Introduction to Special Issue

Emerging issues in electronic marketing: thinking outside the square

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1. Introduction

In the technology-driven world of today, buzzwords never seem to go out of style. They act as safety valves and help us deal with the ongoing dynamics of change. Once a phenomenon has reached the status of buzzword, we can somehow encapsulate it, internalize its novelty, and then move on to the next one. Before the new millennium finally arrived, probably no innovation other than the Web had fueled so many buzzwords in such a short period of time. From killer-apps to dotcoms, and Y2K bugs to cyberspace, the steady introduction of these into our vernacular simply reflect the pace at which business in the electronic world is evolving and, in the process, disrupting traditional business models (D’Aveni, 1994).

The Internet is clearly more than a fad. As penetration rates increase, we can certainly envisage “access to Internet” becoming as ubiquitous as access to the telephone and television — at least in the developed nations. But as we get there, future development of the web as an e-commerce platform will increasingly depend on understanding the process by which people will use this new communication technology. But is the Internet really different? Coupey (1999) raises questions as to whether the key differences between traditional and interactive media are limited to substantive issues of the medium itself or simply reflect technological changes that can be exploited to push the limits of extant theories. In short, some would argue that the new electronic environment is really just a different context for existing theories, while others claim that the new environment requires a new set of theories adapted to the realities of a radically transformed marketplace (Dholakia et al., 1999b; Peterson et al., 1997). This is a fascinating research question that is unlikely to be answered anytime soon.

The evolution of the Internet parallels the evolution of other communication technologies, such as radio, broadcast television, cable TV, and cellular phones. The initial means to access the new service usually come with a hefty price tag attached. Eventually the hardware and the service become very low priced and may even become totally free. Recently, we have seen computers and even full Internet access offered for free in exchange for advertising exposure. This is exactly the same model that we observed in broadcast media and are presently observing in cellular telephony.

In other respects, the Internet is different from other communication technologies. The interactive nature of this new medium transfers power back to consumers and changes the foundations of business, affecting especially those aspects of doing business that are based on market inefficiencies (Dholakia and Dholakia, 1999). The online revival of market techniques of antiquity and medieval times — such as the auction and the swap (www.ebay.com) — seems to confirm the return to a more balanced power relationship between buyers and sellers. Part of the success of book retailer Amazon.com, although the firm has yet to show a profit, is the ability for a community of book readers to exchange information among themselves. Through a rating of the raters, Amazon.com and other community-oriented sites nudge their members towards the expression of honest and unbiased opinions (see, for example, www.epinions.com). Online banking is making significant inroads mainly due to the convenience factor and greater control over the processing of very routine transactions. Some traditional media find ways to merge new technologies with the old to better serve their customers while keeping their mainstream business alive. Some newspapers keep their paper version without going online but do create web interfaces for accepting classified ads submitted by consumers (www.buy-sell-exchange.co.nz). Bitner et al. (2000) discuss the positive effects of infusing various doses of technology in service encounters and suggest that self-service technologies (such as the Web) actually empower consumers to do repeated transactions on a more frequent basis, which may ultimately lead to enhanced satisfaction levels.

Rayport and Sviokla (1994) suggest that the new business environment is more aptly defined as a marketspace (rather than the conventional marketplace), where products

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and services exist as digital information and can be delivered through information-based channels. Negroponte (1995) supports the view that we actually live in a world of bits and bytes and that we can actually “be” digital. Aware of these multiple currents, we arrived at the difficult task of coining an apt topic for this special issue. Electronic marketing was chosen because it encapsulates the broader vision of all aspects of commercialization using some form of information technology (IT) in the process. While electronic markets have some unique economic characteristics (Dholakia et al., 1999a), they also exhibit specific institutional and behavioral patterns. With this in mind, we tried to expand the scope of interest here and go beyond the “square” to consider not only what is visible on the surface of electronic markets, but also peak at what is happening behind the scenes. For example, Amazon.com is often cited as a success story and, on the surface, they have created an innovative business model and interface. But when you delve into what goes on behind the screen, you uncover a still very traditional, manually intensive processing system plagued with inefficiency — something one would not expect from such an icon of e-commerce.

