Chapter IV

Transparency Strategy in Internet-Based Selling

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Abstract

Internet-based selling offers firms many new opportunities regarding the strategies for design of mechanisms to support consumer transactions. This chapter examines the use of transparency as a strategy for Internet-based selling for maximizing firms’ value from their selling activities on the World Wide Web. We define transparency as the extent to which a seller reveals private information to the consumer and explore three of its most often observed dimensions: product, price, and supplier transparency. We evaluate consumers’ responses to each kind of transparency in terms of their willingness-to-pay. We position the theory in the context of the online air travel industry to showcase its applicability and the power of its
theoretical insights in an appropriate real world context. We also generalize our findings to suggest some managerial guidelines that will help managers who want to make choices regarding transparency strategy in other Internet-related business contexts.

Introduction

The World Wide Web has changed the business environment and competitive behavior in many industries because consumers now have more access to market information. The speed at which the Internet has revolutionized information availability and information sharing has taken managers by surprise. While many firms have failed in their effort to implement sound Internet strategies in an environment where consumers are better informed, other firms with creative strategies have succeeded. Blue Nile (www.bluenile.com), a small online jewelry store, for example, increased sales from $14 million to $72 million over the last five years by educating male consumers in the purchase of an engagement ring (Acohido, 2003) (Figure 1). Also eBay (www.ebay.com) intermediated the trade of items worth $15 billion in 2002, of which 97% were sold by small businesses or individuals. eBay’s strategy is based on the premise of providing equal access to auctioneers, resulting in neutral product offers to consumers (Hansell, 2003). Orbitz (www.orbitz.com), the airline industry consortium online travel Web site, became the market leader in the sale of airline tickets just two years after its launch in 2001 and has staked a claim as the most unbiased travel Web site (Granados, Gupta & Kauffman, 2003b).

We will argue that each of these firms has chosen a strategy — known as the level of market transparency — involving the revelation of private information to the consumer that sets their business approach apart, forming the basis for a unique value proposition. Successful strategies such as these have been the exception in Internet-based selling.

We establish a foundation for researchers and managers to develop theories and guidelines to strategize around the well-recognized increase in market information available to consumers. We discuss the following questions:

- What is the impact of Internet technology on consumers’ access to information?
The Impact of Data Synchronization Adoption on Organizations: A Case Study
www.igi-global.com/article/impact-data-synchronization-adoption-organizations/4128?camid=4v1a