Chapter XII

Internet Shopping Model and Customer Perceptions:
A Study of UK Supermarkets

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ABSTRACT

A major growth area in electronic commerce (EC) is organisations that directly interact with their customers (Business to Consumer EC). The supermarket sector is at the forefront of this development. However, it has been widely reported that e-tailing for grocery shopping, e.g., Webvan, particularly in the U.S., has not been successful. Little empirical evidence is documented to reveal whether customers' shopping patterns have significantly changed toward Internet shopping. By using a case study approach and a questionnaire survey, this study reports the Internet shopping models adopted by the major U.K. supermarkets, and examines consumer shopping behaviour and their attitudes toward the Internet for grocery shopping.

INTRODUCTION

The grocery retail industry has traditionally had a rather complex trading and logistic structure and manual processes. E-commerce (EC) has provided a great opportunity for substantial cost savings and the shortening or eradication of supply chains (Ng et al., 1998). Early applications of using trading networks in grocery retail industry were based on electronic data interchange (EDI). EDI automated

basic business transactions, resulting in faster and less error prone transactions (Norris et al., 2000). For example, goods spend less time in depots and arrive fresher at supermarkets (Seth & Randal, 1999). It has been seen that most supermarkets in the U.S. and the U.K. embrace the Internet and now offer their customers the facility to shop online, together with delivery services (Kinsella, 2000). Pure play Internet grocery retailers have emerged, yet reported failures in many cases (Ring & Tigert, 2001). In the U.K., online grocery shopping with major supermarkets has become prevalent and appears successful: for example, Tesco, the U.K.'s largest grocery retailer, claimed that it has already made a profit from its online sales in 2001. Tesco's success has been widely cited in most of the recent research (Reinhard, 2001; Ring & Tigert, 2001; Tanskanen et al., 2002). U.K. supermarkets are looking to entice shoppers into buying more than the basics and are exploring new ideas and innovations to make grocery shopping more interesting.

The benefits of using the Internet by merchants have been widely discussed, i.e., improved inventory control, customisation of offering, quick delivery to customers and online advertising (Spar & Bussgang, 1996; Poon, 2000). With regard to online grocery shopping, it is speculated that online shopping offers supermarkets not only the opportunity to gain new customers, but also to improve customer loyalty and customer services. However, little empirical evidence is documented to reveal how the logistics model used to support the online channel is justified from the company manager's point of view.

The aim of this study is to develop further understanding of **Internet shopping** in the supermarket sector by examining:

1)   How supermarkets as merchants offer online shopping services, with a focus on the picking-up model.
2)   How customers perceive the **Internet shopping** channel compared to the conventional supermarket shopping.

LITERATURE REVIEW

A few recent studies on e-tailing and online grocery shopping, which are based primarily in the US, have been reported. These studies are briefly reviewed in order to refine the focus of our investigation, and to form a base for follow-up discussion and comparison.

Ring & Tigert (2001) assert that the online grocery industry has not achieved success. In particular, pure play Internet grocery retailers can hardly survive compared to traditional "brick and mortar" food retailers. This is mainly due to substantial operating costs that make the pure Internet grocery retailers less competitive, and a lack of a profitable business model and an adequate customer base. They argue that Internet grocers dramatically overestimated the size of the market for grocery shopping from home. Although their argument is substantiated with evidence drawn

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