Abstract: Only three years ago, small UK retailers were urged to take advantage of selling opportunities on the Internet before the business became too competitive (Read, 1998). Read suggested that size was unimportant and the Internet could offer an excellent channel for smaller, more entrepreneurial retailers and chains. Yet the leap into cyberspace can still seem particularly daunting for small firms (Gardner, 2001) although according to Scottish Enterprise, around 80% of Scottish businesses are now online and anyone from a High Street giant to a corner shop or newsagent can benefit. Sadly, some of the smallest businesses are often the most reticent about new technology, yet in marketing terms, they also have the most to gain. Websites can give tiny firms a big company presence and significantly, e-retailing is also forecast to account for 8% of retail sales by 2010 (Dawson, 2000).

This paper assesses the intended use of e-retailing specifically by owners of stores in the north east of Scotland and analyses their customers’ expectations. The approach is firstly, to review the current e-tailing involvement of multiple retailers, along with the extent and nature of their online marketing. Secondly, the present role of the independent retailer will be considered in relation to the multiples. Lastly, the paper explores the level at which retail SMEs should include an Internet presence in order both to exploit new business opportunities and to avoid losing market share. It is demonstrated that this approach may allow for the creation of a distinctive positioning and store image that will contribute to the overall success of independent small retailers.

The central hypothesis is that the marketing presence of retail SMEs on the Internet is currently inadequate and new initiatives are required to link 'clicks and bricks'. This is supported by primary research findings, where it is demonstrated that a rethinking of the current strategies is much needed on the basis of customer expectations. The primary research consists of both interviews with store owners and questionnaires administered to customers. These findings are then combined with the results of the secondary research, the literature review, and together they provide the framework for a number of recommendations.

These include the need to create a professional, competitive online presence at whatever level from a simple website to the establishment of a full e-commerce capability. Partly as a means of
extending opening times, also to act as a shop window and further to gain additional exposure for entrepreneurial initiatives. Most importantly to establish a modern image unaffected by size. A truly creative approach can also allow for greater exploitation of new opportunities, particularly in the context of the augmented product. The final conclusion is that there is significant public interest and support for small stores as a community asset, but that at present this potential is not being fully realised because owners are too slow to embrace new technology and capitalise on the latent goodwill that exists towards them.

INTRODUCTION

In 1998, Read urged small UK retailers to show entrepreneurial initiative and take advantage of selling opportunities on the Internet before the business became too competitive (36). He also recommended that small businesses start their e-business projects in order to keep pace with the market. He suggested that size was unimportant and the Internet could offer an excellent channel for smaller, more agile retailers. They could build a virtual store and provide a quick and flexible delivery from local outlets.

The leap into cyberspace can still seem particularly daunting for small, less entrepreneurial firms (35). Although, according to Charlie Watt, senior director of e-business at Scottish Enterprise, around 80% of Scottish businesses are now online and anyone from a High Street giant to a corner shop or newsagent can benefit from using the Internet. He believes that websites can give tiny firms a big company presence. Smaller firms however, are often the most reticent about using the new technology, even though they have the most to gain. Further, Gardener urges companies to try taking the business online to find out what the benefits are (35).

Rick Miller, senior analyst of Internet Strategies at Cahners In-Stat, said in 1999 that ‘a website will be mandatory for any business in the 21st century no matter what their size’ (7). According to Raymond Boggs, International Data Corporation’s VP of small business research, ‘the Internet has tremendous reach and small businesses are beginning to realise the potential of this channel. By 2003 nearly half of online small businesses will be selling over the Internet’(5).

This paper assesses the intended use of e-tailing specifically by owners of stores in the north east of Scotland and analyses their customers’ expectations. The approach is firstly, to review the current e-tailing environment. Secondly, the present role of the independent retailer will be considered. Lastly, the paper explores the level at which SMRs should include an Internet presence in order both to exploit new business opportunities and to avoid losing market share in the future. The central hypothesis is that the marketing presence of SMRs on the Internet is currently inadequate and new initiatives are required to link 'clicks and bricks'.

LITERATURE REVIEW

E-tailing is the sale of products and services to the consumer market over the Internet. E-tailers saw the electronic home shopping market, through the TV and Internet, in the UK grow from £1.25 billion in 1999 to £2.19 billion in 2000 (14). UK consumers are forecast to spend £20
billion online by 2005 (37). E-tailing is forecast to account for 8% of retail sales in Scotland by 2010 and 12% by 2015. This will be unevenly spread across retail sectors with probably a higher penetration in food (45). Continental research has found that a regular Internet shopper now spends £430 online in a year (23). The most popular purchases online in the UK in 2000 were CDs and music, bought by 67% of consumers, then books, computers, videos, consumer electronics, clothing, and food and drink (16). New categories, such as car sales, toys, gifts, insurance, and property are also starting to become significant (10). Businesses have realised the potential of the Internet and over half of businesses in Scotland now have a website (15).

