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FACTORS INFLUENCING RETAILER ADOPTION OF THE INTERNET IN IRELAND

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MARKETING TRACK

ABSTRACT

To date, most of the commentary on the impact of the Internet on retailing in Ireland has been anecdotal and there is a paucity of academic empirical research examining the factors affecting Internet adoption by retailers in Ireland. The primary aims of this research are to identify the key factors perceived as being influential in determining the resultant level of adoption among traditional retailers in Ireland and to examine the extent and level of its' adoption in the Irish retail sector. This paper represents the results from an exploratory investigation employing multiple case studies as the first of a two-stage methodology to explore the key factors influencing traditional retailers' Internet adoption decisions. The findings suggest that retailers' decisions to adopt online transactional websites were primarily driven by the need to extend product range, increase market access, and satisfy demand for multi-channel shopping. Their ability to increase efficiencies in communicating by blogging and discussion boards is effective in driving targeted traffic to the site. The logistical challenges of managing a hybrid retail model create difficulties in online order fulfilment particularly in relation to shipping charges and product type, which can inhibit market reach.

INTRODUCTION

Electronic retailing is the newest non-store retailing format and represents the fastest growing segment within retailing. Several studies have examined the adoption of the Internet by UK retailers (Doherty et al., 1999; Hart et al., 2000; Ellis-Chadwick et al., 2002; Doherty et al., 2003), in Europe the area has received academic attention (Kotzab and Madlbarger, 2001; Molla et al., 2006) and also in the US (Auger and Gallaugher, 1997; Morganosky, 1997; Griffith and Krampf, 1998; O' Keefe et al., 1998). Within the Irish marketplace studies have been limited to website reviews of

the top 25 retailers (Scott et al., 2003) and online portal participation using a case study approach (Kennedy and Coughlan, 2006). However, there is a distinct lack of empirical research providing insight into the online activities of retailers in Ireland.

The competitive landscape of Internet retailing provides customers with more choice and unlike direct or traditional marketing, where interaction is essentially imposed on the customer, the Internet requires consumers to voluntarily visit a website. From a marketing viewpoint retailers' need to invest more in their marketing strategies, to be more innovative and influential in how to reach and communicate with their target audience online and to create better shopping experiences both online and offline (Dholakia and Uuistalo, 2002).

This research is a qualitative exploratory investigation employing a case study approach to determine the factors perceived as influencing retailers' decisions on their resultant level of Internet adoption. The case study companies are *Serendipity Kids*, a children's clothing boutique, *Bubble Brothers*, a specialist wine merchant, *Special Days,* a gift store, *Little People,* a children's nursery store, and *Twomey's Super Value,* an independent grocery retailer.

The paper begins with a literature review of the key factors affecting retailers Internet adoption decisions including an overview of the different models of adoption for online retailing. The research methodology and sampling process of case study screening and selection is presented. The findings are discussed in relation to key factors identified, conclusions are drawn and recommendations for future research proposed.

LITERATURE REVIEW

Models of Internet adoption are examined in relation to how retailers can use the Internet to communicate, interact, and transact with their customers. Following this a review on the factors influencing retailers Internet adoption decisions is discussed.

Models of Internet Adoption

In Internet retailing, a business model may be viewed as the primary method of organising retailing activities online (Grewal et al., 2004). Hoffman et al. (1995) described a number of ways the Internet can be used as a commercial medium namely, an online store, Internet presence, content sites, eMalls, interactive sites, and search agents. More recent studies on retailers' adoption of the Internet have identified three main ways retailers use the Internet as a retail channel (Griffith and Krampf, 1998; Hart et al., 2000; Ellis-Chadwick et al., 2002). (1) The Internet can be used as a platform to communicate and disseminate company and product information, and to interact with customers. This communication level of adoption permits retailers to engage with their customers, provide better customer service, and use valuable customer information to improve future product offerings and inform marketing campaigns. (2) The next level of adoption enables retailers to present their offline product offering online in the form of an e-shop (Ellis-Chadwick et al., 2002). This platform allows customers to purchase products in a multi-channel shopping environment (Min and Wolfinbarger, 2005). Finally, progress in online retailing has resulted in firms moving beyond the e-shop model by participating in a trading community where they can link together with other online retailers and suppliers via online shopping portals or e-malls (Ellis-Chadwick et al., 2002; Kennedy and Coughlan, 2006).

