

**ELECTRONIC COMMERCE IMPLEMENTATIONS IN RETAIL SECTOR:
A CASE STUDY FROM TURKEY**

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ABSTRACT

Electronic Commerce Implementations In Retail Sector :A Case Study From Turkey

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This thesis focuses on the electronic commerce implementations in retail sector which is one of the most important emerging trends in the world. It explores the development of world retail sector through traditional store based retailers to online foundations encouraged by the increased familiarity of internet usage and advances benefited through the high technology innovations in the changing and hardening life conditions proposed in the literature. To be able to get a deep understanding of business-to-consumer electronic commerce implementations in Turkey retailing sector, a case study is evaluated in detail.

Keywords:Electronic Commerce, Retailing, Internet, Marketing

ÖZET

Perakende Sektöründe Elektronik Ticaret Uygulamaları: Türkiye’den vaka analizi

Taşkıran, Bilhan

İşletme Yüksek Lisans İşletme Yönetimi Bölümü

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Bu tez, dünyada ortaya çıkan eğilimlerin en önemlilerinden biri olan elektronik ticaretin perakende sektöründeki uygulamalarına eğilmektedir. Çalışma, dünya perakende sektörünün, yazında incelenen artan internet kullanımı, yüksek teknolojik yeniliklerin sağladığı faydalar ve zorlaşan yaşam koşullarının teşviki ile geleneksel mağaza bazlı perakendecilerden çevrimiçi kuruluşlar olması yönündeki gelişimini araştırmaktadır. Türkiye, işletmeden tüketiciye elektronik ticaret konusunu daha iyi anlayabilmek amacı ile vaka analizi üzerinde detaylı bir çalışma yapılmıştır.

Anahtar Kelimeler: Elektronik Ticaret, Perakende, Internet, Pazarlama

To my family

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INTRODUCTION

For decades, people have different needs, wants and requirements. As time goes by, the way to fulfill them has been changing from bartering-the simplest manner of exchanging- to currently used exchange methods. As the exchange process gets complicated through changing needs, wants and requirements, the way to fulfill them varies. In these changing conditions, marketing increases its importance since in contrast to earlier experienced production era, today, beside the properties of the product and service, the way of serving these products and services highly effects the consumer behavior and the purchase decisions. This complicated purchase process forces companies to find alternative and creative ways to provide the customers not only what is expected from them but also more than the expectation of the customers through using advance and emerging trends and technologies.

When the emerging technological innovations evaluated, clearly determined that Internet is the most important concept facilitating every manner of our daily lives. Through Internet implementation, any information which would require long hours or days of searching in earlier times, is any more one click away. This facilitates the way we search, the way we work and finally the way we purchase.

Familiarized internet implementations, result with emerging trends. One of the most important concept emerging through familiarized internet implementation is electronic commerce. Since we are living in an era where people have various needs but very limited time to fulfill these needs, time management increases its importance in our daily lives and so time saving alternatives becomes the crucial keys in the way we conduct our lives. Companies in any sector focus on finding time saving alternatives beside providing convenience through implementing advance technologies. Retailing sector, in this manner, is one of the most affected and adopted sectors through electronic commerce implementations.

The first chapter of this thesis deals with the marketing concept. In this part, the main concepts underlying marketing examined beside the evaluation of marketing concept regarding the historical dimension. This chapter serves as a background for a deeper understanding of the basic marketing concept.

In second chapter, information about Internet and Internet implementations has been provided. The aim of this chapter is to highlight the effect of Internet in our daily lives and the way we conduct business.

Third chapter of this thesis provides a detailed literature review concerning electronic commerce through providing detailed information about the effects of electronic commerce and categories of electronic commerce. This chapter aims to provide a broader point of view of electronic commerce through detailed information about the

concept of electronic commerce from its historical perspective to distinct categories and effects.

In the fourth chapter, retail sector is evaluated both through the world and Turkey. The emerging trends in the sector evaluated to define the electronic commerce implementations in the sector beside highlighting the future of the sector.

Fifth chapter of the thesis is presented as a case study to demonstrate the electronic commerce implementation in retail sector through evaluating the implementations of Migros Virtual Market-Kangurum.

CHAPTER 1

MARKETING CONCEPT

1.1.MARKETING TERMS

Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals. (Czinkota and Dickson, 2000, p.8) Marketing is a bridge between the needs and requirements of a society and the answers that are given to the needs and requirements by the society. (Tek, 1999, p.2) It is the performance of business activities that direct the flow of goods and services from producer to consumer or user in order to best satisfy consumers and accomplish the firm's objectives. (McCarthy, 1960, p.12) It is essentially about marshalling the resources of an organization so that they meet the changing needs of customers on whom the organization depends. (Palmer, 2000, p.3)

Marketing is defined as a social and managerial process whereby individuals and groups obtain what they need and want through creating and exchanging products and value with others. The main consideration terms should be examined to explain the definition of marketing. (Kotler and Armstrong, 2001,p.6)

These terms are:

Needs, wants and demands

Products and services

Value, satisfaction and quality

Exchange, transactions and relationships

Markets

Needs, wants and demands

Tek (1999) states that, all alive and so all people have some needs. (Tek, 1999, p.6)

The most basic concept underlying marketing is that of human needs. (Kotler and Armstrong, 2001, p.6) A need is a perceived lack of something. This implies that

individual not only does not have a particular item, but also aware of not having it.

(Blythe, 1998, p.8) A need can be defined as an inner force that prompts or moves the

individual to behaviour. (Cox and Brittain, 2004, p.83) Human needs are various and

complicated. (Tek, 1999, p.6) A hierarchy of needs has been described whereby there are

different degrees of need. (Cox and Brittain, 2004, p.83) Physical needs; for food,

clothing, safety, social needs; for belonging and affection, and individual needs; for

knowledge and self expression are included in this concept. Maslow (1943) recognized

that once individuals have satisfied basic physiological needs, they may be motivated by

higher order social and self-fulfilment needs. (Palmer, 2000, p.15)

The unique motivation that tends individuals to consumption is the needs and

requirements. (Altunışık, 2002, p.6) As per Maslow's hierarchy of needs, laid out five

broader layers. The physiological needs, the needs for safety and security, the needs for

love and belonging, the needs for esteem and the need to actualize the self. Brown (1999) states that physiological needs are those which ensure that the person can stay alive and absence of any of these will ensure the person's demise. Safety and security needs are those which emanate from threats, or potential threats from the surroundings, such as theft, assault, attack by wild animals or people. The safety and security needs come into play when physiological needs are largely taken care of. Then comes belonging needs which show up when physiological and security needs are met. They include the need for friends, a sweetheart, children, affectionate relationships in general, even a sense of community. The needs for esteem and status is an expression of the fact that people have a need to be needed. (Brown,1999,p.65) The esteem needs were noted in two versions by Maslow¹. They are a lower one and a higher one. The lower one is the need for the respect of others, the need for status, fame, glory, recognition, attention, reputation, appreciation, dignity, even dominance. The higher form involves the need for self-respect, including such feelings as confidence, competence, achievement, mastery, independence, and freedom. And finally comes self actualisation which is about a person making their own statement, to attempt to leave their mark on the world². (Brown,1999,p.65) When the needs are not met then individuals feel dismal. Then individuals try to abate the desire or maintain the product or service that meets the need. (Tek,1999,p.6)

Blythe (1999) explains a want as a specific satisfier for a need. (Blythe,1999,p.8) Wants are the form human needs take as they are shaped by culture and individual personality.

¹ <http://www.netmba.com/mgmt/ob/motivation/maslow>

² <http://www.deepermind.com/20maslow.htm>, <http://www.netmba.com/mgmt/ob/motivation/maslow>

(Kotler&Armstrong, 2001,p.6) As societies develop, the wants of the individuals broadens and varies. (Tek, 1999, p.6)

Wants become demands when the potential customer also has the means to pay for the product. (Blythe,1999,p.8)Demands is the form that human needs take when backed by buying power. (Kotler and Armstrong, 2001,p.7) It is the quantity of a product that people will buy at any time for a given price. (Cannon, 1998, p.27) Product demand can be viewed as the aggregate expression of individual consumer's attitudes towards a product. This expression of attitude is in the form of a buy-or-not-buy outcome of the decision process by which buyers analyze the cues of stimuli concerning the product. These stimuli are composed of both positive and negative effects associated with the product, and as such comprise the total perceived satisfaction associated with purchase of the product. (La Placa, 1974, p. 9-16) People have unlimited wants but limited sources or opportunities. Therefore they choose the products or services that provides the highest satisfaction within their sources. (Tek,1999,p.6)

The needs, wants and demands are the basic consideration points of marketing and they are at the center of having successful marketing activities and understanding the customers. The consumer researchs, comparison between own and competitive products, consumer inquiry and warranty analyzes are undertaken by outstanding marketing companies to clarify the needs, wants and demands of their customers. These activities are all undertaken to best understand and serve for the customers. (Czinkota,Kotabe and Mercer, 1997, p.4)

Products and Services

Individuals' needs, wants and demands require the products to be maintained. (Tek, 1999, p.6) The definition of American Marketing Association is that: product is anything that can be offered to a market for attention, acquisition or consumption, including physical objects, services, personalities, organizations and desires. (Cox and Brittain, 2004, p.116) (Canon, 1998, p.299) A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organizations and ideas. (Kotler and Armstrong, 2001,p.7)A product is a bundle of benefits. This is a customer oriented view because consumers will only buy a product if they feel it will be of benefit. (Blythe,1998, p.8) Products are the focal point by which companies seek to satisfy customers' needs. (Palmer,2000,p.17) Blythe (1998) states that product is more than just the sum of the physical characteristics; it includes fringe elements such as the brand image, the way the product is packed and delivered, even the color of the box it comes in. (Blythe, 1998, p.17)

Service is a general classification that covers both pure services that stand by themselves (such as insurance and consultant services) and services that support goods. Computers, for example, require sophisticated services. (Czinkota,Kotabe and Mercer, 1997, p.276) Service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. (Kotler and Armstrong, 2001,p.7) For services, production usually happens at the same time as consumption. (Blythe,1998,p.9) Palmer (2000) states that services are intangible since they can not be seen, tasted, or touched. Inseparable since the provision of a service normally requires

the involvement of both customer and service provider simultaneously. Variable since as a result of inseparability, each service is unique and the standard of service delivery can vary from one occasion to the next. A consequence of this is that service quality is difficult to standardize and to guarantee. And service is perishable since services can not be inventoried like material goods. (Palmer, 2000,p.221)

In retailing sector the quality and level of the products and services vary related to the characteristics of the retailer. In discount stores what is needed and demanded by customers is low price and as paralel low service quality. This is similar in multichain stores since they specialize according to serving low price/low service or high price/high service quality. What is wanted to be achieved should be serving the high service- high quality against low priced products, it can be possible by optimizing the resources and minimizing the costs through using economies of scale. The electronic commerce implementation in retailing sector assists to take this way since these implementations decrease the costs and provides better service to customers.

Value, satisfaction and quality

For suppliers of goods and services, value is usually represented by payment.

For customers, value is represented by the ratio of perceived benefits to price paid.

Customers evaluate benefits according to the extent to which a product allows their needs to be satisfied. Kotler and Armstrong (2001) states, customer perceived value is the difference between the benefits deriving from a product and the cost of acquiring the product. (Kotler and Armstrong, 2001, p.9) Value and value creation is one of the most

addressed topics in theoretical discussion in marketing. (Sharma, Krishnan and Grewal, 2001, p.391)

It is a well-known fact that no business can exist without customers³. Since the focus point of any business activity is customer, then the customer satisfaction gains importance.

Customer satisfaction is the extent to which a product's perceived performance matches a buyer's expectations. If the product's performance falls short of expectations, the buyer is dissatisfied. If performance matches or exceeds expectations, the buyer is satisfied or delighted. (Kotler and Armstrong, 2001, p.9) Increasing competition is forcing businesses to pay much more attention to satisfying customers⁴.

Businesses try to provide close relations with customers and implement techniques to improve this contact i.e. customer relationship management, to better realize the customer satisfaction.

Customer satisfaction is closely linked to quality. That's the reason why many companies have adopted total quality management (TQM) programs, designed to constantly improve the quality of their products, services and marketing processes. Quality has a direct impact on product performance and hence on consumer satisfaction. (Kotler and Armstrong, 2001, p.9)

As in any sector in marketing, value, satisfaction and quality play key roles in retailing sector. The ways to provide these elements vary according to the expectations of the consumers. Due to this variety, retailing sector offers a wide range of opportunities to meet them. Individual traders mainly satisfy the needs of the consumers who values for

³ <http://www.sitepoint.com/article/satisfaction-7-steps>

⁴ <http://www.managementhelp.org/customer/satisfy.htm>

any product that meet the needs against the minimum payment. In department stores and specialty stores the product depth is higher and they serve a wider range of product assortment. In these stores, the properties of the product gains importance. And what is valued for the customer is not only making the minimum payment but also to maintain the product that best satisfy the needs and requirements.

Exchange, transactions and relationships

Exchange is the act of obtaining a desired object from someone by offering something in return. It is only one of many ways to obtain a desired object. (Kotler and Armstrong, 2001, p.10) Customers usually exchange money or something else of value⁵. Marketing is concerned with the exchange of relationships between the organization and its customers. (Christopher, Payne and Baalntyne, 1991, p.4)

Armstrong and Kotler (2001) states that, in modern market based economies, goods and services are acquired on the basis of exchange which implies that one party makes sacrifice to another party in return for receiving something that it values. In market-based economies there is a presumption that each party can decide whether or not to enter into an exchange with the other. Each party is also free to choose between a number of alternative potential partners. (Armstrong and Kotler, 2001, p.11) Exchange is more than the mere transfer of a product or service for money. To be sure, most marketing exchanges are characterized by such a transfer. But the reasons behind the exchange- the explanation of its occurrence- lie in the social and psychological

⁵ <http://teachers.net/lessons/posts/2429.html>

significance of the experiences, feeling and meanings of the parties in the exchange. (Enis and Cox,1991,p.37)

Transaction is a trade between two parties that involves at least two things of value, agreed-upon conditions, a time of agreement, and a place of agreement. (Armstrong and Kotler,2001,p.11) It is an agreement between a buyer and a seller to exchange an asset for payment⁶.

A company should be offering more than just its product.(Brandweek, 10/9/2006, Vol. 47, Issue 37)Relationship marketing is the process of creating, maintaining, and enhancing strong, value-laden relationships with customers and other stakeholders. (Berry, 1983, p.38) Due to the increased competition and though market conditions, providing quality, need-fulfilling programs are no longer a luxury, it is any more a necessity⁷. It should be well known that strong relationships with clients, prospects, partners and suppliers power the growth of a business. (Ferrazzi,2006,p.16-18) An understanding of the differential strength of favorable and unfavorable information could help marketers gauge the total effect of communications about their products, and ultimately improve the promotion strategy of their companies. (Mizerski, 1975,p.471-480)

Markets

Market is the set of actual and potential buyers of a product. Markets are defined with reference to space and time. (Armstrong and Kotler,2001,p.12) At its most basic, a market can be considered to be a meeting place for making exchanges. As a result,

⁶ <http://www.investorwords.com/5046/transaction.html>

⁷ (<http://www.joe.org/joe/1988fall/a9.html>)

markets can be places where it is accepted the relative value of different products are established. (Adcock and et al. , 1998, p.5) A particular need or want that can be satisfied through exchanges and relationships is shared by these buyers. The size of a market depends on the number of people who exhibit the need, have resources to engage, and are willing to offer these resources in exchange for what they want. (Armstrong and Kotler,2001,p.12) (Tek,1999, p.9)

As Armstrong and Kotler (2001) defined market as a set of actual and potential buyers of a product, retailing sector serves a large market for their customers with different needs, requirements, values and perceptions. (Armstrong and Kotler,2001,p.12)

The basic consideration points of marketing concept has been evaluated. Due to the increased competition and tough market conditions, any firm in any sector should evaluate these terms in detail and organize their management plans accordingly. Retail sector has been fragmented according to these consideration terms. There are different kinds of stores serving for these different terms. Retailing sector is having one step forward to best meet the needs, by carrying the activities to on-line environment. Firms are serving online, having webpages directive to give the best solution for the needs and requirements. Price and quality of products available on the web sites to provide the quality and value terms. Customized solutions are given and the customers are directed accordingly to provide the relationships at optimized levels. Information about products and supplementary products are given to best meet the needs and wants. All these activities are undertaken to meet these consideration terms both in physical retailing marketplace and through online market space.

1.2. OVERVIEW OF MARKETING PROCESS

The main concepts of marketing has been evaluated in previous section. It is not possible to have a broad knowledge of marketing just through the definitions of terms. As Czinkota and Dickson (2000) defined marketing as a process, then the process side of marketing should be evaluated to have a better sight of marketing. In this section marketing will be evaluated as an exchange process, societal process and an organizational process. (Czinkota and Dickson, 2000, p.8)

1.2.1. Marketing As An Exchange Process

Marketing is based on the principle of exchange of relationships between the organization and its customers. (Christopher, Payne and Baalntyne, 1991, p.4), (Czinkota and Dickson, 2000, p.8)

More than a decade ago, the notion of marketing as an exchange process was introduced by Bagozzi (1975) and since that time, the exchange concept has been disseminated widely in the literature. (Hirschman, 1987, p.98-108). Marketing as an exchange process is clearly stated in the most accepted definition of marketing provided by the American Marketing Association:

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals. (Czinkota and Dickson, 2000, p.8) Within this exchange

transaction customers will only exchange what they value (money) if they feel that their needs are being fully satisfied, clearly the greater the benefit provided the higher transactional value an organisation can charge⁸.

There are some criterias for an exchange to occur. First of all there must be at least 2 people for an exchange to occur. These parties involved in the exchange process must have something of value to exchange. There must be communication between them. They must want to exchange and must be able to exchange⁹.

Marketing facilitates the exchange process by performing a variety of activities that benefit consumers, producers, and resellers alike. Marketing activities include:

Buying: Marketers buy assortments of products from many different manufacturers that are made available to customers under one roof. (Czinkota and Dickson, 2000, p.8) Cox and Brittain (2004) state that the buyer must be responsible for the purchase of a comparatively small range of merchandise or for several complete departments, depending on the size and type of the retail organization. The advantage of having one individual responsible for buying for the entire store is that consistency within the merchandise mix will be maximized. However, buying for larger stores will usually require specialists in order to do the job properly. By using specialist buyers' greatest knowledge, control of merchandise can be developed and maintained. (Cox and Brittain, 2004, p.125)

Selling: Canon (1998) states that selling is a rapidly evolving discipline. (Canon, 1998, p.409) Selling and sales management represent the most important ways

⁸ <http://www.learnmarketing.net/marketing.htm>

⁹ <http://www.udel.edu/alex/chapt1.html#exchange>

for the majority of the organizations to build and maintain the dialogue between the company and its customers. (Czinkota, Kotabe and Mercer, 1997, p.473) By making a variety of products available under one roof, marketers sell to numerous customers in a single location, thereby, alleviating the need for individual customers to deal with individual manufacturers for each and every product they desire to purchase. (Czinkota and Dickson, 2000, p.8)

Transporting: Marketers facilitate the transportation of products by providing the products customers want, where and when they want them. (Czinkota and Dickson, 2000, p.8) Dolan (1991) states that the selection and management of a distribution channel is one of the most critical strategic marketing issues for two reasons (1) it intimately affects every other element of a manufacturer's marketing strategy; and (2) it commits the manufacturer to relatively long-term, complex relationships with other independent parties. (Dolan, 1991, p.323) The purpose of any physical distribution method is to get the product from its point of production to the consumer in as efficient and effective way as possible. (Blythe, 1998, p.136) To maintain these aims, transportation methods vary according to speed, cost and ability to handle the type of product concerned. (Blythe, 1998, p.136)

Storing: Marketers store products so that customers do not have and so that manufacturers do not have to keep everything that they produce in their own inventories until the product is sold. (Czinkota and Dickson, 2000, p.8) The need for stockroom space varies from one retail trade to another and between various methods of retailing. Normally goods can not be sold as soon as they are

received or be kept on display from the time they come in until the time they are sold. The need for storing would be determined by some factors as the seasonal peaks, e.g. Christmas, frequency of deliveries, receiving and checking areas and goods awaiting customer collection or return to suppliers. (Cox and Brittain, 2004, p.147)

Obtaining market information: Marketers collect information about buyers and suppliers to increase the efficiency and effectiveness of the exchange process. (Czinkota and Dickson, 2000, p.8) Market researches are handled to maintain these information. These researches are the processes of collecting, analysing, and presenting useful information about consumers and suppliers. (Blythe, 1998, p.76) Information and information management is important to the retailer because of the increasing pace of environmental change to which the retailer must adopt. Change in the age profile of the population, more single-parent households and increasing disposable income are among a myriad of changes that all have implications for retailers. (Cox and Brittain, 2004, p.59)

1.2.2. Marketing As A Societal Process

Marketing activities facilitate the flow of products from producers to customers. Marketing activities raise the quality of life and survival potential of tribes trading with each other. Marketing systems are closely related to political and economic systems. (Czinkota and Dickson, 2000, p.10)

Effective marketing systems can lead to increased international trade and economic development, which increases the country's tax base. These benefits can be quickly translated into better education and health care systems for all citizens. (Czinkota and Dickson, 2000, p.10) The benefits of effective marketing go far beyond the grass roots marketing objectives of providing customers what they want, when they want it, and at a price they want to pay for it at the local market.

When marketing as a societal process is evaluated, one of the first example to be considered is China. From about 500 to 1500 A.D., China was the world's economical and technological superpower. But it was slow to develop global trading routes and accept the flood of technological innovation that was a large part of the European renaissance, reformation, enlightenment, and industrial revolution that energized Western Europe over the next 500 years. China fell behind in large part because it saw itself as the center of the world with little need to trade with the rest of the world. The leadership of China believed that their way was the right way of doing thing. The same sort of crashing market innovation and imitation occurred under the communist regimes from 1950s to 1980s. (Czinkota and Dickson, 2000, p.10) Since embarking upon the process of modernization and globalization in the late 1970s, China's policy toward technology building the nation's economic and political strength, and ultimately reinforcing and proving China's superiority as a socialist nation¹⁰. When today's economy evaluated, it is obvious that China is a reemerging economic power. China's emergence in the 1990s as a major player in world economy makes developing and executing a Chinese business strategy. (Stephen ,2006, p. 40-44) China is growing so

¹⁰ <http://cin.sagepub.com/cgi/reprint/19/2/299>

fast that it could rival the United States as a key driver of the world economy. (Trumbull, 2006, p1-11) It is radically changing the landscape of thousands of global products. China's rapid integration into the world economy is beginning to be felt far beyond the rising market penetration of Chinese exports. (Cornelius, 2007, p5-20) It is becoming a serious threat for developed and developing economies by especially using the low cost labor force and improving the wisdom by increasing the efficiency in production, trade and marketing.

1.2.3. Marketing As An Organizational Process

As an organizational process, marketing strategy is originally based on the marketing concept. As Czinkota and Dickson (2000) states, the marketing process is based on three fundamental principles. The fundamental principles mainly explain that the organization exists to identify and to satisfy the needs of its customers. The main organizational focus should be on long-term as opposed to short term success and through this path satisfying customer needs is accomplished through an integrative effort throughout the organization. (Czinkota and Dickson, 2000, p.10) (Tek,1999,p.7)

The marketing concept has its roots in customer orientation founded on the philosophy that production and selling efforts must be based on understanding and serving customer needs and wants. The marketing concept puts companies and managers on notice that neither production, nor sales, nor customers exist in a vacuum: They exist in a competitive marketplace that is becoming more competitive. It is this competitiveness

that drives the marketing concept. (Czinkota and Dickson, 2000, p.11) Seeking consumers' input during the process of developing a product or idea is not a new idea. But the future's increasingly complex marketplace has already spurred an evolution of this process to interesting--and even radical--new models. (Shore, 2006, p. 14)

The marketing process has been evaluated through three dimensions, as an exchange process, a societal process and an organizational process. After evaluating the marketing process, then information about marketing mix will be examined to provide a broader perspective about marketing.

1.3. THE MARKETING MIX

The marketing mix is a conceptual framework which highlights the principal decisions marketing managers make in configuring their offerings to suit customers' needs. (Palmer,2000,p.21) Once the customer needs or wants are determined, the marketer has to satisfy them. The first aspect of this implementation is the product itself, which is the ultimate basis for the customer to determine whether the needs are being met. The second aspect is the delivery system: the producer must get the product within reach of the customer in a timely manner. Third is the maintained customer awareness of the availability and benefits of the product. The marketer needs to communicate with the customer and persuade the customer to purchase the product. Fourth, the customer must be priced right so that the customer can afford it and is willing to choose it from among competing offerings. (Czinkota,Kotabe and Mercer, 1997, p.15) In order to employ these

elements strategically for the achievement of a company's objectives, marketing has devised the marketing mix concept. (Elvy,1991,p.10)

The concept of marketing mix was first given prominence by Borden (1965) who described the marketing manager as :

....a mixer of ingredients, one who is constantly engaged in fashioning creatively a mix of marketing procedures and policies in his efforts to produce a profitable enterprise.

(Palmer,2000,p.21)

The traditional marketing mix has comprised the four elements of Product, Price, Promotion, and Place. (Elvy,1991,p.10)

Products are the means by which organizations satisfy consumers' needs.

(Palmer,2000,p.22) Product can be defined as a collection of physical, psychological, and symbolic attributes that collectively yield satisfaction, or benefits, to a buyer or user.

(Keegan and Green, 1999,p.379) A product in this sense is anything which an organization offers to potential customers which might satisfy a need, whether it be tangible or intangible. (Palmer,2000,p.22) The quality of a product is capable of wide variation, according to the inputs specified for its production. (Elvy, 1991, p.9)

Cox and Brittain (2004) states that the types of product offered by a retailer is probably the major determinant of the business the retailer is in, and the variety of product will have a major impact on how the customer perceives the store. Thus a retailer may adopt a specialized merchandise policy and carry only a few related product lines (e.g. a shoeshop), or the retailer may choose a scrambled merchandise policy and offer a wide range of products. (Cox and Brittain, 2004,p.116)

Pricing is a critical element of most companies' marketing mix, as it determines the revenue that will be generated. (Palmer,2000,p.23) Price is the assignment of value, or the amount the consumer must exchange to receive the offering. (Solomon and Stuart, 1999, p.10) By contrast, the other mix elements are concerned essentially with items of expenditure. Setting prices is a difficult part of the marketing mix. In theory, prices are determined by the interaction of the market forces and the bases of price determination.

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In practice, marketers set prices for individual products on the basis of the cost to produce, the charging competition, the expenditure customers are prepared to make. (Palmer,2000,p.23)

Price decisions also involve deciding on the relationship between prices charged for different products within a firm's range and also a pricing strategy over time. (Palmer,2000,p.23)

The importance of pricing decisions is growing because today's customers are looking for good value when they buy merchandise and services.(Levy and Weitz,2004,p.477) Some people perceive good value as low price through being price sensitive other people are willing to pay extra as long as they are getting the expected product quality and service.

