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E-mall Business Models

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This paper was originally published as: Cooper, R & Michael, K, E-mall business models, Collaborative Electronic Commerce Technology and Research LatAm (COLLECTeR LatAm 2005), University of Talca, Chile, 3-5 October 2005, 1-15.

This paper is posted at Research Online.

<http://ro.uow.edu.au/infopapers/378>

# The Structure and Components of E-mall Business Models

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## **Abstract**

*This paper is concerned with e-mall business models. The investigation defines what constitutes an e-mall, the different types of implementations, and surveys a number of established e-malls. The study looks at e-malls through the eyes of a buyer and seller and describes the different types of components available to each on e-malls including categorization, payment facilities and considerations, site linking and redirection, buyer traffic, loyalty and advertising schemes and legalities. It becomes apparent throughout the paper that e-malls use a diverse number of strategies in their implementations, and that sellers using e-malls maintain their autonomy as individual retailers. Therefore while e-mall structures may look similar on the surface, looking at individual components shows the breadth of e-mall implementations available. The major contribution of this paper is in its establishment of an end-to-end e-mall framework that can be used to study a range of e-mall business types, highlighting similarities and differences.*

## **1. INTRODUCTION**

As the Internet becomes more widely used, the number of innovative ways to exploit the technology increases. Search engine portals are well-known method of gaining access to a particular good or service, however, when consumers enter the World Wide Web (WWW) for shopping purposes, they may not always know the particulars of the product they are looking for. They may not know the specifications of the product, or they may be unaware of the number of different vendors that supply that product. This is where the market opportunity for electronic malls (e-malls) lies. According to Turner (2000, p. 73) e-malls are “a collection of e-shops offered together via a single-point-of-access Web site... the stores involved are usually linked together through a common theme such as a brand, industrial sector or even payment method.” E-malls are websites that use a single point of entry to provide access to a number of businesses that sell products, some of which have a contractual agreement with the e-mall and provide

electronic payment facilities. They must present consumers with a simulation of the physical shopping experience by the ability to browse through stores from a variety of industries using the concept of categorization. E-malls must also have an electronic payment facility available to customers so they can purchase goods online. Regardless of the approach used, the goal is always the same; to engage the shopper and to encourage them to make a purchase. However e-malls are not only concerned with keeping their customers, they must also maintain the contentment of the businesses that subscribe to their service.

## **2. BACKGROUND**

### ***2.1 E-mall Models***

Unlike the physical world, in an online environment, there is a great deal of scope for configuring the concept of a mall to suit specific business needs. There are many different alternative models, two of which are briefly outlined by Ongyanco (2001). In the first instance, “each merchant on our site has its own payment gateway. Contrast that with other e-commerce sites which have one payment gateway per site, and each merchant’s sales are aggregated with the others. You can therefore think of our site as a virtual mall where we rent off space and services.” This statement draws attention to the fact that there are a number of e-mall models currently operating. These may be differentiated by features such as back-end infrastructure, payment gateways, and relationships between businesses. This paper seeks to fill a gap in the literature by defining a framework for understanding e-malls.

### ***2.2 What are the Fundamental Components of an E-mall?***

E-mall facilities are available to a variety of industry types, and each industry utilizes different strategies to maintain a competitive advantage. For some industries, competition is a major concern, and strategies are required to retain customers. One such strategy identified by Kemp (2001) is the introduction of a loyalty rewards program that can be used as an incentive for customers to shop regularly with a particular company or website. Alternatively, other industries may focus on providing a pleasant shopping experience. In this scenario, the graphical user interface would be viewed as integral to Internet shopping. According to Lohse (1998) the graphical user interface component of e-commerce sites is where many businesses lose sales. The shortfall of these articles is that they do not specify for which industries or businesses such strategies would be appropriate. Also, the strategies are only mentioned briefly, not described in detail and not tested against operational e-malls.

Other key aspects of operating a successful e-mall is creating a successful combination of businesses, and then managing these businesses effectively. Hendershott (2001) conducted a comparative analysis of virtual malls and physical malls, and concludes that the practices of a successful physical mall can be applied to generate a successful virtual mall. The key, as described in the article, is the combination of mall tenants. Tenants should include major customer generators (the high-profile specialty shops, department stores, grocery stores etc.)

and customer feeders who are the smaller stores that “feast on the traffic drawn by the net generators” (p. 26). The authors believe that a similar combination of stores is required for a successful on-line mall. Since the article’s publication, the prevalence of e-malls continues to increase, and their structure continues to evolve. Another major issue discussed by Hendershott is that of structure and organization in a mall. For example, it would seem fair that the generators be recompensed by the businesses that feed on traffic they produce. However this is a logistical nightmare to implement, so forms of rental discrimination are used instead. Incentives are yet another issue, the article details an example where businesses are allocated sales targets by the mall operators, and if they do not meet targets, the lease may be cancelled. In e-malls, technology enables strategies to be implemented that reward well performing businesses. Click throughs, for example measure the number of users that go through a particular link (Menasce 2000, p. 55). Therefore, they can be used to identify how the user reached their destination, or point of sale. Using this technology, a system may be implemented whereby one party receives a percentage of the sale from the second party as payment for directing the customer to the site where the purchase was made.

### 3. A CONCEPTUAL FRAMEWORK- WHAT CONSTITUTES AN E-MALL?

After performing an initial survey of e-mall websites to establish the common components, the following configuration was derived by which different e-mall types can be identified. E-malls may incorporate some or all of the following components, and may exploit these in a variety of different ways to gain maximum advantage in the marketplace (diagram 1).