Consequently, research has sought to explore the factors that might explain reasons why retailers' choose different levels of adoption when making the transition to a bricks and clicks business model (Doherty et al., 2003; Teo and Pian 2004; Ashworth et al., 2006).

Factors influencing Internet adoption decisions

It has been suggested that there are a variety of factors that have a significant affect on the level and extent to which firms adopt the Internet. Auger and Gallaugher (1997) found that low development and maintenance costs had a significant impact on small businesses decisions to go online and that adopting a web based sales presence is perceived as a relatively low-risk, high-reward strategy. O'Keefe et al. (1998) concluded that product type and company size were not seen as differentiating factors of Internet success but that the extent of the interactivity of their web offer affects the overall success. Doherty et al. (1999) found factors relating to the relative advantages of trading online encourage retailers to set up transactional websites. Other studies found operational factors influence the different levels of adoption such as, retail sector and product type (Hart et al., 2000; Ellis-Chadwick et al., 2002). Market-orientated factors such as Internet marketplace, market development opportunity, and infrastructure and development capability were the primary drivers of online sales adoption in Doherty et al.'s (2003) study. Decisions to develop an active website are more dependent on Internet target segment and Internet strategy factors where management commitment and capabilities influence the adoption of the Internet. These findings are consistent with the work of Teo et al. (1998) who identified the importance of factors such as technological policy, senior management commitment, and an appropriate infrastructure, in influencing Internet adoption among large

businesses in Singapore. Vadapalli and Ramamurthy (1997) explored the motivations behind business adoption of the Internet and found that organisational boundaries, transaction costs economies, and cognition are the key influences on business adoption among large US based communication companies. In addition, they found that organisations that have positive perceptions regarding the potential value of the Internet are more likely to adopt.

The success of integrating bricks and clicks models has exposed various operational and logistical challenges retailers' need to confront (Enders and Jalessi, 2000; Reynolds, 2000; Grewal et al., 2004). The costs of supporting the two channels (Enders and Jalessi, 2000), of restructuring the organisation (Gulati and Garino, 2000), and the costs associated with logistics infringe on the extent and level of Internet adoption decisions (Doherty et al., 2003). Retailers need to improve and integrate their demand, supply, and information management capabilities to create efficiencies in the supply chain of their online operation to enhance customer value and gain a competitive edge (Ellram et al. 1999; Mentzer et al., 2004; Nicholls and Watson, 2005). This requires internal and external co ordination of customer service and logistics quality, low cost supply and distribution, and the use of information technology to communicate, deliver products and service in conformance with customers' requirements and standards (Mentzer et al., 2004) a deficiency of which will result in the online operation becoming a mildly effective extension of the sales process.

Logistical Challenges

In the context of online operations, research relating to the order fulfilment process is of particular importance as it has been found to raise a number of logistical difficulties for the retailer more so in terms of picking, packing, delivery, and receipt of goods (Gurau et al., 2001; Kotzab and Madlberger, 2001; Punakivi and Tanskanen, 2002). Furthermore, the transport and distribution structures have changed for traditional retailers as online orders require a system that needs to cater for the delivery of a single package to an individual household as opposed to shifting merchandise in bulk from large warehouses to store shelves (Enders and Jalessi, 2000) the result of which passes the costs and responsibility of online order fulfilment from the consumer back to the retailer (Burt and Sparks, 2003).