Retailers would seem to be less innovative, and lagging behind other industries when it comes to the e-revolution (15). Even in the US, retailers spend less on information technology than other industries. Only 45% of store based retailers are capable of selling over the Internet (34). It is suggested that retailers in the US will need to invest more heavily in IT in order to achieve competitive advantage (34). Scottish retailers equally fail to realise the full potential of the Internet. They communicate least through e-mail in comparison with other industries (15).

Competition in the e-tail market however, is increasing as more traditional retailers are venturing onto the Internet. Traditional retailers are also facing competition from two new sources - disintermediation by suppliers and new intermediaries in the form of Internet only retailers (46). Web superstores such as Amazon.com, CDNow and eToys are using their wide range and low prices, in combination with advantages in technology and brand, to dominate the online sales of commodity products such as books, music and toys. Large businesses are similarly using sophisticated online ordering tools, inventory management and promotions to dominate the market for replenishment goods such as food, health and beauty products (8).

Many of the UK grocery multiples have developed remote shopping services because they believe that demand is rising. The main reasons are increased personal disposable income, which leads to a greater ability to pay for home delivery, the growing affluence of retirees who find shopping the most physically tiring, an increase in the average working week leaving people with less time to shop, the growing number of leisure options making it more worthwhile to save time shopping and a proliferation of home delivery services for other products which help accustom consumers to the benefits (47). Of the four major UK supermarkets, only Safeway does not have an online presence. UK market leader Tesco is the biggest online grocer in the world with Internet sales of more than £200 million in 2000 (40). Half the online sales come from new customers, and only half are cannibalised, so e-tailing clearly enables Tesco to increase its market share. Tesco also believe that the service adds value to customers (12). Budgens and Somerfield however, withdrew from the e-commerce market in 2001. Budgens believed that a relative lack of awareness of the brand restricted its efforts (22). In further contrast, Iceland abandoned an interactive television project but has increased the number of stores offering a telephone home shopping service (36).

The British have actually adopted online grocery shopping more than any other country, but retailers are yet to realise much if anything in the way of profit. The additional costs of picking and delivering orders are still too high and gross margins too low, and consumers are simply not willing to pay extra for what to them are identical products (2).
The implication is clearly that there is a need for efficient picking and delivery in order to have a profitable e-tailing business (2). Picking takes place from designated warehouses or in existing stores. Costs of delivery may be reduced through the use of new distribution centres located to optimise access to households (45) and also through locked reception boxes at the consumer’s home allowing delivery at times convenient for the e-tailer (29).

Jack Perry, Technology and Media partner with Ernst and Young, maintains that the most successful e-tailers are established retailers who have added the Internet to their existing distribution channels (16). According to Giga Information Group (GIG), the majority of sales will remain in bricks and mortar stores because consumers can experience products and take them home instantly. The use of the Internet for product research is nevertheless predicted to grow. GIG recommends a multi-channel retailing strategy maintaining real world, telephone and Internet sales channels (10). According to a report from the Boston Consulting Group, multi-channel retailers now account for two-thirds of online sales revenue (50).

It appears likely then, that bricks and mortar outlets without an e-retail channel will become less competitive (45). The viability however, of having a business that is purely Web based, is also questionable (46). Real outlets that sell online possess certain advantages. Firstly, they reduce the perceived risk and uncertainty involved in online purchasing, and secondly, they offer consumers peace of mind regarding service and returns (9). PriceWaterhouseCoopers found that 43% of consumers are more likely to purchase groceries online from their regular supermarket, rather than an Internet-only grocer, for this reason (9). Bricks and mortar retailers have the benefits of brand equity and a good brand name is important to drive sales online (49). Online customers can be recruited from the real retailer’s existing customer base, and sold own brand products to increase margins. John Browett, Chief Executive of Tesco.com, says that Tesco.com reaps advantages from the mainstream Tesco business given the power of the brand, the use of the Tesco stores to promote the online shopping service and the company’s buying power and contacts (12). According to Datamonitor, a full range of products, a more flexible and less expensive order fulfilment system and a pre-existing infrastructure lead to lower costs and quicker profitability for real retailers selling online (1).

The benefits of the Internet are acknowledged by small businesses. Prodigy research found that 90% of small businesses anticipate deriving benefit from the Internet (7). Only 31% of US small business decision-makers said the Internet had helped them however, compared to 60% who said that it had had no measurable impact on their business (27).

Small businesses are therefore recognising the importance and potential of having an Internet presence. A survey by Gallup found that 55% of small businesses with a website report that the site has broken even or paid for itself in increased business (51).

Many small businesses however, have not yet begun to realise the full capabilities of the Internet in their own sphere of operation. According to The Yankee Group, the majority of small and medium sized enterprises (SMEs) in the US have not strategically embraced the Internet as a business tool and they do not take the opportunities the Internet presents to them to compete on the same level as larger companies (3). Dun and Bradstreet found that only 40% of small businesses have their own websites. These small business websites are used mainly as a way of
disseminating information to consumers rather than for e-commerce. Almost a third of small businesses have no strategic purpose to their website (27). Similarly Gallup reported that 21% of small businesses had established a website for advertising and promoting the business whereas only 13% used the website for e-commerce transactions (51). Few businesses in Scotland are trading electronically (15).

