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Supporting the Online Consumer Decision Process: Electronic Commerce in a Small Australian Retailer

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Abstract

The paper explores ways in which online retailers of physical products can utilise the Internet to support their consumers' decision making processes. The approach followed by a small Australian retailer in selling boots online is examined. The case is analysed using theoretical constructs from consumer behaviour. It is concluded that it is indeed feasible even for small online retailers to successfully sell "look and feel" type goods such as footwear over the Internet. However, for this to occur, high levels of customer support is essential and online retailers need to engender consumer trust in terms of payment processing and product delivery.

Keywords

Electronic Commerce, Small and Medium Enterprises, Consumer Decision Process

INTRODUCTION

We continue to witness the phenomenal growth in the business use of the Internet as platform for electronic commerce. An overwhelming amount of media attention is dedicated to the Web and the potential (and risks) it holds for selling products and services online. The pioneering efforts of E-commerce companies such as Amazon, CDNOW and Dell have been well documented. E-business models continue to evolve around new and innovative approaches to selling goods and services over the Internet (Applegate 2000).

It is often argued that products such as books, CDs and branded goods lend themselves to being sold over the Internet since the customer essentially knows upfront what she will be receiving. Less attention has been paid to the viability of selling of "look and feel" type goods such as apparel over the Internet (Then & DeLong 1999). Online retailers of these types of products face some challenges, since trying on a shoe for fit and comfort can form an important part of the buying process (Blackwell et al. 2001). The problem is even more acute for small online retailers of these types of products, who may wish to target the global market. Being small often means they do not yet have an established reputation (McKnight et al. 2000; Poon 2000). For a consumer to decide to place and pay for an order in the online world of trade across national borders, different currencies and legal systems, the consumer must first trust the retailer (Jarvenpaa et al. 1999; McKnight et al. 2000). This is especially true if the monetary value of the order is significant.

This paper explores the nature of the online consumer decision process and the ways in which online retailers can utilise the Internet to support this decision making process. In particular, the approach of a case organisation in meeting the challenges outlined above is examined. The chosen case study is interesting for a number of reasons. The retailer is a small Australian business that targets segments in the global market for boots via the Internet. Although the particular brand of boots that they sell is well known locally in Australia, it is less known internationally. Hence the case organisation faces the typical challenges of gaining market share and engendering online trust as outlined above. Given the resource constraints of a small business they turn to innovative approaches in order to meet these challenges.

The paper is structured as follows. First a series of fundamental stages that a consumer goes through in deciding to buy a product and choosing a supplier is identified. This is done by drawing upon theoretical constructs from the consumer behaviour discipline. It is then examined how retailers can use Internet-based facilities during each of the stages to support the buying decision of their prospective customer. The approach followed by the case organisation is described and categorised according to the stages of the consumer decision process. The paper concludes with the learning points from the case organisation's approach. Areas that warrant further research attention are indicated.

THE CONSUMER DECISION PROCESS

In most developed countries, the period after World War II marked a huge proliferation in the range of goods and services available to consumers. The explosion of variety on offer introduced new complexities for

marketers seeking to understand consumer behaviour (Horton 1984). As a result there were a number of attempts to develop formal, comprehensive theories and models of consumer behaviour during this time. Early attempts include the models of consumer behaviour developed by Alan Andreasen (1965), Francesco Nicosia (1966) and the Howard-Sheth theory of buyer behaviour (1969). These attempts vary in sophistication, but generally model consumer behaviour by means of a set of interrelated internal and external variables, decision stages, and information flows, that seek to explain how consumers think, evaluate and act. Criticism of these early attempts were that they are either too complex (attempting to integrate all types of purchasing behaviour into one comprehensive model), or, on the other hand, too simple (not addressing key behaviours or external variables).

The CDP Model

Since these early modelling efforts, the field of consumer behaviour has advanced into a more established discipline. Newer and more focussed buyer behaviour models have evolved over time. One such model, the Consumer Decision Process (CDP) model of Blackwell, Miniard and Engel (2001) has become one of the established models of buyer behaviour. It's origins date back to 1968 (when it was known as the EKB model after its original developers Engel, Kollat and Blackwell). Since then the model has been periodically revised and refined as knowledge of consumer behaviour has developed over time. The dawn of the Internet era has triggered renewed interest in understanding consumer behaviour, especially in the online world of electronic commerce.