Internet Strategy Development

Doherty and Ellis-Chadwick, (2006:421) observe a gap in the literature relating to retailers' e-business strategy development and ask the question "how can an e-retailing strategy best be formulated?" They argue that in the context of Internet retailing, management must seek to align the building blocks of customer requirements, website design, order fulfilment processes, and marketing activities into a seamless and coherent whole. This coincides with Venkatraman (2000) who notes that effective formulation of an Internet strategy requires the management team to consider all the key elements of the plan in combination, not in isolation. The organisation needs to first identify the level or type of adoption they wish to take (Hoffman et al., 1995) and to recognise the importance of that adoption level from a strategic perspective rather than a simple web presence (Ellis-Chadwick et al., 2002; Teo and Pian, 2004). However, Berman (2004) concludes that for retailers developing

and maintaining a well-integrated multi-channel strategy is not easily accomplished as it requires sophisticated information systems that enable personnel at different points along the channel to access database information. Furthermore, retailers need logistical infrastructure that can effectively accommodate each channel.

Marketing Communication Strategies

It has been well documented how the web is used as a communications tool to interact with consumers (Hoffman, et al., 1995; Ellis-Chadwick et al., 2002) however, a site needs the support of other media and offline activities to reach a wide audience online (Haas, 2002) such as advertise with other sites, be promoted free of charge by linking with relevant sites, or traditional media can promote the site offline, all of which help build awareness and drive traffic to the website. Doherty et al. (2003) identified that while the Internets' ability to facilitate communications strongly influenced an organisation to commence an Internet project, its' importance gradually diminished after an active website was set up. It could be argued that retailers' have not fully realised the potential of Internet communication from a strategic perspective where creating and building relationships are increasingly important for the survival of an online business particularly in the B2C environment (Rowely, 2004).

More recent advances in online communication technologies such as blogging enable retailers and customers to communicate online via a blog created by the retailer. Blogging is an opt-in communication channel which increases users' perception of credibility towards the site (Sun et al., 2006) and can encourage loyalty towards the website and the brand (Srinivasan et al., 2002; Shang et al., 2006). Furthermore, it's easy to create, maintain, and improve its' content and aesthetics. The benefits of

which can create targeted virtual viral marketing by link forwarding and opinion seeking (Sun et al., 2006), which encourages targeted traffic to the site (Lin and Haung, 2006) this in turn increases navigation and interactive responses towards the site (Demangeot and Broderick, 2006).

Company size

Previous studies on Internet adoption in the retail sector mostly focus on large retail organisations (Morganosky, 1997; Griffith and Krampf, 1998; Kotzab and Madlbarger, 2001; Doherty et al., 2003; Scott et al., 2003). There are limited contributions (Auger and Gallaugher, 1997; O' Keefe et al., 1998; Molla et al., 2006) that specifically explore the adoption of the Internet by micro, small and medium sized organisations in the retail sector. Small to medium sized firms are considered to posses specific attributes that distinguish them from large organisations, which either facilitate or inhibit Internet adoption in SME's such as increased flexibility due to being structurally less complex, which can facilitate fast-decision making and innovation (Daniel and Grimshaw, 2002). However, a lack of business and IT strategy, limited access to capital resources and limited information skills were also identified as unique characteristics of SME's (Ballentine, 1998).

RESEARCH METHODOLOGY

The aim of this stage of the research is not to test or modify existing theories, but to conduct exploratory research investigating key factors perceived as being influential in determining the resultant level of Internet adoption among traditional retailers' in Ireland. Furthermore, the results from this study will help guide and inform the next

stage of the research, which is a large scale questionnaire surveying retailers' on their current and planned use of the Internet.

Given the lack of empirical research in the online retail sector in Ireland, an exploratory investigation was deemed justifiable as it is considered particularly useful for exploring the potential business value of Internet technologies in small and medium sized firms (Schlenker and Crocker, 2003). The methodology is a qualitative exploratory investigation using in-depth interviews to examine the dynamics present in a real life situation, to ask questions and uncover insights into the research topic at hand (Robson, 1993; Yin, 2003). The exploratory and investigative nature at this stage of the research requires rich and descriptive data to be generated for analysis and qualitative methods provide a means for procuring such information.