Cox and Brittain (2004) lists some factors influencing pricing decision. First of all the cost of goods sold which is the amount that the retailer paid the suppliers for goods actually resold, considered. Then comes the requirements of target market. If that need is the best possible price "deal" then low prices would be offered. If exclusivity, service

¹¹ For further information see Palmer (2000).

and status were required, higher prices would be in order. Analysis of competition's pricing strategy also determines the pricing strategy that should be adopted by the retailer. The company objectives should also be taken into account through pricing decision. The pricing decision must be consistent with the overall company objectives. If the company wishes to pursue aggressive market share growth then lower prices may be required. (Cox and Brittain, 2004,p.152)

Retailers have responded to their customers' needs with retail formats that emphasize low prices as a means of creating a differential advantage. National discount store chains that offer everyday low prices, such as Wal-Mart, dominate many markets in many product categories. Some of the more mature retailing institutions, like department stores and supermarkets, have come to grips with these forms of price competition by adapting a more aggressive pricing strategy with a significant amount of their merchandise being sold below the manufacturers' suggested price through a strong promotion orientation. (Levy and Weitz,2004,p.477)

Promotion is the activities marketers undertake to inform consumers or organizations about their products, and to encourage potential customers to buy these products. (Solomon and Stuart, 1999,p.10) Promotion is used by companies to communicate the benefits of their products to their target markets. Promotional tools include advertising, personal selling, public relations, sales promotions, sponsorship and direct marketing methods. Promotional methods need to be responsive to changes in a firm's operating environment. Promotion decisions to be taken include; what message to use?, which

media?, what timing of an advertising campaign?, how much should be spent?, how will this expenditure be evaluated?¹² (Palmer,2000,p.23)

In retail sector promotion can be handled through advertising, personal selling, sales promotion, public relations, sponsorship or direct marketing. The extent to which each of these objectives will be used depends on the retailer's objectives. (Cox and Brittain,2004,p.162) Advertising is mainly used to increase the number of customers in the target market who automatically think of the advertised store as the right choice for the classes of merchandise that are on sale. Direct mailing is mainly useful for the new business or new merchandise offers because the target market is selected by the advertiser through the use of mailing list and is therefore highly controlled and can result in minimum wastage. Personal selling is person-to-person communication for the purpose of explaining, informing and demonstrating in order to make sale. This alternative is mainly used when the item is made to the customer's particular requirements. The product is technically complex, expensive and flexible pricing is practised and there is negotiation on price. (e.g. cars) .Public relations and sponsorship is commonly used to obtain favourable publicity for the organization, build a good image and handle adverse comments, rumours or stories. (Cox and Brittain, 2004, p.161-183) (Levy and Weitz.2004,p.513-545)

Place is the availability of the product to the customer at the desired time and location. This is also known as the channels of distribution, which are the firms that work together to get a product from a producer to a consumer. (Solomon and Stuart, 1999, p.10) Placing decisions comprise two related areas of decisions. Companies usually make

¹² For further information see Palmer (2000).

their goods and services in places which are convenient for production, but customers prefer to buy them where the purchase process is the easiest. Accordingly, place decisions involve determining how easy a company wishes to make it for customers to gain access to its goods and services. In the first place, this involves deciding which intermediaries to use in the process of transferring the product from the manufacturer to final consumer. Secondly, it involves deciding how to move and handle the product as it moves from manufacturer to final consumer. (Palmer, 2000, p.23)

Having the right location is important in terms of convenience to the customer but it is most important to the retailer because a mistake in the location decision is almost impossible to correct. (Cox and Brittain, p.99)

The definition of the elements of the promotion mix is largely intuitive and semantic. However, deciding management responses into apparently discrete areas may lead to the interaction between these elements. Within conventional definitions of the marketing mix, important customer-focused issues such as quality of service can become lost. A growing body of opinion is therefore suggesting that a more holistic approach should be taken by marketing managers in responding to their customers' needs. This view sees the marketing-mix as a production-led approach to marketing in which the agenda for action is set by the seller not by the customer. An alternative relationship marketing approach starts by asking what customers need from a company and then proceeds to develop a response which integrates all the functions of a business in a manner which evolves in response to customers' changing needs. (Palmer, 2000, p.24)

1.4. THE HISTORICAL PERSPECTIVE of MARKETING THOUGHT and MARKETING ERAS

Marketing has existed a long path till today and when evaluated the trend clearly identified that there will be a long way to go. To have a better evaluation of the sector, the brief history of marketing will be evaluated and information about the eras realized in marketing will be examined in this chapter.

Marketing has existed for millenia, ever since people first started to barter accumulated surpluses. Individuals were in a position to discuss the size, the shape, the design, the colour and the price of the goods they made with the people who bought and used them. (Elvy, 1991,p. 1) For most of that time, though, marketing was seen as a peripheral activity, because, in subsistence economies, such surpluses represented a relatively small part of the total and most marketing activities were confined to disposing of surplus agricultural products. (Keegan, 1995, p.5) Through these terms realized the **production era** of marketing. During the nineteenth century, it was often thought that people would buy anything, provided that it was cheap. (Blythe, 1998, p.2) Manufacturers has little or no need for promotion, it was almost sufficient to have a product people needed. (McCarthy,1960,p.28) The production era was based on the philosophical attitude that good products would sell themselves. This era is said to be characterized by companies that focused on developing mass production skills in the belief that if good products were made affordable and widely available, the consuming public would beat a pathway to the doors of the manufacturers of these products. This belief has some truth in it, since the invention of steam engine allowed very much cheaper mass-produced items to be

made, and indeed with items often on sale at around one tenth the price of the handmade equivalent, most customers were prepared to accept poorer quality or an article that didn't exactly fit their needs (Blythe, 1998, p.2) The roots of organized industry and the specialization of labor were implemented through this era. (McCarthy,1960,p.23) The greatly increased production of goods resulted from mechanization required a mass market for their consumption. (Elvy, 1991,p.1) Some communities developed special talents in making cloth, whereas others developed different specialties. (McCarthy, 1960,p.21)

Henry Ford's Model-T automobile and the development of the production line assembly plant are often noted as prime examples of the production era. Throughout the production era, marketing played a secondary role to production. (Blythe, 1998, p.2)

The first academic discussions of marketing traced back to the turn of the twentieth century. At that time, marketers began to set themselves apart from economists by conducting studies that were more empirical, practical and descriptive of the marketplace. They analyzed issues from the standpoint of the firm rather than of public administration. During and after the 1930s, scholars began to integrate the various components of marketing, formulating the first marketing theories and developing the body of marketing thought. (Keegan, 1995, p.5) Through these activities the marketing concept emerged in the mid-1950s and challenged the preceding concepts. (Blythe, 1998, p.2) This marketing concept stated that identifying what consumers need and providing products that satisfy those needs assure the organization's long-term profitability. (Solomon and Stuart, 1999, p.3)

After the Industrial Revolution made such surpluses more commonplace, the “marketing” of these became the province of the “salesman”, with his specialized skills and with the Industrial Revolution the personal contact between buyers and sellers came to an end. (Elvy,1991,p.1)

As manufacturing capacity increased, supply was tend to outstrip demand. (Blythe, 1998, p.3) The realities of the production era were piles of unsold inventory because the product did not sell itself. Then the **sales era** emerged for marketing. The prevailing philosophy of the sales era was to find customers for inventories that went unsold. The mass production did not always satisfy the consumer. (McCarthy,1960,p. 28)

At the beginning of the 1960s, marketing in its modern form, based upon a customer focus that made extensive use of market research to investigate customers’ needs and wants, emerged on the scale that now witnessed. (Keegan, 1995, p.5)

Sales orientation takes the view that customers will not ordinarily buy enough of the firm’s products to meet the firm’s needs, and therefore they will need to be persuaded to buy more. (Blythe, 1998, p.3) Advertising campaigns were developed to convince customers to buy products that they otherwise would not have purchased. In essence, during the sales era, companies were trying to sell what they produced as opposed to producing what they could sell. Marketing continued to play a secondary role during the sales era to other functional areas such as engineering, production and finance. (Blythe, 1998, p.3)

As Kotler (2003) stated, the marketing concept hold that the key to achieving the organizational goals consists of the company being more effective than competitors in

creating, delivering, and communicating superior customer value to the chosen target market. (Kotler,2003,p.19)

Instead of a product centered,”make-and-sell” philosophy, a customer centered, “sense-and-respond” philosophy was shifted. The job was not defined as to find right customers for the product, instead it was defined as to find right products to the customer. (Solomon and Stuart, 1999, p.3)

The discipline matured in the 1970s as the ideas that had developed from practical experience were codified and substantiated with quantitative research. Marketing became routinized as an increasingly important function of business. The leading edge of marketing moved on to the service industries-particularly to retailing and financial services and to nonprofit institutions and activities-which were experiencing massive changes. (Keegan, 1995, p.5)

In the 1980s, marketing lost much of its previous self-confidence. Evolving ideas focused attention on more of an environmental perspective. Keegan (1995) summarized the changes as follows:

By 1990 it was clear that the “new” concept of marketing was outdated and that the times demanded a strategic concept. The strategic concept of marketing, a major evolution in the history of marketing thought, shifted the focus from the customer or product to the firm’s external environment. Knowing everything there is to know about the customer is not enough. To succeed, marketers must know the customer in a context which includes the competition, government policy and regulation, and the broader

economic, social and political macro forces that shape the evolution of markets. (Keegan, 1995, p.5)

Based on the knowledge gained by the mistakes made during the production and sales era, the **marketing era** started. Business organizations began to appreciate the value of market information prior to making plans for production. The marketing era is characterized by the importance placed on identifying and satisfying customer needs and wants prior to producing the product. The rationale being that the company would produce what the customer wanted and the customer would then purchase the product. During the marketing era, marketing moved to the forefront of business strategy, and satisfying customer needs became the responsibility of everyone in the organization regardless of whether employees were engineers, production specialist, financial analysts, or sales personnel. (Blythe, 1998, p.4)

By the twentieth century, **relationship marketing** era takes place. The driving philosophical approach of the relationship marketing era is to reinforce and broaden the scope of the customer-oriented focus of the marketing era. (Blythe, 1998, p.4) Marketers are constantly faced with change. This is neither a new situation, nor one to be feared, because change provides the opportunity for the emergency of the new marketing activities and market positions. Recognizing the importance of change and adapting creatively to new conditions are the daily bread of professionals. (Czinkota, Kotabe and Mercer, 1997, p.510)

Traditionally, businesses have focused on conquest marketing¹³ activities, which emphasized the sale itself rather than the parties to the sale. In contrast, the relationship marketing era recognizes the value and profit potential of customer retention- creating trading relationships by providing reasons to keep existing customers coming back. The relationship marketing era is also characterized by a broadening of the definition of customers to include suppliers. Hence, the guiding emphasis is to develop long-term, mutually satisfying relationships with the firm's customers and suppliers. (Blythe, 1998, p.4)

When today's trend is evaluated, it is obvious that there is once again increasing use of marketing techniques and increasing confidence in the outcome, but this is now an informed usage- one that recognizes the inherent limitations of traditional marketing. (Czinkota, Kotabe and Mercer, 1997, p.10-11) But subtly changed forms of marketing have emerged in these new circumstances, which in the late 1990s are leading to a paradigm shift. Two main dimensions account for that change.

First, to remain a viable discipline, marketing must become more responsive to new societal demands and realities that require the incorporation of a global perspective, social responsibility, ethics and human interaction with the environment. In an era which old ideological delineations such as central planning have decayed and new ones are emerging, marketing must broaden its reach to become a key change agent for the improvement of our quality of life, thereby contributing to the betterment of society. The second key force of change in marketing is a result of the need to view both suppliers and customers as part of the marketing system. Making use of technological innovation

¹³ Conquest marketing, is the process of recruiting new customers as opposed to keeping existing customers.

in marketing has direct effects on the efficiency and effectiveness of all business activities. Integration of these capabilities into a firm's marketing strategy opens entirely new horizons. Technology opens up a "market space" rather than a "marketplace" by allowing the firm to keep the content while changing the context and the infrastructure completely.

All this presents firms with unprecedented new opportunities to serve and satisfy their customers. The discipline of marketing is therefore poised on the hinges of business practice, either swinging the door wide open to encompass a new breadth of perspective and to embrace a much larger portion of business activities, or closing the door to its further development and growth. (Czinkota, Kotabe and Mercer, 1997, p.10-11)

If history is a guide, marketing will be able to adopt to those new needs, since adjustment to change is the heart of the discipline. (Czinkota, Kotabe and Mercer, 1997, p.10-11)

In this chapter the basic concepts of marketing and the evaluation of marketing has been evaluated. As entered the third millennium, one of the most important change in our lives-the move to an Internet-based society- is being experienced. Almost everything is changed at home, at work, in school even in our leisure activities. One of the most significant change in our lives is in the way we manage business especially through the way of managing the marketplaces and internet.

Electronic commerce describes the manner in which transactions take place over networks, mostly the Internet. It is the process of transforming the buying and selling of goods, services and information through online environment. Since these are the basic

consideration points of marketing, the marketing activities are also tended to be focused over Internet.

In the following chapter, the evaluation of Internet and electronic commerce activities will be explained.

CHAPTER II

INTERNET GROWTH AND IMPLEMENTATION PROCESS

The 1st Chapter, has examined the basic definitions and information underlying marketing concept. When today business environment projected clearly evaluated that most business activities tended to take place over internet. This trend is similar for marketing and commerce activities in retail sector also. Since there is an emerging trend of using advance technologies in conducting business, information about this trend- Internet- should be gathered. In this chapter, detailed information about Internet will be evaluated to provide a broad perspective about the emerging trend affecting the business life.

Today is experienced the midst of a social, business, and cultural revolution. This revolution was enabled and accelerated by the technology change. At the center of this change is the Internet. (Chaffey and Mayer, 2000, p.12)

The Internet represents a tremendous opportunity. For customers, it gives a much wider choice of products, services and prices from different suppliers and the means to select and purchase items more readily. For organisations, marketing these products and services it gives the opportunity to expand into new markets, offer new services and compete on a more equal footing with larger businesses. (Chaffey and Mayer, 2000,

p.12) Internet is expected to generate an explosion of new markets and new businesses, adding to the enormity of the revolution. (William, 2000, p178)

The main objective of this study is to provide a broad perspective about electronic commerce activities and since Internet lies at the centre of these activities, detailed information about Internet will be evaluated in this chapter starting with the historical perspective of Internet to maintain detailed information about the development of Internet.

2.1.The Historical Perspective of the Internet

The Internet is a massive worldwide network of interconnected computers. (Broadbent, 2000,p.1) It is a worldwide means of exchanging information and communication. (Hall and Allen, 1996,p.1) The word “internet” means a “network of networks” or thousands of smaller networks scattered throughout the globe. (Broadbent, 2000,p.1) The Internet refers to the physical network that links computers across the globe. It consists of the infrastructure of network services and wide-area communication links between them that are used to hold and transport the vast amount of information on the Internet. (Chaffey and Mayer, 2000, p.12)

The Internet had its roots during the 1960's as a project of the United States government's Department of Defense. This project was called ARPANET (Advanced Research Projects Agency Network), created by the Pentagon's Advanced Research

Projects Agency established in 1969 to provide a secure and survivable communications network for organizations engaged in defense-related research and it would play a large role in spearheading and funding the Internet's early development¹⁴. (Chaffey and Mayer, 2000,p.12), (Rayport and Jaworski, 2002, p.28)

Over the next decade, great advances were made in network technology. (Rayport&Jaworski, 2002, p.29)

Internet commercialized in 1980s and emerged as a mass market platform in the 1990s¹⁶. The Internet is a consortium of networks; but it connects millions of computers and thousands of networks. Wide Area Networks allow the Internet to overcome physical boundaries by providing efficient long distance technology that can connect many networks. (Rayport and Jaworski, 2002, p.31)

The recent dramatic growth in the use of the Internet has occurred because of the development of the World Wide Web. (Chaffey and Mayer, 2000, p.13) Microsoft's full scale entry into the browser, server, and Internet Service Provider market completed the major shift over to a commercially based Internet¹⁷.

Gradually, more and more companies started to sit up and take notice of the Internet and the possibilities for business that it presented since the Internet is an “enabling technology¹⁸.”

Some unscrupulous individuals resorted to mass emailing, but an ever increasing amount of reputable companies started to establish their companies online. (Bartlett, 2000, p.6)

¹⁴ <http://www.wdvl.com/Internet/History/>

¹⁵ <http://www.dtc.umn.edu/~odlyzko/doc/oft.internet.growth.pdf>

¹⁶ http://web.si.umich.edu/tprc/papers/2005/466/TPRC_Overlays_9_8_05.pdf

¹⁷ <http://www.walthowe.com/navnet/history.html>

¹⁸ <http://www.internetpolicy.net/principles/021122india-lessons.pdf>

Today anyone with a computer and a modem can access the Internet. Users have access to discussion groups, library catalogs, databases, software programs, text files, images, music, video, courseware and electronic mail. (Hall and Allen,1996,p.1)

As briefly explained, internet has experienced a tremendous development until today and this trend is expected to continue since everyday new opportunities of using internet become obvious. One of the biggest opportunity to benefit from is to direct the business to the on-line environment. The traditional shopping conventions are changing and due to the tough competition in the market, firms try to find alternative ways to improve the business. Paralelly, in today's economy where people have very limited time to accomplish all the daily jobs, online activities is a time-saving alternative for the individuals. When the young generation growing up and the hardening life conditions are considered then clearly noticed that using internet technologies for business is expected to have larger share in our daily and business life in following days. The Internet is a new communication medium that combines print and television formats; has many components, including e-mail and the World-Wide-Web. (Okleshen, 1998, p. 276-282) Everyday, millions of people all over the world use the World Wide Web. One reason behind the explosive growth in the popularity of the Web is the fact that no one company "owns" the right to create content for the Web; almost anyone with access to a computer can publish something. Another reason is the underlying simplicity of the Web's design. At its core, the web pages takes place. (Rayport and Jaworski, 2002, p.33)

Cultural factors also influence the Web sites visited, purchase decision, payment mechanism and the type of the product likely to be successful on the Internet¹⁹.

Against the background of the rapid growth of electronic commerce and, more specifically, consumer online shopping, it becomes increasingly important to develop an understanding of how consumers process product information and make purchase decisions in electronic environments.(Haubl, 2001, p.451-453) Here the importance of web-pages come to the scene.

Webpages are the documents that a user sees when opened. (Rayport and Jaworski, 2002, p.33) A webpage is a resource of information that is suitable for the world wide web and can be accessed through a web browser²⁰. It is made of relatively simple components, all webpages are constructed of text. (Rayport and Jaworski, 2002, p.35) The Web is intrinsically a global medium. Consequently, deciding how a Web site should express potentially culture-specific content to worldwide visitors is an important consideration in Web site design.(Luna, 2002, p.397-410) Web page design can change preferences by influencing attribute importance. Specifically, preference construction may be influenced by Web page backgrounds through associative priming, which occurs when a person retrieves an item from long-term memory and activation spreads automatically to other related items in memory. (Haubl, 2001,p. 451-453)

Webpages have significant importance to take the attraction of non-users or potential users while searching through Internet. In retailing sector, webpages are currently used and expected to increasingly used for online procurement. To assist this process,

¹⁹ http://papers.ssrn.com/sol3/papers.cfm?abstract_id=790925

²⁰ http://en.wikipedia.org/wiki/Web_page

webpages should be directive, simply to use and full of information required both about the corporate identity and the products/services provided.

2.1.1. Growth Of The World Wide Web

Before the World Wide Web, the Internet really only provided screens full of text (and usually only in one font and font size). So although it was pretty good for exchanging information, and indeed for accessing information, it was visually very boring²¹.

The World Wide Web was developed in 1991 and is the fastest growing and commercially most important part of the Internet. (Hall and Allen, 1996,p.3) It is a highly versatile system used for publishing and browsing through a complex web of text, graphics, images, audio and video. (Davis, 2000,p.8) The World Wide Web has significantly reduced the costs of obtaining information. (Roland,2002,p.455-464) As Davis (2000) stated, the world wide web accessed via browser offers a vast quantity of data and intellectual property available to be copied and downloaded. By these access there is a possibility of developing relationships between people, organizations and “communities of interest” through chat and interactive services. And there is the opportunity to explore the Web for information on specific areas of interest, buy products or services, search for career opportunities, play games, or just generally “surf” to see what is out there. (Davis, 2000,p.8)

In the early days, the web was mainly used for displaying information²².

²¹ <http://www.nethistory.info/History%20of%20the%20Internet/web.html>

²² <http://www.nethistory.info/History%20of%20the%20Internet/web.html>

On line shopping, and on line purchase of goods, came a little bit later. The first large commercial site was Amazon, a company which in its initial days concentrated solely on book markets. Amazon saw that on line shopping was the way of the future, and chose the book market as a field where much could be achieved²³.

Similar to Amazon, today several firms are facing the truth that the future is on-line. This trend is similar on retail sector also. People are looking forward fast and convenient solutions and on-line information maintenance. On-line shopping provides these solutions in the optimised manners.

When the issue is internet and World Wide Web, one of the key points to be considered is e-mailing.

Email is a system of world-wide electronic communication in which a computer user can compose a message at one terminal that is generated at the recipient's terminal when logged in²⁴.

Email was initially used by the military and university students, but when today evaluated, almost everybody with access to a computer has their own email account. Email has become the most popular and productive aspect of the Internet. It was in use long before the World Wide Web, and it is increasing the popularity although it has changed very little over the past twenty years. (Barlett,2000,p.52) A large percentage of the total traffic over the Internet is email. Email can also be exchanged between online service provider users and in networks other than the Internet, both public and private²⁵.

²³ <http://acm.org/sigchi/ch97/proceedings/tutorial/al.htm>

²⁴ <http://dict.die.net/email/>

²⁵ <http://www.bitpipe.com/tlist/Email.html>

For marketing, e-mail has significant importance. As the technology develops the usage of internet expands, the marketing activities are also commonly taking place through e-mails. In its broadest scene, e-mail marketing covers every email ever send to a customer, potential customer or public venue²⁶. E-mail marketing has evolved to become one of the most effective and cost-efficient ways to communicate with customers²⁷. These promotional emails mainly sent to try and acquire new customers or persuade existing customers to buy again, sending emails designed to encourage customer loyalty and enhance the customer relationship and to provide these messages sent by other people²⁸.

2.2. Internet Evolution In Turkey

Turkey is connected to Internet since April 1993. The first connection has been realized in Middle East Technican University (METU). The speed of the connection was 64kbit/sec and for a long time this has been the only connection of the country and Internet had been tried to be familiarized to the country especially by the academicians. After METU, the second connection had been realized in Ege University, 64 kbit/second. These connections had been followed by the connections realized in Bilkent University October 1995, Bogaziçi University November 1995 and ITU February 1996. On August 1996, Turnet had been activated. In 1997, Ulaknet which provides the

²⁶ <http://www.email-marketing-reports.com/intro.htm>

²⁷ <http://www.inxmail.com/>

²⁸ <http://www.email-marketing-reports.com/intro.htm>

internet connection of academic entities, had started and universities started to use a relatively fast internet connection. In 1999, changes in commercial network connection had occurred and a new formation called TTNET took the place of Turnet. In 2000, commercial entities began to have internet connection on TTNET and academic entities and related units began to have internet connection on Ulaknet. There is also a high speed connection between TTNET and Ulaknet.

Today, the centers that provide internet connection can be summarized in 4 groups²⁹;

The Internet connection of universities and academic entities

The Internet connection on TTNET which is used mainly by commercial entities and Internet Service providers

The Internet connection on TTNET which is used by other commercial entities and Internet Service Providers

Other connections

²⁹ <http://yunus.hacettepe.edu.tr/~sadi/dersler/ebb/ebb467-guz2000/umut-p.html>

2.3. Internet Usage Statistics

2.3.1. World Internet Usage and Population Statistics

Table 2.1. World Internet Usage and Population Statistics (2006)

World Regions	Population (2006 Est)	Population % of World	Internet Usage, Lates Data	% Population (Penetration)	Usage % of World	Usage Growth 2000- 2006
Africa	915,210,928	14.1%	32,765,700	3.6%	3.0%	625.8%
Asia	3,667,774,066	56.4%	394,872,213	10.8%	36.4%	245.5%
Europe	807,289,020	12.4%	308,712,903	38.2%	28.4%	193.7%
Middle East	190,084,161	2.9%	19,028,400	10.0%	1.8%	479.3%
North America	331,473,276	5.1%	229,138,706	69.1%	21.1%	112.0%
Latin America/Caribbean	553,908,632	8.5%	83,368,209	15.1%	7.7%	361.4%
Oceania/Australia	33,956,977	0.5%	18,364,772	54.1%	1.7%	141.0%
WORLD TOTAL	6,499,697,060	100.0%	1,086,250,903	16.7%	100.0%	200.9%

Source: <http://www.internetworldstats.com/stats.htm>, (January, 2007)

As per the world internet usage statistics, clearly determined that internet usage has a huge growth over the past 6 years. The highest increase realized in Africa, followed by the Europe. In North America, the vast majority of population is internet user, North America is followed by Australia where the 54.1% population is internet user. But since

the Australian population provides only 0.5% of the world population, the high potential of internet usage does not mainly affect the results of world internet usage.

2.3.2. European Countries Internet Usage and Population Statistics

Table 2.2. European Countries Internet Usage and Population Statistics (2006)

EUROPE	Population (2006 Est)	% Population of the World	Internet Users, Latest Data	Penetration (% of Population)	% Usage of World	Usage Growth (2000- 2006)
European Union	462,371,237	7.1%	239,881,917	51.9%	22.1%	157.5%
EU Candidate Countries	110,206,019	1.7%	24,983,771	22.7%	2.3%	622.1%
Rest of Europe	234,711,764	3.6%	43,847,215	18.7%	4.0%	417.5%
TOTAL EUROPE	807,289,020	12.4%	308,712,903	38.2%	28.4%	193.7%
Rest of World	5,692,408,040	87.6%	777,538,000	13.7%	71.6%	203.9%
TOTAL WORLD	6,499,697,060	100.0%	1,086,250,903	16.7%	100.0%	200.9%

Source: <http://www.internetworldstats.com/stats.htm>, (January, 2007)

As per European Countries Internet usage statistics, determined that the highest increase in internet usage over the past 6 years has been realized by European Candidate countries. The usage growth in Europe is mainly paralel to usage growth in world.

2.3.3. European Union Candidate Countries Internet Usage and Population Statistics

Table 2.3. European Union Candidate Countries Internet Usage and Population Statistics (2006)

EUROPEAN UNION CANDIDATES	Population (2006 Est)	Internet Users, Latest Data	Penetration (%Population)	Usage %Table	Usage Growth (2000-2006)
Bulgaria	7,717,187	2,200,000	28.5%	8.8%	411.6%
Croatia	4,464,117	1,451,100	32.5%	5.8%	625.6%
Macedonia	2,048,624	392,671	19.2%	1.6%	1.208.9%
Romania	21,266,679	4,940,000	23.2%	19.8%	517.5%
Turkey	74,709,412	16,000,000	21.4%	64.0%	700.0%
Total EU Candidate Countries	110,206,019	24,983,771	22.7%	100.0%	622.1%

Source: <http://www.internetworldstats.com/stats.htm>, (January,2007)

Through the European Union Candidate Countries the highest growth in internet usage has been realized in Macedonia followed by Turkey. When analyzed through the number of internet users, Turkey has the highest rate. The young generation in Turkey mainly determines the internet usage growth and through the computer and internet usage familiarity in schools, this trend is expected to continue with acceleration.

Driven by the desire to increase both profits and market share, today's growth companies are exploring new ways of doing business on the Internet and Worldwide Web. (Exploring the links between company growth and electronic business, 2000,p.13)

In this chapter brief information about internet and internet growth has been given. Internet is an important tool for retailing sector also. The internet can fulfill several functions in retailing. The internet may be used to provide information to the customer; it can act as a means of communication; it enables transactions to take place; and it may be used as a delivery channel. Retailers make strategic decisions whether these functions should be handled via internet as a substitute or as a complement for in-store retailing. (Weltevreden and et al,2005, p. 59-87)

The transformation of Turkey into an information society offers great opportunities with her growing economy, young dynamic demographic structure and experienced entrepreneurs who are able to take advantage of the globalization in the world economy in an increasingly effective way³⁰.

³⁰ http://www.bilgitoplumu.gov.tr/eng/docs/Action_Plan.pdf

To have a broader wisdom about internet usage, the implication of internet in commerce so called electronic commerce will be examined in detail in following chapter.

CHAPTER III

ELECTRONIC COMMERCE

The new concept of “Global World” as “New Economy” use a powerful gun as “Internet”. H lr sgd chf hsy`shmnne`kk hneq`shnm, v nqr+olbst qdr+c` s`+`ne rn nm²⁰- Sgd fqv sg ne hsdqns`r` at rhndrr l dclt l rhmbd sgd` cudns ne sgd V ndc V hcd V da hm 0882 g`r addm q`ohc- Sgd Hsdqns g`r bnmr hcdq akx knv dcdc a` qdr sn dmsq+qdet bdc rv hsbgnf bnrst+o`udc sgd v`x enq l`nx dmsq`nr+dng`nbdc l`qj ds qf bg+cdbqf rdc l`qj ds sq m`bsnm bnrst+`ne hsdnr hcd hsq hmet rsq bnl odshnm Enq bnmrdl onq q` nqf`ny`shmr+l`hns hmf`v da oqrdnbd g`r adbnl d l nqf ne` noldrrhsx sg`m`m` cchsm`ksnksn f`hm`mdef d- Nqf`ny`shmr`qd hmqf r hmf kx sq hmf sn hbnqpnq sd V da sdbgmknf hdr hm sgd hq at rhndrr oqbrdr`ne rxrsdl r+`ne at hchmf v da, a`rdc`ookb`shmr enq sq m`bsmf at rhndrr v hsg bnmrt l dqr`ne rt ookdr. (Teo, 2006, p395-411) Sgd qf hsdrr dl dcf dc sgqt f g ndv dbnml x`qd sg`s: d, at rhndrrdr`qd adbnl hmf` l nqf hl onq`ns rg`qd ne sgd dbnml lb a`rd ne qf hmr- L nrs hmet rsqdr`ne ehq r+dudm`sq chsm`k nndr ||`qd nqf`ny hmf v nqj`qnt ne sdbgmknf x- @ne sgqt f g sgr sqdne+sgd nlc rnt qdr ne bnl odshud`cu`ns`fd,`bdr sn q`v l`sdq kr+sq mronq`shmqnt sdr+nq bt rsnl dq l`qj ds: knv bnrst: `ne`k`qd`kanq onk,`qd adbnl hmf kdr hl onq`ns`Rs`sdr`dbnml lb rt bdr hr hmqf r hmf kx admf cdsdq hmc ax gnv deedshudkx sgd b`m rot q gnl d, fqv m sdbgmknf lb`k hmu`shnm`ne dmsqdoqndt q`gto²¹- Behind the

³¹ gso9.v v v -at rhndrrv dj -bnl .0886.35.a2442/73-gsl
³² gso9.v v v -ndv dbnml xhndw-nqf .rs`sdr.1//1.hsqnt bshmgsl k

submission of facilities to the world, internet also verifies fast service mind with the help of uninterrupted development³³. Inherent opportunities of this innovative sales channel are driving the development of a new customer relationship paradigm, development of new products and pursuit of low cost “self service” strategies. (Costello and Tuchen, 1998, p.153-167) Tomorrow’s infrastructure is expected to be dominated by the Internet and its related technologies with Internet. Modern business is characterised by ever-increasing supply capabilities, ever-increasing global competition, and ever-increasing customer expectations. In response, businesses throughout the world are changing both their organisations and their operations. They are lowering the barriers between the company and its customers and suppliers. Business processes are being re-designed so that they cross these old boundaries³⁴.

