RATIONAL AND EMOTIONAL REASONS WHY VIRTUAL SUPERMARKETS DON’T TAKE OFF IN THE MARKET OF BAHIA: HOW COULD WE MANAGE TO CHANGE THIS REALITY? A CASE STUDY OF THE EXTINCT “MARIAMERCADO”

MOTIVOS EMOCIONAIS E RACIONAIS DO POR QUE DO FRACASSO DE SUPERMERCADO VIRTUAIS DA BAHIA: COMO ESTA REALIDADE PODERIA SER MODIFICADA? UM ESTUDO DE CASO DO EXTINTO “MARIAMERCADO”

RESUMO

O comércio eletrônico ainda não está consolidado em várias regiões do Brasil, como no caso de supermercados via Internet no nordeste do país. Esta pesquisa buscou compreender os possíveis motivos, racionais ou emotivos, por estes fracassos. Um estudo de caso do “MariaMercado”, loja virtual da cidade de Salvador, na Bahia, que abandonou os negócios por causa de resultados insatisfatórios, foi realizada baseando-se em evidências. Desta forma, o propósito deste trabalho é avaliar as razões que motivaram o fracasso de efetivar um supermercado virtual e definir possíveis alternativas para modificar este contexto, assim impedindo um resultado similar em empreendimentos desta natureza no futuro.

PALAVRAS-CHAVE

e-commerce, comércio, comportamento do consumidor.

ABSTRACT

Brazilian electronic commerce is still not consolidated in many regions, supermarket shopping in the internet is still not a reality in some areas like the northeast of Brazil. We try to seek for the possible reasons, rational or emotional, for this cases of failures. A case study of the ‘MariaMercado’ virtual store in the city of Salvador/Bahia that went out of business because of insatisfactory results was conducted based on this evidence. Therefore the purpose of this work is to evaluate the reasons that are held responsible for the failure of effectively establishing a virtual supermarket and to point out possible alternatives for modification of this context, thus avoiding a similar outcome of future enterprises of this kind.

KEYWORDS

e-commerce, retailers, consumer behaviour.
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1 INTRODUCTION

The Brazilian supermarket sector has gone through significant changes during the last decades. These changes are being intensified with the appearance of multinational enterprises on the local market which are setting high competitiveness standards. With the emergence of new technologies that improve commercial operations and the differentiation of rendered customer services, the actors of supermarket retailing are seeing themselves forced to offer their clients tangible conveniences in order to induce a possible change of their supplier.

Facing this reality it can be stated that the strongest impacts on the brazilian retailing sector were felt after the market opening in the 90’s. During this period huge international enterprises such as Sonae, Wal-Mart and Royal Ahold expanded their domain over the promising brazilian market, finally culminating in a strong modernization trend of the local supermarkets.

The use of technology in retailing business started to disseminate in a fast pace, concomitantly with the expansion process of multinational enterprises. The improvement of Information Technology (IT) stands out among the most widely used tools which, along with the development of commercial internet, has played an important role in eliminating geographical and time barriers between nations, making the contact between enterprises and their public much easier.

The Internet has grown into a global communication network since its birth in the 70’s, extending its originally research-oriented purpose also to commercial purposes. Negotiation, trade, information and services came to be executed via network, culminating in the appearance of e-commerce and electronic services (e-services).

A significant share of retail networks is already familiarized with one e-commerce modality: the relation between enterprises, or Business to Business (B2B). This kind of negotiation is carried out between producers, partners and suppliers for a more efficient logistic chain viabilization. However, this study focuses primarily on another e-commerce modality: the direct sale to the final consumer, or Business to Consumer (B2C).

A study was recently carried out among consumers of Bahia’s most important supermarket chain, Bompreço Bahia S.A., which pointed out the client’s high interest in acquiring products over the Internet (LEONE et al., 2002). However it is noticeable that this service is still not very effectively consolidated in the city of Salvador, in spite of the activity of many supermarket chains that offer virtual services in the brazilian market. Some unsuccessful trials can even be pointed out such as Amelia.com, property of the country’s hugest supermarket chain, and MariaMercado, a local establishment which also has discontinued virtual activities due to the business’ complexity which makes it dispendious with foreseeable medium- or long-term results.

Thus the purpose of this study is to identify the causes held responsible for the perceivable fragility in the insertion and consolidation of a virtual supermarket service in the city of Salvador. For this matter a qualitative case study was carried out in collaboration with the owners of the former MariaMercado virtual supermarket chain, which although locally representative finally terminated its activities after being in business for little more than a year.