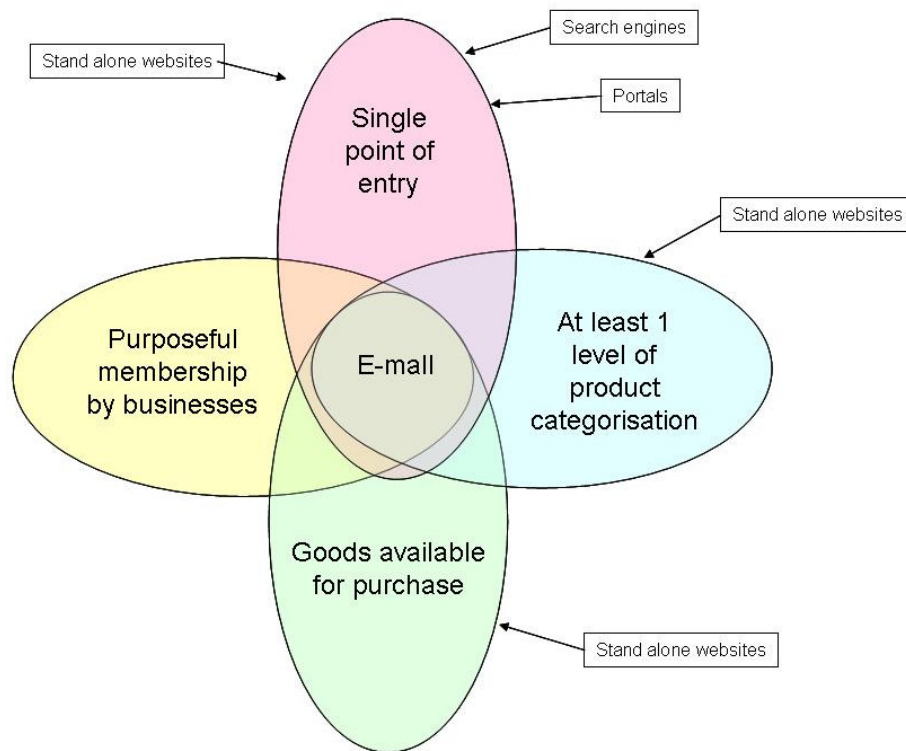


Diagram 1. What Constitutes an E-mall?

### **3.1 A single point of entry**

The most basic criteria, is that an e-mall must provide access to associated company websites via a single point of entry. However based on this criterion alone, search engines could also be classified as e-malls. The following points will differentiate between e-malls and other set-ups such as search engines and portals.

### **3.2 Purposeful membership by businesses**

Another fundamental criterion of an e-mall is that at least some constituent businesses have made a contractual agreement to be associated with a given e-mall for the purpose of increasing consumer accessibility to their website. Therefore, pure search engines cannot be classified as e-malls either.

### **3.3 At least one level of categorization**

What differentiates e-malls from other Internet search applications is their categorization of products. Instead of relying on shoppers knowing exactly what products they require, in an e-mall shoppers are presented with categories which are designed to guide them in the process of establishing their needs. The categories shoppers are presented with in an e-mall often represent a broad number of industries such as computers, books, jewellery, clothes, toys and so forth. Inviting shoppers to browse through a number of categories, and exposing them to other shops and products may prompt another purchase to be made instantly, or a future purchase may be inspired. Therefore, an e-mall is a virtual recreation of the physical mall model that is a conglomeration of businesses that both support, and compete against each other. Just as a physical mall does, a virtual mall aims to provide a one stop shopping facility for customers, catering for a variety of needs. In this way, the function of an e-mall is to provide not only for the complete shopping needs of customers, but also to provide a complete shopping experience.

### **3.4 Goods must be available for purchase**

Customers must be able to purchase goods either directly on the e-mall, or on its merchant websites. At least some transactions must be able to be made electronically.

## **4. METHODOLOGY**

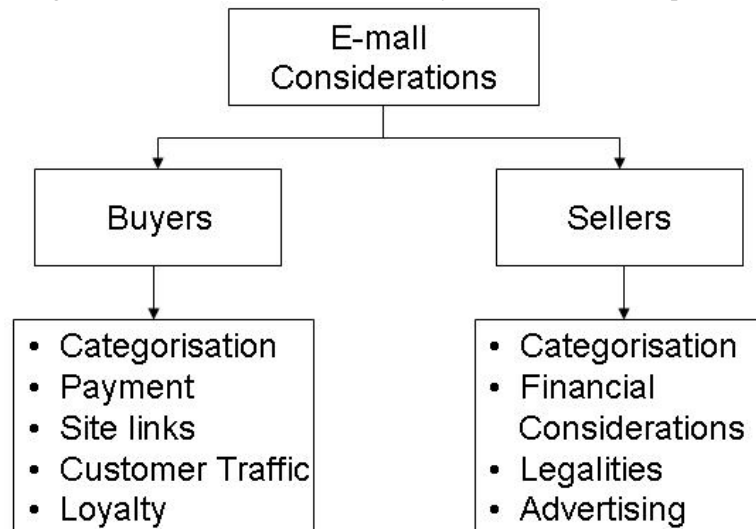
After defining the conceptual framework, a self-administered survey of ten e-malls was conducted to collect data on each criterion. The survey took place in the month of September, 2003. For each e-mall studied, a set of questions were asked and data obtained based on the capabilities present at that time only. The survey took on two perspectives, that of the buyer and that of the seller. The e-malls used in the study were chosen for their brand and accessibility to the global market (table 1).