In this changing global world, commercial and marketing activities are changing parallel to these changes and they are tended to mainly take place over internet.

To have a better understanding about these activities, they will be examined in detail in this Chapter.

³³ <http://europa.eu.int/ISPO/ecommerce/answers/introduction.html>

³⁴ <http://europa.eu.int/ISPO/ecommerce/answers/introduction.html>

3.1. Electronic Commerce Definition

Electronic commerce is a relatively new concept that crept into the business vocabulary during the 1970s. A picture of electronic commerce is emerging in which the Internet will become the essential dial-tone for conducting business³⁵. Electronic commerce is an emerging model of new selling and merchandising tools in which buyers are able to participate in all phases of a purchase decision, while stepping through those processes electronically rather than in a physical store or by phone³⁶. Electronic commerce is the integration of communication technologies and multi-enterprise based applications that accentuate buying and selling of goods and services between customers, regardless of the platform or operating system being used on respective networks. (Columbus, 1999,p.15) In e-commerce the issue is the conducting of business communication and transactions over networks and through computers³⁷. Electronic commerce is often thought simply to refer to buying and selling using the Internet. But e-commerce involves much more than electronically mediated financial transactions between an organization and any third party it deals with, it is also any form of business transaction in which the parties interact electronically rather than by physical exchanges or direct physical contact³⁸. (Chaffey, 2003,p.7) E-commerce is the sum of economic processes that aims to create digital processing of value through process of digital information by means of high standard telecommunication networks that both individuals and corporations are considered. (Erdağ and Batuman, 2006, p. 2)

³⁵ <http://cat.inist.fr/?aModele=afficheN&cpsidt=2629652>

³⁶ http://www.iec.org/online/tutorials/e_commerce/

³⁷ <http://www.definethat.com/define/5895.htm>

³⁸ <http://europa.eu.int/ISPO/ecommerce/answers/introduction.html>

The integration of Internet technology and core competencies of a business is the essence of electronic commerce. Technology is the enabler of efficiencies for the company's core business, often driving down costs and increasing customer satisfaction through more responsive support and communication. (Columbus,1999,p.15)Beside having tremendous potential for growth, e-commerce also has challenges for new entrants.

Electronic Commerce encompasses a broad range of activities. The core component is addressing the commercial transaction cycle. Electronic Commerce includes electronic trading of physical goods and services and of electronic material. Upstream and downstream of the transactions, it also includes the advertising and promotion of products and services, the facilitation of contacts between traders, the provision of market intelligence, pre- and post-sales support, electronic procurement and support for shared business processes³⁹.

Kalakota and Whinston (1997) refer to a range of different perspectives for e-commerce. From a communications perspective, electronic commerce is the delivery of information, products/services, or payments via telephone lines, computer networks, or any other means. From a business perspective, electronic commerce is the application of technology towards the automation of business transactions and workflows. From a service perspective, electronic commerce is a tool that addresses the desire of firms, consumers, and management to cut service costs while improving the quality of goods and increasing the speed of service delivery. And from an online perspective, electronic

³⁹ <http://europa.eu.int/ISPO/ecommerce/answers/introduction.html>

commerce provides the capability of buying and selling products and information on the Internet and other online services. (Kalakota and Whinston, 1999, p.12)

In essence e-commerce is characterized by several attributes. As Rayport and Jaworski, 2002 stated, e-commerce is about the exchange of digitized information between parties. E-commerce is about technology enabled transactions and it is moving beyond technology-enabled transactions to technology-mediated relationships. Transaction is mediated much less through human contact and more by technology-and, in that sense- so is the relationship with the customer. The place where buyers and sellers meet to transact business is moving from the physical-world “marketplace” to the virtual-world “marketspace”. And e-commerce includes intra-and-interorganizational activities that support the exchange. The scope of electronic commerce includes all electronically based intra-and interorganizational activities that directly or indirectly support marketplace exchanges. In this sense there is a phenomenon that affects both how business organizations relate to external parties- customers, suppliers, partners, competitors, and markets- and how they operate internally in managing activities, processes, and systems. (Rayport and Jaworski,2002,p.3) (Euehun and Dong-II, 2005,p. 386-392)

The inception of the World Wide Web has given industry owners and entrepreneurs a much clearer sense of how their business can be conducted online. More and more today, the number of companies opting for the choice to do business strictly via the web (versus investing in storefront properties) is growing exponentially⁴⁰. By the assistance of

⁴⁰ <http://www22.verizon.com/about/community/learningcenter/3com/0,1738,1121z01,00.html>

mainly the communication technologies, e-commerce should not be considered as just a new sales channel or an alternative store on a different environment. Beyond them, e-commerce provides corporations several opportunities as a new supply chain, product distribution service, decrease in production costs, direct sales. (Dolanbay, 2000,p.33) E-commerce has several offerings and they form the target for starting e-commerce activities. They are:

To have new income channels

Increase market share

Decrease costs

Decrease the time used for product/service

Improve supply chain

To be globally available

To ease the customer services and communications

Increase service quality

Provide customer continuity.

To have large number of potential users

To have ability to publish new information on demand

To increase ability to deliver product directly to the end user

(Cunningham and Bergmann, 2002,pp.163-193), (Dolanbay, 2000,p.33), (Erdag and Batuman, 2006, p.4)

There is not one exact definition for e-commerce. The several definitions of e-commerce has been summarized. To have a better evaluation of e-commerce activities, the history of e-commerce will be stated briefly.

3.2. Historical Perspective of E-Commerce

The need for electronic commerce stems from the demand within business and government to make better use of computing and do better apply computer technology to improve customer interaction, business processes, and information exchange both within an enterprise and across enterprises⁴¹. The history of ecommerce is a history of how Information Technology has transformed business processes and the history of a new, virtual world which is evolving according to the customer advantage^{42,43}. E-commerce has grown into a multi-billion dollar industry. There are several milestones in the history of e-commerce⁴⁴.

The concept of e-commerce transactions predates PCs and the World Wide Web and the first step came from the development of the Electronic Data Interchange⁴⁵ (EDI). (Chaffey and Mayer, 2000,p.329) In the 1970s Electronic Data Interchange (EDI- the transfer of information, financial and otherwise, in a Standard electronic format) and Electronic Funds Transfer (EFT) of Financial EDI⁴⁶ over secure private networks became established modes of intra and inter-company transaction. For decades, many

⁴¹ <http://web.njit.edu/~bieber/CIS677F98/readings/kalakota96.pdf>

⁴² <http://www.4th-media.net/overview/history.php>

⁴³ http://www.ecommerce-land.com/history_ecommerce.html

⁴⁴ http://www.ischool.utexas.edu/~licao/IA_research_paper/history.html

⁴⁵ http://www.ischool.utexas.edu/~licao/IA_research_paper/history.html

⁴⁶ Financial EDI is an aspect of the electronic payment mechanism involving transfer of funds from the bank of a buyer to a seller.

large companies such as banks, airlines, retail chains and manufacturers have benefited from increased back-office efficiency and improved supplier/vendor processes, helping them optimise inventories, operate more efficiently and improve customer service. (Chaffey and Mayer, 2000,p.329) During the 1970s and early 1980s, electronic commerce became widespread within companies in the form of electronic messaging technologies; electronic data interchange and electronic mail⁴⁷. The convergence of computer and telecommunications technologies has revolutionized how we get, store, retrieve and share information. Through this convergence has created Information Technology driven by internet and fueled a surge in productivity and economic growth⁴⁸. In the late 1980s and early 1990s electronic messaging technologies became an integral part of workflow or collaborative computing systems⁴⁹.

E-commerce became possible in 1991 when the Internet was opened to commercial use. Since that date thousands of businesses have taken up residence at web sites⁵⁰.

In the 1990s, the advent of the World Wide Web on the Internet represents a turning point in electronic commerce by providing an easy-to-use solution to the problem of information publishing and dissemination. The Web made electronic commerce a cheaper way of doing business (economies of scale) and enabled more diverse business

⁴⁷ <http://web.njit.edu/~bieber/CIS677F98/readings/kalakota96.pdf>

⁴⁸ <http://usinfo.state.gov/usa/infousa/trade/ecommerce/rs20426.pdf>

⁴⁹ <http://web.njit.edu/~bieber/CIS677F98/readings/kalakota96.pdf>

⁵⁰ http://www.ecommerce-land.com/history_ecommerce.html

activities (economies of scope). The Web also enabled small businesses to compete on a more equal technological footing with resource-rich multinational companies⁵¹.

What e-commerce provides is a simpler, lower cost method of conducting business electronically. This has given the potential for electronic trading to small and medium sized companies. (Chaffey and Mayer, 2000,p.329)

Within an organization, to implement e-commerce is a significant step forward both conceptually and practically. A range of levels of sophistication of implementing e-commerce are available. As Chaffey and Mayer, 2000, stated, in the primitive level of e-commerce, static web pages or “brochureware” takes place. Through the advance level; searchable site with dynamic pages such as online catalogue, integration with operational databases, e.g. inventory searching, package tracking, job posting takes place. In the advanced levels, customer transaction through internet and finally full electronic commerce takes place. It is evident that only the last two levels can be strictly described as e-commerce. (Chaffey and Mayer, 2000,p.329)

When today’s economy evaluated, clearly notified that the e-commerce industry has become a part of most people’s household, that evidently shows the daily demand of people since it costs only half the cost of setting up a traditional business, the e-commerce industry is indeed here to stay⁵². The adoption of e-commerce applications is promoted in the developing world as a systematic innovation offering producer firms

⁵¹ <http://web.njit.edu/~bieber/CIS677F98/readings/kalakota96.pdf>

⁵² <http://www.itmediacis.com/eng/e-commerce.htm>

new exchange mechanisms that enable them to compete on a more equal basis in world markets. (Moodley and Morris, 2004, p.155-178)

History of e-commerce has been evaluated briefly in this section. As clearly noted from this section, e-commerce has been increasing its importance in our daily lives and this trend is expected to be continued.

As in all sectors, there are some drivers accelerating the growth in e-commerce. The reasons for growth of e-commerce will be evaluated to have a deeper sight of the activities.

3.3. Reasons for Growth in E-Commerce

Globalization and information technologies are radically changing the face of business and organizations. There is a growing interest in the use of e-commerce as a means to perform business transactions over the Internet. (Ngai, 2007, p. 17-29)E-commerce has had a society-wide impact, and there are many reasons for growth in e-commerce. (Goldsborough, 2000, p46) The amazing thing is that , somehow, because of the power and reach of the Internet and the explosion of computing technology, the basic rules of business and marketing are believed to be no longer valid. (Mariotti, 2000, p16)

In order to asses the prospects for e-commerce for a particular company's product offering, it is useful to understand the factors that contribute the users completing transactions online rather than by traditional means. (Chaffey and Mayer, 2000, p.329)

When the drivers, or reasons for implementing e-commerce from a consumer's standpoint considered, increase in demand for choice is one of the most important

drivers. Product depth, global reach, price choices can be evaluated in this driver. Demand for information and interactive online support is also an important driver for consumer. Then comes avoidance of travel and parking difficulties and elimination of time constraints⁵³. (Chaffey and Mayer, 2000, p.329) (Canpolat, 2001, p.15) Consumers have more powerful and efficient purchasing power both by providing the chance to make choices globally. They are provided more flexible flow of information and can also control the purchasing process. (Ozdemir,2000, p.21) Consumers can shop 24 hours a day with immediate delivery; served a huge product selection to choose from; and new products and upgrades are available faster than from other channels. E-commerce allows sellers and buyers to share information openly and make decisions rapidly and collectively. (Mariotti, 2000, p16) Electronic commerce will fundamentally change customers' expectations about convenience, speed, and price, therefore giving customers more choices. (Rosen, 2000, p80) When today's economy and hard living conditions is considered then clarified the importance of these drivers.

E-commerce serves various drivers for businesses. These can be stated as; a global reach, leading to more orders, reduced administration overhead (paperwork automation leading to a lower cost for each order made), reduced asset requirements (physical properties for companies with a retail network), integration of online "shopping" activities with database marketing, less need for distribution via channel (disintermediation) and reduced working capital (inventory), reduced marketing costs through reduced time in customer service, online sales and reduced printing and distribution costs of marketing communications, reduced supply chain costs through

⁵³ <http://www.walkerwebservices.com/e-commerce.html>

reduced levels of inventory and shorter cycle time in ordering. Also through e-commerce it is possible to stay in touch with customers since anticipating their needs is a primary goal for these entities. By tracking a customer's buying patterns and requests for information about various fire trucks and other apparatus, suppliers can become proactive and automatically notify that customer when a particular type of truck they're interested in comes into the inventory. There are also intangible benefits as corporate image communication, enabling faster response to market needs, meeting customer expectations to have a web site, better management of marketing information and customer information, feedback from customers on products. (Chaffey and Mayer, 2000, p.332), (Bethoney,1997, p102), (William and et al., 2000, p178) Electronic commerce also provides improved competitiveness. Electronic commerce enables suppliers to improve competitiveness by becoming "closer to the customer". As a simple example, many companies are employing electronic commerce technology to offer improved levels of pre-and post-sales support, with increased levels of product information, guidance on product use, and rapid response to customer enquiries⁵⁴. E-commerce enlarges the market potential and this has increased the chance to get more increased share from international commerce. (Canpolat, 2001, p.15)

An international study of companies in UK, France, Germany, Italy, Sweden, US, Canada and Japan has sought to evaluate some of the reasons why companies adopt e-commerce. (DTI, 2000) Drivers identified in previous surveys were rated out of 4 by e-commerce adopters where 4=very important and 1=unimportant. Through the cost

⁵⁴ <http://europa.eu.int/ISPO/ecommerce/answers/introduction.html>

efficiency drivers listed as; Increasing speed with which supplies can be obtained. (2.76), Increasing speed with which goods can be despatched. (2.63), Reduced sales and purchasing costs (2.65), Reduced operating costs (2.73). The competitiveness drivers were, Customer demand (2.86), Improving the range and quality of services offered (2.83), Avoid losing market share to businesses already using e-commerce (2.7)

This survey suggests that the cost/efficiency drivers and competitiveness drivers are of similar importance. The survey also reports on score for non-adopters and unsurprisingly all these benefits are rated significantly lower. Together these benefits may contribute to increased profitability. However, it is well-known that the majority of dot-coms are not profitable since the significant investment needed to create, market and maintain e-commerce services may be greater than revenues. (Chaffey,2002,p.15)

Beside the benefits for consumers and businesses mentioned previously, e-commerce has some negative effects. E-commerce will increase the rate of wealthfare between developed countries which produces science and technology, transfers this to economic and social benefit and developing countries which tries to become an information society without being an industry society. Beside creating new job opportunities, e-commerce will remove some roles for traditional trade, this will cause excess of labor force and increase unemployment. When evaluated as a whole, e-commerce is not technically appropriate for controlling. There is not any legal procedure, permit for access or confirmation to access and benefit the Internet. There is not any legal owner or manager of Internet. That's why there is not any legal entity to control the misuse of Internet. This side of Internet should be considered both by international or post-

international organizations and solutions should be provided. (Canpolat, 2001, p.17)
(Hennessey, 1999, pC23)

3.4. Effects of E-Commerce

The reasons for implementing e-commerce both in business and daily life has been explained in previous section. After evaluating the drivers for e-commerce, the effects of e-commerce will be evaluated in detail in this section.

3.4.1. Social Effects of E-Commerce

The 20th century was marked by the development and world-wide diffusion of a new category of technical installations and socio-technical systems whose sheer size and complexity outscored everything known in the past. (La Porte, 1994, p.269) Innovations in Information and Communication Technologies (ICT) have an important effect on the development of globalization and influence all areas of economic and social life, all segments of the society and deeply affect how public services are delivered, businesses function, and citizens lead their daily lives. In other words, these innovations cause a social transformation. These technologies already put their mark on the twenty first century and laid the foundation for a new social transformation towards “information society”⁵⁵.

⁵⁵ <http://www.bilgitolumu.gov.tr/eng/default.asp>

Beside being evaluated as an economic issue, e-commerce is a common part of a social transformation due to the globalization of the markets. This social transformation is being experienced today and will continue to be experienced in the future too. (Çak, 2002, p.27-29) These experiences will cause to the emergence of the issues like “e-society” or “digital evolution”. The emergence of new issues is inevitable in accordance with the emergence of a new environment. The main factor in emergence of these issues is the addition of the “information” to the classical production factors by the familiarity of the internet. Information is available with zero cost by this transformation experienced and this can be shared again with zero cost. The e-society will be realized completely when communication technologies are used the most efficiently, the infrastructure is available in all parts of the society and the society began to communicate in e-environment as easy as in physical environment. (Serenko, Ruhi and Cocosila, 2007, p141-166), (Çak, 2002, p.27-29) (Wilpert, 2006, Pages 255-259)

The leaders in the way to e-society is the individuals. E-mail and chat has been as familiar as telephone usage in some part of the society. The video conferans system has created important advantages to some individuals and corporations. The fast increase in world population, especially the increase in developing countries and the lack of the increase in number of teachers to meet the requirements of this increased population causes the miseducation of this growing population. This problem can be overcome by the education provided over Internet. This will make it possible for the individuals to listen to the lessons of best teachers, maintain the notes and take their examinations. (Menou and Taylor, 2006, p261-267), Çak2002, p.27-29), (Clarke,2005, p24-25)

These progresses are inevitable in health sector. By the system called tele-medical doctors can control the patients with no need to be in the same place when the patients are home or in case of emergency. The people who have health problems can search about their problems on Internet and can maintain the information provided by the best doctors worldwide. Via tele-medical applications, not only the citizens will be provided with advice and guidance; but health institutions will also be provided with advanced technologies to support diagnosis and treatment⁵⁶. (Çak, 2002, p.27-29)

Beside these beneficial opportunities, some activities to damage social ethics is forecasted to increase. Today, there are many web sides which serve online gambling and the other threat available on Internet is pornography. These web sites are easy to connect, the connection costs are low and these information, pictures maintained from these websites can easily be shared by e-mail. This fastens these familiarity of the usage. The hackers are also a main threat caused by the familiarity of the Internet usage. (Çak, 2002, p.27-29), (McCarthy, 2006, p38), (Holahan, 2006,p.4)

These threats are increasing day by day but they can be overcome by serious education. The benefits of e-society is more than the threats and by focusing on this point the evaluations should not be missed. (Çak, 2002, p.27-29)

Through these effects mentioned, e-commerce will emerge a social transformation. Through this transformation Turkey has its strategy plans for 5 year period. According to Information Society Strategy Action Plan, 2006-2010, stated that through this social transformation, installation of IT labs with multimedia libraries in all designated schools

⁵⁶ http://www.bilgitoplumu.gov.tr/eng/docs/Action_Plan.pdf

will be completed and they will be kept updated, centres that will provide access opportunities to those without access at home will be established. Individuals will be provided with computer and broadband internet connection packages at affordable payment and instalment conditions, public employees will be equipped with Information Technologies skills. E-learning courses will be designed to contribute to the personal and vocational development of citizens⁵⁷.

3.4.2. Governmental Effects of E-Commerce

E-government refers to the delivery of information and services online through the Internet or other digital means. Many governmental units have embraced the digital revolution and are putting a wide range of materials from publications and databases to actual government services online for citizen use⁵⁸. E-government is distinct from Internet governance. E-government refers to the application of e-commerce technologies to government and public services. In the same way that e-business can be understood as transactions with customers (citizens), suppliers and internal communications, e-government will cover a similar range of applications. (Chaffey,2003,p.172)

The impact that the "digital revolution" has on the citizens' daily lives continues to grow. Citizens use technology to access countless services and transactions that were only imagined a few years ago. As they become more accustomed to these electronic interactions on a daily basis, citizens' expectations of government are changing as well.

⁵⁷ http://www.bilgitoplumu.gov.tr/eng/docs/Action_Plan.pdf

⁵⁸ <http://www.insidepolitics.org/egovtreport00.html>

Government agencies recognize this and are beginning to realize the opportunities available to change how people interact with them⁵⁹.

Extensive Internet access is making it possible for governments worldwide to move information and services online, providing substantial savings in cost, time, and labor. (John and et al. 2006, p111-112) The progresses on information technologies and the individuals benefiting from these progresses will put pressure on to realize all their operation through Internet. The individuals will expect to have the services provided by the private sector from the government. By all these pressure, the possible e-government implementation will facilitate the citizens lives in accordance with impacting on government. (Çak, 2002, p.29-30)

There is a world wide trend on the emergence of open government, the support of the free networks used by the citizens and the implementation of public services. In the USA, the citizens are given an electronic identity card on which the curriculum vitae, finger print and voter information are available and the procedures of citizens on public entities has been fastened. In Brasil in 1999, on the election citizens has voted on electronic environment by the electronic cards provided. (Çak,2002, p.29-30) (Chee and et al. 2006, p555-569)

E-government also enhances quality of service and accessibility by letting citizens interact with the government from their own computer rather than in person. (John and et al. 2006, p111-112) (More Cities Embrace E-Government, 2006, p5) (Mellor, 2006, p436-446)

⁵⁹ <http://usinfo.state.gov/journals/itdhr/1003/ijde/crouch.htm>

Similar to the dramatic changes in e-commerce, the e-government should revolutionize to offer the potential to reshape the public sector and remake the relationship between citizens and government⁶⁰.

According to European Union Implementation of the eGovernment Action Plan National Status and Progress Report, November 2006, Turkey is aligned with European Union objectives in which stated that e-government takes place in Information Society Strategy (2006-2010) published on 27th July, 2006, under the topics: Citizen-focused Public Service Transformation and Modernisation of Public Management. Efficient and effective government is expected to be achieved through reduction in current public expenditure, (e.g. e-procurement, reengineering of bureaucratic processes) increased focus on “real life visibility”. (e.g. benefits for unemployment), transparency and customer satisfaction and building blocks available soon for administrations⁶¹. (municipalities, provinces..)

3.4.3. Economic Effects of E-Commerce

If in the decades to come e-commerce continues to grow at a rapid pace, it could have significant effects on the structure and functioning of economies at the firm, sector and aggregate level⁶². E-commerce has effects on economy both on macro and micro basis. Micro economic effects can be summarized as the effects on corporations, on

⁶⁰ <http://www.insidepolitics.org/egovtreport00.html>

⁶¹ http://europa.eu.int/information_society/activities/egovernment_research/doc/national_implementation_action_plan.pdf

⁶² <http://www.oecd.org/dataoecd/42/48/2087433.pdf>

consumers, on market while macro economic effects are on employment, development and income levels. (Çak, 2002, p.31)

3.4.3.1. Effects of E-Commerce on Producers/Corporations

The effects of e-commerce on corporations are generally summarized as the increase on efficiency and productivity, the decrease at costs, the chance to enter new markets and the increase in competition. (Çak, 2002-6, p.31) E-commerce can improve the transparency of markets and can result in efficiency gains via lower procurement and inventory costs and better supply chain management⁶³.

Electronic commerce is widely expected to improve efficiency due to reduced transaction and search costs, increased competition and more streamlined business processes. Lower search costs may possibly also lead to Internet consumers being more sensitive to price changes⁶⁴. The progress and widespreadness in information technologies has facilitated the economic operations. The main specialities of e-commerce are approximately zero operation cost, the easy entering to new markets, and the increase and widespreadness of competition⁶⁵. (Çak, 2002,p.31) (Beasty,2006, p.31-35)

In these activities efficiency means to avoid time consumption, operate mistakeless, and facilitate the procedures. Here, the price of the product does not decrease but the price of commercial infrastructure and marketplace decrease and this develops the e-commerce.

⁶³ http://www.cpb.nl/nl/pub/cpbreeksen/cpbreport/2002_3/s3_2.pdf

⁶⁴ <http://www.oecd.org/dataoecd/42/48/2087433.pdf>

⁶⁵ <http://www.oecd.org/dataoecd/42/48/2087433.pdf>

Shortly can be advised that e-commerce is the result of the decrease in price of information technologies⁶⁶. (Çak,2002, p.31)

The biggest opportunity served by e-commerce to corporations is the decrease in costs. There are two main reasons for the decrease in costs. First is the change in corporations cost structure and the second is the decrease in costs due to the forward and backward relations. In the first decrease the main subject is the decrease in cost of sales procedures, the decrease in production input purchase costs, and the decrease in production distribution costs. Beside decreasing the costs of sales procedures, e-commerce also decreases the purchase costs. The main factor resulting in the decrease in purchase costs is the decrease in inventory costs. The acceleration of orders mainly decrease the inventory costs. This is especially important in short-life, technologically fast improved products. (Çak, 2002, p.31)

The processes at cost side do not directly effect the prices. But by the way of the decrease in costs and the increased competition it will effect the prices. (Çak, 2002, p.32)

It is generally believed that e-commerce enables developing country producers to overcome traditional limitations associated with restricted access to information, high market entry cost and isolation from potential markets. (Moodley and Morris, 2004, p.155-178)

⁶⁶ <http://www.touchbriefings.com/pdf/977/regionalp6.pdf>

E-commerce decreases the barriers to enter new markets. E-commerce removes the physical boundaries and the barriers to enter exterior markets and enlarges the market. This increases the competition and provides chance to the small corporations to have equal entry conditions with large firms. By the internet based competition there has emerged big struggles between large and small firms as never experienced. Not only in high technology sectors like software or network equipments but also in traditional sectors like retail sector, the new entrant fast and flexible entrepreneurs has created a big threat against competitors. (Çak, 2002,p.31) (Linrud and Wilson, 2004, p.1-8)

Beside these direct effects there are some indirect effects that by means of e-commerce, producers can reach to an unlimited number of consumers and these parties can come together in a transparent and perfect competition conditions. These processes also forces the corporations to focus on Research&Development activities. (Çak, 2002, p. 34)

3.4.3.2. Effects of E-Commerce on Consumers/Individuals

E-commerce serves various advantages to consumers like the chance to make choices globally, increase in service quality, the immediate response to the needs and requirements, and customized production and services⁶⁷. People can interact with businesses at any hour of the day that is convenient to them, and because these interactions are initiated by customers, the customers also provide a lot of the data for

⁶⁷ <http://www.isos.com.my/ecommerce/advantages.htm>

the transaction that may otherwise need to be entered by business staff⁶⁸. This means that some of the work and costs are effectively shifted to customers; this is referred to as customer outsourcing⁶⁹.

The electronic entry to global markets brings together the stronger and more efficient purchase, increased number of choice, lower price, more customized services and new purchase styles. (Connell,1996, p30) (Rayport and Jaworski, 2002, p.4)

The biggest advantage from consumers side is the convenience. The consumer can shop through internet by using the personal computer at any time. There is no need to go out of home or wait for the long queues. The only thing to do is to click on the product wanted and give credit card details. Many firms operating through internet has started to keep their consumers' credit card details in their servers to provide increased convenience to the consumers. The consumer can learn about the price, model and sellers of a needed product through internet by using a personal computer. The daily consumed products can also be purchased online and the payment can be done at home in the same convenience⁷⁰. (Chang, Jaewon and Cheon, 2006, p.261-274), (Çak,2006, p. 3)

By using the interactive documents, the consumer can change the colour of the product shown on the monitor and can save the object and can have print-outs about the product. The consumer can do these actions especially while choosing a garment, shoes or related

⁶⁸ http://www.marcbowles.com/sample_courses/amc/ec1/ec1_3.htm

⁶⁹ http://www.web-design-uk.biz/ecommerce/business_advantages_of_using_ecommerce.htm

⁷⁰ <http://ezinearticles.com/?What-is-e-Commerce---Advantages-and-Drawbacks!&id=241542>

products. This gives the consumer the chance to identify the product on the monitor. (Çak, 2002, p. 34)

Through hardening life conditions where people have very limited time to accomplish various missions, e-commerce serves a very convenient and time saving alternative. These qualifications of e-commerce is the main driver increasing its importance through the consumers' eyes.

