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Mass customisation challenges in Internet retailing through information management

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Abstract

The enormous information management capabilities available in the Internet retailing landscape today provide a challenging research opportunity with direct managerial implications for product suppliers and retailers. Elaborating on the multidisciplinary research challenges in this area, this paper applies the Customer Relationship Management (CRM) process in the Internet retailing context and develops a mass customisation model for the involved business players. The model is then applied and related to the components on an innovative EU funded business-to-business and business-to-consumer electronic commerce application, though the mediation of the CRM methodology. The alternative business models that can host the application are presented and related to the model's dimensions. The model's testing capabilities are also discussed. Direct managerial implications and future research perspectives are presented at the end.

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Keywords: Information management; Internet retailing; Mass customisation; Customer relationship management

1. The role of information management in the evolving landscape of Internet retailing

“Internet revolution is not dead in retailing” (Mahajan, Srinivasan, & Wind, 2002, p. 484). They support that many opportunities exist for enhancing the knowledge of the dynamic dot.com business environment and that two major forces will guide this revolution—consumers and firms that understand the retail business. To that end, they state that *information efficiency* constitutes a critical success factor for Internet retailing. However, on-line markets are significantly different in a number of aspects from the structure of traditional markets (Levy & Weitz, 2001). Reibstein (2002, p. 473) supports that “as more traditional retailers move to having an online presence, it

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will definitely be worth their knowing if the knowledge they have gained through the “brick-and-mortar” experience is applicable for online customer”. Similarly, Kalyanam and McIntyre (2002) note that conventional retailing theory should not be applied with its present form in the context of Internet retailing and should be transformed in order to avoid business failures. On the other hand, Porter (2001) notes that only by integrating the Internet into overall strategy will this powerful new technology become an equally powerful force for competitive advantage. Varadarajan and Yadav (2002, p. 296) also support that “in a growing number of product-markets the competitive landscape has evolved from a predominantly physical marketplace to one encompassing both the physical and electronic marketplace”. To this end, they report that the evolution of the electronic marketplace is associated with greater information richness of the traditional environment and the diminished information asymmetry between sellers and buyers.

The evolving Internet retailing landscape enables direct contact with suppliers and customers, provision of advanced customer services, application of one-to-one marketing techniques, etc. (Mohammed, Fisher, Jaworski, & Cahill, 2002). However, Burke (2002, p. 411) supports however, that despite the fact that the Web can enhance the shopping experience, the employed applications must be tailored to the unique requirements of consumer segments and product categories in order to be effective. To this end, Turban and King (2003) state that a key task for electronic commerce is finding out who the actual and potential customers are in order to effectively apply mass customisation strategies. Newman, Yu, and Oulton (2002, p. 253) report that “recording and understanding the behaviour of customers is paramount and a key factor influencing the success of any retail business”. They strongly encourage future research in this area in order to provide the appropriate data models and information processing mechanisms to be utilised by virtual retailers. Similarly, O’Brien (2002) supports that it is important to understand what the key data are, how and when they should be collected, how they should be converted to information and most importantly how these data can support customers/web site visitors, web site owners, and business processes. Along these lines, Masters (2001) notes that “service and customer understanding require data and systems”.

Elaborating on the enormous information management capabilities available in the context of Internet retailing, this paper aims to provide an extended model for providing customised services to Internet retailing key actors (i.e. suppliers, retailers, consumers and new types of intermediaries). The research completed for this paper was partly funded by two EU research projects.¹ The projects deal with the technical development and market deployment of an innovative Internet retailing application (the “ACTIVE” application), which serves as the research vehicle towards developing the corresponding supportive theoretical models. Specifically, since the architecture and the components of the ACTIVE application had been specified in the Technical Annex of the corresponding EU proposal, there was a need to develop a theoretical model to support the system operation in terms of information requirements and processing capabilities. The model was developed within the ACTIVE project and was further extended within the ACTIVE SME project. Since the latter deals with the market deployment of the system, there was a need to develop a more analytical and robust model, a corresponding methodology and a series of alternative business models for its successful penetration in the European market.

¹(a) ACTIVE (ESPRIT EU Programme), 1999–2002, (b) ACTIVE SME (Ten Telecom EU Programme) 2002–2003.

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