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Critical Success Factors for Online-Shops of Drugstores

Information Systems and Marketing Requirements for Webshops Offering Fast-Moving Consumer Goods and a Webshop Evaluation of Two German Drugstores

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ZUSAMMENFASSUNG

Timesaving options that help to successfully overcome daily challenges seem to be preferable. Home banking, smartphone usage or online shopping are examples for procedures that minimize the time needed to carry out daily tasks. The latter is significantly gaining importance especially because it is a convenient alternative for going to physical stores. Another reason is that retailers are undertaking few adjustments regarding their stores in order to make shopping more convenient for consumers. Instead
they are holding on to "old habits: fixed price, fixed opening hours, often an unchanging layout in the shop and newspaper or leaflet advertising only" (Molenaar 2010, p. 2).

Meanwhile, the usage of the internet and online-shops in Germany is at a high level: four of ten Germans surf the internet daily and every second German goes shopping online (Harms 2011, p. 14). These numbers show that "the Internet has become a good alternative to the time-honoured physical act of shopping" (Molenaar 2010, p. 31). Moreover, a 2011 study of Ernst & Young shows that over 62% of the companies asked saw very good perspectives regarding the e-commerce business (Harms 2011, p. 12). Over two-thirds of all retailers have their own online-shops and the internet is already the largest shopping centre of the world (Harms 2011, p.13; Ludowig 2012). In Germany alone, the e-commerce turnover was more than doubled within the past five years and is stating 27,6 billion Euro for 2012 (bvh & TNS Infratest 2013). Molenaar (2010, p. 13) is putting it briefly by stating: "Every purchase is really only one click away."

However not every economic sector is successful with e-commerce strategies. Among the online-shops with highest turnover are Amazon, Otto, Neckermann and Notebooksbilliger (EHI Retail Institute 2012). That means currently it is wholesalers or companies in the fashion, lifestyle and entertainment sector that are able to gain ground on the market (ibid.). The usage of online-shops in other sectors is significantly lower. A study of the Nielsen company shows that in Germany only every sixth internet user visits a fast moving consumer good online-shop generating a share of only 0,5% of the overall turnover in this field of products (Nielsen GmbH 2012). So one could ask, if the success of online-shops depends on the kind of products offered by a company.

To put it concisely, this article shall focus on multi-channel drugstores selling their products through retail stores and via online-shops. The objective is to analyse success factors for e-commerce business regarding companies in this specific field.

**Specific Characteristics of Care Products**

For companies that dare to launch an online-shop, success is not guaranteed. As supposed earlier it may depend on the kind of products offered. More precisely, it could depend on specific buying behaviours that companies have to face related to different categories of goods. There might be a distinction in e-commerce strategies that has to be made regarding groups of products. That could mean for example that retailers selling consumer electronics have to follow different rules in their online-shops compared to those offering books or medicines. Further relevant aspects that might need to be considered are e.g. the range of products offered offline and online, the coordination of prices across channels or the emotional approach in physical stores and in online-shops.

When it comes to e-commerce, care products are more difficult to handle because they belong to a category of goods with special characteristics – fast moving consumer goods. Due to the facts that they are used every day, involve a certain routine of buying behaviour and do not need major investments, they require low involvement prior to purchase (Kaiser 2011, p. 608). A considerable amount of daily purchased items belong to this group of products. That means they are bought on a regular basis which involves buying behaviour that is driven by habits. Taking this into consideration, it can be said that customers prefer a one-stop shopping experience in supermarket chains, where they can get all the items of every-day use at once and often for low prices (Molenaar 2010, p. 49). Besides that, getting used to the layout and shelf structure of their favourite supermarket, helps to guide people through the shop in order to find products. This circumstance would also result in time savings.

When it comes to buying behaviour of fast moving consumer goods and especially care products, the advantage of a one-stop shopping experience seems to be worth more than shopping those items online. As surveys show over 50% of people still buy care products in drugstores and over 10% in supermarkets.
Other options are perfumeries, pharmacies or direct sales. Only 0.2% of the customers buy on the internet (Ifak Institut 2009a; 2009b).

