

Microeconomic analysis of the retailers' Web sites

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Abstract: - The competition in the Croatian retailing business is still fierce and leaders and followers changed their places dynamically during the past 5 years. Although the fight with the prices is still very important, its detrimental effect on the profits attracts retailers to differentiate their products by several means, one of which may be the e-retailing. Even though it accounts for a certain share of the sales in the World, it is yet to be set in Croatia. However, the recent development of the broadband Internet connections speeded it up. Since it is still in the beginning of its growth, we investigate how Croatian retailers struggle with this kind of business, as compared to the World ones. We took 18 greatest retailers' Web sites in Croatia and 18 in the World, comparing the obtained data using the previously devised Web-metric and methods. The results show there are many unused opportunities to increase activities in Croatian e-retailing business, showing only 1 company offers the possibility of e-purchase. Hence companies should invest more in the creation of the online shops, in the Web site maintenance, Web design, and user-friendliness, as well as in the measurement of the e-activities. They should invest in the multimedia, and use the opportunity to promote through their Web activities.

Key-Words: - Web sites, Retailers, Evaluation, Croatian retail market, Competition, Competitive market, Retailing market analysis, Competition, Web shop.

1 Introduction

Croatian retailing sector is currently undergoing strong structural changes in the process of adapting to more developed markets of the neighbouring countries, the ones already in the European Union. Foreign Direct Investments and not so much Takeovers are the main vehicles of entering of the leading European and World retailers in the Croatian market. Undoubtedly this has greatly changed Croatian retail landscape and advanced the competitive capabilities of the retailer sector in Croatia. During the process of entering the Croatian market, top world retailers used their current knowledge and experience to adapt quickly to the new surroundings. According to the financial results, they seem to be doing excellent. Three out of the top five Croatian retailers (measured by the annual turnover) are subsidiaries of the international retailers, and furthermore 9 of the top 18 retailers are owned by the foreign companies [1]. 8 of the 18 world's biggest retailers [2] are European companies, and 4 of those 8 have subsidiaries in Croatia and are among 18 Croatian largest retailers. Therefore Croatian retail market can be considered as an internationalized.

Given the present conditions, the goal of the authors is to conduct an exploratory research among the top

Croatian and World retailers' Web sites and assess the degree of development of Croatian's Web sites in comparison to the ones of the leading retailers in the World. Our hypothesis is that although Croatian retailing sector could be considered as an internationalized, we still believe that Web sites of Croatian retailers will not be developed as the ones of the leading retailers in the world, and the research will show us in which segments exactly the Croatian retailers need to upgrade their Web sites.

Restrictive factor for the development of Croatian retailers' Web sites might be the average number of people that use the Internet, as well as the number of the broadband connections which enable fast exploration of the Web pages. Broadband connections are important because they enable fast download of multimedia materials (video clips of product etc.)

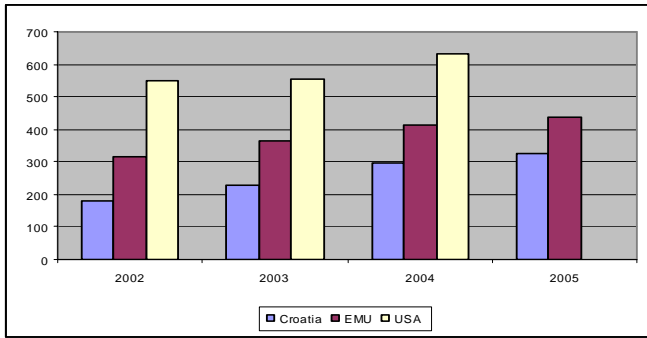


Figure 1- Internet users per 1000 people

Given the data in Figures 1 and 2, we believe Croatian market has a substantial potential for the development of e-commerce [10].¹

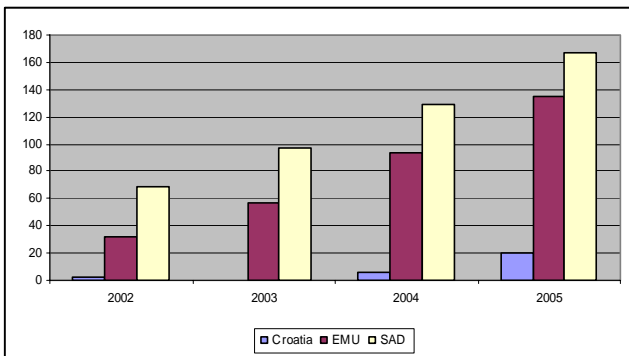


Figure 2 - Broadband subscribers per 1000 people

2 Microeconomical view of the e-retailers

This market is yet to be explored and conquered. In the current position, retailers in Croatia fight severely for the growing market, and seek every possible opportunity for obtaining a better market share. Although the business analyst expected the struggle between the retailers to settle down, and the market to grow into an oligopoly in which players would stop to play with prices, constant access to the market [13] (e.g. Tommy, Liedl, some with greater, and some with lesser success), tells us this is not about to happen very soon [1].

