
A relationship-building model for the Web retail marketplace

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Abstract

Electronic commerce has existed in the business-to-business marketplace since the 1970s, in forms such as electronic data interchange (EDI) and electronic funds transfer (EFT). With the emergence of the Internet, and the World Wide Web in particular, electronic commerce entered a new era which opened the door for an electronic business-to-consumer marketplace. Although the retail side of electronic commerce is still in its infancy, the Web medium offers great potential for building the customer-base, promoting sales, and improving after-sales service. Examines the concept of relationship marketing, which has caused a paradigm shift in business-to-business marketing during recent years. Extends the concepts of network marketing to the Web retail marketplace, and develops a market process model for Web retailing that outlines the stages of the relationship building process.

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Introduction

Business history shows that the use of new technologies, especially communication technologies, impacts the knowledge, attitudes and behaviors of consumers. Consumer roles have also changed and the effectiveness of traditional marketing strategies or tools must be reconsidered. In the 1950s, mass communication mediums, such as radio and television, empowered mass marketing. The advent of manufacturing technology and data analysis power made market segmentation the popular marketing tool in the 1970s. The last two decades have witnessed a paradigm shift from transactional marketing to relationship marketing (Grönroos, 1996). The focus of transactional marketing is on increasing market share, whereas the focus of relationship marketing is on improving customer retention. The Web, as an effective communication medium and distribution channel, has been facilitating the development of relationship marketing.

Electronic commerce has existed in the business-to-business (B2B) market for several decades. Electronic data interchange (EDI) and electronic fund transfer (EFT) have been widely used in the business world since the 1970s. Researchers and practitioners have been solving problems and developing models in this domain for some time (Bakos and Brynjolfsson, 1993; Holland and Lockett, 1997; Malone *et al.*, 1987). With the emergence of the Internet and advances in network technology, B2B e-commerce has entered a new era of rapid expansion. Through the Internet and intranets (intra-organizational networks based on Internet and Web technology), information can be exchanged among business partners with ease and convenience.

The Web and its technologies, such as multimedia and hypermedia, have also advanced e-commerce development in the business-to-consumer (B2C) retail market. A new marketplace is emerging which greatly varies from the traditional marketplace. The Web B2C market supports interactions between retailers and consumers and among consumers. Such interaction is limited in the traditional market by communication restrictions. In the Web retail market, the

number of distribution layers may be reduced and close cooperation among businesses is required in order to compete. The power of market players is beginning to shift significantly. The Web facilitates information access, which empowers customers and helps establish virtual communities (Internet users with common interests). Reach (people/locations) and range (variety) of information has expanded dramatically due to the Internet and the Web. Manufacturers are also empowered by having direct access to customers. As the number of Web participants continues to increase dramatically, e-commerce development in the retail market shows tremendous potential.

This paper will discuss the effects of the Web on marketing practices. First, we briefly introduce the concept and theory of relationship marketing, which has drawn wide attention in recent years. The relationship network concept, which typically is only applied to the B2B market, is discussed within the B2C market as we propose a new relationship-building model for the Web marketplace. Components and stages of our relationship-building model are described, and challenges and guidelines for e-retail marketers are outlined.

Relationship marketing theory

Relationship building and management is a leading approach in modern marketing practice, (Jackson, 1985; Dwyer *et al.*, 1987) and is viewed as a paradigm shift in marketing strategy (Grönroos, 1996). “Relationship marketing” (RM) is a concept with a long history, and has been more recently examined by researchers such as McKenna (1991) and Buttle (1996). RM focuses on relationship-building with customers, where customer retention is the primary focus, as opposed to market share in traditional transactional marketing. With this new paradigm, interacting with customers and satisfying customer needs are more important to marketers than ever before.

To organize relationship marketing concepts, Coviello *et al.* (1997) have reviewed previous research efforts and developed a relationship marketing classification scheme. They classify relationship marketing as database marketing,

interaction marketing and network marketing. Database marketing is defined as a technology-based tool, interactive marketing focuses on dyadic (two party) relationships, while network marketing considers the entire relationship network.