Considering these rates it does not seem to be attractive for drugstores to establish online-shops and in fact many companies share that view. Among those dm – one of the most successful drugstores in Germany – also decided not to launch an own online-shop (Mende 2012). With a customer loyalty in the retail stores of 48% they take on a leading position compared to former Schlecker (6%) and Rossman (at least 25%) (Groh-Kontio 2012). And still dm is holding onto its scepticism. As being shown low rates of online-shop usage can lead to the assumption that customers might not consider it as being an essential service that has to be provided by their drugstore. Figure 1 supports that argument.

On the other side dm is not ignoring the importance of e-commerce and aiming at cooperations with successful online-shops. Since 2011 Amazon is offering dm’s private labels for retail store prices (Mende 2012). As increasingly more visitors started to put trust into the website’s shopping system Amazon extended their range of products offered (Molenaar 2010, p. 63).

Now the online shop is selling everything the customer might need, including care products (Amazon 2013). Going along with that strategy the company became a strong competitor for a lot of other businesses, just as for drugstores. It has chosen a strategy that is aiming to provide a one-stop-shopping experience for their users.

**Information System’s Perspective**

Provided that an online-shop is being established, there are a lot of aspects that need to be considered for managing the web-shop. Starting with the implementation of a system and connected processes various topics regarding information technology issues must be taken into account. First of all the core question of those would be how to design a system that fulfils the company’s as well as customer’s expectations and hence leads to success.

In 1980, initial questions concerning the success of information systems (IS) were asked by P.G.W. Keen. Since then, a lot of articles have been published on the topics of technology acceptance, IS benefit frameworks, and the business value of information technology. For over 25 years, William DeLone and
Ephraim McLean have been working on a concept to evaluate the success of information systems. The first version was presented in 1992 and became the most cited article regarding this topic throughout the following decades what lead to the further development of the concept. A lot of authors added further investigations on the constituents of the model, their interdependence and measuring methods (Urbach & Müller 2012, p. 2, DeLone & McLean 2003, p. 12ff.). In 2003, DeLone and McLean themselves updated their concept and published a revised version. The IS success model follows a three-stage process of sending information, activating consumers and achieving benefits. It identifies six constructs as dimensions of IS success (Urbach & Müller 2012, p. 3f, see figure 2).

In the first step the focus is on the process of sending information. For that purpose the authors concentrate on the characteristics of the system. They are using three dimensions of success to describe and evaluate the quality of an information system like an online-shop: system, information, and service quality. The system quality subsumes aspects like the usability of the system, the navigation, the ease of use, system features etc. Information quality measures the relevance, consistency, comprehensibility, and – in the end – the overall usefulness of the e-commerce content. The construct of service quality gives an overview of IT support aspects like IS training, hotline, or helpdesk.

The second step is to evaluate the activation of consumers. The subsequent use of a system (resp. the intention to use) and the user satisfaction obviously depend on the quality of an information system. Regarding the first, different authors point out the quantitative significance of actual visits in terms of "real uses of the information system" – and thus evaluate the frequency of use, the number of visited sites, or the number of transactions. Others emphasize qualitative aspects and thus the intention to use by questioning visitors about their experience with the system and the probability of reusing it. The user satisfaction though is often analyzed as overall satisfaction with the e-commerce system, in contrast to single aspects that are influencing it such as shopping experience, payment, receipt, and service.

Finally the third step focuses on benefits gained by users, suppliers, and other stakeholders. In this context questions like the following are relevant: "Have internet purchases saved individual consumers time and money? Have the benefits such as larger markets, supply chain efficiencies, and consumer responsiveness yielded positive net benefits for an organization?" (DeLone & McLean 2003, p. 25). Putting it briefly, this dimension is considering the overall positive or negative outcome for every party involved. It also allows conclusions about customer’s loyalty as well which marks a very important variable in today’s consumer markets.
The correlation between the different dimensions within the model has been proven by various authors and allows the following summary: If an online-shop offers a high usability (system quality) and generates a target-orientated content (information quality), user satisfaction is high and the result is the customer’s loyalty (use) (DeLone & McLean 2003, pp. 9ff). The consequences are mutually gained benefits for the company and users (net benefits) (ibid.).