2 THEORETICAL FOUNDATION

2.1 Supermarkets: from small grocery stores to the virtual model

According to Kotler (1998, pg. 493), retailing “englobes all activities involved in selling goods and services to the final customer for personal use”. Based on this definition it can be stated that retailing activities have evolved in a fast pace along the centuries, going from small streetside businesses to virtual markets and earmarking important phases of modern society evolution.

A historic contextualization evidences that self-service first appeared in the United States after the Great Depression in 1929 (SOUSA, 2002). Thus a new trade modality was born which provided the customer the pleasure of choosing the products he would like to acquire, all in one place without the interference of third parties. Since then this model has spread worldwide and the habit of going to a store, circulating between its aisles, choosing the product and paying for it on a cashier has become a constant routine in people’s life.

In Brazil supermarkets started to emerge with a 20-year delay in relation to the appearance of the American model. According to Gimpel’s report (1980), since Brazil’s discovery until 1850 retailing was restricted to small traders trading food, fabric, jewelry and small wares. Trading, unlike nowadays, was not restricted to a fixed place because there were neither enough population nor necessary economic conditions available which could have maintained a
store in a determined location. The first commercial establishments appear only in the Second Empire, slowly disseminating over the country’s territory until the huge brazilian retailing leap which occurred after the birth of the supermarkets.

In a historical view by Sousa (2002) some self-service experiences were implemented in the 50’s, but the landmark that heralds the arrival of brazilian self-service appears in 1953 with the inauguration of the “Sirva-Se” (Help yourself) supermarket in São Paulo. This new shopping modality became an attraction in no time, mainly because housewives considered supermarkets as being the country’s spirit of modernization. It is worth noticing that the appearance of supermarkets immediately drew attention of municipal authorities because there were no legal dispositions that authorized the combination of various kinds of stores: grocery, butchery, among others. Since then many supermarkets started to appear, mainly in the country’s capitals.

The history of supermarkets in Bahia begins in 1959, when Paes Mendonça’ first store was inaugurated in Salvador. In that same year the confectioner’s shop Pão de Açúcar becomes a supermarket bearing the same name. A little later, in 1966, another branch of the Paes Mendonça family inaugurates the Bompreço chain in Recife. Self-service finally strengthens in November 12th, 1968 with the legal acknowledgement of this trading modality and soon, in the beginning of the 70’s, a new store format appears in accordance with the years of economic growth: the hypermarket (SOUZA, 2002).

National retailing trade has gone through many turbulences since then, but nothing caused impacts as strong as the opening of the brazilian market in the beginning of the 90’s. During this period two processes could clearly be observed by the branch: the arrival of worldwide chains in the national market and the appearance of new technologies. During the last years the shareholding of hundreds of enterprises has been modified, increasing foreign presence in this branch and consequently the competitiveness between the supermarket chains. The 2003 ranking of Brazil’s Supermarket Association (ABRAS) shows following characteristics:

In the intense rythm of evolution fierce competitivity makes new service formats necessary to make retailing operations easier and to surpass customer expectations. In this context virtual supermarket formats, made possible by modern revolutionary information technologies, have slowly configured themselves and have conquered the preference of thousands of consumers worldwide over time.

### TABLE 1

<table>
<thead>
<tr>
<th>ENTERPRISE</th>
<th>STATE</th>
<th>BRANCH</th>
<th>SHARE</th>
<th>CHECK-OUT</th>
<th>M²</th>
<th>INVOICING (R$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companhia Brasileira de Distribuição – Pão de Açúcar</td>
<td>SP</td>
<td></td>
<td>14.6%</td>
<td>7901</td>
<td>979.723</td>
<td>11.668.664.073</td>
</tr>
<tr>
<td>Carrefour Comércio e Indústria Ltda.</td>
<td>SP</td>
<td></td>
<td>12.6%</td>
<td>6907</td>
<td>942.694</td>
<td>10.070.763.269</td>
</tr>
<tr>
<td>Bompreço S/A Sup. do Nordeste</td>
<td>PE</td>
<td></td>
<td>4.2%</td>
<td>2543</td>
<td>323.535</td>
<td>3.342.522.574</td>
</tr>
<tr>
<td>Sonae Distribuição Brasil S/A</td>
<td>RS</td>
<td></td>
<td>4.2%</td>
<td>3513</td>
<td>446.410</td>
<td>3.341.908.090</td>
</tr>
<tr>
<td>Casas Sendas Com. Ind. S/A.</td>
<td>RJ</td>
<td></td>
<td>3.2%</td>
<td>2022</td>
<td>229.155</td>
<td>2.526.807.000</td>
</tr>
<tr>
<td>Wall-Mart Brasil Ltda.</td>
<td>SP</td>
<td></td>
<td>2.1%</td>
<td>777</td>
<td>191.751</td>
<td>1.704.590.774</td>
</tr>
</tbody>
</table>