In the past, practitioners and researchers tended to view relationship-building as more significant and valuable in the B2B market than in the retail market, primarily because of the cost of communicating with individual customers. RM has been studied systematically in the B2B market and various models have been established (Anderson and Narus, 1990). Relationships among firms in specific industries have been studied and well reported (as an example, see Halinen, 1997). Compared to the B2B market, relationship concepts have been loosely investigated in the retail market and are usually based on new market phenomena, such as direct sales. Due to the characteristics of retail markets, relationships between retailers and consumers may be more difficult to build and maintain. Since there is typically a large number of consumers, it is hard to give special treatment to individual consumers or consumer groups. Relationship building may require significant time, technology or personnel investment. Risk for the marketer increases when the time and investment needed increases. Relationship building is also limited by communication and data collection constraints in the conventional retail market. Permission marketing (Godin, 1999), in which the customer gives permission to the marketer to continue to contact the customer, is one of the tools for implementing relational marketing. Permission marketing may require advanced technological support, such as communication and database techniques. Consequently, while relationship marketing has received some attention from both researchers and practitioners, transaction marketing still plays an important role in the conventional retail market.

Relationship marketing in the Web retail market

The Web has many notable and unique characteristics. It is a vast hypermedia computer network environment that facilitates user interaction through data access and

processing functions with few geographical limitations. Graphical Web browsers create an environment that is friendly, easy to learn and use. These characteristics account for the increasing popularity and customer base of the Web.

Communication and data collection constraints are substantially reduced in the Web marketplace. Using network, database, data warehouse and data mining technologies, the Web can facilitate consumer interaction, information collection, and analysis processes. Consumers may be easier to identify and track in a Web environment. The success of relationship marketing depends heavily on the collection and analysis of customer information. Buttle (1996) points out that marketing problems are by nature information handling problems. Knowledge about individual customers can guide highly-focused marketing strategies. Hence, the Web environment, which facilitates information handling, can lead to more effective marketing strategies such as relationship marketing.

Although we suggest that the Web is a suitable environment for relationship-marketing strategies, we do not imply that this should be the only marketing method employed in the Web marketplace. We simply suggest that the Web is better for facilitating relationship-building than other more conventional means. Since market information and customer behavior can be recorded automatically in digital form, data collection and information handling tasks are more easily handled. However, the objective for retailers is profit. Building relationships may often prove to be an effective means of improving long-term profit, but relationship marketing is usually based on more advanced technology and requires more human intervention than mass marketing, requiring large initial investments and continuing management costs. Such costs may be prohibitive for some firms and, depending on the marketing purpose (such as an initial product launch by a firm with little brand recognition), mass marketing may perform better than relationship marketing. Thus, for many marketers, a combination of mass marketing and relationship marketing may prove to be a more feasible and effective strategy.

A relationship-building model for the Web retailing market

To better understand relationships in the retail market and design relationship-building strategies, we need to understand the relationship-building process. A relationship-building model that considers Web retail market characteristics is needed for this new and promising marketplace. Thus, we propose a model that embodies some new concepts, which, we believe, is more suitable for the current and future Web retailing market. Our model describes the relationship components and the relationship-building process of the Web retail marketplace. Three components (database, interaction and network) are identified to organize the retail market. We also define three stages to describe the relationship-building process.

Our model assumes that marketing functions are performed by both marketers and consumers. While marketers are marketing their goods and services (marketing by marketers), consumers are marketing their needs and seeking solutions (marketing by consumers). Marketers perform activities, such as “planning and executing the conception, pricing, promotion” (AMA, 1999) in transactional marketing, or “identifying and establishing, maintaining, and enhancing relationships with customers and other stakeholders” in relationship marketing (Grönroos, 1996). However, consumers also perform their own marketing activities, where they analyze their needs, seek information, compare the value of alternatives, and make decisions.

Traditional marketing by marketers has been a dominant strategy, since marketers have tended to control the communication medium and distribution channels in the retail market. Although consumers show their preferences through their purchasing decisions, it is the marketers who primarily determine product and service offerings. New products and services are provided based on the marketers’ understanding of consumers’ needs. Consumers tend to behave individually, having little market force through individual purchase behavior.