At the same time, takeovers among the greater players brought additional dynamics (Mercator & Plodine), and changed the order on the list of the market shares, causing some of the recent leaders to fall significantly (Getro) [1]. In the situation where leaders change their positions, the prices cannot settle down, and each player thinks it has the opportunity to become one of the greatest.

¹ Data for year 2005 for USA in fig. 1 was not available neither as data for year 2003 for Croatia in fig. 2
EMU was the closest equivalent available for the EU market.

At certain moment it becomes very hard to fight with the prices, since margins come to the level very close to the “perfectly competitive level”. This is the point when players, i.e. retailers, have to differentiate their products, and seek for the new niches. Konzum, market leader, managed to become profitable in 2004, after a period of the losses, although their prices went up. The answer was in the rebranding, in the newly developed brands, consumer gift certificates and wide network of the newly built retailing centers. The rest of the market followed, but Konzum used the opportunity of being first. In other words, it was the beginning of the development of the real monopolistic competition [12].

Now, having many of the niches filled, retailers have to find the remained smaller ones, but with the potential to grow. This is definitely e-commerce. Although access to the Internet is increasing rapidly, the confidence of the consumers is yet to be built, since online payment and online shopping is still considered to be very risky. Credit and debit card purchases are extremely simple and fast, but this advantage has to overcome the fear of the frauds and hackers’ attacks. Hence, the patience and marketing strategies which would convince buyers into the online business, as well as the development of the telecommunications market, will determine the speed and the reach of the e-retailers.

3 Literature Review

Significance of the Web for the development of the retailing sector was assessed in numerous surveys, but remained without any significant conclusion. In 1998, an article in the Time magazine predicted the decade of traditional (brick-and-mortar) retailing and ascent of the e-commerce [3]. But, as the practice has shown, pure e-tailers are not in abundance these days. The most successful e-tailers today combine “...the best of “e” and traditional trade models in their business strategies.” [4] At the same time, those traditional retailers recognized they could use Web as a complementary marketing tool in achieving their strategic goals.

Reviewing the existing literature, we identified two major criterias that guided the authors in their researches. One is related to the consumer behaviour and the benefits derived from the effective Web sites, and the other is related to the developing Web metrics for assessing the effectiveness of the same Web sites.

Numerous authors have pointed out the usefulness of the well designed and effective Web site. Hart et al. indicate three levels in which Internet can be used to facilitate retailers’ marketing activities: (1) as a communication tool for basic information about the retailer, (2) as a proactive marketing tool providing descriptions about goods and services, and finally (3) as

an engine for physical selling of goods through the on-line transactions. [5]

Some authors point criteria as mission, vision and contact information as important for customer communication further expanding the list with information (financial) relevant for potential investors among others. [4]

Keen et al. researched consumer decision-making process and concluded that consumers still spend most of their money in retail stores and not over the e-shops, with store format being the most important criteria in their decision process, hence diminishing the so proclaimed importance of Web sites [6].

Even though software elements on the site are important, one should not forget quality of the hardware plays important role as well. Cao et al. pointed out that besides the elements such as information quality, service quality and attractiveness the system quality plays important role as well. If the homepage will not be loaded within a tolerable period of time the user will simply redirect to another Web site, most likely the site of the competitor retailer. [7]

The well known management saying: You cannot manage what you don't measure, points to the second part of the problem. It brings out a question of how to measure the effectiveness of the Web site.

According to Cox and Dale, Web site quality should be judged according to four factors: (1) ease of use, in other words, design of the Web site, (2) customer confidence or perceived trust by the customer, (3) on-line resources, in other words capability to offer and deliver products and services and (4) relationship services (to inspire customer loyalty). [8]

Panian and Jakovic made a custom Web metrics model in their evaluation of the hotel Web sites in Croatia. They tailored the original model, developed at Trinity College Dublin, to suit the need for their research. Model was finally comprised of 8 different fields according to which the evaluation was done. The eight fields are as follows: (1) First impressions (URL, download time, look and feel, etc.), (2) Navigation (ease of use, site map, internal search engine, etc.), (3) Content (useful information, sound and graphics, etc.), (4) Attractors (special offers, free games, etc.), (5) Findability (intuitive URL, on-line advertising, etc.), (6) Making Contact (e-mail and other details visible, responding to inquiries, etc.), (7) Making reservation (visible pricelist, online reservation, etc.), (8) Other useful information (additional services offered, how to find hotel, hotel history, etc.). [9]