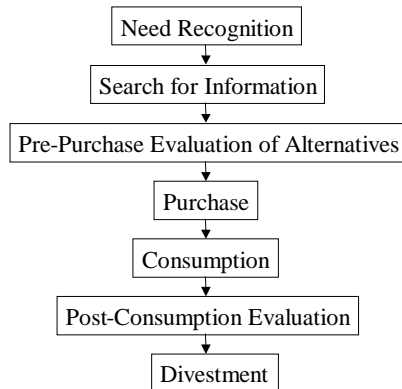


Figure 1: Fundamental stages of the Consumer Decision Process (CDP) (Blackwell, Miniard & Engel 2001)

The CDP model is drawn upon here for three reasons. First, the latest revision of the model (2001) encompasses contemporary trends such as the purchasing of goods over the Internet by individual consumers. In this respect the model provides one useful theoretical lens with which the case data can be analysed. Second, the CDP model can be applied to examine buying decisions at varying levels of detail. At an abstract level, the CDP model consists of seven fundamental stages (see Figure 1). Although these stages can be criticised as being overly simplistic and normative (O'Keefe & McEachern 1998), more detailed perspectives pertaining specifically to electronic commerce purchasing behaviour may be 'housed' in the model at this level of abstraction. Third, related research in the electronic commerce field can be drawn upon that has also used frameworks corresponding to the main stages of the CDP model (e.g. Maes et al. 1999; O'Keefe & McEachern 1998). For example, the consumer buying behaviour (CBB) model (Maes et al. 1999) has been used to frame the roles of automated agents as mediators in e-commerce. The stages of the CBB model are largely consistent with the CDP model, but have been adapted to classify specific facets of buying behaviour that can be automated by agent technologies. For the purpose of the research reported here it was decided to rely upon the more general notions in the CDP model instead. The stages of the CDP model are now briefly described.

Need recognition

In the CDP model the starting point for any purchase decision is when a consumer recognises some need or problem. Need recognition occurs when a consumer perceives a difference between an ideal versus the current state of affairs. A complex mosaic of stimuli and influences affect the way in which consumers perceive their current state of affairs and their problems and needs. Culture, social class, personal influences, family, reference group, motivation, knowledge, attitudes, personalty and values are but a few of the influences that may trigger need recognition. Furthermore, as consumers change and progress through life stages, so do their problems and needs evolve and change. These complex dynamics ultimately manifest in consumer trends that marketers need to constantly monitor and develop appropriate strategies in response to.

Search for information

Once an unmet need is recognised, the consumer begins searching for information and solutions to satisfy that need. At a detailed level, the CDP model describes this search as either internal (retrieving knowledge from memory) or external (collecting information from peers, family, the marketplace or the Internet). In terms of external searches, consumers may search actively (e.g. via focussed research, visiting retail outlets, checking out company websites) or passively (e.g. just paying more attention to advertisements). The intensity of information search usually depends on the on the monetary value of the purchase.

Pre-Purchase Evaluation of Alternatives

The next stage in the CDP model is the evaluation of alternatives identified during the information search process. Consumers compare what they know about different products and brands with what they consider important before resolving which one to buy. Consumers use new and previous evaluations to select products, services, brands and stores that they perceive as most likely to satisfy their specific need. Different consumers employ different evaluative criteria, which are again dependent on a wide array of personal and environmental influences (as in the need recognition stage). Consumers may specifically monitor attributes of the product or service (brand, price, size, quality, fit, etc.), but also aspects pertaining to the outlet itself (e.g. consumer traffic, cleanliness and personal attention received).

Purchase

The purchase stage in the CDP model consists of two sub-stages and occurs once the consumer has made the decision to buy the product or service. In the first stage the consumer finalises his/her choice of retailer from the alternatives investigated (including the particular form of retailing e.g. catalogue, direct sales, TV order, Internet). The second phase involves "in-store" choices such as dealing with a specific sales person, selecting mode of payment, etc.

Post-Purchase Stages

Once the purchase has occurred the CDP model describes three post-purchase stages. The consumption stage occurs when the consumer takes possession of the product and proceeds to use it. This gives rise to a post-consumption evaluation stage that results in a sense of satisfaction/dissatisfaction with the product or service. These outcomes are stored in memory, are possibly fed back to other members of the social group and are relied upon in future purchasing decisions. The final stage in the CDP model concerns divestment when the consumer decides to dispose of, recycle or sell (remarket) the product.

