
INTRODUCTION

Special Issue on Conducting Business in the New Electronic Environment: Prospects and Problems

Ruby Roy Dholakia
THE UNIVERSITY OF RHODE ISLAND

Discussing the business prospects of the Internet and World Wide Web (WWW) is like discussing the Gold Rush of the 19th century (Dholakia, 1995). Growth rates—of host sites and individual users—have been explosive, and the media attention has been euphoric. “The Net promises to wipe out technical and geographical hurdles that have been holding back the Information Revolution. The Internet is now the center of the computing universe” (*Business Week*, April 3, 1995, pp. 118–124.). The popularity of text-based communications such as e-mail, news groups, discussion groups, bulletin boards, and chat lines have laid the groundwork for the rapid growth of Internet. Invention of the multimedia WWW protocol has opened up new vistas of Internet usage and electronic commerce.

New marketing technologies usually offer advantages that enable certain firms to grow rapidly by seizing the opportunities offered by a new technology. Catalog merchandisers like L.L. Bean and Land’s End were quick in utilizing new telephone ordering systems and shipping methods. Television shopping technologies created new billion-dollar companies, such as Home Shopping Network. The Internet also promises to confer advantages on firms whose operations and strategies fit well with the characteristics of the Net.

Many are betting that the Internet and the WWW will become the center of the commercial universe. The Internet, of course, is an ideal marketing medium for companies in the information technology industries; most customers of such industries are already connected and Net savvy. Sun Microsystems uses its website to not only provide company and product information but also to disseminate the SunWorld electronic magazine. Digital Equipment Corporation (DEC) provides product information and also makes it possible to order DEC

products from an online catalog. Other businesses with more traditional, physical products, such as flowers and wines, have also achieved success with the new electronic media.

Despite very low costs of creating a presence on the Net, not every foray into the Net has led to a pot of gold. Optimistic sales predictions of more than \$45 billion by the year 1998 reflect the anticipations of many businesses; yet, total sales on the Internet barely exceeded \$400 million in 1995 (ActivMedia, 1996). As Dholakia (1995) and Berthon, Pitt, and Watson (1996) suggest, much research needs to be done to understand how commerce on the Net can be successfully conducted.

COTIM95

To discuss the potential of Internet commerce, to describe the strategies currently being used and to analyze the problems faced by businesses, users, and regulators, the first international conference—COTIM95—was held in November 1995 in Newport, Rhode Island under the sponsorship of the Research Institute for Telecommunications and Information Marketing (RITIM), College of Business Administration, The University of Rhode Island. Scholars and practitioners from several countries participated in the 3-day conference to analyze and review the prospects and problems for conducting business in the new electronic environment. Papers presented at the conference are available in the Proceedings (Dholakia and Fortin, 1995).

This special issue grew out of COTIM95. Authors were invited to present their papers at COTIM95 based on a review of abstracts submitted in response to a call for papers. After the presentations at the conference, selected authors were then invited to submit their papers for a blind review; reviewers were colleagues in marketing and communication studies who had not attended the conference but agreed graciously to review the papers. Each paper was critiqued by two reviewers.

Address correspondence to Ruby Roy Dholakia, Research Institute for Telecommunications and Information Marketing, College of Business Administration, The University of Rhode Island, Ballentine Hall, 7 Lippitt Road; Kingston, RI 02881.

All individuals who participated in the various stages of the review process are listed below. Without their constructive comments, the authors would not have been able to improve their papers. I am grateful to these colleagues for their assistance, which made my tasks as guest editor relatively easy.

Special Issue

Seven articles have been included in this special issue on "Conducting Business in the New Electronic Environment: Prospects and Problems." The enthusiasm for the Net is evident in each of the articles; each author also cautions against uncritical endorsement of the Net.

Recognizing the Net's potential for targeted marketing, Sivadas, Grewal, and Kellaris examine the use of newsgroups as a micro marketing tool in "The Internet as a Micro Marketing Tool: Targeting Consumers through Preferences Revealed in Music Newsgroup Usage." They describe an empirical study that uses the Net itself as a data collection tool to investigate the predictive value of usenet newsgroup usage. Building on the assertion that membership in newsgroups reflect consumer involvement, the authors find that newsgroup membership is a better predictor of consumption related to newsgroup products and/or services than are demographics. The authors use music newsgroups as the context within which to execute the study. The authors conclude that usenet news-groups allow marketers to identify narrow segments of consumers who can be directed to the marketers' web sites.