Wirthlin Worldwide reported that of the small businesses using the Internet, 75% have or will soon develop a website for their business. To be a successful small business in the future, they recommend a website that maximises transactional potential (4). Gallup acknowledges that a transactional e-commerce website may not be right for all small businesses, but suggests that even the most local business can benefit from establishing a website to promote their products and services (33).

The number of small businesses online is rapidly increasing as they recognise the Internet opportunity (5). Small businesses are increasing revenue and growing their customer base by expanding into new geographic markets through their websites (4)(33). The Internet offers new sales channels, greater reach and increased profitability to SMEs and there are many examples of SMEs who have used e-business to their advantage (25). Prodigy Biz President Gary Remy says that ‘The Internet shatters geographical boundaries, giving all small businesses a virtual local and national sales force with just a few clicks’ (7).

Wirthlin Worldwide found that more than 50% of US small businesses conduct business outwith their local geographic area (4). In contrast, Prodigy Biz Corporation found that 66% of small US businesses do not believe that the Web offers significant opportunities to fuel their growth because they are local businesses (7). There is therefore a perceived geographic barrier to putting companies onto the Internet.

Tetteh and Burn argue that SMEs can take advantage of the opportunities the Internet offers to expand globally, and they do not need to expand in real size to compete. SMRs can rely on virtual assets such as information skills, digital resources and competencies for managing inter firm relations and collaborative engagements with others. Small businesses have one of three online business models to choose from. A small business can present a virtual face where the objective of the website is principally to advertise the business and its products. Alternatively through a virtual alliance, a number of businesses share resources and competencies to develop a combined product offering. The website either represents the common interface for the group or may emphasise a local firm while providing visibility to the alliance. E-commerce is often offered. The most complex model is a virtual community or an electronic market space involving a large number of firms and other stakeholders. An example would be a portal where the virtual community owner supplies and manages the online infrastructure on behalf of the small businesses. Businesses benefit as the investment in technology and management is reduced and the number of consumers visiting the website is increased (33). A portal offers the consumer access to a wider range of products than a single retailer can provide and consumers can find all their requirements at the one site, often at lower prices because of the cost savings to the vendor (17). The website, www.jewellers.net, is an example of jewellers sharing a web address and building a specialist jewellery site.
Often small specialist e-tailers pursue a niche strategy (19). The Internet has many examples of niche and specialist shops selling their goods online. Having built up a local reputation they can seek a worldwide clientele through their websites. Once niche e-tailers have developed e-commerce initially however, larger firms may decide to muscle in and it is they who have the greater resources to develop and market their products.

In those product areas where margins are relatively high, small e-tailers may enter the market given low entry costs. Where margins are low it is more likely to be existing large firms that become the main operators (45).

Forrester Research reports that Internet commerce is not enabling small e-tailers to expand their geographic reach and compete on equal terms with larger firms. This is because there are barriers that limit the ability of local retailers to gain access to national audiences and he predicts that national retailers’ share of online sales will increase as a result (8). In due course, small e-tailers catering to a narrow market can expect to be squashed by major retailers (24). Currently however, SMRs' share of revenues is 50% offline whereas they only account for 9% of sales online (8). This is predicted to fall to 6% by 2003 (24). Forrester Research calls this process ‘virtual nationalization’. Charlene Li, senior analyst at Forrester, says that the outlook for local retailers is dismal (24). According to Datamonitor, consumers are unaware of online grocery shopping services in their local area, so in order to exploit the potential of online grocery the companies need to build brand awareness (1).

Significant numbers of small US businesses remain unconvinced that the Internet can be used to increase revenue growth. 60% of small businesses there feel that their products and services are not readily sold on the Internet (6). Other perceived difficulties include the potential $1 million cost of building comprehensive e-commerce websites with personalisation and one stop shopping, the cost of upgrading the website and the lack of a recognisable brand name to drive traffic to the website. Forrester argues that small retailers also do not have the advantages in technology and scale to ensure their success in e-commerce (24). Cheryl Ball of Cahners In-Stat Group states that security concerns, difficulties in implementing and maintaining e-commerce sites and customer service concerns are further obstacles which hinder SMEs establishing transactional websites (3). Access Markets International Partners found that the lack of in house IT support was a barrier and that many small businesses feel overwhelmed by the technological challenges involved in order to establish a solid online presence (6). Prodigy research however, found that nearly 75% of small US business owners claim cost is not a barrier, but a lack of staff and the time to maintain the website are (7). According to Till, SMEs need to develop enough understanding and experience to have trust and confidence in working in the e-world (25).

The Internet is also being used by small businesses to reduce costs, provide better customer service, compete with other businesses, and communicate with employees (7) (4).

