HOW THE INTERNET SUPPORTS THE CONSUMER DECISION PROCESS:

THE CASE STUDY OF McCARTHY CALL-A-CAR

Thesis

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Abstract

This thesis aims to provide a better understanding of the ways in which the Internet supports the consumer decision process of potential customers in an online car retail environment. The thesis is mainly focused on how this can be done in South Africa. A case study approach was adopted in investigating the case of McCarthy Call-a-Car. Interviews were carried out with McCarthy Call-a-Car employees and documents and the Call-a-Car website, were analysed.

It was revealed that Call-a-Car focuses on using the Internet to support customers in the pre-purchase phase only. The purchase and post-purchase phases are carried out offline at its dealership network and Club McCarthy respectively. The findings showed that Call-a-Car views the Internet as a marketing tool that provides convenience to customers searching for product information in the pre-purchase phase. The interviews revealed that due to Call-a-Car's strategy, as well as practical problems of selling online, the customer will still have to visit a dealership to conclude a purchase and for post-purchase support.

From this research it appears that there are three main issues arising out of Call-a-Car's usage of the Internet in the customer buying process: firstly, the research revealed that instead of cutting out the middle-man, the Internet has created new types of intermediaries called "cybermediaries" and that Call-a-Car is one such intermediary. Secondly, it was revealed that trust is crucial in the online environment and that Call-a-Car builds trust through branding. Thirdly, the Internet has not affected prices online, despite theoretical estimations that the Internet would induce lower prices. The main recommendations for future research are empirical studies to investigate if the cybermediary model is unique to the car industry and whether this business model could be applied to other look and feel industries such as real estate. Future studies could also investigate the mechanics of trust-building and brand-building in the online environment and finally, studies from the customer perspective considering what Internet tools the customer would like to see online to support them during their buying decision process.

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CHAPTER 1

INTRODUCTION

To succeed in today's competitive market, companies must separate themselves from the crowd and rise above their competition (Bakos, 1998). Automotive customers today are in the best buying position they have been in for years. For example, the cost of a new car in relation to average earnings is lower than in the past 20 years (Cap Gemini, 2002). The Internet has allowed for new ‘cybermediaries’ that have further increased competition in the car retail market. At the same time, the use of the Internet is growing at an ever increasing rate, pushing car retailers to work harder to attract and retain customers (Selz & Klein, 1998). In today's online markets, only a few focused online retailers have been able to achieve and sustain unique product, quality and service positions (Scott-Morton & Zettlemeyer, 2002). Achieving and sustaining competitive differentiation is the foremost challenge for the remaining online retailers around the world, and their key to future survival and prosperity (Porter, 2000).

According to Kotler and Armstrong (1999), companies must be customer focused. To be successful with buyers, companies must bring more to the customer relationship than just their standard product or service. They must create value with each and every customer interaction. In order to do this, they must understand the behavior of their customers. A company’s success depends not only on how well each department performs its work, but also on how well the activities of various departments are co-coordinated (Porter, 1985). This is a guiding principle of the value chain and can be achieved by placing more emphasis on a company’s core business processes (Bakos, 1998). A company can gain a substantial competitive edge by mastering core business processes. Based on this new view, according to Kotler and Armstrong (2001), marketing is not only responsible for formulating the marketing mix, but also for designing and managing a superior value delivery system to reach target customer segments. Managing their own value chain and the entire value delivery system in a customer oriented way enables companies to create customer satisfaction (Andersson, 2002).

A debatable issue of the 21st century is the concept of the New Economy (Einwiller & Will, 2002). This *New Economy* describes aspects or sectors of an economy that are producing or intensely using innovative or new technologies. The concept applies particularly to industries where people depend more and more on computers, telecommunications and the Internet to produce, sell and distribute goods and services (Bakos, 1998). Many business analysts expect companies within this New Economy to lead the future during the following decades. One of the aspects of this new economy is that companies conduct various aspects of their business online, such as communication and information exchange between customers and the company via many different types of media, such as the Internet or Wireless Application Protocol (WAP) technologies. To facilitate these online sales, it is argued that companies are expected to adapt their organisation to this changing environment. According to Kogler and Lebowitz (2000), "The industry leaders of the future will be those that capitalise on available technology and are willing to change fundamental business concepts, products and processes." This advice has not gone unnoticed by companies. As we continue to witness this growth in the business use of the Internet as a platform for electronic commerce, an overwhelming amount of media attention is dedicated to the Web and the potential (and risks) it holds for selling products and services online. The groundbreaking efforts of e-commerce companies such as Amazon, CDNOW and Dell have been well documented (Bailey, 1998; Weber, 2005; Brynolfsson & Smith, 1999) and e-business models continue to evolve around new and innovative approaches to selling goods and services over the Internet (Applegate, 2000; Olim, Olim & Kent, 1998).

This technology boom has created new ways to learn about and track customers, create products and services tailored to meet customer's needs and to communicate with customers in large groups or one-to-one (Kotler *et al*., 2001). From a management perspective, tracking customer research habits and making geographic categorizations of customers has been useful in negotiating more advantageous relationships with car dealerships, finance companies, and insurance companies (Selz & Klein, 1999). According to one manager at CarsDirect.com, "In this highly competitive market sector where every company has the same (cars), the most important priority is customer acquisition (through the use of targeted) emails." (Dembeck, 2000: 14).

Despite its advantages, the Internet does have some drawbacks. Internet security poses a growing concern for businesses worldwide. For example, in South Africa, R500 000 was fraudulently transferred from Absa online clients into an individual's bank account (Lombard, 2003). In the U.S.A, a joint survey of corporations, government agencies and organisations conducted by the San Francisco-based Computer Security Institute and the Federal Bureau of Investigation found that 85 percent had experienced Internet security break-ins over the 2000 – 2001 period (Power, 2001). Of these, 64 percent resulted in significant financial losses (EIU, 2001). In spite of security concerns, millions of businesses and customers are still logging on to the Internet every day.

1.1 Internet Usage

Statistics vary as to the total number of online users. According to Internet World Stats (2002), the total online population worldwide was estimated to be around 605 million people in September 2002. In November 2005, Internet World Stats reported that there were 4,780,000 Internet users in South Africa (representing 9.9 percent of the population) (Internet World Stats, 2005). The latest results from the Project SA Web user survey in 2004, compiled by Webchek (2005), show that almost half of South Africa's web users are aged 25-44 (27 percent are within the 35-44 year age group) and the average monthly household income of Web users is just under R15,000 (WebCheck, 2005).

Many researchers and practitioners have recognized the emergence of online shopping as a new retail format. Online retailing sales worldwide reached $51.3 billion in 2001 and were expected to reach $72.1 billion in 2003 (Boston Consulting Group, 2001). It is further projected that the total value of electronic commerce will grow from 2.7 billion dollars in 1996 to 3.2 trillion dollars in the year 2004 (Boston Consulting Group, 2001). In a time-constrained world, online stores allow consumers to shop from the convenience of remote locations. An International Council of Shopping Centers' report (2000) also forecasted that in the U.S.A only 4.7 percent of retail sales would be online by 2005 and 5.3 percent by 2010. Currently the cost of products purchased via the Internet in the U.S.A is about $45 billion (Vijayasarathi, 2002), but forecasters expect this amount to grow to more than $100 billion, and possibly exceed $250 billion, by 2005 (Wolfinbarger & Gilly, 2001). These forecasts represent average annual growth rates of 40-80 percent. While this would still amount to under 5 percent of all retail sales in 2004, it nonetheless represents a dramatic increase in Internet retailing. A Project SA Web user survey (2004) report indicates that South Africa boasts a competitive e-commerce industry that is as advanced as those first world countries, but much smaller in scale. According to the survey, 41 percent of people who access the Web at least once a month have bought online at some point, which shows a substantial increase from 26 percent of respondents in 2000. Of these online buyers, 23 percent have purchased just once, 16 percent twice, 31 percent three to five times and 30 percent have more than five times. Of those surveyed, 90 percent who had shopped online before would do so again. The average amount spent online (calculated as purchases made via the Internet) is about R2,574 (Webchek, 2005). It is estimated that in South Africa e-commerce where transactions are initiated and legally consummated via the Web, but not necessarily paid for immediately will grow from R856-million in 1999 to R88-billion in 2004 and E-commerce where transactions are initiated, legally consummated and immediately paid for via the Web will grow from R328-million in 1999 to R17, 3 billion in 2004 (BMI, 2003).

In the tenth Graphics, Visualisation and Usability study, conducted by Georgia Technology Institute, the primary reason for using the Internet was identified as to gather information for personal needs (Dalgleish, 2000). The survey also showed that the Internet is only a part of the customer’s service experience. Customers do not necessarily want to do everything, like purchasing, online. The Internet is, however, an important part of a customer’s decision-making process, since people browse product information with an intent to buy (Dalgleish, 2000).

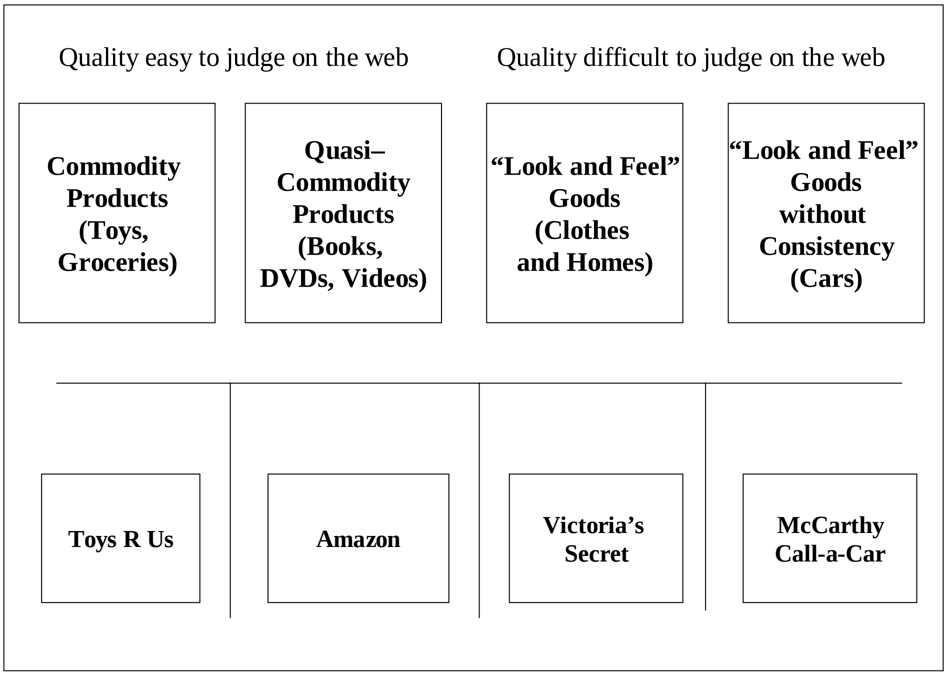
In the U.S.A, Jupiter Research (2003) found that more of America's young people are buying new cars and making their purchases earlier in their lives. Approximately 40 percent of all U.S. teenagers, aged 15 to 19, counted themselves car owners in the model year 2003, after a gradual, but significant increase (in car-dollar terms) every year since 1996, and up from just 22.3 percent in 1985. Most consumers in the study were independent car buyers purchasing cars for personal use. Additionally the study found that, of the roughly 40 million used cars sold per year, about one-third are researched online, which could propel the online car market to \$531 million in 2008. According to Cap Gemini Cars Online Study of 2005/2006, the Internet has become the primary information source used by consumers when researching vehicles, surpassing family and friends and manufacturer-specific dealers. More than 60 percent of respondents said they use the web. This is up from less than 20 percent three years ago (Cars Online, 2005). These figures demonstrate that the online consumer is a rapidly growing market segment, both internationally and in South Africa, and it is thus crucial for companies like McCarthy Call-a-Car to understand their behaviour.

McCarthy Call-a-Car has sold a total of 21 142 vehicles online, generating a turnover of R1.7-billion in the past five years (Gordon, 2002). In addition, Call-a-Car's website recorded a significant increase in traffic from one million page views per month in 2003 to 4.4 million views in 2005 and that visitor sessions increased from 50 000 per month to 103 000 per month. Reaching such figures requires substantial effort on the part of the online retailers and it is predicted that those companies who do not utilize the Web aggressively will risk losing market share to those who do, as customers are becoming more willing to go online when conducting future purchase research (Jarvenpaa & Todd, 1997).

It is often argued that products such as books, CDs and branded goods lend themselves to being sold via the Internet since the customer essentially knows upfront what he/she will be receiving by, for example, reading a book review online, listening to samples of music online or having heard a certain musical track on the radio (Bakos, 1998). Less attention has been paid to the viability of selling "look and feel" type goods, such as cars, over the Internet (Then & DeLong, 1999). Cars belong to the high involvement, experience and "look and feel" category of goods that has credence qualities as well. Credence qualities are product attributes that consumers cannot verify, neither before nor after purchase (Darby & Karni, 1973). In other words, credence values are those values that are hard to evaluate even after the purchase. These categories of goods and the characteristics of cars in terms of online selling will be discussed in further detail in Chapter 2.

FIGURE 1.1

QUALITIES OF GOODS



Source: Brynjolfsson & Smith, 1999: 78

Vehicles fall into the "Look and Feel" Goods without Consistency category illustrated in Figure 1.1 above, as each vehicle is unique and consequently the quality cannot be judged online since the vehicle cannot be tested online. Online sellers of these types of products face some challenges, since test-driving a car for performance evaluation, for example, can form an important part of the buying process (Blackwell, Miniard & Engel, 2001). The problem is even more acute for online sellers or retailers of these types of products who may wish to target the global market (McKnight, Choudury & Kacmar, 2000; Poon, 2000). For a consumer to decide to place and pay for an order in the online world of commerce, the consumer must first trust the retailer and respect the brand of the specific retailer (McKnight *et al.*, 2000).

1.2 Consumer Behaviour

Keeping in mind the challenges that a vehicle retailer faces, this section aims to give the reader a basic understanding of what goes on in the consumer's mind prior to, during and after the purchase of a product. Basic theories regarding wants and needs will be accounted for and it will be explained to the reader how consumer behavior serves as an important factor in the discussion about products and their value to the consumer. This section also examines some of the Internet facilities and tools that marketers can use to support their potential customers' decision-making processes. The Consumer Decision Process stages are used as a backdrop and the discussion is narrowed down to issues pertaining to the marketing and sale of consumer products over the Internet. These issues are primarily examined from the online retailer's perspective.

1.2.1 The Consumer Decision Process (CDP) Model

In most developed countries, the period after World War II marked an increased proliferation in the range of goods and services available to consumers. The sudden increase of variety on offer introduced new complexities for marketers seeking to understand consumer behavior (Horton, 1984). As a result there were a number of attempts to develop formal, comprehensive theories and models of consumer behavior during this time. Early attempts include the models of consumer behavior developed by Alan Andreason (1965), Francesco Nicosia (1966) and the Howard-Sheth theory of buyer behaviour (1969). Although different, these models all share a similar list of six fundamental stages guiding consumer buying behaviour. These attempts vary in sophistication, but generally model consumer behaviour by means of a set of interrelated internal and external variables, decision stages and information flows that seek to explain how consumers think, evaluate and act.

Since these early modeling efforts, the field of consumer behavior has advanced into a more established discipline. The models of Nicosia (1966), Andreasen (1965) and Howard-Sheth (1960) have been well acknowledged in the field of consumer behaviour. However, these models were developed when little was known about consumer behaviour. Apart from the limited theoretical background within which these models were developed, a number of criticisms have been developed over time. Criticisms of these early attempts were that they are either too complex (attempting to integrate all types of purchasing behavior into one comprehensive model), or too simple (failing to address key behaviors or external variables) (Erasmus, 2000). These criticisms are discussed in more detail. Firstly, these models assumed 'rational consumer decision-making,' meaning that all consumers carefully weigh and evaluate the use of products to obtain a satisfactory decision. Erasmus *et al.* (2001) state that customers do not necessarily go through an extensive decision-making process when making a sub-conscious purchase. Hence, it might have proved better if the models could have differentiated between high involvement and low involvement decision-making. Secondly, Erasmus *et al.* (2001) state that the decision-making process cannot be generalised. A customer will value a product more if the product is seen as being important. It cannot be viewed as a norm that all buying behaviour will be thought out carefully. It was also argued that models portray customer attitudes as a result of the decision-making process and not as an element that existed prior to the decision-making process. Erasmus *et al.* (2001) argue that the generalisation of the decision-making process may result in a biased view from the beginning. Thirdly, the models did not take into account the fact that some stages may occur at the same time and not in a sequential manner. Erasmus *et al.* (2001) state that, if the stages occurred simultaneously, a more parallel approach (and not a sequential approach) should be used. Finally, the models assumed that customers make decisions with sufficient amounts of information. Erasmus *et al.* (2001) state that customers will not in all circumstances have sufficient information to make a well-informed decision. In some situations, they may have to make decisions without all the information. They state that consumers may then make use of decision shortcuts.

Becket, Hewer and Howcroft (2000) recommended aspects that should be taken into account in the study of consumer behaviour and model development in the car industry. They argued that, within the traditional structure and functions of the car industry, customers had limited choices in selecting cars and distribution channels. Customers had to accept the availability of dealerships within their geographic area and hence their prices as well. Switching between dealerships usually incurred costs, such as the loss of a well established relationship with the local dealer and therefore, they were locked into buying patterns. However, the Internet has created a highly competitive market and this, in turn, has had a great impact on consumer behaviour regarding cars. As a result, dealerships are less certain that customers will continue buying from them. Becket *et al.* (2000) believe that dealerships should strategically respond to these changes. In an ideal type of consumer behaviour, it is necessary to identify the underlying constructs that determine consumer behaviour, with a particular frame of reference. Ideal types of models therefore entail certain constructs or imperatives and individual buyer behaviour is shaped to accommodate them.

Becket *et al.* (2000) also state that earlier consumer models ignored the consumer's involvement in car purchases and treated it as a once off purchase. A newer and more focused buyer behavior model, the Consumer Decision Process (CDP) model of Blackwell, Miniard & Engel (2001) has become one of the established models of buyer behavior. Its origins date back to 1968 (when it was known as the EKB model after its original developers Engel, Kollat and Blackwell). This newer model portrays the consumer decision process in terms of the inter-relationship of concepts and flow of activities, as understood within the limited theoretical background that led to model building at that time (Erasmus, 2002).

FIGURE 1.2

FUNDAMENTAL STAGES OF THE CONSUMER DECISION PROCESS (CDP)

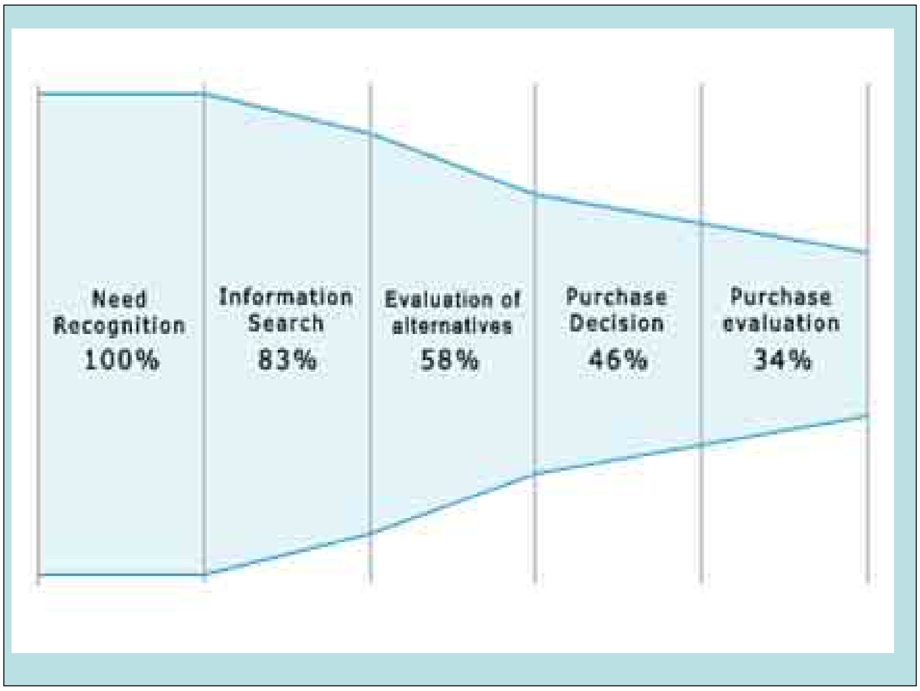
Source: Blackwell *et al.*, 1995: 23

The CDP model is drawn upon here for three reasons. Firstly, the latest revision of the model (2001), as discussed above, takes into account contemporary trends such as the purchasing of goods over the Internet by individual consumers. In this respect, the model provides one useful theoretical lens through which the case data can be analysed. Secondly, the CDP model can be applied to examine buying decisions at varying levels of detail. At an abstract level, the CDP model consists of five fundamental stages encompassed in three phases: pre-purchase – purchase – post-purchase. Although these stages can be criticised as being overly simplistic and normative (O'Keefe & McEachern, 1998), more detailed perspectives pertaining specifically to electronic commerce purchasing behaviour may be located in the model at this level of abstraction. Thirdly, related research in the electronic commerce field can be drawn upon that has also used frameworks corresponding to the main stages of the CDP model (e.g. Maes, Guttman & Moukas, 1999; O'Keefe & McEachern, 1998). For example, the consumer buying behaviour (CBB) model (Maes *et al.*, 1999) has been used to frame the roles of automated agents as mediators in e-commerce. The stages of the CBB model are largely consistent with the CDP model. For the purpose of the research reported here, it was decided to rely upon the more general notions in the CDP model instead. The stages of the CDP model are now briefly described.

In the Internet context, research carried out by UIE (2003) discovered that the online buying process acts as a sieve, where consumers are inadvertently filtered out at each stage of their decision-making process (see Figure 1.3). UIE's studies illustrate that out of 100 purchase-ready customers completely intent on buying a product on the Internet, only 34 will actually carry out the purchase online (UIE, 2003).

FIGURE 1.3

ONLINE BUYING PROCESS AS A SIEVE



Source: Brynjolffson, 2001: 4

A unique aspect of Internet marketing is its capability to support all the stages in the buying process. O'Keefe and McEachern (1998) have used a basic purchasing model to build a framework (see Table 1 below) and according to this framework, each one of the stages in the purchasing model can be supported by common Internet and Web facilities.

TABLE 1
MODEL OF CUSTOMER DECISION PROCESS AND INTERNET TOOLS THAT SUPPORT IT

Decision Process Steps	Customer Decision Support System Facilities	Generic Internet and Web Supported Facilities
Need recognition	Agents and event notification	Banner advertising on Order Web sites URL on physical material Discussion in newsgroups
Information search	Virtual catalogues Structured interaction and question/answer sessions Links to (and guidance on) external sources	Web directories and classifiers Internal search on Websites External search engines Focused directories and information brokers
Evaluation, negotiation, selection	FAQ's and other summaries Samples and trials Provision of evaluative models Pointers to (and information) about existing customers	Discussions in newsgroups Cross-site comparisons Generic models
Purchase, payment & delivery	Product or service ordering Arrangement of delivery	Electronic cash and virtual banking Logistics providers and package tracking
After-purchase service & Evaluation	Customer support via e-mail and newsgroups E-mail communication	Discussions in news groups

Source: O'Keefe & McEachern, 1998: 72

1.2.1.1 Pre-purchase

The pre-purchase stage involves the first three levels of the consumer decision process model. In the CDP model, the starting point for any purchase decision is when a consumer recognises some need or problem. **Need recognition** occurs when a consumer perceives a difference between an ideal versus the current state of affairs. This stage is characterized by the identification of the customer's needs. Within this stage, the consumer can be stimulated through product information. This stage is called *Problem Recognition* in the Engel-Blackwell model (Blackwell *et al.*, 2001). A complex mosaic of stimuli and influences affect the way in which consumers perceive their current state of affairs and their problems and needs. Compulsiveness, gender, household size and income are but a few of the influences that may trigger need recognition (Inman & Winer, 1998). In a study that proposed and tested a model of in-store decision-making, they found that as household size increased, unplanned purchasing increased monotonically (Inman & Winer, 1998). They tested their model empirically using data on over 30,000 choices provided by a large-scale field intercept study of 4,200 consumers in 14 cities conducted by the Point of Purchase Advertising Institute. Consumers' purchase intentions were measured prior to entering the store and their register tapes were collected upon checkout. Characteristics of the shopping party and of the store environment were collected as well (Inman & Winer, 1998).

For households of size one or two, unplanned purchases made up 54.7 percent of total purchases, while among households of size five or more, unplanned purchases made up 65.7 percent of total purchases, an 11 percent increase. Furthermore, consumers with greater reported compulsiveness were more likely to make in-store decisions. Compulsive consumers made more unplanned purchases. The study also found that in-store decision-making increased as income increased. Both specifically planned and generally planned purchases decreased as income increased, while unplanned purchases increased. Gender emerged as a significant variable in the analysis, with women being more likely to make in-store decisions than men. This effect is relatively strong, as 60.2 percent of the purchases made by women were unplanned, compared to 53.1 percent of the purchases made by men, while the men made more specifically planned and generally planned purchases than did the women (Inman & Winer, 1998). Moreover, as consumers change and progress through life stages, so do their problems and needs evolve and change. These complex dynamics ultimately manifest in customer trends that marketers need to constantly monitor and they need to develop appropriate strategies in response to which (Blackwell *et al.*, 2001).

In this pre-purchase stage, it is important to make the Internet an effective tool to stimulate problem recognition. The Internet has evolved into a powerful medium that marketers can utilise to address consumer needs (Castells, 1996). Online retailers can target the needs of consumer segments that are often too small for location-based outlets (Blackwell *et al.*, 2001). Querying customers on contemporary lifestyle issues, life changes and significant dates such as birthdays, anniversaries and other such information can assist retailers in targeting relevant products that customers may desire. Promotions and advertisements are frequently used tactics to create "problem recognition" in traditional media (Biel, 1992). In the Internet marketplace, Internet users are inclined to surf the Web for information that particularly interests them (Ilfeld & Winer, 2002). They usually use search engines or keywords to start a search. During this period, they might encounter certain stimuli that activate a need for them in the sense that they are reminded of a particular feeling (Häubl & Trifts, 2000). Hit list order position therefore becomes a very significant factor in creating awareness. The hit list order position can have a similar impact as the shelf position in a grocery store. For example, when a customer keys in "airline" in a search engine such as Yahoo! or Ananzi.co.za, he will probably be led to the Web page of Air Canada or Emirates instead of "Virgin Airlines" because Air Canada and Emirates appear on the first page of the search result, while he needs to click on a few "next pages" before he can see Virgin Airlines.

Furthermore, a recommendation agent could use this information to help customers to identify undiscovered needs (Maes *et al.*, 1999). Other Internet facilities that marketers can use to activate need recognition include banner advertising on related websites and promotion of their website URL on associated material (e.g. on the packaging of products and marketing brochures) (O'Keefe & McEachern, 1998). Use of E-mail list servers (emailing lists) to alert past consumers to new product releases or related offerings also fall into this category (Maes *et al.*, 1999). Ilfeld and Winer (2002) found in their study of 88 Internet companies that banner advertising was a strong contributor to site visits (Ilfeld & Winer, 2002).

Once an unmet need is recognised, the consumer begins **searching for information** and solutions to satisfy that need. This stage comprises the retrieval of information to help determine *what* to buy. At a detailed level, the CDP model describes this search as either internal (retrieving knowledge from memory) or external (collecting information from peers, family, the marketplace or the Internet). In terms of external searches, consumers may search actively (e.g. via focused research, visiting retail outlets, checking out company websites) or passively (e.g. just paying more attention to advertisements) (Blackwell et *al.,* 2001). The intensity of information search usually depends on the monetary value of the purchase (Blackwell *et al.*, 2001).

In online shopping environments, as well as in traditional purchasing situations, consumers looking for pre-purchase information can be occupied in two forms of seeking activity: directed search and browsing (Rowley, 2000). Browsing pertains to times when consumers are not sure how, or if, their shopping requirements can be met. It is “an activity in which one gathers information while scanning an information space without an explicit objective” (Toms, 2000). In these cases, users have a less precise view of the product information that might be needed, available, or useful, and consequently enquire about information in an exploratory fashion. Seeking in this case relates closely to experiential shopping behaviour (Wolfinbarger & Gilly, 2001). In contrast, a directed search refers to occurrences when consumers actively seek out product information with a view to making a decision. Shopping in this sense is more goal-oriented or utilitarian in nature (Wolfinbarger *et al.*, 2001). Here, consumers know what they are looking for and usually possess some information about the product being sought, such as its brand or manufacturer’s name, which can be used as the basis for a specific search (Berthon, Hulbert & Pitt, 1999).

Therefore providing effective information in online environments can reduce consumer search costs and lead customers to make optimal purchasing decision. Häubl & Trifts (2000) argued that interactive decision aids (e.g. recommendation) designed to help consumers in the initial screening of available products and to facilitate in-depth comparisons among selected alternatives may have highly desirable properties in terms of consumer decision-making. In a controlled experiment using a simulated online store, Häubl and Trifts (2000) found that the use of decision aids helped to increase a customer’s confidence in their eventual purchase choice.

Furthermore, depending on their access and proficiency with the technology, online consumers have a variety of search mechanisms at their disposal. New electronic intermediaries have emerged to broker links between potential consumers and suppliers (Zwass, 1996). Examples include Web directories, portals, Web-based search engines, focused directories and information brokers (O'Keefe & McEachern, 1998). The emergence of XML (and its derivatives) is claimed to open up possibilities for more precision compared to the “flat” HTML-based searches that often result in an overwhelming number of inappropriate “hits”. Advances in software agent technologies seek to automate some of the more time-consuming aspects of online searches where human judgement and intervention is still required to collect and interpret information on merchants and products (Maes *et al.*, 1999).

Another Internet tool that can help consumers search for information is a shopbot (Montgomery, 2004). An online shopbot simultaneously searches a substantial number of online retailers and returns price information to users in real time. Besides merchandise prices, most shopbots also report sales taxes and shipping and handling expenses to make the prices truly comparable. The zero cost of price search implies that price dispersion, i.e. the differences in price across retailers for the same product, should also disappear (Bakos, 1997). However, empirical research has shown that there appears to be some apparent divergence in the average levels of posted prices at Internet stores. While Bailey (1998) found that average levels of prices for books and CDs were higher online than offline between 1996 and1997, Brynjolfsson and Smith (2000) found that the average levels of prices for books and CDs were lower online in 1999 compared to offline.

In the UIE (2001) study, nine percent of consumers were not able to find the products they were looking for because they couldn't identify the right product category or find product options using the search facility. Eight percent of the shoppers who succeeded in finding products gave up because the product lists didn't provide enough information to identify purchase options, or because they were confused by going back and forth between product lists and product description pages in order to decide if the products would fit their basic needs (Brynjolffson, 2001).

The next stage in the CDP model is the **evaluation of alternatives** identified during the information search process. Consumers compare what they know about different products and brands with what they consider important before resolving which one to buy. Consumers use new and previous evaluations to select products, services, brands and stores that they perceive as most likely to satisfy their specific need. Different consumers employ different evaluative criteria, which are again dependent on a wide array of personal and environmental influences (as in the need recognition stage). Consumers may specifically monitor attributes of the product or service (brand, price, size, quality, fit, etc.), but also aspects pertaining to the outlet itself (e.g. consumer traffic, cleanliness and personal attention received) (Blackwell *et al.*, 2001). Lee, Hong & Lee (2004) found that attitudes towards a brand's website affected their brand choice. Using a convenience sample of 80 students completing an online shopping task, they found that the participants were more likely to choose a brand of the website they evaluated favourably (Lee *et al.*, 2004).

The online consumer not only compares product and pricing alternatives, but also assesses the potential risks linked with the intended purchase from a supplier that may be operating in a different country, time zone, currency and legal system (Jarvenpaa & Todd, 1997). In this respect, consumer trust of the Internet-based retailer is a key consideration (Jarvenpaa & Todd, 1999). Tan and Thoen (2001) state that consumer trust is a factor of party trust (the online retailer itself), but also trust of the controls (e.g. security/encryption mechanisms, delivery agents, return policy) that the retailer employs to reduce the risk to the consumer as a result of the transaction. Consumer trust has both subjective (largely perceptual) and objective (largely factual) dimensions. For example, the display of logos, brands and affiliations on websites may enhance the perceived reputation and trust of the retailer (McKnight *et al.*, 2000).

The selling of products such as books, CDs and branded goods over the Internet is well documented. Retailers of digital products such as music or computer software often give away samples or demonstration versions of their products for consumers to evaluate before purchasing. In these respects, online retailers of "look and feel" products may be at a disadvantage, because test driving a car for performance can form an important part of the buying process (Blackwell *et al.*, 2001). Visual, tactile, and kinesthetic senses are all thought to be important in selling goods such as cars (Then & DeLong, 1999).

In terms of evaluating price alternatives, online retailers operate in the "fish bowl" environment of the Internet (Zettlemeyer, Scott-Morton & Risso, 2005). This essentially means that, compared to location-based shopping, both online consumers and competitors alike can quickly compare prices. Using Internet-based aggregators and cross-firm comparisons, online consumers can effortlessly compare prices of selected products across different online retailers (Kaufman & Wood, 2000). Competitors immediately know (and can even automatically follow suit) when a leading online retailer lowers price. Online consumers can also turn to Internet-based discussion groups, FAQs and other summaries to compare alternatives pre-purchase (O'Keefe & McEachern, 1998).

The information search results in an evoked set (Brynjolfsson, 2001), the group of brands that a consumer would consider acceptable from among all the brands in product class of which he or she is aware. The nature of information available on the Internet can influence a consumer's choice of a particular product. Internet searches leading to favourable information can encourage a new purchase (Brynjolfsson, 2001). Hyperlinks leading to favourable information about the company can also facilitate a customer’s bias toward a company's product (Brynjolfsson, 2001). It is important for marketers and advertisers to note that once a customer leaves a company's web page, he or she might not return. Therefore, efforts should be made during web page design to minimize the possibility that a consumer would be led to destinations or information that is not relevant to the purchase decision (Berthon *et al.*, 1996).

1.2.1.2 Purchase

The purchase stage in the CDP model consists of two sub-stages and occurs once the consumer has made the decision to buy the product or service. In the first stage, the consumer finalises his/her choice of retailer from the alternatives investigated (including the particular form of retailing such as catalogue, direct sales, television order, Internet). The second phase involves “in-store” choices such as dealing with a specific sales person, selecting a mode of payment and so forth (Blackwell *et al.*, 2001).