### 2.2 Evolution of electronic trade and the barriers of its consolidation

As reminded to us by Costa e Ribeiro (1998), the Internet was born in 1969 out of the american Defense Department to facilitate communication between military, governmental and research computers. With the end of the ‘Cold War’, the Internet starts to spread out in other directions, mainly in universities. Since January 1990 the Internet has become available to any person with access to a computer connected to a telephone line, thus forming a huge global communication network. This popularization, made possible through cost reduction of computers and telecomunication fares, has given birth to one of negotiation’s most fantastic tools: electronic commerce.

According to Albertin (1999, pg. 15), electronic commerce “is the realization of a whole value chain of business processes in an electronic environment by intense application of information and communication technologies”.

In accordance with Franco Junior (2001), electronic commerce can be categorized in

Nowadays the representativity of electronic commerce Business to Consumer in the retailing sector is still very small, but the forecast is that evolution will arrive quickly as the Internet in Brazil is considered as being one of the world’s most promising. A summary table published by Camara-e.net (2002) portrays this promising realm:

Data compiled by IDGNow (2003) states that according to the 5th. Research of Electronic Commerce in the Brazilian Market a total growth of 105% in electronic commerce could be observed in the year of 2002. Transactions in B2C sites summed up US$ 1.8 billion, showing a growth of over 50% when compared with the year 2001. B2B negotiations reached something around US$ 5.6 billion. These results have surpassed the expectations shown in Table 02, proving that electronic commerce is already a reality in Brazil, going along with new ways of doing business.

According to Web Shopper’s report (2004) there has been a growth of 51% in Internet sales in the first semester of 2004 in Brazil, compared to the same period of the year before. This information also shows that there are around 20 million Internet users in Brazil, 12% of these usually buying goods from web sites.

The monetary amount during the period mentioned in the report, which sums up to R$ 745,000.00.00, strengthens the importance of trade modalities over the Internet (WEB SHOPPERS, 2004).

According to Seybold (1998), the question is not longer whether e-commerce will finally consolidate or not. The big challenge is to know how and how fast the enterprises will be able to adapt themselves to this new reality.

In this context the existence of many challenges that have to be overcome for e-commerce to consolidate into a practical and safe way of shopping do not remain unnoticed. Virtual stores offer several advantages for the enterprises: apart from income increase the sale itself is individualized, which facilitates research an marketing strategy directioning, and customer service can be executed around the clock. But from the consumer’s point of view there are still many doubts...The differentiation in strategic terms could be the application of e-service concepts.

The safety of online payment is one of the biggest barriers that remain for the service to be enlarged (LEONE et al., 2002). Customers usually use credit cards as means of payment, transmitting data via modem. The common idea is that a hacker can easily intercept these messages, in spite of existing countermeasures such as data-encrypting firewalls. According to Ladeira (2001), the use of credit cards for payment in virtual supermarkets is considered as being a negative aspect that will undergo modification, not prioritarily in technological terms but rather in terms of assuring the customer of the safety offered by virtual payment operations.

| TABLE 2 |
| Data of e-commerce in Brazil & the world. |

<table>
<thead>
<tr>
<th>Global data</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet users (millions)</td>
<td>280</td>
<td>414</td>
<td>539</td>
<td>673</td>
<td>825</td>
<td>720</td>
<td>835</td>
</tr>
<tr>
<td>Active domestic Internet users (millions)</td>
<td>280</td>
<td>414</td>
<td>445</td>
<td>534</td>
<td>641</td>
<td>720</td>
<td>835</td>
</tr>
<tr>
<td>E-Commerce (US$ billions)</td>
<td>130</td>
<td>282</td>
<td>516</td>
<td>916</td>
<td>1420</td>
<td>2800</td>
<td>4300</td>
</tr>
<tr>
<td>B2C (US$ billions)</td>
<td>20</td>
<td>72</td>
<td>152</td>
<td>251</td>
<td>425</td>
<td>565</td>
<td>730</td>
</tr>
<tr>
<td>B2B (US$ billions)</td>
<td>110</td>
<td>210</td>
<td>365</td>
<td>666</td>
<td>995</td>
<td>1641</td>
<td>2380</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Brazilian data</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet users (millions)</td>
<td>4,8</td>
<td>9,0</td>
<td>11,0</td>
<td>14,0</td>
<td>17,0</td>
<td>12,5</td>
<td>15,0</td>
</tr>
<tr>
<td>Active domestic Internet users (millions)</td>
<td>2,5</td>
<td>4,7</td>
<td>5,9</td>
<td>7,7</td>
<td>10,0</td>
<td>12,5</td>
<td>15,0</td>
</tr>
<tr>
<td>E-Commerce (US$ billions)</td>
<td>0,2</td>
<td>0,6</td>
<td>2,1</td>
<td>2,7</td>
<td>3,9</td>
<td>5,9</td>
<td>8,8</td>
</tr>
<tr>
<td>B2C (US$ billions)</td>
<td>0,1</td>
<td>0,3</td>
<td>0,5</td>
<td>0,8</td>
<td>1,4</td>
<td>2,4</td>
<td>3,9</td>
</tr>
<tr>
<td>B2B (US$ billions)</td>
<td>0,2</td>
<td>0,3</td>
<td>1,6</td>
<td>1,9</td>
<td>2,5</td>
<td>3,5</td>
<td>4,9</td>
</tr>
</tbody>
</table>