Small e-tailers often cannot compete on price with large e-tailers, and so need to develop a value proposition (2). According to Bellman et al, web consumers value the Internet’s time savings over its cost savings (18). PriceWaterhouseCoopers stated that 42% of Internet users are looking for ways to spend less time grocery shopping (9). This value proposition could therefore focus on convenience and the saving of time to the benefit of the smaller players (2) (18). Gomez Inc. agrees that primary motivations to purchase online are convenience related (1). In the UK, Mori
found that the main reason why products and services were purchased online was convenience (47%), followed by cost (17%) (41). According to Kinsey and Senauer, retailers can create value by improving convenience to consumers. Convenience is improved by helping consumers to increase the number of tasks that can be accomplished in a single visit or to reduce the time taken to complete them (28). Convenience covers the ability to shop from home at any time, to visit more stores, to travel effortlessly into and out of stores, and to have products delivered (11). Alan Johnson, senior vice president of e-commerce for DisneyStore.com, says that consumers demand instant gratification, insisting that they have no time to thumb through catalogues or walk into stores (21).

E-tailers also try to attract consumers to their websites by offering greater overall utility. This is achieved by offering product search and product evaluation facilities, so consumers are offered convenient ways to explore a broader range of products and product attributes and to compare features and prices (44).

For food e-tailers it is argued that price remains the key driver of online shopping behaviour. PriceWaterhouseCoopers maintains that online grocers do need to remain competitive on price as only 11% of Internet users would be prepared to pay more for goods that save them time (9). Gomez Inc. however, suggests that lower prices and wider product assortments are not the key motivating factors for online grocery buyers (1).

E-tailers can add value by offering more products than the largest bricks and mortar retailer and providing detailed product information at the same time (43). E-retail will allow small businesses to extend their product ranges. For example, Thorntons sell flowers and cards online to complement chocolate confectionery sales. Store based sales per person are £3 to £12 whereas the average order size online is £25, which includes flowers and a card (45). E-tailers also differentiate themselves from real stores by offering a range of different functions such as mix and match viewing, product advice, store locator, virtual models and so on (45). Added value services can be created by e-tailers through ‘push’ technology. Based on an analysis of individual spending habits and patterns, customer preferences can then be determined. Tailored shopping lists and information on new products and promotions are subsequently sent to the online user (36).

According to Chen and Leteney the critical success factors for Internet retail are the provision of information on a wide range of products that is easy to access, the ability to personalise the service, simplicity and security of transactions, winning the confidence of suppliers, the ability to deliver worldwide and the integration of old and new systems (46).

E-tailers do however, need to target the right customers in order to recover the costs of selling online and make a profit. Repeat customers who shop frequently with large orders should be targeted. The ideal customer is a time-starved consumer, most likely to be in a household with children where both parents work full time (2).

The majority of US consumers buying groceries online are younger than 55 years of age and female, with reported annual incomes of over $70,000. 73% report convenience and saving time as the primary reasons for buying groceries online. 15% cite physical issues such as disabilities,
as well as difficulties driving and lifting groceries, or constraint issues such as the presence of children that make it difficult to shop at grocery stores (30).

Reicheld et al acknowledge for online businesses, like any other, customer loyalty is the key to long term profitability. E-tailers should pursue loyal, profitable customers. Profitable customers in this instance are those who value the convenience of online shopping and appreciate the enhanced functionality websites can provide, but who tend to concentrate on shopping with one online retailer in each sector. They believe trust not price is the most important reason to choose an e-tailer. Trust is built up by having secure transaction software, explanations of the level of security and delivering on promises made (13).

It is hard though, to convince customers to move beyond ‘monitor shopping’ and to purchase regularly online (44). It can take a year for consumers to develop sufficient confidence to move from occasional purchases to being enthusiastic, repeat, online shoppers (23).

According to Bellman et al the web consumer uses the Internet to save time, which has implications for the design of online shopping environments. Websites should make it more convenient to buy standard or repeat purchases. For example, the Amazon one click purchase. Customisation should provide the information needed to make a purchase decision and the checkout process should be simpler (18). According to Media Metrix and Jupiter Communications websites should be practical, easy to use and convenient as this is what web consumers want (21). The ease of finding products, the detailed product information available and the variety of choices offered are the elements that attract online shoppers (42).

Many websites are simply not up to quality standards and leave customers dissatisfied with the service received due to poor navigation or delivery (37). Internet users have diminishing tolerance for badly functioning websites, shoddy service, lax communication and poor products. Boo.com failed to think about the long-term profit stream. Instead the former fashion retailer charged after customers without having put together the basic means of servicing them adequately. Despite a launch marketing budget of $42 million, the website was difficult to access, complex, hard to navigate and slow (13).

E-tailers are, it seems, receiving the message, and improving the service offered to consumers. Resource found that there were now fewer problems that prevented orders, less undelivered packages, improved response times, more packages delivered on time, the number of a call centre in case assistance is needed and faster download time (11).