3.4.3.3. The Effects of E-Commerce on Market Structure

E-commerce, is widely recognized as one of today's most explosive trends. Sometimes viewed as a miracle formula to create double digit earnings growth, websites are springing up everywhere. (Exploring the links between company growth and electronic business, 2000, p.8) New Technologies facilitating communication and knowledge transfer, including e-mail, electronic data interchange, as well as the Internet, have huge potential to change the ways organizations create markets, deliver products and serve customers. (Rayport and Svioklia, 1995, p.75-85)

In reality, firms have to deal with fundamental uncertainty. That is, no firm has perfect access to information, nor firms an ability to process and implement external information in an optimal way. In order to cope with uncertainty, firms develop and accumulate routines in the course of time, on which they draw when making decisions and pursuing strategies. This is especially true when dealing completely new developments for which they have no prior experience. (Weltevreden and et al.,2005, p.

59-87) In an era when access to information is this crucial, internet facilitates the way to access information required.

E-commerce depends on information and communication technologies and due to this speciality of e-commerce it changes the conditions and roles of the market players. In development of e-commerce consumers will be more affective than producers. Beside, the scale and the form of the market is changing. E-commerce is developing through internet, global and open to participation. Due to these features, small and medium sized firms can easily enter to the market. In e-commerce consumer is more selective, more conscious, and expecting for the complete fulfillment of the needs and requirements. The corporations should be innovative, open to new investment ideas and focusing on Research&Development activities to be successful. (Çak, 2002, p.35) (Rayport and Jaworski,2002, p.96-98) (Stiroh,2000, p83)

The adoption of e-commerce applications is promoted in the developing world as a systematic innovation offering producer firms new exchange mechanism that enable them to compete on a more equal basis in world markets. It promises a radical shift in the way in which international buyers and sellers trade with one another. (Moodley and Morris, 2004, p.155-178) The WTO (1998) claims that e-commerce is expected to facilitate low-cost access to international bidding and supply processes for developing country firms, and to information on import restrictions, customs regulations and potential demand. (Moodley and Morris, 2004, p.155-178)

3.4.3.4. The Effects of E-Commerce on Employment

The added value created through internet and e-commerce, the decreased prices and increased familiarity of information and communication technologies and the cash flow created through these processes are expected to result with new business opportunities. Firms need staff to form and support the infrastructure to make business through electronic environment. But beside this, there is expected to be some fires due to the automization resulted through economic environment. There has already been decreases in employment in bank and finance sectors. But these fires are expected to be overcome by the new job opportunities that should be created through electronic environment. Çak, 2002, p.36) (Canpolat, 2001, p.16)

E-commerce removes the way of working related to the environment, provides mobility. The physically disabled people will have more chance to efficiently adding to the business environment. By e-commerce the money spent for going to work can be saved, the inconvenience in job environment can be decreased and projects would be more largely coordinated. Çak, 2002, p.36), (Erdağ and Batuman, 2006, p.41)

E-commerce changes the required qualifications of the labor. The multiskilled employees will be demanded and courses or seminars to increase qualifications of the work force will develop uninterruptly. These education programs will be renewed periodically and they will be realized paralel to technological developments. (Çak, 2002, p.36), (Erdağ and Batuman, 2006, p.41), (Long, 2006, p50), (Pooley, 2006, p114-122)

3.4.3.5. Effects of E-Commerce on Legal Structure

As mentioned in previous sections, internet facilitates the way to access information and the most basic property of Web is to be owned by noone. Through these perspectives, the legal procedures for internet implementation and e-commerce gains importance.

An important ethical issue is related to the privacy of personal information ownership. Here the ethical issues overlap with the law science since many governments have introduced specific data protection legislation to protect consumers whose details are held on databases at many companies. Mason (1986) has usefully divided issues related to privacy into four areas which compose of Privacy- what information is held about the individual, Accuracy- is it correct, Property- who owns it and how can ownership be transferred and Accessibility- who is allowed to access this information, and under what conditions? Fletcher, 2001 provides an alternative perspective raising the issues of concern for both the individual and the marketer composed of transparency, security and liability. (Chaffey,2003,p.146-147)

Each of these issues are covered by data protection legislation introduced by governments. The European Union introduced legislation for its member countries in the 1980s and this is continually revised to reflect changes to the technology⁷¹.

Legal constraints on e-commerce activities vary by country. In this study, the European legislation which is the most advanced will be examined. Turkey, through European Union integration process, is subject to implement these constraints.

⁷¹ http://europa.eu.int/comm/internal_market/en/dataprot/

There are eight main legal issues which need to be considered by e-commerce managers

3.4.3.5.1. Marketing E-Commerce Business

The first stage of marketing an e-commerce business is purchasing a domain name which is the web address used to locate the site. A company may own several domains, perhaps for different product lines, countries or specific marketing campaigns. Domain names disputes typically arise when an individual or company has registered a domain name which another company claims they have the right to. Although many companies have successfully registered their domain names as .com or by country domain, disputes can still exist, for instance for the relatively new .info .biz domains. Additionally, companies often need to renew domain names. (Chaffey,2003,p.156)

3.4.3.4.2. Forming an electronic contract

The contract formed between a buyer and a seller on a web site need to be subject to the laws of a particular country. In Europe, these laws are specified at the regional (European Union) level, but are interpreted differently in different countries. This raises the issue of which law to apply. Although this has been unclear, in 2002, attempts were made by the EU to adopt the “country of origin principle”. This means that the law for the contract will be that where the Merchant is located. This also applies to e-mail marketing, where it is the location of the sender in the EU, not the location of the recipient, which is relevant.

The distance selling directive also has a bearing on e-commerce contracts in the European Union. It was originally developed to protect people who are using mailorder (by post or phone). The main requirement is that e-commerce sites must clarify:

The main company's identity and including address

Main characteristics of the goods or services

Prices, including tax, which should be clearly specified

The right of the consumer to withdraw. (Chaffey,2003,p.157)

3.4.3.5.3.Making and accepting payment

For B2C sites, the relevant laws are those referring to liability between a credit card issuer, the merchant and the buyer. The merchant needs to be aware of their liability for different situations such as the customer making a fraudulent transaction. (Chaffey,2003,p.157)

3.4.3.5.4.Authenticating contracts concluded over the Internet

Authentication refers to establishing the identity of the purchaser. For example, to help prove a credit card owner is the valid owner, many sites ask for a 3-digit authentication code which is separate from the credit card number. This helps reduce the risk of someone buying fraudulently who has, for instance, found a credit card number from a traditional shopping purchase. Using digital signatures is another method of helping to prove the identity of the purchaser (and merchants) (Chaffey,2003,p.157)

3.4.3.5.5.E-mail risks

One of the main risks with e-mail is infringing an individual's privacy. Laws have been and are being developed to avoid unsolicited commercial e-mail, otherwise known as spam.

A further issue with e-mail is defamation. This is where someone makes a statement that is potentially damaging to an individual or a company. Staff should also be reminded that office banter, particularly of a prurient nature can make them famous or rather infamous internationally. (Chaffey,2003,p.158)

3.4.3.5.6. Protecting Intellectual Property

Intellectual property describes designs, ideas and inventions. In general, intellectual property includes patents, trademarks and copyright. Legislation has been developed to protect the investment in time, Money and creativity made by innovators. Patents are best known for protecting product innovations, it is not common for software to be patented and this typically applies to web sites which are underpinned by software also. Although it is not generally possible to patent web sites, if HTML is copied this does infringe copyright. Clearly publication of copyrighted material on the Internet is not legal without the agreement of the copyright owners. Some problems have existed when sites link to other sites, or include another site's content within a window on its content. This is sometimes referred to as "deep linking". It can infringe copyright, if content is "passed off" as its own. (Chaffey,2003,p.159)

3.4.3.5.7. Advertising on the Internet

Advertising standards that are enforced by independent agencies (such as UK's Advertising Standards Agencies also apply in the Internet environment) (Chaffey,2003,p.157)

3.4.3.5.8. Data Protection

Data protection applies to all processing of customer or potential customer data by a company whether it is collected using the Internet or offline. Companies should comply with the eight enforceable principles of good practice. Data should be:

1. fairly and lawfully processed;
2. processed for limited purposes;
3. adequate, relevant and not excessive;
4. accurate;
5. not kept longer than necessary;
6. processed in accordance with the data subject's rights;
7. secure;
8. not transferred to countries without adequate protection.

(Chaffey,2003,p.159)

3.5. Electronic Commerce Categories

Since electronic commerce is an emerging concept through the commercial transactions, distinct categories of e-commerce emerge parallelly. These categories of e-commerce are evaluated in this section.

3.5.1. Business-to-Business (B2B) Electronic Commerce

Business-to-business e-commerce can be defined as any form of commercial transaction or structured information exchange that takes place between firms within industry value chains via computer mediated network. (Moodley and Morris, 2004, p.157) Through using the web pages, companies get information about each other and after defining the trade potential they get in contact with each other and start having business relations. (Chaffey and Mayer, 2000, p.354)(Teo, Ranganathan and Dhaliwal, 2006, p395-411) It is often assumed that Business-to-business e-commerce applications will enable producer firms in developing countries to benefit from reductions in transaction costs they must incur to participate in international trade. (Pare, 2003, p123) Business-to-business e-commerce represents online transactions within and across firms and it has been transforming the way many business transactions are carried out inside and outside the firm. (Dinlersoz and Ruben, 2005, p11-34) Business-to-business activity refers to the full spectrum of e-commerce that can occur between two organizations. Among other activities, this includes purchasing and procurement, supplier management, inventory management, channel management, sales activities, payment management, and service

and support. (Rayport and Jaworski, 2002, p.4) Significant cost savings from disintermediation of supplier relationships and distribution, that is, elimination of middlemen, is the most widespread assumption about the impact of business-to-business e-commerce. (Aoyama, Ratick and Schwarz, 2005, p.46-68) The purpose of business-to-business e-commerce is to provide the sales, use and share of products, services and information by the integration of automated systems to common business units. Business-to-business e-commerce is shaped in 3 ways. The usage of open networks (www), the usage of internal networks to facilitate the internal procedures, and the connection of internal networks to the corporations in business relation for both to increase sales and facilitate the stock supply. All these three ways is effective on organizational structure of firms, employment structure, product quality, and process costs. (Çak, 2002, p.39) (Duvall, 2000, p.34)

The impact of B2B sites is to make markets more efficient. In the past, buyers had to exert a lot of effort to gather information on worldwide suppliers. With the Internet, buyers have access to much greater information. They can get information from: (1) supplier web sites, (2) infomediaries, third parties that add value by aggregating information about alternatives; (3) market makers, third parties who create markets linking buyers and sellers, and (4) customer communities, that swap stories about suppliers' products and services. (Kotler, 2003, p.44) (Grey, Olavson and Shi, 2005, p.109-123)

3.5.2. Business-to-Consumer (B2C) Electronic Commerce

The exchange process in the age of information has become more customer-initiated and customer-controlled. Marketers and their representatives must wait until customers process, customers define the rules of engagement, and insulate themselves with the help of agents and intermediaries. Customers define what information they need, what offerings they are interested in, and what prices they are willing to pay. (Kotler, 2003, p.42) In the era of increased customer importance and increased technology usage, the relationship and interaction between businesses and customers have led to the emergence of business to consumer electronic commerce.

Business-to-consumer e-commerce refers to exchanges between business and consumers. Business-to-consumer transactions can include the exchange of physical or digital products or services. (Rayport and Jaworski, 2002, p.4) The business-to-consumer (B2C) e-commerce is focused on the use of a virtual storefront on the World Wide Web that allows an Internet user to browse and order goods or services from the storefront's online catalogue. (Costello and Tuchen, 1998, p. 153-167) The rapid growth of consumer access, online shopping and the potential benefits of the Internet for traditional retailers have led to a growing body of literature on the adoption of business-to-consumer e-commerce. (Weltevreden and et al. 2005, p59-87) Most business executives see business-to-consumer e-commerce efforts as a clever, cost-cutting way to get customers to fill out orders online. (Dugan, 2000, p111)

Consumer market is less developed and more wary than the business market, owing to a relative lack of experience, skill and capital. The lack of secure electronic commerce environment and the cost for connection are also the main reasons of slow development of business-to-consumer e-commerce. (Çak, 2002, p.40)

However, it is growing rapidly. As Rayport and Jaworski, 2002 stated, the drivers needed for further growth are: acceptable Internet access mechanisms, payment mechanisms perceived as convenient and secure and an attractive and usable media interface. (Rayport and Jaworski, 2002, p.5) To accelerate the development of the sector, understanding what motivates individuals to accept e-commerce services is important because such acceptance is key to survival in this fast paced and hypercompetitive market conditions. (Bhattacharjee, 2000,p.411-420)

In order for Internet penetration to grow beyond its current bias towards higher-income professionals, the means of access must be broaden from the usual mode of home and work PCs. In addition to the need for a non-threatening or simply socially appropriate mechanism of Internet access, such as digital television, another very important driver of consumer participation in e-commerce is the provision of an attractive and family-oriented interface. Services are now being offered that provide a range of information, entertainment, news and communication services tailored to the needs and preferences of the average family. (Rayport and Jaworski, 2002, p.5)

Online consumers tend to be younger, more affluent, and better educated than the general population. But as more people find their way onto the Internet, the cyberspace

population is becoming more mainstream and diverse. (Rayport and Jaworski, 2002, p.5)
In the business-to-consumer world, there is usually no preestablished relationship between consumers and merchants. The smart merchants make it as simple as possible for a new purchaser to do business with them. (Dugan, 2000, p60)

Companies are rushing to take advantage of this market. Availability of secure web transactions is enabling companies to allow consumers to purchase products directly over the Web. The most prominent of the new paradigms is that of relationship marketing. Because consumer actions can be tracked on the Web, companies are experimenting with this commerce methodology as a tool for market research and relationship marketing⁷².

The business to consumer category largely equates to electronic retailing. This category has expanded greatly with the advent of the World Wide Web. There are now shopping malls all over the Internet offering all manner of consumer goods, from cakes and wine to computers and motor cars⁷³.

Implementation business to consumer e-commerce on retailing sector and internet shopping is different in many aspects from traditional offline shopping outlets as physical stores or telephone ordering through the vast number of alternatives to consumers, higher machine interactivity, higher message customization and interaction. (Chang, Jaewon and Cheon, 2006, p.262) The emergence of online shopping is forcing companies to reconsider the business practices and technology they use to manage

⁷² <http://www.iepsac.org/papers/p07a03.htm>

⁷³ <http://europa.eu.int/ISPO/ecommerce/answers/introduction.html>

customer experience in store and on the Web. (Beasty, 2006, p.32)The business to consumer e-commerce is increasing its importance in retailing sector. The adoption of business to consumer e-commerce is expected to differ between retail sectors. Business to consumer e-commerce adoption varies between retailers of different products because consumers' shopping efforts vary with respect to the type of the product. Search goods (i.e.books, CDs, videos, and DVDs) are more suitable to online selling than so-called experience goods. (Weltevreden and et al. 2005,p.59-87) Nelson (1970), defined goods as search goods when full information for dominant product attributes can be known prior to purchase. Experience goods are goods for which full information on dominant attributes cannot be known without direct experience. (Nelson,1970,pp.311-329)

This point should be considered by retail firms when deciding the online services. As explained in previous sections, the Webpages carry high importance in online shopping activities. Changing market conditions, changing life styles, changing consumer perceptions and expectations have been examined in previous chapters. All these indicate that there is a significant trend towards online environment. This trend is most obvious in retail sector. To carry out this trend and fulfill the requirements, retail firms should adopt appropriate e-commerce strategies. More detailed information about retail sector and possible implementations of business to consumer e-commerce applications will be examined in more detail in the previous chapter.

3.5.3. Consumer-to-Consumer (C2C) Electronic Commerce

The consumer to consumer e-commerce is a new and exciting area in the relatively new field of e-commerce. (Gonzalez, 2003, p.468-473) Consumer-to-consumer exchanges involve transactions between and among consumers. These exchanges can include third party involvement. (Rayport and Jaworski, 2002, p.4)

One of the main characteristics of consumer to consumer sites is the fact that they work as facilitators and intermediaries, which is usually stated in terms of use. (Gonzalez,2003, p.468-473)

Consumer-to-consumer means that online visitors increasingly create product information, not just consume it. They join Internet interest groups to share information, so that “word of web” is joining “word of mouth” as an important buying influence. Words about good companies travel fast; and words about bad companies even travel faster. (Kotler, 2003, p.45)

Consumer to consumer e-commerce is expected to continue to grow because online markets provide individual buyers and sellers with efficient mechanism for information search in the market that enables them to bypass intermediaries. (Strader and Ramaswami, 2002, p.45-49)

3.5.4. Consumer-to-Business (C2B) Electronic Commerce

Consumers can band together to present themselves as a buyer group in a consumer-to-business relationship. These groups may be economically motivated, as with demand aggregators, or socially oriented. (Rayport and Jaworski, 2002, p.4)

Consumers are also finding it easier to communicate with companies. Companies often encourage communication by inviting prospects and customers to send in questions, suggestions, and even complaints via e-mail. Some sites even include a call-me-button- the customer clicks on it and his or her phone rings with a customer representative ready to answer a question. Customer service representatives can in principle respond quickly to these messages. Yet many online merchants are guilty of considerably slow responses to consumer mail. Smart online marketers will answer quickly, by sending out newsletters, special product or promotion offers based on purchase histories, reminders of service requirements or warranty renewals, or announcements of special events. (Kotler, 2003, p.45)

CHAPTER IV

RETAIL INDUSTRY

In previous chapters the evolution of internet and e-commerce activities have been examined. These activities probably has the biggest effect on retailing sector. Retailing can be defined as the exchange of money for goods and services. There is always someone in the market looking for something to buy, whether that something is a service or a tangible good, and there is always someone else who has, and is willing, to sell what the buyer is looking for. Retailing involves, then, much more than selling, it involves every licensed transaction that can be imagined, from local barbershop to local record store. (George, 2000, p84)

It is the primary point at which most people have contact with the world of business, and consequently it is such a common part of people's daily lives that its institutions are taken for granted. (Omer,1998, p.144-160) Retailers have grown, first at home and then increasingly abroad, into some of the world's largest companies, rivalling and in some cases exceeding manufacturers in terms of global reach. (Strader and Ramaswami, 1995, p.3-18)

Today the revolution in the world of retailing is continuing. The pace of change is increasing and retailers, interacting as they do on a daily basis with consumers, are in a good position to capitalize on these changes and so increase market share. (Levy and Weitz, 2004, p.6)

Since involving this big perspective, retailing has the effects of trends emerging in the market. Internet implementation and e-commerce are of these trends.

To have a broader view of sector and the effects of these emerging trends in the sector, detailed information about retailing sector and e-commerce implementation on retailing sector will be examined in following sections.

4.1. Definition of Retailing

Retailing is the set of business activities that adds value to the products and services sold to consumers for their personal or family use. (Levy and Weitz, 2004, p.6) Often retailing is thought only as the sale of products in stores. But retailing also involves the sales of services: overnight lodging in a motel, a doctor's exam, a haircut, a videotape rental or a home delivered pizza. (Cox and Brittain, 2004, p.3) (Davidson and Doody, 1966,p.1) (Kent and Omar, 2002,p.1)

Retailing includes all the activities involved in selling goods or services directly to final consumers for personal, nonbusiness use. (Kotler, 2003, p.535) (Stern and El-Ansary, 1988,p.38)

Retailing is the final stop in the distribution path, the process by which goods and services are sold to consumers for their personal use. (Solomon and Stuart,1999,p.409)

Historically retailing has been viewed as the sale of goods to the consumer through retail shops. However, retailing today should be viewed as being rather broader. (Cox and Brittain, 2004, p.3)

In commerce, a retailer buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells individual items or small quantities to the general public or end user customers, usually in a shop, also called a store⁷⁴⁷⁵.

Retailers attempt to satisfy consumer needs by having the right merchandise, at the right price, at the right place, when the consumers wants it. Retailers also provides market for producers to sell their merchandise⁷⁶. Retailers are the final business in a distribution channel that links manufacturers to consumers⁷⁷. (Levy and Weitz, 2004, p.6)

The retailing process is the final step in the distribution of merchandise; retailers are therefore organized to sell merchandise in small quantities to the general public⁷⁸. Manufacturers typically make products and sell them to retailers or wholesalers. Wholesalers buy products from manufacturers and resell these products to retailers, and retailers resell products to consumers. Wholsalers satisfy retailers' needs, whereas

⁷⁴ <http://retail.about.com/od/glossary/g/retailing.htm>

⁷⁵ <http://en.wikipedia.org/wiki/Retail>

⁷⁶ <http://scholar.lib.vt.edu/theses/available/etd-07212003-153024/unrestricted/ChapterI.II.III.pdf>

⁷⁷ <http://www.city.vancouver.bc.ca/ctyclerk/cclerk/20061212/documents/ph1.pdf>

⁷⁸ http://strategis.ic.gc.ca/canadian_industry_statistics/cis.nsf/IDE/cis44-45defe.html

retailers direct their efforts to satisfying needs of ultimate consumers. (Levy and Weitz, 2004, p.6)

Retailing plays an important role in our lives because retailing involves all of the business activities that are concerned with selling goods and services directly to ultimate consumers. Thus the definition of retailing consists of all the processes in selling goods and services to the ultimate consumer, including direct-to-consumer sales activities made through store outlets, door-to-door selling, home shopping, mail order and Internet. (Kent and Omar, 2002,p.8)

The basic definitions of retailing has been stated. To have a broader point of view, the history and evaluation of the retailing sector will be provided briefly in the following section.

4.2. Historical Perspective of Retailing Sector

Retailing represents a large part of the service sector and covers a wide variety of activities. In the past few decades retailers have grown both domestically and internationally to become some of the world's largest companies. (Czinkota,Kotabe and Mercer, 1997, p.367)

To have a broad point of view about the retailing sector, the evaluation experienced should be evaluated.

The earliest form of exchange took place in markets,drawing local procedure from the surrounding area and providing food, clothing and goods for consumption in the home

and workplace. (Bellenger and Goldstucker, 1983, p.5) The rise of the department store from the mid 1850s to the end of 19th century was nothing short of a major revolution, not only for business but also for all of society⁷⁹.

Samli, (1989) concluded that since general stores attempted to satisfy the needs of customers for all types of goods, they carried a small assortment of each good; but with economic development new stores opened that concentrated on specific product lines. (Samli, 1989, p.127) Howe, (1992) suggested that the general stores were not able to compete and their owners converted them into more specialised stores. In fact, what the department store did for the economy and consumers was dramatic and as far reaching as any other major innovation the world has ever known. (Howe, 1992, p.97)

Multiple retailers, those trading from over 10 stores, emerged in the second half of the nineteenth century. (Philpott, 1977, p.29) The variety stores, differentiating through displays, low prices and high level of self service, then become familiarized. (Kent and Omar, 2002,p.7)

As consumers demanded different products and services from retailers, new institutions emerged to meet this demand. Supermarkets appeared in the early 1930s in response to a consumer desire for lower prices and supported by self-service. More recently convenience food stores and mass merchandisers have met consumers' desires for convenience in purchasing and late-hour-availability. (Davies and Brooks, 1989, p.25)

Discount retailers reflected consumer demand for low prices in a trade-off for services, while shopping centres meet demands for a wide variety of products and services.

⁷⁹ http://www.marketingpower.com/content/Tamilia_Dept_Store_Ref_2005_June.pdf

Vending machines, door-to-door retailing and mail order offered high levels of shopper convenience. (McGoldrick, 1990, p.37)

The retail stores affected every facet of social and economic life through being a very entrepreneurial and innovative institution. These stores contributed directly and/or indirectly (as a major change agent) to the adoption of numerous new technological innovations. Its channel impact, both upstream and downstream the distribution chain, revolutionized the retail store itself, the shopping experience, availability and assortment of goods, credit policies, price awareness, media and promotional techniques, and was a major contributor to new managerial techniques from hiring practices to inventory control procedures⁸⁰. (Tse, 1985, p.27)

After the Second World War, the geographic scope of retailers themselves increased significantly. (Gist, 1968, p.39) Multiple retailers continued the process of consolidating their national networks of outlets, but increasingly turned to foreign markets by opening their national networks of outlets, through joint ventures and acquisitions or by granting franchises. Retailers such as Carrefour and Benetton have become significant global operators, competing in many national markets and earning a significant portion of their sales and profits from foreign stores. (Kent and Omar, 2002,p.7)

The sheer size of the stores required the use of new building materials, glass technology, new heating, cooling and lighting devices, and in-store people movement, which led to new store design, among other engineering and architectural innovations.

The retail stores made jobs available to women and opened new career. They changed society's values in accepting that women could go and shop on their own. No wonder

⁸⁰ http://www.marketingpower.com/content/Tamilia_Dept_Store_Ref_2005_June.pdf

many historians firmly believe the department store liberated women and gave some women their rightful place in the society. These stores evolved the precursor of the modern shopping center with everything under one roof⁸¹.

Retailing sector and stores have experienced significant amounts of development through a path from bartering to online shopping and e-commerce implementation. While the first exchanges were realized through bartering, these exchanges got complicated in time and as this sector gained its importance parallelly the developments and changes incurred in the sector. Different retail stores started to serve for different needs, wants and requirements. As this development trend in retailing sector is continuing through acceleration, e-commerce implications in the sector is increasing its importance mainly due to the convenience and time saving served through.

As the brief history of retailing can be evaluated as above, more detailed information about retailing sector will be examined in the following sections.

4.3.Functions of Retailing

It is clearly noted that retailing has importance in our daily lives and it is increasing day by day. To keep and increase this vitality, there are some basic functions need to be realized by the retailer and retailing sector.

Cox and Brittain, (2004), suggested that the retail outlet would provide various functions through, convenient location, serving an assortment of merchandise appropriate to the particular market, holding of stock for instant availability at relatively stable prices,

⁸¹ http://www.marketingpower.com/content/Tamilia_Dept_Store_Ref_2005_June.pdf

helping to effect change in ownership of the goods, causing goods to move through the distribution system, i.e. from manufacturer to retailer to consumer, providing information not only to the consumer but to suppliers, product guarantees, after-sales service and dealing with customer complaints. (Cox and Brittain, 2004, p.4)

Manufacturers and wholesalers sell goods to other businesses that resell them in the same or in different forms. It is the retailers who provide the final link. However, it is necessary to understand that not all retailing takes place in store environments. During the half of the nineteenth and the early part of the twentieth century, the mail-order industry evolved to satisfy the needs of rural communities and provide goods on credit to them. (Strader and Ramaswami, 1995, p.3-18)

The retailer partially justifies its existence by providing the consumer with the opportunity to make transactions conveniently. Retail stores provide transaction convenience by collecting together many different items that consumers can purchase in one place and in one transaction. (Ghosh, 1994, p.63) The retailer performs a useful function in creating access to goods by helping other middlemen break the large-volume shipments from specialized manufacturers and producers into smaller units that consumers can use more efficiently. (Kent and Omar, 2002, p.10)

Retailers also function as a source of information to both manufacturers and consumers. Retailers, the mass media and fellow consumers are the main sources of product and/or service information available to consumers. In many cases, cooperative advertising between a manufacturer and retailers are used to provide consumers with information. In addition, the trend towards consumerism has placed more emphasis upon the presentation of factual information by retail sales staff and retail advertisements. Since

retailers are closer to consumers, they are able to provide a feedback of consumer preferences and reactions to manufacturers. This information is needed if manufacturers are to respond to changes in consumer demand. Retailers communicate consumer information to manufacturers by their order levels, buyers' comments, and on so forth. (Kent and Omar,2002, p.10), (Cox and Brittain, 2004, p. 4)

These retailing and marketing functions must be performed if goods and services are to reach the consumer at a convenient place and time and in the quantities demanded by consumers. Individual retailers are likely to compete effectively and survive in a hostile business environment if these functions are performed efficiently. (Kent and Omar,2002, p.10)

4.4.Trends In Retailing

The 1980s and 1990s saw the increasing importance of special catalogues and other types non-store retailing such as computer shopping, television shopping programmes, telemarketing and vending machines. (Strader and Ramaswami,2002, p.3-18)

Last two decades have seen the phenomenal rise of “chain of superstores” globally. Growing consolidation and globalization in the sector has seen the bargaining power of the retailer increase in the supply chain⁸². Smart retailers have reoriented their business around customers. In the mad rush to acquire new customers, they have realized that it is equally important to retain the existing ones. Increased interaction and sophisticated analysis techniques have given retailers unprecedented access to the mind of the

⁸² http://www.wipro.in/resources/whitepapers/bidw_bretail.pdf

customer; and they are using this to develop one-to-one relation with the customer, design marketing and promotion campaigns, optimize store-layout, and manage e-commerce operations^{83 84}. There is a trend showing consumer expenditure shifting from spending on goods to services. For example, catering (restaurants&cafes), holidays and home entertainment, and financial services have all performed well during the period from 2000. Food expenditure has remained relatively static after taking inflation into account, while expenditure on clothing and footwear has shown negative growth (Cox and Brittain, 2004, p.4) Online retailing is considered in two sided point of view, one claiming that the Internet will completely change the face of retailing while in other side believed that the “touch and feel” factor would ultimately dominate and the Net will have only a marginal impact on the shopping behaviour⁸⁵⁸⁶. This issue will be considered in more detail in following sections but one thing is sure- online retailing is here to stay. Many retailers have realized that and have rushed to start their own e-commerce web site⁸⁷.

