

Chapter 4.12

Proflightstore.com: Developing an Online Store for the Niche Market

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ABSTRACT

This chapter explores the possibilities for small and medium-sized enterprises (SMEs) to find their way to success in e-business. The basic assumption of this chapter is that the Internet allows SMEs to access the niche markets which have not previously been accessible to them. We are presenting a case study of one Croatian online store developed as a portal which targets the niche market and our focus is on the following issues: subcultures as niche markets, criteria for selecting suppliers, developing a new brand, designing an online store as a portal in order to attract visitors, and opportunities for growth. The authors hope that presenting this particular case will help small companies to take into account niche markets when designing their online stores, but also it will help researchers to further explore niche markets as a possible business strategy for SMEs while entering the e-commerce arena.

INTRODUCTION

The development of the Internet and e-commerce as interrelated phenomena has given small and medium enterprises (SMEs) a new opportunity to present themselves to the global market, both to business-to-consumer (B2C) and business-to-business (B2B) markets. However, it is not realistic to expect SMEs to be able to compete on the mainstream markets with major players like Fortune 500 companies. Therefore, most SMEs found their way to success in e-business by entering niche markets (Barnes, Hinton, & Mieczkowska, 2004).

Firms that pursue niche market strategy are able to make extra profit (Porter, 1998). Those firms focus on the smaller part of the market which is growing fast and which is not yet captured by other firms. The Internet allows SMEs to access the niche markets which have not previously been accessible to them.

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The objective of this chapter is to present the process of developing an online store, developed as portal, for targeting the niche market. The case study approach will be used (Yin, 2003) to answer “how” an online store that targets the niche market was developed and marketed, and “why” niche market strategy was used. The focus of the case study is on the contemporary phenomenon according to which small firms use the Internet as a medium to enter a particular market and to even outmatch the existing competitors who have already established a strong competitive position on the “brick and mortar” market. In addition, the purpose of the case study is to clarify some uncertainties surrounding both the development of online stores by SMEs and to use the established online store for entering niche markets:

- Could a particular subculture be used as a market niche?
- What are the criteria for selecting suppliers?
- Should the firm sell the existing brands or try to develop its own brand?
- What are the most efficient ways of attracting visitors to the online store?
- What is the influence of design on the shopping habits of visitors to the online store?
- Should the firm try to open another online store in order to “scare away” competition?
- What is the possible income from selling advertisements?
- What are other opportunities for growth?

BACKGROUND

The development of modern national economies relies not only on big corporations, but also on SMEs which are often an important generator of growth. In Croatia, for instance, in 2006 there was a total of 72,000 companies, 93% of which were SMEs. The Government of the Republic of Croatia stressed in its strategy of economic development entitled “Croatia in the 21st century”

that SMEs were the main generators of economic development. However, in the era of globalisation SMEs stand the smallest chance of survival, so that one may rightfully question how realistic it is for Croatian SMEs to fulfil such high expectations set by the creators of economic policy. It has been shown in the last couple of years that Croatian SMEs stagnate due to increased competition and higher client demands. On the other hand, the Internet economy fosters the remarkably speedy growth of the national economy because it allows SMEs to direct their marketing strategy toward dislocated markets at smaller business costs. The use of advanced information technologies makes it possible to establish personalised contacts with buyers within the Internet economy, which improves the quality of customer relations. In addition, the growth of e-commerce allows SMEs to achieve competitive advantage if they manage to adjust in a timely manner to the changes of the Internet market. It should also be mentioned that in the Croatian economy, significant growth is recorded in tourism, but also in retail trade. Finally, the Internet users perceive online sales and advertising as increasingly important factors in making their buying decisions (Malic-Bandu, 2006).

The Croatian Internet market (Gfk, 2006) is characterised by a significant number of firms with Web pages which are mainly used as marketing channels. It should be mentioned that only a small number of firms use Web pages as their delivery and selling channel. The number of Internet users in Croatia is one million (45% of the population older than 15), and the total value of e-commerce transactions was over 60 million euros in 2006. According to several researchers (Gfk, 2005), the typical Internet users in Croatia include people from urban areas who have access to the Internet. In contrast, this is true only for a smaller percentage of people from rural areas. Most Internet users come from the Croatian capital city—Zagreb and towns on the Adriatic coast. Approximately one third of men have access to the

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