Table 1. E-mall Selection

E-mall Surveyed	URL
Email	http://email.com/
QVC	http://www.qvc.com/
Internetmall	http://internetmall.com/
Splurge	http://www.splurge.com/
Choicemall	http://mall.choicemall.com/
NineMSN	http://shopping.ninemsn.com.au/
AOL	http://webcenter.shop.aol.com/main.adp
Yahoo!	http://au.shopping.yahoo.com/
EmailofAlabama	http://www.emallsofamerica.com/emallofalabama.htm
EmallsAmerica	http://www.emallsamerica.com/Shopframe.htm

The major areas of concern for buyers and sellers can be summarised in diagram 2.

Diagram 2. E-mall Criteria- The Buyer and Seller Perspective



## 5. BUYER'S PERSPECTIVE

### 5.1 Categorization

The way products are categorized can have a major impact on the shopping experience of the consumer. Hierarchical categorization can be used to assist consumers with finding the product they require, however some e-malls have just one level of categorization. Another mechanism offered to users designed to assist them in the search for a particular product is a search engine facility. Often e-malls will provide both categorization and a search facility.

Invariably, categorization is an important component of any e-mall. All the e-malls involved in this study have at least one level of categorization. Apart from the fact that browsing through the categories helps to create a complete "shopping experience", a listing of categories is also the most appropriate method of conveying to consumers what kinds of products are available. This may prompt

users to consider purchasing products they had not initially intended to buy. However, the product categories also perform a useful function in guiding the consumer to goods that will meet their requirements, even without knowing the product's name or which vendors keep it in stock.

Some e-malls have a very refined category list with a number of category levels that help users to find exactly what they are looking for. For example, QVC has a standard number of three category sub-levels. Such categories allow users to drill down through the levels and identify products that meet their needs without even knowing the product's name or vendor. So if a consumer identified a need to upgrade their computer, instead of trawling through the copious results returned by a search engine (not knowing if the vendors were reputable or even legitimate) they could simply navigate through the e-mall categories to find the product that matches their needs.

In contrast, some e-mall users may already have extensive information about the product they intend to buy, and would prefer not to have to drill down through the layers of categories to find the product they are looking for. For this group of users, it is important not to discourage one stop shopping by forcing them to engage in the time-consuming behaviour of looking at all the product sub-categories. A search engine facility would be a much more suitable navigational tool for this user group. Another situation in which the search function is useful is when a consumer need does not fall clearly into the categories provided, or possibly falls into more than one category. Instead of forcing users to wade through each of the categories to find what they require, by simply typing keywords, and searching the entire website, the navigational process becomes much more straightforward and a lot less time consuming. QVC is a good example as on their main menu there is no category listed for "books" and books do not clearly fall into any of the listed categories. When a search is performed on the word "books", not only do the individual products available appear, but the consumer is also presented with a summary of which subcategories returned positive results from the search. Even though the consumer is not directed to the top level category containing the desired product, by viewing the subcategories present, generally the consumer would be able to determine which category the product they are looking for would reside in. It may not be altogether clear, however it can be determined by default that the top-level category where the subcategory of books could be found is "Toys Crafts and Leisure".

Table 2. The Importance of Categorisation to E-malls

<b>Categorization</b>	<b>E-mail</b>	<b>QVC</b>	<b>Internetmail</b>	<b>Splurge</b>	<b>Choicemall</b>	<b>NineMSN</b>	<b>AOL</b>	<b>Yahoo!</b>	<b>EmallofAlabama</b>	<b>EmallsAmerica</b>
Are products categorized by seller as opposed to product category?	Yes	Both	Yes	Yes	Yes	No	No	No	Yes	Yes
Are there multiple levels of categories?	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Is there a search engine present?	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	No
Are main categories continually displayed on each e-mall page?	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	No

While giving users access to a search facility on a website is standard web development practice, and fairly essential as users have become accustomed to the convenience it offers, it is also important to keep in mind the true function of an e-mall. E-malls are designed to offer consumers easy access to a variety of product categories making shopping for different products, and their complementary products easier. This is why half the e-malls surveyed continue to present the broad product categories generally in a border or header consistently throughout their websites, and the other half have a direct link back to the main category listings. By doing this e-mall owners are contributing to the smooth *flow* of the website. Flow in this context can have two different meanings; first of all it implies the seamless navigation by the user through the website, and second flow refers to a consumer state well documented in marketing theory. As stated by Dann, (2001, p. 484) flow describes “the state of mind where interaction with the Internet becomes a unified movement from one site or event to the next with little or no awareness of distraction, outside influences, or irrelevant thoughts.” Basically when a user is in a state of “flow” they are completely engrossed in the content they are being exposed to. By continually giving consumers access to the different categories present on the website, this state of flow is encouraged. Table 2 shows that categorisation is integral to all the e-malls surveyed but to varying degrees.

