

EXPLORING A NEW ELECTRONIC RETAILING TREND IN TURKEY AND THE WORLD: PRIVATE SHOPPING

Nazlim TUZEL URALTAS

Marmara University, Faculty of Communication, Department of Advertising
Assc. Prof.

E-mail: ntuzel@marmara.edu.tr

Didem KOROGLU

South Dakota State University, Department of Journalism and Mass
Communication

Asst. Prof.

E-mail: didem.koroglu@sdstate.edu

-Abstract-

At the present day, quick change is lived in all fields such as society, politics, economy, industry and technology. And this change reflects on retailers and their marketing strategies, too. On the other hand, consumer motivations that underlie shopping behavior are very complex. Now a days shopping is not only spending money. Among other things, it traditionally involves meeting and talking with others, seeing new things and learning new trends which are also the case for people who do online shopping by electronic retailers.

Private shopping is a new type of electronic retailing. Due to an increase in population and working out of the home for long and tiring hours push consumers to private shopping. In the first step of this study, concepts such as online shopping, electronic retailing and their connection with marketing will be mentioned along with the concept of private shopping. In the second step, concept of private shopping will be studied as a new electronic retailing trend in Turkey and other countries. Finally, how the consumer buying behaviors that are shaped by private shopping trends will be examined in this explorative study. The aim of this paper is to indicate to development of private shopping on consumers as a new electronic retailing way.

Keywords: marketing, electronic retailing, online shopping, private shopping

JEL Classification: M31

1. INTRODUCTION

Consumers today are powerful customers. The 21st century is an information age: the producers and retailers no longer have an advantage over the consumers. Customers who wanted to find the best product at the lowest price had to pay lots of effort in the past. But today, they search the web for everything, insomuch that they can find the best price through search engines at World Wide Web in a very short period of time. Thus, Internet created powerful customers at a stroke by providing the opportunity to reach information required for a better choice and to affect the decisions taken by others. (Murphy, 2000:12)

Private shopping is a very popular trend as it provides its consumers the best products for the most competitive price. With technological and societal developments, shopping tendencies of consumers have also changed. In this study, we examined private shopping as a new e-tailing trend and to understand the impact it has on consumer buying behavior.

2.ELECTRONIC RETAILING and HOW IT HAS SHAPED ONLINE SHOPPING

Most retailing takes places in retail stores; however, in the last decade, non-store retailing- especially digital shopping has grown explosively. Kotler and Armstrong (1989) define retailing as “all activities involved in selling goods or services directly to final customers for their personal, non-business use.” Conducting these activities in electronic environment is called electronic retailing. Thus, the business of electronic retail has been defined as sale of goods and services via Internet or other electronic channels, for personal or household use by consumers. This definition includes all e-commerce activities that result in transactions with end consumers. Electronic retailing has been growing, particularly for the top eight categories that account for three-quarters of all European sales. These major growth areas comprise: books, music and DVD movies, groceries, games and software, consumer electronics, travel and clothes. (Dennis, Fennech, Merrilees, 2004:2) Most e-tailers (electronic retailers) offer consumers the convenience of choosing and purchasing merchandise at a time and location of their choosing. These benefits are very appealing to time-conscious consumers and consumers who cannot go to the stores easily, such as the handicapped, the elderly, mothers with young children etc. (Levy & Weitz, 1998:68).

Development of the technology and increasing of Internet usage effect e-tailing and electronic shopping improvements. Recent interest in the Internet as a

medium for commerce has raised the usefulness of retailing on the Web. New computer and communication technologies make it possible for consumers to shop through all around the world from their homes. Electronic retailing and electronic shopping change the way people shop as well as the structure of the consumer goods and retailing industries (Enginkaya, 2006:10).