Source: e-net Chamber(2002)
Other variables that influence the buying decision of a online shopper are price, variety, delivery time and delivery cost (LEONE et al., 2002). These factors have to be well evaluated because they can make the difference in success or failure of a online shopping service. Accessibility and site navigation must also be well studied. An attractive content is not solely linked to graphics, videos and 3-D figures. An attractive content is made of product variety, easyness of item localization, goods exposition, attractive promotions, delivery ability, fair price and the personalization capacity of recognizing the customer and his preferences on his subsequent visits to the site. Fidelization is the key to medium and long-term success and profit (HOFFMAN, 2003).

Customer captivation helps in keeping ever-growing marketing costs down. “Enterprises committed to client captivation are recognized by today’s customers and are recompensated for their efforts through repeated acquisitions” (HOFFMAN, 2003, pg. 477). Profits arise from this captivation as older customers are willing to pay higher prices through the years (HOFFMAN, 2003). Aside from all that, operational costs are lowered and benefit themselves from the positive recommendation of other satisfied customers. This fidelization can be achieved through service rendering monitorization; through the use of accompaniment technology of the client in his shopping procedure; through the care of personalized solving of customer’s problems and needs through e-service; by offering discritionary efforts; through marketing relationship which can make a difference in keeping the customer satisfied. After-marketing and service guarantees can also be used as means of support and safety for the customer.

It can also be stated that making a customer loyal to a service is much more difficult over the Internet. With just a click he can visit a competitor’s page, compare prices and product variety and make his shopping option. Success may lie in creating a direct channel to the customer, thus promoting a higher degree of interactivity and service improvement. For Las Casas (2002), the contact to a customer is a way to check the satisfaction level and in this sense the Internet is important as it allows individual contact.

Sheth & Sisodia (1997) remind us that the migration of power to the customer is part of a behaviour tendency that also includes: a) rising demand for personalization; b) shopping on demand; c) consumers as co-manufacturers; d) power shifting to the consumer; e) consuming automatization and f) a higher awareness of value. In reference to the higher value awareness of the consumer in the Internet marketing context, Sheth and Sisodia (1997) claim that an enterprise survival will be endangered if they are not able to transmit maximal values to their customers. For the authors this maximal value reflects what the consumer gets in exchange to what he gives during the transaction: money, time, effort and space.

Consumer-oriented electronic commerce is still in its initial stages in Brazil, but very fastly spreading. Since this service is still in its initial stages in the state of Bahia and was not consistently implemented in the supermarket branch, it is almost certain that a pioneering enterprise with the ability to provide a high quality virtual service will surely conquer an important competitive differentiation.

2.3 Unveiling consumer behaviour: a matter of survival

In this age of services, nothing is more important than analyzing the behaviour of the consumer with the purpose of meeting his demands and surpass his expectations. Consumer profile is very diverse and varies according to age, income, instruction level, and culture, among other aspects. With the intention of satisfying their needs, individuals buy a large variety of products and services. According to Karsaklian (2000), a study of consumer behaviour deals with the elucidation of the reasons which make an individual buy and consume a certain product instead of another.

Several currents of thought exist trying to unveil the decision-making process of the shopping consumer. Motivation theories are largely dealt with in this sense. The signifiance of motivation is difficult to be precisely defined, since it is something that can’t be observed directly but only be deduced through observation of human behaviour. Some researchers therefore started to study motivation under different points of view.