Positive information about the product can give consumers greater confidence in their purchase decision. In a study by Thompson and Younayou (2005), they found that 65 percent of online shoppers complained about not being able to tell the quality of the merchandise they wanted to buy. The study also found that 80 percent of shoppers first seek information before buying. Internet technology is expected to revolutionize the consumer purchase decision process because via the Internet, consumers can locate information, read reviews and see pictures of the product prior to purchase. In the case of electronic goods, for instance, consumers can download software products for a trial period before they decide to buy them. This can lower the risk associated with product uncertainty thereby encouraging the consumer's decision to purchase. In the UIE study (2001), it was found that 62 percent of shoppers have given up while trying to find a product at least once, with 42 percent actually turning back to traditional channels to buy what they needed because of the above-mentioned problems in experiencing the product (Brynjolffson, 2001).

According to Kiang, Raghu and Shang (1999), the Internet can act as a transaction channel during the purchase stage. By doing so, the company can reach a larger customer base, improve its revenues and streamline its transactions process as well as customise its promotion. Internet facilities supporting this stage include typical “shopping cart” mechanisms and processing of payments online (by means of credit card transactions, electronic cash and authentication) (Turban, McLean & Weatherbee, 2000; Zwass, 1996).

Compared with digital goods that may be e-mailed or downloaded over the Internet once purchased, retailers of physical products need to consider the logistics of shipping the product to the consumer. Issues such as taxation and insurance also need to be addressed. Shipping costs tend to be based on volume and/or weight and are typically included in advance as part of the total purchase price. Online retailers usually make use of third party intermediaries to ship orders purchased over the Internet. These intermediaries may also provide auxiliary services such as in process tracking of deliveries via the Internet (Angehrn, 1997). The time gap between the decision to buy and actual purchase is critical. The longer the gap, the more likely it becomes that a potential customer will withdraw from the purchase (Haubl & Trifts, 2000). It is therefore critical to close that gap by accepting cybercash such as e-bucks, checks or credit cards online (Corner, Doolin, Dillon & Thompson, 2005).

1.2.1.3 Post-Purchase Stages

Once the purchase has occurred, the CDP model describes three post-purchase stages (Blackwell *et al.,* 2001). The consumption stage occurs when the consumer takes possession of the product and proceeds to use it. This gives rise to a post-consumption evaluation stage that results in a sense of satisfaction/dissatisfaction with the product or service. These outcomes are stored in memory, are possibly fed back to other members of the social group and are relied upon in future purchasing decisions. The final stage in the CDP model concerns divestment when the consumer decides to dispose of, recycle or sell (remarket) the product (Blackwell *et al*, 2001).

Because the Internet can support one-to-one communication, it can be a useful vehicle for increasing consumers' post-purchase satisfaction. The Internet offers a quick, efficient and inexpensive means of getting feedback from consumers. Consumers find it much easier to provide feedback on product performance via email. Marketers and advertisers can then collect feedback information to gauge customer satisfaction or dissatisfaction and to identify appropriate action. Internet facilities to support consumers post-purchase include customer support via the Web, the creation of user groups, newsgroups and moderated discussion groups (O'Keefe & McEachern, 1998).

UIE (2001) found a surprisingly high number of problems in the post-purchase evaluation stage. Eleven percent of the shoppers where either so unhappy with a product that they returned it, did not receive the product at all, or got the wrong product. Some of the shoppers told UIE that they had returned a product because it was not what they had expected, which suggests a failure in setting up the right expectations in the post-purchase evaluation stage (Brynjolffson, 2001).

This research, in the form of a case study explores the nature of the online consumer decision process and the way in which McCarthy Call-a-Car, as an online car retailer, uses the Internet to support the potential customer in the decision-making process. The chosen case study is significant for a number of reasons. The retailer is a South African company that targets segments in the local market for cars via the Internet. They face the typical challenges faced by online companies and, given the resource constraints of a small business, they turn to innovative approaches in order to meet these challenges.

1.3 Relevance of this thesis

The marketing function can be organised and controlled in entirely new ways in the online world, giving retailers the opportunity to apply new skills and resources to communicate with customers (Field, 1996). In this online world, there are various questions a company must ask itself when considering how the Internet can create new opportunities for it. The Internet is changing the way that companies are doing business, as well as altering people's behaviour and both companies and customers have adopted Internet technologies. Customers are aware that companies keep information about them in computer databases. Thus they want Internet sites that are driven by their needs, such as comfort and privacy. To create customer effective Internet sites, the companies must provide Internet sites that both make it easy for the customers to find, evaluate and choose the product they desire and an order process that is easy and comfortable to use. To be able to provide a customer-effective ordering process, the company needs to understand the way customers seek, evaluate and choose products, in addition to knowing and providing effective privacy mechanisms (Dalgleish, 2000). The questions companies are facing today are not only regarding how the Internet can be used to support their business, but how the companies can use the Internet to support their customers. McCarthy is one of the companies that are interested in knowing how the Internet can support its customers throughout the buying process.

A recent study by Cap Gemini (2004) revealed that the online car shopper would visit 5.2 dealers against the traditional buyer who will only visit 3.5 dealers. They also found that the shopper who is looking for cars online would take about 4 weeks to purchase while the traditional shopper would take only 2.3 weeks (Cap Gemini, 2004). The study also found that finding and comparing prices, as well as requesting price quotes will continue to be two of the consumers' most popular online activities in their next new vehicle purchase.

In addition to the studies stated above, a qualitative study similar to this one has been conducted at Volvo Cars in Holland (Andreasson, 2001). However, there is a lack of such research in the South African context. Due to escalating competition and the increasing emergence of the Internet, it becomes imperative that McCarthy finds new ways of enhancing the customer relationship in order to be able to understand and predict customer behaviour, develop channels of communication that are cost-effective and response effective and generate profitable growth. This research takes the form of a case study and focuses on Call-a-Car as they are one of the leading exponents of online car sales in South Africa (Gordon, 2002). Thus, the relevancy of this thesis lies in the addition to the knowledge base of this particular topic in the South African context. According to Johnson (2004), "E-commerce is real and it is here to stay. It is no longer optional for companies to have an e-strategy, but developing one that is sustainable can be difficult". Therefore present and future managers can benefit from taking notice of these guidelines and recommendations as it is expected that "e-commerce" will influence most lines of business and thus will require almost every company to utilise the Internet to a certain degree.

1.4 Problem Statement and Sub-questions

The goal of this research is to provide a better understanding of the ways in which the Internet supports customers of an online car retail company. To reach this research goal, the main research question was formulated as: *"How does the Internet support the customer in the pre-purchase, purchase and post-purchase phase of purchasing a motor vehicle through McCarthy Call-a-Car?"* The nature of this study is therefore descriptive, describing the relationship between the Internet and the buying process. The study explores the nature of the online costumer decision process and the way in which an online car retailer uses the Internet to support their customers' decision-making processes.

1.5 Chapter Outline

The analysis of this thesis will be based on several sub-questions that will be dealt with in the following chapters, which complement each other for a thorough analysis of the matter at hand. This chapter focused on consumer buying behaviour and the stages that a consumer goes through in deciding to buy a product and choosing a supplier. A discussion followed on how the Internet supports the different stages of the consumer decision process model and how online retailers can use Internet-based facilities during each of the stages to support the buying decision of their prospective customer. This was done by drawing upon theoretical constructs from the consumer behaviour discipline. Chapter Two will discuss the qualities of products with particular attention paid to the qualities of motor vehicles and their characteristics in terms of online selling. It will then build on this knowledge to focus more specifically on Internet marketing and the literature regarding disintermediation and the resulting concepts of a 'clicks and mortar' business model and lower prices. Thereafter, trust and branding online will be discussed, given the importance of e-privacy. Chapter Three lays the foundations of the research in hand regarding the research design and approach, data collection, sample, data management and analysis methods and quality considerations for the study in hand. Chapter Four presents the results obtained. Chapter Five returns to the research questions and discusses the emergent themes, ending with several recommendations for future research.

CHAPTER 2

LITERATURE REVIEW

This chapter deals with the qualities of products with particular attention paid to the qualities of motor vehicles and their characteristics in terms of online selling. The discussion then turns to disintermediation in online markets and will further elaborate on the ‘clicks and mortar’ business model, illustrating the benefits of using such a model. Thereafter literature regarding the importance of trust online will be discussed, presenting the theory on the causes and consequences of trust and trust-building through branding. It is shown that brand-building in the online arena can be done through the use of various instruments, including securing e-privacy. Hence, the concept of e-privacy will be introduced, highlighting research done in the area and methods improving e-privacy will be illustrated.

2.1 What is a product?

This section describes a product and differentiates it from a service. This is done so as to get clarity on what Call-a-Car is offering to consumers online.

Kotler's (1988: 445-6) definition of a product is:

> Anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. Products consist broadly of anything that can be marketed, including physical objects, services, persons, places, organizations, and ideas.

In using the terms goods and services, a distinction can be made between a physical product and an intangible one (Bakos, 1998). A good or a tangible product is defined as "an object, a device, a thing", and a service is "a deed, a performance, and effort" (Berry, 1980). Kotler (1988) advocates that the service component of any offer (product) can be a major or a minor part of a firm’s offer. Throughout the following chapter, a tangible product is referred to simply as a good for simplicity.

A product normally suggests a physical thing, such as a pair of glasses, a telephone or a car. However a product is not limited to only physical objects – it extends to anything capable of satisfying a need (Kotler, 1996: 26). According to Kotler (1996), a lot of products are purchased because they provide people with some sort of benefit. For example, people buy cars for the purpose of being able to transport themselves from one place to another or for purposes of luxury. Consequently, a product is basically the packaging of a problem-solving service. The term product thus covers physical goods, services and every other vehicle that can deliver satisfaction of our needs and wants (Berry, 1980).

A *service* is described as an activity, benefit or satisfaction. Services are intangible, inseparable, variable and perishable and, since service is consumed immediately, it requires far more quality control, supplier credibility and adaptability. An example of a service could be a trip to Mauritius with SAA or sending a parcel with a delivery company such as XPS. To further understand the product, one needs to look at the definition of the different types of products in relation to marketing.

2.2 The Product Defined In Marketing Terms

It is suggested that very few products, if any, are purely tangible products (goods) or purely service offerings with respect to marketing. Rather, most products fit somewhere along Rathmell's (1966) continuum from good-dominant to service-dominant. Since a car is undoubtedly tangible, it should be classified as a goods-dominant product. Since most of the elements of a car are tangible, it is appropriate to classify the car somewhere within the tangible-dominant side of Shostack's (1977) tangible-dominant, intangible-dominant Scale of Market Entities. Thus, since the most important difference between goods and services is the distinction between tangibility and intangibility (Bateson, 1979), a car is clearly a goods-dominant product. The question of just how goods-dominant an online purchase of a car really is prompts the following analysis.

It is suggested that purchasing cars online contains some intangible-like elements that bear a striking similarity to those innate in many intangible products. These intangible elements shift the product away from the extreme definition of a pure good, that is totally tangible-dominant, and toward the centre of the tangible-dominant side of Shostack's continuum.

Now that the product has been defined in marketing terms, the focus will shift to describing the different qualities of goods and placing cars in a particular category to allow for a better analysis of cars in terms of online selling.

2.3 Qualities of goods

The best-known distinction of products has been classifying them into convenience, shopping and specialty goods (Murphy & Enis, 1986). This distinction is based on the insight that consumers have diverse shopping habits and expend different degrees of search effort for different kinds of products (Murphy & Enis, 1986; Bucklin, 1963; Copeland, 1923). While convenience goods require the least effort, because consumers usually purchase them frequently or immediately, such as tobacco, newspapers and sweets, shopping goods mostly lead consumers to actively search for definite product information, such as clothing, furniture and hi-fi equipment. Specialty goods entail the highest degree of purchase effort in terms of search effort, such as going out to the McCarthy dealer or taking a test-drive.

Related to the type of product sought is the amount of active external information search prior to a purchase (Kotler, 1994; Murphy & Enis, 1986). This search activity can be impulsive, habitual or targeted. For example, buying chocolates, a convenience good, near the checkout counter of a supermarket is a typical impulsive purchase and there is usually little search activity involved. Also habitual buying behaviour, such as the purchase of salt or other commodities, involves little information search effort by consumers. Thus, when it comes to low-cost, frequently purchased products, there is evidence that consumers have low involvement and, as a result, do not extensively search for information about brands, evaluate their characteristics, or make weighty decisions on what product to buy (Kotler, 1994). In modelling information search behaviour in consumer markets the perceived benefits from information search for this type of low-involvement good do not outweigh the cost incurred by the search activity (Moorthy *et al.*, 1997).

In contrast to impulsive or habitual purchase environments, many products lead consumers to enrol in targeted and more extensive search activities. These products, which trigger consumer search effort, are often subsumed under the term 'shopping goods' or 'speciality goods' (Murphy & Enis, 1986; Copeland, 1923). "Shopping goods are those for which the consumer desires to compare prices, quality, and style at the time of purchase" and speciality goods are "expensive, infrequently purchased consumer goods; related to extended problem solving buying behaviour" (Copeland, 1923: 283). Thus, buyers are willing to spend a significant amount of time and money in searching for and evaluating these products. These goods can be divided into homogeneous and heterogeneous goods (Murphy & Enis, 1986). Homogeneous shopping goods, such as books or CDs, are seen by consumers as similar in quality, but different enough in price. As a result they mostly trigger information searches in the form of price comparison-shopping (Kotler, 1994). When shopping for heterogeneous products, by contrast, price is not the primary purchase criterion. Here products such as furniture, clothing, special foods or household appliances are meant, for which other purchase characteristics such as personal taste, fashion or performance play a role, in addition to price.

Now that the qualities of goods have been defined, the categories or qualities that motor vehicles belong to or possess, in terms of online selling will be explained. These include the level of involvement, credence qualities, experience and search qualities, and intrinsic / extrinsic cues.

2.3.1 High Involvement versus Low Involvement

The concept of involvement was pioneered by Sherif and Cantril (1947) and is a motivational and goal-directed emotional state that determines the personal relevance of a purchase decision to a buyer (Rothschild, 1984). Involvement is thought to exert considerable influence over consumers' decision processes. Researchers have usually analysed the influence of product involvement on consumers' attitudes, brand preferences and perceptions (Celsi & Olson, 1988; Copeland, 1923). Involvement has been further conceptualised as the interest, enthusiasm and excitement that consumers manifest towards a product category. The model proposed by Quester and Smart (1998) suggested two dimensions of involvement: product / purchase involvement and brand involvement. Product involvement is related to a consumer's level of interest in making a particular purchase. Similarly purchase involvement is the importance and intensity of interest in a product that a consumer has in a particular situation. The buyer's level of involvement determines why he/she is motivated to seek information about certain products and brands, but virtually ignores others. Brand involvement on the other hand is the level of interest a consumer has in the brand. This is when consumers can identify a specific brand under different conditions (Quester & Smart, 1998).

High involvement means that the consumer has a high interest in a product, medium, or message. Marketing activities targeted to highly involved consumers will include information on the product or service. By contrast, low involvement means that the information about a product or service is rather insignificant and does not interest the consumer; hence marketing activities for these categories focus on simple slogans and impressive images (Kotler, 1996).

Car purchase behaviour is complex in that the level of knowledge is a significant factor dictating the processes undergone by the consumers. Involvement has been linked to car purchase online (Blackwell *et al.*, 2001), where high and low involvement car buyers have been shown to behave differently with regards to factors such as price, brand and feature variety (Zaichkowsky, 1988).

2.3.2 Credence Qualities

Credence qualities are product attributes that consumers cannot verify, neither before nor after purchase (Darby & Karni, 1973). In other words, credence values are those values that are hard to evaluate even after the purchase. Even with experience, performance may still be difficult to measure. For example, a consumer has no means of identifying whether or not their car service or spray painting is of high quality. These are 'credence qualities', features that are hard to evaluate, even after the event. These often-abstract variables make buying products such as cars online more risky. Credence goods and services are experience products raised to a higher degree of complexity and sophistication. They often require technical or professional judgment, not only to know how well they have been delivered, but sometimes whether they have been delivered at all. Professional services such as medicine, law and financial counsel are high in credence properties (Darby & Karni, 1973). A car can be said to have some credence qualities, with its elements of maintenance and its unknown long-term payoff.

Since it is sometimes difficult to experience a car’s performance prior to purchase, especially in the online world, the consumer will turn to other people for help or endorsement. Prospective online shoppers seek support from trusted sources when choosing a car. If that support is not forthcoming because the online retailer is not highly regarded or visible, the consumer is unlikely to pursue the inquiry. What others say or think provides credibility for a “credence” product. What the online retailer says on its website maybe often be suspected of having a self-serving bias (Darby & Karni, 1973). Hence people who work for online retailers become proxies for the institution. In a prospective consumer’s mind, each positive word or acknowledgement about an online retailer from someone the consumer respects becomes a verification of quality or, at least, acceptability. Previous consumers of the online retailer, as well as its employees, create tangibility for the online retailer and its benefits. According to a study done by Bhatnagar, Misra, and Rao (2000), the perceived product risk is highest for the credence category, where consumers will select the Internet store for which they perceived the lowest risk. The trusted online retailer would be preferred as a first choice, as opposed to buying from other online retailers with lesser known brands.

2.3.3 Experience versus Search

Originally derived from Stigler's (1961) clarification of the "search" phenomena and the theory of economics of information, the qualities of search and experience with regards to goods were first defined and used by Nelson (1974) to describe consumers' scepticism about advertisers' exaggerated claims and consumers' attempts to verify the reliability of those claims. Nelson (1974) defines a search-good as one with qualities a consumer can determine by inspection prior to purchase. Therefore, information about the dominant attributes can be identified before purchasing the product. Nelson (1974) defines an experience-good as one whose qualities cannot be determined prior to purchase.

Porter (1974) was the first to explore the subjective nature of the ‘experience’ versus ‘search-good’ dichotomy. His analysis proposed an objective way of classifying goods on the basis of price and frequency of purchase. According to Porter (1985), a consumer deciding whether to purchase a low-cost non-durable item (i.e. a low involvement convenience good) will have an easier time discriminating product quality via sampling, regardless of whether or not the good in question is an experience good by ‘design’. The opposite, of course, holds true for high-cost, infrequently purchased items (i.e. high involvement shopping goods). In Porter’s model, whether a product is labelled an ‘experience’ or ‘search good’ is actually dependent upon the costs to the buyer of acquiring product-quality information.

These costs can be incurred either before purchase, through information gathering, or after purchase, through sampling. The cost of gaining product-quality information is therefore a function of both price (i.e., the cost of sampling) and frequency of purchase (i.e., the durable/non-durable nature of the product). Under the above analysis, the terms *search* and *experience* simply represent two extremes of a continuum, such as Rathmell's (1966) continuum of good-dominant to service-dominant, as discussed earlier, with goods capable of being low in sampling costs and high in search qualities (characteristics the buyer can evaluate easily before purchase), or high in price and experience qualities (characteristics the buyer can only evaluate at high cost after purchase). Most goods, naturally, display a mixture of both qualities and therefore fall somewhere between the two extremes. It should be noted that online services (such as those offered by McCarthy) are skewed towards the experience spectrum, primarily because of the difficulties surrounding evaluation of their pre-purchase attributes. The findings by Bhatnagar, Misra and Rao (2000) suggest that perceived product risk was higher for technologically complex and expensive products (i.e., electronics, cars and hardware) purchased online. For such experience products, getting the relevant attribute information would be more difficult or costly than actual product/service experience prior to its purchase. Therefore, online shoppers would not be confident of making the purchase decision without using or sampling the product/service prior to its purchase. With this concern in mind, consumers are more likely to give greater consideration to the trustworthiness of an online retailer prior to purchasing experience products online.

These different positions of a product in the “information economic triangle” of involvement, experience and credence qualities (Vijayasarthy, 2002) have the effect that consumers are inclined to use different strategies in a bid to reduce uncertainty (Corner *et al.,* 2005). Typically, in a particular transaction process, consumers use the different strategies to lessen uncertainty not in an isolated manner, but integrate them into a mix of strategies. When the assessment of quality of a particular good or service can be based primarily on search qualities, the sufficient strategy to reduce uncertainty is to directly search for observable product attributes. In e-commerce transactions, search qualities frequently become “quasi”-experience qualities, since they can not be determined by inspection before purchasing the product (Isa & Balraj, 2002). Often the consumer can judge products offered online only by way of experience. Therefore it is very important in the online buying process that the consumer is offered special indicators or other mechanisms to reduce uncertainty, in order to evaluate product qualities that can not be inspected prior to purchasing.

Trust can either complement or (partly) replace other strategies to reduce uncertainty in the buying processes and thus can serve as a subsidiary or complementary mechanism to reduce uncertainty encountered in e-commerce transactions (Daignault, Sheperd, Marche &Watters, 2004). Trust is more important when transaction objects are characterised primarily by experience and/or credence qualities and less important in buying processes dominated by search qualities (Gaflou & Peven, 2004). Especially when products such as vehicles are offered, the assessment of their value usually has to be based on experience and credence qualities, thus making trust an essential element in the relationship between buyer and seller. Trust serves itself as a mechanism to reduce complexity and uncertainty and therefore can at least partly replace the direct search for (more) information in buying processes (Gaflou & Peven, 2004). The importance of trust in the online arena will be discussed later on this chapter.

Now that the qualities of motor vehicles in terms of online selling have been explained, the impact of the Internet on the marketplace will be addressed. The disintermediating effects of the Internet will be discussed with particular reference to the virtual automotive retailer and the usage and benefits of a 'clicks and mortar' business model will be presented. Of these benefits, it will be proposed that lower costs are expected to lead to lower prices online. A discussion of the impact of the Internet on prices will thus follow.

2.4 Disintermediation

Unlike digital goods, it is very difficult for cars to be sold solely using the web, as has been stated above. Automotive companies have set up a dense network of dealers tightly controlled by their often-complex sales organisations (Slez & Klein, 1999). The system is formulated to sell new cars at the rate the car firm produces them (Scott-Morton, Silva & Zettlemeyer, 2000). A prospective consumer for a car is exposed to a burdensome decision-making process as the buyer must make his way through numerous dealers and their offerings. The exercise involves a substantial level of information costs and transaction costs in order to establish some market transparency and make an informed buying decision (Gellman, 1996).

As e-commerce first sustained significant growth approximately ten years ago, many authors predicted the demise of intermediaries due to the Internet (Choi, Stahl & Winston, 1997; Hoffman & Novak, 1995; Wigand & Benjamin, 1995). This demise was termed 'disintermediation.' However, instead of being driven out of the market, traditional dealerships have come under increasing strains during the last few years with a new set of players seeking to capture a part of the lucrative automotive sales business. Car firms are anxious to restructure (Selz & Klein, 1998) their dense network of dealers, because of ever-increasing cost pressures, consistently low consumer satisfaction rates and strong competition among the firms. With the emergence of the web, the less dependent parts of the automotive distribution system have gained additional leverage to break off lucrative segments of the current value system.

2.4.1 Defining Disintermediation

Disintermediation has been defined by Wigand (1997: 4) as "the displacement or elimination of market intermediaries, enabling direct trade with buyers and consumers without agents." A description given by Shoniregun (2004) states that electronic commerce enables firms producing any sort of good or service to sell directly to their end consumers, thereby reducing or eliminating their dependence on traditional intermediary firms such as wholesalers and retailers. This elimination of the ‘middleman’ in the value system has come to be called ‘disintermediation.’ Wigand and Benjamin (1995) point out that a network infrastructure connecting both businesses and end consumers allows producers to internalise activities that were traditionally performed by intermediaries. Businesses would be able to sell directly to end consumers at a higher than wholesale price, therefore capturing more of the value in their goods (Giaglis, Klein & O’Keefe, 1999). Both producers and consumers would be at an advantage because the mark-up in price caused by intermediaries would disappear. Therefore the producers would retain more of the profits generated by the value system, while the consumers would benefit from expanded choice and lower prices. In other words, the network's ability to efficiently support direct exchanges would increase both producer and consumer wellbeing. Following this logic, the trend should be towards producers selling directly to consumers and consumers preferring to buy directly from producers.

2.4.2 Reasons for Disintermediation

The disintermediation hypothesis has its roots in transaction cost economics, a body of literature that attempts to explain firms' choices to internalise production of goods and services as opposed to buying these goods and services from the market. According to transaction cost theory (Williamson, 1975), exchanges with external firms involve a range of coordination costs associated with the organisation of resources and processes needed for the execution of commercial transactions. These coordination costs are defined as "all transaction costs of all information processing necessary to coordinate the work of people and machines including the costs of gathering the information necessary" (Thompson & Youanyou, 2005). These coordination costs include buyer transaction costs, which basically means the cost of executing market (commercial) transactions on the market or in other words, buying and selling products. Seller transaction costs include "search costs", which are the costs of finding the right buyer or supplier of a good or service. Additionally, there are contracting costs. These are the costs of negotiating, monitoring, settling, and making contracts that, in the case of fixed prices, could be trivial.

When conditions in the market cause these coordination costs to increase, such as when suppliers are difficult to locate or there is a potential for them to behave opportunistically, firms may choose to externalise the production of the needed good or service, while low coordination costs make it more economically feasible to produce these functions inside or in other words internalise them. Hence, they trade off production costs for coordination costs, using internal management rather than the market as a "governance" mechanism. Transaction costs theorists have elaborated the many conditions under which market failures occur and firms choose internal production (known as hierarchy in this literature) over the market (Williamson, 1985). When a firm decides to bypass a wholesaler or retailer and sell directly to its end consumers, it is internalising downstream channel services that it formerly acquired from the market (Rangan, Menezes and Maier, 1992).

Information systems researchers such as Bailey and Bakos (1997), Brynjolffson (2001) and Chircu and Kaufmann (2000) judge that the Internet encourages such disintermediation, specifically because it reduces many of the transaction costs associated with market exchanges. In the case of homogenous products, a consumer can use the Internet and simply type in the producer’s website address and carry out the purchase online directly. These goods might be manufactured on demand or maintained in a central inventory. Courier services then become the downstream channel for physical goods, while the Internet itself is the downstream channel for information goods.

2.4.3 Intermediation and e-commerce

As mentioned previously, early research in electronic markets suggested that decreased transaction costs in electronic markets would lead to the reduction, or even extinction, of traditional intermediaries from electronic value chains. While certain types of intermediaries in certain markets such as the financial market (Royama, 2002) and book market (Clay *et al.*, 2002), have experienced difficulties in survival, empirical research by Adelaar (2000), Bailey and Bakos (1997) and Selz and Klein, (2000) affirms the importance of intermediation in electronic commerce. Increasing search costs that go with the abundance of information infrastructures have offered new opportunities for intermediaries. In the same way, some intermediary functions have not been absorbed by sellers at low cost, thereby leaving opportunities for intermediation in electronic markets.

Transaction costs theory applies to traditional as well as electronic markets. Malone *et al.* (1987) were the first to apply this theory to electronic communication. They demonstrated that the use of Internet technologies lowers the coordination costs described earlier. This conclusion proposes that sellers will prefer to outsource the intermediary functions (rather than providing "in-house solutions”). This would lead to an increase in the number of intermediaries in the value chain. The intermediaries used in the electronic market’s value chain, as proposed by Giaglis *et al.* (1999), are of two types:

Firstly, there are intermediaries from traditional markets who differentiate themselves in order to be able to function and compete in electronic markets. This evolution of the traditional intermediary is called **re-intermediation**. In this scenario, traditional intermediaries identify opportunities to leverage their expertise and economies of scale, and play a significant role in facilitating commercial transactions. Furthermore, traditional intermediaries may also differentiate themselves through price, service and augmented products or concentrate on specific market function ‘niches’ (Giaglis *et al*., 1999).

Secondly, there are new intermediaries or "**cyber-mediaries**" specifically created for electronic markets. Their inclusion in electronic markets is called cybermediation. These cybermediaries are, by definition, online retailers that either sell directly to the consumer or help individuals to locate a specific website or guide them towards sites of interest. Shoniregun (2004) says cybermediaries can also negotiate with each supplier in order to reduce the costs in each transaction in the electronic commerce process for their consumers. For example, they may negotiate with the banks and courier services to get a lower rate.

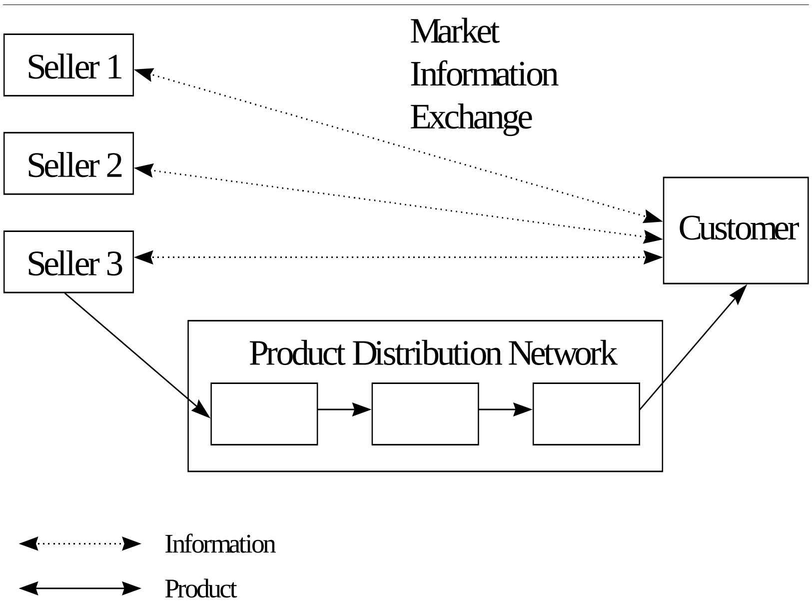
From what has been discussed up to now, it is evident that the dissemination of electronic markets in an industry has an impact on the structure of the value chain involved in supplying the products and/or services to the final consumers. This is mainly owing to the disintermediating effect of information technology highlighted by Davenport (1993). Davenport (1993) suggests that disintermediation has accentuated the need for information technology on the part of many firms and that information technology can prove useful in the process of reengineering.

Concerning the motor vehicle industry, in some cases intermediaries may be added to transactions facilitated through an electronic market. There are two phases that the motor industry structures will experience as electronic markets spread across the industry, according to Strader and Shaw (1999).

An example of a traditional motor vehicle retail market is shown in Figure 2.1. The motor industry transformation phases are described in relation to this example.

FIGURE 2.1

TRADITIONAL MOTOR INDUSTRY STRUCTURE



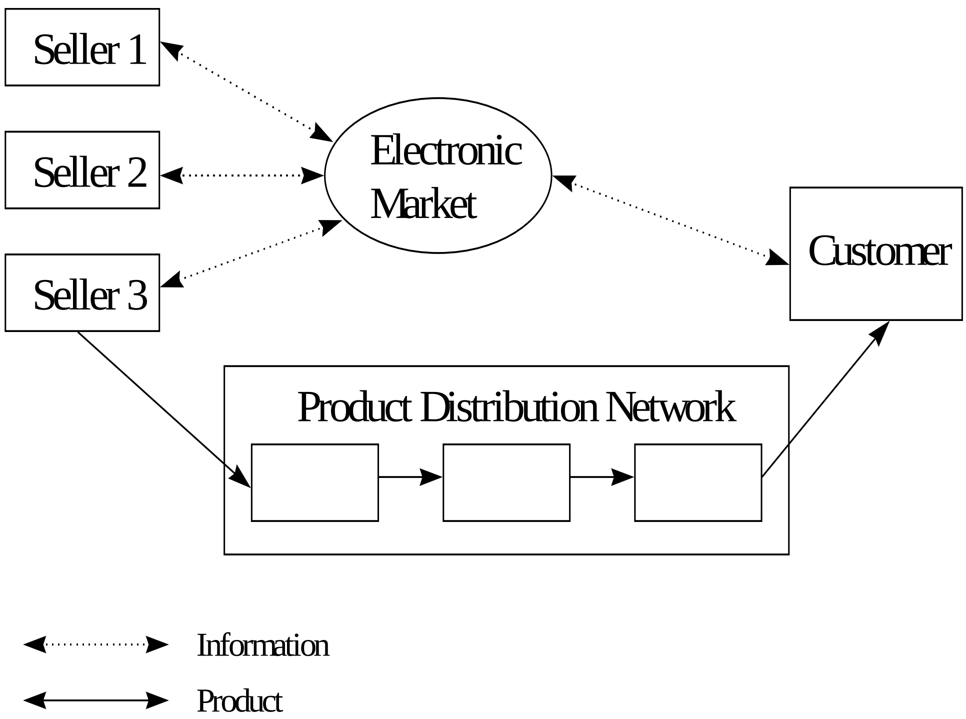
Source: Strader & Shaw, 1999: 78

In the traditional car market, the consumer explores different physical dealerships and learns about the cars available and their prices, quality and features. The consumer does this using a wide range of sources including advertising, travelling to dealers and so forth. At some point, the consumer ends his/her search because he/she realises that additional searching will probably not benefit them in comparison to the costs involved in searching, such as time and effort. Once the information gathered has been analysed, the consumer decides where to purchase the car. The car is then either purchased and transported home by the consumer or is delivered to them through a distribution network.