Marketing Perspective – Success Factors

Once the system is developed there are different aspects that come into play. Changing from the Information System to the Marketing perspective one has to ask how the online-shop can be integrated in the buying process of consumers. Just like in other distribution channels, there are different stages influencing the buying decisions of customers. These need to be considered for online-shops as well.

The phase model of buying decisions (figure 3) could be a helpful tool to reach that aim. It describes the process a consumer passes through when buying something. Companies use the model to implement target-orientated marketing and sales activities, and to evaluate the effectiveness of those. According to the model, the creation of awareness and sympathy in the first phase (pre-sales) is necessary to identify potential customers and arouse their interest in a product or store.

During the second phase (sales) the aim is to generate acceptance of a store or product and increase consumer’s intention to buy. Based on a positive experience with the product or store customer satisfaction can be converted to customer loyalty during the third phase (after sales).

Although the concept is relevant for general sales activities it can be applied to e-commerce as well. Regarding pre sales activities it has to be taken into account that the overall image of a company affects its web presence, too. That means that any online activities undertaken are influenced by the company’s previous behaviour and the image that customers associate with it. Besides that, the core task for online shops in the pre-sales phase must be to create awareness. That can be achieved by online and offline campaigns to generate traffic on the website.

Throughout the actual sales phase, shopping has to be fun, carefree, surprising, and customers must be addressed emotionally (Molenaar 2010, p. 34f). To reach an emotional shopping experience companies should comply with some rules, e.g.:

- Integration of sales channels / multi-channelling: "To succeed online, established merchants need to create an integrated shopping environment that combines their catalog (sic), store, and online experience into one" (Laudon & Traver 2011, p. 747).
• Special appearance and feeling for different target groups (Molenaar 2010, p. 63).
• Use of technological features: As Molenaar (2010, p. 65) states: "Emotion will play an ever more important role in the Internet [...] Videos on a website, short films, chat facilities and the integration of the webcam offer interaction and visual experience."

When it comes to online after sales measures, companies should provide different offerings like returning goods or exchanging items easily. Such procedures would lead to increased satisfaction for consumers. If the product does not meet the expectations it can be sent back without problems and discussions with sales staff. Furthermore, guarantees could also influence the buying decision (Molenaar 2010, pp. 32f.). 70% of online-shop customers prefer a website that has clear terms and condition agreements and a money back guarantee (ibid., p. 61). In addition to that, web-shops could implement a log-in system that purchasers have to use in order to buy products. Thereby companies can use the e-mail addresses that are needed to create an account to communicate directly and to respond to visits and buying behaviour of users (Molenaar 2010, p. 33). That could include making new offers based on former purchasing and searching behaviour (ibid.). Putting it briefly, building up a relationship with the customers throughout every single of the three buying phases is an important factor to gain their loyalty.

Two German Drugstores and Their E-Commerce Business

In order to illustrate the two perspectives previously explained the online-shops of two important German drugstores shall be analysed briefly.

Schlecker – Missing Multi-Channel Philosophy and Bad Image

The failure of Schlecker created a wave of news in 2012: Based on several management decisions with high impact on the business’ situation the drugstore chain had to report bankruptcy. Schlecker not only had to close its retail stores, but also their e-commerce business, Schlecker Home-Shopping.

The company invested a lot of money in its online-shop initially established in 2002, as well as into its successful relaunch in October 2011 (GfK 2012). At the same time though it strongly held on to the concept of area covering supply through physical shops.

As a result, Schlecker had no clear multi-channel strategy, and could not gain synergy effects (Campillo-Lundbeck 2012). In general a concentration of both, store selling and e-commerce is important to be in a competitive position. In Schlecker’s case a consistent strategy alignment has been missing, which led combined with an inefficient cost structure to a failure of the overall concept (ibid).

Evaluating the online-shop from the IS perspective it can be said that the structure of the online-shop and too many flashing pictures were confusing the users and therefore caused a poor system quality. In this respect, absolute disasters have been data leaks and the publication of customers’ confidential information (Flaig 2010).