## **5.2 Site Links and Redirection**

The methods an e-mall adopts to enable navigation throughout the e-mall can have a major impact on its success. It is the aim of e-malls to direct consumers to their merchant businesses, and while all e-malls studied do this effectively, there are a variety of different methods used to achieve this goal. Similarly, there are a number of different methods used to facilitate navigation back from the merchant businesses to the e-mall. Some of the organizational methods adopted in the e-malls surveyed include

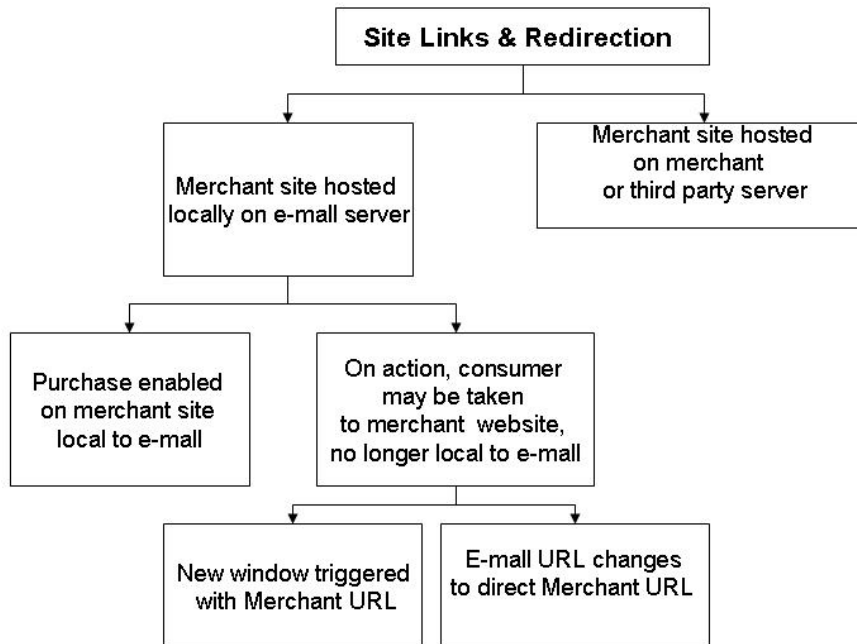
1. Displaying individual products on the e-mall site
  - a. allowing purchase on the e-mall site; or
  - b. on product selection, the user is diverted to the business’ website where a purchase transaction can be performed.
2. Displaying businesses on the e-mall site
  - a. on selection, the business website appears in the current window under the e-mall’s URL; or
  - b. on selection the business website appears in the current window under its own URL; or
  - c. on selection the business website appears in a new window under the e-mall’s URL; or
  - d. on selection the business website appears in a new window under it’s own URL.

These results indicate that there is a diverse range of initiatives that have been adopted by e-malls to get the user to the stage of purchasing goods. These include storing an e-mall merchant’s website on the e-mall’s server, using e-mall headers to maintain easy navigation, and creating pop-up windows for the websites of merchants whilst maintaining an active e-mall website in the back ground. For example, Internetmall uses a particularly interesting approach which involves diverting customers to a website on the e-mall server that appears to be the business’ home page accompanied by an “Internetmall” header. However, this

header can be switched off by the user through the graphical user interface (GUI). When the header is switched off, the URL then changes to become the dedicated URL of the business, leaving no link back to the e-mall.

There are a number of advantages and disadvantages associated with the different approaches from a number of perspectives. From the e-mall perspective, it is preferable to maintain easy access for customers back to the e-mall site. This can be achieved by displaying the business' website in a new window, and maintaining the e-mall website running in a different window in the background (e.g. as with Splurge). Alternatively, the business' website will be presented in the same window, but access back to the e-mall will be enabled by maintaining a header, border, or popup that acts as a link back to the original e-mall. From a business' perspective it would be preferable to get consumers to their business specific website, and make access back to the e-mall website as difficult as possible, as this is where more competition exists. However, with more consumers having access to the e-mall, there will be more traffic generated by maintaining links to the e-mall, resulting in a higher chance of consumers visiting a particular site. Therefore, it is advantageous for all businesses to support easy navigation back to the e-mall website, as their competitors will be doing the same. Diagram 3 illustrates the various ways of business site linkage and redirection.

Diagram 3. How Are Consumers Directed to Merchant Websites on an E-mall?



### 5.3 Payment Mechanisms

A vital component of any online retail operation is ensuring that funds can be transferred between parties to allow for the payment of goods and services. A variety of payment mechanisms are available from e-malls some of which allow for direct purchase from the e-mall website. However a large number of e-malls surveyed operate in a similar way to physical malls whereby consumers make their purchases from individual stores. Amongst the e-malls surveyed, it was found that the majority of businesses were treated as separate entities, and had

their own e-commerce mechanism. This observation holds true even when individual products are displayed on the e-mall site; once a product is selected, the consumer is generally rerouted to the business' website where the purchase can be made. The one exception was QVC that offered a shopping cart facility across high level product categories. In the instance of QVC, this is possible as no business redirects are involved. Although the products are from a variety of different vendors, each product is presented on its own with a corresponding product number. This system enables QVC to keep track of shopping lists, and make purchases that may have been accumulated across a number of different categories.

There would be some advantages in offering a standard payment option on the e-mall. This is not feasible in a physical mall due to the geographical space over which a mall is spread, however online, customers cannot disappear into an alley without paying for the merchandise. It would make purchasing easier for consumers who want to buy a number of goods at once from different stores on the one e-mall site. However for logistical reasons there are barriers to doing this at the moment. It may be difficult to keep accurate inventory records if orders are being recorded by a number of different ordering systems. Also, it would mean that businesses would have to agree on purchasing standards and thus sacrifice some of their autonomy. Yet, maintaining just one ordering system offers a simplified and streamlined approach for businesses. Diagram 4 shows the various payment mechanisms available to buyers. In table 3 are the payment results for each of the ten e-malls surveyed. The table shows that e-malls were using elementary payment schemes probably because of market readiness.