Behaviourist theory for instance is one of the oldest and suggests an objective study of the human being. In this conception the only source of human behaviour consists in features that can be observed, without taking into consideration an individual’s internal process. On the other hand, cognitivistic theory considers the human being by choosing through perception the values, beliefs, opinions and expectations which will influence his behaviour for the aimed action. Therefore this theory sustains that
the behaviour and its results will depend in as much of conscious choices as of environment events over which he has no influence (KARSAKLIAN, 2000). The psychoanalitical theory, founded by Sigmund Freud, is one of the most known. In this conception human behaviour is determined by unconscious motivation and by instinctive impulse. According to Karsaklian (2000), the most frequent critic to this theory is that the postulated concepts cannot be empirically verified, since people’s unconsciousness permeates through. However this current contributed significantly to marketing by pointing out the symbolic, and not only the functional, dimension of consuming.

In Kirkpatrick’s (1971) opinion store clients buy ideas and satisfaction instead of merchandise. Therefore consumers do not really want products; they want what those products can do for them. They end up buying items that provide sensations of importance, beauty, health, pride, safety, among others.

By analyzing electronic commerce based on these statements it is noticeable that many aspects can motivate the customer to shop virtually, among them the rationalization of ever-shrinking available time and also for convenience. However, in the same manner of existing needs that motivate consumer behaviour, there are factors that will generate resistance to these impulses. These factors are called ‘brakes’ according to Karsaklian (2000), and these are the forces that counteract on these motivations. These brakes are classified in two types: inhibitions and fears.

Inhibitions are forces that make an individual resist to the shopping motivation because of “feeling uncomfortable in the presence of other people” (KARSAKLIAN, 2000, pg 33). Classical examples are the social environment influences, family opinions and society. Fear works psychologically and is linked to internal thoughts of the individual. These can also generate resistance to consuming because of the fear of physical or financial risk. An example of this case is the client who prefers not to buy over the Net because of fear of his personal data’s exposure. The main role of marketing is therefore to try to reduce these brakes by offering guarantees to the customer and making consuming practiceable.

An important aspect that has to be observed by any virtual service is the shopping behavioral difference between men and women. Studies conducted by the researcher and retail anthropologist Paco Underhill (1999) try to unveil these premises. According to Underhill (1999), men spend less time shopping in real stores because they have no patience in searching for information, thus making the shopping process rather undisciplined. So it can be stated that they are targets for impulsive shopping. The product preferred by them are generally those which are technology-oriented, such as cars, sound systems, hardwares and softwares. By analyzing the feminine side, one can say that women penetrate into shopping metaphysics. They do not simply buy - they research, examine, question and only then they buy. There is pleasure in the act of buying, no matter the good’s value. Since in the present world the reality of feminine life has changed with women assuming other roles and responsibilities in society, the ‘shopping time’ has become very scarce. In this sense the opportunity of buying over the Net seems a necessity. Still according to Underhill (1999), the masculine and feminine virtual shopping behaviour simply become inverted when compared to their behaviour in real stores. Women, when doing electronic business, go straight to the point objectively. They click just enough to buy what they want and after that they disconnect. For men, this process is pleasant. They spend more time navigating through web sites, researching and having fun.

In this context forecasts on changes of lifestyle tendencies and demography are encouraging. Some favorable changes for electronic commerce would be: increase of middle-aged individuals in industrialized countries, with more available income and less time for shopping; a higher concern with online privacy; and emphasis on protection and safety, which is something presently being worked at by major credit card companies to ensure absolutely safe payment mechanisms that will be communicated to the final public and accepted as valid by the population (LADÉIRA, 2001). Thus the differentiation comes from offering problem solution and meeting of needs. Technology must be used as an ally and used largely as a solution in the quest for a service that will be differentially perceived: the e-service. All of this leads to the belief that marketing and retail that are conditioned by time and placement should be substituted by a free model. Virtual retailing therefore should be an important option in this new scenery.

2.4 Flow in the internet

What really happens in Brazil is that virtual retail only takes place by the end of the nineties. The number of virtual shoppers is relatively small, if compared to traditional shoppers, and concentrated in the southern part of the country. There is a
aspect that has to be considered, pleasure when shopping or shopping for pleasure; would people who buy in shopping malls or the ordinary bricks and mortar shops, give up this pleasure and sometimes excitement of going shopping or would they find a new one in the virtual world? Time spent in the internet should make people feel good, relaxed, and why not excited, this is what some authors like Hoffman and Novak, (1998) mention when they study flow in virtual space.