Multiple case study approach

The methodology employs a multiple case study approach as it provides a valuable source of qualitative primary data to get a picture of, and find out important issues surrounding the research objectives (Saunders et al., 1997) to identify the key factors influencing traditional retailers' level of Internet adoption. The evidence gathered from multiple case studies is considered more compelling to a single case strategy thus lending the overall study to more robust analytical benefits (Yin, 2003). Case study research using in-depth interviews are deemed by some as being "the best" method of data collection (Easterby-Smith et al., 1991; Yeung, 1995). Senior decision makers i.e. owners/ senior management provided the unit of analysis for this study.

The interview approach facilitates the investigation to gain insights into the reasons behind decisions made and to appreciate the opinions, experiences, and beliefs of the respondent thus further strengthening the argument in favour of interviews as a data collection method (Yeung, 1995; Saunders et al., 1997; Hill et al., 1999). In addition, a number of questioning techniques allows for a broad range of issues to be covered, clarified, and understood during the interview process. The flexibility of semi-structured interviews allows the respondent to answer in an open-ended way, which is designed to encourage extensive answers that reveal attitudes or obtain facts (Saunders et al., 1997). A theme sheet was developed based on the literature reviewed using the factors identified by Doherty et al. (2003) as a guide to investigate key themes.

Sampling

Purposive sampling using maximum variation as a sampling strategy was chosen as it is regarded as a commonly used technique in case study research and when the cases are particularly informative thus enabling a deeper understanding of the research phenomenon (Patton, 2002). This strategy allows the researcher to purposefully pick a wide range of cases applicable to the research aims in order to gain rich information along a spectrum of dimensions. However, caution should be taken when selecting applicable sites and as such should be carefully thought out rather than opportunistic (Benbasat et al., 1987). Yin (2003:78) advises that prior to collecting screening data, there should be a defined set of operational criteria where candidates will be deemed qualified to serve as cases. For this study the main criteria for case study selection are retail category (Doherty et al., 1999), Internet adoption platform (Ellis-Chadwick et

al., 2002), company size in terms of number of employees, retail business model and length of time in business.

Case study selection

The Republic of Ireland Business Statistics Database from IDS Media[i] group provided information on current statistics in terms of the standard industry classification (SIC) of businesses in Ireland by sector profile and employee size. In addition the retail classification framework used by Doherty et al. (1999) was adapted to provide a workable framework to group the main retail category selections for this study. The search for suitable case studies took many routes via keyword search engine searches', Internet directory websites', discussion boards and Irish web designer client lists were inspected. In addition The Golden pages directory and the Company Registration Office[ii] website and gazette was also consulted. The final case study selections are outlined in Table 1.

Table 1: Retail company case studies

Company Name	Year of Origin	Business Model	Retail Category	Location	Web Address
Serendipity Kids	2005	Bricks and Clicks	Clothing & Accessories	Dublin	www.serendipitykids.ie
Little People	2004	Bricks and Clicks	Homeware	Dublin	www.littlepeople.ie
Special Days	1999	Clicks Only	Gifts & Craftware	Dublin	www.specialdays.ie
Bubble Brothers	1998	Bricks and clicks	Food & Consumables	Cork	www.bubblebrothers.com
Twomeys' Super Value	2000	Bricks and Clicks	Food & Consumables	Dublin	www.offyourtrolley.ie

Limitations

This paper reports on multiple cases using an exploratory qualitative approach to investigating factors influencing Internet adoption and therefore cannot be used in the same way for generalisation as a hypothesis-testing, survey based piece of research

could. The sample size is small and limited to only a few retail categories and may suffer to some degree of self-selection. Finally, questions of validity may arise as the cases are bound by two geographical locations, which are technologically advanced urban locations.