SUPPORTING THE CONSUMER DECISION PROCESS VIA THE INTERNET

This section examines some of the Internet facilities that marketers can utilise to support their potential customers' decision making processes. The CDP stages are used as a backdrop and the discussion is narrowed down to issues pertaining to the marketing and sale of consumer products over the Internet. These issues are primarily examined from the retailer's perspective.

Need recognition

The Internet has evolved into a powerful medium that marketers can utilise to address consumer needs (Castells 1996). Online retailers can target the needs of consumer segments that are often too small for location-based outlets (Blackwell et al. 2001). Internet facilities that marketers can use to trigger need recognition include banner advertising on related websites and promotion of their website URL on associated material (e.g. on the packaging of products, marketing brochures) (O'Keefe & McEachern 1998). Use of E-mail list servers (emailing lists) and agent technologies to alert past consumers of new products, releases or related offerings also fall into this category (Maes et al. 1999).

Search for information

Depending on their access and proficiency with the technology, online consumers have a range of search mechanisms at their disposal. New electronic intermediaries have emerged to broker links between potential consumers and suppliers (Zwass 1996). Examples include portals, Web directories, Web-based search engines, focused directories and information brokers (O'Keefe & McEachern 1998). The emergence of XML (and its derivatives) is claimed to open up possibilities for more precision compared to the "flat" HTML-based searches that often result in an overwhelming number of inappropriate "hits". Advances in software agent technologies seek to automate some of the more time-consuming aspects of online searches where human judgement and intervention is still necessary to collect and interpret information on merchants and products (Maes et al. 1999).

Retailers need to ensure their websites are accessible via these established and emerging search mechanisms. This is by no means a trivial task and retailers need to carefully consider the search criteria and typical keywords that their potential consumers may use when searching for information about their products.

Internet-based retailers can utilise mechanisms such as internal search facilities, structured interaction and question/answer sessions to support the information search of the potential consumer once their website is accessed (O'Keefe & McEachern 1998; Wan 2000). In this respect, retailers need to ensure that their web-based information content, website design and navigation are appropriate to the typical search behaviour of their target consumers (Huizingh 2000; Lohse & Spiller 1999).

Internet-based retailers can gain useful insights about the search behaviour of consumers by analysing the web traffic on their sites (Artz 2001). The saying that the competitor is only a click away applies to all websites, especially poorly designed websites.

Pre-Purchase Evaluation of Alternatives

Once the consumer has identified a number of possible alternatives for satisfying his or her unmet need, a variety of factors come into play, especially in the online world. The online consumer not only compares product and pricing alternatives, but also assesses the potential risks associated with the intended purchase from a supplier that may be operating in a different country, time zone, currency and legal system (Jarvenpaa & Todd 1997). In this respect, consumer trust of the Internet-based retailer is a key consideration (Jarvenpaa et al. 1999).

Tan & Thoen (2000-2001) argue that consumer trust is a factor of party trust (the online retailer itself), but also trust of the controls (e.g. security/encryption mechanisms, delivery agents, return policy) that the retailer employs to reduce the risk to the consumer as a result of the transaction. Consumer trust has both objective (largely factual) and subjective (largely perceptual) dimensions. For example, the display of logos, brands and affiliations on websites may enhance the perceived reputation and trust of the retailer (McKnight et al. 2000).

The selling of products such as books, CDs and branded goods over the Internet is well documented. Retailers of digital products such as music or computer software often give away samples or demonstration versions of their products for consumers to evaluate before purchasing. In these respects, online retailers of "look and feel" products may be at a disadvantage, because trying on a shoe for fit and comfort can form an important part of the buying process (Blackwell et al. 2001). Visual, tactile, and kinesthetic senses are all thought to be important in selling apparel (Then & DeLong 1999).

In terms of evaluating price alternatives, online retailers operate the "fish bowl" environment of the Internet. Compared to location-based shopping, both online consumers and competitors alike can quickly compare prices. Using Internet-based aggregators and cross-firm comparisons, online consumers can easily compare prices of selected products across different online retailers (Kaufman & Wood 2000). Competitors immediately know (and can even automatically follow suit) when a leading online retailer lowers price. Online consumers can also turn to Internet-based discussion groups, FAQs and other summaries to compare alternatives pre-purchase (O'Keefe & McEachern 1998).