The situation changes within the Web market, where consumers possess greater power. The opinion that the future market may become a reverse market (Mitchell, 1999), where the consumers' force and influence dominate the marketplace, fits our concept of "marketing by consumers". We suggest that "push" marketing by consumers will quickly become as important as "pull" marketing by marketers in B2C e-commerce.

Components of the Web retail market

Relationship marketing consists of three main components: database, interaction, and network, which are described within the Web retail marketplace context in more detail below.

Database

Database marketing methods have long been used by marketers for effective interaction with consumers. Few have realized or understood consumer databases and database marketing. Spalter (1995) defines database marketing conducted by consumers as "database consuming", where customers use database technology to target products just as marketers have been using databases to target customers. Technologies, such as personal Web agents (Jennings and Wooldridge, 1998), that support consumers in these activities, continue to be developed and used in a variety of related applications.

Consumer databases may also exist in conventional markets. Consumers possess their own knowledge and evaluation of the market. However, such databases are usually small and separate, with poor data quality, and do not portray efficient market behavior.

In the Web environment, consumers may obtain more detailed, personalized and timely information as well as access to market research or analysis tools. The Web market can also group consumers together as virtual communities and integrate small individual databases. Thus, communication among consumers is greatly facilitated, and knowledge from individual consumers can be shared and learned. Examples include bulletin boards and newsgroups on different topics. Some marketers even design database tools from the

consumers' perspective. For example, *bestdeal.com* allows customers to search and list information on books from multiple electronic bookstores. Extending consumer databases and supporting consumer database marketing may be one of the methods to transform virtual communities into commercial sites (Turban *et al.*, 2000). Hence, consumer databases are becoming much more explicit and gaining value in the Web retail market.

Information generated from any relationship-building process or interaction can be linked into these databases. When existing information can not satisfy consumer or marketer needs, an information search process is initiated, which most likely leads to interaction but may also lead to a self-contained knowledge-obtaining process. The results from this behavior may add/modify information in the database, and may also change the appropriateness of database analysis tools.

Interaction

Interaction includes all types of contact among market participants. It not only includes information exchange, but also the purchase process and post-purchase service. A mercantile model (Kalakota and Whinston, 1996) describes the purchase process which includes the various interaction activities. This model is shown in Table I.

Interaction not only occurs between marketers and consumers, but may also take place among business partners and among consumers. The Web, as a combined communication medium and distribution channel, greatly facilitates many types of interaction. Since interaction on the Web can be recorded in digital form, data collection is facilitated.

Most interaction is based on database components. Some interaction is goal directed, in which market participants explicitly seek information that is lacking in their existing databases. Some interaction is experiential in which market participants passively receive information without explicit goals. However, the judgement to participate in or evaluate the experience is based on existing database knowledge. Results of interactions may change the corresponding database(s), usually

Table I Mercantile model

	From the customer's perspective	From the merchant's perspective
Pre-purchase/sale phase	1. Product/service search and discovery in the information space	1. Customer inquiry and order planning generation
	2. Comparison shopping and product selection based on various attributes	2. Cost estimation and pricing of product services
	3. Negotiation of terms	3. Order selection and prioritization
Purchase/sale phase	4. Placement of order	4. Order scheduling
	5. Authorization of payment	5. Order fulfillment and delivery
	6. Receipt of product	6. Order billing and account/payment
Post-purchase/sale interaction	7. Customer service and support management	7. Customer service and support

Source: Adapted from Kalakota and Whinston, 1996

expanding existing knowledge and perhaps questioning its content.

We identify two types of interaction: background information interaction and full-range interaction. Background information interaction is broad and shallow, and reflects market background information search and initial selection. It may be product oriented and/or industry oriented, and is initiated by a consumer's needs evaluation. Consumers may initially determine the appropriateness of vendors for the interaction. Most background information interaction occurs before the first purchase decision. Full range interaction refers to the interactive activities of the transaction, and may be demonstrated by Kalakota and Whinston's mercantile model (1996). In full-range interaction, the interaction often has more explicit goals and focuses on a particular product evaluation. It usually includes both detailed information exchange and value exchange. Information exchange in full-range interaction is not shallow, but detailed and focused on one or more particular vendors, leading to the product evaluation.