Case background information

The sample of retailers are independent retailers with Twomeys' Super Value being part of a franchise operation (Musgrave's) but still operate as an independent retailer. The retailers' were established as a bricks-and-mortar retail operation prior to Internet adoption. Serendipity Kids and Little People are considered new retailers (less than two years in business). Special Days, Twomey's Super Value, and Bubble Brothers are well-established retailers (more than five years in business). Four out of the five cases are micro in size (less than ten employees)[iii] with Twomey's Super Value being categorised as a small company (less than 49 employees). Little People, Special Days, and Serendipity Kids adopted the Internet in the last two years with Special Days adopting a transactional website from its inception. Little People moved from a communications platform to a fully transactional e-shop presenting their offline offerings online a year after the initial site was built. Serendipity Kids launched their online shop in March 2007 sixteen months after the company started trading. Special Days migrated from a bricks and mortar business model to a clicks only retail model. This transition occurred in the two months prior to case study investigation (November/December 2006). These case companies equip the researcher with a wide range of organisations in which to explore themes, identify and investigate key issues relevant to each retail operation.

DISCUSSION

The key factors perceived as being influential in determining retailers' resultant level of Internet adoption are identified as website strategy development, marketing communication strategies and logistical challenges.

1. Website strategy development

It is evident from this investigation that retailers are ready to exploit the potential the Internet has to offer in terms of improving their offline operation, extending customer reach, and enhancing service performance. Decisions to adopt the Internet are made quickly and at the early stages of business development. The more recently established retailers' i.e. Serendipity Kids and Little People made the transition from a communication platform to fully transactional websites within a year and a half of trading. From a strategic perspective these retailers' have taken cautionary steps in moving from phase one to phase two of web adoption where decisions were primarily motivated by their readiness to take risks and the ability of the offline operation to support the online retail channel. It can be inferred that strategic decisions regarding website development are strongly supported by retailers' attitude and commitment on the potential the Internet has to offer the business thus highlighting the factor that web strategy and development is strongly influenced by managements view on the viability of the Internet as a retail channel (Doherty et al., 2003) and the compatibility of the offline operation to support the online channel.

I'm a big believer in baby steps, build it on sort of when you need it do it. Owner, Serendiptiy Kids.

In terms of risk taking and restructuring the organisation this was clearly evident in Special Days where the retailer had an established offline operation for a number of

years. However, spiralling costs and limited floor and storage space resulted in decisions to migrate from a bricks and mortar model to a pure e-tail model.

Our rents and costs had gone up so high…the cost of regular retail for an independent retailer has gone through the stratosphere and it's just not possible… we're paying €14,500 for 5,000square feet in Athy and we were paying €330,000 for 2,000 square feet in Liffey Valley. Owner, Special Days.

By migrating to an online model this led to a reduction in operating costs, increased market development opportunities by increased efficient service from suppliers, which enables e-procurement opportunities by access to online suppliers (Sparks and Wagner, 2003). In addition, retailers' linking to distributors websites also increases market reach and accessibility to customer market segments (Grewal et al., 2004).

Difficulties in managing stage two of web development projects are highlighted by interviewees, as designers being too slow to respond to retailers requests on web changes, this lack of communication slows up website launch dates and it is felt that there is a distinct lack of information to help guide retailers into finding the right designers or knowing what is required when building a website to facilitate online transactions. Similar was also found in a recent study in Northern Ireland where SME's experienced varied difficulties in dealing with designers and particularly in relation to how the business should be portrayed online (Gilmore et al., 2007).

It's a bit of a quagmire. I don't have a lot of information on what the best way to go is and they [website designers] aren't that quick to respond and they have a varied programme. They are difficult…you have to be very clear on what you want. Owner, Serendipity Kids

In addition, retailers have accessibility to a number of payment systems enabling them to offer online product transactions, which further facilitates decisions to adopt a sales

presence online. Three of the retailers used existing payment systems (credit card machine) to process online orders. Interestingly, Little People decided to outsource their online transaction functions to an online payment solutions company. The advantages of doing so enable them to reduce the time it takes to process online orders. Outsourcing to an online payment solutions company is a cost the retailer must incur however, it appears the time efficiencies it creates is worth the financial investment.

2. Marketing Communication Strategies

The evidence gathered from this investigation indicates that retailers have shifted from reactive impromptu attempts to reach target audiences online to well thought-out deliberate ventures to create awareness of the company. They have become increasingly sophisticated in their strategic approach to interacting with their customers by taking advantage of new opportunities or innovations enabled by new web technologies such as implementing website analytic tools, participating in virtual communities, and blogging.