3 METHODOLOGY: THE CASE STUDY

A qualitative study was developed that, according to Malhotra (2001), allows a better comprehension and view of the problem to collect data necessary to put the reasons in evidence that could jeopardize the full deployment of a virtual supermarket in the market of Bahia. In Trujillo’s conception (2001) this kind of analysis, which is predominantly subjective, is pertinent when low statistical levels and deep required studies become apparent. The ‘case study’ research method was employed with the purpose of ordaining the information search procedure. According to Mattar (1994) the case study, a method for stimulate comprehension and suggestion of hypotheses for research, is composed of three basic characteristics: it allows characterization and detailed explanation of the aspects of the case under study; looks for information and generates hypotheses and not conclusions on the studied case and finally makes possible for the researcher to gather diversified aspects of the studied object. Due to the imprecise character of social sciences the case study has become the preferred strategy for researchers trying to answer questions on “how” and “why” certain phenomena happen, when there is little possibility of control over the studied events and when the points of interest are about current phenomena which can only be analyzed within a real-life context (GODOY, 1995, pg 25).

The option of conducting the research on an extinct virtual supermarket in the city of Salvador, Bahia was thus chosen and the subject, the MariaMercado, was selected intentionally (LAKATOS; MARCONI, 1996) because it was a highly representative enterprise in the virtual branch of the region which, in spite of its good financial results, has gone out of business.

3.1 Object of study

The MariaMercado, which was created with the intention of being a totally virtual supermarket, was founded in March 2001 by association of three groups: N-Web, creator of the system which also acted as service provider with a share of 40%; three initial investors with 20% of shares; and the business managing group, holder of the remaining 40% share. The enterprise was to serve consumers that resided in the cities of Salvador and Lauro de Freitas, a district located in the metropolitan region of the capital of Bahia. For this matter it had at its disposal a 2000-sq. meter storage building in Pirajá that carried perishable, non-perishable and commodity products. The strategy of the enterprise was to offer a convenient and safe way to buy via Internet a large array of products with competitive price and quality. To make this service known to everybody the MariaMercado aired ads in a radio station (Globo FM) and TV programs, distributed folders and banners in highly accessed websites. In spite of its well-structured organization and its well-planned operation, the MariaMercado shut down its activities in September 2002.

3.2 Data collection instrument

The interview was considered as being the best instrument for data collection since this is a deep case study. According to Gil (2002), the interview can be understood as being a technique that involves two people in a face-to-face situation in which one poses questions while the other answers. It is known that through this procedure it is possible to better detect the interviewer’s opinion, what he believes and what he intends to do in relation to the proposed situation, which in this case is the weakness of the virtual supermarket service in the market of Bahia. It is worth pointing out that the interview can assume the most diverse forms. For study purposes the interviews were partially structurated (GIL, 2002), meaning that the script was constructed in such a manner that the specific questions would be of the interviewed’s interest and that there would be a logic in the discussed matters, making the interview dynamic enough for the interviewed to get involved and giving him a certain freedom of expression concerning important matters of which the interviewed would be only poorly aware of.
3.3 Collecting procedures

After elaboration of the collecting instrument, the interview was scheduled with two of the former owners: Weber Fogagnoli, financial executive, and Arthur Del Rey, marketing and administrative director. The discussed matter being very specific, related to the reasons that jeopardize the establishment of a virtual supermarket in the market of Bahia, the option of the students/researchers conducting the interview by themselves was chosen. In this way the involvement of the interviewer with the discussed questions was assured aside from putting him into a better position for evaluating the significance of the collected information.

3.4 The analysis phase and data interpretation

According to Yin (2001), analyzing the evidence of a case study is not an easy task since the strategies and techniques were not well defined in the past. Differently from statistical analysis it can be stated that few suggested formulas exist for carrying out an effective analysis of the collected data. It is considered unanimously that manipulations have to be conducted very carefully to avoid the results of being tendentious. According to Gil (2002, pg. 125) data interpretation consists in “establishing the link between obtained results with others which are already known, derived from theories or from previously conducted studies”. Thus the overall strategy which was employed in the phase of data analysis was to follow theoretical propositions that guided the case study. Therefore the research questions, added to revisions done in articles about this subject and newer interpretations that appeared during the interview gave form to the data interpretation phase (Yin, 2001).

