A Challenge for the Marketing Strategy: Products in the Electronic Commerce Environment

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ABSTRACT

The Internet has proved to be a life savior for many businesses in a time where consumers demand at least some sort of online presence from the companies. Both retailers and consumers use the electronic commerce platform as a way of conducting day to day business and completing transactions. Electronic commerce has been a major milestone in the ongoing process of expanding beyond the traditional physical store. Regardless of the time and space dimensions, consumers have been shopping online and their behavior has been the subject of analysis for researchers and marketers. Hence, it might come as a surprise that although the first product classification model has been developed in the 1920s, there is still little standardization among the classification models and the vast number of models the literature provided to the present day makes it challenging for firms to comply with a standard and to align it to their marketing strategy. Therefore this paper aims at showing just how important such a standardized model would be and how it can impact not only customer perception, but also a firm’s competitive advantage. A short overview of the literature research highlights how many models researchers have developed in the last eight decades.

Keywords: Electronic Commerce, Electronic Marketplaces, Marketing Strategy, Product Classification, Product Classification Models

1. INTRODUCTION

The fact that the Internet’s potential is not to be underestimated has been clear for more than two decades. However, only the recent years have truly shown the diversity of activities that the Internet can perform and the vast areas that it can be applied to, be it Business to Business, Business to Consumer, Consumer to Consumer or even Business to Government commerce.

The online transactions have increased exponentially, but this is just the tip of the iceberg. It merely gave a glimpse at what was lying underneath – the power of the Internet as an e-commerce platform and its implications.

While one cannot state that a clear shift from the traditional offline stores towards the online shops has taken place, more and more consumers have become interested in the value add that e-commerce is able to offer and have started to regard e-commerce as a day to day shopping platform.
However, even if the online retailing has partly lost the novelty aspect and consumers are familiar with the process, questions as the following remain to be answered by both online shoppers and retailers: Why are certain products being predominantly sold online than others? Does it mean there are certain characteristics which make these products more suitable for online selling? How can a company explore in advance just how successful a certain product will on the internet platform? Does the new platform or form of distribution channel impact significantly the firm’s marketing strategy and if yes, how?

While many companies have hurried down the path of e-commerce, there are very few that are likely to profit on the Web (de Figueiredo 2000, 41). Does this happen because they market every product, regardless of its characteristics, or is it because they are selling the wrong ones online? There is an acute need for a set of guidelines to help determine which kinds of products are e-commerce suitable to avoid encountering difficulties and which are best to be kept on the shelves of the traditional stores. The retailer needs to adjust its marketing strategy in order to avoid a negative impact of a potential channel conflict. Ideally the online platform should be an additional channel and means for a firm to increase its revenue and gain market share, not cannibalize the existing traditional stores’ sales.

Aiming at providing some answers to the above mentioned questions, this study is structured in three parts. Part I addresses the product classification challenges a potential online retailer is being faced with, provided the multitude of classification models. It delivers a short overview of the existing models, analyzing a few in detail. These models will then be further addressed in Part III of the paper. Part II is focused on highlighting why product classification is so important and constitutes a vital element of the marketing mix of every company’s marketing strategy. Part III is analyzing how the marketing strategy can benefit (or not) from product classification by taking a look at the models discussed in Part I.

By consolidating the already existing classification models, this paper shows just how important product categorization is and what impact it has on a company’s marketing strategy.

It has to be mentioned that this paper discusses the product categorization on a more abstract, paradigm level. It does not consider the categories that several retailers on the web use to categorize their products, such as “clothes”, “electronics”, “books”. The paper takes the top down approach, by suggesting that the scientific community decide on a unified and standardized classification model, which can afterwards be used to group specific product types. Moreover this paper’s scope is concentrating on the notion of product, not on the “marketing” perspective, by which a product is offered as a core benefit, basic product, expected product, augmented product and ultimately potential product (Kotler 1997).

2. LITERATURE REVIEW

There is in general a scarcity of models or frameworks for evaluating e-commerce success (Molla and Licker 2001, 131) and no published empirical studies examined consumer behavior in a solely virtual shopping environment (Tan 1999, 164). Moreover, the literature that focuses on end-users is vaster than the one on products or product types suitable for e-retailing. In fact, most studies take the end-user approach with the consequence that there has been research done in the domains of online consumer behavior, consumer decision-making or consumer intentions (Keen et al. 2004, 685).

While it is understood that firms marketing their products online or offline have to take the factors that influence consumers’ buying decisions into account, these intentions merely reflect the consumer behavior. They do not reflect the attitude that the user has towards a certain product sold online, but just the attitude towards the product or the brand, independently of the marketers’ initial choice of distribution channel.
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