4 Research Methodology and Data Collection

Our model for the comparison of the leading Croatian vs. leading world retailers' Web sites consisted of four major areas that we considered to be crucial for the effective Web site (Figure 3). We investigated: (1) Customer communication (contact information, company location and other accessories that could enhance the communication with customers), (2) Pre-sale activities (company description, pictures of products and services offered, and multimedia content), (3) On-line shopping and (4) Post sale activities (FAQs and Customer service). Similar model was made by Pejic et al. for the high-categorized hotels. [11] Knezevic et al. did the same for the top European retailers. [4]

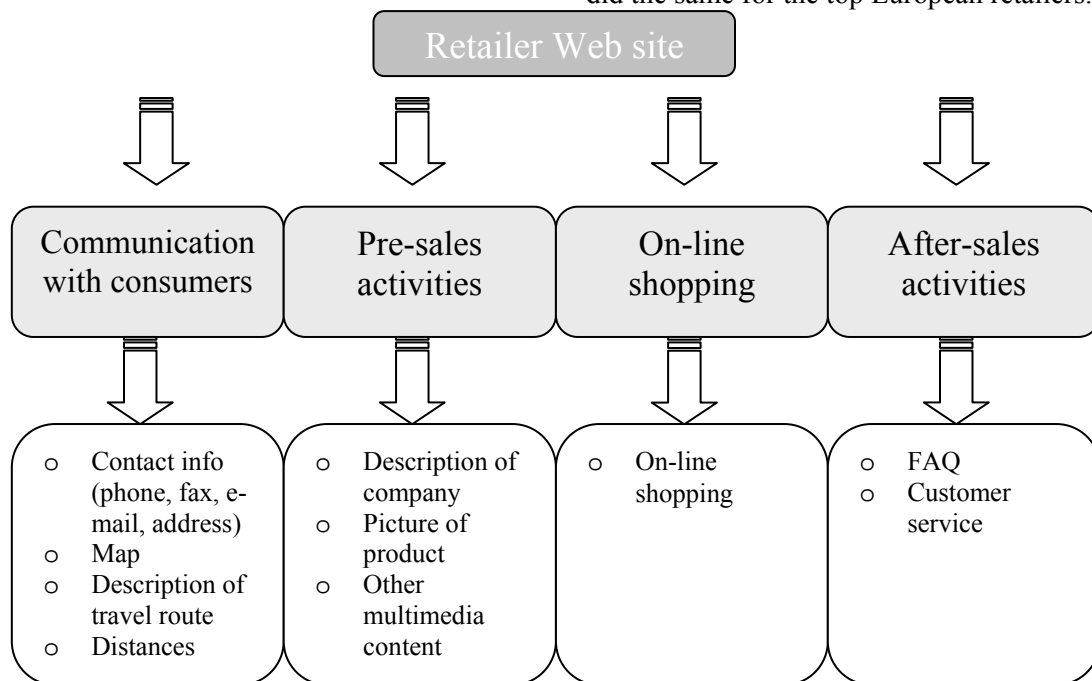


Figure 3 - Marketing and commercial activities on the retailer Web site

We have analyzed only the main Web sites of the retailers, when the retailers from the World list were researched (most common URL was *www.companyname.com*). Retailers from Croatia list were most commonly found to have URL in the form of *www.companyname.hr*.

Initially 18 largest retailers in Croatia and the world were chosen for the analysis. During the research process, three retailers from Croatia List and two retailers from the World List had to be left out for various reasons, such as a non-functional Web page, non-available Web page or others. Our sample finally comprised 15 Croatian and 16 World retailers which entered the research. Research was conducted during the 5th and 14th of September 2007.

5 Research Sample: Review of the top Croatian and World retailers' Web Sites

5.1. Consumer communication

In the area of consumer communication we found the following results.

	Phone	Fax	E-mail	Address
Croatia	93%	87%	100%	87%
World	75%	6%	88%	50%

Table 1 - Consumer communication

Data clearly show that almost all retailers from Croatia list put their phone number on the Web page together with the number of the fax machine. All of the retailers have their e-mail address posted on the Web site and 87% have the addresses of the company headquarters.

Results for the World List retailers are a bit surprising so we offer an explanation. Fax machine can be considered as slowly being replaced by more advanced way of communication tools as e-mail and this could be one reason for excluding the fax number. Retailers do not have many consumer related activities within their headquarters but mostly concentrate on investor related activity and tools for consumer communication are relocated to national sites for every country, hence the address of the headquarters are not posted in the contact details. The same conclusion can be drawn for the phone data as well. Regarding the e-mail address we should point out that communication through e-mail in the World List retailers is mostly done by standardized interactive forms, and in many cases the e-mail address was not even visible but only the recipient department

such as public relations etc. Nevertheless the results are surprising.