4 Presentation and interpretation of collected data

4.1 The beginning of business: a clear purpose and positive expectations

Accompanying the evolution of the supermarkets that evolved from small grocery stores to virtual models (Souza, 2002), Marimercado was established in May 2001 with a clearly defined mission of respecting the client, surpassing its expectations and to offer an alternative for a safe, convenient, quick and efficient way to buy through an easily navigable website in which the client would find quality products and getting his order promptly delivered. Therefore the enterprise did not work with a periodical promotions strategy, however its products were generally 5% cheaper than those of the real supermarket Extra, owned by the Pão de Açúcar group. Thus the service reached other population layers and not only the more wealthy ones. The delivery service covered the cities of Salvador and Lauro de Freitas with previously defined timetables, as can be seen in Table 03.

A possibility of differentiation and service positioning would be the implementation of an e-service with online tracking, where the customer would have access to the precise information of the location and delivery time of his order, being even

<table>
<thead>
<tr>
<th>Day of week</th>
<th>Order placed between</th>
<th>Order delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mon.-Thu</td>
<td>0:00 - 07:59</td>
<td>11:00 - 14:00, same day</td>
</tr>
<tr>
<td></td>
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<td>16:00 - 19:00, same day</td>
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<td></td>
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<td>19:00 - 22:00, same day</td>
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<td>08:00 - 12:59</td>
<td>16:00 - 19:00, same day</td>
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<td>19:00 - 22:00, same day</td>
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<td></td>
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<td>11:00 - 14:00, next day</td>
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<td></td>
<td>13:00 - 23:59</td>
<td>16:00 - 19:00, next day</td>
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<td>19:00 - 22:00, next day</td>
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<tr>
<td>Friday</td>
<td>0:00 - 07:59</td>
<td>11:00 - 14:00, same day</td>
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<tr>
<td></td>
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<td>16:00 - 19:00, same day</td>
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<td>19:00 - 22:00, same day</td>
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<td></td>
<td>08:00 - 12:59</td>
<td>16:00 - 19:00, same day</td>
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<td></td>
<td></td>
<td>19:00 - 22:00, same day</td>
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<tr>
<td></td>
<td></td>
<td>12:00 - 15:00, Saturday</td>
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<tr>
<td></td>
<td>13:00 - 23:59</td>
<td>12:00 - 15:00, Saturday</td>
</tr>
<tr>
<td></td>
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<td>11:00 - 14:00, Monday</td>
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<td></td>
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<td>16:00 - 19:00, Monday</td>
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<td></td>
<td></td>
<td>19:00 - 22:00, Monday</td>
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<tr>
<td>Saturday</td>
<td>0:00 - 07:59</td>
<td>12:00 - 15:00, same day</td>
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<td>11:00 - 14:00, Monday</td>
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<td>19:00 - 22:00, Monday</td>
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<td></td>
<td>08:00 - 23:29</td>
<td>11:00 - 14:00, Monday</td>
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<td></td>
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<td>16:00 - 19:00, Monday</td>
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<td></td>
<td></td>
<td>19:00 - 22:00, Monday</td>
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</tbody>
</table>

Source: the authors

Table 3: Delivery timetable
able to suggest more adequate schedules for receiving his order according to his convenience.

Delivery fees were R$ 4,50, but orders over R$ 300.00 were free of charge. This question is very delicate because most customers believe that delivery should be free of charge regardless of the ordered amount (LEONE, et al, 2002).

Another well-planned topic by MariaMercado’s associates was the form of payment available for the customer. Being aware of the lesser income average of the population of Bahia and that credit cards would not be very accessible to them, other forms of payment were included such as money order, check or cash. Since the use of credit cards for virtual payment is considered as a negative aspect of shopping virtually (LADEIRA, 2001), MariaMercado offered a supporting site by VeriSign, thus guaranteeing the integrity of electronically transmitted data. This information was widely spread among customers, in order to reassure the needed trustworthyness for buying execution. This procedure has surely contributed to the fact that payment via credit card was the most used payment form during MariaMercado’s existence.

The MariaMercado webpage was kept simple with the purpose of making access and navigation of the website easy, respecting transmission/reception limits of most users and providing the best experience in usability, as suggested by Nielsen(2000), Nielsen & Tahir (2002), Krug (2000), Goto & Cotler (2002) and Garrett (2003) that describe a website’s usability as being its utilization degree easyness of its interface.

Previous acquisitions were kept in a log, so that the customer wouldn’t have to pick every item of his preference in a second acquisition again, which made this an important considered aspect with a positive differentiation. After placement of the order, the delivery viabilization was executed next. Having finished the sorting process, the distribution was then carried out by the same third-party enterprise that owned the storage facility carrying every item of the virtual supermarket.

At the beginning of its activities MariaMercado didn’t intend to employ a B2B tool because its suppliers were located near the storage facility. Due to this proximity the enterprise managed to work with a three-day stock, mainly because of the high quantity of available perishable products.