Purchase

Once the consumer has decided on a supplier from which to purchase the product(s), he or she typically needs to interact with the website to specify the exact order, quantity, mode of payment and delivery preferences. Internet facilities supporting this include typical "shopping cart" mechanisms, processing of payments online (by means of credit card transactions, electronic cash, authentication, etc.) (Turban et al. 2000; Zwass 1996). Compared with digital goods that may be e-mailed or downloaded over the Internet once purchased, retailers of physical products need to consider the logistics of shipping the product to the consumer. Issues such as taxation and insurance also need to be addressed. Shipping costs tend to be based on volume and/or weight and are typically included upfront as part of the total purchase price. Online retailers usually make use of third party intermediaries to ship orders purchased over the Internet. These intermediaries may also provide auxiliary services such as in-process tracking of deliveries via the Internet (Angehrn 1997; Farhoomand & Ng 1999).

Post-Purchase Stages

Once the consumer takes possession of the product and proceeds to use it, the online retailer may engage in a variety of post-sale activities. Internet facilities to support consumers post-purchase include customer support via email or the Web, the creation of user groups, newsgroups and moderated discussion groups (O'Keefe & McEachern 1998).

The particular approach followed to support the online consumer decision process is now examined in the following case.

CASE STUDY: THE STITCHING HORSE BOOTERY

The Stitching Horse Bootery is a small Australian boot retailer that operates from a physical store located in Richmond, Melbourne. The business was founded in 1977 when the store operated as a retail outlet and a mail order operation. The store mainly stocks Australian-made boots, but also some belts, coats, hats, moleskin pants and related accessories. The main product range is a traditional brand of Australian elastic sided boots. Although this particular brand is well known in Australia (and almost regarded as an Australian icon), the brand is less known internationally.

In the late 1990's the owner of the business, Barry Michaels, saw an opportunity to extend his physical business via the Internet, based on the number of international tourists visiting his physical store. He "wanted to stretch the shop window beyond Bridge Road". As a result, the "Bootsonline" website (www.bootsonline.com.au) was developed. Today the business generates about 40% of its total sales via the Bootsonline website, mainly from customers in the USA, UK and Europe.

Data collection and analysis

Data for the case was collected between February and May 2001. The study aimed at using a flexible data gathering strategy and to find a representative set of data (Benbasat et al. 1987). Mainly qualitative data, but also some quantitative data was collected. A variety of data gathering techniques were utilised (Darke et al. 1998). These included an initial open-ended discussion with the owner, a visit to the physical store, follow-up discussions on issues raised during the initial contact, e-mail exchanges and inspection of the Bootsonline website. An additional data source was an ABC educational video series on E-business in Australia in which the owner was interviewed about Bootsonline. The data was analysed by iterative tabulation against a range of theoretical constructs (Eisenhardt 1989). This process yielded a number of perspectives on the case, such as the analysis that follows below. To assess internal validity (Yin 1989), the case write-up was shared with the owner to check for possible errors and omissions.

Analysis of Bootsonline.com.au

The approach followed by Bootsonline, and their use of Internet facilities at various stages of the consumer decision-making process, can be analysed as follows.

Need recognition

Given its size and financial limitations, the business cannot afford to engage in massive advertising campaigns. Although the owner has experimented with limited advertising, for example in selected in US based lifestyle and in-flight magazines, the returns on such initiatives did not warrant the very high costs.

Despite the relative unfamiliarity of the boot brand internationally, films in the late 1980s like *Crocodile Dundee* and *The Man from Snowy River* exposed the Australian bushman and his attire to the world. These films, the rub-off effect from the opening ceremony of Sydney Olympic Games, and the fond memories of tourists who visited Australia make up a complex array of stimuli that can prompt an online consumer abroad to consider buying a pair of boots in Australia via the Internet.

For Bootsonline it makes sense to address this need since that enables them to effectively do business all year round. When it is summer in Australia, it is winter in the Northern hemisphere (the season that boots usually sell best). By having an online component, the business is thus less susceptible to seasonal fluctuations in local demand.

Details of online purchases are recorded in a database and this serves as a useful mechanism to generate repeat business. Bootsonline occasionally sends out e-mails to that effect to stimulate need recognition.

