

Chapter VII

Evolving a Strategy for Web-Based Shopping Systems

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ABSTRACT

The world is witnessing a continuous expansion of electronic commerce into the global digital economy. As an enabler of new businesses, Web-based shopping systems (WBSS) are at the heart of the major issues surrounding electronic commerce growth. Their wide use has profoundly altered the ways in which businesses and customers, and businesses and businesses interact on the basis of digital transactions. Despite the importance of WBSS, the theoretical study of their strategies has been sparse. This article offers a theoretical analysis of evolutionary processes in WBSS strategies. For that purpose, we propose a classification model of WBSS. Based upon the model, WBSS are classified into four types: (1) general-direct-sales (GDS); (2) general-intermediary-sales (GIS); (3) specialized-direct-sales (SDS); and (4) specialized-intermediary-sales (SIS). On the basis of these four categories of WBSS, we analyze the characteristics of WBSS and suggest five evolution strategies for WBSS, which have implications for both theory and practice. Amazon.com's strategic movements, such as product line expansion through alliance and acquisition, provide an exemplary case of the evolution of WBSS strategy. We expect that this article will serve as a guide for Internet businesses and as a catalyst for new research agendas relevant to web-based shopping and electronic commerce.

INTRODUCTION

Electronic commerce has been actively diffused on the basis of advanced Internet technologies, enlarging its sphere of utilization and the scale of the global electronic market radically (Feeny, 2001; Looney & Chatterjee, 2002; Kraemer & Wigand, 2004). The most well-known Internet business models are the so-called dot.coms, which have adopted several types of Web-based shopping system (WBSS) applications (Porter, 2001; Kim & Galliers, 2006; Kim et al., 2007). Dot.coms are located around the world and are pursuing a variety of opportunities as global marketers, interacting with global customers and businesses through the Internet (Howcroft, 2001; Worthington & Boyes, 2001; Rifkin & Kurtzman, 2002; Thomas et al., 2005).

However, early in 2000, many dot.com companies collapsed. The lesson learned is that making money on the Internet is still not easy, which makes it necessary to create new ways of doing business (Gulati & Garino, 2000; Paper et al., 2003; Thomas et al., 2005; Holzwarth et al., 2006). Even though many dot.com companies have disappeared and competition is getting severe, the diffusion of Web-based shopping businesses is continuous, increasing in both the number of customers and the volume of business (Kim & Galliers, 2006; Kim et al., 2007).

The aim of this chapter is to address what WBSS must do to survive and prosper continuously. We insist that the appropriate evolution strategy can be one of the most critical factors. To verify our premise, we classify four types of WBSS models, analyze the characteristics of each WBSS model and attempt to address the evolutionary path of each WBSS strategy. We show the case of Amazon.com's evolutionary path as an example to demonstrate our theory. Thus, we expect this study to serve as a useful guide for researchers to build theoretical e-commerce models and for practitioners to make plans for their Internet businesses.

WEB-BASED SHOPPING SYSTEMS

Web-Based Shopping in E-Commerce

According to Arlitt et al. (2001), web-based shopping aims to personalize online shopping to provide global interactive business, customer convenience and global market efficiency, which implies that Web-based shopping belongs to the B2C e-commerce business model. As of yet, there is no agreed upon terminology for Web-based shopping (Van Slyke et al., 2002). There are, however, many terms in use, which include Internet mall, virtual mall, cyber mall, electronic mall, virtual storefront, online storefront, online store, online shopping mall, electronic shopping mall, Internet shopping mall, electronic shopping systems, cyber mall systems and WBSS. Generally, WBSS are described as Internet-based shopping systems for selling and buying products, information and services. They are classified by transactions patterns (Arlitt et al., 2001), which include e-tailers such as the virtual merchant, clicks and bricks, manufacturer direct, and the market creator. Therefore, we limit the scope of research to part of the business to consumer (B2C).

Web-Based Shopping Systems

WBSS have been researched from two viewpoints: business and technical. Studies focusing on the business aspects explored the phenomenon of Internet business through websites, online stores, and virtual markets as a limited concept of WBSS (Nour & Fadlalla, 2000; Heijden, 2003). Spiller and Lohse (1998) identified five different types of Internet retail stores: Super Stores, Promotional Store Fronts, Plain Sales Stores, One Page Stores, and Product Listings. These are classified by size, type of services, and interface quality. However, this classification system does not consider the technical aspects of the Internet.

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