It is believed that the key to success would be the effectiveness with which retailers integrate the Internet with their existing business model⁸⁸.

4.4.1.Number of Shops

The trend in the retailing sector has been through the decline in the number of retail outlets worldwide. Cox and Brittain, (2004), suggest that the reasons of this decline are

⁸³ <http://www.fibre2fashion.com/industry-article/free-retail-industry-article/retail-trends/retail-trends1.asp>

⁸⁴ <http://www.thestrategicedge.com/Articles/rtltrd99.htm>

⁸⁵ http://www.risnews.com/CSS/conferences/RTF/RTF05_highlights.shtml

⁸⁶ http://www.wipro.in/resources/whitepapers/bidw_bretail.pdf,

⁸⁷ http://www.wipro.in/resources/whitepapers/bidw_bretail.pdf

⁸⁸ http://www.wipro.in/resources/whitepapers/bidw_bretail.pdf

the competition from multiples, who with their tremendous buying power and economies of scale make it increasingly difficult for many independent traders to stay in business; multiples rationalizing their businesses, generally by closing down smaller units and opening fewer, larger ones and large supermarkets and superstores with a wide range of goods on offer, which have led to increasingly large quantities of merchandise being handled by a comparatively small number of outlets. (Cox and Brittain, 2004, p.4)

4.4.2.Retail polarization

Another trend in the retail sector is retail polarization. This is the trend towards both larger and smaller retailers with medium-sized retailers encountering the greatest difficulty. The larger stores are offering the customer “one-stop” shopping and the smaller retailer can be successful through specialization. (e.g. Benetton) (Cox and Brittain, 2004, p.5) Today companies face an increasingly complex marketplace, characterized by consumer fragmentation and retail polarization between “mass value” players and focused specialists. In this world, the companies that survive and thrive will be those that have a deep understanding of consumer behavior patterns, needs and their own operations⁸⁹. The polarization of the retail industry into big players enjoying economy of scale and small players that are focused and flexible, increase the overall competitiveness of the industry. Big players will continue to enjoy economy of scale particularly in cost management. Small players should continue to enhance their capabilities to focus on niche markets and maintaining their flexibility in creating the

⁸⁹ <http://www-935.ibm.com/services/us/imc/pdf/ge510-6167-integrated-data-analytics-exsum.pdf>

consumer needs one to one. This should assist in improving the overall competitiveness of the industry⁹⁰.

4.4.3.Mergers and acquisitions

There has been a trend through focusing on mergers and acquisitions in retail sector.

A change in the ownership of firms is a regular feature in the retail sector and rumours constantly abound of mergers and acquisitions⁹¹. Many store groups have combined to form even larger groups. This trend has been particularly prevalent in food retailing but is by no means confined to it. (Cox and Brittain, 2004, p.5) (Barros,Brito and Lucena, 2006, p. 447-468)

This trend has been dominant in Turkish retailing sector in the previous years. Through this trend there are some factors accelerating this process as stated in Tesco Investors Presentation, 2005, since Turkey retailing sector is attractive for multinational investors due to the proximity to Europe, dynamic business environment, liberalised markets, young population, increased urbanization, and unsaturated market structure⁹².

Through this trend, Tesco acquired Kipa in November 2003, Migros acquired Tansas in September 2005, Carrefour entered the Turkish market in 1993 established as joint venture with Sabancı Holdings and acquired Gima and Endi in 2005⁹³⁹⁴⁹⁵.

⁹⁰ <http://www.apo-tokyo.org/projreps/projrep0018.htm>

⁹¹ http://www.prospects.ac.uk/cms/ShowPage/Home_page/Explore_job_sectors/Retail/As_it_is/p!egiLLL

⁹² <http://www.tescocorporate.com/images/kipa.pdf>

⁹³ <http://sabanci.com/pdf/2005en/2005FoodRetailing.pdf>

⁹⁴ http://www.migros.com.tr/en/hot_news.asp

⁹⁵ <http://www.tescocorporate.com/images/kipa.pdf>

Turkish retailing sector will be examined in detail in the following section but briefly noted that the Turkish retailing sector is dominated by a few major players and through this mergers and acquisitions trend this number is tended to decrease. This will have some negative effects through consumers since the decrease in number of players and increase in the power of these remaining players will decrease the bargaining power of consumers.

4.4.4. E-tailing

The Internet has emerged as a powerful alternative channel for established retailers.

The increasing popularity of the Internet has led to the emergence of a new genre of information systems services. (Bhattacharjee, 2000, p.411-420)

Electronic retailing (e-tailing) is one of the most important emerging trends in retail sector.

Detailed information about electronic retailing will be examined in 4.5.5. Non-Store Retailing chapter.

The basic consideration terms and trends in retailing sector have been stated. Through these consideration terms retailers are in charge with marketing decisions. These marketing decisions will be evaluated in the following section.

4.5. Retail Marketing Decisions

As in all sectors, retailing sector is challenging with various changes both in the market and through the consumer behaviours and perceptions. Through the improvements in the sector the differentiation in merchandise and services in the sector has decreased. Today consumers are more price sensitive since due to the enlargement of the sector they have various alternatives and this has mainly increased the bargaining power of customers. As the alternatives increase, consumers look for more for less price. They attract their increased attention to promotional activities and try to get the most benefit from the product or service with minimum payments. Through the hardening life conditions and increased importance of time usage, people are looking for both convenient and time saving alternatives in retailing.

All these changing conditions force the retailers to focus on the changing trends and evaluate their marketing decisions according to these new trends.

In this section, the marketing decisions updated according to the conditions will be evaluated.

4.5.1. Target Market and Positioning Decision

The retailing concept is a management orientation that focuses a retailer on determining the needs of its target market and satisfying those needs more effectively and efficiently than its competitors. (Levy and Weitz, 2004,p.149) Retailers first must define their target markets and then decide how to position themselves in these markets. (Kotler and

Armstrong,1999,p.400) Should be decided whether to focus on upscale, midscale or downscale shoppers; or variety, depth of assortment, convenience or low prices would be implemented for the target customers. Until the target market is defined and profiled, it is not possible for retailers to make decisions through product assortment, services, pricing, advertising, store decor, or any of the other decisions that must support their position. (Kotler and Armstrong, 1999,p.400) (Cox and Brittain,2004,p.88)

Retailers are classified according to some basic consideration points through service, relative prices, organizational approach which will be examined in detail in the following section. Especially in categories through service, relative prices and product line, target market segmentation and positioning has crucial importance since the strategies of the retailers will also be determined according to these consideration points.

4.5.2. Product Assortment and Service Decision

Retailers must decide on three major product variables: product assortment, services mix, and store atmosphere. (Kotler and Armstrong, 1999,p.400)

The retailer's product assortment should match target shoppers' expectations. The retailer must determine both the product assortment's width and depth. The type of merchandise offered by a retailer is probably the most important determinant of the business the retailer is in, and the variety of merchandise will have a major impact on how the customer perceives the store. (Cox and Brittain, 2004,p.117) Whatever the stores product assortment and quality level are, there will always be competitors with similar assortment and quality. Therefore, the retailer must search for other ways to

differentiate itself from similar competitors. It can use any of several product differentiation strategies. It can offer merchandise that no other competitive carries – its own private brands or national brands on which it holds exclusives. (Kotler and Armstrong, 1999,p.401)

The retailers must also decide on the service mix. Through the service offered retailers are classified as self-service, limited service and full service retailers. (Kotler and Armstrong, 2004,p.437) According to these classifications retailers adopt their servicing strategy on whether to leave the consumer alone along the shopping experience, assist when required or fully assist by the increased customer service.

The store's atmosphere is another element in its product arsenal. Every store has a physical layout that makes moving around in it either hard or easy. (Kotler and Armstrong, 1999,p.401) Cox and Brittain (2004) stated store image as the customer's perception of the store and its attributes. Store atmosphere is a major component of store image and can be defined as the dominant sensory effect created by the store's design, physical characteristics and merchandising activities. (Cox and Brittain,2004,p.184)

Generally family based customers with children desire to converge the shopping experience to a joyful experience where their children can play, attend some activities and they can make shopping. Some retailers take this into account and arrange these kinds of organizations or organize play yards at the store. Also when store atmosphere considered, the layout of the store is important since it should create the possible way to the customers see all departments and products before they leave the store.

4.5.3. Price Decision

A retailer's price policy is a crucial positioning factor and must be decided in relation to its target market, its product and service assortment and its competition. (Kotler and Armstrong,1999,p.403) There are various price setting tactics through cost-oriented pricing, demand-oriented pricing, competition-oriented pricing. (Cox and Brittain,2004,p.153) But it is better to evaluate all these factors together. First of all the target market, and expectations and power of the these target should be evaluated in detail. Then the cost of the goods should be taken into account. As the main purpose of all business activities to gain profit, then cost of the goods should be taken into account as the minimum price. Then the price charged by competitors should be evaluated in detail. In these considerations, the positioning of the retailer gains importance. If the retailer expects to be perceived as high quality and high level of service retailer and should adopt itself to serve for only the high income level customers, then as a sign of this quality tried to be created, the prices can be charged higher from competition. But if the retailer wants to serve to low and medium income level customers then the competition prices should be taken into consideration. Through these evaluations, a range of possible prices can be defined and they can be adjusted according to the current feedbacks and conditions of the market.

4.5.4 Promotion Decisions

Retailers use the normal promotion tools- advertising, personal selling, sales promotion and public relations. (Kotler and Armstrong, 1999,p.404) Retailers can publish their own insert magazines or advertise in newspapers, magazines to give information about the products and special events like discounts. The personnel selling mainly preferred according to the product qualifications. For the products which need to be demonstrated of advised briefly to the customer require higher need to personnel selling. This alternative requires highly skilled and informed staff for to give correct and desired informations about the product to the potential customers.

4.5.5. Place Decisions

A retailer's location is the key to its ability to attract customers. (Kotler and Armstrong, 1999,p.404) Location is the critical factor in consumer selection of a store. It is also a competitice advantage that is not easily duplicated. (Levy and Weitz,2004,p.155) Having the right location is important in terms of convenience to the customer but it is most important to the retailer because a mistake in the location decision is almost impossible to correct. (Cox and Brittain,2004,p.99)

Here again the objectives and positioning of retailer comes to the scene. According to the target customer segment, the location decision should be evalauted, whether to locate in a rural or urban area, or in city center.

The main marketing decisions considered by retailers have been evaluated in the previous section. As stated at the beginning of the section, the most important decision that should be clarified is the objectives of the retailer and the target market. After clarification of these objectives, the marketing decisions should be evaluated accordingly. All these decisions have relative importance for the retailer and should be considered in detail before clarifying the final decision.

4.6. Classification of Retail Firms

Retail stores come in all shapes and sizes and new retail types keep emerging. (Kotler and Armstrong, 2004, p.436)

As Kotler and Armstrong, 2004 stated; retail types can be classified in terms of several characteristics, including the amount of service they offer, the breadth and depth of their product lines, the relative prices they charge and how they are organized.

These retail types will be examined in detail in following sections. (Kotler and Armstrong, 2004, p.436), (Tek, 1999, p.586)

4.6.1. Retail Types In Accordance with Amount of Service

Different products require different amounts of service, and customer service preferences vary. Retailers may offer one of three levels of service- self service, limited service, and full service. (Kotler and Armstrong,2004,p.437) (Czinkota,Kotabe and Mercer,1997,p.369)

Self service retailing is the basis of all discount operations and is typically used by sellers of convenience goods (such as supermarkets) and nationally branded, fast moving shopping goods⁹⁶. (Kotler and Armstrong, 2004,p.437) Self service retailers serve customers who are willing to perform their own “locate-compare-select” process to save money through which customers select their own goods and take them to the checkout in the supermarket or to a cash point in other retail establishments such as bookshops. (Kotler&Armstrong, 2004,p.437) (Philipps, Alexander and Shaw, 2005, p.66-75)

Limited service retailing provide more sales assistance because they carry more shopping goods about which customers need information. (Kotler and Armstrong,2004,p.437) (Tek, 1999,p.586)

In this concept customers still select items from the shelf but they may ask for and receive assistance from sales staff. Their increased operating costs result in higher prices⁹⁷⁹⁸. (Czinkota,Kotabe and Mercer,1997,p.370)

Full service retailing provide more services, resulting in much higher operating costs, which are passed along to customers as higher prices. (Kotler and

⁹⁶ http://www.indianmba.com/Occasional_Papers/OP129/op129.html

⁹⁷ <http://www.agecon.uga.edu/~sturner/chapter17.htm>

⁹⁸ http://www.indianmba.com/Occasional_Papers/OP129/op129.html

Armstrong,2004,p.437) (Tek, 1999,p.586) Customers are assisted in every phase of shopping process. A full-service retailer sells certain primary products and all the accessories, parts, and services to support such products. (Sinclair and Hanks, 2006, p.27)

4.6.2. Retail Types In Accordance with Product Line

Retailers can also be classified by the length and breadth of their product assortments. The main retail types in this category are specialty stores, department stores, supermarkets, convenience stores and category killers.

A specialty store concentrates on a limited number of complementary merchandise categories and provides a high level of service. (Levy and Weitz,2004, p.50)

Specialty stores carry narrow product lines with deep assortments within those lines. (Kotler and Armstrong, 2004, p.437)

Today specialty stores are flourishing. The increasing use of market segmentation, market targeting and product specialization has resulted in a greater need for stores that focus on specific products and segments. (Kotler and Armstrong, 2004, p.437)

Merchandise sold at specialty stores is limited to specialty goods, which may be as diverse from store to store as appliances, automobiles, apparel, jewelery, or shoes. A store in this institution type focuses on a narrow but deep assortment of merchandise and, for this reason, is often called a limited line store. Specialty stores target consumers who are looking for products that are fashion-forward and have high quality. These consumers are willing to pay more for the products that meet their criteria. (Levy and Weitz,2004, p.50)

(George, 2000, p84) (Morgenstein and Strongin, 1983,p.369)

Department store is one of the most familiar of all retail types. (George,2000, p84)

Department stores carry a wide variety of product lines. (Kotler and Armstrong, 2004, p.437) The wide product assortment for department stores means that they generally carry dry goods and housewares. (Greenwood and Murphy, 1978, p.72)

Department stores are defined as stores with large operation facilities that sell a variety of merchandise to consumers. Department stores are retailers that carry a broad variety and deep assortment, offer some customer service, and are organized into separate departments for displaying merchandise. (Levy and Weitz, 2004, p.54) (Morgenstein and Strongin, 1983,p.119)

Most retailer direct their retailing activities to targeted segments of consumers. For the department store, the target segment is consumers, who are in the middle to upper class, with the associated demographics of moderate income, above high school education, and white-collar occupations. To satisfy this target group, department stores design retail mix or service offerings to provide fashion items in national and designer name brands in addition to their own house brand⁹⁹. (Kincade, Gibson, &Woodard, 24-36)

Boyner, Yeni Karamursel, Marks&Spencer can be evaluated as the examples of department stores in Turkey. (Tek,1999,p.588)

As one of the most important trends in retailing sector is electronic retailing, this concept gains importance through department stores' current and potential customers which as above defined are upper class and highly educated and familiar to information systems and internet usage. Marks&Spencer is one of the biggest companies implementing e-

⁹⁹ <http://scholar.lib.vt.edu/theses/available/etd-07212003-153024/unrestricted/ChapterI.II.III.pdf>

commerce activities. Through its website information about products offered are available and quick order can be placed. Quick search can be made by using keyword or product codes. In 2007, the e-commerce activities will be focused more. The work with Amazon will, from 2007 onwards, expect to improve the e-commerce offer¹⁰⁰.

Supermarkets are such a pervasive part of our lives that seldom thought of them as "retailers." But that is just what they are. They retail food to customers in every community and represent an increasingly sophisticated business with very exciting opportunities. (George, 2000, p84) Supermarkets are the most frequently shopped type of retail store. They are large, low-cost, low-margin, high-volume, self-service stores that carry a wide variety of food, laundry and household products. (Kotler and Armstrong, 2004, p.438) Supermarkets provide efficiency in supply and procurement, discounts due to bulk amounts of purchase, sales efficiency, efficiency through specialization and job segmentation, low prices and one stop shopping advantage. (Tek, 1999, p.592) (Zimmerman, 1965,p.31)

Gima, Tansas, Genpa are examples of supermarkets in Turkey. (Tek,1999,p.591)

In recent years, parallely to the trend in retailing sector, electronic commerce has emerged as a new alternative way for supermarkets. Parallely to this emerging trend in the world, e-commerce activities of supermarkets are increasing its importance in Turkey. When this trend is evaluated, the first company comes to the mind through providing online shopping experience is Migros-Virtual Market. This is the online shopping area of Migros and provides fast and convenient shopping experience to its

¹⁰⁰

http://www.marksandspencer.com/thecompany/investorrelations/downloads/2006/complete_annual_review_large.pdf

customers without going out of home just across the computer. It has played a significant role in familiarizing the electronic commerce activities in Turkey and it is one of the first companies come to mind when the issue is online shopping. It serves more than one hundred thousand products of more than one hundred suppliers which serve high quality products in 15 categories¹⁰¹. More information about the activities of Migros Virtual Market/Kangurum will be examined in detail in following chapter.

Convenience stores are small stores that are mainly located near a residential area, that is open long hours seven days a week and carries carry a limited line of high-turnover convenience goods. (Kotler&Armstrong, 2004, p.438) (McCarthy&Perrault, 1993,p.373)They are mainly located alongside busy roads, or at gas/petrol stations. This can take the form of gas stations supplementing their income with retail outlets, or convenience stores adding gas to the list of goods offered¹⁰².

Over the last century, convenience stores have provided a thriving service to local neighbourhoods. Convenience stores are largely a cash-based business conveniently located for quick in and out shopping. (Morgenstein&Strongin, 1983,p.123)

Recent years have also seen the explosive growth of superstores that are actually giant specialty stores, the so-called **category killers**. (Kotler&Armstrong, 2004,p.438)

Category killers emerged in 1980s, serving narrow but varied product assortment, low prices, low to medium customer service. (Tek,1999,p.595) They feature stores the size of airplane hangars and carry a very deep assortment of a particular line with a

¹⁰¹<http://www.kangurum.com.tr/kangurum2-web/showStaticPage.do?pageName=aboutUsView>

¹⁰²http://www.answers.com/topic/convenience-store#after_ad2

knowledgeable staff. Category killers are prevalent in a wide range of categories, including books, baby gear, toys, electronics, home improvement products, linens and towels, party goods, sporting goods, even pet supplies. (Kotler and Armstrong, 2004,p.438) (Stanton,Etzel and Walker, 1991,p.403-404) These stores offer advantageous prices with high levels of stocks. The products sold at these stores are mainly assembled by the customers at home. (McCarthy and Perrault, 1993,p.378-379) (Tek,1999,p.595)

Despite having high levels of inventory to meet the stock demands of all consumers may be risky, these stores are expected to develop more in future.

4.6.3. Retail Types In Accordance with Relative Prices

Retail stores can also be classified according to relative prices. Most retailers charge regular prices and offer normal-quality goods and customer service. Others offer higher-quality goods and service at higher prices. The retailers that feature low prices are discount stores and “off-price” retailers. (Kotler and Armstrong, 2004, p.438)

The **discount store** is relatively a new comer, as far as being identified as a separate category. (George,2000, p84) Discount stores sell standard merchandise at lower prices by accepting lower margins and selling higher volume. (Kotler and Armstrong, 2004, p.438)

A discount store is a retailer that offers a broad variety of merchandise, limited service, and low prices. Discount stores offer both private labels and national brands, but these

brands are typically less fashion-oriented than brands in department stores. (Levy and Weitz, 2004, p.48)

For discount stores, target consumers are price-conscious and generally categorized in the lower to middle classes. To attract more consumers and to improve the store's image, discount stores currently are developing their own private brand products and are redecorating their shopping environments, in order to provide more fashionable apparel items and an improved store image¹⁰³.

The biggest full-line discount store chain is Wal-Mart. (Levy and Weitz, 2004, p.48) Wal-Mart is the undisputed leader in this category and holds the distinction of being the largest retailer in the world. (George,2000, p84)

Detailed information about Wal-Mart will be stated in 4.7.1.1. Main Retail Players In The World.

When the major discount stores are traded up, a new wave of **off-price retailers** moved in to fill the low-price, high-volume gap. Ordinary discounters buy at regular wholesale prices and accept lower margins to keep prices down. In contrast, off-price retailers buy at less-than-regular wholesale prices and charge consumers less than retail. Off-price retailers can be found in all areas, from food, clothing and electronics¹⁰⁴. (Kotler and Armstrong, 2004, p.439)

Off-price retailers offer an inconsistent assortment of brand-name, fashion-oriented soft goods at low prices. Off-price retailers can sell brand-name and even designer-label merchandise at low prices due to their unique buying and merchandising practices. Most merchandise is bought opportunistically from manufacturers or other retailers with

¹⁰³ <http://scholar.lib.vt.edu/theses/available/etd-07212003-153024/unrestricted/ChapterI.II.III.pdf>

¹⁰⁴ <http://www.udel.edu/alex/chapt17.html>

excess inventory at the end of the season. This merchandise might be in odd sizes or unpopular colors and styles, or it may be irregulars (having minor mistakes in construction). Off-price retailers can buy at low prices because they do not ask suppliers for advertising allowances, return privileges, markdown adjustments, or delayed payments.

Due to this pattern of opportunistic buying, customers can't be confident that the same type of merchandise will be in stock each time they visit the store. Different bargains will be available on each visit. To improve their offerings' consistency, some off-price retailers complement opportunistically bought merchandise with merchandise purchased at regular wholesale prices. (Levy and Weitz, 2004, p.55)

As Kotler and Armstrong, 2004, suggested, the main types of off-price retailers are Independent off-price retailers which are either owned and run by entrepreneurs or are divisions of larger corporations; factory outlets where dozens of outlet stores offer prices as low as 50 percent below retail on a wide range of items; and warehouse clubs which sells a limited selection of brand-name grocery items, appliances, clothing, and a hodge-podge of other goods at deep discounts to members who pay annual membership fees. (Kotler and Armstrong, 2004, p.439)

4.6.4. Retail Types In Accordance with Organizational Approach

Although many retail stores are independently owned, an increasing number are branding together under some form of corporate or contractual organization. The major types are corporate chains, voluntary chains, retailer cooperatives, franchise organizations and merchandising conglomerates. (Kotler and Armstrong, 2004, p.439)

Chain stores are two or more outlets that are commonly owned and controlled. (Kotler and Armstrong, 2004, p.439) The retail chain is a company operating multiple retail units under common ownership and usually has centralized decision making for defining and implementing its strategy. (Levy and Weitz, 2004, p.67)

As Cox and Brittain, (2004), stated, the characteristics of many multiples are bounded up with economies of scale and are summarized as centralized buying, concentration on fast-moving lines- manufacturers' brand leaders or own-labels, merchandise largely promoted through a mixture of national advertising and open in-store displays, located in major shopping destinations alongside other multiples (giving them the advantage of associated sales), relatively low prices, strong cooperate identity, most noticable in shopfronts,fascias, in-store fittings and advertising and centralization of many other functions such as advertising, personel recruitment and training, operating policies, etc. (Cox and Brittain, 2004, p.12)

The corporate chains serve the standardization of merchandise,equipment and stores, decreased levels of sales cost per store, savings from physical distribution, division of labor and specification. (Tek,1999,p.589)

Retailer cooperative is a group of independent retailers that band together to set up a jointly owned, central wholesale operation and conducts joint merchandising and promotion efforts. (Kotler and Armstrong, 2004, p.440) (McCarthy and Perrault,1993,p.387)

Franchise is another form of contractual retail organization. Franchise is a business format that is comprehensive and complete, it is also an established and proven success, having been tried and tested through one or more franchisor-owned pilot schemes. (Maitland, 2000, p.11-13) (Stern and El Ansary, 1988,p.332-348)

In its broadest sense, the term franchising is used to describe a particular type of licensing agreement between a business owner (franchisor) and a business operator (a franchisee) (Record, 1999, p.11) (Berman and Evans,1989,p.71) Franchise systems are normally based on the tradename, goodwill, or patent that the franchiser has developed. (Kotler and Armstrong, 2004, p.440)

Franchise can provide opportunity to develop ideas and initiatives within an existing marketplace which can then be serviced through a much larger, and often national, network. (Record, 1999, p.10)

Merchandising conglomerates are corporations that combine several different retailing forms under central ownership. Diversified retailing, similar to a multibranding strategy, provides superior management systems and economies that benefit all the separate retail operations and is likely to increase¹⁰⁵. (Kotler and Armstrong, 2004, p.441) (Berman and Evans, 1989,p.289)

¹⁰⁵

http://www.business.com/directory/retail_and_consumer_services/conglomerates/organizations/weblisting.s.asp

While the above mentioned retailing types are contractual, **voluntary chain** is a group or chain of retailers working together on a non-contractual basis to achieve economies of scale in buying, advertising, etc. Voluntary chain is a wholesaler-sponsored group of independent retailers that engages in group buying and common merchandising. (Kotler and Armstrong, 2004, p.440)

The traditional store based retailing types have been evaluated in previous sections. Through the development of retailing sector, another classification of retailing is emerging which is non-store retailing. The basic types of non-store retailing will be evaluated in detail.

4.6.5. Non-Store Retail Formats

Although most retailing still takes place the old-fashioned way across countertops in stores, consumers now have an array of alternatives including mail-order, television, phone and online shopping. (Kotler and Armstrong, 2004, p.448) In this section, the types of retailers that operate primarily in nonstore environments will be examined. The major types of nonstore retailers are electronic retailers, catalog and direct mail retailers, direct selling, television home shopping, and vending machines. (Levy and Weitz, 2004, p.57)

Through these alternatives the most important way is electronic retailing. As stated in previous sections, the most important trend in retailing sector is through electronic retailing. The increase usage of internet and changing market and life conditions have been stated in previous chapters. Through this changing environment, customers start to look for convenient and time saving alternatives. And this is exactly what is achieved to be realized in electronic commerce.

The task of the electronic retailer is to convince consumers surfing is preferable to browsing in interesting stores. Through technology and implementation of electronic retailing, customers are allowed to search for product information from a vast number of retailers, narrow down choices, receive detailed information about each option, and all done without even leaving home. (Solomon and Stuart, 1999, 430-432)

To have a broader point of view about this emerging trend, electronic retailing will be evaluated in detail as a type of non-store retail formats.

4.6.5.1. Electronic Retailing

The popularity of Internet usage has emerged new forms and trends in retailing sector also. One of the most important emerging trends is online retailing so called electronic retailing or e-tailing.