Electronic markets affect the consumer purchase decision process and according to Strader and Shaw (1999), the first phase in the transformation of the structure of an industry is the digitization of the market mechanism. This is described in Figure 2.2

FIGURE 2.2

MOTOR INDUSTRY WITH AN ELECTRONIC MARKET



Source: Strader & Shaw, 1999:80

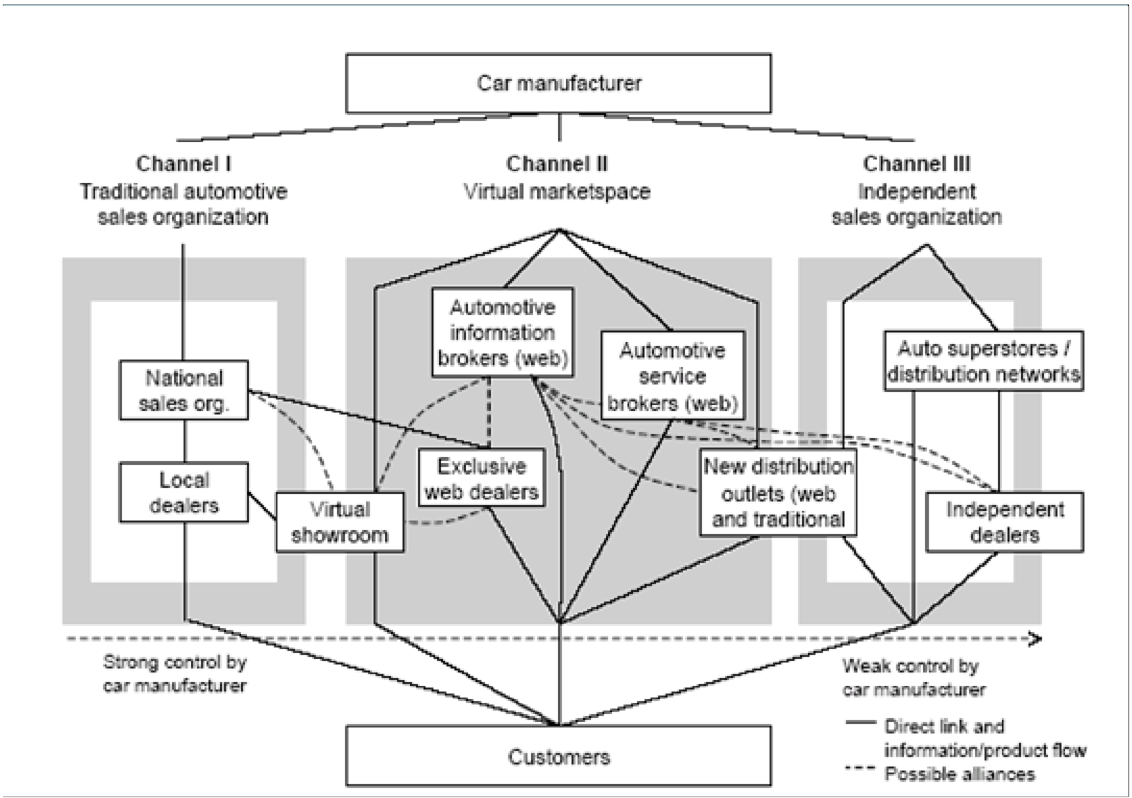
An electronic market offers a mechanism for reducing the search costs (money, time and effort spent to collect the car's price, quality and feature information) for consumers. The phenomenon "search" can be described as a buyer surveying various sellers to determine the most favourable price (Stigler, 1961). In addition the search reduces the probability that sellers will be capable of charging considerably higher prices than their competitors because the consumer is uninformed of the other prices. The outcome is that consumers can buy products for lower prices, intermediaries such as wholesalers are eliminated from the value chain, a new industry that provides access to electronic markets is created and firms that produce cars are able to maintain a profit margin comparable to the traditional markets (Strader & Shaw, 1999).

In this electronic market, car manufacturers are setting up virtual showrooms and exclusive dealers are using the Web to offer information and new services (Selz & Klein, 1998). Independent dealers use the Web aggressively to improve their market position and cybermediaries are reinventing aggressively to improve their market position (Campanelli, 2005) whilst revolutionising car promotion by providing abundance of information and access to the closest car dealer. Entirely new (Web-based) intermediaries have emerged due to the disintermediation effects discussed above (Selz and Klein, 2000): car service brokers and car information brokers. Firstly, car service brokers are companies such as DealerNet and Auto-By-Tel that offer online information, pricing and online quoting. They offer additional services like finance and insurance, in addition to a direct link to a car dealer in the consumer's region or of his choice. Secondly, car information brokers are companies such as Kelley Blue Book, AutoVantage, AutoTrader, Look4Cars. These companies offer online information, pricing and a broker service to bring together potential buyer and seller. However, they do not offer the possibility of online quotes or additional services. They are purely automotive information brokers.

Figure 2.3 illustrates the impact of these on the car industry. The black lines indicate the information flow. The dotted lines indicate some of the possible new alliances among the new virtual and physical independent dealers.

FIGURE 2.3

EMERGING DISTRIBUTION SYSTEM IN THE CAR INDUSTRY



Source: Selz & Klein, 1998: 65

This new electronic market and distribution network enables a wide range of seller and consumer activities to converge in one place, including marketing, order processing, distribution, payments and even product development processes that involve several separate firms. This makes these activities easier and more convenient while also reducing the costs involved. Beyond the cost benefits, cycle time for order fulfilment is minimised, which may result in improved consumer satisfaction (Selz & Klein, 1998).

The global telematics infrastructure facilitates additional functions that have not been provided by established dealers, in particular interregional price and service comparisons. These new cybermediaries supply this information at a premium to the final consumer (Dembeck, 2000). The players allow price and service comparisons within the product range of a single manufacturer, but increasingly offer side-by-side comparisons of different manufacturers of cars in the same category. As a result, online suppliers of information about cars, car related material and car sales have become more prevalent (Scott-Morton *et al.,* 2000). In contrast to digital products, vehicles require a physical infrastructure for storage and distribution. However, the web is used to make the sales process more efficient, to provide convenience and total care concepts from comparative vehicle information to financing and insurance and to facilitate different types of interaction between dealer and buyer. The above-mentioned automotive value web brokers have built extensive web-based information platforms, often linking the offerings of multiple dealers, to facilitate product comparison, to establish communication links between buyers and sellers and to facilitate transactions without the necessity to physically move either people or vehicles (Selz & Klein, 1998).

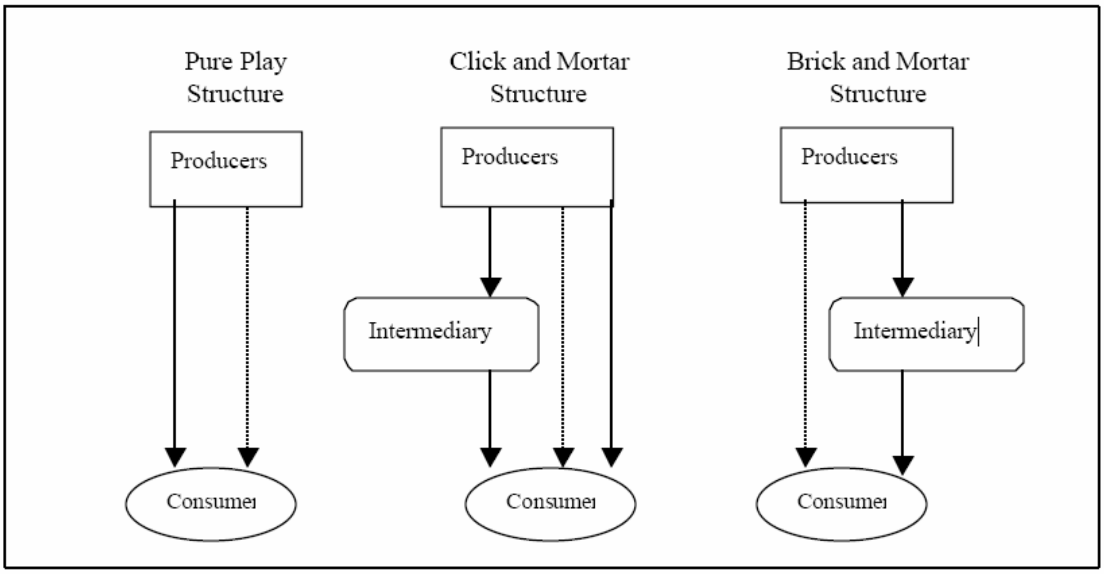
Looking at the online dealership, the argument that a consumer does not need to encounter a salesperson is far reaching. Since a car is a major purchase in any consumer's life, the need for human interaction in the buying process is always evident (Brynjolffson & Smith, 2000). Also the established distribution channels, salespersons and sales procedures seem to alienate many consumers (Steinfeld *et al.*, 2002). However, it must be kept in mind that the overall impact of electronic markets on the retail motor industry is not strictly cost reduction and disintermediation. It is more complex than that. New intermediaries and costs may be added to a value chain, but in many instances the potential benefits outweigh these costs. Hence many firms have turned to a combination of online and offline services that has triggered the evolution of the 'clicks and mortar' business model. Shoniregun (2004) states that businesses can make use of two different business models in using the Internet to support their consumers: either pure-play dot.coms or the 'clicks and mortar' structure. These will be discussed below.

2.5 Retailing models

Enders and Jelassi (2000) argue that, for the moment, it is rational to adopt a business model integrating both physical stores and online presence. According to Clarke and Flaherty (2004), three basic structures illustrated in Figure 2.4 exist for firms who employ the Internet in their channel strategy. They continue by describing two models of retailing: off ('Bricks and mortar') and online ('Pure-play'), and put forward an argument regarding the convergence of these two models (‘‘clicks and mortar’’). Though all firm structures shown use the Internet to communicate directly with consumers, only two allow selling directly to consumers.

FIGURE 2.4

STRUCTURES USING THE INTERNET FOR COMMUNICATION AND SALES



Source: Clarke & Flaherty, 2004: 76

2.5.1 Offline Model of Retailing

This conventional model of retailing is based on a ‘bricks and mortar’ store where the seller interacts face to face with the consumer. In this model, the Internet may sometimes be used to communicate with potential consumers (Clarke & Flaherty, 2004). This model has several advantages over the Internet model. Bearing in mind that many physical retailers have been in business for decades, they have a reputable and established brand name and, in addition, they have an established consumer base that can be hard to match for new online enterprises on the market. Furthermore, physical retailers have an active distribution infrastructure and often have a substantial bargaining power against their suppliers, owing to larger purchased quantities. However, the most significant benefit is the shopping experience they can provide. Disadvantages comprise the high investment in physical infrastructure necessary to access new markets and grow geographically and the limited hours of business (Enders & Jelassi, 2000).

2.5.2 The Internet Model of Retailing

Firms known as pure-play or dot.coms, communicate with and distribute directly to their consumers over the Internet and have no other forms of communication or distribution (Applegate, 2000) (e.g. Amazon.com). The Internet model of retailing usually permits the consumer to access online information concerning a product, place an order, handle payment and in the case of digital goods, even get it delivered (Clarke & Flaherty, 2004). Online retailing has particular benefits over traditional physical retailing. The Internet offers a broad reach that is hard to achieve by physical retailers, and online retailers can put forward a large selection of products owing to practically unrestricted storing capacity on their websites (Day & Kauffman, 2002). Given that the information about the products is stored electronically on the websites, there are hardly any physical infrastructure requirements. Furthermore, in order to respond to an increasing number of consumers, online retailers only need to expand their server capabilities and online stores are also available 24-hours a day, all year round (Enders & Jelassi, 2000). However, the pure Internet retailers do not always have the advantage, as often portrayed. The main shortcomings include the complexity of establishing a strong brand name on the Internet, owing to the large investment in advertising required and the large number of competitors found on the Internet. There are also problems with physical flow, such as fitting and trying out products, merchandise delivery and product returns (Jones, 2001). A company with a physical representation is more easily trusted by consumers, challenging Internet retailers to establish trust in consumer relationships (Enders & Jelassi, 2000).

2.5.3 The Convergence of the Two Retailing Models

With the aim of benefiting from the advantages of both models, and eliminating the disadvantages, the emerging trend in the industry is a blend of these two models (Campanelli, 2005). ‘Bricks and mortar’ retailers have hesitated to set up business purely online due to fear of eradicating their own sales. Nevertheless, many have now become conscious of the fact that if they are not ready to use Internet technologies, someone else will do it instead of them (Enders & Jelassi, 2000). Further, the expected expansion of e-commerce rationalises investments in this emerging marketspace. For products such as cars that are impossible to deliver online, the Internet provides a significant source of information. Traditional physical retailers are able to steer clear of the drawbacks linked with physical flow, seeing as they have already established physical outlets where products can be tested or returned. Retailers, who already boast a well-known brand, have the advantage of having established trust in the online market. There is also a lower cost in attracting online consumers as opposed to purely online retailers, because physical retailers can utilise their established consumer database to support their online presence (Charles, Isa and Balraj, 2002). The most important challenges for physical retailers establishing business online include organisational restructuring and acclimatising the existing distribution infrastructure to the new requirements (Kisiel, 2003). Numerous physical retailers are used to distributing large consignments to their retail outlets. Selling to the end consumer online requires an adaptation to micro-demand needs, or the establishment of a detached infrastructure that solely processes online orders. Further, to facilitate success for e-commerce competitors, physical retailers need to make their processes and decision-making more flexible to equal the speed of the Internet industry. If physical stores continue to be an important part of the shopping experience, those retailers who manage to incorporate their physical and online presence in the market will attain an advantage in the future marketplace (Enders & Jelassi, 2000). Hence, many companies are setting up these ‘clicks and mortar’ firms that combine their online existence with their offline existence and sell directly to the consumer online, as well as through physical locations. ‘Clicks and mortar’ commerce entails the utilisation of both virtual and physical presence to meet the needs of buyers. Physical presence includes any assets that enable potential buyers to interact in person with a firm's personnel or on a firm's premises in the support of an economic exchange (Campanelli, 2005).

2.5.3.1 The ‘clicks and mortar’ business model

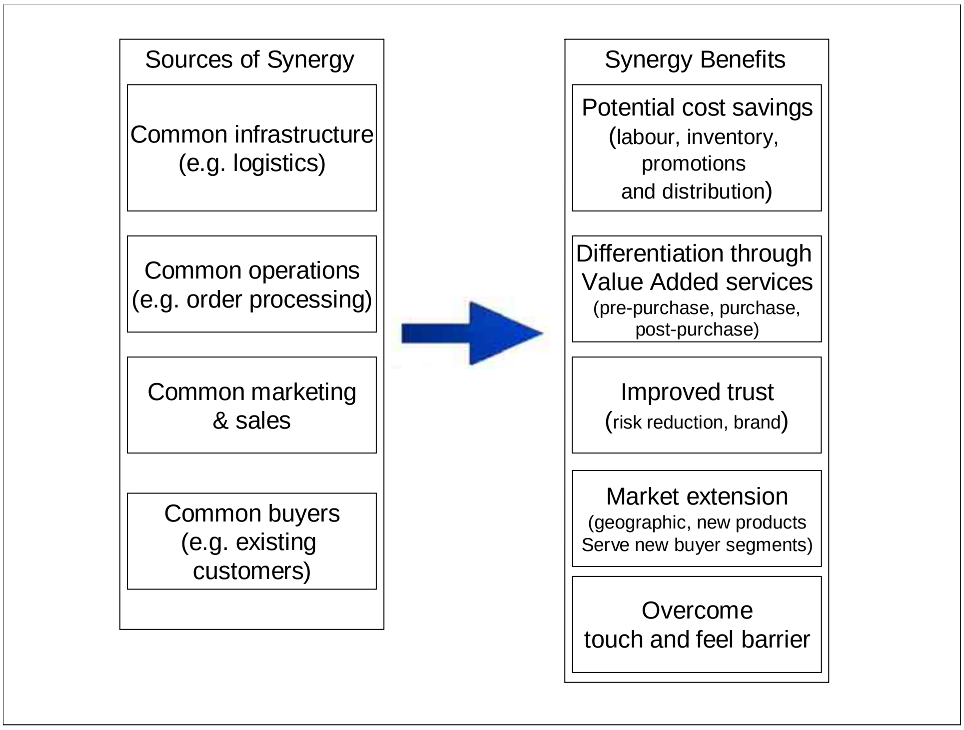
Steinfield and Whitten (1999), in explaining why firms seek to shift to the Internet as their distribution channel, offered among others, the following reasons for web-based companies to succeed over those confined to physical locations: Access to a wider potential market, lower costs because a building or rented space in each market is not required, and they may operate with less or no inventory, while still offering a much higher level of product selection than any physical firm, better economies of scale arising from a larger consumer base and, finally, the ability to offer 7-day and 24-hour access with little additional cost. These advantages can potentially enable Web-based retailers to easily undercut the prices of local retailers who formerly faced little or no competition. Hence, authors such as Thompson and Youanyou (2005) arrived at the prediction that due to lower operating and transaction costs, the Internet eliminates the distance factor and the need for physical presence that formerly served as a barrier to entry in any given geographical market.

Empirical research carried out by Steinfield and Klein (1999); Steinfield, Mahler & Bauer (1999) and Steinfied, DeWit, Adelaar, Bruins, Fielt, Hoefsloot, Smit & Bouwman (2000) criticizes the expectation that virtual firms will drive out physical ones and make distance irrelevant. Rather, many authors believe that a number of traditional enterprises have moved to integrate e-commerce into their channel mix, using the Internet to supplement brick and mortar retail channels (Campanelli, 2005; Goldsmith & Flein, 2005; Otto & Chung, 2000; Clarke & Faherty, 2004; Steinfield *et al.*, 2001; Steinfield, Adelaar, & Lai, 2002). In these works, the authors emphasise the theoretical advantages of hybrid (i.e. physical and virtual) approaches to electronic commerce, explaining the emergence of "clicks and mortar" strategies in the past year (Lindsay, 1999).

The ‘clicks and mortar’ option offers an advantage in areas of business where it is better to retain ties to a physical location and leverage competencies and assets. Hanson (2000) states that, in addition to the transaction cost advantages offered by e-commerce, there are many economic advantages that virtual firms enjoy over physical firms. Web-based businesses are perceived to hold many operational, cost, scale and scope advantages over firms confined to physical channels (Wigand, 1997).

To further understand these advantages, a framework can be derived from a combination of classic competitive advantage and inter-organisational networks theories (Johnston & Vitale, 1988; Bakos & Treacy, 1986; Porter & Millar, 1985; Porter, 1985), transaction cost theory (Malone *et al.*, 1987; Bakos, 1997) and research that takes into account the advantages of local physical presence (Steinfeld & Klein, 1999). The framework highlights that ‘clicks and mortar’ firms can benefit from synergies arising from interrelationships across tangible and intangible assets in order to obtain numerous synergy benefits. These are illustrated in Figure 2.5 below.

FIGURE 2.5: SOURCES AND BENEFITS OF 'CLICKS AND MORTAR' SYNERGIES



Source: Porter, 1985: 65

Porter (2002) says 'clicks and mortar' firms have a number of potential sources of synergy not necessarily available to pure Internet firms or traditional firms without an e-commerce channel. Potential benefits that click and mortar firms may achieve when synergies between the Web and existing physical assets are exploited are increased differentiation through value-added services, improved trust, geographic and product market extension, overcoming the touch and feel barrier and lower costs (Porter, 1985). These will now be discussed.

2.5.3.1.1 Differentiation through value-added service

Physical and virtual channel synergies can be exploited in various ways to help differentiate products and add value in various ways without necessarily increasing costs. According to Shapiro and Varian (1999), many opportunities for differentiation arise from the use of the virtual channel to offer information and services that complement the goods and services offered in physical outlets. Charles, Isa and Balraj (2002) state that offering pre-purchase conveniences such as the opportunity to make advance orders and reservations can, depending upon the product or service, help to enhance value for consumers. Various forms of after sales service (e.g. installation and repair, accessories, instructions and tutorials for effective use, etc.) and loyalty programs can also differentiate one provider from another while bringing in revenue (Charles *et al.*, 2002).

2.5.3.1.2 Reduced Risk through trust

'Clicks and mortar' firms have enhanced opportunities to build trust and therefore reduce risk due to their physical presence in the markets they serve. A commonly cited impediment to online shopping is consumers' lack of trust in the legitimacy of the web-based store (Torkzadeh & Dhillon, 2002; Susie, 2004). The fact that there is a recognized physical entity reduces the perceived risk that the virtual site is counterfeit. According to Youl (2004), reasons for improved trust, relative to pure Internet firms, derive from the physical presence of 'clicks and mortar' firms, including reduced consumer risk and the ability to leverage brand awareness. Lower perceived risk results from the fact that there is an accessible location to which goods can be returned or where complaints can be registered (Youl, 2004). Marketing theorists have long recognized the power of branding as a means of building consumer confidence and trust in a product (Doney & Cannon, 1997) thereby reducing risk. Established firms are able to leverage their familiar name to make it easier for consumers to find and trust their affiliated online services (Coates, 1998).

Davies *et al.* (2001) state that companies can be embedded in a variety of social networks (e.g. as a sponsor of youth organisations), which can enhance trust (Steinfield *et al.*, 1999; Einwiller, 2000). According to Granovetter (1985), such social relations often facilitate trust, permitting exchanges without expensive contracts or legal fees and thereby reducing costs. McKnight *et al.* (2002) show that, particularly for risky transactions, consumers are likely to rely on social ties as a governance mechanism. Hence, 'clicks and mortar' firms that pursue this approach would rely extensively on their physical presence and social embeddedness to build trust and would feature these forms of community connection prominently on their virtual channels.

2.5.3.1.3 Geographic and product market extension

Steinfeld *et al.* (2001) state that adding a virtual channel can help to extend the reach of a firm beyond its traditional physical outlets, addressing new geographic markets, new product markets and new types of buyers. Those in other geographic markets may be new or former consumers who have moved away (Steinfield *et al.*, 2001). Virtual channels can also extend the product scope and product depth of physical channels by allowing firms to offer new products that they do not have to physically stock locally. Moreover, firms may add new revenue generating information services online that it would not be practical to offer in physical outlets. Finally, the Internet may help to reach consumers within an existing market who may not have visited the physical outlet, but are otherwise attracted to the virtual channel due to its special characteristics (Anderson, Day, & Rangan, 1997).

2.5.3.1.4 Overcoming the touch, look and feel factor

According to Javernpaa and Todd (1997), product quality is hard to evaluate online, especially for “look and feel” products such as cars. They state that despite the reduced search costs for price information, consumers may feel troubled in evaluating non-price attributes online. They further note that the colour and style of a car may not be exactly as it appears when displayed on the computer screen. Therefore, the online medium can facilitate an information search, but may impede the evaluation of product options in terms of non-price attributes. According to Lee (1998), product quality uncertainty arises when transacting parties do not have access to the same information about the product’s quality. In the ‘bricks and mortar’ model, people get to know the quality of products by “kicking the tires” or in other words, test driving the product, but when consumers view a listing on a website, they may not have easy access to information regarding the true quality of the product and may therefore be unable to judge product quality prior to purchase (Fung & Lee, 1999). The difference between the amounts of information the two transacting parties possess is referred to as information asymmetry. Buyers in online marketplaces have to rely on electronic information without having the ability to physically inspect the product; hence they are vulnerable to additional risks because of the potentially incomplete or distorted information provided by sellers (Thompson & Younyou, 2005).

2.5.3.1.5 Lower costs

According to Porter (1985), cost savings may occur in a number of areas, including labour, inventory, marketing/promotion and distribution. When virtual and physical channels are harmonised effectively, a number of potential savings become possible, particularly involving labour costs. Labour savings result when costs are switched to consumers for activities such as looking up product information, filling in forms and relying on online technical assistance for after-sales service. Consumers are willing to take on these tasks for the increased convenience and control that the virtual channel offers. Sales personnel can then shift their activities from order taking (e.g. as in typical call centres) to order generation or higher-margin sales activities. Inventory savings arise when firms find that they can avoid having to stock infrequently purchased goods at local outlets, while still offering the full range of choices to consumers via the Internet (Goldsmith & Flynn, 2005).

Finally, in terms of delivery costs, ‘clicks and mortar’ firms have a cost advantage over all-virtual firms (Clarke & Faherty, 2004). The ‘clicks and mortar’ firm with a physical outlet in the community can offer goods with no delivery charge, using their physical presence as the collection location. If they do offer delivery, there may be some savings if the delivery is initiated from the local point of presence. It has been stated that these lower costs may often lead to lower prices. However, the lower prices hypothesis adds that there are other reduced costs induced by the Internet, such as lower search costs, that also contribute to lower prices online. This hypothesis will now be discussed.

2.6 Price

Since the beginning of e-commerce, the impact of the Internet on pricing and competition has been vigorously debated by both practitioners and academics. A number of authors, such as Tang and Xhin (2004), Maxwell (2003) and Clay, Krishnan, Wolf and Fernandes (2002), have argued that the increasing availability of price and product information in online markets would create highly competitive, "friction free" commerce where search technologies would allow consumers to find the best possible price for a product and would thus promote buying directly from producers thus eliminating the middle-man. For instance, Combes and Patel (1997:134) describe the consumer environment for Internet-based travel services as adding:

"a whole new level of convenience and ubiquity to the shopping experience. Consumers are empowered with the ability to price and compare features with ease. They can inquire about various aspects of a travel destination without having to speak to a travel agent or they can quickly and simply find the lowest fare to Las Vegas."

These types of arguments have also been supported theoretically and by case examples in the context of e-commerce (Malone *et al*., 1987; Bakos,1997; Clemons & Hitt, 2001) and are consistent with predictions of the economic theory of search as search costs drop to zero (Stigler, 1961; Salop & Stiglitz, 1976). One of the implications of the Internet on the car retail market has been improved transparency where consumers have access to vast quantities of information and, in so doing, are better informed regarding prices in the car market. Added to this market transparency, one of the main advantages of online retailing for businesses and consumers is that both parties are no longer limited by the geographical restrictions that limit their options in traditional retailing (Clay *et al.*, 2002). Campanelli (2005) states that Internet retailers are able to reach any individual that has access to the Internet, and, because the costs of providing information on a website do not vary with the geographical location of consumers, the Internet allows retailers to keep up an expansive consumer base. Supporting this argument, Torkzadeh and Dhillon (2004) reported that, in 2004, the top ten U.S. websites received more than thirty percent of their traffic from outside North America. A consumer's search for a particular good is greatly facilitated by the ability to simply type in a new URL (uniform resource locator, i.e. website address) rather than having to travel to another location (Torkzadeh & Dhillon, 2004).

The efficiency of consumer searches is further improved by the development of search engines, or shop-bots, which are “automated software agents that simultaneously query many stores” to return a list of results for easy price comparison by the consumer (Montgomery, 2004). By doing this, they reduce buyer search costs for product and price information by at least 30-fold compared to telephone-based shopping and even more, compared to physically visiting the retailers (Brynjolfsson & Smith, 2000). The following section discusses the hypothesis that the Internet will bring about a reduction in prices.

2.6.1 Lower price hypothesis

The above mentioned increased market transparency and efficiency of consumer searches has lead to the hypothesis that competition in electronic markets, such as the online car retail market, will take the form of Bertrand competition (Bertrand, 1883), where firms compete purely on prices resulting in *lower prices* and reduced industry profitability (Wiseman, 2000). In the classic Bertrand model of price competition, products are perfectly homogeneous in commodity markets (implying that the role of an electronic marketplace is to provide information about the existence and the price of a seller) retailers are afforded no spatial advantages in attracting consumers and consumers are informed of all prices. The model implicitly assumes that buyer search costs on the part of the consumer are either negligible or altogether nonexistent. Buyer search costs in economics literature are defined as the cost incurred by the buyer in locating an appropriate seller and purchasing a product (Benslimane, Plaisent & Bernard, 2005).

According to the Bertrand model, in a market of undifferentiated goods, conditional on negligible search costs and the given assumptions being satisfied, the result is that competition occurs only in price and consumers buy from the lowest priced retailer, a price equal to marginal cost (Pindyck & Rubinfeld, 1995). In economics literature, where sellers set prices in retail markets, efficiency occurs when prices are set equal to the retailer’s marginal cost. Marginal cost pricing is the pricing of a product so that it covers the cost of producing one extra unit of that product. It is the efficient outcome since pricing above marginal cost excludes deals from consumers who value the product at a level between the price and the marginal cost (Pindyck & Rubinfeld, 1995).

The most cited reason why one might expect electronic markets to be more efficient than conventional markets is a reduction in information asymmetries that arise from lower search costs (Rowley, 2000). Asymmetric information theory assumes that one party to a transaction (e.g. a firm) is better informed than the other (e.g. a consumer) (Wiseman, 2000).

Stiglitz (1979) further argues that, when there is asymmetric information consumers are inclined to deal with firms with a relatively stable online presence and avoid firms that make frequent or large changes. Brynjolfsson and Smith (2000) state that consumers use brands as a proxy for a retailer's and product's credibility with respect to service quality, since they do not have other sources of information for the company or product. Blinder *et al*. (1998) assert that this theory appears only to be relevant for the luxury product market (e.g. cars) or perhaps for certain niche markets for clothes or food. If electronic markets allow consumers to more easily determine retailers' prices and product offerings, these lower search costs will lead to lower prices for both homogeneous and differentiated goods (Bakos, 1997). Due to increased market transparency, Montgomery (2004) says it is likely that shop-bots and search engines have created new pressures that diminish information asymmetries around product prices, descriptions and quality.

As stated earlier on, in addition to these low search costs, low entry costs or low operational costs could also lead to lower equilibrium price levels on the Internet. One extensively discussed characteristic of Internet channels is low entry costs for Internet retailers (Zettlemeyer, Scott-Morton & Silva-Risso, 2003). According to this view, an Internet retailer needs only a web page and a relationship with car dealers and distributors to effectively "enter" the market. Lower entry costs should therefore lead to more entries and even the mere threat of entry (Milgrom & Roberts, 1982) should lead to lower prices. In the same way, Internet outlets may have lower operational costs than conventional outlets. Zettlemeyer, Scott-Morton and Silva-Risso (2003) believe that it is possible that an Internet sale is less costly to carry out than a conventional sale. Online buyers may be low cost because they have searched already (perhaps test-driving at another dealership), have decided what car they want, and are ready to buy. Therefore, the dealer may be able to spend less time selling and bargaining. Since Internet sales typically are performed by an "Internet Sales Department" with profit and loss responsibility separate from conventional sales, Zettlemeyer, Scott-Morton and Silva-Risso (2003) expect that these lower operational costs in that department might translate into lower equilibrium prices for cars sold to Internet consumers in the long run.

Empirical evidence supports the hypothesis that increased transparency will lead to lower prices online. There exist several empirical studies of the impact of electronic markets on car prices. Scott-Morton, Silva and Zettelmeyer (2000) found that the average consumer pays approximately 2% less for cars bought using online services, compared to traditional channels, which is about one quarter of the average dealer margin in the United States. According to the authors, consumers will benefit from buying online even though dealers will not offer different prices to online and offline consumers. However, because of reduced search costs, the Internet facilitates the location of the cheapest dealer in the area, reducing average prices. Scott-Morton *et al.* (2000) found that dealers' gross margins from sales through the Internet channel are considerably lower than gross margins earned selling vehicles in the traditional way. However, because online consumers are cheaper to serve, the Internet effect makes dealers better off working through the Internet channel. This indicates that the online branch is able to retain part of the value created on the supply side through reduced transaction costs.

Furthermore, two studies of 700,000 vehicle purchase records from 1999 followed up in 2002 with a post-purchase matched survey to 1,500 buyers, conducted by researchers Zettelmeyer, Morton and Silva-Risso (2003) show that on average online vehicle shoppers buy their vehicles for less than if they had shopped and purchased a vehicle in the traditional manner. Reasons given for the lower prices were relationships held by established online retail companies such as Autobytel with their car dealers, insurance firms and finance companies. The studies conclude that this advantage is the result of information and competition: the Internet informs consumers about the pricing of new vehicles and online buying services exert pressure on dealers by directing business to affiliated-dealerships and away from unaffiliateddealerships. Furthermore, Clay, Krishnan and Smith (2001) also suggest that buying a new car directly online can be significantly cheaper than buying offline, due to the fact that an online retailer will have lower overhead costs and less staff to pay for than an equivalent offline dealer. This is then usually passed on to the consumer in the form of cheaper prices. This implies that prices for cars online will usually be lower than in traditional markets allowing firms, through creative pricing mechanisms, to appropriate some of the value created by the Internet.

Now that the concepts of disintermediation and the resulting usage of the ‘clicks and mortar’ business model have been explained, the focus will now turn to the importance of trust in the online arena. As has been identified earlier in this chapter, the Internet allows businesses to create low cost or more efficient channels for product sales or to create new business opportunities. Having placed motor vehicles in the experience category of goods, the success and acceptance of most online car retailers depends on several factors, especially trust. In the following section, the role of trust is examined and what role branding plays in the successful use and adoption of electronic commerce applications. Bart *et al.* (2002) state that for sites dealing with high involvement items such as cars, brand is an important attribute in that brand association with the item and the web site may be quite strong. Thus, brand strength could be a more effective driver of online trust for such categories than other categories such as homogenous goods.

2.7 Trust

Before discussing the meaning of brand and the role it plays in the different stages of a commercial trust building relationship between company and consumer, the concept of trust will be clarified with regard to the topic under discussion and the stages of trust development in a commercial relationship will be described.

2.7.1 Defining Trust and Commitment

Morgan, Hunt and Shelby’s (1994) Commitment – Trust Theory stipulates that successful relationship marketing requires commitment and trust. They posit that trust is a key variable in the establishment of a relationship and is the main antecedent to commitment. Relationships that are characterised as high trust are highly valued by exchange participants. Thus, exchange participants are more willing to commit to a relationship if trust is present (Morgan & Hunt 1994). Rousseau, Sitkin, Burt and Camerer (1998: 395) state that despite problems defining in trust "scholars do appear to agree fundamentally on the meaning of trust." In their analysis of contributions to the special issue on trust in organisations of the Academy of Management Review (1998), they observed that the basic elements of the definition of trust are similar across various areas of research and theory. Specifically, there is agreement on two conditions that must exist for trust to arise: risk and interdependence (Morgan *et al.*, 1994). Risk has been called the element "that gives the trust dilemma its basic character" (Johnson-George & Swap, 1982: 1307). Trust and risk are closely interrelated (Mayer, Davis & Schoorman, 1995). Risk is the core of trust in that trust is the degree to which a consumer holds a positive attitude toward the company's goodwill and reliability in a risky exchange situation (Gambetta, 1988). If there was no risk, actions could be taken with complete confidence and no trust would be needed (Lewis & Weigert, 1985). Interdependence is the second crucial feature. Trust develops out of the interdependent nature of an activity, where one party relies on another, or perhaps many others, to achieve desired results (Rousseau *et al.*, 1998). Risk and the nature of trust vary depending on the level of perceived mutual dependence (Sheppard & Sherman, 1998).

Rousseau *et al.* (1998) drew out another significant component that was reflected in various trust definitions across disciplines and theories. This component is labelled "confident expectation", "willingness to be vulnerable", "willingness to rely", or a "positive attitude". Rousseau *et al.* (1998) devised the following definition of trust that has reached wide acceptance based on a blend of the various, but to a certain extent, similar definitions of trust: "Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectation of the intentions or behaviour of another" (Rousseau *et al.*, 1998: 395). Trust therefore embodies consumer belief in actually receiving a promised service and a manifestation of the consumer's confidence in an exchange partner's reliability and integrity (Morgan *et al.*, 1994).

This element of risk, described earlier, is particularly distinct in electronic commerce as opposed to traditional commerce (Einwiller, 2000). Risks frequently cited by online consumers consist of security of credit card information, the protection of privacy (consumer data), the proper delivery of goods and services and the correct transmission of data (Corner, Thompson, Dillon & Bill, 2005). According to Clarke (1997), a key reason for trust being a substantially different challenge online (in comparison with the physical world) is that the parties have little knowledge about one another and cannot depend on such confidence-engendering measures as physical proximity, handshakes, body language, a common legal jurisdiction or even necessarily any definable jurisdiction (Clarke, 1997). Therefore, Clarke (1997) defines online trust as "an individual's belief in the competence, dependability, and security of the online computer system under conditions of risk." This definition will also serve as the definition of trust in this chapter.