The interaction is most often dyadic, which involves two parties, but virtual consumer communities may also act as interaction participants. Interaction may or may not be based on an established relationship network. However, interaction based on relationships is desirable, and value generation (which is sales from the marketers' perspective and information and product acquisition from the consumers' perspective) is the final purpose of the relationship-building process. Interactions may also alter existing relationships.

Network

Network marketing refers to marketing strategies that aim to build relationship networks. This concept focuses on the totality of relationships in a market/industry, rather than individual or dyadic (two-party) relationships (Easton, 1995). In academic literature, network marketing refers to the B2B market either explicitly or implicitly, and is basically a new name for what was formerly called "industrial marketing". As described by Gummesson (1994), marketing in this context involves the creation, utilization, and maintenance of a network of relationships between firms. There has been little discussion of relationship networks within a traditional retail market context. The reasons are obvious and briefly summarized in Table II.

Generally, relationship networks do not exist or are weak in the traditional retail market, but despite the structural differences that exist between business and consumer markets (Sashi, 1990), some relationship networks do exist. Marketers may have groups of loyal customers and consumers may have some stable product/service providers. Existing dyadic relationships have connections that may mutually affect each other. However, such networks tend to be weak, complex and individualized, which makes them more difficult and costly to analyze.

In the Web environment consumers can more easily communicate with each other and share their knowledge and experience. This may facilitate long-term relationship-building. Marketers are able to identify customers on the Web (through the use of technology, such as

Table II Relationship network building in traditional business and consumer markets

	Business market	Consumer market
Number of customers	Small	Large <i>Effect: establishing relationships is difficult</i>
Personalization	Easy	Difficult <i>effect: low switching costs for customers</i>
Switching cost	High	Low <i>Effect: relationships are not valued</i>
Relationship	Strong	Weak <i>Effect: difficult to analyze and personalize</i>
Knowledge of and influence on customers	More	Less <i>Effect: difficult to predict market behaviour</i>
Information tracking	Easy	Difficult <i>Effect: relationship networks are hard to build</i>
Dyadic relationship connections	Simple	Complex <i>Effect: difficult to analyze networks that are not well established</i>

cookies) and record their behaviour digitally and automatically. By analyzing this data, businesses can mine valuable information about their customers to provide personalized service and help establish relationships. Relationships are routes that lead to future interaction. Building these routes helps reduce market costs for both consumers and marketers. For example, the cost of finding new customers far exceeds the costs of retaining current customers (Buttle, 1996).

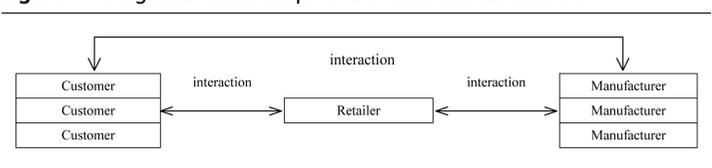
The Web may also have a complex effect on switching costs due to its technology-base. While easy access to a broader spectrum of vendors tends to reduce switching costs in the Web retail market, other effects may increase switching costs. For example, despite the efforts made by marketers to simplify the Web environment, the environmental learning process tends to be longer for individual customers in the Web market than it is in the conventional market. On the Web, there is no consistent standard for site organization and transaction completion. Marketers not only provide their products or services, but they can also provide convenience and personalization. Consumers appreciate the convenience and potentially lower costs, which can help increase switching costs. Trust is also an important issue in the Web market. Consumers may have to provide personal information about themselves, such as address and credit card information,

and every interaction may be recorded. Since risk is higher when purchasing from an unfamiliar business in the Web market than in the conventional market, long-term relationships are more desirable, which further increases switching costs.

Both consumers and marketers establish relationship networks. They are based on consumer and marketer experiences and databases, and embody essential characteristics of trust and loyalty. Relationships may affect each other. An established relationship will affect a customer's choice in a new relationship, and a new relationship will change the existing relationship network. Understanding the consumer's relationship network can help marketers implement a more effective marketing effort. For example, knowing that a consumer has previously purchased brand X will tell a marketer that brand B may be better suited to this consumer than either brand A or C.