Electronic retailing (also called e-tailing and Internet retailing) is a retail format in which the retailers communicate with customers and offer products and services for sale over the Internet. The rapid diffusion of Internet access and usage and the perceived low cost of entry stimulated the creation of over 10,000 entrepreneurial electronic retailing

ventures during the last five years of the twentieth century. (Ander and Stern, 2004, p.101-107)

The continued consumer interest in buying electronically is the result of traditional store-based and catalog retailers beginning to offer merchandise through an electronic channel. While the electronic retailer innovators had superior skills in using the new technology, they lacked expertise and a deep understanding of customer needs. Traditional retailers have incorporated an Internet channel into a multichannel offering that provides more value to customers. (Levy and Weitz, 2004, p.57) (Tek,1999,p.607) (Kotler and Armstrong, 1989,p.394) (McCarthy and Perrault, 1993,p.375)

E-tailing began to work for some major corporations and smaller entrepreneurs as early as 1997 when Dell Computer reported multimillion dollar orders taken at its Web site¹⁰⁶. There has been a rapid expansion of e-commerce since 1998 due primarily to the growth in availability and falling costs of technology. This has occurred both in the B2B and B2C sectors. (Cox and Brittain, 2004, p.5)

E-tailing is growing exponentially in the retail world, even for local businesses. The process is based in the website of a retailer or service provider. What a retailer offers in a physical outlet they also offer online, but there are variations- such as items offered only online, or the entire retailing process offered only online. (Throop, 2005, p29-30)

Many retailers believe they have become too focused on sales. Now they are looking at their Web Sites as a way to drive in-store traffic and their engagement with customers. (Olenik, 2005, p14)

¹⁰⁶ http://searchcio.techtarget.com/sDefinition/0,,sid19_gci212079,00.html

E-tailing, really started to take off in 2002, when familiarity with the process increased and security fears subsided. (Cox and Brittain, 2004, p.5) Security has been the main concern affecting consumers online shopping. (Yenisey, Ozok and Salvendy, 2002,p.259-271) The initial use of commercial web sites was effectively as an electronic 'shop window', where visitors could see product and service availability, but could not purchase them directly. Today's sites have moved well beyond this – which in turn serves to increase the requirement for security, as sensitive personal and financial details are regularly provided during the course of transactions. (Furnell,2004, p. 10-14) Despite the apparent concerns about security, most users will actually know very little about it – and indeed may find it difficult to define their requirement much more specifically than saying that their personal and financial details need to be protected. As such, provided that they have been explicitly authenticated, and are then assured that the transit of sensitive data is protected from prying eyes, the majority of users will feel that there is little else to worry about. Current sites typically provide this assurance fairly well, and the Web browser obliges by showing the padlock symbol to denote a secure connection. . (Furnell,2004, p. 10-14) There are some cautions to provide more security over Internet as; to change the IDs to make them harder to guess, which would make the pure guessing of IDs incredibly complex and have no ill effects on vendors if phased in over a reasonable amount of time, create a simple verification step (like the user answering a question or entering a word that the computer generates as a graphic) that would eliminate all of these problems without creating systemic failures, create a failure message that allows the merchant to recover the content and customer

information so that the customer can complete their order, create a link on the failure to allow the customer to complete their purchase legitimately. (Cohen, 2002, Pages 5-7)

E-commerce has already demonstrated its great benefit for both consumers and merchants. Nonetheless, security clearly represents a significant concern - for good reason in several cases, given the range of potential threats and the limited extent to which suitable precautions are followed in some cases. The onus is upon operators to make appropriate use of technologies to reduce risk, and to assist in improving customer awareness of genuine risks in order to increase their confidence in using the services. (Furnell,2004, p. 10-14) The growth of e-tailing initially seemed to pose a significant threat to traditional store-based retailers; however experience is proving that, in fact, many of the more successful online retailers are traditional retailers who have embraced the internet and added an online facility to their traditional stores to become multiple-channel retailers.

(Cox and Brittain, 2004, p.5) Big changes are percolating through **e-tailing** -- and spilling over into the broader world of retailing.(Mullaney and Hof, 2004, p.36-37)

There is a general thought discussing if e-tailing should be impelented purely and as a substitute to traditional retailing or should it be a complementary to traditionl retailing. (Weltevreden and et al2005, p.59-87)

As will be discussed in more detail in following chapters, the experience showing that the implementing e-tailing additional to the traditional stores can optimize the advantage occured from e-tailing.

4.6.5.2. Catalog and Direct-Mail Retailing

Catalog retailing is a nonstore retail format in which the retail offering is communicated to a customer through a catalog, whereas direct-mail retailers communicated to a customer using letters and brochures. (Levy and Weitz, 2004, p.57) A catalog is a collection of products offered for sale in book form, usually consisting of product descriptions accompanied by photos of the items. Catalogs came on the scene within a few decades of the invention of moveable type in the fifteenth century, but they have come a long way since then. (Solomon and Stuart,1999, p.427) (Tavmergen, 2002, p.120) Historically, catalog and direct-mail retailing were most successful with rural consumers, who lacked ready access to retail stores. Today's customers enjoy the convenience of shopping by catalog. (Levy and Weitz, 2004, p.57) (Emmet and Jeick, 1949, p.93) (Taylor and Shaw, 1969, p.224) Today the catalog customer is likely to be an affluent career woman with access to more than enough stores but who does not have enough time to desire or go to them. (Solomon and Stuart,1999,p.427) The major catalog retailers have embraced a multichannel strategy by integrating the Internet into their catalog operations. Customers often get a catalog in the mail, look it over, and go to the Internet for more information and to place an order. (Levy and Weitz, 2004, p.57)

Direct mail is the familiar business communication that usually consists of an outer envelope, cover letter, product brochure, order form, and at times a separate reply envelope, co-op packs, card decks, ride-alongs, statement staffers, and self-mailers. (Toth, 2000, p79) Unlike a catalog retailer that offers a variety of merchandise through

the mail, direct mail is a brochure or pamphlet offering a specific product or service at one point in time. (Solomon and Stuart,1999,p.428) Direct mailing has mainly high response rate from potential customers, has high level of flexibility. It can be so customized to have personal secret information about the customer and can be controlled by the retailer while reaching to one or thousands of people at one time of sending. (Tavmergen, 2002, p.113) (Hodgson, 1991,p.22)

The most important property of direct mailing is that subject to selection (among customers) and personal. Through these properties, in some cases direct mailing does not require to get into competition with other alternatives. Direct mailing has less tend to be affected by other retailing and marketing alternatives since it has the potential to focus the customer only on itself and the alternatives offered while reading the mail. The level of personality depends on the budget, the concept of the product or service, target market, the defined strategy and list and timing. (Tavmergen, 2002, p.115) (Tek,1999,p.604-605) As a highly responsive form of consumer and business advertising, direct mail still is the darling of today's direct marketers, who are reaping the rewards of sales promotions and purchases by fine-tuning their database lists and creating eye-catching designs and promotions. Through the emergence of internet, some other trends are increasing its importance relative to direct mailing but corporations still need to send a campaign based on direct mail in order to drive consumers to their Web sites. After the consumer receives a beautifully printed piece, the firm then can follow up within an e-mail message. (Toth,2000, p79)

4.6.5.3. Direct Selling

Direct selling is a retail format in which a salesperson, frequently an independent businessperson, contacts a customer directly in a convenient location, either at the customer's home or at work, and demonstrates merchandise benefits, takes an order and delivers the merchandise to the customer. (Levy and Weitz, 2004, p.60) (Tavmergen, 2002, p.48) This form of nonstore retailing works well for products such as vacuum cleaners, nutritional products, and educational materials- products that require a great deal of information to sell. (Solomon and Stuart, 1999,p.428) (Stanton, Etzel and Walker, 1994,p.407-408)

Two special types of direct selling are party plan and multilevel selling. (Levy and Weitz, 2004, p.60) (Tek,1999,p.601) In a party plan system, salespeople encourage customers to act as hosts and invite friends or co-workers to a "party" at which the merchandise is demonstrated in a partylike atmosphere. (Levy and Weitz, 2004, p.60) (Kotler and Armstrong, 1989,p.394)

In a multilevel network, people serve as master distributors, recruiting other people to become distributors in their network. The master distributors either buy merchandise from the firm and resell it to their distributors or receive a commission on all merchandise purchased by the distributors in their network. In addition to selling merchandise themselves, the master distributors are involved in recruiting and training other distributors.

(Levy and Weitz, 2004, p.60) (Tek,1999,p.601) (Solomon and Stuart,1999, p.428)

4.6.5.4. Television Home Shopping

Television home shopping is a retail format in which customers watch a TV program demonstrating merchandise and then place orders for the merchandise by telephone. The three forms of electronic home shopping retailing are (1) cable channels dedicated to television shopping, (2) infomercials, and (3) direct-response advertising. (Levy and Weitz, 2004, p.61) (Tek,1999,p.606) (McCarthy and Perrault, 1993,p.386) (Tavmergen,2002,p.108-109)

The major advantage of TV home shopping compared to catalog retailing is that customers can see the merchandise demonstrated on the TV screen. However, customers can not examine a particular type of merchandise or a specific item when they want to. They have to wait for the time when the merchandise shows up on the screen. To address this limitation, home shopping networks schedule categories of merchandise for specific times so customers looking for specific merchandise can plan their viewing time.

TV homeshopping retailers appeal primarily to lower-income consumers. (Levy and Weitz, 2004, p.61) (Tek,1999,p.606) (McCarthy and Perrault,1993,p.386) (Dalrymple and Parsons,1995,p.338-339)

4.6.5.5. Vending Machine Retailing

Vending machine retailing is a nonstore format in which merchandise or services are stored in a machine and dispensed to customers when they deposit cash or use a credit card which is mainly used for cigarettes and drinks. (Levy and Weitz, 2004, p.61) (Tek,1999,p.602) (Kotler and Armstrong, 1989,p.395) (Solomon and Stuart, 1999, p.429) (McCarthy and Perrault, 1993,p.274) Vending machines are placed at convenient, high-traffic locations such as in the workplace or on university campuses and primarily

contain snacks and drinks. (Levy and Weitz, 2004, p.61) (Morgenstein and Strongin, 1983,p.133-134)

4.7. World Retail Sector

Retailing sector worldwide has been increasing its influence as being one of the biggest and most important sectors among countries and employing large amount of the population.

Total world retail sales have grown from US\$6.37 trillion, to US\$8.69 trillion in the last five years, a 36.5 per cent increase. Grocery retail has increased by 40.2 per cent in this time frame, while non-grocery retail by 33.9 per cent, although non-grocery still accounts for a larger share of total retail sales (56.8 per cent). Non-store retailing accounts for just 6.1 per cent of the combined store and non-store retailing total. Vending, home shopping and direct selling have risen in line with overall retail trends. However, the growth rate of internet retailing (207.5 per cent) outstrips all other sectors. The non-store retailing growth rates over the five year period from 2001-2005 shows 33.7% increase in vending sales, 39.4% increase in home shopping sales, 31.3% increase in direct selling rate and the significant 207.5% increase through internet retailing¹⁰⁷.

Through this study, the retail sector of United Kingdom, Australia, Japan, China and European Union has been evaluated. There are different reasons for evaluating the retail sectors of these countries stated as; The United Kingdom is one of the most developed economies and retail sector is one of the most important sectors in the country's

¹⁰⁷ <http://www.franchise-international.net/franchise//World-Retail-Sales-2006-/1293>

economy. Despite the conservative and traditional sight of British people, electronic commerce is well developed in this country and these perspectives and developments highlight the emerging trends. Australia has been evaluated because in this country retail sector is the backbone of the economy which also is highlighted through statistics data, Japan has been evaluated since it is one of the most important economies of the world which is experiencing the emerging trends mentioned in previous chapters. And China is selected due to being the world's emerging super power and experiencing the emerging trends beside improving and creating new trends. The European Union retail sector data has also been provided to maintain a broader sight of European countries' retail sector.

When the developed countries evaluated, globally, UK is one of the top growing markets in terms of the size and prospects for food and drinks. The retail sector is a key driver of the UK's economic growth. It is one of the largest commercial sectors in the UK with retail sales of £221 billion, employing around 3 million people (about 12% of the whole economy) operating over 300.000 shops and representing 41% of consumer spending¹⁰⁸. The UK food retailing market has been steadily growing between 1999 and 2004. It is predicted that though the UK supermarket is mature yet it will grow only slightly in the next few years. The UK food retailing market has developed mostly in non-food items. This is because overall there has been increase in the non-food ranges in the larger food retailers making non-food products an important part in the food-retailing scenario¹⁰⁹.

Retail sales make up nearly 23% of the GDP of Australia. The sector is the largest single employer offering about 15% of overall employment. Strength in the retailing of food

¹⁰⁸ <http://www.rncos.com/Blog/retail.html-----retail>

¹⁰⁹ <http://www.rncos.com/Blog/retail.html-----retail>

and a bounce back in departmental stores led the augmentation in October 2005, increasing sales to US\$14.35 billion¹¹⁰.

In the previous sections it has been stated that through the trends in retail sector, there is tend to be decrease in number of shops. This trend is realizing in Japan retail sector. During Japan's post-war period of long-term economic growth, the number of retail stores peaked in the early 1980s. However, since the mid-1980s, the number of retail stores has consistently declined. Although the overall number of retail stores in Japan declined through 2004-2005, there were significant variances in the numbers of retail stores and rates of growth by retail sector¹¹¹. This is another indicator of customization since there are various alternatives for consumers, retailers are trying to find ways to specialization and attract the attention of current and potential customers through customization. In a general sense, Japanese shopping centers have developed utilizing American shopping centers as models, with a broad array of retail focuses within the retail spectrum, including the department store segment, the 'category killer' segment, and high-end luxury goods segment, each of which are undergoing their own distinctive sector industry forces of challenges and opportunities¹¹².

As previously stated China is an emerging economic power in various sectors. Retail sector is one of the developing sectors in China. According to Ernst&Young Report (2005), China's retail sector is expected to grow 12 to 13 percent in 2006 to reach sales of 7.6 trillion yuan (950 billion U.S. dollars) as consumption hots up¹¹³.

¹¹⁰ <http://www.mcos.com/Blog/retail.html-----retail>

¹¹¹ <http://www.jrf-reit.com/english/sector/index.html>

¹¹² <http://www.jrf-reit.com/english/sector/index.html>

¹¹³ <http://www.newsgd.com/business/prospective/200609290045.html>

China's top 100 retail companies currently only have 10 percent of the retail market. The vast majority of retailers in China are small family-operated businesses, fragmented and often inefficient, that keep costs low by using family labor. Mergers and acquisitions would lead to a more rational and consolidated landscape and allow the bigger, better-organized groups to increase market share¹¹⁴.

The retail sector statistics for European Union indicates that In October 2006, compared to October 2005, the volume of retail trade grew by 2.2% in the EU25. In October 2006, compared to October 2005, retail trade of “food, drinks and tobacco” grew by 0.3% in the EU25. The non food sector increased by 2.2% and 3.4% respectively¹¹⁵.

Among the member states for which data are available, total retail trade rose in Latvia (+26.4%), Estonia (+17.8%), Sweden (+9.3%), Poland (+9.1%), Slovakia (+8.0%), Lithuania (+5.5%), Finland (+4.4%), the United Kingdom (+3.7%), Spain (+3.0%), France (+2.9%), Slovenia (+1.5%), Denmark (+0.8%), Luxembourg (+0.5%), and Austria (+0.4%), while falls were recorded in Belgium (-2.3%), Germany (-0.7%) and Portugal (-0.2%).

As could be configured out from these figures, there is a general increase in retail sector trade through European Union countries. This is mainly the general trend through out the world retail sector.

Volume of retail trade, % change compared with the same month of the previous year is stated in below table.

¹¹⁴ <http://www.newsgd.com/business/prospective/200609290045.htm-----China>

¹¹⁵ http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-NP-06-008/EN/KS-NP-06-008-EN.PDF

Table 4.1. Volume of EU retail trade (2006)

(% change compared with the same month of the previous year)

	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06
EU25						
Total retail trade	2.8	2.5	2.9	3.3	2.1	2.2
Food, drinks, tobacco of which:	1.0	2.1	3.0	1.4	1.5	0.3
Sales in non specialised stores	1.3	2.5	3.5	2.1	1.9
Sales in specialised stores	-0.7	0.6	0.4	-0.4	-1.7
Non food products of which:	4.5	2.9	2.8	4.7	2.8	3.4
Textiles, clothing, footwear	6.0	3.0	3.9	7.4	2.5
Household goods	6.3	4.4	3.8	7.3	5.6
Books, newspapers and other sales in specialised stores	2.8	1.6	1.5	2.3	1.7
Pharmaceutical and medical	3.5	3.4	2.9	3.0	1.6

goods						
Other sales in non specialised stores	5.4	3.9	3.0	3.8	2.8
Mail orders	5.1	0.5	2.9	5.5	-0.9

Source:

http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_P_REREL_YEAR_2006/PGE_CAT_PREREL_YEAR_2006_MONTH_12/4-05122006-EN-AP.PDF, (December, 2006)

As stated in previous statistics, retail sector carries significant importance in world economy. The world's biggest retailers are listed in the next section. The concept of these retailers and the electronic commerce activities of these stores will be examined in the next section.

4.7.1. Main Retailer Players In The World

As stated in previous sections, world retailing sector is highly dominated by the organized big retail chains. The trends in retail sector were mentioned in previous sections. Mergers and acquisitions are one of the most important trends emerging in retail sector. Through mergers and acquisitions, these dominant retailer players are increasing their presence in world retailer sector, highly focusing on the emerging and high potential markets.

World top 10 retail players are listed in this chapter and information about the corporate structure and activities of the top 3 retailers will be evaluated in this section.

According to the 2005 sales, the 10 largest retailers in the world are below.

Table 4.2. Main Retail Players in the World

Rank	Company	2005 Sales USD (in millions)	HQ Country
1	Wal-Mart Stores	\$ 285. 222	United States
2	Carrefour Sa	90.297	France
3	Home Depot Inc.	73.094	United States
4	Metro AG	70.093	Germany
5	Royal Ahold NV	64.615	Netherlands
6	Tesco PLC	62.284	United Kingdom
7	Kroger Co.	56.434	United States
8	Sears Holding Corp	55.800	United States
9	REWE Handelsgruppe	50.698	Germany
10	Costco Wholesale Corp.	48.107	United States

Source: http://www.chainstoreage.com/csa/industrydata/pdfs/global100/2005_globaltop100.pdf

(January,2007)

4.7.1.1. Wal-Mart Stores

Wal-Mart Stores, Inc. is an American public corporation. It was founded by Sam Walton in 1962, first incorporated on October 31, 1969, and listed on the New York Stock Exchange in 1972. It is the largest retailer in the world, and the second largest corporation¹¹⁶. (behind Exxon Mobil).

Wal-Mart is certainly a company that merits superlatives. It is the world's largest retailer, with more than 4,000 stores in the U.S. and nearly 2,300 abroad. (Siegel, 2007, p75-76)

Wal-Mart pioneered the everyday low price concept. And its efficient operations have allowed it to offer the lowest-priced basket of merchandise in every market in which it competes. This does not mean that Wal-Mart has the lowest price on every item in every market. But it tries to be the lowest across a wide variety of things. (Levy and Weitz, 2004, p.48)

The global expansion has been achieved through a combination of building new stores from the ground up and a series of acquisitions where customers wanted to see Wal-Mart. These strategies have given the company excellent market penetration and positioned the company for future development¹¹⁷.

Wal-Mart International announced that 2006 fiscal year end sales reached \$62.7 billion, an 11.4 percent increase over the previous year, and that operating profit rose to \$3.3 billion, an increase of 11.4 percent over the prior year¹¹⁸.

¹¹⁶ <http://en.wikipedia.org/wiki/Wal-Mart>

¹¹⁷ <http://walmartstores.com/GlobalWMStoresWeb/navigate.do?catg=369>

¹¹⁸ <http://walmartstores.com/GlobalWMStoresWeb/navigate.do?catg=369>

WalMart's first web site was launched in 1996 and offered a selection of items similar to those found on store shelves and for the most part, the site had little to distinguish itself from rival retailers. (Cuneo and et al. 1999, p1-27) But as Burt Flickinger, a consultant with Reach Marketing, (1999) stated, Wal-Mart aimed to be the number one at the end of the next four years both onland and online. (Cuneo and et al. 1999, p1-27) Today Wal-Mart Online, offers 300.000 items for sale. (Wylie, 1998, p.S6)) They relaunched themselves as a Web store, being used by 16 million online users shopping through the Web in 1998, and 61.1 million in 2002. (Guglielmo, 1999, p12) The visits to Walmart.com increased to 500 million in 2005, with a 40% increase over 2004. (Frazier, 2005, p12)

As could be configured out from the statistical figures, Wal-Mart has mainly focused on electronic retailing through forecasting the future of the retailing is online. Through its web sites it serves information about the products while serving information required for the consumers' daily lives such as diets, related links to previously searched issues. As electronic retailing is a very important emerging trend through retailing, Wal-Mart, the world's biggest retailer, positiones itself as a Webstore for the future trend.

4.7.1.2. Carrefour Sa

Carrefour company is created by the Fournier and Defforey families in 1959 and opens its first supermarket in Annecy, Haute Savoie. Following its merger with rival Promodes in 1999, Carrefour stepped up to become the world's second largest retail group, behind America's Wal-Mart, and the market leader in Europe. At the end of 2005

the combined group and its franchise partners comprised more than 12,000 stores in 30 countries¹¹⁹. Carrefour operates more than 12,000 stores under some two dozen names, including hypermarkets (Carrefour), supermarkets (Champion), convenience stores (Shopi, Marché Plus), discount stores (Dia, Ed), and cash-and-carry stores (Promocash) in about 30 countries in Europe, Latin America, and Asia. France accounts for nearly half of the retailer's sales. Carrefour secured its spot as the number one European retailer (based on sales) when it merged with food retailer Promodès early in 2000 and raised its banner over those stores¹²⁰.

There is a continued growth in group sales as per third quarter 2006 sales. There is a 7.3% increase on constant exchange rates. Sales are up 5.3% accelerating growth in Europe ex-France, sales up 8.4% on constant exchange rates. There is also growth in Latin America and Asia, sales up 9.9% and 14.0% respectively on constant exchange rates¹²¹.

A report from Dow Jones suggest that the French group has already decided to pull the plug on the Internet business¹²². France's leading retail group Carrefour has online shops, but food deliveries are carried out only in selected areas of the country, mostly in the greater Paris region. In Spain, Carrefour has pioneered online sales through its Ooshop web site. It runs 115 hypermarkets in 40 provinces and 16 states throughout the country. In fact, Carrefour's Ooshop unit, which covers both France and Spain, is reportedly up for sale after poor results¹²³.

¹¹⁹ http://www.mind-advertising.com/fr/carrefour_fr.htm

¹²⁰ http://www.hoovers.com/carrefour/--ID_40719--/free-co-factsheet.xhtml

¹²¹ <http://www.carrefour.com/english/homepage/index.jsp>

¹²² <http://www.foodanddrinkeurope.com/news/ng.asp?id=49696-carrefour-to-sell>

¹²³ <http://www.allbusiness.com/sales/customer-service/238351-1.html>

4.7.1.3. Home Depot Inc.

The first The Home Depot store was opened in Atlanta, Georgia on June 22, 1979. The Home Depot story began as a vision of warehouse stores filled from floor to ceiling with a wide assortment of products at the lowest prices. Associates were trained to give the best customer service in the industry¹²⁴.

Company is mainly located around the United States and today has 2000 stores throughout the United States, Canada and Mexico¹²⁵.

According to 2005 Fiscal year reports, the sales is \$81.5 billion with an increase of 11.5% from 2004. The earnings is \$5.8 billion with an increase of 16.7% from 2004. The earnings per diluted share is \$2.72 and it has increased 20.4% compared with 2004. The total assets is \$44 billion. 179 new stores opened in 2005, including relocations, bringing the total count to 2.042¹²⁶.

Home Depot has clearly identified e-commerce as a growth area of its business. In April 2006, it spent an undisclosed amount to buy home furnishings seller Home Decorators Collection, a move that doubled Home Depot's online and catalog division. Home Depot's online store is visited by 4 million shoppers each week. (Gogoi, 2006, p7) It is stated that Web site returns are similar to the store and through the advantage of cost, the focus on online activities will be increased in following periods. (Smith, 2006, p18-20)

¹²⁴ http://corporate.homedepot.com/wps/portal!/ut/p/cmd/cs/ce/7_0_A/s/7_0_10D/_s.7_0_A/7_0_10D

¹²⁵ http://corporate.homedepot.com/wps/portal!/ut/p/cmd/cs/ce/7_0_A/s/7_0_10D/_s.7_0_A/7_0_10D

¹²⁶ http://corporate.homedepot.com/wps/portal!/ut/p/cmd/cs/ce/7_0_A/s/7_0_115/_s.7_0_A/7_0_115

4.8.Future of World Retail Sector

Information about world retail sector and the dominant players of the sector has been evaluated in previous section. It has been noticed that there is a significant trend towards electronic retailing which is also obvious from the efforts of world's leader retailers through electronic retailing implementations and online shopping improvements.

The emerging trend in retail sector has been noted as electronic retailing in previous sections and this trend will reshape the retailing structure. Through this wisdom, clearly identified that through the future of the retail sector, electronic commerce and retailing will be the dominant trend.

For some people shopping provides a goal in life. (Taubes, 1998, p66-69) Electronic retailing is a significant way to provide to achieve this goal through both easy, convenient, entertaining, costless and time saving manner.

E-commerce is commonly viewed as trade that actually takes place on Internet, usually through a buyer visiting a seller's Website and making transactions there. However, the term has evolved from this fairly limited notion to mean all aspects of business and market processes enabled by the Internet and World Wide Web technologies. The impact of the Web is global and as stated in previous sections, affects processes between business to business and business to consumers mainly. (Dixon and Marston, 2002, p.19-47) And everyone is finally realizing this is a channel for every product. (Guglielmo,1999, p34)

For American firms, a website is becoming the most important shop window. Typically, it offers continuously updated catalogues with product and commercial information, on-line support, multiple search engines, links to specialist services, videos and, where appropriate, 3-D modelling of complex specifications and images. (Glyn, 1998, p277)

Overseas customers are given names of local contacts and content in local language. Continuous improvement of websites is a corporate priority and a firm with \$500 million of annual sales can expect to receive 50,000 to 100,000 hits per year. (Glyn, 1998, p277)

Home shopping is making headway in the United States, where it has become an established trading route. Mail order business will migrate to on-line because it is far better to view on the screen an animated catalogue that is always bang up-to-date, with moving pictures and sound and a massive range, is easy to search and makes payment easy. Internet catalogues also supply information on every subject--recipes, gardening, car maintenance, painting, learning French, Italian history, and so on ad infinitum--as part of the service. (Glyn, 1998, p277)

On-line trade is beginning to surge in niche areas including books, airline bookings, holidays, hotel bookings, car rentals and stocks and shares. (Glyn, 1998, p277)

In Britain, the trend is also the same while Britain is ahead of the rest of Europe beside being five years behind USA. (Glyn, 1998, p277)

The electronic retailing technology is easier and serving great opportunities for great brand names over even the best-known online retailers since they are already well-known. (Guglielmo,1999 p34)

Through using Web-sites a customer portal should be created for both information and extensions to the product which has to be sold. Customers are thought not to want to keep surfing and go into new online stores every time they go on a shopping trip. Through customer orientation, a customer portal which makes it easier

for customers to find the natural extensions to the kinds of products and services offered. (Guglielmo,1999 p34) Internet provides retailers within an unsurpassed opportunity to provide customers with a highly targeted service at low price. Internet has substantial benefits through the Web's global reach, ease of price comparison, and greater choices. E-commerce will not mean the death of retail "high street" , beside threatening some of these retailers, the stores that integrate e-commerce and have a strong brand will continue to be successful. (Dixon and Marston, 2002, p.19-47)

4.9. Retail Sector In Turkey

The foundation of retailing sector in Turkey dates back to the foundation of Kapalicarsi. In 1950s and 1960s the sector has took the steps towards the organized retailing process by the stores opening by means of governmental interference, and accelerated by means of liberalization and the entry of foreign enterprises to Turkish market through 1980s¹²⁷. The retailing sector in Turkey has developed rapidly since the 1980s with significant changes both in economic and social structures. Two decades of liberalization of the Turkish economy, by its Customs Union with the European Union (1996), have freed Turkish entrepreneurial dynamism. Rising income levels, a high urbanization rate, an increase in the number of working women, the influence of Western life style- all these have caused a radical change in attitudes and consumption patterns supporting the development of the retail sector¹²⁸.

¹²⁷ <http://www.btinsan.com/510/97.asp>

¹²⁸ <http://strategis.ic.gc.ca/epic/internet/inimr-ri.nsf/en/gr124318e.html>

Mainly the retailing sector in Turkey is composed of two sides which are traditional retail sector and organized retail sector. The traditional retailing sector is formed by the independent traders, open city bazaars, grocery stores and markets while organized retailing sector consists of supermarkets, hypermarkets, multiple chain stores¹²⁹.

Since the focus point of this study is the e-commerce applications and the effect of these applications in retailing sector, in this chapter will mainly be focused on organized retailing sector where due to advanced technologies, e-commerce and online marketing activities and implications will be more applicable.

The Turkish retailing scene had been based on long-term relationships and traditional business practices. These practices are being replaced with more modern practices with the opening of the Turkish market to foreign investors. Today, three of the top 10 world retail corporations (Tesco, Carrefour and Metro) currently operate in Turkey. This shows that world's leader retailers project the potential of Turkey retail sector and invest in the country.

Through the sector's opening to foreign investors, it has accelerated the modernization of distribution networks, logistics systems and stock control methods. Reduction of trade barriers allowed foreign products to enter Turkish markets with much greater ease. The retail environment in Turkey was revolutionized by the emergence of shopping malls. The market has also witnessed the growth of big and important new domestic retail players like Beymen in apparel retailing, Migros in food retailing, and Yeni Karamursel department stores¹³⁰.