FINDINGS AND ANALYSIS

Qualitative Interviews

Structured in depth interviews were conducted with the owners of six independently owned retail organisations in the Grampian region. Two of these had more than one outlet, but neither is classified as a multiple (>10 stores). Two already had an Internet presence, although the level and sophistication of the websites was very different. The business areas varied considerably, encompassing bakery products, photographic services, lingerie, furniture, giftware and
traditional Scottish dress. The questionnaires consisted of a total of 15 questions designed to explore the owners' current attitudes, awareness and practice towards use of the Internet, as well as their future intentions.

The most striking aspect of the responses from the owners is that fear of the unknown holds the key. Greater knowledge of the Internet and entrepreneurial attitudes lead more willingness to experiment and greater awareness of and interest in the possibilities of a simple website, or a full e-commerce capability. Even then, there needs to be a better understanding of what is appropriate and how to maximise the return on investment.

Not all types of goods will benefit equally from the full e-commerce facility. For businesses promoting low value, frequently purchased and commonly available items direct to consumers for example, a simple website is more appropriate. A lack of time is also significant, preventing owners from taking a strategic look at their businesses, and making them too involved in day to day operations. Ambitions are also limited by a feeling that size is important. Apart from a lack of resource, there is the notion that this is something for the major retail players and not the 'small fry'. The final influence is current performance. A feeling of 'I'm alright Jack' is generated by a successful operation and to date, failure to participate has not led to any loss of turnover or profit.

In detail, the lingerie shop owner has little knowledge of the Internet, but vaguely acknowledges that 'there is a need to develop a website or catalogue'. In part, this reflects customer demand and the fact that the main customer base is younger and more affluent. A significant amount of business is already conducted by telephone and many customers are office workers from businesses located nearby, all with Internet access. She concludes that the potential exists for additional business, and it therefore represents an opportunity for expansion, not only geographically, but also into new product ranges. She has not however, drawn up any formal plans or set specific timescales. In fairness, the business is relatively new (setting up in October 2000), but she has little idea how she would even initiate the process in respect of who to contact or where to seek advice.

The furniture retailer was more hostile (despite professing to have a good knowledge of the Internet) failing to identify the benefits, either to him, or to his customers. He suggested that there is little demand. He believes existing business is buoyant in terms of sales and profitability, and although he acknowledges that larger furniture retailers do have an Internet presence, he insists this does not give them competitive advantage. He accepts the potential, most likely of a catalogue presence, for increasing repeat sales, but felt there would be little additional business, and it did not therefore justify the investment.

The bakery owner currently uses the Internet in order to source equipment for the office and retail outlets. He appreciates the potential of the medium for advertising, general communications and also recruitment. The company also acts as a wholesaler, and the business to business role is important, although the opportunities for e-commerce at a consumer level, he believes are distinctly limited. The low value, high volume, nature of bakery purchases is the main reason why he does not see the value of investing heavily in anything other than a corporate website.
The gift shop is another relatively new business. One that has not to date had an Internet presence, although as with the lingerie outlet, the owner believes in its potential without really understanding why, other than vaguely appreciating its possible role in the future expansion of her business. The nature of the goods, with the importance of impulse purchases and a 'browse' facility, might be said to justify the use of an Internet catalogue, but the owner senses that the goods are simply not sufficiently unique to offer competitive advantage over better known, larger retailers providing similar goods. The principal deterrent is a lack of resource, although the apparent lack of online competitors is such that there is no concern presently that she is losing out.

The photographic services business currently embraces the Internet more than any of the other retailers. It presents an informative, well-maintained site. The owner believes that:

'The Internet can help marketing, lead to increased sales, and allows more effective promotion of the business'.

Yet he confirms that an Internet presence has failed to provide either benefits or problems. Sales have not increased, despite his optimism, nor have customer numbers. On further investigation, this is not entirely unsurprising. With no links and without any means of measuring visitors to the site - the business is not registered with any search engine - it is impossible to gauge success, and unlikely that anyone would stumble upon the site without the address. It is not simply a matter perhaps of embracing the theory, but there is also the need effectively to execute the practice. So despite the apparent enthusiasm, the owner is also reluctant to recommend use of the Internet to other small retailers.

Finally, the retailer of traditional Scottish clothing and related items is also a believer in the worth of the Internet. Yet the same difficulties are experienced as for the photographic services business for many of the same reasons. The owner believes that the benefits are 'somewhere out there' but is unable to quantify these. While the web presence, which amounts to little more that a corporate brochure with contact details does no harm, sales have not demonstrably increased as a result. The international interest in the product range suggests that the potential for products of this kind is greater, but the amateurish approach, resulting from a lack of expertise and not knowing where to look for expert advice means that this potential is not realised.

Quantitative Interviews

A total of 100 questionnaires were completed. The questionnaires consisted of a total of 19 open and closed questions exploring consumers' use of the Internet and their expectations of retailers in respect of e-commerce transactions.