Consumer relationship networks are expanded by modified distribution channels. As shown in Figure 1, manufacturer-consumer, retailer-consumer and manufacturer-retailer

Figure 1 Integrated relationships in the retail market network



relationships can be integrated into the retail market network. In the case where the retailer is a virtual business, customers may order from the retailer and the retailer passes orders to manufacturers with whom it contracts. Manufacturers may also deliver products to customers directly. In this case, the three components of the interaction (customer to retailer, retailer to manufacturer and manufacturer to customer) will integrate to establish the relationship in the retail market. Interaction problems between the manufacturer and customer may directly affect the relationship between the retailer and customer. As another example, a problem with a carrier company may more negatively affect the seller (either retailer or manufacturer)-buyer relationship than the carrier company-buyer relationship.

One of the main differences between interaction marketing and network marketing is that interaction marketing emphasizes interaction, whereas network marketing emphasizes co-ordination (Coviello *et al.*, 1997). In the Web market, where marketers and especially consumers have increased power, adaptive co-ordination between the two parties becomes necessary. In the conventional market, marketers sell available products or services, and meeting future consumer needs depends on new product development. Consumers in the Web market may also join the product development process. Their power may call for a change of business structure or business strategy, such as promoting business alliances between retailers and suppliers.

Three stages of the relationship-building process

Table III summarizes the three stages of the relationship-building process, which are discussed in more detail below.

Stage 1. Initial investigation

During this first stage, the relationship between market participants, including marketers, their partners, consumers and different groups, does not yet exist. Market participants lack relevant knowledge and the main activity is information gathering. Information collection is largely self-contained. Interaction is not full-range, but

simply an investigation of background information. This exchange is often insufficient to fully satisfy the needs of market participants. Communication is primarily one-way, either from vendor to consumer, or from consumer to vendor, and most likely initiated through normal "interruption marketing" (Godin, 1999).

While most communication is from the vendor to the consumer, consumers are tending to more actively initiate the relationship-building process and convey their information to vendors, especially in the Web market. Stage 1 is characterized by consumer information seeking, and may be oriented towards market participants and/or the industry. Market participants (marketers or consumers) evaluate the industry based on their overall needs and costs.

We define the marketing method in this stage as database marketing, according to the characteristics of database marketing and interaction marketing outlined by Coviello *et al.* (1997). Information collection and exchange has the purpose of extending database content. Interactions are discrete and occur over time. Collected information is transaction focused, which means that hard data, such as price, is more important for market evaluation during this stage. Interaction marketing, which is characterized by continuous mutually active interaction, is not dominant in this stage, and database marketing is not fully operational. Marketers can use existing databases and tools to find product or service information effectively to answer consumer queries. Consumers initiate market research efforts based on existing data and on market evaluation. Important data or information for building long-term relationships may be lacking by both the marketer and consumer.

Stage 2. Full-range communication

After initial market research and interaction, a preliminary decision is made. This stage is characterized by transaction-oriented full-range interaction. Consumers may "sample" competitive products or services without established confidence or trust. A characteristic behaviour of this stage is that after a satisfactory interaction, consumers may still switch to a competitor for the next full-range interaction. Knowledge is primarily gained from full-range interaction, and experience becomes as

Table III Relationship-building model

Stage	Components	Characteristics	Marketing methods
1. Initial investigation	Incomplete databases Background information interaction	Little market knowledge Information-seeking activities by marketers and/or consumers Hard data oriented Market participant oriented and/or industry oriented	Database marketing
2. Full range communication	Databases under development Full range interaction Temporary relationships or partial networks appear	Vendor offerings sampled Knowledge primarily gained through interaction with others Industry/product oriented Consumers influenced by brand recognition	Database marketing Interaction marketing
3. Relationship network creation	Complete databases with a partner focus Full range interaction following established relationships Relationships network established	Minimum communication or market research costs Established trust Stable relationship network Market participant oriented	Database marketing Interaction marketing Network marketing

important for market evaluation as hard data. Database marketing and interaction marketing are used in this stage by both marketers and consumers. Permission marketing at the intravenous level, points permission level, and personal relationship level (Godin, 1999) may be used by marketers to target consumers.