¹²⁹ <http://www.kobifinans.com.tr/sektor/011202/9642>

¹³⁰ <http://globaledge.msu.edu/NewsAndViews/views/papers/0004.asp>

The Galleria Mall, which was opened in 1987, was a breakthrough in Turkish retail development. Also, hypermarkets like Carrefour did not hesitate to establish partnership with leading Holding companies of Turkey. German companies like Metro have invested to the Turkish market and they have spread throughout major urban areas over a short period of time¹³¹.

Today, the retailing sector is very active which is defined directly in the revenues generated in the sector, balance sheets of the multiple chain stores, and the interest of foreign investors to the sector in Turkey¹³².

There are more than 200 thousand retailer and the total retail sales is composed of 65% food sales and 35% non-food sales. The Turkey retail sector has an approximately revenue of 80 billion US dollars. But when the world retailing sector is evaluated, clearly identified that there is a long way to walk since the annual revenue of a multiple chain store in England is 25 billion US dollars whereby the annual revenue of Wal-Mart is 256 billion US dollars which is more than the Gross Domestic product of Turkey¹³³.

Within the last 8 years, the organized retail sectors have recorded a 159% growth. The hypermarkets over 2500 squaremeter have increased to approximately 160 and the number of supermarkets have increased to 5385¹³⁴.

In 2006, the expected revenue of traditional retailing sector is 65 billion US dollars whereby the expected revenue generated from organized retailing sector is 25 billion US

¹³¹ <http://globaledge.msu.edu/NewsAndViews/views/papers/0004.asp>

¹³² <http://www.kobifinans.com.tr/sektor/011202/6838>

¹³³ <http://www.kobifinans.com.tr/sektor/011202/9642>

¹³⁴ http://www.koc.com.tr/User/CompanyPresentation.aspx?LANGUAGE_CODE=TR&COMPANY_CODE=a89d30d7-a753-42e6-8399-735d00f8ed08

dollars. As mentioned before, the organized retailing sector is a corporate sector in which everything is formal and mainly consists of multiple chain stores, hypermarkets, and supermarkets which is also the focus point of this study¹³⁵. In developed countries the traditional retailing sector forms the 15-20% of the total revenue generated from the total retailing sector while in Turkey the traditional retailers form the 70% of the sector by having the biggest share¹³⁶. Gokçe, (2004) stated that in European Union, the organized retailing sector has a share between 50-96% among the total retail sector¹³⁷.

In the organized retailing sector food sales form the 25% of the revenue generated while non-food sales form 75% of the total sales by having an approximate 15 billion US dollars revenue¹³⁸. The share of traditional retailers dominate the sector in Turkey. When the trend in developed countries is evaluated, clearly define the reverse proportion. Baysal (2005) stated that as a developing country Turkey is experiencing the similar trends with the developed countries and the share of traditional retailers is perceived as the potential towards the organized retail sector. Turkey is perceived as the most innovative and high potential markets and that's the reason why foreign investments enter Turkey¹³⁹.

The stores between 1000-2500 squaremeter are defined as supermarkets while the stores over 2500 squaremeter are called hypermarkets. In Turkey, the hypermarkets form the 9% of the total revenue generated in retail sector. In medium term, this share is expected

¹³⁵ <http://www.kobifinans.com.tr/sektor/011202/9642>

¹³⁶ <http://www.kobifinans.com.tr/sektor/011202/9642>

¹³⁷ <http://www.aksam.com.tr/arsiv/aksam/2004/04/05/yazarlar/yazarlar30.html>

¹³⁸ <http://www.kobifinans.com.tr/sektor/011202/9642>

¹³⁹ <http://www.zaman.com.tr/webapp-tr/haber.do?haberno=171341>

to increase to 20%. In 1999 there were 105 hypermarkets while today in 2006 there are more than 160 hypermarkets. But in France there are 1200 hypermarkets and the average hypermarket per individual is 15 and supermarket is 150 in Europe while this ratio is 2 hypermarkets and 16 supermarkets per 1 million individuals in Turkey¹⁴⁰. In following five years, 144 new shopping centers, 56 of which is in process of construction and 88 of which projected, are expected to be opened¹⁴¹.

The biggest problem faced in the sector is the lack of institutionalization. And it is very hard to have the adequate growth without institutionalization since this issue is important to avoid the informal economy of retail sector and turn it to formal¹⁴².

In 2005, there has been very important changes in Turkey retail sector trends. The big retailers operating in national scales has attended purchasing and merger and has mainly completed the consolidation process¹⁴³.

2005 and 2006 were successful for Turkey by means of retailing sector since there were many foreign investments among brand and shopping malls. Carrefour acquired Gima, and Migros took over Tansaş¹⁴⁴,

These investments are expected to continue through 2007, new malls are expected to be opened and new brands are expected to enter the market¹⁴⁵.

¹⁴⁰ <http://www.bursaekonomi.com.tr/default.asp?page=newsopen.asp&opennews=449&qmshow=222>

¹⁴¹ <http://kariyerim.milliyet.com.tr/detay.asp?id=1440>

¹⁴² <http://www.bursaekonomi.com.tr/default.asp?page=newsopen.asp&opennews=449&qmshow=222>

¹⁴³

http://www.koc.com.tr/User/CompanyPresentation.aspx?LANGUAGE_CODE=TR&COMPANY_CODE=a89d30d7-a753-42e6-8399-735d00f8ed08

¹⁴⁴ http://www.migros.com.tr/download/faaliyet_raporu/FaaliyetRaporu2005.pdf

¹⁴⁵ (<http://www.abigem.org/TR/Ana/BelgeGoster.aspx?F6E10F8892433CFFAAF6AA849816B2EFCE63>

E3F350D54BF9)

The dominant players which have strong financial infrastructure form the focus and attention point of foreign investors. Through this perception, retailing is one of the most concerned and focused sectors.

These trends show that there is a high amount of potential for the enlargement and improvement of the retailing sector. As Sak, (2005) stated, the productivity in retail sector can be achieved through the enlargement of modern retailing, the increase of productivity of traditional retailers in order to compete with organized retailers and the increase of productivity of organized retailing sector¹⁴⁶. When retailing sector in terms of electronic commerce familiarity is evaluated, defined that Turkey serves a high potential which is open for improvement and development.

According to Interbank Card Center Data (2005), the volume of electronic commerce realized through the credit cards by using POS machines, which was 242.770.000 YTL at the first quarter of 2005 has increased to 563.470.000 YTL¹⁴⁷. This data show out the significant potential and increase through electronic commerce.

There is one point which should be stated that despite the high amount of potential with young population who is getting more familiar with internet day by day, and the foreign investors entering the market which successfully implement electronic commerce in homeland, there is a lack of research and information about electronic commerce and even the development of retail sector. From this perspective, this study aims to be a starting point to attract the attention to this issues since to be succesful tomorrow, the

¹⁴⁶ www.tepav.org.tr

¹⁴⁷ <http://www.ntvmsnbc.com/news/334309.asp?cp1=1>

emerging trends should be evaluated and clarified in detail today. Therefore, despite the lacking source of information, this research targets to highlight the implementations of electronic commerce in retailing sector.

Turkey retailing sector is 10-20 years behind the European retailing sector and to come to a point for getting into competition with these developed countries and markets, the trends emerged and experienced in these countries should be clearly evaluated and highlight the future prospects accordingly.

Sak, (2005) states that there is a decreasing inflation toward 2002, production and productivity are achieving an increasing trend since the end of 2001, these are all indicators that prove a potential for the improvement and development of the economy and the sectors accordingly¹⁴⁸.

The internet usage statistics in Turkey have been stated in previous chapters. These data show that there is 700% increase in internet usage from 2000 to 2006. This shows a huge potential through internet implementation and familiarity. Through internet familiarity, online shopping is expected to improve in the near future.

A research done at Gazi University, 2001, between the university students and academicians show that 76.2% of the attenders do not use online shopping whereby 23.8% is currently using. When the reasons of not using online shopping examined, 42.9% advises the security concerns, 28.6% prefer to shop by seeing the products, 23.8% do not perceive online shopping as practical and 4.8% of them are not informed enough about online shopping issue . 23.8% online shopping usage through the well educated set of people is a low proportion but the concerns are not difficult to overcome.

¹⁴⁸ www.tepav.org.tr

Through a successful information giving and experiencing online shopping advantages these people would prefer to online shopping at least for some definite products which do not required to be bought by seeing or tasting¹⁴⁹.

The economic indicators and internet usage statistics show up a hopeful perspective for electronic commerce implementation. The hardening life and market conditions have well stated in previous chapters and through these trends, firms are trying to find effective solutions which result with the decrease in costs and increase in efficiency. For retailing sector, electronic commerce provides what is targeted.

In Turkey retailing sector, Koç Group-Migros is the first corporation that notices this trend and focuses on electronic commerce. To have a better evaluation of the electronic commerce implementations of Migros, information about the company and electronic commerce operations of Migros will be evaluated in the next chapter.

¹⁴⁹ <http://ab.org.tr/ab06/bildiri/49.pdf>

CHAPTER V

MIGROS VIRTUAL MARKET CASE STUDY

5.1. Historical Perspective of Migros T.A.Ş.

Second World War has, as all the world economies, badly affected the Turkish economy. Especially retailing sector which experienced high and fluctuated prices with lack of investments saw the negative effects. Through this period, in 1954, Migros was founded by the cooperation of Swiss Migros Cooperatives and İstanbul Municipality. Through the governmentalization efforts realized at Turkish economy, Migros turned to be a non-profit company and the Swiss entrepreneurs decided to take off the business by transferring all the shares to İstanbul Municipality which turned Migros to a governmental corporation. In 1975, the majority shares transferred to Koç Group and this has brought the dynamism to the corporation by increasing the number of stores in İstanbul. In 1991 Migros went public by coting to İstanbul Stock Exchange¹⁵⁰.

This is the breakpoint of Migros which leads to the improvements, enlargements and development through the company. And at this time Migros is decided to be the one which does not follow but leads by the innovative processes realized.

Through this trend in 1996, Migros opened its first overseas store Ramstore, in Azerbaijan, Baku and today it has overseas stores in Azerbaijan, Russia, Kazakhstan, Bulgaria, Macedonia and as of 2005 report Turkey sales form 84.1% of total sales

¹⁵⁰ http://www.migros.com.tr/download/faaliyet_raporu/FaaliyetRaporu2005.pdf

whereby Russia forms 12.1%, Kazakhstan forms 2.6%, Bulgaria forms 0.8% and Azerbaijan forms 0.4% of total sales¹⁵¹.

The second break point is the taking over of Tansaş which has increased the volume and presence of Migros around Turkey¹⁵².

Today, the company serves through Migros formatted stores beside Şok, Ramstore, Virtual Market-Kangurum and Wholesale formats. As of the end 2005, Migros has 79 M, 79 MM, 33 MMM, 311 Şok stores around seven territories in Turkey and 3 Ramstores in Azerbaijan, 49 Ramstores in Russia, 5 Ramstores in Kazakhstan, 3 Ramstores in Bulgaria and 1 Ramstore in Macedonia¹⁵³.

As could be identified from the historical perspective, Migros aims to be the first user of the innovations and be the prototype leader through these innovations.

Migros's target is to be the dominant retailer not only in Turkey but also throughout the world. Therefore there is focused investments overseas. To achieve this aim, the world trends need to be clearly identified and evaluated in detail. Through these emerging world trends, Migros has defined the importance of electronic commerce since due to changing and hardening life conditions and improving technological innovations, these trends need to be implemented. Due to the need for the adoption of these trends, Migros has focused investments on technology and adopted electronic commerce through its operations.

¹⁵¹ http://www.migros.com.tr/download/faaliyet_raporu/FaaliyetRaporu2005.pdf

¹⁵² <http://www.migros.com.tr/en/history.asp>

¹⁵³ http://www.migros.com.tr/download/faaliyet_raporu/FaaliyetRaporu2005.pdf

Through electronic commerce implementations, Migros has been the innovator both through B2B and B2C implementations. The detailed information about Migros electronic commerce activities will be evaluated in the next part.

5.2. Internet and Electronic Commerce Implementations

The importance of electronic commerce has been evaluated and stated that in recent years firms' focus on these activities are increasing. Migros is the leader through these implementations in Turkey retail sector. The company has structured three main implementations through electronic commerce applications. These are Virtual Market (1997)-Kangurum (2000), Migros Wholesale Market (2001) and shopping without cash register through hand computers. Information about these operations to highlight the technological sight of Migros will be evaluated.

5.2.1.Migros Wholesale Market

The importance of Business-toBusiness electronic commerce has been clearly evaluated in previous chapters. This is the emerging trend through the supplier side and to provide an organized relationship with these business partners, importance to B2B activities should be maintained. As previously stated, Migros has identified its strategy as being the innovator and leader in the sector. Through this innovator business perspective, Migros Wholesale Market started its operations in 2001¹⁵⁴. Through these operations realized Business-to-Business (B2B) activities which provide corporate procurement of the wholesalers. It has become a vital platform for the suppliers and carries out

¹⁵⁴ http://www.migros.com.tr/download/faaliyet_raporu/FaaliyetRaporu2005.pdf

significant importance. B2B system serves suppliers 7 days/24 hours and provides the efficient and productive management of supply chain operations with the business partners¹⁵⁵.

As of end of 2005, 677 companies operate their business flows through B2B systems of Migros¹⁵⁶. The supplier companies do not need to check out all the stores for store check since B2B system provides them all the required information. These 677 companies form 70% of Migros wholesale supply¹⁵⁷.

The supplier companies can follow up their sales, stock, current accounts, invoices, returns and distribution data through the system. They also can send their invoice data to Migros through this system¹⁵⁸.

The main advantage of this system is that provides open information to suppliers. These supplier firms need the sales staff to check out all the stores in a definite territory by means of sales and stock. Especially when there is promotional events, it is harder to check out all the stores since an order placed can be distributed to the store earlier in the next day and this results the missing sales for the suppliers. Also by means of manuel store checking, inevitable stock out is an other problem. Through B2B system, these problems are over come. Suppliers are provided the required information and this results with an organized business flow to Migros and smooth business relations with its business partners while providing smooth logistics operations and cost advantage.

¹⁵⁵ http://www.migros.com.tr/download/faaliyet_raporu/FaaliyetRaporu2005.pdf

¹⁵⁶ http://www.migros.com.tr/download/faaliyet_raporu/FaaliyetRaporu2005.pdf

¹⁵⁷ http://www.migros.com.tr/download/faaliyet_raporu/FaaliyetRaporu2005.pdf

¹⁵⁸ http://www.migros.com.tr/download/faaliyet_raporu/FaaliyetRaporu2005.pdf

5.2.2.Shopping without Cash Register

B2B electronic commerce implementations provide advantages at supplier side. But this is not the whole advantage, since through the usage of electronic commerce customers are provided with convenience. The first demonstration of these implementations is shopping without cash register. This process is realized through customer hand terminals. The hand computers (customer hand terminal) which provide more convenient and easier shopping experience to customers, have started to be used within 2005¹⁵⁹. The customers are given these hand computers at the beginning of the store shopping and through these hand terminals, customers can show the barcodes of the products and they can learn the total price of their shopping at all stages of their shopping experience with no need to show up these barcodes at the cash register. At the end of the shopping, they can learn the total price and just pay for this¹⁶⁰. This overcomes the long ques for cash registerings. This system is being implemented through limited MMM stores and has attracted the attention of the customers¹⁶¹.

Beside preventing the long ques for cash register, these hand computers also started to provide suggestions for the products and for the choice of fruit and vegetables, digital and virtual balances started to be used.

The B2B activities and the convenience served for the customers through shopping without cash register serve through the high technology, easy and convenient

¹⁵⁹ http://www.migros.com.tr/download/faaliyet_raporu/FaaliyetRaporu2005.pdf

¹⁶⁰ http://www.migros.com.tr/download/faaliyet_raporu/FaaliyetRaporu2005.pdf

¹⁶¹

perspective. The activities state the importance of the technological implementations and development for Migros.

Since the main focus of this study is business-to-consumer electronic commerce and online shopping in retail sector, the B2C implementations of Migros through Migros Virtual Market-Kangurum will be evaluated in detail in the following section.

5.2.3.Migros Virtual Market-Kangurum

Migros Virtual Market started its operations in 1997. The activities of Virtual Market mainly depends on shopping of Virtual Market staff on behalf of Virtual Market customers. The detailed information about operational structure of Virtual Market will be implemented in detail in the next parts of the case study.

Kangurum was founded on 24/January/2000 through the partnership of Koç Holding and Koç System and has played an important role in development of electronic trade. The operations of Kangurum has been unitized with Migros Virtual Market operations under name of Migros Virtual Market T.A.Ş. through the end of 2000 which has 69.99% participation ratio through Migros Turk T.A.Ş. and 450.000 YTL paid capital¹⁶².

Kangurum is one of the first addresses come to mind when the issue is electronic commerce and shopping by means of internet. Kangurum serves through 100% customer satisfaction perspective and through this perspective it provides 125.000 products in 20 categories and 110 sub categories^{163,164}.

¹⁶² http://www.migros.com.tr/ortaklik_yapisi.asp#06

¹⁶³ http://www.migros.com.tr/magazalar_kangurum.asp

¹⁶⁴ <http://www.kangurum.com.tr/kangurum2-web/showStaticPage.do?pageName=aboutUsView>

Kangurum Project model includes the presentation of products, ordering, payment, order delivery and after sales customer servcise in one platform. The online customer can shop through maintaining the all kind of information and product on the same web interface. When the customer reaches to the order completing process, all information about the delivery is gathered and different payment options through Visa-Master Cards or Koç Finans-Smart Card are presented to the customer. Customers can return their delivered products back for free in 7 days from the delivery of the orders¹⁶⁵.

Kangurum has provided the corporations which could not implement electronic commerce due to high cost infrastructure maintenance, the chance to enter online environment through low costs. By today there are 80 corporations in Kangurum and these corporations have maintained the chance to experience electronic commerce through Kangurum and the number of products placed on the catalogs have reached to 400.000¹⁶⁶.

In 2000, Kangurum started its operations within 15 corporations which today increased to 80¹⁶⁷.

The main brands served through Kangurum are, Alfa Romeo, Arkadas Pet Market, Aygaz, Birmot, Boaters Coffee Shop, Braun, Casper Computer, Çiçeknetcom Çiçekçilik, Demirdöküm, Digilife, Divan Pastanesi, Fiat, Gold Computer, Gulaylar Altın, Interspor, Intertoy Oyuncak Dunyası, Jansport, King Games, Kiğılı, Koçtaş, Koç Net, Migros, Orient Elektronik, Ozan Optik, Pipsan Pipo ve Aksesuar, Şişli Optik, Telpaş, Tropikana

¹⁶⁵ <http://www.interpro.com.tr/bilisimodulleri/odulkocsistem3.html>

¹⁶⁶ <http://www.interpro.com.tr/bilisimodulleri/odulkocsistem3.html>

¹⁶⁷ <http://www.interpro.com.tr/bilisimodulleri/odulkocsistem3.html>

Çiçekçilik, Arçelik, HP, Vakko Plaza, Tepe Mobilya, Altınbaş Kuyumculuk, Karel Elektronik¹⁶⁸¹⁶⁹.

Through the testing process, even not announced, Kangurum was discovered by web searchers. The first order received by Kangurum is a television order from a customer located in United Arab Emirates to his family in Turkey¹⁷⁰. This was an important sign to indicate the importance and potential of electronic commerce since even not announced people intended to find information about electronic commerce implementors.

Kangurum serves various information through its website. While searching a product through the website, all properties of the product, picture of the product is available. Also the comments of other visitors about the searched product is maintained. These information provide a broader sight to the customer about the product.

Orders from all around Turkey and the world are handled through Kangurum¹⁷¹.

The delivery conditions vary from brand to brand. Divan Pastanesi is subject to delivery only in İstanbul and Ankara. The minimum order amount should be 15 YTL and the orders are delivered without any delivery fee¹⁷².

The flower orders are also delivered without any delivery fee.

All orders are delivered by Mailboxes Cargo inside İstanbul and by UPS outside İstanbul¹⁷³.

¹⁶⁸ <http://www.kangurum.com.tr/kangurum2-web/main.do;jsessionid=c3575aa230d53f49f8d00b4944ccb572f37e80528bb3.e3mMb3eKbxj0chaRaxaMb3iLe50L.2?categoryId=7>

¹⁶⁹ <http://www.milliyet.com.tr/2000/01/25/ekonomi/eko02.html>

¹⁷⁰ (<http://www.milliyet.com.tr/2000/01/25/ekonomi/eko02.html>)

¹⁷¹ http://www.bthaber.net/259/menu_haber_10.htm

¹⁷² <http://www.kangurum.com.tr/kangurum2-web/main.do;jsessionid=c3575aa230d53f49f8d00b4944ccb572f37e80528bb3.e3mMb3eKbxj0chaRaxaMb3iLe50L.2?categoryId=7>

The delivery fee for the orders except the ones from Koçtaş, are calculated according to the below table.

Table 5.1 Delivery Fee Calculation

X^{174} (width*length*height)/300	0-200 km	201-600 km	601-1000 km	1000+ km
0-10	4 YTL	4.5 YTL	5 YTL	6 YTL
11-20	5 YTL	6.5 YTL	7.5 YTL	8 YTL
21-50	10 YTL	11 YTL	12 YTL	13 YTL
51-100	15 YTL	15.5 YTL	17 YTL	19 YTL
101-999	0.18 YTL* x	0.20 YTL* x	0.25 YTL*x	0.28 YTL*x

Source:<http://www.kangurum.com.tr/kangurum2->

[web/showStaticPage.do?pageName=deliveryConditionView](http://www.kangurum.com.tr/kangurum2-web/showStaticPage.do?pageName=deliveryConditionView) (January,2007)

¹⁷³ <http://www.kangurum.com.tr/kangurum2->

[web/main.do;jsessionid=c3575aa230d53f49f8d00b4944ccb572f37e80528bb3.e3mMb3eKbxj0chaRaxaMb3iLe50L.2?categoryId=7](http://www.kangurum.com.tr/kangurum2-web/main.do;jsessionid=c3575aa230d53f49f8d00b4944ccb572f37e80528bb3.e3mMb3eKbxj0chaRaxaMb3iLe50L.2?categoryId=7)

¹⁷⁴ X: (width*length*height)/300

As previously stated Koçtaş is not subject to this calculation. The delivery fee for Koçtaş orders is calculated as below:

0-50 YTL.....	fix 5 YTL
51-200 YTL.....	10% of the total order price
201-500 YTL.....	9 % of the total order price
501-1000 YTL.....	8 % of the total order price
1001-5000 YTL.....	7% of the total order price
5001 YTL +	3% of the total order price

As could be identified from the calculation table, the delivery fee decreases in contrast with the total order price.

As mentioned in previous chapters, one of the most important concerns for online shopping is security. Beside standard security precautions, the web side is protected by the systems of Koç Net. The credit card usage through the web side is absolutely secure since the web side uses 128 bit SSL security protocol and Koç Net security systems. The credit card number entered online is coded through the 128 bit SSL security protocol and sent to the related bank data. Through this process there is not any possibility for any one to maintain these data. But as will be evaluated in Migros Virtual Market, online payment is not the only option for payment through shopping in Kangurum. The payment conditions are as below:

Online Payment: The payment can be realized online at the time of ordering through any of the local or international Visa, Mastercard or Diners credit card and the campaigns of these credit cards can be benefited.

Payment at Door : The payment can be made through cash or by using a credit card at the time the order is delivered at door. The payment at the door option is available only through the orders of Migros Virtual Market and the orders delivered by UPS.

Transfer/EFT: The payment of all orders except Virtual Market orders, can be placed through money transfer or EFT¹⁷⁵.

Kangurum serves in various payment options to decrease the security concern of the customers. Also since Koç Group and Migros is well known by their quality and trustworthiness, customers' concern about security tends to decrease. This decrease in security concern facilitates the way to make customers familiarize with online shopping. As mentioned previously 125.000 products in 20 categories are served through Kangurum. The most preferred products through Kangurum are, digital cameras, televisions, mobile phones and DVD players. In summer season garden furniture and air conditions added to the most preferred and sold products list¹⁷⁶. This sales data indicates the importance of electronic commerce especially through electronic equipments. As also will be evaluated in the next sections, the products that need virtual experiencing, touching or tasting may be slow in sales through online channel. But especially electronic equipments are highly standardized and the trust to the company which is selling this product is importance. Through these indicators, customers prefer to buy these products online due to the quality of the products sold and the trust to both Koç Group and Migros.

¹⁷⁵ <http://www.kangurum.com.tr/kangurum2-web/showStaticPage.do?pageName=paymentOptionsView>

¹⁷⁶ http://www.medyaline.com/haberler/haber_detay.asp?id=7389

As stated in Migros Financial Report,2005, financial outcomes indicate the development of Kangurum¹⁷⁷. Through these outcomes,

The order received per day was 335 in 2004 and it has increased to 358 in 2005 which means 7% increase in daily order amounts.

The number of customers placed order was 35.375 in 2004 and it has increased to 47.764 in 2005 which means 35% increase in number of people using Kangurum.

The average total of order amount was 66 USD in 2003, 86.8 USD in 2004 and it has increased to 125.3 in 2005 which means 44% increase in total price of orders received.

As stated in these indicators, the orders received, the number of customers using Kangurum and financial value of the orders placed have all shown important amount of increases compared to the previous years. These indicators show that Migros is right on its way and through the increased efficiency and improved service, these numbers will continue to increase.

It has been stated that Migros Virtual Market and Kangurum operations unitized in 2000. Information about Kangurum activities has been evaluated in previous section. In

¹⁷⁷ http://www.migros.com.tr/download/faaliyet_raporu/FaaliyetRaporu2005.pdf

the next section, the detailed information about Migros Virtual Market will be evaluated in light of the interviews realized with the managers and staffs of Migros Virtual Market.

5.2.3.1.Migros Virtual Market

In this section of the case study, implementations of electronic commerce in Migros will continue to be evaluated. Through this study, interviews with Osman Gençoğlu (Supply Manager), Yavuz Yağcıoğlu (Balçova MMM Migros Store Manager), Erdal Başyurt (Balçova MMM Migros Store Vice Manager), Selda Şınlak (Balçova MMM Migros Store Vice Manager), Elif Boyacılar (Balçova MMM Migros Store Vice Manager), Mehmet Çıra (Migros Virtual Market Supervisor), Mustafa Atakılınç (Migros Virtual Market Driver), Fatih Bozdağ (Migros Virtual Market Order Handling), Soner Yiğit (Migros Virtual Market Order Handling), Aydemir Sargut (Migros Virtual Market Delivery Staff), Tolga Akbaş (Migros Virtual Market Delivery Staff), Ali Osman Adalı (Migros Virtual Market Delivery Staff) have been realized.

The information gathered from the interviews and displays in operations of order handling and delivery are given below. And these information highlight the operations and development of Migros Virtual Market.

Migros Virtual Market has started its operations in 1997¹⁷⁸. This activity emerged through the detailed evaluation of world retail sector, the emerging trends in the world retail sector and as a sign of the target of being the innovator leader in the sector. Through this implementation, the needs of customers were thought to be evaluated beter.

¹⁷⁸ <http://www.migros.com.tr/en/history.asp>

Because a customer frequently enters a store with a shopping list. While some of these products are available at the store, some are not present in the shelves. The customer finalizes the shopping with or without having all the required products and the store staff could never know if the customer found out all the required products or left the store without an experience of complete and perfect shopping. But through online shopping, the shopping list of the customer would be gathered and through this list the available or stock out products would be better evaluated. Through this evaluation, the stocks of the products would be better determined and as a result, the shopping would end with a higher customer satisfaction.

In Istanbul the first store realized Virtual Market was Maslak MMM Migros through the end of September 1997 and in Izmir Mavişehir MMM Migros at the end of October, Balçova MMM Migros started its operations through 1998. (Migros Virtual Market Project) In the Project step of the Migros Virtual Market, the aim was to benefit from the first mover advantage through following world's emerging trends and providing these emerging trends to the users in Turkey. Therefore the main starting point was not the consumer researchs, since when Migros Virtual Market was founded, Internet was not mainly familiarized in the country. As previously stated the main starting point was the strategy of the corporation especially Board Directors that the company should achieve to be the first in implementing innovations.

Today Migros Virtual Market operates in İstanbul, İzmir, Ankara, Bursa, Mersin, Adana and Antalya and through summer season Bodrum, Marmaris, Kuşadası, Kaş, Didim and

Çeşme start to operate. Mersin and Çeşme has been included in 2002, whereby Antalya and Adana has been included in 2001.