The results from this study indicate that retailers are using web analytics with the strategic intent of making better marketing decisions such as knowing what websites refer most traffic, which enables future affiliate marketing plans and to optimise website, search engine and search advertising keywords, which helps inform sponsored advertising campaigns and improve visibility on 'natural' search engine listings. This wealth of information further informs web budgets therefore increasing financial efficiencies for smaller retailers.

We use the stats particularly to see what words draw other people into the site. So we find "lighter" is not getting a lot of hits because people are typing "Zippo" into Google…So we target that word. We can also see where the people are coming from…55% of all our traffic comes from Google…Yahoo used to be very strong but is now 12 or 13% . Owner, Special Days.

The benefits of implementing online tracking functions in a website are to monitor consumer/ visitor behaviour, and identify traffic demographics. This information is measurable and should be related to the key performance indicators and objectives of the firm in order to be useful for strategic marketing decisions (Weischedel et al., 2005).

Online discussions via virtual communities facilitate a new communication channel for businesses allowing interaction with relevant Internet users (Lin, 2007). The more recent start-up retailers found discussion forums a relatively inexpensive way to research, promote and access their target audience online. Serendipity Kids and Little People use discussion forums for research on topics related to product demands and purchasing experiences. They also use it as a marketing channel to advertise their company by signing up for advertising contracts with the site hosts. This enables them to promote their company throughout the site and they can use graphical banner ads to increase exposure and create awareness of the company brand (Teo and Tan, 2002).

On reflection Serendipity Kids found this website a primary driver of traffic to their online shop when reviewing website traffic statistics. Furthermore, retailers' gained additional benefits by being promoted (with a link back to the retailers' website) in the forums monthly newsletter, which increases exposure and drives targeted traffic to the site.

We got a lot of referrals from them. I could say that 80 or 100 per cent are coming from Rollercoaster[iv]. Owner, Serendipity Kids

Establishing dialogue with community members creates value by helping members to share experiences, problems and solutions (Lin, 2007). This creates an information network that offers a source of rich, detailed information and ideas that businesses can use to help inform marketing strategies, and online and offline communication and interaction. This investigation finds that these benefits pertain more to the use of blogging.

Bubble Brothers perceive the usefulness of their ability to share information and experiences by blogging with customers and suppliers as one of the significant benefits the web has to offer their company as it enhances their abilities to communicate online, build brand awareness and improves service performance (Lin, 2007). Their reasons for setting up a blog were to help build the company brand and overcome e-mail marketing difficulties. The problems encountered with e-mail marketing were cited as time consuming to create and they generated dreary responses from subscribers. Bubble Brothers also believe the company name may have a low credit rating by spam filters, which prevents the e-shot from being delivered. However, it should be noted that open dialogue via a blog can create negative messages from unsatisfied consumers and this could affect the attitudes of others, thus becoming a threat to the brand and the company (Maclaren and Catterall, 2002). But Bubble Brothers believe that open dialogue on the blog can create the solution to a problem and it's how the retailer handles the negative responses that influence the recovery of a service failure.

It's a good way to show your human face and to handle mistakes for damage limitation…if something goes wrong you can post it up on the blog and say here is what we did wrong, here is what we did to fix it and you allow the public to have their say…Admitting your mistakes via a blog is perceived as doing far more good rather than not admitting your mistakes and claiming to be perfect. Customer Service Manager, Bubble Brothers.

Blogging can also create B2B opportunities by communicating with suppliers and business partners. This is an area Bubble Brothers believe will greatly benefit their trade customers and increase time efficiencies' for the company. By getting their suppliers to join the blog and become contributing members uploading information via, text, video, images, or podcasting can inform existing and potential trade customers. However, the reality is that the majority of their business partners have not taken to the suggestion. Interestingly this finding also relates to a recent study which found that one of the biggest sources of frustration among SME's attempting to use the Internet as a strategic marketing tool is that their partners, and suppliers are not up to date or competent in using Internet technology tools (Gilmore et al., 2007).