Stage 3: Relationship network creation

Through continuous interaction, a relationship network develops among marketers and consumers. Stages 1 and 2 may be conducted separately, where consumers evaluate products in individual industries according to their needs. Stage 3 is typically market participant oriented, where consumers may evaluate relationships according to their overall needs and relationship connections. Accordingly, marketers may target and serve customers more efficiently and effectively based on relationship network characteristics.

In this stage, market knowledge in consumer and marketer databases is often weighted. For example, product brand information in consumer databases or consumer group information in marketer databases, may carry varying importance/value weights. The information is relationship centered. Market experience and perceptions become more important than hard data, such as price.

Permission marketing will be at its highest levels, such as the brand trust level and the situational level. During this stage, market research costs are minimized since market participants are ready to make decisions basing on established relationships. Any further market evaluation is conducted within the network environment. Not only are new information or interactions evaluated, but they are also evaluated as to their effects on existing relationships.

During Stage 3, database marketing, interaction marketing, and network marketing methods are used in order to fully understand the market. This understanding through relationship networks allows marketers to more effectively promote their products, and maintain existing relations.

Comparison with other relationship-building models

The relationship development process has previously been examined through models such as Frazier’s (1983) framework for interorganizational exchange. While most such research has not considered the unique characteristics of the consumer market, the Dwyer *et al.*, framework for developing buyer-seller relationships may be applied here (Dwyer *et al.*, 1987; Macintosh *et al.*, 1992).

The Dwyer *et al.*, framework of the relationship process consists of five general phases:

- (1) awareness;
- (2) exploration;
- (3) expansion;
- (4) commitment; and
- (5) dissolution (see Table IV).

Although in their paper the authors recognized the existence of inter-effects among relationships, it is not addressed in their model.

Our relationship-building model is valuable in the following ways. First, we consider two-way marketing. Customers are seen as active market players that play an important role in marketing tasks. Second, we incorporate the relationship network concept. Relationships are evaluated within the relationship network and according to their inter-relationship effects. Third, the overall relationship-building process, rather than single relationship, is considered. We also connect the three marketing methods to different relationship-building stages.

The Dwyer *et al.* framework (Dwyer *et al.*, 1987) addresses the detailed relationship-building process within a single dyadic relationship. Previous models, such as this, have not addressed the inter-relationship effects in the consumer market since the relationship network concept has traditionally not been considered in the context of this market. In the Web retail market, business partners are closely connected. Relationships may include not only business to customer, but also business to business and customer to customer. Since one relationship may affect another,

considering only single relationship-building may not be sufficient to understand the market.

Although the detailed steps in the single dyadic relationship-building process (as outlined by Dwyer *et al.*, 1987) are not explicitly addressed in our model, we consider the overall relationship-building process and address its several stages. The Dwyer *et al.* framework could be considered as part of Stage 2 (full-range communication) in our model, since this stage primarily addresses the dyadic relationship-building process. The two models may be viewed together to help us understand the whole process.

Challenges and guidelines

Through our model we have shown that relationship-building and marketing may be applied to the Web retail marketplace. Retail marketers can utilize relationship marketing concepts to increase switching costs and retain customers. However, there are still a number of challenges that marketers must face in this new electronic medium to successfully integrate relationship-building with traditional marketing strategies.

Although there are a large number of customers in the retail marketplace, marketers can digitally and automatically record customer behaviour and preferences for analysis and future personalization. Even though the technology exists, many marketers may not understand how and what to record, and, most importantly, how to mine the data effectively to provide value-added services to

Table IV

Relationship phase	Phase characteristics
1. Awareness	1. Unilateral considerations of potential exchange partners
2. Exploration	2. Dyadic interaction occurs
a. Attraction	
b. Communication and bargaining	
c. Power and justice	
d. Norm development	
e. Expectations development	
3. Expansion	3. Successful exercise of power leads to expansion. Mutual satisfaction deepens dependence
4. Commitment	4. Contractual arrangement or shared values ensure sustained interdependence
5. Dissolution	5. The Relationship Development Process (adapted from Dwyer <i>et al.</i> , 1987)

their customers. Fortunately, software vendors have realized this challenge and are starting to provide tools to guide retailers in these marketing efforts. Some specific tools that provide server monitoring, network monitoring, e-commerce monitoring and modeling of visitor behaviour are discussed in Greening (1999).