Search for information

In a sea of Internet websites and in the absence of extensive promotion, the challenge is how Bootsonline can capitalise on need recognition. They need to ensure that their website is one of the first alternatives ("hits") when a prospective consumer searches for information on the Internet to satisfy his/her unmet need. The owner did experiment with banner ads on thematically related websites, but that did not result in sufficient click-through traffic. Having their link on internationally known websites (e.g. Amazon.com) is prohibitively expensive. Instead, most of the effort is channelled towards ensuring their website comes up trumps in Internet searches.

This can be regarded as a “keyword marketing” approach. Likely meta search keywords relating to the Australian bushman/riding image are embedded in the Bootsonline homepage (see Figure 2). In addition, the owner has registered a number of related domain names all pointing back to bootsonline.com.au.

```
<meta name="keywords" content="boots, boot, Boots, RM Williams, rm williams, Akubra, moleskin, Australia, riding, bushman, turnout, craftsman, oilskin, drizabone, birkenstock">
```

Figure 2: Meta search keywords embedded in the Bootsonline homepage

The Bootsonline homepage sports a professionally designed company logo in line with the Australian bushman style. The website is structured hierarchically along product lines. The owner stresses the importance of simplicity and ease of use. Small (“thumbnail”) images of the all the types of boots within a product line are displayed to reduce download time. Once the customer selects a particular pair of boots, a larger and more detailed image is displayed. One of the design aims with the website is “not to stop customers window shopping”. In line with this principle there are few links to other websites from the site.

Pre-purchase evaluation of alternatives

In selling boots the owner believes “comfort is the issue”. Shoe size classifications differ in the US, UK and Europe. Customers order on the Bootsonline website using the size and classification with which they are familiar and are supplied with the correct corresponding size. This approach is successful and less than 1% of the sales are returned due to incorrect size.

A frequently asked questions (FAQ) list is maintained on the site that covers issues such as which size to order, the return policy, security of credit card details over the Internet, costs and duration of shipping, import duties and taxes, and currency questions.

A typically shipment is around A\$300 and Bootsonline takes various steps to gain the trust of the online consumer. Party trust (Tan & Thoen 2000-2001) is engendered by placing testimonials (in the form of extracts from e-mails) of past customers on the website, along with their e-mail addresses. A photo of the owner as well as his signature appears on the website “so customers can see who they are dealing with” and “to have the same personal experience as when they walk into the physical store”. The owner responds in person to most e-mail enquires from customers. He notes, “for a customer 10000kms away to take a leap of faith and buy boots over the Internet, personal service is essential”. There are typically between 4 to 8 e-mail cycles, from first inquiry to purchase. The owner signs all his emails with his first name, and addresses customers in the same manner. He noted that “it’s amazing how powerful e-mail is to generate a personal experience. It’s even better than the shopping experience in a physical store.” Lastly, the telephone, phone, fax, email and physical address details of the store are prominently displayed on the website.

Control trust (Tan & Thoen 2000-2001) is also engendered in a number of ways. To ensure transaction security customers are given the option to request phone verification of the order and credit card details. He states “most customers are baffled with this level of service when they receive a voice call after having placed an online order”. A reputable third party is used to ship packages to customers. The logo of the third party shipping agent is prominently displayed on the website.

Purchase

Commercial shopping cart software is used to take online orders. Prices are quoted in Australian and US dollars and there is a link to a currency converter on the site. Various credit cards are accepted. A secure HTTP server is used to enhance the level of security in transmitting credit card details (if the customer does not request phone verification). As soon as a delivery is shipped, Bootsonline emails the customer the expected date and the tracking details of their delivery by the third party shipping agent. Boots usually arrive at their international destination within a few days after the purchase.

Post-purchase stages

Very few boots are returned, and the return policy of Bootsonline is that boots will be exchanged should the customer not be satisfied with the product, provided the boots are returned in an unworn condition within 30 days. In this case the customer incurs the cost of the return freight.

Repeat purchases account for much of the sales and some customers make in excess 4 or 5 purchase over time. The business also thrives on a sizeable number of referrals from existing customers.

Phone verification of orders provides Bootsonline with an additional opportunity to “cross-sell” other products.

Post consumption evaluation is reflected in the numerous emails that the owner receives from customers following the receipt of their shipment. He attributes these “thank-you” emails to the level of personal service that the business seeks to deliver and these again serve as testimonials for future customers.