During the last decade, the number of firms which make sales via the Internet has increased fast, which raised the positive expectations for online shopping; however, it can still be said that online shopping is at a very early stage even for developed economies and e-tailing cannot create huge differences in a market overnight. In addition, there are no data, which indicate that traditional retailing system shall perish or its effectiveness shall diminish in the process of online shopping (Turan, 2008:724). Thus, today e-tailing is still far from being a competitive threat to more traditional store retailing but it is becoming increasingly attractive as technology and applications improve, and retailers gain experience (Kalakota & Whinston, 1997:221). Furthermore, online shopping is increasingly gaining importance in economic, commercial and social life. Number of people shopping online in Turkey is increasing on a daily basis. The Internet connection prices have been drastically decreasing and infrastructure for better Internet connection is being developed. The level of household income has started to improve, allowing a select group of customers to start shopping online. Although in Turkey the number of consumers who shop from physical stores is still considerably high compared to those who shop via the Internet, there is still an increase in the number of people who shop from e-tailers (Tuzel Uraltas, 2009:630).

3.ONLINE SHOPPING BEHAVIOR AMONG TURKISH CONSUMERS

Shopper profile of Internet users and their primary reasons for using the Internet is slightly different. Internet users can be segmented in two distinct groups: The first group is 18 year-olds and over who shop on the Web; the second group consists of those who use the Internet but do not shop there. At this point, when we glance at e-shoppers we can see that they have wealthy, active and diverse lifestyles. Because of their active lifestyles, they are attracted to the convenience offered by e-shopping (Belch & Belch, 2001:498).

Consumers who shop electronically enjoy the comfort of finding detailed product information and a variety of products on the Internet. However, electronic retailers suffer from the difficulties of differentiating their products and services from their competitors. Online shopping is growing in Turkey in line with other parts of the world (Enginkaya, 2006:12). Studies conducted on brand and model

determination decisions of Turkish consumers have found out that males are more active in electronic product consumption than females but the number of female shoppers online are increasing. New technology and consumer electronics promises growth in Turkish market (Ipsos KMG, 2008). According to data from the Turkish Ministry of Economy, with 35 million Internet users, Turkey ranks 12th in the world. With the increasing use of the Internet in Turkey, the volume of e-retailing market in the last 6 years showed a 16-fold increase. (Sabah Newspaper, 24.08.2012:12). According to a research conducted in 2008 (Ipsos KMG, 2008), 20,3% of the population can connect to Internet in Turkey, and 10,9% of them shop via Internet. In addition, the products bought from Internet are becoming more diverse: tickets (21%), books (19%), CDs-VCDs-DVDs (14%), games-software (14%), food (10%), personal care (9%), hotel rooms (7%), flowers (7%), sports equipment and holiday packages (6%). According to the research, people who shop via Internet perceive the goods and services they buy from e-tailers as less expensive compared with those provided by physical retailers (Ipsos KMG, 2008).

From a behavioral point of view, Internet environment is an area where, contrary to the physical environment, the consumer is completely free in their actions. Behavioral norms encountered in ordinary stores cannot be seen in this environment. Internet is customized as far as possible. As no physical effort is paid for shopping, a large number of Web sites can be browsed in a short period of time. Most important factors which affect consumer behavior in the Internet environment are saving time and payment convenience in installments. However, it cannot be claimed that basic measures for categorization of such consumers have developed completely (Enginkaya, 1996:12). If Internet consumers believe that the data they submit online will be used by third-parties or changed in anyway then it will affect the way the Internet is used in commerce (Yıldırım, 2010:166).

In the first 7 months of 2012, the e-commerce market in Turkey reached 25 billion pounds. As a result of this growth, in 2012, Turkey became the second fastest growing e-retailing market in the world. In addition, in the last 2 years, foreign investment in the sector was approximately \$1 billion. Taking into account these developments, the Central Bank of Turkey is revising and proposing new draft laws that will improve and enable secure payment channels and new alternative payment systems. Another, positive impact on the growth of e-commerce is the rising number of credit card users in Turkey, which has reached 51 million users. (Sabah Newspaper, 24.08.2012:12). In the first half of 2012, the e-trade volume in Turkey has surpassed 25 billion Turkish Liras. In contrast, in 2011, the e-trade

volume for the whole year was 23 billion Turkish Liras. In 2011, the share of e-retailers from the e-trade market was 3 to 4 billion Turkish Liras. By 2023 in Turkey, it is estimated that 90 percent of the commerce will be e-commerce (Haberturk Newspaper, 27.07.2012:12).