	Map	Description of a travel route	Distances	Special features
Croatia	47%	20%	13%	67%
World	69%	44%	44%	75%

Table 2 - Consumer communication

Data from table 2 clearly show that the World List Web sites are much more advanced when searching for the specific store. It's very useful to have a map showing the way to the retailer store. In 69% the map to the selected store can be found on the Web site while in the Croatia List only 47% of retailers have the map. Many sites feature interactive maps. These maps are extremely useful because they can present a variety of other information, and distances can often be calculated. Description on how to find the specific store can be found on 44% of the Web sites, as well as clearly market distances from various benchmark locations. Data for Croatian Retailers indicate much smaller numbers, only 20% have the map on the Web site and only 13% provide the potential consumer the distances to the store. Consumers are very interested in knowing how much time it takes and how many kilometres there are to reach the desired store. Special features such as on-line surveys were recorded on 67% of Croatia List sites and 75% World List sites.

5.2. Pre-sale activities

	Company description	Product pictures	Multimedia content
Croatia	93%	80%	0%
World	100%	88%	31%

Table 3 - Pre sale activities

In the area of the pre-sale activities, Croatian retailers have pretty high cores, but still it is not sufficient to match the World ones. People like pictures and no product description can ever replace the picture. Web sites with pictures are more attractive than textual ones. Sometimes, really good product picture can attract customer to buy those product even if they didn't want to buy it. Croatian retailers should improve the description of companies on the Web sites and place more pictures of the products to attract potential consumers. The area in which Croatian retailers must upgrade their Web sites is multimedia content. We found that 31% of the companies from the World list have multimedia content on their Web sites (store presentations, CEO speeches, documentaries about the

company), while there was no such content on the Croatian List.

5.3. On-line-shopping

	On-line shopping
Croatia	7%
World	63%

Table 4 - On-line shopping

Only one (7%) retailer from the Croatian List offers the possibility of the on-line purchase of products while 63% of the retailers from the World List have the same possibility. This clearly shows the great possibility for the Croatian List retailers and especially with the increase of the broadband Internet subscribers in Croatia (see figure 1 and 2).

5.4. After-sales activities

	FAQs	Customer service
Croatia	47%	47%
World	50%	69%

Table 5 - After-sale activities

In the area of the after sale activities 47% of the Croatian List retailers offer information to Web site visitors via FAQs, while 50% of the World List retailers have the same option. Furthermore, again 47% Croatian List retailers offer customer service while 69% of World List retailers offer the same option for their consumers. Clearly the World's List retailers give greater emphasis on customer satisfaction.

6 Conclusions and Recommendations

In this research we have measured effectiveness of the Web site of leading Croatia and leading Word retailers.

In the increasingly globalized retailing market, it has become increasingly important to find means which would enable companies to explore new niches, and differentiate their products, in order to reach a better market position in some kind of the monopolistic competition, and hence win more profits. Development of the e-technologies offered wide field of the possibilities to sell even while you are slouched in front of your monitor. Retailing chains in Croatia are yet to explore this field, still bounded by the Internet access and mistrusted customers.

The successful performance of the retailer Web site was determined by a four major areas that we considered being crucial and some conclusions were drawn.

Another method to evaluate the quality of the retailer Web sites is to investigate the perceptions and reactions of selected users. The planned follow-up research will include measurement of the assessment of the retailer Web site visitors.

Very important aspect of the retailer Web site effectiveness is its maintenance. This continually enables access to new information about products and new contents for the Web site visitors.

A retailer Web site can be considered successful only if it presents the products in the best light to all potential consumer, if it attracts them to buy that products, and thus if it increases the commercial success of the retailer. On the basis of the research results there are some recommendations for successful retailer Web site.

The retailer Web site must contain informative contents about the retailer, while additional contents about the products, as well as some special features are always welcome.

Information which helps customers to locate the retailers store is very important.

Web site must be constructed in the language of the target group of customers.

Product presentation in a modern design which best illustrates the retailer, its market position and its special features on the market, visitors should be offered as many multi-media contents as possible (pictures, video materials, music, etc.). These contents give potential customers the best insight into the products, and, given the development of swift Internet connections, the demand for these contents will continue to increase.

More video content such are video presentations of product or reviews of products should be placed on the Web sites because the development of technology will enable visitors to search for such contents.

Newsletters can be sent as a very powerful promotional tool for direct promotion. Newsletter is a mail message that the company sends to interested consumers on a regular basis. In the trade industry, a newsletter contains a variety of information about the retailers and the products they offer, which represents direct and the most efficient form of promotion, creating a circle of loyal clients who always buy the same products. With their offers, retailer may attract some consumers who had not previously intended to buy their products. This is a very cheap and very powerful promotional tool.

Retailers should also work on making as many special offers as possible.

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