74% of the sample was female. 60% had a household income of less than £30,000. 54% were 35 or younger and 72% had access to the Internet. The sample therefore contained a female bias, reflecting the greater propensity of females to shop. Cross tabulation shows that the high proportion of younger respondents has influenced the high level of Internet access, although the
latter figure includes those who have access to the Internet at home, at work and elsewhere. Clearly the Internet is viewed as part of a way of life by most of those brought up in the 'computer age', especially the more affluent.

At the risk of stating the obvious, those without Internet access are not interested in knowing whether a retailer has a presence or not. As indicated, the younger and more affluent a respondent, the more likely it is that the Internet will be seen as an essential element of overall lifestyle. In most circumstances therefore, the Internet user is a more desirable consumer. Whether at work, or at home, appears not to be significant.

A substantial majority currently uses the Internet for e-mail (65%) and for 'research' (57%). Clearly it is seen primarily as a source of communication and information. Only 23% of the sample claim to have used it for shopping, all aged 45 or younger. Those undertaking transactions are also more likely to be males, maybe because females enjoy more the experience of using retail outlets, and perhaps this explains men's greater enthusiasm for the virtual approach. Purchases however, have mainly been of services, for example, flights and hotels, although gifts, books, CDs, electrical goods, clothing and toys, all also featured, in line with the secondary research findings. Significantly too, the purchasing experience has been regarded as satisfactory, with no complaints regarding quality, and all prepared to buy again in the future.

The rationale for Internet purchasing, in line with the Mori finding, stemmed mainly from the convenience factor (83%). The comfort of buying from an armchair was obviously an attraction, especially when geographically remote from a store location. Low price was also cited as a reason (50%) whether this is perceived or real. Perhaps the fuel saving was built into the estimate of cost? The ability to seek out information prior to purchase was specified by 33%, and range was mentioned by only 25% of the sample.

The main reason why the 84% who had not used the Internet to purchase goods or services had not done so, was the fear over security. Fraud and a concern over the quality of the goods were also cited as causes not to buy.

Most respondents were sympathetic to the idea that small and medium sized retailers (SMRs) should have websites. 66% of the sample, with a heavy emphasis towards the younger age groups, agreed or strongly agreed that all SMRs should have an Internet presence. Promotional activities, including communication of information, were felt to be most appropriate use. Hardly surprising given that most respondents presently consult the Internet for research purposes, or simply to browse. Most importantly perhaps, the innovation was recognised as beneficial to the customer, and demonstrative of an entrepreneurial approach.

Significantly too, over 90% of the sample regarded small retail outlets as an essential part of the future retail market place. 88% insisted that they regularly made purchases from convenience stores and although this almost invariably referred to 'top up' shopping, respondents emphasised the importance they attached to a local shopping facility. Many regarded this as critical to the survival of local communities.
A significant number (37%) also feel that the Internet should be used as a means of sales and distribution. 91% however, do not believe that Internet shopping will take over from conventional stores at any stage of the future. Clearly old habits die hard, and the social interaction and therapeutic qualities of the shopping process should not be underestimated, but increasingly consumers appear to be demanding greater choice, recognising that even if they do not currently purchase goods virtually, they may wish to do so in the future (53%). Dependent on the nature of the individual and the type of purchase, this will account for differing proportions of future business. Lingerie and furniture for example, have more to gain than bakery goods or photographic services. What proportion and how important to future success is open to debate, but on one thing all agree. The figure is rising and at a substantial pace.

CONCLUSIONS

Read's advice to small retailers to go online may not have been misplaced, but fails to take full account of practical considerations. It was also stated that the leap into cyberspace is still particularly daunting for small businesses, and this is undoubtedly true given the lack of detailed knowledge of the Internet, a lack of time and money, and restricted ambitions, amongst small store owners. Many also are too busy with day to day operations and fail to appreciate that they may lose out in the future. No one has told them that a senior analyst of Internet Strategies at Cahners In-Stat believes that a website is mandatory for any business in the 21st century, and would they care if they knew?

The fact remains that traditional retailing is facing the double threat from disintermediation by suppliers and new Internet only retailers (46). E-tailing is also forecast to account for around 10% of all retail sales within a few years (37), thereby reducing the proportion available to the traditional sector. So in theory, the small retailer, indeed any retailer, must react accordingly and join the online revolution.

Many small store owners however, fail to see the bigger picture, and if most display interest in the Internet, they do not consider its strategic significance. They believe that adoption of a website for whatever purpose is unlikely to raise awareness or increase sales, with either existing or new customers, unless the nature of the goods sold is sufficiently unique. Small retailers are indeed lagging behind, in thought and in practice, as the e-revolution progresses (15).

There are clear indications though, that SMRs have much, if not most, to gain, if their reticence and lack of knowledge can be overcome. Tetteh and Burn for example, believe that SMRs can take advantage of the Internet to expand globally. Forrester warns against overly high expectations. He believes there are barriers that limit SMRs' ability to grow. Between widening geographical boundaries and meeting customers' expectations regarding communication and the provision of information however, there does appear to be considerable potential. The primary research also indicates that customers' usage patterns are much in line with the secondary findings, which promotes confidence in predictions for the future.