In light of these findings however, email marketing still tends to be the most common tool used for marketing and communicating with consumers online. But retailers recognise that emailing customers on a regular basis needs to be done responsibly and promote an incentive that will generate a response otherwise excessive use of emailing can annoy customers, create negative impressions of the company and encourage customers to unsubscribe.

Logistical challenges

In this study the most frequently cited challenges for online order fulfilment relate to transporting and shipping costs, which is directly affected by the type of product they

sell and the geographical markets they are able to serve (Gurau et al., 2001). Managing the transport operation involves different forms of transport such as employing couriers or purchasing delivery vans and as a result this not only increases costs but requires retailers to manage scheduling availability of drivers and vehicles in order to fulfil orders in the time frame promised (Tarn et al., 2003). Therefore there needs to be a careful balance between operational efficiency and consumer desirability (Xing and Grant, 2006).

Each of the retailers employ different methods of transportation these include delivery vans, courier companies, and An Post for some national and international deliveries. Twomeys' Super Value use delivery vans but express that the costs associated with purchasing, maintenance, and human resources required to operate the vans inhibit market reach and can infringe on on-time order fulfilment. Little People, Bubble Brothers, and Special Days employ independent courier companies to handle deliveries the benefits of which relate to multiple points of contact these companies have nationwide, which increase the likelihood of on-time order fulfilment.

The retailers who offer international delivery deliberately choose not to employ overnight international courier companies, as they believe the high cost of shipping would inhibit customers ordering online. So price sensitivity particularly relating to shipping charges greatly influences the type of shipping method these retailers are willing to employ. Recent research has also highlighted the issue of price sensitivity online particularly in relation to delivery fees as a result there is a preference to purchase from a traditional store (Pennanen et al., 2007). Consequently retailers trading online feel compelled to offer their services for free and incur the costs of

transportation due to customer sensitivity to shipping charges (Rabinovich and Knemeyer, 2006). Interestingly these findings draw a parallel to the interview findings as retailers feel the only option at this stage to overcome price sensitivity is to offer free delivery or promotional offers on delivery charges. However, these promotions are carefully calculated where the retailer does not incur all the costs for shipping with all products sold online so they provide different promotional packages for either volumes ordered or on orders over a certain amount in monetary terms. For example, Little People provide free delivery for online orders over €150 in Ireland, and Bubble Brothers offer free delivery for wine orders of twelve bottles or more.

Another issue that was frequently cited in relation to shipping and the logistics of order fulfilment is how product type can influence market reach. For example, fragile goods such as wine inhibits international delivery for Bubble Brothers as it's weight increases the cost of shipping and it requires special packaging as it's breakable and can incur more returns than the retailer can afford to deal with.

We should really focus on Ireland and stay here because wine isn't a very transport-friendly product, to be honest. It's heavy, it's extremely fragile and, it mostly resents movement. Customer Service Manager, Bubble Brothers.

Perishable grocery goods also require special transport vehicles and in the case of Twomey's Super Value the transport vehicles need to be large in size and must have two employees per van. At the moment they deliver door-to-door, which increases difficulties with on time order fulfilment as most people request their groceries to be delivered at the same time and the limited physical and financial resources puts considerable strain on the company being able to fulfil promises and extend market reach.

Storage space also inhibits the amount of orders traditional retailers are able to fulfil per day due to limited physical resources. If retailers wish to increase the volume of inventory to accommodate increased online orders they must incur the costs associated with inventory management and holding stock (Gurau et al., 2001). However, the financial constraints inherent with start-up small retailers may inhibit them from adopting sophisticated inventory management systems or holding stock in warehouses. A consequence of which, results in frequent stock-outs, poor updates and maintenance to the website system which creates bad customer service due to delays in getting the right product or an alternative product to the customer on time (Enders and Jalessi, 2000). Furthermore, customers are unlikely to make future purchases with that same retailer, therefore increasing the costs of customer retention strategies (Forbes et al., 2005).