With regards to buyers’ behaviour it was mentioned that awareness and sympathy are keys for success (pre-sales). If negative press is clouding a brand’s or company’s image, customers will start looking for alternatives which leads to declining sales, like it happened to Schlecker. Before bankruptcy the company hit the headlines with reports about bad treatment of staff and inappropriate salaries. Therefore the reputation of the company was negatively burdened (Campillo-Lundbeck 2012). Another aspect: The company lost its unique selling proposition due to increasing expectations of customers who wanted more than cheap prices (Campillo-Lundbeck 2012). The demand for special treatment and services left Schlecker in a position of being outrun by the competitive stars of the branch – dm and Rossmann.
Besides the 1,600 retail stores in Germany, Rossmann has introduced an online-shop in the year 1999 as one of the first companies in the branch. And the company is thriving with it: The shop made revenues of 34 million Euro in 2011 (Mielke 2012).

Concerning the Information System perspective Rossmann’s press release of the year 2011 states, that achieving user-friendliness was the aim, regarding the company’s online-shop (Rossmann 2012). This particular aspect was realized and led to modifications of the overall e-commerce concept. The web shop is focused on visual effects but also on a new and fast technique (system quality) (Rossmann Online 2012). Furthermore, simple and intuitive navigation is ensured by a task line on the left side of the webpage that functions as a guide through the shop (system and information quality). A special service offers to inform customers via e-mail once a missing product is available again (service quality). That increases the chance of consumers’ return to the online-shop in order to buy the product and hence supports customer loyalty. In addition to that, people can rate specific items and share their experience which is used as a tool to build trust in the product’s quality (service quality). Thereby Rossmann creates a community feeling in which customers can interact and help each other with buying decisions.

Regarding the buying behaviour of visitors, Rossmann tries to create an emotional shopping experience by placing emotional dynamic pictures on the front page, e.g. Christmas motifs. Moreover, one could see an integrated advertising strategy: Visitors see the items promoted in the newsletter and leaflet at a first glance. In the retail store strategy Rossmann concentrates on care and decorative cosmetics just like on household products. To sell items efficiently via internet though, the drugstore noticed that it has to differentiate their range of products. An example is the offering of scooters which is supposed to address men by selling electronic products. The success of this strategy is visible: about 34% of the online customers are male with more than seven minutes length of stay (Nielsen 2012).

**Conclusion**

Throughout the article it was shown that regarding care products the one-stop shopping experience in physical stores turns out to still be a more attractive choice than online-shopping. If drugstores want to overcome that and succeed with a multi-channel strategy by integrating a web shop, they need to consider certain aspects that are critical.

Firstly, a user-friendly information system (IS) is essential and reduces the barriers of going online for shopping fast moving consumer goods. The quality of three aspects is crucial here: the system, the information sent and the service provided.

If the customer is confronted with clear structures of the web-shop and can navigate through it easily, high usability is likely (system quality). The information presented need to be up to date, relevant and comprehensible so that consumers find it useful (information quality). For problems or questions that might arise during using an online-shop drugstores need to provide help, e.g. by a hotline, a helpdesk, a live chat with staff or a FAQ-section (service quality). On the condition that drugstores analyse and implement these points, target orientated content will be generated and result in satisfaction and customer loyalty when using the system. Secondly, in the context of a multi-channel strategy drugstores need to implement the online-shop rather as a part of an existing distribution system than as an additional entity. Thus, creating strategy alignment is a necessity. The web-shop will constantly be associated with the company and its image. This becomes important during pre-sales activities when customer’s awareness is created. The centre point of attention for drugstores must be to create an emotional shopping experience. In this context the challenge is to compensate the lack of sensory perception and contact with people when shopping online. That can be achieved by connecting
the drugstore’s online and offline world. Technical features of the information system may remind customers of previous emotional experiences in one of the company’s stores. Image films, flashing pictures, leaflet advertisement and the same weekly offers like in stores result in an integrated online shopping environment. The overall goal must be to give customers all the advantages of physical shopping online as well. Exchanging items, returning goods or money back guarantees belong to those, too. On top of that, there must be an online surplus in form of an extended product range or additional services. That makes it more attractive for customers to go online instead of having a one-stop shopping experience in a physical store. One of those services can be a follow up on the satisfaction with products, which is easier when contact data like an e-mail address or login information are available. Putting it briefly, building up a relationship should be the company’s focus during every single phase of the buying process that consumers pass through when ordering articles online.

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