*Diagram 4. Various Payment Facilities Available on E-malls*

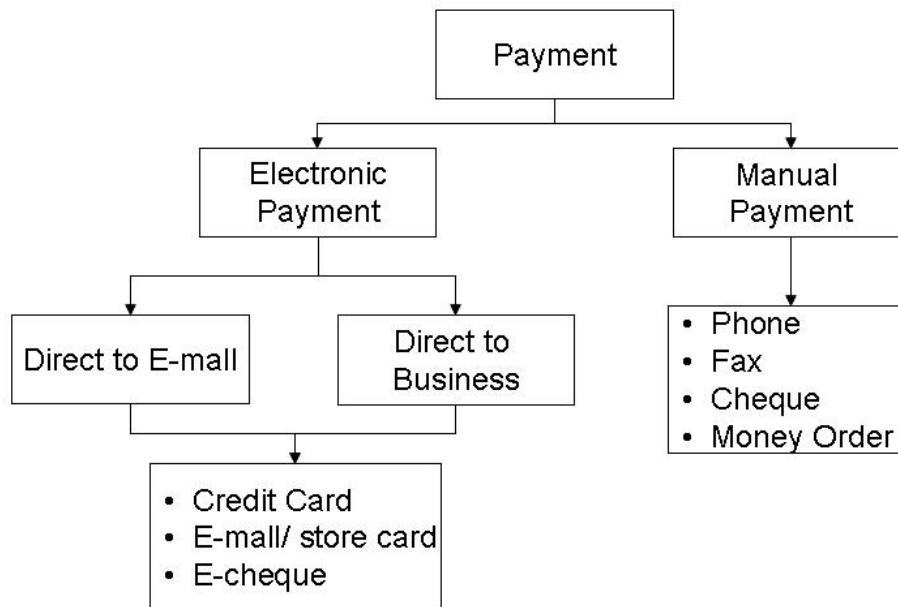


Table 3. E-malls and their Payment Options

	E-mail	QVC	Internetmall	Splurge	Choicemall	NineMSN	AOL	Yahoo!	EmallofAlabama	EmallsAmerica
Payment Set-Up & Options										
Common purchase gateway for stores?	No	Yes	No	No	No	No	No	No	No	No
Shopping cart facility available across different e-stores?	No	Yes	No	No	No	No	No, but a shopping list facility is available	No	No	No
How many different types of e-payment methods are available from the e-mall site?	None	Variety of payment options on offer (8 total)	None	None	None	None	None	Yahoo wallet is designed to make purchasing easier	Credit cards	None

#### 5.4 Generating customer traffic and loyalty

Inspiring customers to make an initial visit and then return to the store to make repeat purchases are important goals of every retailer, known as stickiness drivers. The methods used by e-malls to achieve these goals are quite different to the methods used by physical malls. E-malls have the advantage of automated customer data collection, and cheap, efficient methods of information dissemination. Customer generator stores are a common concept in physical malls as they attract customers into the mall and generate traffic that smaller, lesser-known stores may benefit from. Hendershott (2001 p. 26) describes a net generator store as “those that attract numerous customers to the area: department stores and other high-profile specialty shops...” In the physical world, if a customer wants a product specifically from a well-known store, they have to go to the mall, and most likely pass by the other stores, possibly making an unplanned stop-over and purchase if the products appeal to them. However in the online world, this is not the case.

In a virtual environment, if a customer knows what they want, and intend to buy it from a well-known brand name, it is most likely that this customer will either go directly to the business’ dedicated website (if the brand awareness is such that they know the URL), or go to a search engine to find the address of the business’ website. Therefore, well-known brand names do not fulfil the function of “customer generator” in an e-mall environment. Instead, well-known brand names such as Dell, and Barnes & Noble fulfil the function of contributing to the reputation of the e-mall, which in turn, transfers onto the other businesses present in the e-mall. For example, a consumer may be hesitant to buy a product from a brand featured on an e-mall site they are not familiar with, however if there is another reputable business listed in the same category on the website, the consumer may be more willing to take the risk in dealing with the new vendor. A positive reputation may be generated for the e-mall and other online tenants of the mall through association with well-respected brands, effectively, “piggybacking”

on the success of the established brands. As major brand names do not serve to entice consumers into the e-mall, it would be expected that advertising would play a major role in attracting customers. However research has found that advertising is not always very prominent. This would indicate that e-mall vendors believe the content of their site is adequate to attract consumers.

Along with generating customer traffic, and trust, customer loyalty is another important goal of e-malls. The use of Customer Relationship Management (CRM) techniques online is prolific, and can help e-malls to get the edge when it comes to retaining their customers. Many techniques are available to extract consumer information that would seem intrusive if adopted by physical stores. For example, asking a customer for their mailing address each time they entered a physical store would be a logistical nightmare, and would detract from sales assistants doing their job properly. However, in the automated online environment obtaining customer contact information can be achieved more easily (even indirectly through the use of cookies). The customer can then be contacted, and notified of relevant information such as new catalogues, sales, and a variety of other marketing techniques can be employed. The value added services offered by an e-mall are instrumental in the repeat business of customers. CRM techniques should be exploited by the e-mall to generate high customer retention rates. As stated by Chris Philippi (2003), “[i]t costs anywhere from 5 to 8 times more to gain a new customer as opposed to retaining your customers”.

By nature, the purchasing process in online shopping is more involved than in the real world. An online store will generally require forms to be filled out detailing the customer's name, payment options (cheque, money order, credit card), shipping address, and billing address. This becomes somewhat cumbersome when the consumer wishes to make a number of purchases. E-malls such as QVC that offer the Qcard, and Yahoo! that incorporates the yahoo wallet aim to take the repetitiveness, and complexity out of online shopping. The Qcard that is offered by QVC is similar to a store credit card, and can be used across any of the QVC sales channels including QVC-TV and QVC outlet stores. Another convenient payment option offered by QVC is the “speed buy” option. By selecting this option, the computer software simply charges the last credit card that was used by a particular individual to make a purchase, with the new purchase amount. While this would be a very convenient payment method, it may not be the most secure payment option.

