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## **Editorial: Online retailing; enthusiasm, disappointment and increasing knowledge**

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**Biographical notes:** Dr. Suzan Burton is an Associate Professor at the Macquarie Graduate School of Management, Macquarie University, an Adjunct Associate Professor at the University of Sydney, and a Senior Fellow of the University of Melbourne. Her research interests include Internet marketing, customer satisfaction and customer retention. Dr. Burton has extensive consulting experience in both the public and private sectors, in the design and implementation of marketing strategy, particularly in the area of customer feedback and information systems. In 2001, she was awarded the Macquarie University Award for Excellence in Teaching, and was the University nominee for the Australian Award for University Teaching. Her research has been recognised by best paper awards by the Australia and New Zealand Marketing Academy Conference (2000) and Western Decision Sciences (2001 and 2005). In 2002, she was the runner-up in the Pearson Education ANZMAC Marketing Educator of the Year Award.

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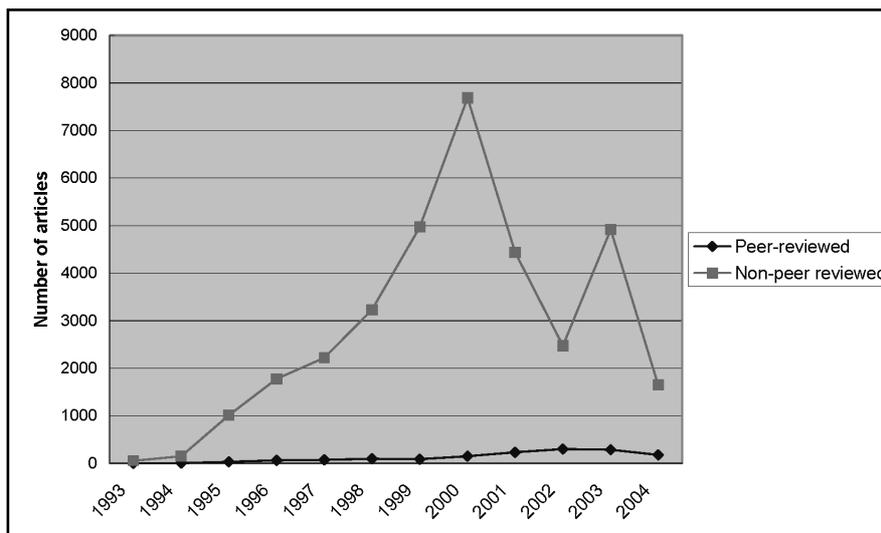
The heady enthusiasm for online marketing seen in the late 1990s, until the stock market crash of April 2000, is unprecedented in modern marketing. Exhortations such as ‘Catch the wave or drown’ were said to be the ‘advice of industry experts to retailers resisting the onslaught of the internet’ (Anonymous, 1998). Bill Gates is reported to have predicted that by 2005, 35–45% of all groceries would be bought online, despite less than 1% of groceries being bought online at that time in the USA, the most developed internet market (Nakada, 2000). Like most forecasts, this has fallen far short of reality, with the latest figures showing that the internet accounted for 5.4% of total retail sales in 2003 ([shop.org](http://shop.org)). While there is no doubt that the internet has created many business opportunities, the most common business experience has been one of failure, particularly in the highly promoted area of internet retailing (Rosen and Howard, 2000). Given this pattern of enthusiasm and frequent business failure, with associated falling share prices and decreased investment, it is important for academics to both conduct and disseminate research, which can help to minimise the costs of expensive and inappropriate investments.

However, one of the challenges for academics is the limited extent to which practitioners appear to have heeded past advice for caution in making large investments in online retailing. For example, in 1996, the Australian retailer, David Jones, was the first department store in the world to commence selling online. Although the operation resulted in huge interest, the company lost large amounts of money and retreated from online retailing in 1997 (Sauer and Burton, 1999). Despite this expensive and high profile

failure, in 2001, the company re-launched its internet operations with a substantially higher investment, hiring a high-profile ex-McKinsey consultant to head up the internet division. In 2003, David Jones announced (for the second time) that it was pulling out of internet retailing, after losing a reported \$AUD 27 million in its second online venture. David Jones is, however, a success story in internet terms; it continues to trade profitably off line, in contrast with the many failed online retailers (e.g., peadod, e-toys and webvan in the USA, adMart in Hong Kong, and Boo.com in the UK) whose assets were sold off at vastly reduced prices. Do repeated business losses in online marketing suggest that academics are failing in their advice to business, or perhaps, that academic advice is not being heard?