Another, and more critical, challenge involves the consumer perception of privacy loss on the Internet. A recent Harris Poll shows that 84 percent of Americans are concerned about threats to personal privacy, and 78 percent believe consumers have lost control over how their personal information is used (Westin and Maurici, 1998). Some consumers may feel comfortable giving away their personal information but most are more cautious. Trust, which can be influenced by many factors, is critical to information disclosure. Information may also be gathered implicitly, which may be viewed as “covert” collection since consumers often do not realize they are giving away personal information. Many consider this practice a privacy violation, which has a large negative impact on trust (Head and Yuan, 2000). In fact, 86 percent of respondents in a recent survey (Cranor *et al.*, 1999) reported no interest in features that implicitly transfer their data to Web sites without any user intervention.

Implicit and/or explicit consumer data gathering is the foundation of B2C relationship-building on the Internet. To help overcome the challenge of consumer privacy concerns, businesses must make every effort to build an environment of trust. They should clearly state what information is being collected and how this information will be stored and used. Consumers should be given information dissemination choices and retailers should ensure that their data is secure and their stated policies are followed. A very strong majority (96 percent) of Internet shoppers believe that it is important for business Websites to post notices explaining how personal information provided during the buying of products and services be used (Westin and Maurici, 1998). To build and maintain consumer trust, it is important for the collectors publicly to provide a clear and complete privacy policy, strictly to adhere to this policy, and to allow annual audits for compliance (Head and Yuan, 2000). Other guidelines for developing trust include (Head, 2000):

- build a professional Web site that is well organized, easy to navigate and has comprehensive, correct and current content;
- subscribe to a “seal of approval” program, such as TRUSTe (<http://www.truste.org>), BBBOnline (<http://www.bbbonline.org>) or WebTrust (<http://www.webtrust.net>);
- disclose all aspects of the customer relationship upfront, such as delivery times, methods and costs, payment terms, warranties, return policies, etc.;
- ensure that customer information is accurate, protected and kept private;
- fulfil the promises that are made; and
- have contingency plans ready to mitigate any trust-reducing blunders immediately.

Conclusions

In this paper, we examined relationship marketing within the context of the Web retail marketplace. The technology of the Web environment has empowered both marketers and consumers. Marketers can use relationship marketing concepts to better target consumers, and consumers can perform their own marketing tasks to target products and services. Marketing techniques, such as databases, are now available to and used by consumers. The transparency of market participant locations and ease of data collection in the Web retail market has facilitated the relationship network building process.

Three stages are identified in the relationship-building process within the Web retail marketplace. Stage 1 (initial investigation) consists of incomplete databases and background information interaction. Database marketing is used by both consumers and marketers to acquire and convey information. Market evaluation is the primary focus of full-range interaction during Stage 2 (full-range communication). Temporary relationships exist and consumers are influenced by brand recognition. Database marketing and interaction marketing are employed. The relationship network is established during Stage 3 (relationship network creation). Communication and market research costs are minimized and new relationships are evaluated with their effects on the existing network. All three marketing methods, database marketing,

interaction marketing and network marketing, may be employed during this stage. This model may be combined with others, such as the Dwyer *et al.*, framework and Godin's concept of permission marketing, to further our understanding in this new retail environment.

Although the concept of relationship-building in B2C e-commerce shows much potential, certain key challenges must be faced. Retailers need to understand how information collection and data mining processes can be used to effectively create value-added services. More importantly, consumer privacy concerns must be addressed through a systematic and often long-term trust building effort. Currently, brick-and-mortar companies that have an established, commonly recognized brand with a built-in trust factor are proving to be most successful in the electronic marketplace. Customers are heavily influenced by brand recognition when purchasing on-line, indicating that most B2C relationships have not yet surpassed Stage 2 (full-range communication) in our relationship-building model. However, consumer and marketer relationship networks are starting to form, creating the foundation for network marketing in this promising electronic marketplace.

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