Simplifying payment is not the only way to ensure customer contentment, and return. A number of other strategies are employed by e-malls to attract, and retain customers. Splurge offers gift certificates, and a bridal registry (presented under the very fitting name of “splurge and merge”). Email, NineMSN, QVC, and Yahoo! also offer customers an electronic newsletter. In some cases the customer is able to select categories and refine the content of the newsletter. This would enable consumers to be targeted more effectively with products, and promotions of particular interest to them. Order tracking is another relatively common value added service that is incorporated into Yahoo!.

The e-malls surveyed were at opposite ends of the spectrum in terms of collection of consumer demographic data. The majority of e-malls included in this study asked for very little or no demographic data. NineMSN, however, represented a different approach. Because the NineMSN shopping facility is part of the NineMSN suite that offers a variety of services such as news, and current affairs as well as chat, it also offers users a membership option that collects

extensive demographic information such as residential address, age, sex, and offers a variety of different newsletter topics to determine the interests of the consumer. Using this data, a unique page is generated specific to the consumer's information that presents them with the TV program for their location, a movie guide for cinemas around their area, and even displays their horoscope reading. All of these services are of huge novelty value, but the question remains, how are they using this demographic data to entice consumers to buy? In most cases surveyed (e.g. NineMSN), the full value of data provided by the buyer was not exploited- emails sent to a buyer did not seem to target a specific demographic profile. Therefore, while there is novelty value in customizing a website to suit personal interests, it is also important to actually use the information collected, by incorporating it into further target marketing efforts (provided that consumers are informed that their information will be used in this way).

## 6. SELLER'S PERSPECTIVE

### 6.1 Categorization

The categories present on an e-mall are important to businesses as they affect how consumers navigate through the e-mall. The number of categories indicates the degree of refinement of category listings. The more categories that are listed, the more specific they are for the buyer. This requires more clicks from the user to gain exposure to the same number of businesses as on an e-mall where there are fewer categories present. The number of top-level categories on the e-malls sampled, range from twelve to forty-one (table 4). Most e-malls have similar categories although sometimes categories are grouped together, and fall under a broader name. For example, in Choicemall, jewellery falls under the category of "beauty and fashion", and computers are accessed via the "technology hub". In these instances there are usually hierarchical levels of subcategories. By offering broader product categories, consumers are exposed to a broader range of products, as they are either required to select from further subcategories, or are offered a wider variety of products to select from. They may also be inspired to buy supplementary products if they are exposed to other related subcategories. Therefore, following this line of reasoning, providing users with easy access to broad top-level categories may be beneficial, but e-malls must also ensure that their top-level categories are not so broad and vague that consumers become confused. It may also be beneficial to businesses to have a listing across a number of different categories to increase consumer exposure to their link.

Table 4. Number of Main Categories on E-malls

	Emall	GVC	Internetmall	Splurge	Choicemall	NineMSN	AOL	Yahoo!	EmallofAlabama	EmallsAmerica
Categorisation										
How many product categories are present?	20	12	20	18	16	21	10	19	11	41

Computers, jewellery, and books are prime contenders for top-level categories, and in the majority of e-malls surveyed, the three categories are listed on the top-level category menu. However it was also found to be quite common for computers to be listed under “electronics” or “technology”, once jewellery was listed under “beauty and fashion”, and once books was found under “toys, crafts, and leisure”. Therefore, it is evident that e-malls offer a diverse range of products, and it is a common tendency for them to offer products that address the needs of a range of standard industries.

## **6.2 Financial Considerations**

The financial costs involved with becoming associated with an e-mall are a major consideration for merchants that endeavour to achieve a return on their investment. It should also be noted that a variety of business types can benefit from e-mall association. Therefore a range of membership options, some suited to large multinational businesses, and others catering for small businesses will encourage the presence of a diverse range of business on the e-mall site.

There is very little information presented on the e-mall websites about profit sharing. Yahoo! was the only store that advertised profit sharing information, and emphasized the point of no profit sharing, as it appears on the Yahoo! website “NO REVENUE SHARE”. Thorough details are not presented, but the phrase implies that the Yahoo! e-mall is not entitled to a share in the profits generated by its merchant businesses. Advertising this as a special feature would generally indicate that Yahoo!’s competition (being other e-malls) do not offer this benefit to their merchants. However as information is not available on other websites, this cannot be fully concluded.

A number of e-malls do however, present detailed information about the costs involved with becoming an e-mall member. Both Emall and Internetmall offer a variety of different options. Emall offers basic membership for an annual cost of \$50US, and Deluxe membership for \$150US a year. The basic membership option ensures a listing above businesses that are not members of Emall, and deluxe membership also offers this advantage, plus more. Deluxe members are given automatic discounts on operational and promotional costs such as advertising, and also have the capability of deleting any negative comments posted about their e-store. Internetmall takes a slightly different approach as the cost of membership includes the construction of a site. The varying options available which range from basic (\$9.95/month, \$99.95 annually) through silver and bronze to the gold package (\$99.95/month, \$999.95 annually) offer different site features, and varying levels of service and support for the business.

The approach of offering range of membership options is wise, as it will give rise to a diverse e-marketplace where small businesses that cater for niche markets can afford to be present next to large multi-national companies. This e-marketplace diversity gives consumers a greater range of options when making their purchases. It also encourages small business owners with unique ideas, and product offerings to venture online, and take advantage of e-commerce technologies.