Our intent here is to look at the broader picture and dig beneath the surface of a range of issues affecting electronic markets. Thinking of how consumers react to electronic environments is a critical component in the research process but cannot be examined without considering the retailer’s impact on the competitive environment nor the basic requirement of having access (in the broader sense here) to the technology in the first place. In a digital world, “thinking outside the square” could also mean “thinking beyond the screen.” Although this is our intent, we also realize that it could also be our downfall. As Lewis (2000) suggests, the “one thing that is certain is that anyone who uses the phrase ‘outside the box’ is as deeply inside the box as a person can be.”

2. Conference on Telecommunications and Information Markets (COTIM)-97

The COTIM began in November 1995 with its first edition held in Newport, RI. It turned out to be one of the first academic conferences to address the changing telecommunications landscape of which the World Wide Web was a major driver. Scholars from various parts of the world gathered for a 3-day conference to address the problems and challenges of conducting business in the new electronic environment. The Research Institute for Telecommunications and Information Marketing (RITIM) at the University of Rhode Island was the initiator and sponsor of that particular event. A special issue of JBR published in 1998 (volume 41, number 3) presented a collection of invited papers from this first conference.

Two years later, a second edition of COTIM was held in Brussels, Belgium in November 1997. COTIM-97 expanded the scope of interest of the original conference by including a distinct European perspective into the program. Again, an eclectic group of scholars from all parts of the world (many of whom were at the first COTIM) reconvened to further investigate the emerging cyberspace landscape. The theme attempted to integrate all aspects of the changing environment: “Harnessing the Power of IT in the New Information Age.” The second edition of COTIM was cosponsored by the following academic partners: RITIM at the University of Rhode Island, Marketing Technology Center (MTC) of Sweden, Institute for Communication Research (ICR) at the University of Alabama, Marketing Strategy and Information Technology Group (M*SAT) at the University of Technology, Sydney, Australia, Center for Research on Information Technology and Organizations (CRITO) at the University of California, Irvine, and Technische Universität Braunschweig in Germany.

This second special issue emerged out of the COTIM-97 conference. Authors originally sent abstracts to be reviewed for acceptance in the conference proceedings. After the event, the coeditors for this special issue selected and invited 14 papers for further development and those were submitted to the editorial committee for review. Of those papers submitted, seven were finally chosen for publication after a second round of revisions. Because of the quickly evolving nature of this topic area, authors had to make, at times, significant changes to their manuscripts in order to adapt them to the current environment. But overall, the editing job for the issue was an exciting and challenging one, and we thank all the authors who reacted promptly to meet all the deadlines set along the way.

3. Special issue

Seven articles were finally chosen for this special issue. All deal with an aspect of IT that directly impacts on electronic marketing issues. The range of papers reflects...
our intention to “think outside the square” and, hence, beyond the obvious implications of technological advances — implications that merely scratch the surface of the problem. Adapting Cowles, Kiecker, and Little’s model of e-commerce strategies depicted on Fig. 1, we find that the contributions in this special issue provide timely insights into the three critical dimensions: electronic marketers, electronic consumers, and the enabling Internet/Technology factors (see Fig. 1).

4. Marketer factors

Recognizing the tremendous impact that online storefronts will have in the development of e-commerce, Cowles, Kiecker, and Little introduce an exploratory study to develop an explanatory model in “Using Key Informant Insights as a Foundation for E-Retailing Theory Development.” Although a variety of explanations for uncertainty surrounding electronic retailing (e-retailing) have been offered, the authors assert that the lack of a sound theoretical framework driving e-retailing decisions is at the heart of challenges facing Internet retailers. They argue that the Internet represents a sufficiently unique retail environment requiring development of specialized knowledge and understanding in this arena. They urge practitioners and academicians alike to approach this quest for knowledge in a spirit of “discovery.” With this goal in mind, qualitative and exploratory research methods are used to develop e-retailing theory and decision-making frameworks. The authors present the results of a key informant study of e-retailers, which provide the theoretical foundation for a model for effective integration of the Internet into the retail mix.