4.The CONCEPT OF PRIVATE SHOPPING AND ITS EVOLUATION IN THE NEW DIGITAL AGE

4.1. Exclusive membership

Private shopping Web sites operate on the following manner: These sites operate as membership-only sites and offer its members end-of-season products that are limited in quantities. Products are sold in a very limited time period. Around the world, it is estimated that purchase amounts of \$100 billion are made annually. (<http://www.privateshop/Private-Shopping-Sektoru-Rekora-Kosuyor-125425.html>). Members of such Web sites, enjoy discounted items that are specifically tailored to such a targeted customer profile. On private shopping sites, instead of offering thousands of products daily, customers are invited to shop for products from 3 to 4 daily special offers. However, in Turkey the authors have observed that some private shopping Web sites have offered as much as 100 daily special offer deals. This model is distinguished from the classical model of e-tailing and is therefore, more dynamic and more exciting for the online private shopper. In the classical model of e-tailing, the customer usually is in the market for a certain product because they need to purchase a specific product. Instead of searching for that specific product in the physical retailers, they go online to search for that product on the search engines, they conduct pricing comparisons and once they find the best price they make the purchase.

In contrast, in the private shopping model, the push for a customer purchase is not based on a predetermined need to purchase a specific product. In this model, the member receives an email offer of 50 percent off on a specific product. If the member is interested in this offer, then they go ahead and make that purchase. At the end of such a purchase, the customer owns a product that they love for a very good deal. And this makes them feel very satisfied about their shopping experience. This type of shopping results in the customer being affected both in a rational and hedonic manner. The customer starts to anticipate the next special deal offer. In time, this type of shopping becomes a habit and turns in to a very addictive shopping experience. (Samet Egesoy, E-Ticaret Modeli Olarak Private Shopping (Özel Alışveriş) <http://www.privateshop/privateshop1> , 09.08.2012)

4.2. How do these sites provide the deals?

These sites are based on a very simple operating system. The sites sign agreements with major brands to sell the products these organizations have not been able to sell to their members for discounts up to 70 percent for a very limited time on a first-come- first-serve basis. Members are notified about the promotional deals up to two day in advance. The sale starts at the predetermined set date. The transaction is solely online. When the sale is completed, the brands send the products to the operating sites' warehouse and then the site mails the product to the customer. This is a win-win situation for all three parties involved in the transaction. In times of recession, the brand is able to cash its remaining stock items without damaging its brand reputation. The site is able to receive a commission for being the middle party for the transaction. In addition, the sites are able to receive the cash right away from the customers but do not have to pay the brands immediately. Finally, the customer is happy and satisfied for reaching expensive brands at affordable prices.

The concept of private shopping first emerged in Europe with Vente-Privée. Vente-Privée's European competitors are buyvip.com and brands4friends.com. Gilt.com and ideeli.com are private shopping examples that were adopted by American businesses.

4.3. Timeline for the growth of Vente-Privée

Jacques-Antoine Granjon and his seven business partners founded Vente-Privée.com in 2001 in Paris. Groupe Oredism, which was founded in 1984, is among the company's business partners. The years between 2002 and 2004 can be considered the investment period for Vente-Privée to build the market for private shopping. During this time period, Vente-Privée goes into a growth trend and starts to get successful in establishing the private shopping concept among consumers. During the period of 2005-2006, the company decides to grow its private shopping business. In September 2006, Vente-Privée starts to operate Web sites in Spain and Germany. In 2006, in France they operated 460 online offers and as a result they sold 12 million products. In 2007, after seven years in operation, Vente-privée makes the top ten list of e-retail sites in France. With the operations of its Spanish and German Web sites, Vente-Privée grows even more and they are able to offer 753 online deals. As result of these deals, they sell 18 million products. In 2007, the revenue for the year was 350 million Euros. A total of 239 million users had visited the site. In June 2007, 20 percent of the shares were sold to US-based Summit Partners (estimated at 160 million Euros). This transaction was conducted to grow the business. In 2008 the Italian and British