Whether consumers visit a web site as a result of such targeted messages or due to accidental exposure after exploratory browsing behaviors, Eighmey and McCord contend that continuing use of a medium is the critical issue faced by online marketers in "Adding Value in the Information Age: Uses and Gratifications of Sites on the World Wide Web." The phenomenal growth of websites has meant thousands of choices for consumers who can find information presented in diverse formats, from simple text to live video. Whereas measurement of audience size and website traffic remains a challenging issue, repeat visits become a key objective. Adopting the uses and gratifications perspective from the mass communications literature, the authors identify several factors that describe consumers' repeated visits to selected web sites. Based on these results, they draw some conclusions regarding effective planning and design of websites.

The measurement of communication effectiveness is also discussed by Klein in "Evaluating the Potential of Interactive Media through a New Lens: Search versus Experience Goods." Instead of focusing on numbers of visitors, Klein proposes a transformation process that affects information search behavior in ways unique to the new media. Specifically, the author argues that experience attributes are transformed such that prepurchase information search for experience goods becomes both possible and less costly. Klein suggests that the impact

of this transformation process needs to be taken into account to assess the potential of the new interactive media.

If the transformation process can alter the experience attributes of a product, then the Net may be of particular significance to those competitive contexts where a service offers same or similar benefits as a tangible product. Advancements in technologies have made this competitive context increasingly common, and this context is the focus of Fortin and Greenlee's article titled "Using a Product/Service Evaluation Frame: An Experiment on the Economic Equivalence of Product versus Service Alternatives for Message Retrieval Systems." In this article, the authors try to determine whether consumer evaluation of perceived quality, perceived value, and willingness to buy vary for two temporal price frames and find several differences. The study provides support for the theoretical explanation that consumers do not engage in the mental accounting computations necessary to consider the options economically equivalent.

In addition to the attraction as a communications medium, the Internet and the WWW have gained attention as a potential channel of distribution. Some have even argued that electronic markets will eliminate the need for intermediaries and that direct contact between manufacturers and consumers will bring down the cost of transactions and the price of the final product (Benjamin and Wigand, 1995; Office of Technology Assessment, 1994). Not so argue Sarkar, Butler, and Steinfield in their article "Cybermediaries in Electronic Marketplace: Toward Theory Building." Using transaction cost analysis, the authors contend that specialized channel opportunities will develop as a result of the new electronic media and intermediary organizations will develop to take advantage of these opportunities.

Roberts and Morrison look at new channels of distribution in their article "Matching Electronic Distribution Channels to Product Characteristics: The Role of Congruence in Consideration Set Formation." The emphasis is on the short-term potential for new delivery vehicles for banking services. Consumer perceptions seem to suggest that there is very little congruence between banking services and new distribution methods, and it is clear that at least in the immediate future, it will be an uphill battle to convince consumers of the benefits of new vehicles.

The final article by Cook and Coupey examine "Consumer Behavior and Unresolved Regulatory Issues in Electronic Marketing." Recognizing the fundamentally different structure of the WWW, and the differences in consumer access to and usage of WWW, the authors question whether our understanding of consumer behavior is sufficient to extend current legislations and regulatory approaches to electronic markets or to develop new ones. They provide a framework that describes the influence of interactive media on three different levels with each level associated with a different information environment. The authors suggest that each level of the infor-

mation environment requires regulations appropriate to that specific level.

Contributions

These articles make several contributions to our understanding of a rapidly evolving area of research and practice. First, several of the authors provide new conceptual frameworks to put the problems of conducting business on the Net in perspective. Second, existing theoretical and analytical perspectives are adopted to examine specific issues such as needs and gratifications sought during visits to Web sites or evaluations formed for competitive product and service offers. Third, the articles provide empirical support for the propositions advanced by the authors. A variety of research designs and data collection techniques is used including use of the Internet as a data collection tool.