Given that the initial thrust of expansion of dotcoms was in the United States, this overshadowed the fact that conducting business in electronic environments where English is not the main language brings about new challenges. Europe is much more fragmented than North America in this respect and addressing language and cultural barriers is a serious concern for firms operating in that part of the world. Haas, in “The Austrian Country Market: A European Case Study on Marketing Regional Products and Services in a Cyber Mall,” brings refreshing insights on the success of a very focused and regional online venture in Austria. The experiences gained from 3 years of marketing fresh produce and specialty items to a German-speaking Internet population are presented and difficulties of marketing on the Internet in a European context are also highlighted.

5. Consumer factors

How do consumers using electronic environments respond in terms of behavior? Wikström, Carlell, and Frostling-Henningsson monitor consumers’ behavior over time in “From Real World to Mirror Model Representation.” An assessment of offerings on the Net is carried out using two well-established perspectives on consumer buying behavior — a cognitive decision making perspective and an emotional experience-seeking perspective. Three models of virtual representation are discussed — the Mirror model, the Synergy model, and the Virtual model. These models, in combination with empirical illustrations of Swedish consumers’ virtual buying behavior, indicate which aspects of a virtual representation consumers perceive as crucial for participation in a new buying behavior and which aspects turn them off.

In “Consumer Response to the Internet: An Exploratory Tracking Study of Online Home Users,” Fareena Sultan presents the findings of an exploratory descriptive research study that examined consumer adoption and use of the Internet in the home over time in a North American context. Who are the early adopters of Internet services? How is Internet consumer behavior changing over time? The study uses a longitudinal panel of consumers to examine Internet behavior of different segments of consumers over time. Findings suggest that at any specific point in time, preference for Internet services is positively related to income, household size, and innovativeness, and negatively related to age. Overall willingness to pay for Internet services will also decline over time. This can be related to expectations of price declines generally associated with technological products.

Keeping in line with the objective of “thinking outside the square,” Mundorf and Bryant remind us that consumer use of interactive technologies is not a new phenomenon limited to the Internet and that numerous attempts in the past to introduce such technologies have been disappointing. In “Realizing the Social and Commercial Potential of Interactive Technologies,” they explain why consumers might be compelled to use technologies offering interactivity with an ideal combination of entertainment and information. Understanding interactivity in entertainment-oriented settings potentially has additional value in terms of explaining barriers to adoption of nonentertainment interactive media, such as electronic shopping, telework, distance learning, telemedicine, and smart house technology.

6. Internet and technology factors

Finally, the third factor in the model, which cannot be disentangled from the preceding ones, looks at the medium and the access to the technology itself. At the first COTIM in 1995, studies reported on the emerging Internet user, which tended to be skewed toward the expert, affluent, male user. Penetration of the Internet has increased steadily since then, and with it has occurred a change in the profile of the typical user, slowly approaching the demographic profile of the general population. But as penetration increases, issues of access, adoption, and pricing become increasingly important in understanding how consumers will behave in
the future. Already, business models are being pursued where Internet access is provided free to users in exchange of advertising exposure, which is a consumer expectation as reported in Sultan’s paper.

In “Asymmetric Price Effects in the Telecommunications Services Markets,” Agarwal investigates the asymmetric pricing effects for a number of telecommunications services including Internet access. Discrete choice methods are used to collect the data. Asymmetries in the price effects are observed between a national and local brand in the case of local, interstate long-distance, and cellular markets, while the price effects are reasonably symmetric in the case of paging and Internet services. Agarwal uncovers that the national brands have more symmetric effects between each other, and that the asymmetries are much more pronounced between the national and local brands. In contrast to findings from the product literature, higher quality brands in telecom services do not appear to dominate in attracting nonbuyers into the market.