Migros Virtual Market Project was depended on some consideration points at the Project step. Through the Migros Virtual Market Project process, the focus points were listed as:

The answering of all the problems from customers will be reverted by Virtual Market staff but the data provided to customers by the store staff would highlight the questions of customers.

It would be clearly identified if the customer would get the order at home or at the store

The time period when the customer wants the order to be delivered would be clarified. The time periods would be :12.30-15.00 15.30-18.00 19.00-21.30 and 21.30-24.00

In all time period identified, maximum 7 of the customer order would be handled considering the city traffic, the amount of the orders, the order preparing process in the store. Any 8th customer that wants to attend to the same time period would be notified while creating the order that the order could not be delivered within the desired time period.

The minimum shopping amount should be 2.000.000 TL

The delivery fee would be 300.000 TL for 2.000.000 TL-6.000.000 TL shopping 200.000 TL for 6.000.000 TL- 10.000.000 TL shopping and the customers would not be charged any delivery fee for the shoppings over 10.000.000 TL

All payments within that project would be done through the credit card number entered online by the customer. There would not be any payment issue between the delivery staff and the customer at the time of delivery

Every customer shopping online would be given a customer number. For the next system entries this customer number would make the customer enter the system faster

Maximum 99 of any same kind product could be ordered

Customers could chose the next day as the latest delivery date

The orders entered to the system computer would be read by the Virtual Market staff and listed according to the order time. After receiving the orders, they would be prepared in store and taken to the cash register. At the cash register no payment would be done, the Visa choice would be selected and the Cash Register invoice would be issued. The deficit occurred at the Cash Register would be balanced by the credit card slip taken by the delivery staff.

Through the order preparing process, the corrections at the number of packages or weight in grams would be noted by the staff.

The prepared orders would be delivered to the customer by the delivery staff at the defined time periods.

At the Project process, these points were focused and they provided the backbone of the Project. By the time there has been some changes in some focus points mainly about the payment conditions, delivery fee and delivery time periods. They have been updated according to the needs and requirements experienced and noted through time.

As internet's introduction to Turkey is close to the foundation of Migros Virtual Market, it was very hard to familiarize the customers with online shopping at the time of foundation. Through the dial-up connection it was very hard to use internet and the Web page was even could be opened in half an hour. The dial up connection was cancelled just before placing an order and to recreate the shopping order it required at least two hours for the Web page to be opened and search for the required products. Since the Internet connection was not improved, the dial up connection was cancelled very frequently, the personal computer usage was not familiarized and in these conditions it was hard to direct people to online shopping.

Through the first operating period, the Virtual Market was familiarized through the famous football players, singers and famous people who would not like to enter a store and make shopping, and the A plus high society customers who perceived online shopping as a privilege.

While the usage was not familiarized through the society, there were problems met about the prices. The store prices and online prices were mainly different and this caused serious problems with the customers. And the online available products were mainly not present in the store and therefore could not be delivered to the customer which put the project far away from meeting the needs and requirements of the customers.

Through the familiarization of Internet usage, the online shopping turned to be a better alternative for the customers. Migros has appraised this period in an optimized manner and improved this online shopping alternative.

Migros Virtual Market mainly targets to provide convenient and time saving alternatives to customers beside maximizing customer satisfaction. Through these consideration points, the steps of operation process in Migros Virtual Market need to be overcome in a perfect manner.

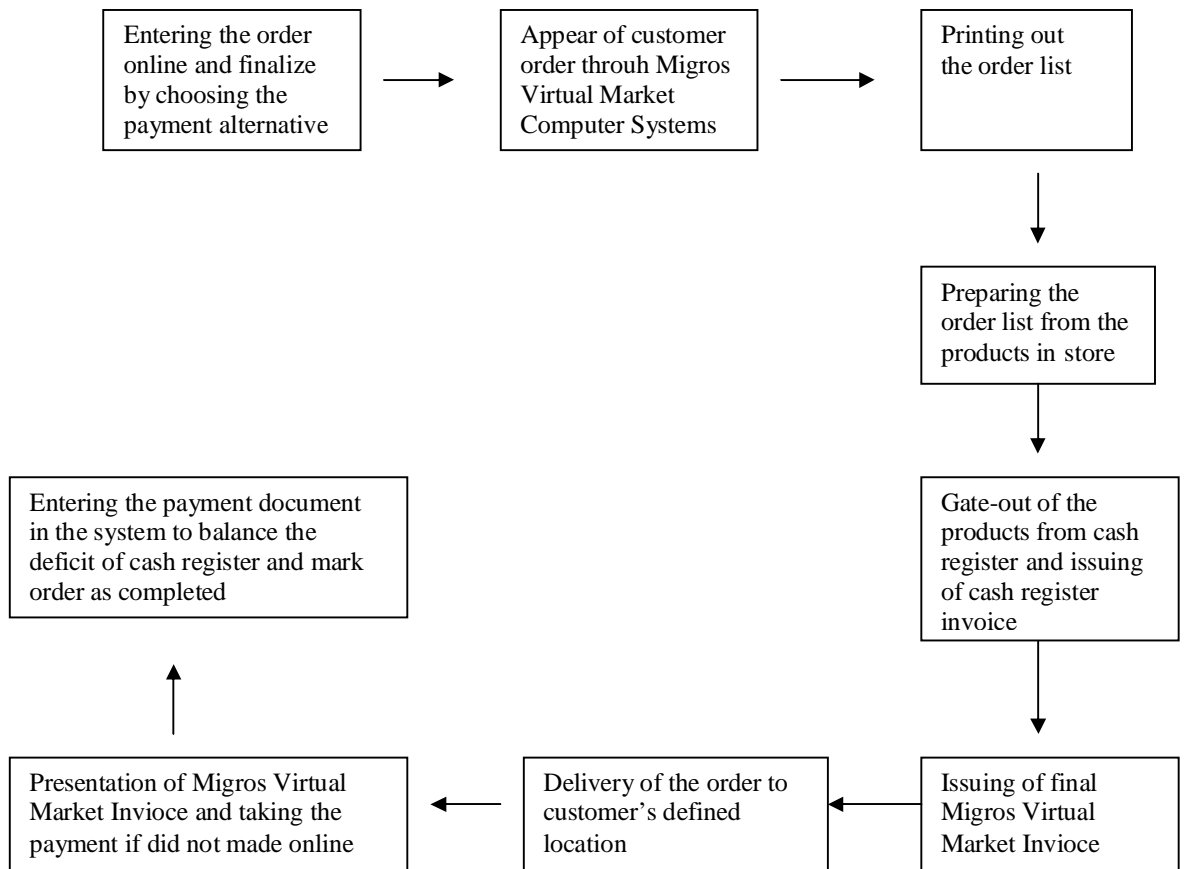
The Operations Process through Migros Virtual Market is as below:

- 1 The customer enters the Webside and chooses the products required. While choosing the products, the customer can select “alternative” button to have an alternative product delivered if the required product is not available. Before finalizing the order, the customer chooses the time period to have the orders delivered at home. The customer chooses the payment alternative and by clicking the “finalize” button, the customer sees the total amount of the shopping and if any delivery fee would be charged. Through this shopping process, the customer is given a customer number used as customer identity on the system
- 2 After finalizing the order, the customer’s order appears at the computer of Virtual Market Systems.
- 3 The order list is printed out.
- 4 Through the order list, the order of the customer is prepared by the Virtual Market Staff. If the required product is not available in the store, the alternative product is substituted if the customer choiced the “alternative” option.
- 5 After preparing the order, the products are gated out through the cash register occupied for the Virtual Market. A Cash Register invoice is printed.

- 6 After preparing the ordered products, the prepared products are entered to the Virtual Market Computer Systems. If any alternative product is given, they are noted in the system.
- 7 After entering all the information about the products, the final invoice of Virtual Market-Kangurum is printed.
- 8 According to the time period chosen by the customer the order is delivered to the customer's defined place, to home or office.
- 9 If the payment has not been done by the customer online by using the credit card number, the payment is made by the POS machines taken within the delivery staff against presenting the Virtual Market-kangurum invoice.
- 10 After delivering the orders to the customers, the payment, whether in cash or credit card slip, is entered to Virtual Market Systems to balance the deficit at the Migros Cash Register and the order is marked as completed.

The operation process steps are also illustrated as below:

Figure 5.1. Migros Virtual Market Operation Flow



Source: Adopted from Migros Virtual Market Process Project

The order handling process is completed through these steps. The operation process mainly depends on the shopping of Migros Virtual Market staff on behalf of the customer. The consideration point depends on maximized customer satisfaction.

Through these steps, the focusing points are:

Payment Choices

Online shopping is considered not to be secure by many customers and as a result of the researches mentioned in previous chapter. Migros has identified an alternative to this security problem. While shopping online, the customers do not need to give the credit card number. The customers can make the payments when the orders are delivered home or the office by the delivery staff through the POS machines which are taken within the delivery staff. By choosing this alternative beside feeling confident customers can also benefit current campaigns for definite credit cards. These campaigns are mainly provided through Yapı Kredi-World Card, Garanti-Bonus Card, İş Bankası-Maximum Card and HSBC-Advantage Card. Through these campaigns customers can gain extra bonuses or extra points for future shoppings.

Customers can also prefer cash payment. By these alternatives, the security concern is well overcome. Customers complete their shopping feeling confident and secure.

Migros Club Card can also be used through online shopping. It is enough for the customer to enter the Migros Club Card Number which does not result with any financial security concern. Through using Migros Club Card , customers can benefit from the special promotions implemented.

Alternative Product Choice

If the customer chooses “alternative” option for the required product, then the alternative product is substituted. The alternative product is chosen according to taste

through vegetables and fruit. Through the price and quality when the dry and packaged products are being substituted. To achieve the product replacement perfectly, the Virtual Market Staff need to know the properties of the products well in detail. For the products mainly reasonable for vegetables and fruit, customer can enter notes for the product. They can write “tomatoes should be mature but not decayed” or “the pepper should be small”. While choosing the products, the notes are taken into consideration carefully. Since the main objective of Migros Virtual Market depends on the shopping of Migros Virtual Market staff on behalf of the customers, these consideration points are carefully attended to make the customers feel the reliability and convenience just as they are making the shopping themselves.

Delivery Fee

In the Project process, the delivery fee was implemented variously according to the purchased amounts. This has been changed over time and today, through the purchases over 75 YTL, the delivery fee is not charged to the customers. For the purchases less than 75 YTL the delivery fee is 1.5 YTL regardless to the delivery point. At weekend on Saturday and Sunday, the customers are not charged any delivery fee. If the customer has placed an order above 75 YTL but due to the unavailable products, the shopping has ended within a total amount less than 75 YTL, again the customer is not charged any delivery fee. When completing the order online, the customer sees the total price of the order and if any delivery fee will be charged for the order.

Delivery Time Periods

As mentioned in Migros Virtual Market Project, the customer can choose the time period for the order to be delivered. These time periods have been changed in time by considering the most preferred order times and accordingly delivery times.

There are four delivery periods which have been updated as 10.30- 13.30, 13.30-16.30, 16.30-19.30, 19.30-22.00. The orders for the defined time periods are accepted until one hour before the delivery period. The orders are delivered 7 days within these time periods. The customer also has the chance to change the delivery time period by calling the Migros Virtual Market if the delivery time period to which the order needs to be cancelled is available. The customer can also ask for the order to be delivered to another location if the customer will not be home or office in that time period.

Product Selection

While preparing the order, the products with the latest expiry date are chosen. Mainly the products are chosen not from store but from the cold house to provide the freshest products. When there are vegetables or fruits on the order list the customer has the right not to accept the product if they do not believe in the freshness of the product. But, for the products which are sold and delivered in terms

of weight in gram, partly return can not be made- through customer's choosing the fresh products and returning the unaccepted ones. Total return is implemented in these kind of products.

If the delivery staff has delivered a wrong product for the customer's order, and if customer does not accept the product, the right product has to be delivered to the customer on the same time regardless the location of the customer and the store the products are delivered from.

As mentioned in the focusing points, the whole operating is handled through customer satisfaction perspective. Through this perspective, Migros Virtual Market staffs carry significant importance since they are the only connection points of customers with Migros Virtual Market. Therefore there are some consideration points about Migros Virtual Market Staff.

Migros Virtual Market Staff

The staff employed for Migros Virtual Market need to know the properties of all products in detail as mentioned previously and the place of the product in the store to fasten the order preparing process. For these reasons the employed staff experience one week training in the store for learning the places and properties of the products. After completing this training period, the staff is evaluated in terms of being ready to

be a Migros Virtual Market staff. If decided to the readiness then the staff starts to take the orders and prepare them in store.

The physical outlook of the Virtual Market staff is an other important consideration point of Migros since these staffs are the only extrovert window opened to the online shopping customers. Therefore it is hardly cared for these staff to be well in communication skills and in physical outlook. Also the dialogues with the customers at the time of order delivery is highly important. The main dialogue formats which exactly requires smiling faces, are trained to the Virtual Market staff beside store and product property training.

While delivering the order to the delivery point, the documents that have to be taken by the delivery staff are: Orders- bags separated according to order number, PTC Hand Computer- on which the required corrections for alternative products or inavailable products should be made, Migros Virtual Market Invoice, Customer List and Return Invoice Stump- in case of any return request.

After the delivery of the order, the documents that have to be taken by the staff are: PTC Hand Terminal, copy of the Migros Virtual Market Invoice, The Credit Card Slip, Cash Register Invoice, Return Invoice-if needed to be used.

As mentioned in previous chapters, internet usage and online shopping is getting familiarized through the society day by day. This trend is the same for Migros Virtual Market. A definite part of the society prefers online shopping for ordering a definite range of products. The main perspective of the current customers and products ordered are as below.

The current customers perspective:

The 70% of the customers preferring online shopping through Migros Virtual Market are women. The age range is between 23 and 43. Through this percentage takes place the pregnant women, women with children at little age and business women. As mentioned in previous chapters, online shopping serves significant time saving alternatives for the customers. Through the Migros Virtual Market customers' perspective clearly defined that the most important perceived advantage and importance of online shopping is the time saving advantage then comes the convenience. For pregnant women and women with children at little age it serves convenience as the most important determinant. On one hand lies the convenience of ordering online in front of a personal computer without going anywhere and the delivery of the orders to door, on the other hand lies to leave home, go to a shopping store, walk through all the shelves to find all the required products and then carry the bags back home. Through these two alternatives, the first one is mainly chosen and the convenience is experienced through increased customer satisfaction.

For businesswomen it serves time saving advantage as the most important determinant since in the hard living conditions and long working hours, it is hard for them to go to a shopping store after all the tiredness of the day. Through this perspective, online shopping is chosen for the time saving advantage served.

The 30% percent of the customers mainly consist of offices and places of employment. These customers mainly take the requirements of their stores from beverages to office equipments.

The people living in apartmants where there is not any operating elevator prefer online shopping not to carry the shopping bags to the flat.

The disabled citizens are also another potential and increasingly using customers. According to statistics of DIE (2005), there are 8.5 million disabled citizens which approximately form the 12.3% of the total population. According to these researchs the most important problem of these citizens to avoid them going out and shopping is the transportation prolem and the inconvenient conditions in the stores¹⁷⁹. As online shopping carries these problems away by providing these citizens convenient solutions without even getting out of home, their usage of online shopping increases. Through our interviews clarified that the usage and interest of disabled citizens to Migros Virtual Market has been increasing.

¹⁷⁹ www.kobifinans.com.tr/sektor

The preferred product perspective

As previously stated, the products mainly depending on visual experience, tasting or touching are mainly the non-preferred products through online shopping.

The mostly preferred products are beverages-especially Coca Cola, detergent, cosmetics and paper products- napkin, toilet paper. Mainly in all stores Coca Cola is one of the most consumed products and this trend is the same in online shopping. Then comes detergents. These products are mainly ordered since they are heavy in weight and hard to carry. Cosmetics and paper products come after. The reason of the procurement of these products is mainly due to not needing any visual experience, tasting or touching. The type of the product is well defined and all the properties of the products are available on the web site. Therefore ordering this range of products would not result with any confusion since the brand and the property of the product is definite.

The least preferred product range is vegetables and fruit. These products mainly bought through visual experience and tasting in accordance with traditional shopping behaviour. The taste of the customers differ and even customers can enter notes regarding to the products they mainly do not prefer to order vegetables or fruit online, in contrast prefer to purchase these products through traditional shopping.

The most order received cities

As previously stated Migros Virtual Market currently serves through İstanbul, Ankara, Izmir, Bursa, Antalya, Adana and Mersin. And in summer seasons adding Bodrum, Marmaris, Kuşadası, Kaş, Didim and Çeşme.

Through these cities the most order is received through İstanbul, Ankara, Izmir, Bodrum, Marmaris and Antalya. Especially in summer season the orders from Bodrum, Marmaris and Antalya shows significant increase.

As the present and most order received cities are given above, the vehicle and staff amount varies according to these cities.

As of 2005, Virtual Market is operating through 24 vehicles and 75 staff. The detailed distribution of the vehicles and staff over the operating cities are stated in below table.

Table 5.2. Migros Virtual Market Vehicle and Staff Data

City	Vehicle Amount	Staff Amount
İstanbul	5	34
Izmir	4	13
Ankara	3	9
Bursa	2	2
Mersin	1	1
Adana	1	1

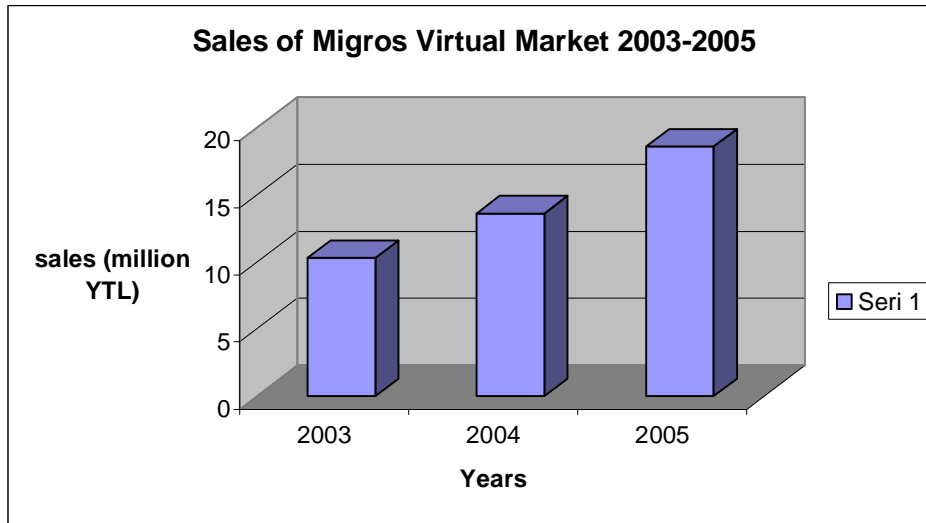
Antalya	2	5
Bodrum	1	3
Marmaris	1	3
Kuşadası	1	1
Kaş	1	1
Didim	1	1
Çeşme	1	1
Total	24	75

Source:Migros Virtual Market Project, January,2007

When the Migros Virtual Market started its operations in 1997, it had only 2 vehicles and 3 staffs. One vehicle and two staffs were serving for İstanbul-European Side while 1 vehicle and 1 staff was serving for Izmir Mavişehir Migros. As of end 2005, the vehicle amount has reached to 24 while the staff amount has increased to 75. This clearly states the development and improvement in Migros Virtual Market operations.

This data is applicable for the sales of Migros Virtual Market. When the sales of last three years evaluated, clarified that there is an increasing interest and familiarity to Migros Virtual Market. The sales of Migros Virtual Market was 10.3 million YTL in 2003, sales increased to 13.6 million YTL with a 32% increase in 2004 and it has increased to 18.6 million YTL in 2005 through 36% increase. These sales data are illustrated in below graph.

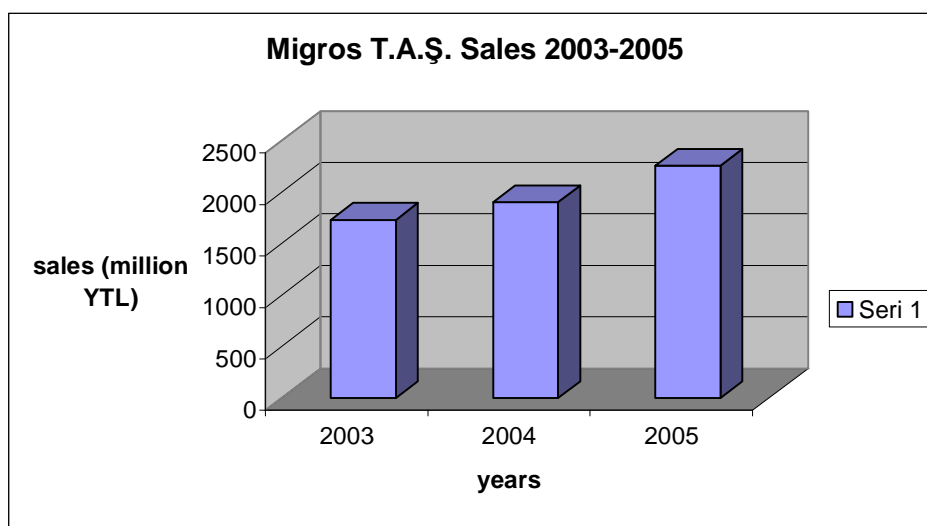
Figure 5.2. Migros Virtual Market Sales 2003-2005 (million YTL)



Source: adopted from Migros Virtual Market Interview and Migros 2005 Reports

Through this 3 year period Migros T.A.Ş sales was 1730,2 million YTL in 2003 which increased to 1901,3 million YTL in 2004 and 2257,8 million YTL in 2005. There are 10% increase in sales in 2004 and 19% increase in sales in 2005. The sales of last three years illustrated as below.

Figure: 5.3. Migros T.A.Ş. Sales 2003-2005 (million YTL)



Source: adopted from Migros Virtual Market Interview and Migros 2005 Reports

Migros Virtual Market sales is still 1% of Migros T.A.Ş. sales, but as the percentage of sales increases over years evaluated clarified that this ratio is accepted to increase. In 2004, Migros T.A.Ş sales increased by 10% whereby Migros Virtual Market sales increased by 32%. The parallel ratio is applicable in 2005 since Migros T.A.Ş sales increased by 19% against 36% increase of Migros Virtual Market sales.

As also explained from the above data, Migros Virtual Market is improving. The same data is also proved from the customer comments of Migros Virtual Market. In the first years of operation there were many complaints of customers which turned to appreciation mostly through the last three years.

Customer Comments about Migros Virtual Market

Some of the customer comments about Migros Virtual Market are stated below:

Order Issue

Of course corporations may have some breakdowns but this is too much. I ordered 16 days before, and while I was considering that my order would be delivered, I was called and informed that some of the products in my order list were stocked out. I said ok and wanted another substituting product but I was told that to order a substituting product I needed to cancel my previous order and create a new order. I already paid my order but I still could not receive the products. This is very improper to my personal and commercial insight. But overall, I may shop through Virtual Market again in future¹⁸⁰.(Aydođan Imanç,16.06.2000)

They made themselves forgiven

I made my first order and on that day got a call from a kind lady informing that the ordered product was not available and no sold anymore. I got frustrated through this situation. But on the same day at night, the same lady called me again suggesting me

¹⁸⁰ http://www.shoptr.com/TR/Yorum/Yorumlar.asp?c_id=82

another product substituting the one previously ordered. She convinced me and I made my new order. They made themselves forgiven but I still think that I was right in getting frustrated through the inavailable product issue¹⁸¹. (Adem Guner, 16.04.2001)

Congratulations Virtual Market

I will be a little pretentious but that is the fact that there is not any corporation serving as professional customer service as Migros Virtual Market. When I contacted with them to make just one suggestion they evaluated my suggestion beside correcting a mistake in my order which I even had not realized. Through their communication skills, persuasion skills and kind and interested attitudes, they gained perfect point from me and my wife¹⁸². (Ali Yıldırım,03.10.2002)

That's It

If an online shopping organization both meets your shopping needs and through a careful customer service, calls and congratulates you on your birthday, that is what is called service¹⁸³. (Can M.,03.09.2003)

¹⁸¹ http://www.shoptr.com/TR/Yorum/Yorumlar.asp?c_id=82

¹⁸² http://www.shoptr.com/TR/Yorum/Yorumlar.asp?c_id=82

¹⁸³ http://www.shoptr.com/TR/Yorum/Yorumlar.asp?c_id=82

Migros Virtual Market

I have been shopping online through Migros Virtual Market for a long time. I get rid of the trouble of carrying heavy detergent packages and also there is not any decayed vegetables or fruits delivered. There is mainly no unavailable product, in contrast there are more products than ordered since frequently I am given small presents. These small present like a bottle of 1 lt Coca Cola makes me happy. If there are unavailable products, they call me and advise and I am served alternative products. There is also no delay in order delivery. What else should I expect from a shopping experience¹⁸⁴. (Selin Arat, 28.04.2004)

Detailed information about Migros Virtual Market, operations, customer and product perspectives, sales and vehicle-staff data has been evaluated in previous sections. The emergence of internet and electronic commerce has been examined in detail previously. Through these factors, Migros T.A.Ş. has seen the importance of these emerging trends and started to implement them. Through implementing first mover advantage, Migros Virtual Market-Kangurum has become the first entity comes to mind when the issue is business-to-consumer electronic commerce. Although the sales of Migros Virtual Market represents a small proportion in Migros T.A.Ş sales, clearly stated from the sales increase ratio, the previously stated emergence of internet and changing and hardening life conditions, that, this proportion is tended to increase in following years. Migros

¹⁸⁴ http://www.shoptr.com/TR/Yorum/Yorumlar.asp?c_id=82

T.A.Ş has fulfilled the security needs of customers through implementing security systems and providing the security and quality expected from Koç Group.

The main starting point of Migros is to be the leader in implementing technological innovations in a successful manner. Through the information gathered about Migros Virtual Market can be stated that the requirements has been fulfilled successfully.

Through the highlights of the world online shopping trend previously stated, Turkey is on the way to experience the similar trends increasingly in following years. While these trends will be increasingly emerging in our country, Migros Virtual Market will be in its place;maintaining and implementing the standards expected by customers for secure and convenient shopping through online.

CONCLUSION

Each day of our lives is characterized by changing needs, wants and requirements. Paralell to these changing needs, the way to fulfill them in an optimized manner differs both from the consumer perspective and producer perspective. Earlier in production era, consumers were thought to buy anything provided that it was cheap but as the era resulted with piles of unsold inventory, producers realized the need to focus on marketing activities so started the marketing and relationship marketing eras.

Today companies have noticed the importance of marketing activites but this is not enough to be succesfull in the though competitive market conditions. To provide loyalty through customers, companies need to fulfill the needs of customers in all changing conditions considering the technological innovations in all manner to facilitate the way for customers to maintain their requirements.

As technology develops very rapidly, it provides many alternative solutions for our daily lives. There is no doubt that the most important technological innovation facilitating our lives today is internet implementations. Internet assists to facilitate our lives in many aspects through working, gathering information and finally through shopping.

Internet has placed an emerging concept to our lives; electronic commerce. Through electronic commerce implementations, any commercial transaction can be realized in online environment. There are distinct categories of electronic commerce of which business-to-consumer electronic commerce mainly considers the consumers directly.

Today people have long working hours and very limited time to fulfill their daily requirements. Here, electronic commerce comes to the scene to provide the time saving and convenient alternative.

Companies in any sector focus on finding time saving alternatives beside providing convenience through implementing advance technologies.

Retail sector,by this way, is one of the most important sectors in many countries employing large amounts of population and directly contacting with final consumers. Due to this direct contact with consumers, electronic commerce implementations gain importance in retail sector.

In all around the world, retail companies are serving customers directly through their web pages with no need to go to the store and spend time. Any information about any product is available on the webpage, price comparisons can be made and customers can make detailed market search without even getting out of home. All these factors accelerate the development of electronic commerce.

Any product from electronics to vegetables are available through online shopping. This provides the way to fulfill the requirements in both time saving and convenient way through considering security concerns.

Electronic commerce has mainly changed the manner of traditional retail sector. Trough the increased internet usage, hardening life conditions- little time to fulfill several requirements, and growing young generation, electronic commerce is expected to increase its importance in following years expecially through the standardized products which do not require visual experience through tasting or touching indeed in all around the world and parallely in Turkey. For the products which require visual experience

through tasting or touching, traditional retail standards are expected to continue for a little while.

As can be concluded from this research, electronic commerce implementations in retail sector will not completely destroy the traditional retail concept but as the life Standard and technological innovations continue to improve, electronic commerce is expected to increase its importance through acceleration in the near future identifying electronic commerce as not a subsidiary but as a complementary manner against traditional retailing. And the companies implementing electronic commerce will remain their places in customers' lives through building loyalty both in convenient and time saving secure manner.

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