Ordering may not actually take place on the Internet, but as a point of reference, it is seen as an important sales tool, and many customers will make the effort to buy after discovering the
relevant information via the website. It effectively becomes part of an overall communications package for the store and works in conjunction with the other elements of the mix. Size does matter, if only in terms of brand recognition and familiarity. Gary Remy's claim that the Internet shatters geographical boundaries, giving all small businesses a virtual local and national sales force with just a few clicks' is unduly optimistic. Large retailers such as Tesco inevitably have more resources, more sophisticated systems, and greater brand equity. Established multiple retailers are now embracing the Internet with growing enthusiasm following encouraging early results. As a relationship marketing tool however, and a source of additional sales, SMRs should recognise that customers appreciate an entrepreneurial approach providing something of benefit to them, they actively seek out information that they need, and they make purchases as a consequence. They also inherently want SMRs to succeed. The level and scale of usage differs, but both large and small outlets stand to gain.

Even those respondents who did not believe small retailers should have an Internet presence thought so because they feared the retailers would lose the personal touch. So if the website is a supplementary, rather than substitutional, element of customer service, it will result in improved image and offer the potential for more business. GIG after all, recommended a multi-channel strategy and confirmed that a majority of sales would remain in real outlets. Indeed, SMRs have the added bonus that infrastructure considerations are not as impactful as for the multiples.

The level of representation and sophistication is open to debate, and is also linked to the nature of the business. A thing worth doing is worth doing well, so whatever presence is deemed appropriate, a quality, professional image is essential. The failure of high profile e-tailers such as Boo.com demonstrates the consequences of a weak, badly presented site that is difficult to navigate and poorly serviced.

A major concern clearly, lies with the knowledge and attitudes of SMR owners, who apparently know little about what is needed or why, and are clearly insufficiently aware of consumers' thoughts on the matter. Indeed, it may be the case that 'a little knowledge is a dangerous thing'. Certainly there is understandably an inclination to shy away from an area that offers the opportunity to spend money with no estimate of the tangible return and more education is required to ensure that the full worth of any investment is realised.

What is crucial is the way the website would be used and customers' expectations. How much the product range is likely to have unique appeal may also determine the level of remote interest. Whether or not SMRs can be organised enough to share resources and form a virtual alliance or virtual community is a further factor. The suggestion that retailers pursue a niche strategy may also hold the key to determining whether a retailer can genuinely command a worldwide audience.

At present, there is a considerable danger of complacency, stemming from a belief that additional sales are not achieved with an Internet presence, and not lost without one. By the time it is realised that this is no longer the case, it may be too late! Loyalty, as Reicheld suggests, is perhaps a more significant objective than increased business. Marketing opportunities are there to be taken advantage of however, where entrepreneurial inclination is also present.
RECOMMENDATIONS

Gallup acknowledged that a transactional website might not be right for all SMRs. The experts and customers agree however, that SMRs should develop some form of Internet presence. The level and sophistication is dependent on the product category, and should be judged on the basis of consumer and competitor research, but undoubtedly the justification exists in terms of current expectations and future potential. The options range from a simple website to the establishment of a full e-commerce facility, and the other determining factor, in terms of the initial foray, is the owner's ability to understand what is going on.

SMR owners must seek advice about how to develop an Internet presence, how much to spend and what presence is most appropriate. They should also educate themselves so that they are better placed to know how their customers will use the sites, and what they will want the retailers to provide. This will assist them to develop along the spectrum to a more complex online presence offering greater returns on a larger investment.

Above all, they must try to develop a strategic approach to their businesses. Both the US experience and the findings of this research point to the fact that SMRs too often adopt a very short term, tactical outlook.

If the capability exists, the virtual community model with small retailers sharing electronic market space at a mutual web address, represents an excellent means of achieving economies of scale and presenting an attractive package to the virtual consumer.

The principal strategic objectives behind such entrepreneurial activity include the need to stay in line with consumer expectations, to present a modern image unaffected by the restrictions of physical size, and to increase the outlet's exposure to customers by effectively extending opening hours. It is also important to improve the information flow to actual and potential customers, and to provide further opportunities for sales and communication.

Website developers must also establish evaluation criteria. It is not sufficient to throw money at a fashionable accessory to the retail business. In line with the strategic objectives, there must be a return on the investment and a means of monitoring and measuring this return, in terms of both website visits and sales and profitability.

The public is inherently sympathetic to the perceived plight of small stores and most in theory support the underdog in the retail market place. In practice, this sympathy is rarely translated into action. By providing an online presence, David is offering the consumer a means to snub Goliath involving no extra cost or inconvenience. To put it another way, it is potentially not the size of the dog in the fight that matters now, but the size of the fight in the dog!