Web sites started to operate. With the addition of these countries, Vente-Privee was able to offer 1,250 offers and was able to sell 28 million products. In 2008 the revenue reached 510 million Euros. In 2005-2008 we see a growth of 390%. In 2009, the company is projecting a 22% growth rate projected revenue is set at 620 million Euros. Vente-Privee has 900 employees. They have nearly seven million members. Of these members, 52 percent are active buyers. Each day, they add 8,000 new members. On average, members are visiting the site 9 times a month and are spending 40 minutes on the site. On average on a daily basis, there are one million unique visitors. Each sales offer is designed by Vente-Privee complete with the music, photo and visual choices all made by the company. Product distribution is handled by 300 employees from a 12,500 square meter warehouse and logistic headquarter. On average, on a daily basis, 55 thousand distributions are made to its members. They work with 850 brands and have an estimated 30 percent profit margin. (<http://www.privateshop/private-shopping-ozel-alisveris-ve-vente-priveecom.html>)

4.4. Private shopping developments in the United States

Operating since 2007, Gilt Groupe is a private shopping business and has focused on women's clothing and accessories. They are considered the market leader in the private shopping sector in the United States. They received \$138 million in investments and have reached \$240. In 2010, Amazon, bought the Spanish firm BuyVIP.com for 70 million Euros. In May, Amazon, entered the private shopping market in the United States with MyHabit.com. In May, Vente-Privee partnered with American Express and entered the US market. In February 2011, a leading American retailer Nordstrom, bought HauteLook for \$270 million. (Semercioglu, <http://www.privateshop/private-shopping.html>)

When one analyzes the data discussed in the earlier section, it can be argued that private shopping has entered in a very fast growth rate in the last few years in the e-tailing sector. This has resulted in a growth in volume of e-tailing and in a change in consumer shopping behavior. Private shopping appeals to customers because they are able to buy quality brands for very competitive prices, In addition, the consumer feels appreciated by businesses due to receiving direct-to-consumer advertising when announcing the special offers.

5. PRIVATE SHOPPING IN TURKEY AND ITS EFFECT ON ONLINE BUYING BEHAVIORS

The Private shopping market in Turkey reached a 50 percent growth in Turkey with 6 billion sales in 2011. The no questions asked return policy has made

private shopping very popular among the Turkish consumers. In addition, private shopping is increasing its success by offering quality brands and by using the right advertising channels to reach the consumers. It is estimated that in Turkey in 2012, there are going to be approximately 40 million Internet users. Of these users, it is estimated that 10 million will be actively using private shopping sites. (<http://www.privateshop/Private-Shopping-Sektoru-Rekora-Kosuyor-125425.html>). The first private shopping site in Turkey was markafoni.com. This site was followed by Limango, which is owned by Otto Group, one of the largest e-tail companies in the world. The young population in Turkey, the growth in e-tailing and the wide-spread growth of the Internet in Turkey has all contributed to the growth of investments in the private shopping market. <http://www.privateshop/private-shopping-ozel-alisveris-ve-vente-privecom.html>

Competitive pricing and the enthusiasm of Turkish consumer to use branded items have all contributed to the success of private shopping in Turkey. (Egesoy, E-Ticaret Modeli Olarak Private Shopping (Özel Alışveriş) <http://www.privateshop/privateshop1> , 09.08.2012). Here are the list of successful private shopping in Turkey: Sina Afra's [Markafoni.com](http://www.markafoni.com), Otto Group's Limango, Dogan Online and Vakko's [daybuyday.com](http://www.daybuyday.com), Boyner Group's [morhipo.com](http://www.morhipo.com), Doğuş Yayın Group's [enmoda.com](http://www.enmoda.com), Ömer Ekinci's [saklisehir.com](http://www.saklisehir.com), Trendyol, Vipdukkân (Semercioğlu, <http://www.privateshop/private-shopping.html>)

The private shopping Web sites in Turkey are becoming increasingly popular and each day a new site is appearing. For example, Limango has reached 5 million members in three years. It is reported that the site has 15 million unique visitors each month and has more than two thousand suppliers (Haberturk Newspaper, 27.07.2012, p. 12). In the last two years, private shopping companies have chosen TV advertising to reach consumers as well as Facebook and Twitter.

