Chapter V

Pure Play vs. Bricks-and-Clicks:
A Study of Their Benefits and Practices

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ABSTRACT

Pure play and bricks-and-clicks represent today’s two major retailing models. The current study answers four questions comparing the two models in terms of the e-commerce benefits achieved and information systems management practices used to achieve them. It applies a Web-based survey to compare 69 pure plays to 348 bricks-and-clicks retailers in terms of the market expansion, customer service, back-end efficiency, inventory management, and cost reduction benefits reaped as well as in terms of the benchmarking, process redesign, and planning practices used. It found market expansion as the top benefit for both types of retailers. Pure plays exceed bricks-and-clicks at achieving back-end efficiency, inventory management, and cost reduction benefits. Pure play retailers apply benchmarking to reap their benefits while bricks-and-clicks retailers use process redesign and planning to reap theirs. Pure play retailers are better able to utilize benchmarking to realize market expansion and customer service benefits. On the other hand, bricks-and-clicks retailers are better able to utilize process redesign to realize inventory management and cost reduction benefits. The findings suggest potential directions for future research as well as electronic retail practice.

INTRODUCTION

When Internet household usage emerged and then grew exponentially during the mid 1990s, its pioneers and pundits alike predicted that online sales were opening a new era in retailing. Pure play retailers, they asserted, would replace traditional ones in much the same manner that shopping malls
had replaced downtown stores. Thousands of pure play stores appeared almost overnight while seemingly infinite venture capital poured into them.

However, when pure play firms started to fail, many experts predicted that the winners of online retailing would be the bricks-and-clicks merchants who sold their goods both at traditional stores and over the Internet. Today, many pure play retailers are gone, but many others remain. At the same time, many traditional stores have become bricks-and-clicks retailers, and are earning profits through their online endeavors.

Beyond any doubt, today’s retailers will continue to use the Internet to reach millions of consumers at a very low cost (Mahajan, Shrinivasan, & Wind, 2002). Likewise beyond a doubt, sales over the Internet will continue to grow (Madlberger & Kotzab, 2001; Saini & Johnson, 2005).

However, debate continues about which business model is better able to realize the benefits of virtual retailing. The two types of retailers may use different strategies to accomplish their objectives (Birkhofer, Schoegel, & Tomczak, 2000; Koo, Koh, & Nam, 2004). Many questions remain unanswered. Exactly what benefits of the Internet do pure play retailers reap? What benefits do Bricks-and-Clicks retailers reap? Are the benefits the same for both models? Or for which benefits does one type of the online retailer outdo the other type? Do the two types of retailers achieve their benefits through the same IT management practices? The purpose of the study reported here is to answer such questions as these.

Answers to them can help managers of both kinds of online retailers understand their own organization and their competitors, and accordingly adjust their business model to gain the maximum advantages of the Internet. Managers of each type of retailer can thus learn from their counterparts and better position their own firm’s e-commerce strategy. Answers to the questions can help researchers understand how implementers of electronic retailing achieve its benefits in order to compete.

BRICKS-AND-CLICKS VS. PURE PLAY

Pure Play and Bricks-and-Clicks retailers are two major categories of online retail business models (Turban, King, Viehland, & Lee, 2006). Increasingly, manufacturers and wholesalers have adopted multi-channel distribution systems in which they also sell directly to the end customer. Both online and physical stores can add paper-based catalogs. However, firms vary considerably in their use of Web sites (Hsu, Kraemer, & Dunkle, 2006); the percentage of the transactions through the Web site still enables the classification of retailers into Pure Play (meaning they sell exclusively through the Website) vs. Bricks-and-Clicks (meaning they make only some of their sales through it).

Harden, Heyman, and Bruner (2000) suggested evaluating a commercial Web site from six aspects. First, e-commerce has increased the consumer awareness of products. The Web, together with television, radio, print, billboards, and other advertising media, can be a cost-effective way to build consumer awareness of a product brand. The Web can build such awareness even though the majority of Web surfers do not click on banner ads. This is a big difference from traditional media such as television, magazines, and newspapers, which do not allow click-through (Roehm & Roehm, 2005). Strong brand name recognition is an important means of capturing customers (Coltman, Devinney, Latukefu, & Midgley, 2001).

Second, e-commerce has saved the cost of direct marketing. Compared to traditional direct mail, the Web can provide much advantage when the cost of paper, postage, and other expenses are considered. Other advantages include the availability of real-time inventory data and the reduced cost of human data entry. E-commerce has also accelerated direct marketing activities (Nadherny, 1998). It takes a much shorter time to test direct marketing concepts through the Internet.

Third, e-commerce has increased the sales of products both online and off-line. The Web
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