CDP Stage	Examples of Internet support for stage	Bootsonline Internet support
Need recognition	<ul style="list-style-type: none"> • Banner advertising on related websites • E-mail list servers • URL on physical material • Newsgroups • Event notification 	<ul style="list-style-type: none"> • Limited use of e-mail notification
Search for information	<ul style="list-style-type: none"> • Portals and Web directories • Web-based search engines • Focused directories and information brokers • Internal search facilities on website • Click through via related sites • Software agents • HTML meta search keywords • XML (and its derivatives) 	<ul style="list-style-type: none"> • HTML meta search keywords associated with Australian bushman/riding image • Simple website design
Pre-purchase evaluation of alternatives	<ul style="list-style-type: none"> • Display of logos/brands/affiliation on websites to enhance perceived merchant reputation and trust • Structured interaction and question/answer sessions • Aggregators/Cross-firm comparisons • Discussions in newsgroups • Provision of evaluative models • Samples and trial • FAQs and other summaries • Pointers to and information on existing customers 	<ul style="list-style-type: none"> • Highly personalised e-mail responses to consumer enquiries • FAQ • Testimonials of satisfied customers on website • Owner’s photo and signature on website to personalise sale and engender consumer trust • Option of phone verification of order and payment details
Purchase	<ul style="list-style-type: none"> • Electronic cash and virtual banking • Product or service ordering (e.g. shopping carts) • Security and control mechanisms to engender transaction trust • Online payments • Logistics providers and package tracking 	<ul style="list-style-type: none"> • Use of commercial shopping cart for taking orders • Option of phone verification of order • Use of third party shipping agent and package tracking
Post-purchase stages	<ul style="list-style-type: none"> • Customer support via email/Website • Newsgroups • User support groups • Moderated discussion groups 	<ul style="list-style-type: none"> • Customer support via email • Testimonials of satisfied customers on website

Table 1: Summary of Internet support for CDP stage and Bootsonline approach

DISCUSSION

The case organisation has turned to innovative approaches in order to meet the challenges of selling a “look and feel” type product over the Internet. From the summary in Table 1, it is interesting to note that the organisation has continued to use a fairly basic set of Internet facilities over the years (even though they could have opted for more advanced facilities). Their website remains simple, and they are intent on keeping it that way.

In terms of their strategy to gain a share of the online market, their approach basically rests on their “keyword marketing” (as opposed to other avenues). Via their choice of meta search keywords they seek to capitalise on the images of Australia as stored in the memories of international consumers.

Their approach to gaining and keeping online customers is to provide a high level of personalised service (mainly via e-mail). The website functions as their 24 hour "shopping window" (in line with the owner's original vision) and e-mail is heavily used to ensure the customer receives individual attention and is ultimately satisfied with the boots they receive. Their online approach can be classified as emulating the real-world buying experience (with an emphasis on personal service) in the same spirit as when customers walk into their physical store. Naturally, the key difference between the two contexts is that in the online world, products are typically paid for in advance and only received a few days afterwards. This raises the issue of trust and in this respect the case organisation again adopted a personalised approach to engender online trust.

The case illustrates that "look and feel" type goods can successfully be sold over the Internet. It also hints that in order to achieve this, a high level of customer service is essential. The approach adopted by the case organisation towards their online business seems to support the often-stated view that E-business is just business and that successful e-businesses are defined by their attitude towards their customers (Applegate 2000).

The CDP model has been useful to capture the essence of how Internet technology can be used to support the online buying decision. The observations in the case could quite easily be classified according to the stages of the model.

In terms of the applicability of the observations from the Bootsonline case reported here to other online contexts (Baskerville & Lee 1999), it is argued that the approach could be replicated, but under the condition of similar levels of associated personalised service. In the case organisation, the owner handles most emails personally, and although some automation is introduced via email macros, this personalisation amounts to a hefty workload. In contexts where there is a much higher business volume, it may become impossible to replicate this particular approach.

CONCLUSION

The case study illustrates that the Internet can indeed be a feasible sales channel for "look and feel" type goods such as footwear. The success of such a venture seems however to depend on the level of personalised customer support in addressing the types of consumer questions associated with the product (e.g. fit, quality) that cannot readily be assessed via the Internet. Given that in online retailing, products are typically paid for in advance and only received a few days afterwards, success also seems strongly dependent on the level of consumer trust that the online retailer engenders in terms of payment processing and product delivery.

The findings of this study need to be assessed in other contexts, notably to examine how larger order volumes can effectively be processed, whilst still providing a sufficient level of customer service.

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