REFERENCES

   www.business2.co.uk/content/channels/infront/article.asp?ID=338

   http://cyberatlas.internet.com/markets/smallbiz/print/0,,10098_153301,00.html

   http://cyberatlas.internet.com/markets/smallbiz/print/0,,10098_153321,00.html

   http://cyberatlas.internet.com/markets/smallbiz/print/0,,10098_346871,00.html

6. Pastore, Michael. ‘Small businesses buy, but shy to sell, online’. Cyberatlas. May 17, 2000
   http://cyberatlas.internet.com/markets/smallbiz/print/0,,10098_365281,00.html

7. Pastore, Michael ‘Number of small businesses online nearly doubles’. Cyberatlas. Nov 23, 1999
   http://cyberatlas.internet.com/markets/smallbiz/print/0,,10098_243871,00.html

   http://cyberatlas.internet.com/markets/retailing/print/0,,6061_168551,00.html

   http://cyberatlas.internet.com/markets/retailing/print/0,,6061_363871,00.html

    http://cyberatlas.internet.com/markets/retailing/print/0,,6061_417411,00.html

11. Castelluccio, Michael. ‘So How’m I Doin’?’ Strategic Finance, Oct 2000, vol 82, 1 4, p 85


15. ‘Electronic Trade slow to make an impact’. Scotland on Sunday, Jan 21, 2001


17. Anstead, Mark. “City: Joining up to sell to the internet masses Mark Anstead considers how portals benefit small firms”. The Daily Telegraph, Oct 7, 1999, p69
18. Bellman, Steven: Lohse, Gerald L & Johnson, Eric J. “Predictors of online buying behavior “
Communications of the ACM; Dec 1999. VOL 42, ISS 12, PP 32-38

19. Copps, Alan. “Small fry pick up where the big boys fall down”. The Times Jul 10, 2000 p8

20. Francis, Clare. “Money: Net finance: the sites that make us scream A new survey compares
web services and finds many wanting, says Clare Francis”. The Independent, Mar 19, 2000

21. Goff, Leslie.”It's a small e-world after all” Catalog Age, Dec 2000, pp S1, S10-


23. Hamdy, Adam & Mallison, Guy. “Teenage shoppers acting just like chips off the old block:

15, p14-

25. Till, Roger.”small business solutions: Trust me, I'm an e-doctor: For some SMEs, going
online is only a matter of having confidence. Roger Till suggests a 10-step programme
for budding e-businesses The Guardian Nov 30, 2000

http://nii.nist.gov/g7/10_global_mp/testbeds/e-deli.html

http://cyberatlas.internet.com/markets/smallbiz/print/0,,10098_387341,00.html

Journal of Agricultural Economics, 1996, vol 78, no 5, pp 1187-91

of Retail & Distribution Management vol 29, no 1, pp 41-48

30. Morganosky, Michelle A & Cude, Brenda J. “Consumer response to online grocery
shopping”. International Journal of Retail and Distribution Management vol 28, no 1, pp 17-26

31. Sultan, Fareena & Henrichs, Roy B. "Consumer preferences for Internet services over time:
initial explorations". Journal of Consumer Marketing, vol 17, no 5, 2000, pp 386-402

33. Tetteh, Emmanuel & Burn, Janice. "Global strategies for SME-business: applying the SMALL framework". *Logistics Information Management*


35. Gardner, Darran. ‘Sailing into cyberspace: The Internet is still uncharted waters for many firms which fear they will sink into a whirlpool of debt. But is that the case? Darran Gardener finds out how three businesses fared after they took the plunge’. *Sunday Herald*, Feb 18, 2001


39. Wilson, Steve. ‘Ignore the laws of life in e-land at your peril; So you’ve set up your own website and you’re ready to go online. But are you up to scratch with the legal loopholes of the internet? Steve Wilson says why you should be’. *Sunday Herald*, Feb 18, 2001.


47. ‘Remote shopping in the UK.’ IGD.1999  
http://www.igd../ViewArticle.asp?Are…55&ElementID=71&ArticleID=525&Comment=


http://cyberatlas.internet.com/markets/smallbiz/print/0,,10098_529331,00.html

BIBLIOGRAPHY

Young, Alf. ‘Reality of being a dot.com millionaire’. The Herald, Jan 22, 2001

Chapman, Paul et al. “Building Internet capabilities in SMEs”. Logistics Information Management, vol 13, no 6, pp 353-360

Citrin, Alka Varma et al. “ Adoption of Internet shopping: the role of consumer innovativeness”. Industrial Management & Data Systems vol 100, no 7, 2000, pp 294-300

“eCommerce: a critical review”. International Journal of Retail and Distribution Management vol 28, no 10, pp 417-444


Weintraub, Arlene. “Dot-Coms Get Physical : To build their brands, e-tailers are venturing off the Web  Business Week, May 22, 2000

Zinedin, Mosad. “Beyond relationship marketing: technologicalship marketing”. Marketing Intelligence and Planning vol 18, no 1, pp 9-23