These studies represent research being conducted at the forefront of a rapidly changing landscape. As pioneers, they suffer from some of the limitations of research design and approaches. Sample sizes are small and frequently chosen conveniently. Although each author has made attempts to make the research context relevant to the consumers chosen for the study, there are limits to the generalizability of the studies. Others have proposed frameworks that are yet to be operationalized and tested. Replications remain a challenge as new capabilities and features alter the contours of the electronic marketplace. Despite these limitations, the articles further our understanding of the prospects and problems for conducting business in the new electronic environment.

Managerial Implications

There are two kinds of business and marketing managers with respect to the new electronic media. They are either in the forefront of the rapidly shifting cyberspace, attempting to exploit the promised benefits of the new media or waiting to catch the next wave. Included in the former category are not only large, information technology companies like Sun, Digital Equipment, and Microsoft but also small, new companies such as Virtual Vineyards and The Knitting Lodge.

The pioneers in cyberspace are blazing their trails without the luxury or benefit of examining and reflecting on their actions. The articles included in this special issue are a beginning of that examination process. Based on a systematic analysis, the authors provide guidelines for several managerial decisions—from the design of web sites to recommendations regarding specific channels of service delivery.

It is clear from these articles that several businesses have started to use the Net, but very few have come to rely upon it as the only channel of communication or distribution. Instead, the most likely use is as a communications medium as part of an overall integrated marketing communications mix. Several of the articles also suggest that effective communica-

tions require understanding some of the unique features of the new technologies and the impact those features make on consumer access and usage behavior.

The articles also suggest that threats to traditional ways of doing business are overblown; the Net is not about to replace established means of communication, distribution, and delivery. At least in the immediate future, new distribution and communication channels will lag behind conventional methods. In the long run, several factors will determine the trajectory including the ways in which marketers use and promote the new media.

References

- ActivMedia: Executive Summary: Trends in the World Wide Web Marketplace, Online: World Wide Web [http://www.activmedia.com/TrendsExec.html].
- Benjamin, R., and Wigand, R.: Electronic Markets and Virtual Value Chains on the Information Highway. *Sloan Management Review* (Winter 1995): 62-72.
- Berthon, Pierre, Pitt, Leyland F., and Watson, Richard T.: The World Wide Web as an Advertising Medium: Toward and Understanding of Conversion Efficiencies. *Journal of Advertising Research* 36 (1): 43-54.
- Business Week*: Planet Internet: How the Center of the Computing Universe Has Shifted. Special report, April 3, 1995, pp. 118-124.
- Dholakia, Ruby Roy: *Connecting to the Net: Marketing Actions and Market Responses*. Paper presented at the International Seminar on Impact of Information Technology hosted by CIET-SENAI, Rio de Janeiro, Brazil, December 6, 1995.
- Dholakia, Ruby Roy, and Fortin, David, eds.: *Proceedings of the Conference on Telecommunications and Information Markets (COTIM)*, RITIM, Newport, RI, November 1995.
- Office of Technology Assessment. *Electronic Enterprises: Looking to the Future*. U.S. Government Printing Office, Washington, DC, 1994.

List of Reviewers for this Special Issue

We would like to extend our special appreciation to the many people, listed below, who reviewed manuscripts for this special issue.

Jennings Bryant	University of Alabama
Robin Higie Coultier	University of Connecticut
Kathleen Debevec	University of Massachusetts, Amherst
Nikhilesh Dholakia	University of Rhode Island
David Fortin	University of Rhode Island
Sandy Grossbart	University of Nebraska, Lincoln
Neset Hikmet	University of Rhode Island
Easwar Iyer	University of Massachusetts, Amherst
Jean L. Johnson	Washington State University, Pullman
Lutz Kolbe	University of Freiburg, Germany
Ken Laird	Southern Connecticut State University
Martin Laub	University of Rhode Island
James McCollough	Washington State University, Pullman
Michael Mullen	Florida Atlantic University
Norbert Mundorf	University of Rhode Island
Cliff J. Shultz II	Arizona State University West
Narasimhan Srinivasan	University of Connecticut
Alladi Venkatesh	University of California, Irvine