If I could find half a day in the week to sit and refresh the website, that would be terrific but it's absolutely the case that the customer will find the one product which you have not got and order three cases of it for delivery tomorrow. So, it would be great if the appearance, efficiency of the website corresponded to the fact because it doesn't. Customer Service Manager, Bubble Brothers

It is therefore important that the web is integrated with other departments of the company to ensure back office functions are compatible with front end website functions (Ryan and Valverde, 2005).

CONCLUSIONS AND DIRECTIONS FOR FUTURE RESEARCH.

This study identifies key factors influencing retailers' resultant level of Internet adoption decisions. It is evident form the research that small bricks and mortar retailers in Ireland have recognised the need for an online presence and are quickly making the transition from low level Internet adoption where the primary purpose was

to communicate company information to promptly pursuing fully interactive transactional websites.

This paper acknowledges the information gap in relation to retailers' strategic activities of Internet adoption (Doherty and Ellis-Chadwick, 2006). The objective of investigating web strategy development was to identify retailers' strategic intent of web adoption (Griffith and Krampf, 1998) and the factors that influence the level of adoption taken (Hart et al., 2000; Ellis-Chadwick et al., 2002). There is evidence to suspect that retailers e- tail activities tend to take a rather ad hoc approach (Nicholls and Watson, 2005), rather than being guided by clear strategic thinking and planning therefore lend more to a reactive web strategy (Teo and Pian, 2004) particularly at the initial stages of adoption. It seems that once a website is set up there is an increasing awareness of the potential the Internet has in terms of market reach, which influences retailers' decisions to develop interactive transactional websites to inform customers of product offerings and to generate sales. As is evidenced a positive commitment to online retailing is paramount from a strategic decision making perspective on Internet adoption decisions in order to facilitate growth in their online retailing activities.

The results from this study adds to Doherty et al.'s (2003) findings by identifying how retailers are becoming strategically more proactive and innovative in their marketing and communications activities more so after the initial phases of web adoption. As traditional retailers make the transition to a bricks and clicks retail operation there is increased recognition of the importance of marketing and communication to create a presence online (Huizingh, 2002), drive relevant traffic to the site (Nikolaeva, 2005), facilitate two-way communication between the retailer and customer (Rowely, 2004),

create recovery strategies when any service failure occurs (Forbes et al., 2005), and to turn web browsers into buyers (Schlosser et al., 2006). Interestingly, it seems that online communities and blogging provides a new medium to communicate, search and disseminate information, this opens up a lucrative platform that retailers can embrace to enhance their service performance, interaction, and communication with their target market both online and offline. It is in this realm that this study makes an interesting contribution.

In addition, the results highlight the difficulties small retailers in Ireland face when integrating the Internet into existing offline business processes (Enders and Jalessi, 2000) with a particular emphasis on the management of online order fulfilment (Doherty et al., 1999). The findings contribute to the existing literature on logistical challenges (Gulati and Garino, 2000; Gurau et al., 2001; Burt and Sparks, 2003) and draws attention to the costs associated with product type and how these costs can inhibit market reach for small retailers in Ireland.

Finally, the research investigated retailers in specific retail categories and sectors, which may have characteristics that should be balanced by investigating larger retail firms operating in different retail categories. Investigating offline retailers' decisions not to go online may produce interesting findings in relation to the factors influencing non-adoption decisions. In addition, opportunities for further research with a larger national cross boarder geographical spread may produce interesting results in relation to regional conditions and infrastructure driving or inhibiting Internet adoption in Ireland.

The next stage of this study is a quantitative investigation that will involve a questionnaire sent out to a large sample of retail organisations, which will provide a quantitative examination of the extent and levels of retailers' Internet adoption in Ireland with a view to critically evaluating the factors that affect retailers' Internet adoption decisions.

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Notes

[i] IDS Media Group www.ids.ie

[ii] Company Registration Office Ireland www.cro.ie

[iii] European Commission (2005) The new SME definition: User Guide and Model Declaration Enterprise and Industry Publication http://europa.eu

[iv] Rollercoaster – online discussion board and information site for parents www.rollercoaster.ie