Relationship commitment is defined in the literature as "an enduring desire to maintain a valued relationship" (Morgan & Hunt, 1994, 23). The concept of commitment has long been part of the social exchange literature (Morgan and Hunt, 1994). Three elements of a firm can be the focus of commitment: firstly the firm itself, secondly the firm's brand and thirdly the firm's employees. Commitment is an important component of marketing relationships (Morgan and Hunt, 1994). Essentially, commitment captures the buyer's desire to maintain a relationship with a particular vendor and reflects the strength of relationship the buyer has with the buyer's representative.

2.7.2 Consequences of Trust

The consequences of trust are a long-term exchange relationship (Ganesan, 1994) and cooperation (Morgan *et al.*, 1994). With regard to long term relationships in an e-commerce context, trust is the social lubricant that facilitates the meeting of consumers and unfamiliar firms on the Internet. Online retailers that engender trust not only improve the consumers' attitude toward shopping at the store, they can also moderate the relationship between risk and attitudinal orientation of the consumer toward the website. In other words, the effect of risk on attitudes towards a seller is mitigated because trust generates confidence that a consumer can deal with the seller successfully, regardless of the potential negative consequences (Das and Teng, 1998).

Cooperation is the only outcome theorised to be influenced directly by both relationship commitment and trust (Gaflou & Peven, 2004). A partner committed to the relationship will cooperate with another member because of a desire to make the relationship work. Both theory and empirical evidence indicate that trust also leads to cooperation. Deutsch's (1960) findings, using prisoner's dilemma experiments, suggest that the initiation of cooperation requires trust and Pruitt (1981) suggests that a party will undertake high-risk, coordinated behaviours if trust exists.

In the next section, the development of an interpersonal relationship and hence trust, which includes the relationship between an individual and a firm, will be described drawing on the literature from the field of psychology and organisational studies.

2.7.3 Factors Contributing to Trust

Various efforts have been made to explore the foundations of trust that lead to the state of positive expectation. McKnight and Chervany (2000) developed an inclusive conceptualisation of trust after an analysis of sixty-five definitions of trust from a variety of disciplines. Within this conceptualisation the authors highlight the underlying dimensions that lead to a person’s trusting behaviour, which clarifies the concept of the willingness to depend and the subjective probability of a person depending on an exchange partner. Willingness to depend implies that one is willingly prepared to make oneself vulnerable to the other person in a situation by relying on them (Dobing, 1993). Here, the online consumer is willing to depend on the online retailer to do their part of the transaction in a proper and efficient way. Subjective probability of depending is the extent to which one forecasts or predicts that one will depend on the other person (Currall & Judge, 1995). This means that the consumer expects that they will rely or depend on the online retailer in the future.

The underlying dimensions that lead to trusting behaviour are, firstly, a person’s *disposition to trust*, meaning a tendency to be willing to depend on or become vulnerable to other people (Rotter, 1971); secondly, *institution-based trust*, the estimation that the needed conditions are in place to anticipate a successful outcome in a transaction, or trust built on third party structures and, thirdly, *trusting beliefs*, beliefs that the other party has one or more traits desirable to one in a given situation with the sub-constructs trusting belief-competence, trusting belief-benevolence, trusting belief-integrity, and trusting belief-predictability. Trusting beliefs positively influence trusting intentions (Gefen & Straub, 1999; McKnight *et al*., 2002). In Internet shopping environments, trusting beliefs, which have also been referred to as "trustworthiness" by Mayer, Davis and Schoorman (1995), are a consumer's perceptions of particular characteristics of Internet stores, including the abilities, the integrity and the benevolence exhibited by the stores when they handle the consumers' transactions (Youl, 2004; McKnight *et al.*, 2002).

McKnight and Chervany (2000) argue that institution-based trust helps engender trust in e-commerce. McKnight and Chervany (2000: 831) conclude from their analysis that an important element of trusting behaviour is a feeling of security, meaning "one feels safe, assured, and comfortable (not anxious or fearful) about the prospect of depending on another." In order to encourage a person to develop an optimistic expectation of the company and eventually show trusting behaviour, a firm has the option to influence a person's trusting beliefs as well as his/her institution-based trust. These two constructs can potentially be subject to attitude change, whereas a person's disposition to trust can only be taken into account, but not be influenced by a company (Einwiller, 2000). Therefore, a person's disposition to trust shall not be further considered here. Institution-based trust is especially suited to online environments where buyers predominantly transact with new and unknown sellers under the protection of trusted third parties, who provide an institutional context. These trusted third parties are a means to mitigate transaction risks, build a trustworthy marketplace and encourage online shopping (Gaflou & Peven, 2004).

Furthermore, considering the more recently developed trust literature in marketing, there are two major mediating factors of trust that need to be explained. Firstly, communication directly influences trust and, secondly, opportunistic behaviour directly influences trust (Einwiller, 2000).

A major mediating factor of trust is communication, which "can be defined broadly as the formal as well as informal sharing of meaningful and timely information between firms and consumers" (Anderson & Narus, 1990: 44). Communication, particularly timely communication (Moorman, Deshpande & Zaltman, 1993), promotes trust by helping to resolve disputes and align perceptions and expectations (Etgar, 1979).

The concept of opportunistic behaviour from transaction cost analysis literature is defined as "self-interest seeking with guile" (Williamson, 1975: 6). As described by Rempel (1985: 83), opportunistic behaviour “occurs where one party takes advantage of his superior knowledge, in order to further his/her interests, by failing to disclose such information to the other party.” Zucker (1986) suggests that when a consumer believes that a company engages in opportunistic behaviour, such perceptions will lead to decreased trust. Einwiller (2000) believes that such behaviour results in decreased relationship commitment because partners believe they can no longer trust each other.

2.7.4 Importance of Trust Online

Many consumers have a negative perception of second-hand car dealers and thus approach online systems of such companies with a negatively biased trust value (Fogg *et al.*, 2001). This is because in the case of the purchase of a used car, there is information asymmetry (Hoffman, *et al.*, 1999) that arises from the fact that the used car dealer has information about the actual nature of the used car, information that is generally not available to the buyer at the time of purchase. The used car dealer can use this asymmetry of information to his advantage by holding back relevant information and selling "lemons" (poor quality cars) at inflated prices (Akerlof, 1970).

From the buyer's point of view, asymmetry of information when buying a used car leads to uncertainty about the behaviour of the online seller. If he buys a car of apparently higher quality at a corresponding price, despite this uncertainty, the buyer accepts the risk that he may undergo financial loss if the dealer should prove to be dishonest (Akerlof, 1970). In situations such as this, there are a number of possibilities open to the buyer to reduce a risk that is too high. Firstly, the buyer can keep the negative consequences should the dealer be dishonest, to a minimum by simply not paying high prices (Bhatnagar, Misra & Rao, 2000). A second possibility is to shift the risk from the buyer to the seller by providing compensation in case something goes wrong. This reduces the probability of any dishonest action on the part of the seller (Butler & Peppard, 2001).

An important reason why online consumers are reluctant to shop online is because of the basic lack of faith that currently exists between most businesses and consumers on the Web. In essence, "consumers simply do not trust most Web providers enough to engage in relationship exchanges with them" (Hoffman, Novak & Peralta, 1998: 83). Trust is not only a short-term issue but the most significant long-term barrier to realizing the potential of e-commerce to consumers.

Due to the essential role trust plays for the development of e-commerce, it is vital to analyse the factors that are pertinent for the emergence of trust problems in transactions between online-retailers and consumers. Buying on the Internet presents many risks to consumers, over and above the transaction process itself, being perceived as risky (Einwiller, Geissler & Will, 2000; Einwiller & Will, 2001).

Additionally, online transactions often do not involve the simultaneous exchange of goods and money: spatial and also temporal separation between exchange partners is common (Hoffman *et al.*, 1999). Because of the fierce competition in electronic markets, the online consumer is inundated with a numerous similar offerings to choose from and overwhelmed by conflicting marketing messages. The online consumer cannot personally inspect products or services during the shopping process. There is little assurance that the consumer will get what she or he sees on the computer screen, at a certain time and in the quantity ordered. Having only limited cognitive resources available, consumers seek to reduce the uncertainty and complexity of transactions and relationships in electronic markets by applying mental shortcuts. One effective mental shortcut is trust, which can serve as a mechanism to reduce the complexity of human conduct in situations where people have to cope with uncertainty (Luhmann, 1989). Research has shown that trust plays a key role in buying processes where consumers especially look for the experience and credence qualities of goods or services.

In a clear indication of this relationship, a study done by Kasper-Feuhrer and Ashkanasy (2001) on consumer trust online, revealed that consumers displayed a lack of trust in e-commerce websites. The study revealed that 15 percent of the consumers who bought online in 2002 did not purchase online in 2003 and only 50 percent of the dropouts from 2003 returned to make a purchase in 2004. In another study by Cheskin Research (1999), using a combination of 463 quantitative web user surveys and an audit of 60 current e-commerce sites, it was identified that 35 percent of non-buyers (i.e. those who have never bought any products online) in North America surveyed had abandoned a shopping cart while shopping online because they were concerned about providing their personal information, and 24 percent had done so due to fears about credit card fraud (Kelley, Rhinelander & DeMoulin, 2001). Likewise, numerous academic studies have suggested that trust has a positive influence on purchase intentions (Jarvenpaa, Tractinsky & Vitale, 2000; Lim, Sia, Lee & Benbasat, 2001; Wetsch & Cunningham, 1999) and actual buying decisions (Lim *et al.*, 2001). Considering the empirical and theoretical evidence above, lack of trust seems to be one of the key barriers to online shopping; therefore examining how to improve consumer trust may prove to be beneficial to both consumers and online retailers.

Bart, Shankar, Sultan and Urban (2005) found that brand is a significant determinant of online trust for all categories of websites, especially for cars, financial services, computers and community sites. They hypothesised that brand is an important driver of online trust for categories with high involvement/high ticket price and for those involving high search effort. Automobiles, financial services, and computers are examples of such high-involvement/high ticket price items that need high consumer search. Considering this fact, online retailers of cars face a challenge to ensure trust online in order to gain a competitive advantage.

2.8 Branding

As has been briefly described in the introduction, a company’s brand has been regarded as a crucial factor for creating trust in organisations by researchers from marketing (Doney & Cannon, 1997; Ganesan, 1994), electronic commerce (Jarvenpaa & Tractinsky, 1999; Youl, 2004) and economics (Dasgupta, 1988). The following section deals first with a definition of 'brand' and discusses the importance of this concept within the different stages of a trusting relationship between an online retailer such as Call-a-Car and its (potential) consumers.

2.8.1 Definition of Brand

A traditional definition of a brand is: "the name, associated with one or more items in the product line that is used to identify the source of character of the item" (Kotler, 2000: 396). The American Marketing Association (AMA) definition of a brand is "a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors" (Kotler, 2000 : 404). With this view, as Keller (2003: 3) says, "technically speaking, then, whenever a marketer creates a new name, logo, or symbol for a new product, he or she has created a brand." He recognises that brands today are much more than that. He believes a brand is a product or service made distinctive by its positioning relative to competition and by its personality. According to Dolak (2001), a brand is an identifiable entity that makes specific promises of value and is the different things that the buyer thinks of as soon as he or she takes in the name or symbol.

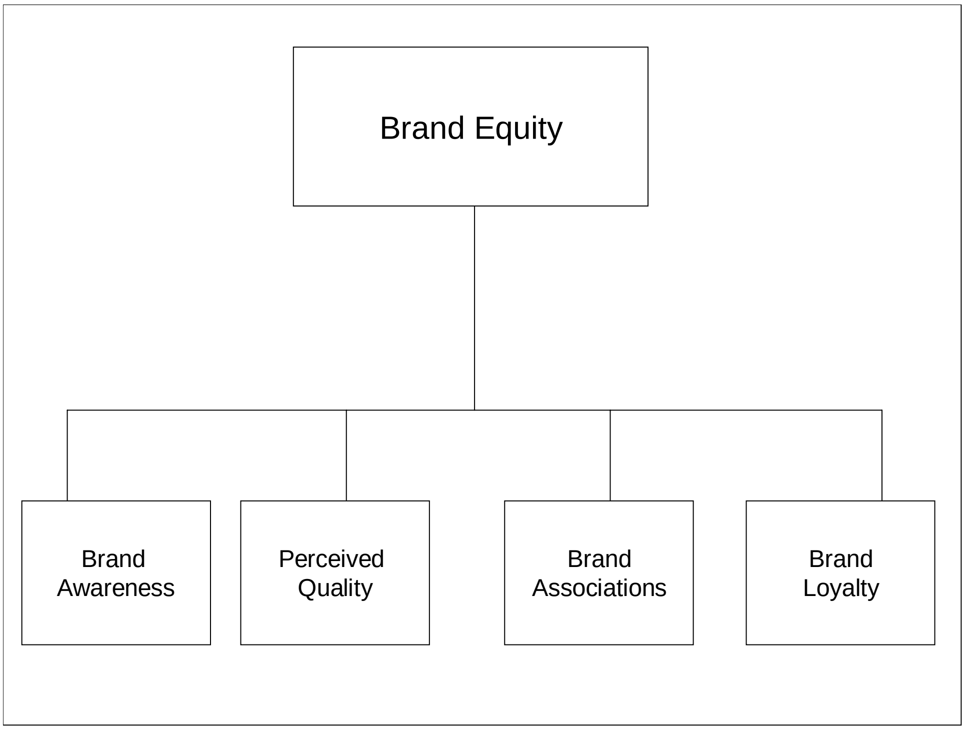
2.8.2 Brand Equity

The brand can add significant value to the consumer decision process when it is well recognised and has positive associations in the mind of consumers. This concept is referred to as brand equity. Brand equity, as first defined by Farquhar (1989: 24), is "the 'added value' with which a given brand endows a product". Brand equity has also been defined as "the enhancement in the perceived utility and desirability a brand name confers on a product" (Lassar, Mittal & Sharma, 1995: 13). High brand equity is considered to be a competitive advantage, since it implies that firms can charge a premium, extending a brand becomes easier and because communication campaigns are more effective, margins can be bigger and the company becomes less vulnerable to competition (Bendixen, Bukasa & Abratt, 2003).

Aaker and Joachimsthaler (2000) define brand equity as brand assets linked to a brand's name and symbol that add to, or subtract from, a product or service. According to them, these assets, as shown in Figure 2.6, can be grouped into four dimensions: brand awareness, perceived quality, brand associations and brand loyalty.

FIGURE 2.6

BRAND EQUITY



Source: Aaker & Joachimsthaler, 2000: 63

These dimensions have been commonly used and accepted by many researchers (Keller, 1993; Motameni & Shahrokhi, 1998; Yoo & Donthu, 2001; Bendixen, Bukasa, and Abratt, 2003). Brand awareness affects perceptions and taste: "people like the familiar and are prepared to ascribe all sorts of good attitudes to items that are familiar to them" (Aaker & Joachimsthaler, 2000: 17). Perceived quality influences brand associations and affects brand profitability. Brand associations are anything that connects the consumer to the brand, including "user imagery, product attributes, organizational associations and symbols"; "Brand loyalty is at the heart of brand's value. The concept is to strengthen the size and intensity of each loyalty segment." (Aaker & Joachimsthaler, 2000: 17). "Any way that brand equity is considered, it can be understood as the incremental value a brand name grants a product" (Srivastava & Shocker, 1991: 34).

2.8.3 Brand Identity, Brand Awareness and Brand Image

According to Kapferer (1997), brand identity is what the sender (the company) wants to mediate to its target receivers (the consumers). The sender's duty is to specify the meaning and intentions of the brand. The identity is a brand's unique fingerprint that makes it one of a kind (Kapferer, 1997; Upshaw, 1995). According to Aaker (1996), brand identity can provide direction, purpose and meaning for the brand, assuming that the consumers have knowledge about the brand.

According to Leclerc and Schmitt (1994), consumers' brand knowledge consists of the two dimensions *brand awareness* and *brand image*. Brand awareness refers to the strength of a brand's presence in the consumer's mind. Aaker (1991) defines brand awareness as "the ability of a potential buyer to recognise or recall that a brand is a member of a certain product category". The difference between "recognise" and "recall" is that the latter is based on spontaneous remembering while the first requires some assistance to remember (Lassar *et al*., 1995).

Kotler (2000) emphasizes that a brand draws associations about the functional or emotional characteristics and values of the branded entity. Most definitions in fact lay emphasis on the second aspect of brands mentioned above, that is its psychological character and the value that derives from its ability to gain an exclusive, positive and prominent meaning in the minds of a large number of consumers (Kapferer, 1997). Therefore, "the brand is 'stored' in the mind of potential consumers." (Kapferer, 1997: 26) Similarly, Einwiller (2000) defines a brand as a complex mental image of a product or service entity in the mind of a consumer.

Distinguishing it from the brand name or symbol, this intangible psychological element of a brand is known as the brand image. Brand image is defined as the consumers' perceptions, as reflected by the associations they hold in their minds when they think of the particular brand (Einwiller, 2000). A brand image comes close to the concept of schema in cognitive psychology (Anderson, 1997). A schema has been described as a mental structure that represents some aspect of the world that includes knowledge about that world, some relations among the various cognitions about it and some specific examples (Fiske & Taylor, 1991). The brand name or symbol serves as the anchor contained in the schema by means of which the cognitions can be most easily obtained. Einwiller (2001) says the brand image is stored in each individual's memory as a cognitive schema and this emphasises the individual rather than collective nature of the brand concept. Brand image is composed of brand attributes, brand benefits, brand values and *brand personality*. In summary, the *brand identity* is created by the sender (the company), and the *brand image* is how the receiver (the consumer) perceives the brand (Kapferer, 1997).

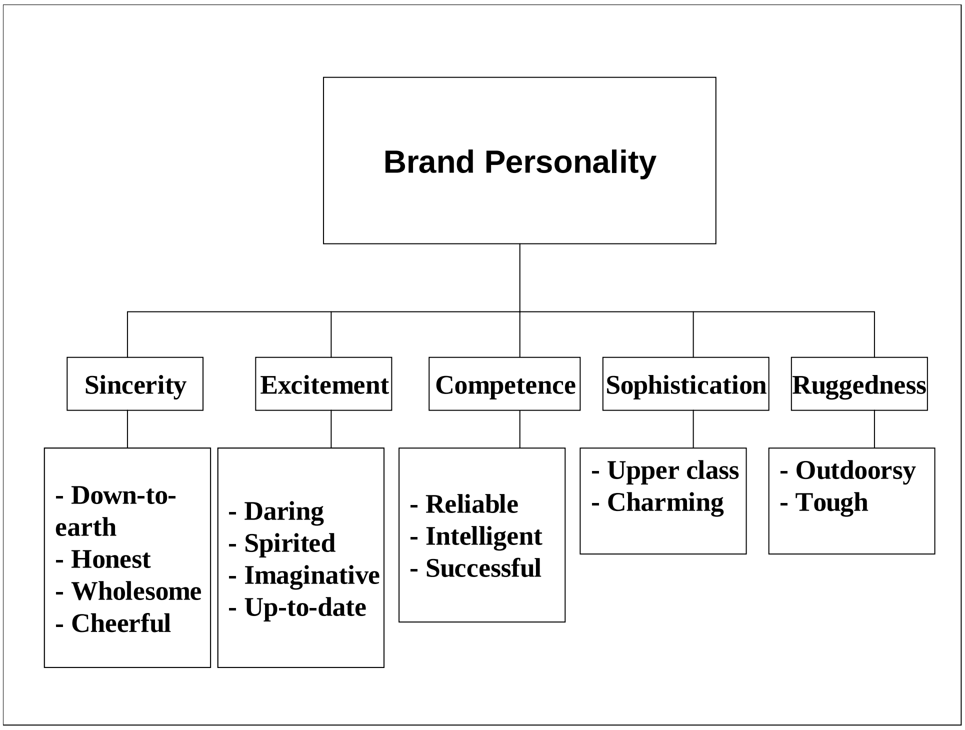
2.8.4 Brand Personality

As mentioned above, one component of brand image is brand personality. According to Aaker (1996), the most important and most distinguishing aspect of the brand image is the brand personality. A strong brand image can provide cohesion and structure to a brand personality, making it more recognisable and easier to recall. Brand personality as defined by Aaker (1997: 63) "refers to the set of human characteristics associated with a brand." Unlike human personality traits, brand personality can emerge from indirect interaction with a brand. Aaker (1997) states that it is this interplay of associations that is responsible when the branded object becomes noticeable as a personality (Aaker *et al.*, 1992). He further says that brand personality can make a brand name interesting and memorable and can even become a vehicle to express a consumer's own identity. Fournier (1998) describes the brand personality "as a set of trait inferences constructed by the consumer based on repeated observation of behaviours enacted by the brand at the hand of its manager, that cohere into a role perception of the brand as partner in the relationship dyad" (Fournier, 1998: 368).

Aaker (1997) created a reliable, valid, and generalisable brand personality measurement scale "based on an extensive data collection involving ratings of 114 personality traits on 37 brands in various product categories by over 600 individuals" (Keller, 2003: 447). In Aaker's (1997) resulting framework, shown in Figure 2.7, five dimensions are distinguished - the "big five"- that help to explain the symbolic and self-expressive functions of a brand: sincerity, competence, excitement, sophistication and ruggedness. These concepts can be seen as potential targets when companies construct branding strategies and a brand need not be fully accomplished in all five functions. The scale can rather be used to compare the personalities of brands across product categories, thereby enabling researchers to identify benchmark personality brands (Aaker, 1997).

FIGURE 2.7

A BRAND PERSONALITY FRAMEWORK



Source: Aaker, 1997: 12

The concept of brand personality provides a good illustration in this context, since relationships are generally formed between individuals. As a result, a company that aims to establish a trusting relationship with its consumers should aim to develop a brand personality that serves as a partnership or friendship link between the brand and its consumers.

In addition to Aaker's (1997) brand personality traits illustrated in Figure 2.7, McKnight and Chervany (2000) proposed the trusting beliefs in competence, benevolence, integrity and predictability as important elements of brand personality.

Zukcer (1986) states that similarity between brand personality and consumer personality can promote trust because most people trust others who are similar to themselves more. Zucker (1986) calls this ‘characteristic-based trust’. Characteristic-based trust is produced, based on social similarity, such as family background, age, sex and ethnicity, between companies and consumers. They serve as indicators of membership of a common cultural system. This membership serves as a rule that defines the boundaries of low-risk interpersonal trust, and, as a consequence, individuals may confer depersonalised trust on the in-group member.

In the online context, trust based on similarity can be created by adopting technologies similar to those of other well known organisations (Youl, 2004). An example of uncertainty reduction through technology similarity is the phrase ‘Intel inside’. Factual information on an exchange partner and technology influences the perception of trustworthiness. In the online world, trust services can be used to compensate for the lack of cues of non-verbal communication. In addition, the first impression of the user interface of a particular application influences one’s perception of the trustworthiness of the technology. A badly designed website is not very convincing of the capabilities of the associated organisation. This implies that brand building efforts with the intention to promote trust should aim to create a brand personality that embodies trusting beliefs, as proposed by McKnight and Chervany (2000), as well as similarity with its potential consumers. Brand personality should be a partner or friend to the consumer on whom he or she can rely, as in the case of a real friend or partner.

2.8.5 Building Brand to improve trust

According to Gaflou and Peven (2004), suitable methods for reducing the risk to which consumers are exposed are to offer guarantee papers, the distribution of licences or the establishment of brand names. A fourth possibility for handling this risk situation is the building up of personal trust between the buyer and the seller through securing e-privacy. Daignault, Sheperd, Marche and Watters (2004) state that guaranteeing the thoroughness with which personal data will be managed offers a means of building and sustaining high levels of trust and confidence in e-commerce. If e-privacy and the protection of personal data are demonstrated to be exemplary, this will reflect favourably upon the online brand equity and reputation. Hence, if there is trust, then the buyer can make a conscious decision to accept risk in social relationships. In addition, Internet retailers can use numerous different instruments and measures in order to influence the trust expectations of potential consumers. Companies can apply three different categories of instruments to make transactions and cooperative relationships more efficient (Belanger, Hiller & Smith, 2002): information policies, guarantee policies and reputation. In addition, securing e-privacy helps to build a brand that is perceived as one that can be relied upon and trusted by consumers. The next section will discuss information policies, guarantee policies, reputation and e-privacy, in relation to securing online trust.

2.8.5.1 Information Policies

Information policies are aimed at reducing information asymmetries between sellers and buyers by applying many communicative instruments, such as advertising, direct marketing and public relations. Their adequacy depends on the type of buying process or the dominant types of quality of the product or service that is offered, as well as on the transaction phase. It seems that information policies to develop and maintain trust are more important when the quality assessment is based primarily on experience and/or credence qualities. In the Internet context, the website mediates the relationship between the consumer and the merchant organization. It provides an essential clue for online consumers in their assessment of the efficiency and reliability of an online retailer, which is based on the quality of information on key issues such as delivery charges and order progress, and on policies on privacy, returns and redress. There are various recommendations for how to improve the acceptance of web pages, relating, for example, to the use of navigation guidance, to the content of the web page or the design of the web page (Ilfeld & Winer, 2002). An online survey aimed at determining the nature of those elements that communicate trust in e-commerce sites showed that a user-friendly and effective navigation system is a necessary precondition to communicate trust (Cheskin Research, 1999). Effective navigation combined with either a well-known brand or effective, simple execution is the best way of communicating trustworthiness. Other factors that play significant roles in establishing trust are the professionalism of the web presentation, the technological sophistication and the functionality of the site.

2.8.5.2 Guarantee Policies

Baye, Morgan and Scholton (2002) state that guarantee policies relate to promises to limit or compensate for damages that are caused by negative events that cannot be avoided. Guarantee policies comprise various instruments that guarantee compensation payments in the case of damages, such as taking back guarantees and warranties for finishing touches or repairs (Baye, Morgan & Scholton, 2002). In essence, the agent (seller) promises the principal (buyer) to compensate for damages if they occur and thus to limit the decrease of benefit for the buyer (Spremann, 1988). The reliability of such promises depends on the existence or availability of adequate means for compensation in the case of damages. In the context of online transactions, the buyer usually cannot be sure whether or not he will recover damages, especially if seller and buyer are from different countries or if the company has no “bricks-and-mortar” presence. This insecurity is partly caused by the lack of transparency of legal norms concerning transactions in electronic markets (Day & Kauffmann, 2002).

Guarantee policies can be more effective for building trust in e-commerce if trusted third parties are included that focus on legal, technical and organisational factors of electronic markets and define precise standards for security, data protection and transparency of data use (Bhatnager *et al.*, 2000). The online retailer can bind himself to meet these stringent requirements for data and delivery security, which is usually documented with an Internet-specific certificate or quality label. Such quality labels often include special guarantees and thus developing and maintaining consumer trust is easier if guarantee policies are combined with certificates from independent trusted third parties.

2.8.5.3 Reputation

Reputation is the third instrument a business firm can use to encourage trustworthiness in transactions (Einwiller, 2000). Through a reputation for non-opportunistic, trustworthy behaviour an online company is likely to reduce transaction costs. Opportunistic actions within a certain market might yield short-term benefits, but there would be long-term costs in the sense of a lack of trust that might restrain future acquisitions of cost-reducing and/or quality-enhancing assets (McKnight &

Chervany, 2000). Reputation is the result of trustworthy behaviour and plays an important part in determining the willingness of others to enter into an exchange with a given actor. Reputation therefore serves both as a source of information that can reduce uncertainty and guide the decision on whether to trust the other party and as a potential source of sanctions. If acquiring a bad reputation has a negative effect, the existence of shared reputations serves as an incentive for the trustee to be trustworthy and thus presents a “safety good” in a transaction relationship. The higher the reputation, the greater the loss in case of unfavourable behaviour and the more sure the consumer can be that the company will not act opportunistically. In electronic marketplaces, there are new challenges to managing reputation policies, mostly because of the ease of changing identities and the extremely low costs of collecting and distributing information online (Kollock, 1999).

There are two different conditions for online retailers to develop their reputation policies. Retailers, who use the Internet as an additional distribution channel, have to think about the effects of the Web presentation on existing consumer relationships. Multi-channel retailers can take advantage of their good reputation, references or image transfers from real-world brands (Davies, Chun & Da-Silva, 2000). Thus retailers, who already have attained a good reputation in traditional markets can profit from transfer effects when addressing new consumers via the Internet. Compared with this, online retailers in a “newcomer-situation” have to compensate for their lack of good reputation by investing in trust developing measures and signalling activities (Leach, 2005). Newcomers in electronic markets can cooperate with partners who already have a good reputation, for example, by participating in an electronic marketplace that is coordinated by a prestigious operator. Another Internet-specific strategy to acquire a good reputation is to set up and organise a virtual community that is closely related to the company’s product. Communities offer the online retailer a valuable resource for promoting user trust, as well as adding value to the site and the products it sells through providing reviews, overviews, hints and tips and buying advice. In virtual communities, relationships between Internet users develop, as they interact in a way that is very similar to face-to-face communication and in this way create the foundation for reliable communication (Weiber & Meyer, 2000).

2.8.5.4 E-Privacy

E-privacy, and privacy generally, includes the right of individuals to determine for themselves when, how and to what extent, information about them is communicated to others (Meinert, Peterson, Criswell & Crossland, 2005). It also incorporates the individual's right to opt in/opt out of unsolicited incoming email marketing (Clarke, 1998). It is vital to distinguish e-privacy from e-security. E-privacy is concerned with the usage of consumer data, whilst e-security is concerned with securing the flow and storage of electronic data or e-commerce to reduce the risk of fraud, loss and misuse of confidential information across the company (Clarke, 2004). Privacy involves important concerns about the power and value – and the use and potential for abuse – of personal information (Morgan & Hunt, 1994).

For any provider of goods or services via either traditional or web-based channels, consumer loyalty is crucial (Reibstein, 2002). In addition, a prerequisite to securing this loyalty is getting relationship management right, which is why companies are investing so much time and resources in gathering, storing, managing and utilising consumer preference data. As a consequence, businesses are using increasingly sophisticated data collection, mining and segmentation techniques and carefully targeted direct marketing campaigns (Miyazaki & Fernandez, 2001). The emergence of the Internet has opened up further opportunities for the extraction of detailed consumer information (Clarke, 2004), helping to propel consumer relationship management (CRM) to a new level.

Firms have realised that greater knowledge and information about consumers is a competitive differentiator – and that competing on price alone, without the service to support it, is simply not enough. Firms that understand their consumer base can meet and exceed consumers' expectations, both by enhancing and personalising their service and targeting offers, such as product discounts, in return for consumer loyalty. Nevertheless, loyalty requires more than personalisation, it also requires trust. Therefore, firms that want to build loyalty by getting 'close to their consumers' have to respect the privacy of those consumers. Those firms that protect their consumers' privacy are in a far better position to fend off attempts by competitors looking to displace that loyalty (Tedeschi, 1999). This is because consumers do care about what happens to the personal details they provide in their interaction with online retailers. Research carried out by Meinert, Petersen, Dane, Criwell and Crossland (2005) demonstrated anxiety among consumers over their privacy online. Consumer loyalty on the Internet is particularly inconsistent, so businesses that do not provide reassurance about how they manage consumer data are at a significant disadvantage when it comes to attracting online sales or loyalty (Meinert *et al.*, 2005).

Furthermore, privacy concerns dictate what consumers are willing to do online. There is a general unwillingness to divulge personally identifiable information, with only a fifth of consumers being “willing to share information with companies in exchange for products and services that better meet their needs.” (Meinert *et al.*, 2005:13). This trust gap between businesses and consumers is widening as a result of privacy concerns. In the survey of consumers in Europe and South Africa commissioned by Price Waterhouse Coopers (2001), attitudes towards privacy on the Internet were observed. The research revealed that, in many cases, concern about privacy dictates and restricts what consumers are prepared to do online. Cultural differences further complicated the position. For example, consumers in the UK, South Africa and Spain expressed high levels of concern, whilst others in markets such as Scandinavia are less worried (Price Waterhouse Coopers, 2001). The study further established that the more experienced users of the Internet were more inclined to worry about privacy breaches, signifying that privacy concerns do not diminish with growing usage.

In addition, a study done by Moores (2005) revealed that consumer concerns about their privacy focused on two major areas: intrusion, or the fear of being monitored or spied on; and the risk of misuse of information or fraud when buying goods or services on the Internet. In the Price Waterhouse Coopers (2001) study, one in three European Internet users rated their level of concern as “high”. In general, this fear means consumers are unwilling to divulge their personal information in a relaxed and open way. Only a fifth of consumers are “willing to share information with companies in exchange for products and services that better meet their needs.” This has implications for online companies that wish to interact with their consumers in a transparent manner. The majority of consumers, nearly three-quarters, prefer to opt out of providing information when they are given the choice to do so on the Internet.

They choose to opt out because of a perception that they may receive junk e-mails or “spam” some time in the future (Price Waterhouse Coopers, 2001).

There are a number of widely applicable steps for firms to ensure e-privacy is strategically used to help build trust online. Some of these are: to put the consumer in control, adopt the highest standards of compliance, develop an enterprise-wide approach and resolve internal conflicts, address the issue of legacy systems, reengineer data management and forge trust relationships with regulators (Tedeschi, 1999; Clarke, 1997; Morgan & Hunt, 1994).

Firstly, McKnight, Choudhury and Kacmar (2000) say consumer trust is too intangible to be easily influenced by the actions of one company. By contrast, more organisations are now taking the lead by being open and clear with the consumer from the beginning. The ultimate way to safeguard e-privacy is to empower the consumer and it is vital to gain consent for data collected and move towards a model of ‘permission marketing’ (Moores, 2005).

One of the methods of doing this is to allow consumers to create their own profiles (Clarke, 1998). These profiles are created, filled in and accessed (via a secure site) by the consumer, not the company. Consumers are obliged to provide very basic data, such as name and address, but after that may provide as much or as little additional data as they wish. From there on, the consumer maintains the profile and can access, edit, or delete it at any time (Clarke, 1998). In principle, as long as one explains why one wants data and obtains consent, one can ask any number of questions and hold all types of data if these two conditions are met.

Secondly, Miyazaki and Fernandez (2001) state that firms that want to guarantee consumer loyalty should aim to adopt the highest possible standards and the highest possible alignment with the consumer’s view of e-privacy. Therefore, it makes sense for firms to put themselves in the position of consumers and address their concerns. Consumers do not want to see their data being used or processed for reasons that are inconsistent with the purposes for which it was freely given. Consumers want to be reassured that only those organisations collecting their data will use it, and no others and that they will keep it secure and accurate. Giving consumers this reassurance will definitely enhance an organisation's profile and standing (Tedeschi, 1999).

