



Chapter IV

Key Determinants of Consumer Acceptance of Virtual Stores: Some Empirical Evidence

Lei-Da Chen
Creighton University, USA

Justin Tan
Creighton University, USA

ABSTRACT

One of the most significant phenomena of e-commerce is the emergence of a new form of business—the virtual store. Virtual stores provide great efficiency in the retail value chain and their existence has paved the way for the diffusion of electronic commerce. Understanding the determinants of consumer acceptance, virtual stores will provide important theoretical contributions to the area of business-to-consumer (B-to-C) electronic commerce and lead to the development of more effective and meaningful strategies for virtual stores. This chapter presents a study of 253 online consumers. The study resulted in a theoretical model that explains a large portion of the factors that lead to a user's intention to use and actual use of a virtual store. In addition to providing new theoretical grounds for studying the virtual store phenomena, this chapter also supplies virtual stores with a number of operative critical success factors to remain competitive in the volatile electronic marketplace. These success factors, namely, product offerings, information richness, usability of storefront, perceived trust and perceived service quality, are discussed in detail in the chapter.

INTRODUCTION

One of the most interesting phenomena in the last few years is the adoption of e-commerce by businesses and consumers. E-commerce was defined by Kalakota and Whinston (1996) in their seminal book on the topic as “a modern business methodology that addresses the needs of organizations, merchants, and consumers to cut costs while improving the quality of goods and services and increasing the speed of service delivery.” It represents a combination of information technology (IT), business process, and business strategies that facilitates the exchange of information, products and services.

The Internet and World Wide Web (WWW) have created opportunities for virtually all companies ranging from small start-ups to Fortune 100 companies. Retailers all over the world are establishing a new type of enterprise, virtual stores, which exist in cyberspace and offer merchandise and services through an electronic channel to their customers with a fraction of the overhead required in a brick-and-mortar store. While companies may choose different ways to engage in EC, one thing that all virtual stores have in common is their heavy dependence on information technologies to achieve organizational goals and objectives, and many of them have seen significant benefits in the areas of cost saving, market penetration and expansion, global exposure, overall product value, and customer services.

The attractiveness and power of e-commerce lie in its impact on reshaping traditional value chains in different industries. It represents a fundamental transformation of traditional business models. However, for such major paradigm shift to be accepted by end-users, firms have to develop resources and competencies that add value to consumers.

The fundamental question that this chapter attempts to answer is what factors determine consumer acceptance and use of virtual stores. Although rapid growth has been witnessed in this area, online sales volume still remains relatively low compared to alternative retailing forms. Consumers have realized the benefits of shopping online, but at the same time been impeded by factors such as security and privacy concerns, download time and unfamiliarity with the medium. Practitioners have been trying to offer so-called Web strategies on a case-by-case basis using their personal experiences, observations, and intuitions. This approach gave rise to a large number of conflicting strategies due to its lack of reliable theoretical foundation. As a result, organizations utilizing Web strategies for selling their products and services are finding that their expectation far exceeds actual achievement. Rigorous academic research on the success factors of online retail is relatively scarce today. To partially fill this void, we join the dialogue by developing a theory-based model for explaining and predicting consumer acceptance of virtual stores. We also attempt to identify a list of operative critical success factors (CSF) for virtual stores to succeed in the midst of a competitive business environment.

BACKGROUND

A large body of literature on B-to-C EC has emerged in the last few years. As online retailing became an increasingly common social phenomenon, researchers started to explore the reasons behind this trend and ways to utilize this electronic channel more

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