## **6.3 Legalities**

The issues of content censorship, privacy, and secure transmission are of great relevance to all online retailers, hence, they are relevant to e-malls. Consumers are

becoming increasingly aware of their rights, and are deterred from dealing with businesses that do not respect these rights. Consumers are also more demanding about the services they receive, and are willing to take action more so than ever before (as rocketing insurance rates would indicate). This is why it is important for e-malls and their businesses to address the legal aspects of business online. A large component of the effectiveness of e-malls is the trust that being part of a larger body, and being associated with other well-known reputable companies can bring. The legal obligations of the e-mall and its sound business practices should help to ensure consumers feel confident in dealing with online stores.

Some stores such as Emall and QVC display information publicly about the processes businesses must undergo in order to become a member of the e-mall. This helps to raise consumer awareness about quality assurance, and the integrity of the businesses they are dealing with. Emall has a requirement that no XXX or R rated material be present in the content of the merchant's sites. QVC goes a step further and requires a sample product to test for quality assurance purposes. However while this idea is good in theory, the quality assurance tests may not offer the benefit of peace of mind that was originally intended. This is indicated by the link on their site for recalled products. Four of the products listed on this site were being recalled because they have caused injury to consumers.

Most e-malls also display a privacy policy publicly (all display a privacy policy on their e-mall site, except Splurge). In an automated environment, it is very easy to obtain statistical information about a consumer's browsing habits as well as personal information through some form of registration or membership form. Privacy is a major concern of the general public, and therefore they wish to know what information is recorded about them, where it is stored and how it is used. It is common for the IP address to be recorded and the type of browser the consumer is using to be recorded as well as other information. This information should help developers to maximize web page display. It is also very common for e-malls to use cookies to record information about which pages were visited, and the length of time consumers stayed there. This information is often purely statistical and cannot be linked to a particular individual. However with increasing technological capabilities it is becoming increasingly difficult to remain anonymous even while using the Internet.

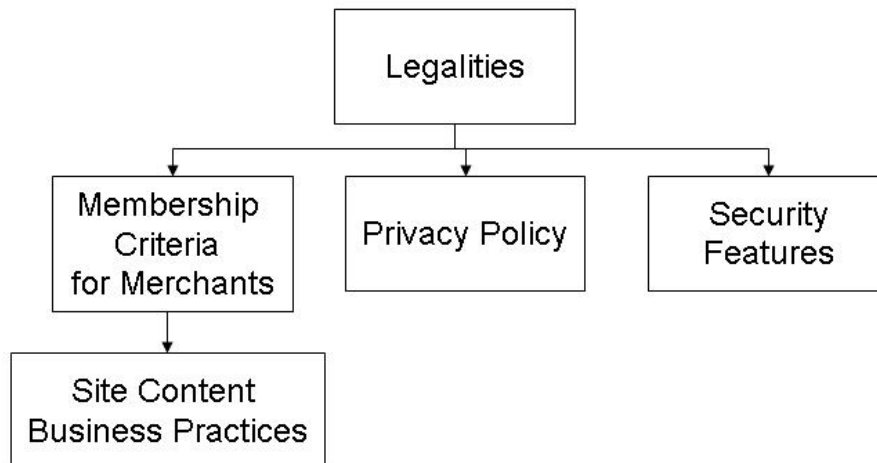
Many of the e-malls studied, stated in the privacy policy that information about consumers was disclosed in aggregate to third parties in order to convey the behaviours of the site's users. Most consumers would not have a problem with a website monitoring which websites are popular and which require improvement. Consumers are used to this idea, as TV stations have monitored viewers watching habits for years without causing any major problems. However, when personal information is involved, the issue becomes quite sensitive. It was not found in any of the e-malls surveyed that personal information was gathered without the consumer's being aware. In all cases, personal information is gathered through registering for a newsletter, establishing a membership of some sort, or making a purchase. Therefore consumers know that the e-mall or merchant business is recording their information, but they do not always know what will be done with this information (unless they take the time to read the fine print).

Most e-malls surveyed stated that any personal details provided by consumers would only be used for the purposes they were intended. Choicemall gives the example that if information was obtained for a competition entry, then that information should only be used for matters pertaining to that competition.

However QVC, Internetmall and Choicemall have all stated clearly in their privacy policy that they may disclose personal information including names and phone numbers to third parties who provide services for the respective malls. QVC states that a consumer may be contacted for something such as a marketing survey that aims to improve the QVC e-mall, and when they are contacted they can elect to be removed from the list.

Therefore while some e-malls choose to disclose personal information to third parties without their explicit consent (consent is implied because it is stated in the privacy policy that personal information may be used in this way), most e-malls will keep personal information private. E-malls do reserve the right however, to disclose information if it is required by law. In general acquiring information about consumers is in the best interest of the consumer, because this information can alert e-mall owners to the preferences of consumers and target marketing campaigns to them more effectively, and better meet consumer needs.

Security along with privacy is another major issue. A secure Socket Layer (SSL) is an encryption technique used by the majority of e-malls to enable secure data transmission. Many of the websites also informed consumers about how to identify when the transmission mode is secure (differentiating between http and https). Passwords are another security feature commonly used. Many e-malls also informed users about their in-house data security measures such as firewalls, secure servers, and limited staff access to information. The range of legality issues addressed by e-malls is shown in diagram 5.