Thirdly, ensuring e-privacy is not just a matter of technology. It is also an issue of management culture and consensus. Organisations that are able to address points of conflict internally (by creating multidisciplinary teams to promote enterprise-wide awareness) will be better placed to make progress (Morgan & Hunt, 1994).

Finally, relationships between companies and regulators, such as government departments, are important. Companies that approach regulators in an open and responsive way are far more likely to overcome difficult e-privacy legal issues. The research revealed that many clients view the dual role of the commissioners as both an advisor and enforcer as a block to this openness. Companies must work on a strategy that will lead to positive relationships with regulators, as well as minimising regulatory hazard (Clarke, 2004).

The situation in which online-transactions take place requires that Internet companies focus on measures and policies to build and maintain consumer trust. Trust is a complex and dynamic phenomenon that cannot simply be "produced" by applying the instruments proposed above. Expectations and actions based on trust result from a subtle, situational interplay of different factors. The consequence of the measures to develop and maintain trust in e-commerce is increased or decreased by several other – person-specific and situational - factors that cannot be controlled by the online retailer. Person-specific factors such as personality traits and behaviour patterns impact upon the consumer's willingness to trust. Contextual factors such as technology and legal norms related to e-commerce also play an important role in the development of trust and, with the exception of the company's website, cannot be controlled by the online retailer.

The research problem in this study is "How does the Internet support the consumer in the pre-purchase, purchase and post-purchase phase of purchasing a motor vehicle through McCarthy Call-a-Car?" In answering this question, this chapter presented the literature regarding the qualities of products, with particular attention being paid to the qualities of motor vehicles and their characteristics in terms of online selling. This was done to allow for a clear definition of what type of product Call-a-Car is selling by means of the Internet. The chapter also presented literature on disintermediation in online markets, elaborating on the ‘clicks and mortar’ business model and the benefits of using such a model. The importance of trust online was outlined, with theories being presented on the causes and consequences of trust and trust building through branding. It was shown that brand building in the online arena can be done through the use of various instruments, including securing e-privacy.

The next chapter will present the methodology used in the thesis, which lays the foundations of the research in hand, regarding the research design and approach, data collection, sample, data management and analysis methods and quality considerations.

CHAPTER 3

METHODOLOGY

The purpose of this chapter is to explain and describe how the study was undertaken. This chapter is meant to guide the reader through the research methodology adopted and provide him/her with the right understanding concerning the research's proceedings. Therefore, the scientific approach of the study, the research strategy and design, how the data was collected, and the quality of the research in terms of dependability, credibility, transferability and confirmability is described.

3.1 Research Goal

The research strategy chosen depends on the nature of the study and on the questions asked. The nature of a study can be exploratory, descriptive, and/or explanatory (Merriam, 1998). The questions can be formulated as "how", "why", "what", or "where" (Yin, 1994). The goal of this research is to provide a better understanding of the ways in which the Internet supports customers of an online car retail company. To reach this research goal, this thesis attempts to answer the following research question:

"How does the Internet support the customer in the pre-purchase, purchase and post-purchase phase of purchasing a motor vehicle through McCarthy Call-a-Car?"

The nature of this study is therefore descriptive, describing the relationship between the Internet and the buying process and how it supports the consumers of McCarthy Call-a-Car. In order to answer this question, the selection of an appropriate research approach was imperative.

3.2 Research Design: The Case Study

A case study is a form of qualitative research. This method “focuses on holistic description and explanation” (Winegardner, 2002). Winegardner (2002) goes further saying that case studies are an appropriate strategy for answering research questions that ask how or why and do not require control over the events. Since the main research problem is of a descriptive nature and a contemporary event within a real-life context, where the relevant behaviour cannot be manipulated, is being studied, the choice made was to undertake a case study. The single most defining characteristic of case study research lies in the delimitation of the object of study. If the phenomenon of study is not intrinsically bound, it is not a case study (Merriam, 1998). For example, to assess boundedness, if there is no limit to the number of people who could be interviewed or to the observations that could be made, then the phenomenon is not bounded enough to be a case study (Winegardner, 2002). The main boundary in this case study is the limitation of research to only one organisation active in the South African online car retail market. The producer segment of the car market was not considered, neither was the car industry outside South Africa, nor the marketing strategies of other enterprises present in the market. The case study research strategy will enable the researcher to obtain a holistic view of and a deep penetration into McCarthy Call-a-Car’s usage of the Internet in the consumer decision process.

A case study can be inductive or deductive (Merriam, 1998). An inductive case study aims at developing new theory for a specific topic, where any previous theories are lacking (Merriam, 1998). When the aim of a case study is to verify already existing theory, the study is deductive in nature (Babbie & Mouton, 2001). An inductive approach allows for theory to emerge from the findings. An inductive analysis (Merriam, 1998), and grounded theory (Denzin & Lincoln, 1994) are examples of inductive approaches. Inductive analysis allows for theory or interpretation to emerge from findings through starting with data and developing categories. The researcher is not necessarily aiming to produce a theory, although this is sometimes a possible outcome of inductive approaches.

In an inductive approach, the investigation by means of interviews is the primary tool from which the primary data is obtained (Miles & Huberman, 1984). The researcher carried out interviews based on marketing literature regarding the consumer decision process. Certain themes emerged from the interview data that was discussed in relation to the current literature regarding those themes. Consequently, this thesis is based on the so-called inductive approach. By studying the literature, the researcher gained a better understanding of the problem. Marketing literature on e-commerce and the impact of the Internet on companies has been the starting-point for the empirical research and has determined what was studied at the company.

There are four basic types of design for case studies, according to Yin (1994). A distinction is made between single and multiple-case designs and between holistic (single unit of analysis) and embedded (multiple units of analysis) designs (Yin, 1994).

3.2.1 Single case study

Prior to any data collection, the researcher has to decide on whether a single case or multiple cases are going to be used to address the research questions. The researcher made the choice of undertaking a single-case study in order to gain an in-depth understanding of the phenomenon. Miles and Huberman (1984) argue that the study of multiple cases reduces the amount of attention the researcher is able to give to any one of them and serves to weaken rather than strengthen the case study. He further goes on to say that inexperienced researchers should choose single units of analysis.

Single-case studies are also ideal for revelatory cases where an observer may have access to a phenomenon that was previously inaccessible (Merriam, 1998). On the other hand, single-case designs necessitate careful investigation to avoid misrepresentation of the phenomena or subject being studied and to maximise the investigator’s access to the evidence (Merriam, 1998) This means that if the subject being studied is complex, it will require a thorough analysis and single case studies allow for this.

The South African online car market constitutes a unique case. The specific conditions of this market may be similar, but not identical to any other case, making the situation of organisations active in this industry unique, implying that a single case study design is suitable. Therefore, McCarthy Call-a-Car was used in this single-case study.

3.2.2 Holistic Design

When the decision has been made whether to use a single-case study or multiple cases, the number of units for analysis has to be settled (Yin, 1989). As mentioned above, it is possible to use a single unit of analysis (holistic design) or multiple units of analysis (embedded design) (Yin, 1993). Since a single unit is to be examined, the researcher has chosen a holistic design. In a holistic case, the unit of analysis is usually the same as the case.

3.3 Research Approach

The aim of this study is to *describe not quantify* how the Internet supports the consumer decision process and therefore a qualitative research method was chosen. In assessing intangible factors, such as feelings and personal experiences, by conducting qualitative research, the researcher can reveal and describe how all the parts work together to form a total entity. Quantitative researchers "hope to find data to match a theory" (Winegardener, 2002: 13). In this study, the researcher is hoping to induce themes, categories and concepts from the data. Thus there is an inductive approach to the generation of knowledge (Winegardener, 2002). Qualitative research is useful for its ability to reflect and explain relationships between factors in the research subject. Using a qualitative case study the researcher will be able to identify and describe the influence of the Internet on the consumer in the motor industry through the experiences of McCarthy employees'. This approach, as opposed to the quantitative method enables the researcher to gather, analyse and interpret information that cannot be transformed into numbers in a meaningful way. One of the most distinguishing characters of this method is the proximity between the researcher and the studied subject (Miles & Huberman, 1984). Using this method, it is possible to study the problem from the inside, to see the problem from the interviewee's point of view.

Simply put, it allows the researcher to “walk in the interviewee’s shoes” (Merriam, 1998: 54). Consequently, the researcher can be very close to the subject and the interpretation and the analysis is subjective (Babbie & Mouton, 2001).

3.4 Data Collection Methods

In qualitative case studies, various data collection strategies, including interviewing, observing and analysing documents, are often used (Yin, 1989). By using multiple sources of information, a reliable and comprehensive understanding may be achieved (Merriam, 1998). With regard to data sources used for data collection, a distinction between primary and secondary sources has to be made, as they will generate two different types of data: primary data and secondary data (Merriam, 1998; Yin, 1994). This distinction is significant because it demonstrates the degree to which the researcher is removed from the actual event being described, notifying the reader as to whether the researcher is reporting impressions *first hand* or conveying the experiences and opinion of others, that is *second hand* information.

3.4.1 Primary Data

Primary data is new data that has not been used before, collected in order to solve a specific problem (Babbie & Mouton, 2001). It may consist of interviews and observations. While observations offer a firsthand explanation of the circumstances of interest, the main purpose of interviews is to obtain in-depth, rich and descriptive data (Babbie & Mouton, 2001). Therefore, the main technique for collecting primary data in this study was through interviews, which was complemented by the analysis of organisational documents from relevant departments. The documentation will provide additional evidence on the subject studied (Merriam, 1998; Yin, 1994).

The collection of primary data was entirely effectuated in South Africa. With regard to the structure of the interviews conducted, which include seven personal interviews, the researcher combined unstructured interviews with semi-structured interviews. In all the cases, the interview questions were sent to the interviewees in advance, so that the interviewees were better prepared. A full list of the interview questions is presented in Appendix A. The personal interviews were carried out in

Johannesburg and Pretoria, where the company is based. All interviews were conducted in English. The interview data in all cases was documented by tape-recording the interviews. Tape recorders were used with the permission of the interviewees, in order to provide accurate versions of the interviews. This allowed the researcher to accomplish the goal of focusing more on the person's individual reactions during the interviews. Notes were also taken during the interviews.

3.4.2 Secondary Data

Secondary data is data that already exists. The organisation, McCarthy Call-a-Car, provided the researcher with specific material concerning its marketing strategy and activities in the car industry, in addition to access to the enterprise's extranet. This documentation was collected during the researcher's visit to Call-a-Car and through correspondence with the managing director of Call-a-Car. The documentation included the company's annual report for the last three years (2001, 2002 and 2003), marketing material such as brochures, internet advertisements and Call-a-Car magazine publications, the company's terms and conditions (Appendix B), as posted on their website, and documents on e-commerce laws enforced by the government.

3.5 Interview Sampling

The study population consisted of 30 Call-a-Car employees involved in the car buying process selected from the McCarthy Call-a-Car customer service and corporate centre. The sample of seven people was chosen using purposive sampling where information was collected about the participants and consultation took place with the researcher's main contact at Call-a-Car, the Managing Director. The seven people who were interviewed all work within McCarthy Call-a-Car at various points in the customer buying decision process. Barelson (1971) explains that the final selection of interviewees in the primary data collection process should be based upon the chosen problem area instead of on a statistical selection. Therefore four of the chosen respondents work within the McCarthy call-centre. The reasoning behind this is that they interact with the customer more or less throughout the entire buying process and with all of Call-a-Car's Internet based technology to support the customer. Another two respondents work in different stages of the buying process and are more limited in their usage of the Internet to communicate with prospective buyers and/or customers. The last person is the managing director of McCarthy Call-a-Car and he works with e-strategies. This person has a different approach to the usage of the Internet and is able to give a macro view over Call-a-Car's usage of the Internet.

These people were carefully selected, based on certain previously established criteria, which are actual and previous occupation, position within McCarthy and level of influence. Occupation is important as Internet technologies are ever changing and the person being interviewed should have been in the field and must be currently involved with up-to-date Internet technologies, in order for the researcher to fully elicit good quality data. The position held within McCarthy is important as the researcher needs to extract information from people who work with customers on a day-to-day basis within the buying process. The researcher believes that the most appropriate people were chosen, as the researcher's purpose was to study differences throughout the buying process and also differences in opinions based on the tacit knowledge held by the various respondents.

3.6 The interviewees

The first interview was of a semi-structured nature. It was conducted at McCarthy Call-a-Car corporate headquarters in Pretoria in October 2003, with the aim of achieving a better understanding of the research problem. This semi-structured interview was carried out at the beginning of the research, with the Managing Director of McCarthy, and made use of flexible, exploratory questions in an attempt to gain insight into the impact the Internet has had on the consumer decision process; how McCarthy uses the Internet to support the consumer decision process and the impact of the Internet on the auto retail industry in South Africa. The Managing Director was interviewed first in order to attain an overall picture of the South African car retail market and its external environment. The researcher has based his selection of the Managing Director on his long experience and particularly on his opinions concerning various matters in the online car market.

The other six interviews that followed took place during November 2003 and covered a wide spectrum of McCarthy employees. All these interviews were also of a semi-structured nature, including the follow-up correspondence.

The purpose of the interviews carried out with the company in Johannesburg, was to gather data concerning the company and its activities on a local level, and the current car retail industry situation in South Africa. The Managing Director recommended the six people to be interviewed with regard to these matters in accordance with their actual and previous experience within the enterprise and the online auto retail industry.

The McCarthy Call-Centre manager was the second person to be interviewed. His main responsibility is to maintain and develop the existing online applications Financial Calculator, Franchise Administration System and the search engine in addition to managing the Call-a-Car call-centre. The reason for undertaking this interview was to get a view of McCarthy Call-a-Car's everyday processes from a person who deals with the phenomenon on a day-to-day basis.

The General Manager works with above-the-line and below-the-line campaigns for Call-a-Car on a national scale. During the next interview with the General Manager, the focus again shifted from the case organisation to the macro environment overview so as to discover how Call-a-Car's inner workings support their external relationships, such as their dealership alliances, thus allowing for a more holistic view of McCarthy's operations.

The fourth interview was with the Regional Manager. His main duties are to find synergies between different departments and groups within Call-a-Car. He liaises between the Call-a-Car headquarters, 30 McCarthy dealerships and 60 independent franchise dealerships. He is involved in the training of staff in all aspects of the customer buying process. The focus of the interview was on the Call-a-Car dealership network and issues arising from the relationship dynamics between Call-a-Car and its dealer base.

The fifth interview was with the Team Leader, who started off as a customer-service agent and then progressed to Team Leader. His main duties involve assisting customers through the buying process and managing a team of customer-service agents to ensure that standards of service are met. The focus of the interview was on the everyday workings of the Internet technologies used by McCarthy Call-a-Car and customer issues arising from the usage of these technologies. He is involved with the customers on a daily basis and is well integrated into Call-a-Car's customer decision process.

The Customer Service Agent's main duties are to handle Call-a-Car's entire telephone management system in addition to being a customer-service agent. The work he does covers all the stages in the buying process from assisting customers in the pre-purchase phase, as well as handling customer queries in the post-purchase phase.

The last person interviewed was the Customer Liaison Manager. She manages a team that provides all the post-purchase support to customers through their Club McCarthy division. She is mainly involved in the post-purchase phase.

Follow up correspondence was carried out with the Managing Director and General Manager in 2005, after a thorough analysis of the original data, so as to allow for the collection of the additional information that was needed to follow up on further developments.

3.7 Documents

The documents collected served to corroborate the evidence from the interviews. The documents reviewed included McCarthy's Annual Reports for 2001, 2002 and 2003; their terms and conditions as posted on their website; the privacy policy outlining Call-a-Car's responsibilities with regard to the protection of customer data and government e-commerce regulations by which the company has to abide by. This particular set of material was chosen due to its applicability to the issues that were discussed in the interviews and provides the reader with an immediate means of assessment. These documents are available to the public and can be obtained by requesting the documents officially. These documents were provided to the researcher by the Managing Director, during the researcher's visit to the Call-a-Car corporate headquarters. The documents are important as they provide another perspective on various issues in the study. According to Patton (1990) the strengths of using documents are, firstly, the stability of the data, which allows for continual reviewing; secondly, it is unobtrusive; and thirdly, it is accurate, in that it contains the exact details, references and details of an event and finally, documents provide broad coverage, in that they span a long period of time, many events and many settings (Patton, 1990). The disadvantage is that there could be a biased selection of documents and of reporting by the author (Yin, 1995).

3.8 Data Management

Since the goal of data analysis is to communicate understanding derived from various sources of data collected, data management plays an important role here. As the collected data will be derived from multiple sources, including interviews and documents, special attention will be paid to the data management procedure. The interview data was transcribed by the researcher and typed out for easier reference. Due to its considerable amount, all the material collected was carefully organised in order to be easily retrievable in a formal case study database that will comprise all recorded communication, such as emails between the subjects and the researcher, notes taken during interviews and notes on any biases felt during the process of data collection. This will increase the case study credibility as being more aware of biases leads to credibility (Merriam, 1998). The data will be analysed and thereafter, based on the analysis, conclusions will be drawn that will be included in future scenarios.

3.9 Data Analysis

Data analysis is a complex process of making sense out of the collected data, and comprises the understandings and meanings achieved from the findings of the study. In a qualitative study, data collection and data analysis is often a simultaneous process (Merriam, 1998). This has not been the case in this research, as the data was informally analysed whilst it was collected, but the formal analysis only took place once the researcher was out of the data collection setting. The data was analysed using an inductive approach. Inductive analysis begins with specific observations and builds toward general patterns (Patton, 1987). Inductive analysis means that the patterns, themes, generalisations and categories of analysis come from the data; they emerge out of the data rather than being decided prior to data collection and analysis (Boyatzis, 1998).

Thematic analysis will be used to analyse the data that results from the interviews (Babbie & Mouton, 2001). Thematic analysis is exploratory and aims to 'understand' the data rather than 'know' the data (not interested in the frequency of occurrence.) Thus the researcher used thematic analysis to get a sense of the themes and interpret the information obtained, but not necessarily to allow for a theory to emerge (Boyatzis, 1998). Thematic analysis is a research tool that focuses on identifying themes and patterns of living and/or behaviour. This was done using Boyatzis's (1998) steps in developing themes and codes.

Boyatzis (1998) suggests the following steps in the development of themes and a code:

Step 1 – Reducing the raw information

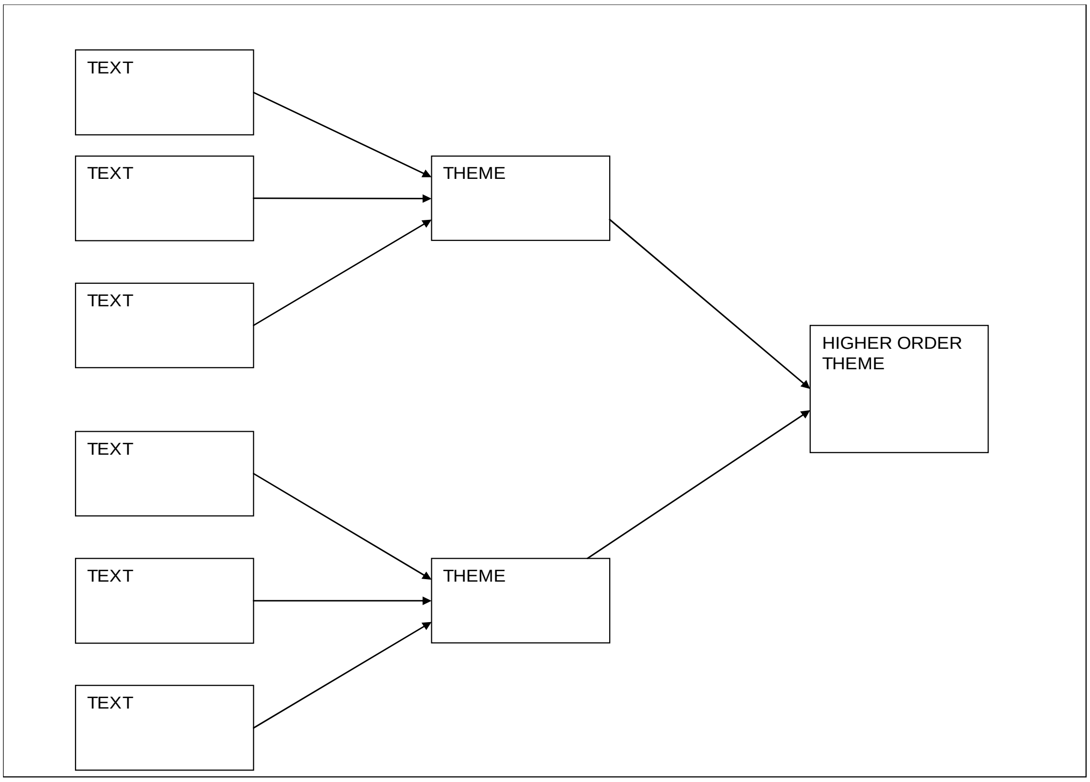
The text is coded or broken down, into manageable categories on a variety of levels, word, word sense, phrase, sentence, or theme. Boyatzis (1998) suggests paraphrasing each piece of data, which provides for close contact and familiarity with the raw information (Boyatzis, 1998). The researcher read each transcript carefully a number of times and an outline of the paraphrased items was created.

Step 2 – Identifying themes within samples

Before the thematic coding process began, the researcher ensured that he had a thorough knowledge of the text. The thematic coding process requires comparison of the summaries to determine similarities among the pieces of information within each transcript (Boyatzis, 1998). The researcher compared the transcripts, which allowed the researcher to identify patterns and similarities within each transcript. These similarities gave rise to themes out of which higher order themes emerged, as shown in Figure 4.1.

FIGURE 4.1

SCHEMATIC DIAGRAM OF CODING AND THEMATISING IN THE ANALYTIC PROCESS



Source: Boyatzis, 1998: 34

Step 3 – Creating a code

The researcher then wrote, rewrote and constructed a set of statements in this stage that differentiated the individual transcripts. This set of preliminary themes is a code. Once this code was created, the researcher returned to the raw information and read and reread the transcripts, whilst attempting to determine the presence or absence of the initial themes. This may require the initial statements or themes to be reconstructed and the researcher may also apply rules of exclusion to the raw material. Raw material was excluded, such as the respondents' initial descriptions of Call-a-Car's history, as these descriptions mainly provided historical information regarding Call-a-Car's corporate structure which was not relevant to the research objectives of the study. Data was thus grouped under themes fairly close to the text. These revised themes were stated in such a manner that a) they maximise the differentiation of the transcripts b) they facilitate the coding of the raw material and c) they minimise exclusion (Boyatzis, 1998).

Step 4 – Determining the reliability or consistency of judgement of the coders

In this step, the researcher applied the code or theme to all the other transcripts, whilst visually comparing the differentiation on each transcript in relation to the themes originally identified. Those themes showing differentiation constitute the validated themes (Boyatzis, 1998).

3.10 Quality Considerations

Depending on their theoretical viewpoint, some qualitative researchers reject the framework of validity that is commonly accepted in more quantitative research. They reject the basic realist assumption that there is a reality external to our perception of it (Denzin & Lincoln, 1994). Consequently, it does not make sense to be concerned with the "truth" or "falsity" of an observation with respect to an external reality (which is a primary concern of validity) (Trochim, 2000). These qualitative researchers argue for different standards for judging the quality of research. For example, Guba and Lincoln (1981) proposed four criteria for judging the accuracy of qualitative research and explicitly offered these as an alternative to more traditional quantitatively-oriented criteria. They felt that their four criteria better reflected the underlying assumptions involved in much qualitative research. Their proposed criteria and the "analogous" quantitative criteria are listed in Table 2 below.

TABLE 2
CRITERIA FOR JUDGING QUALITATIVE RESEARCH

Traditional Criteria for Judging Quantitative Research	**Alternative Criteria for Judging Qualitative Research**
Internal validity	Credibility
External validity	Transferability
Reliability	Dependability
Objectivity	Confirmability

Source: Guba & Lincoln, 1981:45

In order to guarantee the high quality of a case study, it is important to ensure that these quality standards in the research, which implies that the study should be conducted in the right way (Merriam, 1989).

3.10.1 Credibility

The post-positivist school of quality research focuses on establishing credibility as a validity criterion, instead of objectivity (Winegardner, 2002). Hence, this study will be judged using the alternative criteria for judging qualitative research. Credibility has been likened to the older quality standard of internal validity and involves establishing whether or not the results of qualitative research are credible or believable from the perspective of the participant in the research. Guba and Lincoln (1981) recommend a variety of strategies for improving the likelihood that findings and interpretations produced through naturalistic inquiry methods will be credible. The researcher believes that the credibility of the present study will be successfully enhanced, as he will have made use in this sense of two recommended basic strategies: researcher’s biases and member checks (Babbie & Mouton, 2001). The researcher’s biases strategy aims to clarify the researcher’s assumptions, world-view and theoretical orientation throughout the study and whatever biases the researcher becomes aware of will be noted as and when they occur, in the form of notes. These noted biases formed part of the case study database in the form of memos (Merriam, 1998). Being more cognisant of biases and their role in interpretation adds to the credibility of the study. The member check strategy was carried out by sending back the data collected from interviews and the cautious interpretations that the researcher had made upon it, to the persons interviewed for confirmation. By carrying out this practice continuously during the research, the researcher tries to avoid any form of misunderstanding. Since the purpose is to describe the phenomena from the participant's viewpoint, the participants are the only ones who can legitimately judge the credibility of the results. Thus, the findings of the study were sent back to the interviewees for clarification. The comprehensive answers that were received back confirmed the thoroughness of this strategy. In conclusion, all the factors described above assured the credibility of this thesis.

3.10.2 Transferability

Transferability refers to the degree to which the findings would apply to other cases in other settings. Lincoln and Guba (1981) argue that this is a matter for the person wishing to make the transfer of application. The researcher, by engaging in 'thick description', will emphasise contextual features of the study, and an awareness of the context-bound nature of the study will allow a reader to decide upon the appropriateness of transferring the findings to another context. In other words, the deeper and wider the descriptions of the settings and the characteristics of the participants, the easier it is for future researchers to be able to establish the relevance of the research findings to the settings and participants that they are seeking to study. In this study, the findings include liberal quotations from the interviewees, allowing for future researchers to establish the relevancy of future findings and future participants.

3.10.3 Dependability

The traditional quantitative view of reliability is based on the assumption of replicability or repeatability. In essence, it is concerned with whether we would obtain the same results if we could observe the same phenomena twice. However, by definition, if we are measuring twice, we are measuring two different things (Trochim, 2000). In order to estimate reliability, quantitative researchers construct various hypothetical notions (e.g., true score theory) to try to get around this fact (Guba & Lincoln, 1994).

The idea of dependability, on the other hand, emphasises the need for the researcher to account for the ever-changing context within which research occurs. The researcher is responsible for describing the changes that occur in the setting and how these changes affect the way the researcher approaches the study (Trochim, 2000). Therefore qualitative researchers need to ensure that their findings are dependable (Guba & Lincoln, 1981). Dependability in this study was addressed by noting methods of recording data and the use of accurate accounts of interviews or direct quotations in field notes. To establish further dependability, an independent examiner can examine the process by which the various stages of the study, including analytic techniques, were conducted. The examiner can then determine whether this process was applicable to the research undertaken and whether it was applied consistently.

3.10.4 Confirmability

Confirmability is the extent to which another researcher or a reader would be able to check the findings by seeing how the work was carried out (Merriam, 1998). Confirmability was established by the researcher establishing a clear audit trail that allows for the checking of procedural issues in the study as documented in the procedures for case selection, data collection and data analysis.

3.11 Ethical Considerations

Before undertaking interviews, the researcher gained access to the individuals by emailing them personally and asking their permission to interview them. The researcher informed the interviewees of the purpose and nature of the study beforehand. An interview schedule was then drawn up, according to the availability of the interviewees. The researcher informed the interviewees that the information obtained would not be confidential, although it would only be used for academic purposes. Interviewees were sent copies of their transcripts to ensure that the information was not presented out of context. Before the interviews, the researcher requested permission via email to tape record the interviews, and in each case, permission was obtained.

3.12 Limitations and Weaknesses

The researcher’s method has its limitations and weaknesses. Due to this fact, it is the researcher’s responsibility to try to convey a trustworthy image of what is being explored and how he has proceeded in this quest for knowledge. It is up to the researcher to convince the reader with sound arguments and well-presented background information. The researcher believes that in displaying his entire methodology and all its contents, he provides the readers with a tool that they can use at their own discretion when reading this thesis.

Case study strategy has its critics, the greatest concern usually being a lack of rigour in case research (Hamel, Dufour & Fortin, 1993). Guba and Lincoln (1989) suggested the following criteria to asses the rigour of research; credibility, transferability, confirmability and dependability. These criteria have been discussed above. One of the methods used to ensure rigour was to triangulate data, so as to provide various perspectives on the reality and this, in turn, enabled the researcher to provide a rich, thick description that elicited a lot of detail about the particular context (Merriam, 1998).

One limitation identified by the researcher was that there was limited triangulation of *sources* of data which compromised this research. An instance of this is the fact that not all the interviewees were involved in the post – purchase phase of the customer decision process. The researcher discovered that the post – purchase support is carried out offline at Club McCarthy, which is a separate division from the Call-a-Car headquarters in Randburg, where the interviews were carried out. This implies a weakness in the researcher's sampling method. Furthermore, this research did not examine customer viewpoints. Doing so would have allowed for a greater perspective on Call-a-Car's usage of the Internet and the underlying themes. The difficulties of accessing this population influenced the researcher's decision to only interview the employees of Call-a-Car.

3.13 Conclusion

This chapter outlined the research methodology used in this study. The chapter discussed the use of the single case study design and why it was adopted. Data collection was done using interviews as the main source of data as well as documents. Data analysis was carried out using thematic coding and the quality of the research was discussed with regard to possible weaknesses and counteractive procedures to guard against weaknesses. The next chapter will present the results obtained from the interviews, after which, a discussion will follow on the emergent themes.

CHAPTER 4

FINDINGS

The interviews revealed that McCarthy Call-a-Car operates as an intermediary and uses the Internet extensively to assist the customer in the pre-purchase phase. However, it was revealed that, in the purchase and post-purchase phases the use of the Internet is minimal as Call-a-Car uses a ‘clicks and mortar’ business model, using both online and offline services to support the customer in the CDP. This strategy has been adopted due to Call-a-Car’s desire to keep their relationships with its dealer network and also because of the practical problems in selling touch and feel goods online. The chapter starts with a description of the McCarthy Call-a-Car car buying process encountered by customers of Call-a-Car. Thereafter follows a description of how Call-a-Car uses the Internet to support its customers in the pre-purchase phase. That section also covers why Call-a-Car chooses not to use the Internet in the purchase and post-purchase phases.

4.1 Car Buying Process at McCarthy Call-a-Car

According to the interviewees, customers of Call-a-Car go through a three-phase decision-making process as with any other transaction: pre-purchase, purchase and post-purchase. The pre-purchase phase consists of need recognition, information search and alternative evaluation (Blackwell *et al.*, 2001). In the need recognition stage, McCarthy Call-a-Car uses an aggressive advertising strategy, carried out on different media, such as TV, radio and the Internet itself. This attracts the customer to visit the Call-a-Car website. The managing director states that the content of the website is not exclusive to any manufacturer, and the range of vehicles includes all makes, models and price categories. Furthermore, the respondents state that Call-a-Car is targeting the 7 and 8 categories from an LSM (Living Standards Measure) perspective (Whiteford & McGrath, 1993). The LSM is a marketing tool that segments people according to their living standards, using criteria such as degree of urbanisation and ownership of cars and major appliances (Whiteford & McGrath, 1993). The respondents say that the average monthly payment on an average Call-a-

Car vehicle is R2 000 per month, which indicates that the average income of the customer should be at least R12 000 per month.

The managing director further states that customers are comfortable with technology and trust it enough to use it while looking for very expensive items. Once a customer logs onto the Call-a-Car site, the information search stage begins. He/she is prompted to fill in details such as his/her location, the make and model of new or used car he/she is looking for, and their price range. The search engine then scans about 5000 vehicles on the McCarthy database through that are held in stock by the 110 McCarthy and independent dealer outlets. A list of vehicles is generated that meets the criteria, allowing the customer to scroll through the "virtual showroom" and click on any vehicle for further information on its features, location and other details. If the customer likes the look of the car and wants to progress further, the next step is to type in their personal details. The computer then sends a message to the appropriate Call-a-Car agent. This agent then contacts the customer via telephone and reaffirms details such as vehicle choice, colour of the vehicle and the price the customer is willing to pay. The agent also asks the customer if they are open to other options. This is done so as to get a feel of the customer's preferences and helps the customer in the third stage of the pre-purchase phase, evaluation of alternatives. The agent then engages in qualifying the customer.

> I call it two stage qualifying. One: qualifying by choice and two: qualifying by financial. – Call Centre Manager

The customer is asked questions regarding financing of the car. Call-a-Car allows financing of up to 25% of the customer's monthly income and he/she can pay in monthly instalments. Once the qualification is done, the agent then forwards the details to the closest available McCarthy dealer, who contacts the customer within two days to arrange a test-drive from anywhere they wish, including the customer's home. If the customer chooses vehicles in geographically distant areas, McCarthy Call-a-Car drives the vehicle out to the nearest McCarthy dealership to the customer so that the customer can experience the vehicle before making a purchase decision. The dealer who is closest to the customer (hence being the most convenient) has two days exclusivity in which to conclude the purchase process, after which that customer is available to all the other McCarthy dealers country-wide, meaning that all other dealers with the same vehicle range will have access to the customer's information. Since the customer has expressed his/her desire to buy a vehicle, this allows for Call-a-Car to conclude the purchase quickly in the case of one particular dealer not doing so. Similarly, if the customer desires an insurance or finance option, the customer service agent can arrange both for the customer. Once the customer has made a purchase, the customer's details are taken off the system, thus avoiding any unnecessary calls to the customer from dealers. The managing director believes that the Internet allows Call-a-Car to offer a quick, easy way to locate vehicles for all its customers.

> How do you find a car? There are two options. Go from dealership to dealership; it will take you three months to find exactly what you're looking for, unless you take the first one that comes around. This opposed to going into Call-a-Car, look at five and half thousand cars at once in the luxury and comfort of your own home, locate five or ten of them, request a test-drive; the dealership will come to you and then purchase. That's the difference. – Managing Director

The interviews revealed that McCarthy Call-a-Car does not wish to use the Internet as the primary source of support to the customer in the purchase and post-purchase phase of the consumer decision process. The reasons for this will be discussed later on in this chapter.