Part of the problem appears to be that although an enormous amount has been written in the academic press about online marketing, the impact of academic writing has been swamped by what has been written in the general press. In addition, much of what has been written in the general press has been an uncritical acceptance of the potential for online marketing, without due consideration of the pitfalls and risks which led so many businesses to lose so much money. Figure 1 shows the results of a search of Proquest, one of the larger academic databases, for papers using the general search terms 'internet' and 'marketing', using the bibliometrics approach discussed by Nisonger (2001) and Jacso (1998). The search recorded separately the number of papers published in peer-reviewed sources, and those published in (presumably less rigorous) non-peer-reviewed sources. Actual numbers, and the percentage of papers published in the peer-reviewed literature, are shown in Table 1. The search was conducted in January 2005, and may thus fail to include some 2004 publications that had not been added to the database by that time. However the results show the huge increase in interest in, and attention to, internet marketing, but also the challenge for academics in making their voices heard in the numerous discussions of the Internet, with the number of peer-reviewed papers representing only a small percentage of the total publications in this area.

**Figure 1** Publications retrieved using the search terms 'internet' and 'marketing'



**Table 1** Internet and marketing papers 1993–2004

	<i>No. peer-reviewed</i>	<i>No. non-peer reviewed</i>	<i>Total</i>	<i>Percentage peer-reviewed</i>
1993	0	56	56	0
1994	4	151	155	0.026
1995	31	1,010	1,041	0.030
1996	65	1,775	1,840	0.035
1997	74	2,221	2,295	0.032
1998	95	3,227	3,322	0.029
1999	88	4,970	5,058	0.017
2000	150	7,685	7,835	0.019
2001	232	4,439	4,671	0.050
2002	299	2,471	2,770	0.108
2003	285	4,918	5,203	0.055
2004	177	1,644	1,821	0.097

In an area of such interest as the internet, it is not surprising that the peer-reviewed literature represents only a small percentage of what is written. However, it not only highlights the importance for academics to publish, but also to promote their work, to contribute to the sum of useful knowledge of what works, what doesn't work, and why, and to decrease the number of businesses joining the long list of internet failures. This special issue shows the increasing knowledge of internet retailing which is emerging from academic research. Five different papers address very different aspects of the challenges involved in online retailing, and each contributes to a better understanding of the critical factors involved, for practitioners in identifying what it takes to be successful, and for researchers in understanding the drivers and challenges of internet retailing. The five papers address online strategy, prediction and targeting of likely customers, methods for understanding and benchmarking customers' responses to online retailing, and the factors that are critical in developing ongoing use of, and loyalty to, an online business.

The first paper, by Vaccaro and Iyer, reviews the status of online retailing, and investigates the benefits and challenges of using the internet as part of a multi-channel strategy. The authors identify problems and strategic options that affect the success of multi-channel retail strategies, highlight critical issues in pursuing this retail strategy, and offer advice for managers pursuing such a strategy.

Elliott and Li investigate the diffusion of internet shopping in the highly competitive retail market of Hong Kong, and compare the success of two different theoretical approaches in predicting online shopping. They find that classic diffusion theory can predict online shopping, but that predictions can be substantially improved when offline theory is supplemented with factors drawn from technology specific models. Their study reinforces that what we know from traditional marketing still applies in an online setting, but that offline theories can be extended in specific online applications.

The value of offline knowledge, supplemented by specific online studies, is also demonstrated by Merrilees and Miller, who investigate customers' reactions to, and associations with, an online store. Their study suggests the importance of customers'

emotional brand associations, and suggests performance benchmarks for retailers in evaluating their ongoing success in connecting with customers.

Song, Zinkhan and Pan investigate the factors influencing young shoppers' reactions to, and evaluations of, an internet shopping experience, and compare critical performance factors shaping both positive and negative experiences for consumers in online and offline shopping. In an important distinction, they differentiate between what must be done to avoid negative customer experiences, and what must be done to shape positive experiences.

While many businesses have obtained limited trial and use by customers, the success of any business will depend on establishing a level of customer loyalty to the business. Obtaining loyalty presents a particular challenge for online businesses, where the barriers to customer switching are usually low. The last paper, by La and Walker, investigates this important issue of customer loyalty in an online retailing context, and finds similarities, but also important differences, between online and offline customer loyalty.

Much has been written about internet marketing, and there is still much more to be known, but the dissemination of good research can only help practitioners to identify and implement an effective strategy. Academic researchers have an important role to play in helping practitioners to identify the situations under which investment in online marketing is most likely to be cost-effective, and in identifying useful syntheses between offline and online research findings. The papers in this issue make an important contribution to a better understanding of the complexities and challenges of online retailing, and the authors are to be congratulated on their work.

### **Acknowledgements**

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This issue would not have been possible without the efforts of the referee board for this special issue, so special thanks are due to all the reviewers who provided comments and suggestions concerning the papers submitted for this issue. In order to preserve the blind nature of the review process, they have not been identified, but their efforts are very much appreciated.

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