*Diagram 5. The Importance of Legalties to Merchant's on E-malls*

#### **6.4 Merchant Services**

As a significant proportion of e-mall members are small businesses with very few IT resources and little knowledge of e-business, the additional services offered by e-malls can play a major role in the success of an online store. Similarly, additional services will also be of great importance to larger business, as they are also concerned with the return on investment they receive, and the value derived from the relationship with an e-mall.

The diverse range of membership options on offer by Emall presents a variety of different services to merchants and their customers. The lower priced

sites offer basic functionality at an affordable price for merchants. The features offered by the basic e-mall site include a listing above non-members, and listings in up to three different categories, along with the E-mall certified logo next to the company name. The deluxe option includes all of the basic membership benefits along with some free advertising and discounts on hosting and advertising fees. Another unique feature of deluxe membership is that the business is able to delete negative feedback. While the deletion of negative feedback is beneficial to the business, allowing this action does not provide customer with a very accurate review of the business.

Internetmall also offers site construction facilities, and while it is not stated whether E-mall of Alabama offer site construction facilities it is explicitly stated that businesses will be listed on a "first come, first listed basis". This means that even an old, poorly performing business may have the most visible place in their category. Other services offered to businesses include payment gateways and inventory control mechanisms, in the case of Internetmall. AOL aims to give their businesses competitive advantage not only by enabling technical functionality, but also by giving them intelligence, and information on how best to exploit e-commerce facilities to their advantage. Therefore, e-malls are currently offering a variety of value add services, some of which are technology-related, while others have a strategic, business type focus.

### **6.5 Advertising**

The advertising content on an e-mall is difficult to organize as the e-mall is designed to be a place where no one specific industry or business is targeted. The e-mall advertising should ideally appeal to a very broad range of customer demographics. It is also important that advertising does not cause disharmony amongst e-mall merchants. There are a variety of ways of selecting which store advertisements will be displayed.

The amount of advertising present on the e-mall's homepage can be seen as a positive or negative factor. Drawing the user's attention to specific products can be beneficial for a select few businesses but may detract from others. The relatively low percentage rates of advertising in e-malls found during the study indicate that e-malls are mindful of not bombarding consumers with too many advertisements. Advertising may clutter the e-mall making it difficult for consumers to navigate through. Another factor may be that it is difficult to know what to advertise given that the e-mall sells such a variety of product to a wide-ranging customer base. Annoying pop-up windows are banned from some sites such as E-mall where it is a condition of membership that "no annoying popups" are incorporated by merchant businesses.

The way in which merchants are displayed in an e-mall can also have an impact on the visibility of the business, and can be determined by a number of criteria. Some e-malls such as E-mall have business positioning incorporated into their payment plan, enabling businesses to "buy prime real estate". Internetmall and Splurge however, do not offer positioning advantages for higher paying merchants. Internetmall lists its merchants under the appropriate category in alphabetical order and Splurge lists businesses in what appears to be random order. The alphabetical listing is a sensible organizational structure especially when there are a large number of businesses involved. Therefore, when considering the advertising advantages on offer by an e-mall, merchants should not only consider the obvious advertising methods such as banner adds, and the

presentation of their business logo on the front page of the e-mail. The organization methods used to display business names will also have an impact on how visible, and available- how well “advertised” the business is. Table 5 shows an end-to-end framework for differentiating e-mail types present on the Internet.

Table 5. A Framework for Differentiating E-mail Models

E-mail Components	Level of adoption			
	None	Basic offerings	Extensive offerings	Full complexity
<b>Buyers</b>				
<i>Categorization</i>	Top-level categories	Individual products listed	Link from business to products	Numerous hierarchical levels of categorization on e-mail + further categorization on business website
<i>Payment</i>	No electronic payment facility	Credit card facilities requiring re-entry of customer information	Customer database facilitating streamlined for repeat transactions.	E-mail specific credit facility (e.g. Qcard)
<i>Site links and redirection</i>	Links to individual business site	Pop-up window with business URL	Link maintained back to e-mail from business website	Allow purchase of products from e-mail
<i>Generating customer traffic and loyalty</i>	None	Standard newsletters	Newsletters with personalised content	Personalised benefits- e-mail credit facility, personalised web pages, facilitation of online communities
<b>Sellers</b>				
<i>Categorisation</i>	Top-level categories only			Extensive category refinement
<i>Financial considerations</i>	Flat fee for membership	Extended merchant services incorporated into payment plan		A range of membership schemes and revenue share
<i>Legalities</i>	No details present	Non-specific statements made about privacy and security	Extensive privacy policy	Full privacy policy and terms of use available and secure transaction
<i>Advertising</i>	None	Prominence of the business/product on e-mail	Active advertisements e.g. banners, pop-ups, animations	Targeted marketing to specific buyers

## **7. CONCLUSION**

This paper has served to fill the gap in understanding e-mall business models. While papers have existed on the notion of an e-mall as a special type of website, they have not clearly identified the different types of e-mall implementations, save for a high-level discussion. This paper has studied ten well-known e-malls and observed their differences and similarities. A variety of set-ups show the diversity of e-mall operations possibly alluding to the notion that e-malls are still in their infancy. Strategists seem to be still experimenting with a range of options, features and functionality, as there is no winning formula. Some e-malls like QVC however, seem very organised and focused on offering the best-in-breed at every component level. They enhance their usability by well-defined categorisation and search facilities, a range of payment options to suit the buyer, targeted advertising campaigns and thorough legal considerations which affect a buyer's trust. The major contribution of the paper is that it has identified those structural components that can be used to analyse e-malls and in so doing has defined an end-to-end framework showing a range of e-mall sophistication levels available to the market. Together these components ensure the success or failure of an e-mall.

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