4.2 How the Internet supports the Pre-purchase phase

Since Call-a-Car focuses on using the Internet in the pre-purchase phase, it is important to know how it does so and what precisely Call-a-Car offers to the consumer via the Internet. The respondents all stated that the Internet does support the pre-purchase phase and plays a crucial role in the customer decision process. The growth of Call-a-Car's usage of the Internet, according to the Call Centre Manager, started out with Call-a-Car presenting information online, much like a brochure. Taking this into consideration, the General Manager believes the primary reason for using the Internet is to publish information for their prospective customers. In addition he thinks that the Internet is an important medium for the customer during the pre-purchase phase.

> The Internet allows the customer to search for the information he or she is interested in, when they need it and I can safely say it saves time. – General Manager

The Team Leader agrees with the General Manager and adds that the Internet is a very important source of information that can help a customer to select a car before the purchase. The respondents believe customers use the Internet to look for information such as prices, car specifications, insurance and finance options, as well as for any specials that are being advertised. All the respondents agree that the customers are more informed due to the Internet and are more prepared with information before making a query.

> You also find that people coming through from the online source are easier to close, because they know exactly what they want. They want a BMW white with grey interior; they don't want a black Merc with grey interior. They know exactly what they want. – General Manager

> They get onto the website; they compare prices because different dealers' prices are there for the same vehicle. – Regional Manager

> What you find is a customer comes from searching the Internet, he is generally more sure of himself because he can access so much more information, he goes to a search engine, types in cars, motorcars, whatever. Suddenly he sees 15 sites and he gauges a little bit from each site. – Call Centre Manager

The respondents also stress the importance of product information available to customers. Customers now have a lot more knowledge about their preferred model and tend to study it thoroughly before visiting a dealer. The Managing Director thinks that this is demonstrated by the questions dealers receive from potential customers. The questions dealers receive today are a lot different from those received five years ago, and dealers are facing new challenges in being able to answer very detailed, technological questions, and to be more knowledgeable than the potential customers.

> The customer of the future is digitally empowered. He has information and is demanding. You had better be ready when he steps on to the showroom floor. – Managing Director

The Call Centre manager believes customers use other offline sources to hear about McCarthy Call-a-Car, but use the Internet to actually interact with Call-a-Car.

> We had an industry study done by one of the professors and what they found was people were using a lot of other sources to hear about Call-a-Car. For example, you would see on TV, newspaper whatever, but their source of interaction was the Internet. – Call Centre manager

The Customer Service Agent agrees to a certain extent with this, but believes that most customers use the Internet as the sole source of information in the buying process.

> Everybody prefers it in the comfort of their own homes, in their office to go to a website and look for a vehicle. – Customer Service Agent

The Call Centre manager believes that by publishing information about different car makes and providing pictures, McCarthy Call-a-Car is utilising both up-to-date technology and applications to help support the customer in the first phase of buying a car. The Regional Manager supports this view and states that applications such as the Financial Calculator and Franchise Administration System help Call-a-Car in providing superior customer service. The Team Leader says the technology used currently by Call-a-Car supports the customer to an extent, but can be further supported if Call-a-Car wishes to utilise even better technology than that which is currently used. The customer service agent corroborates this belief that the technology and applications that are currently used online for Call-a-Car can be improved in functionality for the customer. He believes that the better technology that can be incorporated into their search engine will allow for real-time information to be received and sent to all the McCarthy dealerships, which, in turn, will allow customers to receive the latest information available.

> The customer will be getting better service and this is simply because we are always looking to develop using the latest technology. Due to this the customer service levels are always moving up. – Customer Service Agent

4.2.1 Growth prospects of Internet usage in the pre-purchase phase

The Managing Director further states that the Internet is probably used mostly in the pre-purchase phase and that, for the most part, customers use the Internet to gather information and to reaffirm ideas about a particular purchase. He thinks that these customers will continue to increase in numbers.

> Well, as I said, the 3 million Internet literate customers will use the Internet before they purchase. The ones without Internet obviously will have to ask a friend, read a brochure or buy a car magazine. However, I believe the numbers of Internet users will increase over the years. Internet access is becoming like a commodity, its becoming cheaper like cellphones. Initially, only rich people had expensive cellphones, today everybody will have a cellphone.
> The Internet will follow the same trend. – Managing Director

The Regional Manager believes that usage of the Internet in the pre-purchase phase will grow because he believes that after about ten or twenty years the Internet will be a regular part of most people's lives and then there will be more people online than offline.

> Everyone's becoming more Internet literate, so we're definitely going to grow.
> - Regional Manager

4.3 Why Call-a-Car does not use the Internet to support the Purchase phase

As stated earlier in the chapter, Call-a-Car does not use the Internet directly to support the purchase and post-purchase phases of the Consumer Decision Process model. The purpose of this section is to clarify whether or not the Internet can support the actual buying of cars online and if so, what the reasons are why McCarthy Call-a-Car does not make use of it. It is also intended to illustrate the difficulties with and attitudes regarding conducting online purchases, from both a company and customer perspective.

All the respondents were not in favour of expanding their online service to include the actual purchase transaction. Most of them also feel that handling online transactions would impose significant consequences on the value chain. The respondents all believe that the Internet is a medium that influences buyers in terms of which car dealerships they approach. The actual selling of cars, or at least the end sub-process of selling cars, would thus remain in the hands of the car dealerships' sales persons, but the flow of customers to car dealerships is being affected by the Internet. Furthermore, a number of reasons were given as to why the actual purchase would not take place over the Internet. These reasons are two-fold: firstly it is Call-a-Car's strategy to include its dealer network in the purchase transaction as it is beneficial to both Call-a-Car and the dealerships. By allowing for the purchase transaction online, it would alienate its dealership network and the respondents are fearful of changing their business model by altering its relationship with the dealers. Secondly, there are practical difficulties involved in carrying out the purchase phase online such as the technological investment and interactivity required, the current legal system not recognising electronic signatures and the possibility of fraud. These will be discussed next.

4.3.1 Call-a-Car Strategy

The respondents all agree that the Internet could support the purchase phase, but that Call-a-Car does not support sales online. One of the reasons given by the respondents as to why Call-a-Car does not sell vehicles online is that there are independent dealers that have registered with Call-a-Car, who depend on referrals coming through from the Call-a-Car call centre. The motive given behind this is that Call-a-Car's strength lies in the fact that they have been using a business model that has proven to be efficient and profitable. Call-a-Car uses a 'clicks and mortar' business model that incorporates its online presence with offline 'bricks and mortar' dealerships. According to the Managing Director, Call-a-Car management does not want to change the business model. He fully supports the idea of strengthening their business processes using the Internet, but is not willing to let the Internet compromise their business structure. The reasoning behind this is that allowing for the actual transaction to take place online would incur high costs and would require extensive research before being implemented. This is something Call-a-Car is not interested in doing at this stage.

> Call-a-Car uses the same business model as it did before the Internet surfaced. I view the Internet as a medium to support Call-a-Car. The Internet supports the buying process until the actual transaction, which should be done in the old traditional way at a dealer. - Managing Director

4.3.2 Practical Problems, Investment and Interactivity Required

Even if they were to change their strategy, the respondents believe there would be some practical problems associated with conducting the actual purchase online for vehicles. The three main problems identified were the investment and interactivity required, legal problems and the threat of fraud online. The Managing Director believes that the Internet can support the purchase phase, but that it requires more interactivity to do so. At the moment, the applications online and in their call centre support the customer in getting to the exact dealer to carry out the actual purchase. For McCarthy to provide prices online, give finance quotes and insurance quotes online is not enough for the entire purchase to be carried out online. The customer needs to see and test the vehicle in order to make the final decision. The respondents believe very few customers will purchase a vehicle without actually physically testing it out first. The interactivity required to support a customer through the actual final purchase transaction requires applications to be constructed in accordance with each dealer’s business process. These applications do not currently exist within Call-a-Car.

> Because there is always finance involved and these finance and insurance processes all need to be linked together. Right now it is not possible. – Managing Director

The Managing Director agrees with him and thinks the applications needed in an online transaction are too varied for the entire purchase transaction to be carried out online. He feels that there will always be a human being involved in the purchase transaction.

> After locating the product and once you start the purchase cycle, you will have some agent or salesperson dealing with you. I don't foresee that will change for a very, very long time. – Managing Director

The Team Leader believes that Call-a-Car management has made a strategic decision not to sell cars online due to the investment required.

> We don't have the technology needed to be able to carry out the purchase transactions and links to the required dealership sales systems within Call-a-Car. Because Call-a-Car does not wish to sell online, we have not put these technologies in operation. - Team Leader

> We have to merge insurance companies, financing companies and suppliers into one. - Regional Manager

In addition to the investment and interactivity required, there are legal regulations that Call-a-Car has to abide by. The Customer Service Agent says that, from a theoretical point, the Internet can support the purchase phase online. The technology is probably available *if* Call-Car would choose to start selling cars online. The Call Centre Manager agrees to some extent with him. However, he believes there are laws that prevent the purchase of a vehicle online, but also believes that this could be changed in the future.

> There was a law some time back whereby you have to have a physical signature, as email does not serve as a legal contract. Especially when you buy a vehicle, you have got to sign a physical document, its called an OTP (Offer to Purchase) I think there are laws changing regarding that. I think within the next year or two you will probably find a situation where a client can actually make an offer over the Internet, you'll have a guy going over to the client with

a PDA, where he can sign on the PDA. That may eventually happen. – Call Centre Manager

The General Manager believes that investing time and effort in facilitating the purchase process online would not be a good idea, due to the fact that SA companies are still learning about the online arena. The Regional Manager does not fully agree with the General Manager and believes that Call-a-Car is equipped to carry out the transaction online, but that it is the risk of the online fraud phenomenon stopping Call-a-Car from selling online.

The primary reason we don't sell cars over the Internet is online fraud. – Regional Manager

4.4 Why and how Call-a-Car supports the customer in the Post-purchase phase offline

All the respondents agreed that the Internet does not directly support the post-purchase phase at Call-a-Car. This section will describe why Call-a-Car chooses to support the customer offline.

The post-purchase phase is dealt with offline at Club McCarthy, which is a subsidiary of the McCarthy group. It has two main functions, breakdown and medical services. Membership to the McCarthy club is free for the first year after the purchase of a vehicle from Call-a-Car. It covers 24-hour breakdown and medical services. In addition to these services, customers can get discounted accommodation locally and internationally, car rentals and various other amenities.

McCarthy Motor Club is basically a loyalty programme. Every vehicle purchase comes with a free one year membership. It includes free 24-hour road side assistance; you get discounts on accommodation, on tickets, rental vehicles and parts / servicing. – Customer Service Agent

The Customer Service Agent feels that the Internet offers many possibilities to support a customer during the post-purchase phase, but at the same time he thinks that there are very few customers today who would actually use online post-purchase services, such as email and online booking of vehicle maintenance services. The Customer Liaison Manager agrees with this and says most people are comfortable with arranging post-purchase services offline rather than online.

> For example, we could put gateways such as email for booking our services online but I'm just not sure it'll get used. – Customer Liaison Manager

The Managing Director thinks that the relationship between the customer and Call-a-Car should exist between the specific dealer and the customer, not involving Call-a-Car themselves and the customer. The dealer has a greater opportunity to offer the customer more relevant and personalized information. Call-a-Car's responsibility is to build the brand and create awareness, but not a one on one personal long-term relationship. McCarthy Motor Club provides a variety of backup and support service offline. The Customer Liaison Manager believes this service could probably be supported online with the help of customer databases and e-mail, but it is not currently something Call-a-Car is looking to pursue right now as they believe it will not be a success.

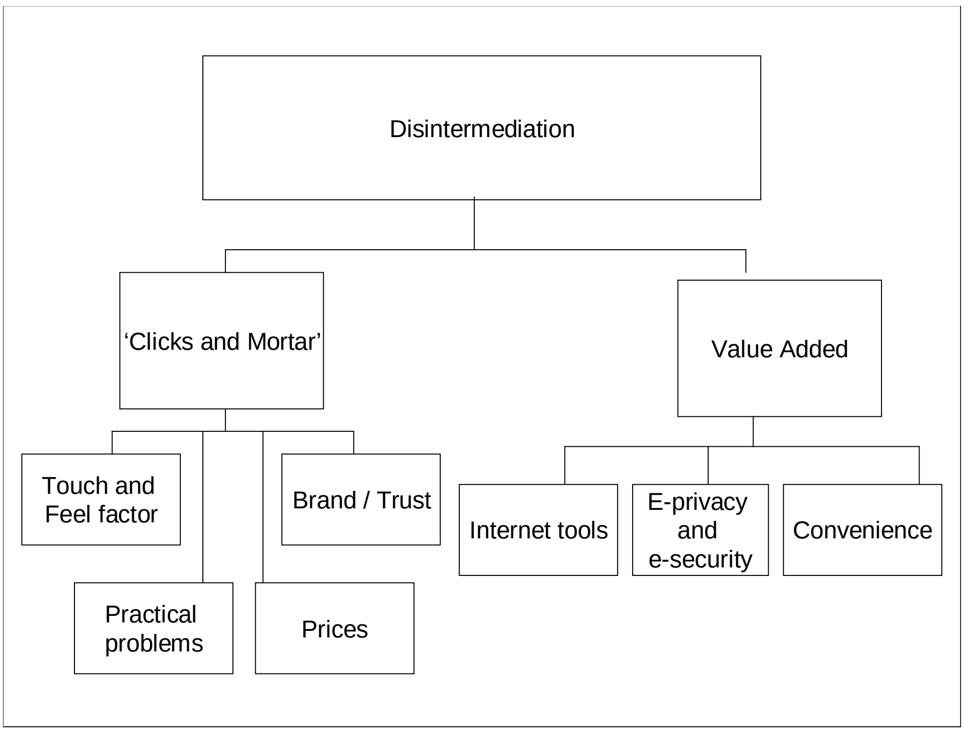
On the other hand, the Team Leader believes that both the McCarthy dealer network and Motor Club could gain a lot by offering owners service bookings via e-mail, where the owner receives an e-mail when it is time to service his or her car and does not have to spend time trying to book it himself. The Customer Liaison Manager believes that online customer service and support may run the risk of disappointing the customer, which did not exist before the Internet. She states that if a customer is advised of a service booking via email, Call-a-Car would have to ensure that the promise is kept. By neglecting such a promise, Call-a-Car runs the risk of losing customer trust and his/her positive perception of the company. The Customer Liaison Manager says the potential to support customers online is there because the Internet is today an established channel and online requests are taken more seriously now than they were earlier.

4.5 Disintermediation

A number of issues surfaced as a result of the interviews conducted that are illustrated below in Figure 4.1. One of the main topics that arose in the interviews was that of the disintermediating effects of the Internet. The respondents felt that the Internet has caused disintermediation in many industries, but not in the car industry. The respondents believe that rather than cutting out the middle-man, the Internet has brought new opportunities for companies. They state that the Internet has led to the creation of new types of intermediaries and confirm that Call-a-Car is one such intermediary. In addition, they felt that the Internet allows companies many opportunities to provide added value to the customer's decision-making process. Furthermore, the respondents stated that the Internet has not affected the price levels of cars, despite affecting price levels in other industries. Each of these issues will be described below.

FIGURE 4.1

OUTLINE OF FINDINGS



4.5.1 Disintermediation and 'Clicks and Mortar'

The respondents all believe that the Internet has not led to disintermediation in the car retail market and further confirmed that Call-a-Car operates as an intermediary that facilitates the selling of cars on behalf of Call-a-Car dealerships, as well as other independent, but certified dealers. The Managing Director believes disintermediation has occurred in some markets, such as the banking industry and travel industry, but that it has not occurred in the car retail market.

> I think its keeping people outside in the banking industry, because banking is a service whereas cars are a product. In the service industry, it's easier to take the middleman out or it's easier to optimise the value chain. For example, you can take bank branches and reduce them because people do no longer need them to do their banking. – Managing Director

All the respondents made it clear that Call-a-Car is not an entirely online business and they further revealed that Call-a-Car is one of those companies that uses the Internet strategically to support its customers and is using the 'clicks and mortar' business model which has various advantages to it. At the Call-a-Car website, customers can research cars and check the inventory of Call-a-Car and its dealers online. In addition, customers can apply online for credit and insurance, which is also submitted electronically to the finance and insurance provider. However, as stated earlier, the end purchase phase is carried out offline.

> If you go onto the website you will see we are not totally online, we are a 'clicks and mortar' company, a combination of the two. – General Manager

FIGURE 4.2

CALL-A-CAR CUSTOMER BUYING PROCESS

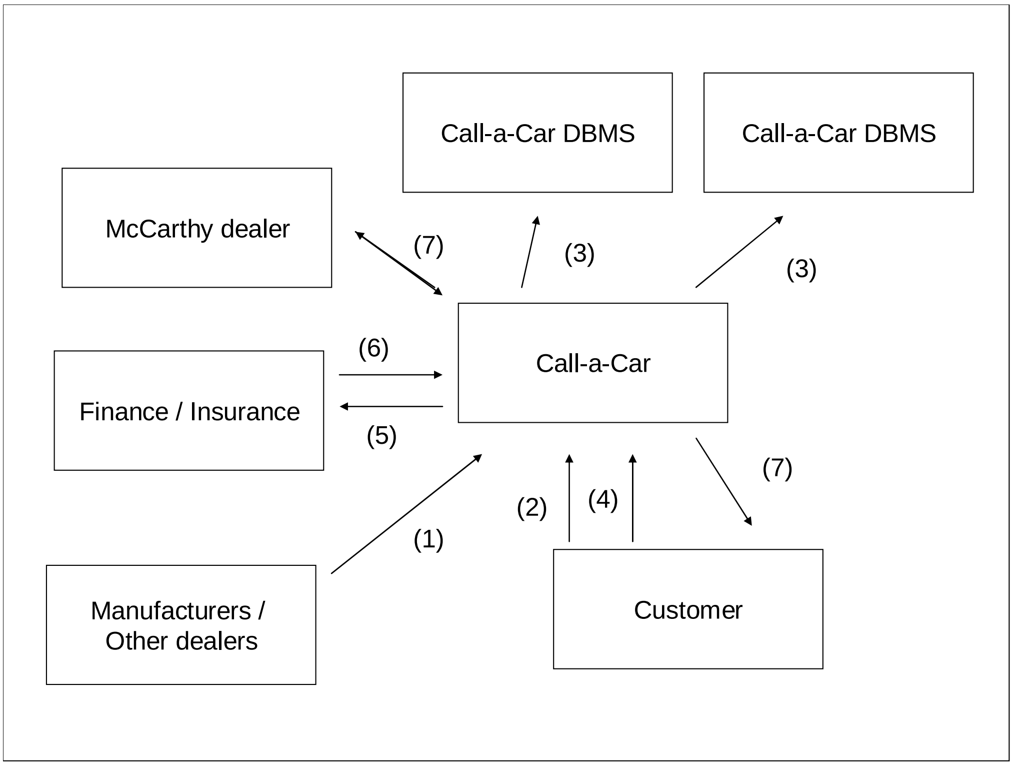


Figure 4.2 above represents Call-a-Car's buying process and illustrates the different networks Call-a-Car uses as a cybermediary to offer a competitive service to its customers. In (1) Call-a-Car searches various sources for best deals on vehicles in terms of price and quality and adds these vehicles to their database. In (2) a customer scans through the online database management system (DBMS) of Call-a-Car (3) and adds a particular car to his/her list online. Before the customer hits the electronic submit button he/she is asked to submit finance and insurance details (4). These pieces of information are transmitted to the relevant finance institution (Wesbank / Hollard Insurance) (5), verified and sent back in the form of an authorisation number (6). Finally, Call-a-Car gives confirmation to a dealer, who contacts the customer to arrange a test-drive (7); the feedback mechanism gives the possibility of getting information on the current stage of the buying process to the customer. The model described above shows that Call-a-Car uses a combination of online and offline locations to support the customer.

According to the Managing Director, this combination of online and offline systems helps the manufacturer to sell more cars without alienating their existing dealer network. He states that in the car market, due to the logistics of delivery and the need for a physical presence for service and warranty work, bypassing dealers would not work. He believes McCarthy's expansion into online commerce followed naturally on pre-existing expertise with car sales and experience in serving customers nationwide.

> The Internet is optimising the buying / retailing experience. In the motor industry, it's not cutting out the dealer, it's a marketing tool, making the dealer more effective, making advertising more effective. - Managing Director

The General Manager says that Call-a-Car's physical infrastructures, such as showrooms, distribution systems and dealers all enhanced the value of their online offerings. He believes Call-a-Car plays an important role in linking the buyers and sellers in the car retail market, matching customers and dealers and linking customers and financial services via their website. The Call Centre Manager agrees with the General Manager and adds that McCarthy Call-a-Car had to form several alliances to fill important gaps in their virtual channels. These include their alliance with Wesbank, who offer finance services and Hollard, who offer insurance services.

> In order to be successful in this arena, we needed to ensure we have alliances with all the necessary gateways, such as finance and insurance, which are required in the purchase process. – Call Centre Manager

> You can put in a finance application on our website, which goes straight to our Wesbank office; we've got a partnership with Wesbank. They then do the pre-approval for the client and that goes through to a McCarthy dealer. – General Manager

The respondents believe that by using the 'clicks and mortar' business model, Call-a-Car reaps many benefits, such as cost savings in a number of areas, including inventory, marketing/promotion and distribution. They believe marketing and promotion efficiencies are earned when the different channels are utilized to inform customers about services and products available in the other channels. Furthermore, inventory savings arise when Call-a-Car finds that they can avoid having to stock the same vehicles at their dealers, while still offering the full range of choices to customers via the Internet. They go further to say that marketing and promotion efficiencies are garnered when each channel is used to inform customers about services and products available from the other channel. They also believe that, due to the Internet, Call-a-Car has access to wider markets and there is depth of information provided to potential customers.

4.5.1.1 Touch and Feel Factor

One of the major reasons that the respondents believe Call-a-Car should combine their online presence with an offline presence is that they believe many people are not willing to buy a car online. The Managing Director thinks that people still want to see, smell, experience and test-drive the car, which cannot be done over the Internet. Hence the need for offline outlets where customers can experience the tangible benefits of a car not available online. The General Manager states that Call-a-Car's usage of the Internet is based on driving the customer to the car dealer.

> Call-a-car is a marketing tool. People come onto the site and we direct them from there to our dealers and the dealers support the customer thereafter. – General Manager

Test-drives are still important, which means that buying online would require providing the customer with the opportunity to test-drive, according to the Regional Manager. Because Call-a-Car has a distribution system that works well and the dealers are spread throughout all the major Call-a-Car centres, customers can easily visit a local dealer. The Regional Manager goes on to say that Call-a-Car will bring the test-drive to the customer, for example: the car is delivered to the customer's home or work for them to test-drive. He does not think that Call-a-Car should encourage people to buy a car without test-driving it as most people are cautious in their buying approach.

> By driving out to the customer who can then touch, taste, smell and feel the car. The thing is it's an old scenario, where you'll always have people going

into shops so eventually you’ll drive a car before you buy it. - Regional Manager

The General Manager feels that all car buyers want to experience the car, look at it, judge the size of it, drive it and listen to it. It is not the technology or the Internet per se that is the problem, according to him, but that people do not dare to make such a large investment without experiencing the car. Again, he believes that this aspect of the car buying process cannot be provided to customers online hence Call-a-Car’s usage of a ‘clicks and mortar’ model.

> Customers want to still feel, touch and test-drive the vehicle, but their entry point is the Internet. The advantage is that at the entry point you can actually see and compare vehicles, prices and performance with much greater ease and after that you can test-drive the specific vehicle you want without going to various dealerships. – The General Manager

The Team Leader agrees with the General Manager and adds that a vehicle is the second largest purchase of a customer’s life. The customer thus expects to interact with a human and would like some form of assurance in doing so.

> Customers would always like to have the soft touch of having a person to talk to because it’s a major purchase, it’s like buying a house on loan. – Team Leader

4.5.1.2 Trust of Internet Retailers and building a trusted brand

In addition to the touch and feel factor, the respondents state that one of the reasons why Call-a-Car uses a ‘clicks and mortar’ business model is that customers demonstrate a lack of trust in web sites and purely online brands. The respondents believe that users do not trust the information they are being exposed to on the Internet, they fear an invasion of their privacy online, and they doubt the security of online purchasing systems. Hence a ‘clicks and mortar’ presence is crucial to the establishment of trust amongst customers. The Managing Director believes that effective brand management can help to curb this fear of online establishments and he further states that customers may know and respect an online brand, but their trust in that brand is what keeps them coming back to the website and the brand.

The respondents all indicated that trust in an online environment is a big concern and is something that Call-a-Car considers seriously and actively promotes. They believe that many customers have concerns about matters of privacy, legal regulations and a general attitude of fear of using the Internet in their buying process. The respondents believe that having a strong brand name and reputation can be a vital source of customer trust for companies such as Call-a-Car who are engaged in e-commerce. To this end, the respondents indicated that the value added to the customer in using Call-a-Car's technology and services lies in a trustworthy relationship, which is achieved by Call-a-Car through branding. This trustworthy relationship is important to Call-a-Car as it leads many customers to undertake repeat business with Call-a-Car.

The Managing Director suggests that online customers regularly buy from branded retailers such as Amazon.com, even when these retailers do not have the lowest price. He suggests that other factors, for example, trust, play an important role in Internet markets. In his opinion, many customers are willing to pay a premium to purchase a product from a retailer whom they trust rather than an unknown retailer. This is precisely why Call-a-Car focuses on building the brand, as having a reputable brand name signals trust.

> I think what we've done to secure customers is building the brand through advertising, the people trust us. I think that's a trust factor, if people have a complaint we follow up that complaint until the customer is happy. – General Manager

Branding takes on additional importance in the future electronic environment according to the Call Centre Manager, especially for an important purchase like a car.

> Besides your house, your car is the most expensive purchase you make in your life. And people have to be sure. Anyone, in my experience, wants to know what they're buying is the real McCoy, meaning it hasn't been in an accident, hasn't been stolen or recovered. – Call-Centre Manager

Having discussed the importance of engineering trust though brand building, the discussion now turns to how Call-a-Car builds the brand. The Call-Centre Manager states that Call-a-Car provides a strong brand through USP's (Unique Selling Propositions). These include a 7-day exchange plan, 30-day dealer warranty and twenty-four hour roadside and emergency assistance. The 7-day Exchange Plan applies to all vehicles purchased from Call-a-Car. The vehicle may be exchanged at any time during and up to 7 days from the day of collection, but the vehicle can only be exchanged for another vehicle of the same value or higher from any approved McCarthy dealership. In addition, when a customer wants to exchange a vehicle for another of a higher value, the difference in price needs to be funded by the customer, exchanging either with additional finance (where available) or an alternative method of payment. Secondly, a 30-day dealer warranty is offered to all customers. This means that if the vehicle breaks down within 30 calendar days from the vehicle purchase date, the Call-a-Car dealership where purchased will, at no charge to the customer, repair or replace any faulty parts. Thirdly, twenty-four hour roadside assistance is provided to all customers. When a customer purchases a vehicle from any McCarthy dealer, be it new or used, the vehicle is delivered with a complimentary Club McCarthy twenty-four hour emergency roadside and medical assistance package as part of the deal. Finally, Call-a-Car provides guaranteed mileage on all its vehicles and assures all customers that vehicles in the Call-a-Car inventory are of authentic origin, meaning that none of them are stolen.

From a company perspective, the General Manager thinks that the Internet can serve as an important marketing tool for Call-a-Car when it comes to finding new customers. Both the General Manager and Customer Service Agent further add that the brand is built through various media, such as local television and radio stations, which have helped raise awareness of Call-a-car.

> The Call-a-Car brand is built through our TV advertising on quite a few channels such as DSTV, SABC1, 2 and 3 and a link on Ananzi, which is a big search engine. We've got other links as well, for example at www.motormail.co.za - General Manager

> All our vehicles are branded and also the name itself "You're looking for a car, McCarthy Call-a-Car!! – Customer Service Agent

The Managing Director supports this by saying Call-a-Car has an aggressive marketing campaign and uses different mediums to familiarise the customer with its brand. He states that Call-a-Car has spent more than R25 million on marketing over the 2000 – 2003 period, and still continues to spend R500 000/month on television adverts, radio adverts as well as adverts placed in various magazines. He states that the reason for this sizeable advertising budget is due to Call-a-Car's prioritisation of building the brand and also the fact that online consumers are fickle and there are relatively few of them out there in the market. Thus building the brand helps to ensure that the online customer comes to Call-a-Car first, before any other online car retailer. The General Manager states that the brand message delivered in their advertisements always portrays high levels of convenience.

> All our adverts illustrate that Call-a-Car is the most convenient way of searching for a car. We offer the most convenience and we offer a solid backup service, this is portrayed in our adverts. – General Manager

These propositions enable Call-a-Car to eliminate any risk experienced by its customers online. By building the brand, Call-a-Car is fighting off competition from the 'around the corner' dealerships.

> An Internet business has very few barriers to entry except for one, building the brand. We have spent R20 to R30 million on building the brand over the last six years. Now, the guy selling from a garage out there cannot just do that. They maybe are able to set up a website, even have cars available, but not the brand and the backup. – Managing Director

The respondents state that another way in which to build a brand demonstrating trustworthiness is to ensure the customers' data is not misused. The Customer Service Agent believes that customers do not want to be flooded with emails and smses advertising Call-a-Car products and hence they always provide an opt-in option for customers whenever collecting any data for marketing campaigns.

An opt-in option basically asks permission from customers for their details to be added to an emailing list so that they may receive specific information or content.

Another method by which Call-a-Car builds its brand is its involvement in the "Being Good Neighbours" programme, the "School Computer Centre Project", as well as the "Rally to Read" campaign on their website promoting a sense of caring and benevolent behaviour that is hoped will encourage customer trust. However, the Managing Director believes that, in the online world, trust has to be earned over time and Call-a-Car must thus apply the basic principles guiding their brand management to their online efforts, primary among these being respect for the customer. The Call Centre Manager believes that Call-a-Car identifies the qualities that earn respect and trust (effective customer service, hassle-free shopping), builds its image upon them and ensures these values are transferred online.

Furthermore, he believes that whoever invests so much money in building their brand will not lose customers easily. He states that despite the difficulties of customer perceived risk, Call-a-Car's approach to gaining and keeping online customers is to provide a high level of personalised service (mainly via e-mail and telephone call-backs). The Regional Manager believes that consumer trust of an online retailer amounts to how reliable the brand is. Furthermore, the respondents believe that the strong McCarthy brand allows them to offer high quality vehicles that fetch high prices and hence a greater market share.

> We enjoy a good share in the market, and I think that's why people trust us and it's like "Don't buy from this dealer, but buy from McCarthy." Thus branding is absolutely crucial. - Regional Manager

The General Manager feels that Call-a-Car uses the Internet to build the brand by providing an effective and simple website and having links on various sites that help to make it known to a bigger audience. The Team Leader further believes that by providing a dual interface in the form of the website and call centre, customers have more than one avenue to address any concerns they may have in the purchase stage. The usage of innovative technologies such as email and online submission forms for customer complaints and feedback helps to foster trust amongst customers. The Team Leader thus believes that Call-a-Car can use the Internet to build the brand.

> The Internet can support the pre-purchase phase by building brand and simultaneously letting people get informed. – Team Leader

The General Manager believes that the broad majority of brand building is done off-line today. It is the off-line promotion that drives people to go online and visit the McCarthy Call-a-Car homepage. The Managing Director agrees with the General Manager that a brand can be built both offline and online, but adds that it is important for McCarthy to give a consistent brand message through all media.

The Managing Director believes that branding replaces the physical location of a store. For the virtual retailer, branding performs two functions. The first function is attracting customers to its site.

> We believe that this will be of primary importance since the name of the company (site) will be the entity the user will remember. – Managing Director

4.5.1.3 Impact on Price Levels

The interviews revealed that, despite the general notion that the Internet has led to price reductions in most industries, the car retail industry has not been affected by the growth of the Internet. Both the General Manager and the Regional Manager agree that the Internet has had no impact on prices for new cars, as the prices are set by the manufacturer. There is a five percent manufacturer discount, which is a set amount and it cannot be negotiated by the customer. On used cars, however, people are more informed and are in a better position to negotiate with a dealer, says the Call Centre Manager

> People are more cognitive of prices and dealers get put into step because the market sort of corrects itself. – Call Centre Manager

Even though all the respondents have not been able to identify any changes in pricing due to the Internet, they do confirm that the Internet poses great challenges to prices in the automobile industry since the Internet contributes to the above mentioned increased price transparency between markets, making it easier for customers to collect and compare price information from countrywide sources. The respondents also stated that the Internet could have an impact on trade across borders, due to increased information about prices in other countries, but stressed that, in South Africa, market regulations have more influence on prices than the Internet.

The managing director of Call-a-Car believes that the Internet has promoted more informed customers and has prepared them better for visiting a dealership. He states that dealerships no longer have the luxury of being the primary source of information for customers and in this manner it has made the market more transparent. He does believe that the Internet has the potential to level the playing fields when it comes to buyers and sellers, but not in the car retail market.

> In other industries like travel, no doubt that the Internet is reducing prices for the end customer, but not in the motor industry. – Managing Director

4.6 Using the Internet to add value to the customer in the Customer Decision Process

By reducing transaction and distribution costs, the Internet has allowed an intermediary, such as McCarthy Call-a-Car, to offer most of the services in the car buying decision process online except for the test-drive. These services include giving the customer various options to choose from, full vehicle specifications for each and every vehicle listed, insurance quotes, finance options, including quotes and rates to be paid monthly, options to converse with a customer service agent and the closest available dealer, feedback mechanisms and all information regarding specials offered by Call-a-Car. McCarthy Call-a-Car adds value to the consumer decision-making process by securing e-privacy, using Internet tools to support the decision process and providing convenience, these aspects will all be presented below.

4.6.1 Securing E-Privacy

One facet that surfaced during the interviews was what Call-a-Car does with data collected from customers during their interactions with the online retailer, be it through the call centre or the website. The interviews revealed that McCarthy Call-a-Car does not use any of the data gained from customers in the Consumer Decision Process (CDP) for official marketing purposes or for spamming customers. The respondents state that Call-a-Car is committed to privacy protection principles, which set out information gathering and dissemination practices. The General Manager states that Call-a-Car uses data collected in the CDP to generate anonymous statistics, providing customers with information regarding their products, services, or events from time-to-time.

> We actually just archive our database, except if we couldn't assist the customer at that stage with a vehicle. It would become a follow up in my staffs' diaries to follow up. We also from time to time have a brand special. We go back to our database to whoever we couldn't assist with a vehicle and we sms them. – General Manager

Call-a-Car aims to operate in the most transparent manner possible and makes all company information available through their "Access to Information" section on the website, which provides details about how to acquire any information like Annual Reports. A terms and conditions document is posted on its website that outlines all legal responsibilities for both company and customer. Furthermore, a privacy policy is also posted on the Call-a-Car website, which provides details about what Call-a-Car does with information collected from the customer during their interaction with Call-a-Car. The Regional Manager and the Managing Director state that customers are asked for their permission before they are added to a mailing list and those customers can request that Call-a-Car ceases sending such information or request that their personal information be removed from the Call-a-Car database or mailing list.