6. CONCLUSION

Electronic retailing shows a development parallel to that of traditional retailing sector. Due to changing lifestyles, increasingly more people prefer to shop online, which is the most important factor that accelerates the development of electronic retailing system.

E-retailing and online shopping are developing fast in the world and in Turkey. As technology becomes cheaper in Turkey, infrastructure problems are solved and security in terms of payment and confidentiality of personal data is ensured, more

people will connect to and shop from the Internet, for which reason e-tailing and online shopping shall receive more attention.

According to data, following the trends in Europe and the United States, private shopping in Turkey is growing at a very high rate.

However, it is important to note that for the success of the private shopping trend to continue there are three important issues to consider. The first element is customer retention and lifetime loyalty of a customer. Although these sites heavily engage in promotional activities to gain new customers, they have to pay close attention to retaining these customers once they start buying from their sites. In this context, the relationships they build with the brands will determine their success in customer retention. Having relationships with a variety of brands will have a positive effect building in a loyal membership base. The second important issue is to have a smooth distribution system. If there are issues in the distribution system, the customer will not be pleased. Finally, there has to be a well-planned return policy that makes customers happy. Return customers are very valuable in this business therefore, having a very organized and customer friendly customer service center is going to be essential.

Future studies can address gender differences in the private shopping experiences. Do women or men shop more on private shopping sites is an area for future research to explore. In addition, further research can be conducted to find out what types of products are more popular on private shopping Web Sites. Finally, would private shopping be more successful in niche markets would be another excellent topic for future studies to consider.

BIBLIOGRAPHY

Belch, G. E. & Belch M. A. (2001), Advertising and Promotion, USA: McGraw-Hill Company.

Dennis, C., Fennech, T. & Merrilees, B. (2004). *E-Retailing*. USA: Routledge.

Derin Alışveriş Seminerleri, IPSOS KMG. Retrieved 02.06.2008 from www.ipsos.com.tr/.../files/Derin_Alisveris_Semineri_Elektronik.pdf

Egesoy, S., E-Ticaret Modeli Olarak Private Shopping (Özel Alışveriş), <http://www.privateshop/privateshop1>, [Accessed 09.08.2012]

Enginkaya, E. (2006), Elektronik Perakendecilik ve Elektronik Alışveriş, Ege Akademik Bakış Dergisi, 6 (1): pp.10-16.

Haberturk Newspaper, 27.07.2012, p. 12.

<http://www.privateshop/private-shopping-ozel-alisveris-ve-vente-priveecom.html>,
[Accessed 09.08.2012]

http://www.privateshop/Private-Shopping-Sektoru-Rekora-Kosuyor-_125425.html,
[Accessed 30.03.2012]

Kalakota, R. & Whinston A. B. (1997), Electronic Commerce, Massachusetts: Addison Wesley.

Kotler, P. & Armstrong, G. (1989), Principles of Marketing, USA: Prentice Hall.

Levy, M. & Weitz, B. A. (1998), Retailing Management, New York: McGraw-Hill Irwin.

Murphy, T. (2000), Web Rules, USA: Kaplan Professional Company.

Sabah Newspaper, 24.08.2012, pp.12.

Semercioğlu, B.A., <http://www.privateshop/private-shopping.html>, [Accessed 09.08.2012]

Turan, A. H. (2008), Factors Effecting Online Shopping Behaviors: A Model Suggestion with Extended Technology Acceptance Model, Akademik Bilişim, Çanakkale Onsekiz Mart Üniversitesi, Subat.2008. pp. 723- 731.

Tuzel Uraltas, N., “How Sales Promotions of Consumer Electronics Influence Purchase: Traditional vs. Internet Stores”, International Academy of Management and Business 2009 Fall Conference, Istanbul, Turkey, October 2009, pp. 629-634.

Yıldırım, A., (2010), “Elektronik Ticarete Ödeme Sistemleri ve Güvenlik” (in: Kenan Mehmet Ekici and Arif Yıldırım Ed, *E-Ticaret*), Ankara: Savaş Yayınları.