due to the weaknesses of Internet. Steinfield et al, 2002 mentioned that lack of sense of trial and channels conflicts as the main issues. As to consumer trial, it has been easily overcome by Brink and Click retailers as they do physical presence in the market, which benefits not just their costumer but also their suppliers. Sharma A (2002) affirmed that with multi-channel strategy customers still have locations at which physical immediacy can occur, especially consumer trial of products when product quality can be difficult to communicate on-line. Sharma added, however, that this issue can be also approached using creativity at transmitting quality online.

With regard to channels conflicts, Steinfield C et al 2002 pointed out that as the convergence of both traditional channels and e-commerce channels, Click and Mortar enterprises have been passing through operational conflicts that jeopardize the efficiency of both channels in term of costumer service. However, Gulati (2000) stated that a strategically integration can regulate and integrate both channels to embrace a successfully startup in the e-world. Gulati R (2000) went on affirming that this integration should also occur in three other dimensions: brand recognition, management and equity. Since integration should fulfill the lack of both channel, this require management skills that can determine the intensity of integration or separations of both channels. As a result, on integrating those managerial elements companies can develop synergies that Brick and Mortar and Pure Plays might not have by their own.

To illustrate, among the major competitors in the retailing industry in Australia, Coles supermarkets has adjusted their channel of distribution to e-commerce, (www.coles.com.au). From this web-page, it is possible to buy groceries and to receive them at your house's door. This service responses to the market trends, as recent survey has shown: Australia businesses are taken up rapidly Internet, in 1997-98, 6% of business had a web-site or home page; by 1999-2000, this proportion had risen to 16%, (www.abs.gov.au/ausstas, 2004).

PURE PLAY COMPANIES

Breaking down geographical barriers in the retailing industry throughout e-commerce is an essential differential advantage and other way of globalization. In Australian retailing industry, major competitors are looking outwards, therefore they are searching for more strategic alliances and technological innovations rather than Bricks and Mortar investments (IBISWorld ,2003). Some typical Pure Players are search engines, internet services providers, commerce sites and transactions sites, (Kotler ph, 2003).

E-commerce has raised new perceptions for both retailers and shoppers, as they have now virtual channels to reach their prospects and consumers. Consequently, it is argued that e-commerce would be able to replace traditional channels of distributions such as physical stores, therefore Internet will lead the markets to face the "dead of the distance" (Steinfield C, 2002). Some forecasted that internet would bring changes in community perceptions toward living areas as e-commerce obligate society to rethink present urban cities, since internet promote a geographic spread due to the easy access to customer and business and its interaction (Organization for economic co-operation and development, 1999). IBISWorld Pty Ltd, (2003) remarked, the use of e- commerce methods would introduce in the retailing industry challenging innovation such as alteration of the size or layout of stores.

Some advantages of Pure Play model are less cost structure, as on line retailers require less building infrastructure; the inventory can be large as Pure Plays do not require physical stores to exhibit products and have strategic alliance with suppliers; they reach extensive market, since its online marketing is 24/7 and global and have no boundaries; the relationship is individualize as customers have no middleman to communicate with the company and the anonymity is ensure, (Otto et al, 2000). Furthermore, pure plays companies have been able to create strong brand recognition and efficient relationship marketing such as Dell computers (Ray, A 2003).

Even though, these paramount differential advantages pure play companies have suffered a remarkable turndown, remembered as the "dot-com crash". Vishwanath et al (2001) described it as follow, among 142 companies that were top-ranked websites between 1996 and 1998, 80% were pure play, twelve months later 10% bankrupt and eventually out of the survivors less than 5% were profitable. Geltner (1998) added that pure play companies were just helpful to create speculation. Steinfield concluded that even though the failure of dotcoms companies, pure plays underlying basis that are still relevant.

To overcome dotcoms drawbacks, Vishwanath, V (2001) argued that by integrating online and offline differential advantages pure-plays companies would find profitable business models. He ensured that creating multi-channels can achieve measurable results and therefore suggest some strategies such as: to use the web creatively, to convert browsers into purchaser, to define clear roles of the multi-channels. Yonca Brunini, Yahoo marketing director, declared that as to a pure plays remain relevant in a virtual world, every new service has to add value, must be developed and efficient performance and the web site must become an habit to the customers (Ray A , 2003).

There are several Pure Plays companies in Australia that have launched online transactions. Citysearch.com.au is an Australia web site search engine that combines tourist information and a business directory. Out of its core business, Citysearch provides internet solutions such as web design, hosting and domain registration. This company is an example of a pure play company, since it was founded in 1997 by Telstra as part of e-commerce new business opportunities, its transaction is purely online as well as its services. Another remarkable example is Dell Computers, this company has combine traditional channels of distributions and online channels, from its webpage (www.dell.com.au) it is possible to buy directly from Dell. However, Dell on line model strength is its customization (Chan P, 2003), given that through online sales is possible to determine particular specifications on desktops and laptops.

However, because of the stunning advantages of online transactions and services suggest that the retailing market would be dominated just by pure-play retailers. However, this statement cannot be sustained as the crash of dotcoms demonstrated clearly the contrary. As a result, Bricks and Clicks companies comes to be the ideal use of traditional marketing.

SUGGESTED STRATEGIES

Not all the brick and mortar retailers require to performance transactions online, however, most of them require communicating with their clients using internet, especially those companies whose potential customers are far-off, therefore distance or location is an essential factor of consumer decision making. Conversely, retailers or businesses whose consumer behavior has a strong social interaction sense or the attitudes towards internet is not pertinent to consider to go into online transaction but online advertising.

As to the medium and large enterprises, Brick and Click strategy is an essential model to be adopted. This model brings on differential advantages to compete against Pure Play companies. However, this model must be developed from the customer needs rather than the companies' benefits.

As for pure players, integrations or separation is the dilemma that should be faced. This might be answered according to the target market. Therefore measuring and knowing the consumer's needs is the successful way to be taken.

As wireless technology is shaping new scenarios in electronic commerce, Steinfield (2002) suggested exploring how this technology influences the evolution of pure play retailers in the realms of consumer behavior would determine new venture enterprises.

In the short term, it might be the case that a company which is not on Internet simply does not exist, at least from consumer perspective. Therefore, from small to large companies must consider how to get differential advantages out of internet either from an in-house implementation or from an strategic alliance.

In the long term it might not be necessary no differentiate the three studied models as the market would be dominated just by a hybrid model that satisfied consumer needs. Therefore, integration or separation would not be discussed any longer but how to create customer experience on the web to generate online traffic reduce time and cost shipping.

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