> We absolutely guarantee that none of the information will be used without the client's permission. Email lists and so on are never created without the client's permission. Trust is very big! – Regional Manager

> If we have a special offer we will sms/email a pre-selected group of customers and tell them about it and then very often we get a positive response. It becomes a nuisance and a risk for the company if we start spamming customers. - Managing Director

4.6.1.1 E-security

Call-a-Car's security policy structures are multi-tiered in that they cross many boundaries. The security policy does not apply only to data collected during the customer's experience online, but it applies to all situations where data about the customer would be collected, be it at the McCarthy dealership or on the telephone with a customer service agent. Both staff and customers use the information on the website and Call-a-Car staff also have access to information on the company's internal intranet. The Managing Director states the data collected is secure and that there is no chance of it becoming public knowledge.

> We have got a very sound authentication so that we say to customers when you access our server it is the true Call-a-Car server. Obviously we have got firewalls protecting our data, website access so other customers cannot hack into our system. Obviously we watch what's going on in the industry and we implement those. - Managing Director

4.6.2 Adding value to customers using Internet Tools

In adding value to the customer's decision process, Call-a-Car utilises a number of Internet tools to assist customers and make their online experience a good one. This section will describe the tools used to help customers in the pre-purchase phase and provide respondents' opinions as to why the tools, namely the search engine, Franchise Administration System and the Financial Calculator were introduced on the Call-a-Car website. Call-a-Car's plans with regard to usage of tools in the future will also be presented.

4.6.2.1 Search Engine

One of the main functions on the Call-a-Car website is the search engine. According to the Regional Manager, it is the biggest tool on the Call-a-Car website and has been constantly upgraded to meet customer demands. The search engine allows customers to search for new and used cars and further allows customers to search for attributes such as air conditioning, air bags, ABS brakes and so on. The search engine is linked to their database containing approximately 5000 vehicles from its countrywide dealer network of approximately 80 McCarthy and 70 independent dealers. The respondents state that the search engine enables customers to compare vehicle features side by side and, importantly, compare prices quickly, which saves customers from driving around from dealer to dealer. This therefore reduces the customer's search effort in terms of the time spent searching as well as other expenditures such as driving, telephone calls and looking through magazines. Furthermore, if the customer cannot locate what he/she requires, there is a "Can't Find What I'm Looking For" button on the website that leads the customer to an online form where they are required to fill in the details of their specific requirements. These details are then forwarded to a Call-a-Car agent who contacts the customer to assist in finding what they require.

> We created a little button called "Can't find what you're looking for". You can use the button for a number of reasons: For people who generally don't know what they're doing on the website, you just click on it, tell us your enquiry and we will call you back and assist you thereafter. The other is for people who are either too lazy or too busy to take the initiative of actually searching, which could be a shortcut. - Call Centre Manager

Initially, the search engine would give the customer the results he/she was specifically looking for. Now, the search engine also gives the customer five other vehicle recommendations, apart from the specific vehicle the customer is looking for.

> Let's say you enquire about a vehicle for R100 000 it will give you five similarly matched used vehicles and five similarly matched new vehicles. So

> suddenly now 'Do I buy a 2001 BMW with 100,000 kms or do I buy a Kia or Corsa Lite brand new at that price?' – Call Centre Manager

4.6.2.2 Franchise Administration System (F.A.A.)

One of the primary tools used by McCarthy Call-a-Car and its dealer network is called the Franchise Administration System. The Franchise Administration System is an interface between Call-a-Car's two main clients, the customer and its network of dealers. This program allows for real-time communication of information and updating of data so that both Call-a-Car and its dealers can benefit from having access to up-to-date information about prospective customers. The respondents' further state that by using the Franchise Administration System every dealer actively goes onto the system and searches for a client as a vehicle comes into stock. This has the effect of reducing the need for stock handling and has increased the stock turn. The Call Centre Manager believes that by increasing the ratio of costs of goods sold to costs of average stock allows dealers to buy more vehicles.

> Why we've done this is that it reduces what the dealers call "stock handling." I mean, a dealer can bring down his outstanding debt every month dramatically because now he can match the client almost immediately, through a database of 10 000 clients. So that was a huge success. – Call Centre Manager

Hence this software has helped dealers manage their inventories efficiently. Furthermore, it has features that allow Call-a-Car to monitor who is using the system and how much use they are making of it. The latest feature of the program is called "Search for a Client." The dealer can use the programme to search for clients just as a customer can search for a car on the Call-a-Car website. Since the introduction of this function, dealer usage of the F.A.A has increased by up to 90%.

The system was introduced mainly to help 'bricks and mortar' dealers to break their fear of Internet technologies. The implementation of this system forced dealers to invest in computers and computer system training for their staff, thus ensuring that they do not get left behind in the "Internet craze." Initially the usage of the system by dealerships was low, according to the Call-Centre Manager. Call-a-Car could measure the usage of the system from their call-centre in Randburg and less than 5% of the dealers were using the system in the first few months. However, there are now 85 dealers (70%) currently using the system and, according to the Customer Service Agent, 60% of the deals done by Call-a-Car are through the help of the Franchise Administration System. He also states that the system has helped to improve customer service levels and has also helped to reduce costs such as fax transmission costs.

4.6.2.3 Financial Calculator

Call-a-Car offers financing of vehicles on its website. McCarthy Finance is a joint venture between WesBank and McCarthy Call-a-Car, which offers asset finance through a network of dealer-based finance and insurance consultants. The finance calculator on the Call-a-Car website requires a JavaScript enabled browser in order to work properly and asks customers to enter fields such as vehicle price, deposit, trade-in value, payment frequency and the interest rate. This enables Call-a-Car to estimate the customer's monthly payments and to provide an instant on screen display of these estimated monthly payments.

4.6.2.4 Online Finance and Insurance

The respondents state that Call-a-Car affords customers the opportunity to apply for finance and insurance online. This is normally carried out offline, forcing the customer to visit different financing and insurance companies before visiting a dealership. However, the respondents state that now the customer can do everything in one place, online. Call-a-Car's website asks customers to enter fields such as a valid ID or Passport number, employment details, contact information for a relative, home ownership details, banking details and insurance details The customer receives an on-screen conditional credit decision on their application and they also receive an email and/or SMS confirmation of their application and a reference number. Once the customer has received this decision, he/she has the option of submitting the application for immediate processing, in which case Wesbank's WheelsLine processes the application and ensures that the customer is contacted where necessary to acquire additional information. Alternatively, the customer can save the application and attend to it at their convenience. According to the Call-Centre Manager, these functions have helped to improve interactivity with the customer and have raised customer service levels.

> So what will happen eventually is we'll get an enquiry which, the moment it goes to the dealership, it will say "Client is approved, here is his/her credit rating etcetera" and the deal is done within 15 minutes. It's the height of convenience. – Call-Centre Manager

4.6.2.5 Tools for the future

Call-a-Car believes in keeping up with the latest technology available and thereby improving customer service levels. By using the latest technology, customers can get quicker feedback and service with minimum levels of inconvenience says the Managing Director. The Customer Service Agent envisages newer and better technologies for Call-a-Car in the future. He states that the company will be investing in a new telephone management system and web-chat tools that will enable online chatting with prospective customers.

> We are getting a new telephone management system, which will also incorporate web chat. Basically a client sitting on the other end will be able to chat with us online. – Customer Service Agent

New technology is given a trial period in which the usage and usefulness of it is gauged by management, considering feedback from customers. The Customer Service Agent believes that continual upgrading of its Internet tools has allowed Call-a-Car to be a leader in the market. The Regional Manager agrees with him and says the company continually needs to revamp the technology as it has to be at the forefront of the online retail market. The Regional Manager believes that the advantages of using newer technology lie in gaining greater control over operations and giving managers, as well as customer service agents, better real-time information, which helps to improve customer service levels.

> We're always developing, it's crucial if we are to remain at the top. - Regional Manager

Using newer technologies has helped to increase traffic on the Call-a-Car website. According to the Managing Director newer technology helps customers search the Call-a-Car site quickly and helps to improve customer service. This is supported by the fact that Call-a-Car's website recorded a significant increase in traffic, from 1 million page views per month in 2003 to 4.4 million views in 2005, and that visitor sessions increased from 50 000 per month to 103 000 per month.

> In order to handle the substantial increase in traffic, the Call-a-Car website has been re-developed to allow visitors to search through the site with optimum speed and enable the Call-a-Car sales people to respond to queries as quickly as possible. This will also ensure transactions and queries are handled faster, with Call-a-Car being able to supply clients with their purchased vehicle more rapidly. – Managing Director

4.6.3 Convenience

So far, securing e-privacy, e-security and Internet tools have been shown to add value to the consumer decision process at Call-a-Car. The third way in which Call-a-Car adds value to the customers' online experience is through convenience. The respondents state that, by acting as an intermediary, it offers buyers convenience that has never before been achievable. The General Manager states that the technology that is now available allows customers to browse on the internet 24-hours a day and 7-days a week, without having to leave their homes or offices. The customers are provided with an abundance of information so that they can compare vehicle attributes, prices and sellers at the click of a button compared to having to physically go to a shop to check these attributes.

The respondents further state that by aggregating dealers they provide a much larger selection to customers, a selection that can be browsed through at their own leisure. According to the Managing Director, because the large majority of online customers are time-conscious and convenience-driven, Call-a-Car has focused most of their attention on providing hassle-free shopping with the widest selection possible. He states that because the benefits of online shopping are high for this segment of shoppers, for example the customer does not need to travel anywhere or encounter any sales people, Call-a-Car can focus more on providing better service and worry less about offering the cheapest prices.

> Our main focus is just to give the customer a bigger choice, more vehicles available, more vehicles in customer locations, for example in Bloemfontein. Most people have a limited range of products available, but now with Call-a-Car there is the whole country that they can look at. - Managing Director

> I think it's getting better at what we do and increasing our service levels therefore changing our closing ratio, which is the proportion of cars sold as compared to the number of customer enquiries received. – Call-Centre Manager

4.7 Conclusions

4.7.1. How the Internet supports the Pre-purchase phase

It seems clear that customers want to use the Internet to help them in buying cars. The number of car-buyers using the Internet to do research on their purchase is growing and if security issues can be resolved, it would seem likely that in the near future, many more customers would use the Internet to help them in the car buying process. However, the interviews reveal that, according to Call-a-Car, at present customers are mostly using the Internet to carry out pre-purchase information searches and as such, Call-a-Car's strategy does not involve selling cars online.

The interviews illustrate that providing customers with adequate information is a very important issue in the consumer's decision process. It enables the customer to make decisions quickly and it supports their buying decisions to such an extent that it not only creates value for the customer, but improves loyalty and sustainability of the customer. The interviews further indicate that in the respondents' opinions Call-a-Car's website provides full vehicle specifications with additional information in order to help the consumer to be confident of their purchase. The respondents state that Call-a-Car's usage of the Internet has evolved and it has become much more than just an information source. Call-a-Car has moved away from using the Internet simply as an information channel and is much more interactive with the customers nowadays.

Overall the study shows that Call-a-Car uses the Internet profusely to support the customer in the pre-purchase phase. The respondents only considered using the Internet to support the search for information and evaluating choices whilst need recognition was mostly carried out offline. Most of the respondents stated that one of Call-a-Car's major strengths is that they give the customer a wider choice and support the customer by giving various alternatives in a specific price range while at the same time enabling customers to view information online and compare vehicles at their own convenience, without any sales pressure from dealerships' sales staff.

4.7.2 Purchase Phase

The interviews revealed that Call-a-Car does not directly support the purchase phase online, since they do not offer the actual purchase transaction online. Call-a-Car has taken into consideration what kind of applications need to be in place for carrying out transactions online and have consequently not developed tools or applications to support this. The respondents do believe that the technology exists to support the purchase phase online, however, the technology is not used or adapted to the current Call-a-Car business model. This is because Call-a-Car uses technology to support its business instead of allowing the new technology to be the driver of the business. Call-a-Car's strategy is such that facilitating the purchase online would alienate its dealership network. In addition there are practical problems associated with carrying out the purchase online.

The "virtual dealership" where the customer can conduct the entire buying process online is not a reality at present. In much the same way that manufacturers have designed and introduced new vehicles in recent years to appeal to Generation X and Generation Y (Bakos, 1998), Call-a-Car could design new channels to appeal to this technologically aware market. In this new channel, the prediction is that higher levels of convenience would contribute favourably to a value positioning relative to other offline market offerings in the future. Most respondents believe that purchases could be conducted online in the future, but they emphasise that the customers should/need to test-drive the car before they conduct the purchase. What drives people to go online at Call-a-Car is a combination of added value derived from features such as high levels of convenience and a wider variety of cars than the traditional sales channels.

4.7.3 Post-purchase

The post-purchase phase consists of, among other things, exchanging feedback between the customer and Club McCarthy. All the respondents state that Call-a-Car does not use the Internet to support the customer in the post-purchase phase as this is carried out offline at Club McCarthy, which is a division of McCarthy Holdings.

Since the post-purchase support is carried out offline at another division and at the various dealers, most of the staff at Call-a-Car itself have little knowledge of this part of the buying process. Besides the one respondent who was directly involved with Club McCarthy, none of the respondents were sure exactly how the Internet supports the customer, although they did provide opinions. This points to a limitation in the sampling for this study. Since most of the interviewees were not directly involved in supporting the customer in the post-purchase stage, it was difficult to evaluate whether or not the technology exists and how it is used to support the customer. The respondents were all convinced that Call-a-Car could support the customer online in the post-purchase stage online if they so wished to do so. They do not foresee a problem with the technology as such, but rather in providing services and information that the customer wants and doing it so successfully that the customers are willing to go online for it. The biggest issue for Call-a-Car in the post-purchase stage is having ongoing communication with their customers and doing it efficiently. The Internet has many advantages and Call-a-Car would need to harness these advantages in order to become fully customer oriented. The problem is, as the Managing Director states, whether the customers want to use the Internet in the post-purchase stage?

4.7.4 McCarthy Call-a-Car as a Cybermediary

Disintermediation was one topic that arose during the course of the interviews. The respondents felt that the Internet has not caused disintermediation in the car industry, despite having a major impact in other industries. They rather believe that the Internet has brought new opportunities for companies. They state that the Internet has led to the creation of new types of intermediaries and confirm that Call-a-Car is one such intermediary. They illustrated that Call-a-Car uses a 'clicks and mortar' business model due to the touch and feel factor involved in buying cars and also customers' lack of trust in Internet retailers. To this end, Call-a-Car engages in a significant amount of brand building by advertising, providing a high level of customer service, being transparent in its operations and promoting a brand image of an efficient and reliable exchange partner in order to gain high levels of customer trust. They further added that the Internet has allowed Call-a-Car to provide added value to its customers' decision making process by securing e-privacy, Internet tools and enhanced levels of convenience. Moreover, the respondents believe that the above-mentioned disintermediating effects of the Internet have not affected price levels of cars despite affecting price levels in other industries.

This chapter presented the results obtained from the interviews carried out at McCarthy Call-a-Car. During the interviews it became clear that Call-a-Car is determined to have an interactive online presence that provides the customer with support during the entire purchase process. Call-a-Car does not support the entire car buying process since they do not handle transactions online or actively support the owners during the post-purchase phase. The company thinks of the Internet as a marketing tool for their business and is not using the Internet as a strategic sales channel. There is a great belief in the Internet as a tool to support the customers in their buying process.

Various issues were discussed as a result of the interviews and through these interviews a number of themes have emerged. These themes are branding and trust, disintermediation and price effects. The next chapter will discuss these themes and analyse the results by referring to literature in the above-mentioned areas of knowledge.

CHAPTER 5

DISCUSSION AND CONCLUSION

This chapter reflects on the main findings of the research in terms of its contributions to the key issues of the case study and questions raised in the e-commerce literature. The first section briefly revisits the original research question and research aims. The second section reflects on the main findings of the research, and the findings are placed in the context of the literature explaining the impact of the Internet, and are used to make some observations on the key themes of disintermediation, pricing and trust through branding. The chapter concludes with recommendations for future research.

5.1 Research Aims

The aim of this research was to provide a better understanding of the ways in which the Internet supports the customers of an online car retail company. To reach this research goal, the main research question was formulated as:

"How does the Internet support the customer in the pre-purchase, purchase and post-purchase phase of purchasing a motor vehicle through McCarthy Call-a-Car?"

The nature of this study is therefore descriptive of the relationship between the Internet and the buying process. The study explores the nature of the online consumer decision process and the way in which an online car retailer uses the Internet to support their customers' decision-making processes. As a result of the investigation, several themes emerged. These will be discussed once a summary of the results has been presented.

5.2 Summary of Results

The interviews revealed that Call-a-Car focuses on using the Internet to support customers in the pre-purchase phase only. The purchase and post-purchase phases are carried out offline through its dealership network and Club McCarthy respectively. Furthermore, the respondents observed that the Internet has caused disintermediation in many industries, but not in the car industry. The respondents believed that instead of cutting out the middle-man, the Internet has created new types of intermediaries called “cybermediaries” and that Call-a-Car is one such intermediary. It was further revealed that Call-a-Car functions as such an intermediary using a ‘clicks and mortar’ business model, with online services supporting the customer in the pre-purchase phase and offline services supporting them in the purchase and post-purchase phase. The reasons outlined for using the ‘clicks and mortar’ approach were firstly that it is a matter of Call-a-Car’s strategy not to alienate its dealership network by selling online and secondly that there are practical problems in selling look and feel goods online. The respondents also illustrated that one of the reasons why Call-a-Car uses a ‘clicks and mortar’ business model is that customers demonstrate a lack of trust in web sites and purely online brands, when it comes to look and feel type goods. Finally, the respondents dispelled the general notion that the emergence of the Internet has had a major impact on prices.

5.3 Disintermediation

An intermediary is defined as a third party that facilitates a transaction between two other parties (Chircu & Kauffmann, 2000). One prominent feature of an intermediary is to act as a communicator of customer preferences and, on the other hand, to inform customers about new products and their characteristics, such as quality, price and functions (Giaglis *et al.*, 1999). Thereby, they bear some of the inventory risks of producers and reduce the search costs for customers. Additionally, they ensure compliance with customer protection (and bearing the related risks), customer service, inventory management (and bearing the related risks), distribution (and bearing the related risks), and cost savings due to economies of scale in transportation or distribution in general (Chircu & Kauffmann, 2000).

It has been argued that as electronic marketplaces lower the cost of market transactions, it will become easier to match buyers and sellers directly and, as a result, the role of these intermediaries may be reduced, or even eliminated, leading to “disintermediation” (Bakos & Brynjollfson, 2000). Sarkar *et al.* (1995; 1998) refer to predictions about such a bypass of the middleman in business value systems as the "disintermediation hypothesis." The Managing Director of Call-a-Car believes this has happened in some markets, such as the banking industry and travel industry, but that it has not occurred in the car retail market. With the advent and propagation of the Internet, many facets of business and market activities are changing and studies such as the one carried out by Bakos, Simon, Viswanathan, Oh and Weber (2005) have shown that electronic marketplaces will more than compensate for this “disintermediation” by promoting the growth of new types of intermediaries (Bakos, 2001) such as Call-a-Car.

A common theme among the interviews was of the above-mentioned disintermediating effects of the Internet. Specifically, the respondents believe that the Internet has brought about disintermediation in other industries, but not in the car retail industry. In the case of Call-a-Car, the customer browses the Call-a-Car website and searches the Call-a-Car database, which contains details of all the vehicles stocked by McCarthy dealers and independent certified dealers. The customer cannot purchase the vehicle directly from the website, but has to visit the specific dealership that stocks the vehicle the customer has requested. In other words, Call-a-Car is a referral service that allows customers to locate vehicles conveniently in their own time. The respondents all believe that the Internet has not led to disintermediation in the car retail market and further confirmed that Call-a-Car operates as an intermediary that facilitates the selling of cars on behalf of McCarthy dealerships as well as other independent, but certified dealers. They believe that the Internet is primarily a marketing tool that facilitates the matching of buyers and sellers, providing marketing and product information to buyers and building a trust relationship. Bailey and Bakos (1997), Brynjolffson (2001) and Chircu and Kaufmann (2000) judge that the Internet encourages disintermediation, specifically because it reduces many of the transaction costs associated with market exchanges. In the case of homogenous products, a customer can use the Internet and simply type in the producer’s website address and carry out the purchase online directly. These goods might be manufactured on demand, or maintained in a central inventory. Courier services then become the downstream channel for physical goods, while the Internet itself is the downstream channel for information goods.

Giaglis, Klein and O'Keefe, (1999) similarly believe that the likely consequences of electronic markets on intermediation have been grouped into three major scenarios: disintermediation, re-intermediation and cybermediation. The interviews revealed that Call-a-Car is a product of “cybermediation.” The respondents illustrated that it is an online car retailer that helps individuals to locate specific vehicles using the Internet. Call-a-Car effectively acts as a broker, bringing together buyers and a network of dealerships over the Internet. It allows car buyers to view up-to-date price and vehicle information and to compare cars based on price and vehicle specifications. The respondents believe Call-a-Car plays an important role in linking the buyers and sellers in the car retail market, matching customers and dealers and linking customers and financial services via their website. According to Sarkar, Butler and Steinfeld (1995), cybermediaries provide assistance to customers in handling the overwhelming abundance of information offered by the Internet. McAllister (2005) states these intermediaries perform functions that include matching buyers and sellers, providing product information to buyers and marketing information to sellers, aggregating information goods, integrating the components of customer processes, managing physical deliveries and payments, providing trust relationships and ensuring the integrity of the markets. He further states that these services are vital in electronic market environments because they guarantee to offer the products that match the buyers’ needs at the best price with the most convenience.

Furthermore, purchases that are concluded over traditional bricks-and-mortar channels are also affected by the increasing number of customers who use the Internet as a source of product information and as a searching tool for goods (McAllister, 2005). In order to handle the consequences of this migration, many firms have turned to using the Internet primarily as a tool to support their customers.

In doing so, considering the qualities of vehicles discussed in Chapter Two, the argument is that a customer will not need to encounter a salesperson for information. However, the Managing Director believes that regardless of the Internet and its technologies, since a car is the second biggest purchase in most customers’ lives, there will always be a preference for human interaction in the car buying process and this is something that will not change. Taking this into account, authors such as Steinfeld *et al.* (2002) believe that the overall impact of electronic markets on the retail car industry is not strictly cost reduction and disintermediation. New types of intermediaries and costs may be added to a value chain due to the need for human interaction in such a big purchase. Therefore, many firms have turned to a combination of online and offline services, which has triggered the evolution of the 'clicks and mortar' business model. Of the two business structures proposed by Simpson *et al*. (2001) namely pure-play and 'clicks and mortar', the respondents revealed that Call-a-Car utilises the 'clicks and mortar' business model, using the Internet strategically to support its customers and therefore taking advantage of this business model. To understand these advantages at Call-a-Car, the framework to be used was built from a combination of classic competitive advantage and inter-organisational network theories (Johnston & Vitale, 1988; Bakos & Treacy, 1986; Porter & Millar, 1985; Porter, 1985), transaction cost theory (Malone, Yates & Benjamin, 1987; Bakos, 1997) and research that takes into account the advantages of local physical presence (Steinfeld & Klein, 1999).

5.3.1 The 'clicks and mortar' business model

In order to work cohesively and to reap the benefits of both the online and offline business models, the respondents illustrate that Call-a-Car follows the 'clicks and mortar' business model, offering online services via the Web, as well as the traditional outlets (offline) staffed by people. Considering the limitations of the offline model of retailing proposed by Enders and Jellasi (2001), which includes high investment and geographic limitations, the respondents feel that the Internet has allowed companies to enter markets that they were previously not able to compete in without a physical presence in the market. Similarly, authors such as Thompson and Youanyou (2005) arrived at the prediction that, due to lower operating and transaction costs, the Internet eliminates the distance factor and the need for physical presence that formerly served as a barrier to entry into any given geographical market. The respondents believe that this is true to a certain extent. They believe that the Internet has allowed them to access a much wider market and to target customers all over the country, but they still feel that Call-a-Car cannot be a purely online company simply because of the touch and feel factor. The respondents believe that a car is a product that is very difficult to evaluate online and state that the customer will have to experience the car offline before any purchase decision can be made. Hence the respondents feel that the Internet is not driving out the middle-man, but is rather promoting new types of companies such as Call-a-Car that use a ‘clicks and mortar’ approach.

Campanelli (2005) describes ‘clicks and mortar’ electronic commerce as the utilisation of both virtual and physical presence to meet the needs of buyers. Physical presence includes any assets that enable potential buyers to interact in person with a firm's personnel or on a firm's premises in support of an economic exchange (Campanelli, 2005). In the Call-a-Car context, this broad definition of physical presence includes the dealership network where vehicles are located and where existing (pre-Internet) physical assets are used as sales channels. The virtual presence of Call-a-Car would be their website, where customers can interact with the company in pursuit of an economic exchange.

In using the ‘clicks and mortar’ approach, the interviews revealed that Call-a Car combines its online presence with a dealer network of approximately 80 McCarthy and 70 independent dealers. In addition to this dealer network, Call-a-Car operates a customer service centre in Randburg that handles all telephone requests and queries. These two divisions (dealers and customer service centre) are run in a cooperative and integrated manner so that they both support and benefit from each other. The respondents believe that this business model is adopted due to the many benefits that arise from being an intermediary, such as cost savings in a number of areas, including inventory, marketing/promotion and distribution. Hanson (2000) states that, in addition to the transaction cost advantages offered by e-commerce, there are many economic advantages that virtual firms enjoy over physical firms. Web-based businesses are perceived to hold many operational, cost, scale and scope advantages over firms confined to physical channels (Wigand, 1997). The respondents noted that inventory savings arise when Call-a-Car finds that they can avoid having to stock the same vehicles at their dealers, while still offering the full range of choices to customers via the Internet. They also observed that marketing and promotion efficiencies are garnered when each channel is used to inform customers about services and products available in the other channel. They believe that due to the Internet Call-a-Car has access to wider markets and there is a depth of information provided to potential customers.

Using Porter's (2000) sources and benefits of 'clicks and mortar' synergies, a discussion follows on the benefits reaped by Call-a-Car through the usage of the 'clicks and mortar' business model. The benefits that were identified were common infrastructures, increased differentiation through value-added services, reduced customer risk through improved trust, geographic and product market extension, overcoming the touch and feel barrier and lower costs (Porter, 1985). These will now be discussed.

5.3.1.1 Common Infrastructure

Among the sources of 'clicks and mortar' synergies spelled out in classic competitive advantage theory is common infrastructure. The respondents describe linkages where the dealers and Call-a-Car share Internet technologies, such as the Franchise Administration System, while at the same time being linked to other technologies at the Call-a-Car call-centre in Randburg. Zhu and Kraemer (2002) state that a critical infrastructure that can be shared is the information technology infrastructure. Recent empirical work suggests that in fact, the more firms build their e-commerce capability in conjunction with an existing information technology infrastructure, the more likely they are to see performance improvements (Zhu & Kraemer, 2002). The respondents further state that by linking their technology systems using the Franchise Administration System, every dealer actively goes online and searches for a client as a vehicle comes into stock. This has the effect of reducing the need for stock handling and has increased the stock turn-over. The Call Centre Manager believes that by increasing the ratio of cost of goods sold to average stock, dealers will be able to buy more vehicles.

5.3.1.2 Differentiation through value-added services.

The respondents believe that Call-a-Car's physical infrastructures, such as showrooms, distribution systems and dealers all enhanced the value of their online offerings, which offer the customer everything he/she may need at the click of a button. Shapiro and Varian (1999) state that there are many opportunities for differentiation arising from the use of the virtual channel to offer information and services that complement the goods and services offered in physical outlets. In doing so, Call-a-Car had to form several alliances in order to to fill important gaps in their virtual channels. These include their alliance with Wesbank, who offer finance services, and Hollard, who offer insurance services. The end result of these strategies is both to retain customers and to increase revenue by increasing convenience.

In order to differentiate themselves from the competition, Call-a-Car uses information aids such as the search engine to help assess needs and then offers the customer the opportunity to test out the vehicle in a physical environment. Charles *et al.* (2002) state that allowing customers to have virtual access to their account information (e.g. online account management) eases access to the firm and creates value for customers. This is something Call-a-Car does not offer.

The respondents also feel that differentiation is offered through their offer of a one year free membership of McCarthy Motor Club whenever a customer purchases a vehicle. This programme offers free emergency breakdown services, free medical services and various discounts on hotels and travel. Charles *et al.* (2002) state that various forms of after-sales service (e.g. installation and repair, accessories, instructions and tutorials for effective use, etc.) and loyalty programs can differentiate one provider from another, while bringing in revenue

5.3.1.3 Reduced risk through improved trust

The respondents believe that being a ‘clicks and mortar’ business helps to ease customer fears since there is an easy to access location (the dealer) through which they can return /exchange their vehicle or send their complaints. They further believe that many online users do not trust the information they are being exposed to on the Internet; they fear an invasion of their privacy online and they doubt the security of online purchasing systems. Hence a ‘bricks and mortar’ presence is crucial to the establishment of trust amongst customers. Youl (2004) proposes reasons for improved trust through the physical presence of ‘clicks and mortar’ firms, as reduced customer risk and the ability to leverage brand awareness, compared to pure-play firms. Lower perceived risk results from the fact that there is an accessible location where customers can give feedback and seek post-purchase support (Youl, 2004).

Considering that customers feel they are at risk in online environments, the respondents' believe that effective brand management can help to curb this fear of online establishments and they further state that customers may know and respect an online brand, but their trust in that brand is what keeps them coming back to the website and the brand. Authors such as Doney and Cannon (1997) propose that branding is a means of building customer confidence and trust in a product. Established firms are able to leverage their familiar name to make it easier for customers to find and trust their affiliated online services (Coates, 1998). Davies *et al.* (2001) state that companies can be embedded in a variety of social networks, such as Call-a-Car's involvement in the "Being Good Neighbours" programme, the "School Computer Centre Project", as well as the "Rally to Read", campaign which enables it to further enhance trust (Steinfield *et al.*, 1999; Einwiller, 2000).

5.3.1.4 Geographic and product market extension

Call-a-Car has a distribution system that is organised effectively and with dealers spread throughout all major Call-a-Car centres, customers can easily visit a local dealer. They further bring the test-drive to the customer if he/she cannot go to the dealer, for example: the car is delivered to the customer's home or work for them to test-drive. The respondents believe that Call-a-Car should not encourage people to buy a car without test-driving as most people are cautious in their buying approach. The role of the Internet in making it possible to access new geographic markets is widely recognized by authors such as Artz (2001), Kogler and Lebowitz (2000) and Youl (2004). Furthermore, virtual channels can also extend the product scope and product depth of physical channels. The respondents illustrate that Call-a-Car is able to offer more cars in more locations due to the Internet. Hence, the benefits of using the virtual channel complement and strengthen rather than compete with the physical channel by allowing firms to make offers to new customers, and to offer new products to existing customers. It also enables firms to continue serving customers who move outside the reach of existing physical channels (Day & Kauffmann, 2002).

5.3.1.5 Overcoming the touch, look and feel factor

Call-a-Car has turned to innovative approaches in order to meet the challenges of selling a "touch, look and feel" type product over the Internet in South Africa. Recognising the difficulty of assuring product quality, Call-a-Car has continually revamped its website and has added features yet their website remains simple. According to Javernpaa and Todd (1997), product quality is hard to evaluate online especially for "look and feel" products such as cars. The respondents state that a car is a product that is very difficult to evaluate online and believe that the customer will have to experience the car offline before any purchase decision can be made. Since it is sometimes difficult to experience a car's performance prior to purchase, especially in the online world, the customer will turn to other people for help or endorsement (Selz & Klein, 2000). The respondents argue that, despite these difficulties, Call-a-Car's approach to gaining and keeping online customers is to provide a high level of personalised service (mainly via e-mail and telephone call-backs). The website functions as their 24-hour "shopping window" and e-mail or phone calls are used to ensure that the customer receives individual attention and is ultimately satisfied with the car they purchase or at least their pre-purchase experience.

Doney and Cannon (1997) state that prospective online shoppers normally seek backing from trusted sources when choosing a car. If that endorsement is not forthcoming because the online retailer is not highly regarded or visible, the customer is unlikely to pursue the inquiry. Therefore what others say or think provides credibility for a "look and feel" product such as a motor vehicle. What the online retailer says on its website is often suspected of self-serving bias (Goldsmith & Flynn, 2005) and therefore people who work for online retailers such as McCarthy become proxies for the institution (Charles *et al.*, 2002). In a prospective customer's mind, each positive word or acknowledgement about an online retailer from someone the customer respects becomes a verification of quality or, at least, acceptability. Previous customers of McCarthy, as well as its employees, create tangibility for the online retailer and its benefits. Hence the personalised approach adopted at Call-a-Car where customers interact with a human, although they do not directly meet a human until the purchase phase. This raises the issue of trust and in this respect Call-a-Car adopts a personalised approach combined with branding to engender online trust.

5.3.1.6 Lower Costs

The respondents indicate that cost savings for Call-a-Car do occur due to its hybrid nature. Theory suggests that cost savings may occur in a number of areas, including labour, inventory, marketing/promotion and distribution (Porter, 2002). The respondents indicate that this is the case with Call-a-Car. Due to the network dealership, the range of vehicles at Call-a-Car is approximately 5000 vehicles in stock at any given time. This affords the customer much more variety and since Call-a-Car drives out to the customer for a test-drive, there is no need to stock the same vehicle in different locations, thereby saving costs. The respondents further say that marketing and promotion efficiencies are garnered when each channel is used to inform customers about services and products available in the other channel. Although the respondents feel that cost savings do occur in marketing, they still feel that operational costs have not changed since Call-a-Car operates in both arenas and therefore incurs costs that would be faced by both ‘bricks and mortar’ and pure-play firms.

The interviews illustrate that although cars are “touch, look and feel” type goods they can be marketed successfully over the Internet. They also hint that in order to achieve this, a high level of customer service is essential. The approach adopted by Call-a-Car towards their ‘clicks and mortar’ business seems to support the often-stated view that e-commerce is just business and that successful e-commerce ventures are defined by their attitude towards their customers (Applegate, 2000).

5.4 Search costs

The second theme to emerge from the interviews was that of the impact the Internet has had on search costs and car prices. The interviews revealed that although the Internet promotes lower search costs in some instances, contrary to what theory suggests, these lower search costs are not always present and therefore the Internet has had no impact on car prices in South Africa.