When we think about Internet factors and issues of access, we naturally think of a service being provided to an end-user. We tend to forget, however, the actual physical technology that is required to use the service in the first place and usually take such technology as a given. Some argue, however, that the next major expansion in Internet use will come through some kind of Internet appliance or device that would be as easy to use as a telephone for example. The first quarter of the new millennium saw a bunch of such devices, ranging from the US$99 i-Opener from Netpliance to iPaq “thin client” from Compaq. What form would such devices ultimately take is based upon how technologies will converge into a single unit, considering that consumers perceive a congruence of such technologies as a natural evolution. In “Assessing Market Structure and Company Fit Based on Consumer Perceptions in Dynamic Information Technology Markets,” Roberts and Morrison examine the convergence between computing, home entertainment, and telecommunications. Little attention has been paid to how consumers will evaluate products resulting from the combination of these industries. Ultimately, it is consumer choice that will drive the economic success of companies participating in these markets, and a precursor to that choice is a highly perceived utility. Utility in turn is determined by consumer beliefs about product attributes. Roberts and Morrison’s paper examines consumer perceptions of various existing electronic information product categories and calibrates preference for manufacturers that compete within them. It shows how manufacturers can be represented in the same perceptual space as categories, and it estimates the preference drivers of both product categories and suppliers overall, as well as supplier performance in specific categories. In particular, they examine the convergence of television sets and personal computers, and estimate how well different suppliers are positioned to take advantage of this evolving market, including strategic alliances between similar and diverse manufacturers.

7. Discussion

The framework provided by Cowles, Kiecker, and Little — and adapted in Fig. 1 — is a step forward in trying to understand and organize an area of research in a constant state of flux. The seven articles presented here provide contributions and insights in all three areas of the model and should be perceived as initial endeavors to be expanded and replicated in order to further our understanding of electronic markets. The range of methodologies here is eclectic: from key informant research to discrete choice models. As a new discipline in what we term electronic marketing, researchers in this area have the daunting task of working without safety nets and often not having the luxury of relying on existing theories or an extensive literature base. The challenge, as we see it, is to establish a research agenda that will steer future research towards a focused and meaningful objective.

8. Managerial implications

Many businesses have ventured successfully in the new electronic environment. Some are still at the learning stage and some have yet to turn a profit even though their stock value places them in the category of mega-organizations. Yet, the turbulent character of the business environment in which they operate requires that firms stay ahead of the game. The only way to reach this goal is to understand the fundamentals of what is driving the business. Conclusions from this special issue point to three areas of interest in which firms need to enhance their understanding. How much of this is unique to electronic environments still needs to be examined and more case studies of actual business ventures in the electronic world are needed to triangulate the findings observed here.

9. Directions for future research

To pursue future investigations “outside the square” and keep looking at broader issues impacting on electronic marketing and commerce, let us delve deep “inside the square.” Some studies have empirically demonstrated that even minute changes in the design and configuration of the interface of a website have significant effects on consumer attitudes and intentions (Mandel and Johnson, 1999). Also, the interactive nature of the interface may not be as strong a driver of involvement and advertising effectiveness in electronic environments as originally predicted (Fortin and Dholakia, 2000). Future research should attempt to focus on theory building through replication and empirical verification. We have a tremendous, vibrant research laboratory out there that is waiting to be investigated. The dynamic nature of this laboratory calls for innovativeness in our concepts and methods. Through partnerships with electronic busi-
nesses and ventures, we have the unique opportunity of merging academe and practice into the common goal of discovery. Let us strive to grasp that opportunity in our future investigations.

10. List of reviewers for this special issue

A number of people from around the world have been involved in the review process leading to this special issue, from original submissions to COTIM-97 up to the final selection of manuscripts to be included for publication. The coeditors would like to thank all the scholars who provided valuable input with their reviews. Below is a list of individuals who participated in the review process:

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