The respondents believe that ‘bricks and mortar’ dealers are restricted to those customers that wish to spend the resources necessary to visit their physical location.

The Internet promotes improved transparency of various car options due to Internet technologies that allow customers to simultaneously query many online retailers and to return a list of results for easy price and specification comparison (Montgomery, 2004). Call-a-Car provides a search engine on its website that is linked to their database containing approximately 5000 vehicles from its country-wide dealership network. The respondents believe that it saves customers from driving around from dealer to dealer and hence the search engine is thought to be a significant driver of lower search costs. Bakos (1998) states that such search engines consolidate the search process to a few seconds for the customer rather than the amount of time it would take to travel to each physical site and allows price differentials to be discovered. This improved transparency has been claimed to better inform customers and in so doing, reduce buyer search costs for product and price information by at least 30-fold, compared to telephone-based shopping and even more, compared to physically visiting the retailers (Brynjolfsson & Smith, 2000). The respondents believe buyer search costs comprise the opportunity cost of time spent searching, as well as related expenditures such as driving, telephone calls, magazine subscriptions and so on.

The managing director of Call-a-Car believes that the Internet has promoted more informed customers and has better prepared them for visiting a dealership. He states that dealerships no longer have the luxury of being the primary information source for customers and this has made the market more transparent as customers are much more informed due to the Internet and its technologies, such as search engines. The respondents state that the search engine allows customers to compare vehicle features side by side and, importantly, to compare prices without searching separately at each (online or physical) store. This reduces their search costs and makes them better prepared for when they visit a dealer. This specific impact of the Internet is one of the most cited reasons why one might expect electronic markets to be more efficient than conventional markets, because they lead to a reduction in information asymmetries that arise from lower search costs (Jones, 2001). If electronic markets allow customers to more easily determine retailers’ prices and product offerings, these lower search costs will lead to lower prices for both homogeneous and differentiated goods (Bakos, 1997).

Similarly, the failing of the traditional assumptions of the Bertrand model might lead to something other than the predicted Bertrand competition equilibrium price (Wiseman, 2000). Economic theory predicts that high customer search costs will lead to prices above marginal cost in equilibrium (Hotelling, 1929; Salop, 1979). Online, there are several factors that would cause the customer search process to remain somewhat costly. One is that customers may not be fully aware of all online retail sites (Perreira, 2004).

Furthermore, higher search costs could be brought about by online retailers implementing programs that impose switching costs on the buyer, through such means as saving customers' purchasing information or instituting loyalty programs. In addition, one study (Johnson *et al.,* 2000) found that many online buyers do not engage in any type of search and that as user experience increases, the intensity of searches may decline by sticking with a particular retailer once they have provided a satisfactory shopping experience. Finally, although it is easy for shop-bots and search engines to communicate some product characteristics, such as price, others, such as service quality and reliability, are more difficult to communicate (Jones, 2001). This represents a chance for retailers in terms of how to display information to customers. Sellers may be able to reduce the effectiveness of these search engines on purpose by hiding price information or creating slight variations in their product to confuse the software (Daripa & Kapur, 2001). These factors show that although the search costs traditionally involved with shopping are dramatically lowered through online retailing, the customer must still use up some time and resources in searching for a particular good on the Internet, which means that the perfect competition assumption of no transaction costs is not completely met and that the Internet does not uniformly lower search costs for all aspects of the product bundle (Jones, 2001).

5.4.1 Prices

While low prices are obviously desirable to customers, this is not the case at McCarthy Call-a-Car. The respondents believe that, due to the Internet, there has been improved transparency of prices, but they argue that there has been no impact on the prices of cars primarily due to the fact that new car prices are set by the manufacturer. They indicated that Call-a-Car gives a manufacturer set discount but this was standard through the dealerships and due to industry regulations it is impossible for dealers to offer any other discounts on new cars. The respondents all agreed that due to the bargaining power that the Internet provides to customers by providing in depth information, car prices on used cars would be more competitive. Additionally, the respondents also believe that operational costs are not lower for Call-a-Car as it still has to run a physical operation that supports its virtual presence.

In addition to evidence showing that search costs on the Internet are not always less for the customer, there is empirical evidence to support the respondents' views that prices on the Internet are not always lower than those in conventional channels. Brynjolfsson and Smith (2000) compared prices for vehicles across the Internet and traditional channels and found that the prices on the Internet are 9-16% higher than in conventional channels, depending on whether or not other costs related to taxes, shipping and handling had been accounted for.

In addition, some researchers show that under certain circumstances, higher prices are expected to be charged on the Internet. Alba *et al.* (1997) indicate that customers' price sensitivity on the Internet would be lower than in other traditional channels when the non-price attributes (e.g., quality, service) are of great importance. Internet referral services are convenient because they allow a customer to engage in the car purchase process at any time of day or night without leaving her home. In addition, referral services reduce customers' direct interaction with dealers. Customers with a high utility for convenience are less price sensitive, thus making higher online prices possible (Zettlemeyer *et al*, 2003).

In a study carried out in 2005, Zettlemeyer, Scott-Morton and Risso (2005) found no evidence that customers are benefiting from using the Internet in terms of car prices. They state that, for many non-car products, the Internet allows comparison of prices offered by competing retailers either by reading through various sites or through a price comparison site such as MySimon.com, Activeshopper.com or Wheels24.co.za. They believe that dealer franchise laws in the United States require cars to be sold through dealerships and since almost all dealerships engage in price negotiation, this kind of direct price comparison is not possible for cars. In their study, they observed that some dealers offered consistently lower prices than others. In terms of customers accessing this information, Zettlemeyer et *al.* (2005) believe that customers could acquire it in, for example, an online discussion forum or by inference from a dealer's own website, but they found no evidence that this is occurring to any significant degree (Zettlemeyer, *et al.,* 2005). Lal and Sarvary (1999) also show that the Internet may provide opportunities for firms to charge high prices. Though there are arguments for both higher and lower prices on the Internet compared to other channels, price is still the dominant factor that attracts customers to a specific online retailer (Reibstein, 2002).

The theoretical evidence reviewed suggests that the Internet promotes lower search costs and thus lower prices on the Internet channel. However, the respondents suggest that the results of the Bertrand model are not applicable in the South African car retail market as prices have not been affected by the emergence of the Internet. They believe that the Internet has not promoted any changes in car prices at present although they do confirm that the Internet has the potential to pose challenges to prices in the automobile industry, since it contributes to increased price transparency between markets, making it easier for customers to collect and compare price information from countrywide sources.

5.5 Trust through branding

The interviews revealed that building the brand is a priority for Call-a-Car with R30 million being spent on brand building activities over a six year period. The respondents believe that online customers regularly buy from branded retailers, even if they have higher prices. They state that trust plays an important role in the online car retail market as most customers are still not completely comfortable with shopping online. They also add that the value added from using Call-a-Car's services and technology is in a trustworthy relationship, which is achieved through branding.

The respondents purposely argue that the main reason why so much money is spent on above the line advertising, such as television advertising, radio advertising, billboards and magazine advertising, is to ensure that the customer becomes aware of and feels secure enough to approach and interact with Call-a-Car. They state that the Call-a-Car brand represents a value proposition (Kapferer, 1999) and that many customers will choose Call-a-Car over other players in the market because of this intrinsic value. A value proposition is a clear statement of the tangible and intangible results a customer gets from using the company's products or services (Sweeting, 2005). Call-a-Car has specific value propositions that include being fair and ethical in dealing with customers, suppliers and their own employees; striving for employment equity; carrying out its business in a manner that is open and transparent; prompting participation, empowerment and team work; recognising and rewarding excellence; showing a total commitment to their customers and operating in an environment of mutual trust and respect. In these ways, Call-a-Car hopes to encourage long lasting customer relationships that are founded on trust and reliability.

In the course of the interviews, the respondents elaborated on the importance of trust, especially considering the online environment in which Call-a-Car operates. They believe that building a brand through measures such as advertising, high levels of customer service and support, public relations ventures and sponsorships all helped to build a brand image of a reliable exchange partner, one on whom Call-a-Car's customers can depend.

Online companies are referred to as companies that primarily use the Internet to support their businesses, where customers are given controlled access to the company's computer systems and allowed to serve themselves (Kotler, 2000). Berthon *et al.* (1999) state that branding is especially important for online companies because customer interaction takes place through a computer terminal, which is a highly impersonal avenue for interaction. According to Kollock (1998), branding takes on additional importance in the electronic environment where customers display a lack of trust and also tend to base the purchase of the product solely upon the name and reputation of the seller. Authors such as Einwiller and Will (2000), Hoffman, Novak and Peralta (1999) and Javernpaa and Tractinsky (1999) claim that this lack of trust in electronic systems and infrastructure, as well as in the businesses involved in electronic commerce, has been a major constraint hampering the development of electronic commerce.

Marathe (1999) states that the intangible nature of the Internet and the fact that customers are buying goods that, in most cases, they have never handled or seen (except on-screen), has placed greater importance on trust and security. People only tend to transact with sites they know and trust. This includes sites that provide a wealth of information and make comparison-shopping easy, sites which the user feels a part of, and sites that respond to the user's needs and preferences. Morgan, Hunt and Shelby’s (1994) Commitment – Trust Theory stipulates that successful relationship marketing requires commitment and trust. They define commitment as "an enduring desire to maintain a valued relationship" (Morgan *et al.,* 1994: 4), while they define trust as “a willingness to rely on an exchange partner in whom one has confidence" (Morgan *et al*., 1994: 8). They argue that what should be central to an understanding of relationship marketing is whatever distinguishes productive, effective, relational exchanges from those that are unproductive and ineffective, or in other words, whatever produces relationship marketing successes instead of failures. They theorise that among other things, the presence of relationship commitment and trust is central to successful relationship marketing. Similarly, the respondents believe that trust is a key ingredient in the success of online companies such as Call-a-Car. They further believe that Call-a-Car customers are loyal as many give repeat business, in addition to promoting Call-a-Car through word of mouth.

Morgan *et al*. (2004) state that commitment and trust are crucial because, firstly, they encourage marketers to work at preserving relationship investments by cooperating with customers, and secondly, they encourage customers to resist attractive short-term alternatives in favour of the expected long-term benefits of staying with the current company. Therefore, when both commitment and trust, not just one or the other, are present, they produce outcomes that promote efficiency, productivity, and effectiveness. In short, commitment and trust lead directly to cooperative behaviours that are conducive to relationship marketing success.

Bart *et al.* (2005) go as far as to say that trust is becoming the currency of the Internet. While the Internet enables customers to research competing companies, products and services, many manufacturers design and deploy their Web sites and promote their products in a biased way while neglecting to provide customers with the tools they need to make informed purchasing decisions. Some undermine trust by secretly collecting data about their customers' web usage and selling it to third-party marketing firms (Hoffman *et al*., 1999). Such sites rarely provide honest comparisons to competing products (Youl, 2004). Therefore, customers must find the information themselves in order to make a sound decision, or rely on brands that they already trust. This hypothesis is supported by empirical evidence from various surveys on attitudes toward electronic commerce, which reveal large concerns amongst customers about matters of privacy, security of monetary transactions, legal regulations and proper delivery (BCG, 2000; Torkzadeh & Dhillon, 2002).

In looking at how companies can approach these fears, reputation and brand have been claimed to be a vital source of trust in companies engaged in electronic commerce (Jarvenpaa & Tractinsky, 1999). The special role of branding to engender trust in companies has further been emphasised in marketing literature (Doney & Cannon, 1997), as well as economics (Williamson, 1991). The observation that users of price intermediaries do not necessarily choose the cheapest offer, but regularly buy from branded and widely know retailers even when these do not offer the lowest price (Smith, Bailey & Brynjolffson, 2000) supports the theory that branding has great potential to enhance trust in companies selling on the Internet. In addition, Ganesan (1994) suggests that long-term orientation in a buyer-seller relationship is a function of two main factors: mutual dependence and the extent to which they trust one another. Emerson (1962) conceptualised that dependence on an individual / group of individuals was directly related to the rewards obtained from that source and inversely related to the number of alternative sources of those rewards. In the Call-a-Car context, Call-a-Car is dependent on its customers because their business helps it to generate revenues and profits, while at the same time Call-a-Car customers depend on Call-a-Car to provide an honest, trustworthy source for buying vehicles. As stated earlier, the Commitment-Trust Theory (Morgan & Hunt 1994) posits that trust is a key variable in the development of an enduring desire to maintain a relationship and other authors, such as Doney and Cannon (1997), theorise that branding plays a key role in engendering trust. Consequently these theories suggest that trust (gained from effective branding) leads to positive expectation online. This will be developed further during the remainder of this section.

5.5.1 Processes – how to develop trust

According to the Trust – Commitment Theory (Morgan *et al.,* 1999), relationships that are characterised as high trust are highly valued by exchange participants. Thus, exchange participants are more willing to commit to a relationship if trust is present (Morgan *et al.*, 1994). It has been stated that trust evolves out of past experience and prior interaction and it develops as the relationship matures (Rempel, Holmes and Zanna, 1985). The forms trust can take vary depending on the type of relationship and on its developmental stage. On the assumption that trust develops and intensifies over time the stages of a trusting relationship will now be presented. This explanation is based primarily on the models presented by Lewicki and Bunker (1995) for the development of trust in work relationships, the model by Rempel *et al.* (1985) for trust in close relationships, as well as the model of trust presented by Rousseau *et al*. (1998).

The earliest stage in a relationship is the stage of getting to know each other. Trust entails a minimal amount of familiarity (Luhmann, 1979). This stage is called the "**familiarity"** stage and serves as the foundation on which a relationship can be based and without which no relationship and eventually no trust can develop. A basic degree of familiarity is necessary because people have learned that it is inappropriate or even dangerous to interact with total strangers (Baron & Byrne, 1991). Due to a lack of experience of the company, the customer relies mainly on external information. This can, for example, originate from informal sources such as peers and friends or from professional sources such as experts, rating agencies or the media (Keller, 1999).

In the next stage of interaction with a company, a person judges the predictability of the company by assessing the consistency of its recurrent behaviour. As the relationship develops, knowledge about the other deepens and fosters this predictability of future behaviours. Following Rempel *et al.* (1985), this second stage is called "**predictability"**. According to Chevron (2005), there is mutual dependence in an e-commerce relationship as risk is present for both parties. The buyer is in need of goods that s/he may purchase from the seller, but assumes the risk of poor service, non-delivery of goods or even fraud. On the other hand, the seller is interested in acquiring funds from the buyer in exchange for the goods, but runs the risk of nonpayment (Chevron, 2005). In this stage, the factors that influence one's perception of another's trustworthiness include consistent recurrent behaviour and stability of the social environment. In addition knowledge about the existence of reinforcements and restraints of behaviour will enhance one's ability to predict another party's future behaviour (Rempel *et al.*, 1985). Therefore, to some extent, predictability is a type of reinforcement mechanism whereby predictions of an individual's future behaviour rely heavily on that individual's consistent responses made in the past. Past experiences should suggest stability and control over the pattern of behaviour exhibited. In this phase, relatively little effort is made to interpret the behaviour or draw implications from its enactment (Rempel *et al*., 1985). When familiarity and predictability expectations are met, Morgan *et al.* (1994) state that trust moves to foundations that include emotional bonds, such as care and concern.

In the next stage, like predictability, **"dependability"** also takes past experiences and reliability of previous evidence into consideration (Rempel *et al*., 1985), but unlike predictability, where evaluations are made on a person's future behaviour, based on previous specific behaviours, in the stage of dependability, evaluations are made on a person's personality attributes, based on his previous behaviour. This leads to an understanding of the partner's personality. Trust in this stage is placed on a person's perceived attributes, rather than his specific behaviour (Kapferer, 1999). While trust evaluations made in the stage of predictability serve as a foundation for building trust relationships in the stage of dependability, significant trust developments in the stage of dependability will depend on one's willingness to expose oneself to risks and the possibility of betrayal by the trustee. In this stage, the trusting beliefs are being fully developed that McKnight and Chervany (2000) present as an important dimension underlying the willingness to rely on an exchange partner. Repeated cycles of exchange, risk taking and the successful fulfilment of expectations strengthen a trustor's trusting beliefs about the partner and eventually his or her willingness to rely on that partner (Rousseau *et al.*, 1998).

5.5.2 The Online Context of Trust Building

The concepts described above have great potential to create a positive expectation on the part of the online customer. All the same, depending on the particular stage of the relationship, different aspects of a firm's brand name or brand image are particularly significant in all three stages. Applying these three stages of trust development (Lewicki and Bunker, 1995; Rempel *et al.*, 1985; Rousseau *et al.*, 1998) to the relationship between an online retailer and its (potential) customers helps to analyse the role of Call-a-Car's brand building activities in the various stages of the trust creating relationship. This analysis has important implications for brand management and the overall goal of generating customer trust.

5.5.2.1 Stage 1: Familiarity

In this first stage of getting to know the firm (Rempel *et al.*, 1985), the firm's reputation as well as its brand name and the first impression it makes play an important role. At this stage no brand image has yet been developed in the minds of the potential customers. The goal must be to make the brand name or symbol to which the future brand image can adhere known and to leave a favourable impression that stimulates the intention in the customer to learn more about the firm (Einwiller, 2000).

McCarthy Call-a-Car has an aggressive marketing campaign and uses different mediums to familiarise the customer with its brand. Television adverts, radio adverts and adverts placed in various magazines have enabled Call-a-Car to be noticed by potential customers. Keller (1993) states that above-the-line advertising is an effective way to reach large audiences and create familiarity with brands. Another approach Call-a-Car uses to create familiarity is its generic website name "www.callacar.co.za." The generic name helps customers find the company on the Internet (Senecal, Kalczinksky, Pael & Nantel, 2005) and brings out guiding associations with the generic category, cars. Since Call-a-Car has used a generic name that places it in the category of cars, the respondents state that it allows for greater brand recognition and awareness. It has been argued that a good brand name excels by its recognisability, respectability, innovativeness and powers of memory (Kapferer, 1999). The respondents believe that Call-a-Car's brand name is well recognised, is trusted and that it is viewed as an innovative company and hence meets these requirements.

Familiarity can also be promoted through a good reputation. Generally, the larger the network that shares the reputation of a firm, the higher the chance of a potential customer taking notice of it (Leach, 2005). McCarthy Call-a-Car builds its reputation through media coverage in classical media, especially positive news coverage in influential media such as TV and many online e-commerce publications. The network characteristic of the Internet greatly enhances the exchange and spread of information, for example by word-of-mouth (Gaflou & Peven, 2004). Since it is spreading the word of the company through credible third parties, many customers take notice of Call-a-Car. Several studies have predicted positive relationships between reputation and trusting beliefs. For example, McKnight and Chervany (2001) have noted that advertising stores' good reputations increases trusting beliefs. Perceptions of reputation have been tested empirically by Jarvenpaa *et al.* (2000) and Wetsch and Cunningham (1999), and both studies have reported that the perception of reputation relates positively to customers' trusting beliefs in a store.

5.5.2.2 Stage 2: Predictability

The brand image that is beginning to form in the predictability stage plays an increasingly significant role for creating a positive expectation (Einwiller, 2000). In this stage, a strong brand and reputation is of great importance as a source of information and acts as an approval mechanism. This approach to predictability entails that the first party's beliefs about the other party's behavioural consistency are related to and influenced by the amount of time both parties have been involved in a relationship (Rempel, 1985). It would seem, as a result, that the formation of trust is dynamic and evolutionary. After the brand name has been familiarised to the customer and the first encounter has left its cognitive traces, a network of associations with the firm begins to take shape (Einwiller, 2000). The brand image starts to develop as the links are stored in the customer's memory. Homogenous brand messages and visual brand elements help to solidify the cognitive foundation onto which new image elements can enjoin. This repeated and concerted communication of core brand messages consistently strengthens the foundation. Call-a-Car aims to develop its brand image by creating an interactive experience that engages and compels customers online. To increase the brand's visibility, Call-a-Car’s website developers have adopted a neat, user friendly site that allows for easier functionality, creating a persona of convenience and reliability.

Personal experiences with the firm, some of which are gained at this stage, are considered the strongest signals for the development of trusting beliefs. A study by Boston Consulting Group (BCG) (2000) showed that customers who enjoyed a satisfying first purchase experience online were likely to spend more time and money on the Internet. The satisfied first-time purchaser typically engaged in twelve online transactions and spent $500 during the previous twelve months. The dissatisfied first time purchaser spent only $140 on four online transactions (BCG, 2000). Such findings stress the importance of a satisfactory first time experience because past experiences with a company and its behaviour are good predictors for the company’s future behaviour. As this stage ends, it is predictability and competence that should have been consolidated because not much personal experience has been gained and the firm’s reputation plays a key role for a potential customer in predicting the possible future actions of the company.

Disseminating information about a company’s products and services is necessary in order to promote predictability (Einwiller, 2000). Call-a-Car provides a website that supplies comprehensive information about different car models, prices, the terms and conditions and third party business links. Call-a-Car is also planning on introducing an interactive chat system that will support the diffusion of information. Using such services allows potential customers to find out about the experiences others have already had with the company and its services. The coverage provided by advertising in print media or television further enhances knowledge and predictability and leads to a positive expectation as the media coverage is always positive.

Call-a-Car further builds predictability by posting assuring information about its policies and practices on its website and all company information is available through the “Access to Information” section on the website, which provides details about how to acquire any information like Annual Reports. Call-a-Car additionally posts a terms and conditions document that outlines all legal responsibilities for both company and customer. Furthermore, a privacy policy is also posted on the Call-a-Car website that provides details about what Call-a-Car does with information collected from the customer during their interaction with Call-a-Car. McKnight and Chervany (2001) and Hoffman, Novak, and Peralta (1999) state that a company can improve customers' trusting beliefs by posting its privacy policy, which, as stated above, Call-a-Car does. Their predictions are backed up by two empirical studies: Wetsch and Cunningham (1999), who have reported that strong security and privacy policies are related to customer trusting beliefs, and Fogg *et al.'s* (2001) survey, which indicates that the display of a store's' policies increases the trustworthiness of its website.

In addition, Call-a-Car uses trusted third parties that guarantee the trustworthiness of the firm and therefore play an important role as guarantors for the actions of the company. By engaging in branding efforts with firms that have already an established brand and reputation, such as Wesbank and Hollard Insurance, the transfer of brand image elements (Biel, 1992) of these partners' brands to Call-a-Car's own brand could occur. Additionally, since Call-a-Car and its third parties are well known brands, if trust is violated, the reputation of Call-a-Car, as well as that of its third parties can be hurt. Therefore the potential customer can expect that Call-a-Car and its third party companies will ensure that this will not happen. Thus, the role of brand and reputation as a "hostage" in the hands of the customer plays an important role at this stage (Daignault *et al.*, 2004). The respondents believe that whoever invests so much in their brand, will be reluctant to disappoint a customer and will go to great lengths to make sure that the customer is happy. Call-a-Car will thus set standards to ensure maximum customer satisfaction as the customer holds the power to hurt the brand by reporting bad service to the media or simply by word of mouth. McKnight and Chervany (2001) have asserted that using trusted third parties can increase trusting beliefs, though the influence on specific trusting beliefs depends on the nature of the third party. Cheskin Research (1999) also reported that trusted third party usage can increase trust, but the effects are large only for respondents who are familiar with the third parties used.

Lim, Sia, Lee and Benbasat (2001) examined displays of satisfied customers' endorsements, as a trust-building feature. They report that the practice of displaying satisfied customers' endorsements positively influences perceptions of the ability and integrity of the store (i.e. trusting beliefs) and the positive perceptions in turn affect trusting intentions in relation to the store. This is a feature Call-a-Car does not have in practice at the moment.

5.5.2.3 Stage 3: Dependability

This is the stage where the brand image plays the most important role (Einwiller, 2000). The importance of reputation concerns the distribution of favourable information by the customer, as well as the possibility to sanction in case something should go wrong. Should a customer feel he/she has been treated unfairly, reputation allows a customer to feel that there are avenues for rectifying the problem and will thereby avoid creating negative perceptions of the brand (Doney & Cannon, 1997). Dependability assumes a relationship long enough to allow for a detailed analysis of the other party's trustworthiness (Einwiller, 2000). Through repeated interaction with the company, the customer becomes acquainted with the company's behaviour. Familiarity and predictability that were previously developed to a certain extent are further reinforced. The overall brand image begins to take the shape of a clearly established *brand personality* (Keller, 2003). The firm behind the brand should be increasingly perceived as a partner or friend on whom the customer feels confident to rely on.

There are various ways to allow for the creation of a brand personality in the minds of the customers. First of all, the brand of an online retailer is a corporate brand and as such represents a firm that is said to have its own traits, habits and attitudes that become familiar to its stakeholders (Davies, Chun & Da Silva, 2001). A firm can express its traits, habits and attitudes through its "normal" service behaviour, where customer service, technology and so on can be evaluated by customers. It can further display its traits, for example benevolence, by acting compassionately towards other parties, besides its customers (for example the community at large). Public relations can serve as a powerful method to personalise the company and add a personal touch to the company. Presenting the faces of employees and information about the company and the corporate culture on the web site is a way in which the brand personality can be developed. Call-a-Car is running a "Being Good Neighbours" program and is also a part of the "Rally to Read" campaign, which has been illustrated on its website. Furthermore, Call-a-Car is involved in the School Computer Centre Project, which aims to provide computers, training, technical support and publicity throughout various regions in South Africa. All the information regarding Call-a-Car's public relations involvements are posted on the Call-a-Car website, promoting a caring and simple personality. Call-a-Car also posts pictures of some of its higher level employees, in addition to information about the company. If something goes wrong for some reason (for example caused by a mistake of the company) the benevolent and uncomplicated behaviour of the firm greatly supports the strengthening of trusting beliefs (Einwiller, 2000). Call-a-Car actively encourages feedback from customers to allow for any mistakes to be rectified. In addition, Call-a-Car also uses various Unique Selling Propositions (USP's) such as the 7-day exchange plan, where customers can return the vehicle if they feel that it is faulty or is not what they require. Such satisfactory experiences and the feeling of attachment lead to the development of positive emotions.

As illustrated in Figure 2.7, one of the dimensions of brand personality is sincerity. McCarthy Call-a-Car demonstrates this by listening and responding to customer needs, providing effective solutions to customer problems and having an overall customer oriented approach to its business. The respondents believe that Call-a-Car promotes a customer oriented approach and actively encourages feedback from customers. This feedback is then used to tailor solutions to customer needs. Customer service involves a personal touch by customer-service agents using their own names for any referrals or feedback.

Another aspect Call-a-Car is aiming to add to its brand personality is reliability. Call-a-Car achieves reliability by providing customers' with a guaranteed level of service through their USP's (Unique Selling Propositions) (Dolak, 2001). These propositions ensure that customers have avenues through which to claim compensation if they are not satisfied with the service or product. As stated previously, communication is a mediating factor of trust and the Call-a-Car management is constantly encouraging prompt and efficient communication by enforcing a customer service oriented approach from its staff members. Such an approach ensures that all customer-service agents attend to customer requests / grievances as soon as possible. Call-a-Car provides customers with avenues to express their dissatisfaction and even to sanction in case something goes wrong. The feedback mechanism on the Call-a-Car website is monitored constantly and telephone calls are made to the customer every time feedback is received, whether it is good or bad. Such avenues enhance a feeling of security and build a strong brand personality for Call-a-Car. The personalised approach encouraged by Call-a-Car management, combining telephone call backs, feedback mechanisms and efficient response to customer queries via email serve to create an efficient and reliable brand personality. According to McKnight *et al.* (2002), customers' interactions with Internet stores affect trusting beliefs, in as much as interactions provide evidence of a store's positive attributes. An empirical study by Gefen and Straub (1999) demonstrated that customers gain increased faith in the integrity and benevolence of a vendor after they receive an "e-mail responding favourably to (the customers' previous) comments and suggestions." A survey by Fogg *et al*. (2001) demonstrated that quick responses to customer service questions and e-mail confirmation of transactions increase the trustworthiness of a website.

The interviews revealed that the role the brand takes is especially important in the customer - Call-a-Car relationship. The goal should be to establish a clearly featured brand personality that comprises trusting beliefs and that represents a partner or friend to the customer who can be confidently relied upon. Call-a-Car promotes such an image and fosters trust through various strategies. This assists the company in the high risk and impersonal environment of electronic commerce by eliciting "human-like" associations.

5.6 Conclusion and Recommendations

Through the course of the study, a number of questions have arisen that could be interesting for future research, but that do not fall within the framework of this study. It adds support to the theoretical basis behind the cybermediary conceptual framework (Giaglis *et al.,* 1999; Ottoe & Chung, 2000; Sarkar *et al.,* 1995; Shoniregun, 2004) emerging in e-commerce literature. It illustrated that Call-a-Car operates as a cybermediary using Internet features that take advantage of the complementary assets of the traditional 'bricks and mortar' arm of the company. Further studies could focus on whether this is a general feature of the South African car market. If this is the case, then other studies could investigate if this is unique to the car industry by examining other industries. Furthermore, future empirical studies could study the practices of other online car cybermediaries and investigate whether the cybermediary model is used mainly because such a company is operating in the car industry. Additionally, future studies could also focus on whether the cybermediary business model could be applied to other look and feel industries such as real estate. Finally, future studies could focus on the customer perspective and investigate the benefits of online and offline channel integration and whether it leads to superior value delivery to customers.

During the course of this study, it was revealed that although customers benefit from the Internet in the form of lower search costs, actual car prices have not been affected by the emergence of the Internet, contrary to what theory suggests (Zettlemeyer *et al.,* 2005; Pindyck & Rubinfeld, 1995; Montgomery, 2004). Future studies could investigate other types of products to see if there have been pricing effects due to the Internet, with the intention of identifying those factors that seem to promote lower prices and those that prevent lower prices.

This study illustrated that using branding to achieve high levels of trust is considered important for companies such as Call-a-Car who operate in the online environment. Hence a detailed study of the mechanics of trust building would prove valuable to practitioners. Furthermore, even though online trust is said to be related to Call-a-Car's e-commerce strategy conceptually, empirical evidence on this relationship is sparse (Lim *et al.,* 2001). It would be useful to examine this relationship more closely. There is a belief that a minimum level of trust is needed, but an e-commerce strategy may range from a partially trust-based to a fully trust-based strategy (Bart *et al.,* 2005). Questions about how much trust is needed and which issues are more important for increasing customers' trust may be examined in future research.

The study revealed that Call-a-Car aims to establish a clearly featured brand personality that comprises trusting beliefs and that represents a partner or friend to the customer who can be confidently relied upon. Since it was illustrated that branding is one of the determinants of online trust (Cheskin Research, 1999; Bart *et al*., 2005) and that the role the brand takes is especially important in the customer - Call-a-Car relationship, future investigations could include a detailed study of the mechanics of brand building, which would prove valuable to practitioners. Additionally, future studies could identify and analyse preceding factors affecting trust through brand, such as brand relationship or shared values with the brand image (Biel, 1992). Specifically, brand relationship on the Internet could play an important role in a model of trust through brand because it can signal trust towards the brand among prospects and customers who have risk perceptions of product buying online. Finally, as the Internet is generating new technologies, a number of users are likely to modify their interests and behaviours and thus researchers must consider customers' changing of brand trust over time.

This study's viewpoint has been limited to the customer decision process from the company perspective and the aim of this thesis has not been to ask what Internet tools the customer would like to see online to support them during their purchase process. Empirical studies to illustrate what Internet tools customers would like to use would prove interesting and valuable to practitioners. Furthermore, this study was limited to only Call-a-Car and did not include its dealer wide network. Further studies could include a dealer perspective to gain a wider view of the matter at hand.

This study provides a solid grounding to future researchers for the study of branding and trust, cybermediaries and Internet pricing effects. This type of study has not been carried out in South Africa before and has therefore hopefully, opened the way for many more research efforts in a field ripe with research possibilities.

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APPENDIX A

Interview guide

Background of the respondent

1. The respondents name and position name within McCarthy
2. Describe your position and your role within McCarthy Call-a-Car? How long have you been holding this position? Job Description?
3. How does the work you do support or align with the car buying process?

Background to the Internet

4. When did the company start being represented with a website?
5. How long has it been possible for customers to see cars on the website?
6. How long has it been possible for customers to purchase cars on your website?

Customer Knowledge

7. Who is/are your target market/s? Has it changed? Has it grown?
8. Has the Internet helped to gain knowledge about your customers? Explain.
9. Describe your relationships with your customers since you established your website. How has it changed?
10. Describe to me how your customers interact with you now as compared to before the Internet? Do you know if they are more informed or not? How have they become more informed?
11. To what extent are customers relying on the Internet for information? Do they still use other sources of information e.g. newspapers etc?
12. Have your sales figures changed ever since you went online? How have they changed?
13. Have you done anything to improve your sales?

The Internet and the buying process

14. Describe/Explain to me how the Internet helps the customer in his/her buying decision process? What tools can be used to help customers in each phase of the decision process? Why do you think that is necessary? Did customers ask for that?
15. Are there any Internet tools that you have tried using but have not worked, have been redefined or have now been disbanded? Why / How?
16. What do you plan in the future regarding the use of the Internet to support the customer?
17. What are the advantages/disadvantages of buying from McCarthy as opposed to buying offline at a car dealer? What have you done to ensure that the customer comes to you?

Information

18. What kind of information is available on your website? (Why is it there? Why not other types of information?)
19. How do you get used cars to sell? Do you buy them from owners? Do you sell them on behalf of owners?

Risk and Privacy online

20. Risk and privacy are critical issues to customers, what have you done about them?
21. What does McCarthy do with data collected from customers during the buying process?
22. What laws are there regarding selling online and how do you abide by them?
23. Explain the company policy regarding these risk, privacy and trust issues.
24. What further are you going to do? How are you going to enhance security in the future?
25. What issues have customers raised about risk, privacy and trust? How did you deal with them?

APPENDIX B

www.callacar.co.za
Web Site Terms & Conditions of Use

SERVICE DEFINITION AND LIMITS OF LIABILITY

McCarthy Call A Car provides a marketing service for not only McCarthy Limited dealers but also for dealers that are not part of McCarthy. All participating dealers list their vehicles on the Call A Car web site and customers inquiries are thereafter channelled to the relevant dealers via Call A Car. A customer who eventually purchases a vehicle via Call A Car therefore enters into a direct contract of purchase and sale with the dealer that is supplying the vehicle and does not contract with McCarthy Call a Car.

In the event that a customer purchases a vehicle from a non McCarthy dealer through Call A Car, neither McCarthy nor its Call A Car division accepts any responsibility or any liability regarding the sale of the vehicle to the customer. Without limiting the above, we do not accept any liability of any nature whatsoever for information that is wrongly displayed on this website, prices that are inaccurate or wrong or specifications that are different from the actual vehicles sold.

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