This was thus the service structure idealized by MariaMercado and put into practice already within the first months of activity. However some adversities were encountered along the way that jeopardized the service’s survival.

4.2 Customer profile: a map for consolidation

With the purpose of mapping MariaMercado’s client preferences, the enterprise had developed a system which carried personal data and consuming preferences including products and most frequently acquired brands and quantities. The analysis of this database allowed to establish that the customer profile was very diverse, englobing enterprises and persons from different social levels.

Initially the associates believed that the majority of their customers would be composed of young people, recently married couples with liberal jobs because of their facility to adapt to new technologies and service modalities with little spare time left. However as activity progressed it became clear that the public that made most use of this service were housewives who normally scheduled the delivery to be made while their maids were at home, which would receive and arrange the goods. This discovery reaffirms the statement that the realm of feminine way of life has changed. Women have taken over other roles and responsibilities in society making the ‘time for shopping’ very restrict (UNDERHILL, 1999).

Thus virtual shopping has become a necessary ally for time rationalization and better convenience. This particularity lead to MariaMercado’s rearrangement of delivery schedules which initially concentrated on night delivery because it had been assumed that customers with tight schedules would be at home only by night. In practice it has been observed that delivery peaks were between 2 and 3 PM during working hours. An alternative that could have soothed out this delivery demand excess would have been promotional offerings for delivery in less sought-after periods.

Aside form this another erroneous assumption was about the economical profile of the public served. Highest consuming frequency was expected to be done by class A and B public, however class C and D public living in popular neighbourhoods like Mussurunga and Paralela proved to be the site’s most frequent shoppers, a fact that reflects the spreading of internet’s popularity over all social and regional segments (ALBERTIN, 2001). This context culminated in a service with 4,300 registered clients, 2,200 of them being frequent consumers with at least one monthly buy.

An interesting feature of MariaMercado’s policy that must be pointed out is the fact that each client would get a greeting card and a chocolate bar after registering on the site for the first time. This simple gesture captivated the customer and motivated him to make more contacts.
With the purpose of strengthening consumer relations the enterprise carried out after-sale checkings to ensure if the service had been correctly provided. A customer assistance phone number during working hours was also put into practice to clarify doubts, provide information and receiving suggestions or complaints about the service. In this case the implementation of a on-line chatter for these purposes would have been advisable.

4.3 The complexity of operating a virtual supermarket: a matter of survival

B2C is a virtual process, but after a click there is a tangible process where operational logistic happens in the same manner as in traditional ways. The big challenge in this sense was to be able to work with segmented orders, short terms of delivery and even balancing of costs.

The product storage facility of MariaMercado was owned by a third party and divided into three areas: dry, refrigerated, and produce. The facility also included two separation & order assembly tables and a place destined as an administrative office. Step-by-step after the click was of some complexity and should be handled with segmented orders, short terms of delivery and even balancing of costs.

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The distribution center’s computer would immediately receive the order and print a barcode tag. The code contained data about the location of the solicited items in the warehouse and also informed the sequence of collection to assure that the distance to get to them would always be the lowest possible, denoting the high investments put into automation of the business. Once arriving at the shelf, the employee would point the reading device to the shelf making sure that everything was in its correct location. If the product and its location matched, a green signal was emitted by the device to the delivery itinerary. Some difficulties were encountered in the beginning as residence localization was a complicated process for the driver because residence numbering in streets or avenues in Bahia do not follow logical sequences or because workmanship training was in its initial stages, but with time and a higher frequency of order placement these limitations were overcome. For execution of this process the enterprise had six own and seven third-party employees. These were periodically trained for improvement of executed activities. Mapping adjustments should have been carried out so that in case of employee substitution the same localization difficulties wouldn’t have been encountered again.

A video surveillance system with internal and infrared cameras monitored the arrival and loading of the trucks in the yard to avoid merchandise extravasion.

A differentiation of the María Mercado was the fact that merchandise could be returned for exchange during a 7-day period after having been delivered. Aside from that if a mistake was committed by MariaMercado the substitution expenses were taken over by the virtual shop. These operational particularities provided a coherent and qualitative service, but winning the logistical partner’s commitment was not an easy task. As we will see followingly, a virtual shop presents some undisputed advantages, but the weak points of the operation were responsible for the business shutdown.

4.4 Strongpoints of virtual service

Without any question, a virtual service is advantageous both for the customer as for the enterprise. Unmeasurable advantages were generated for MariaMercado offering an innovative individualized service around the clock by knowing the profile and the consuming preferences of their clients. From the customer’s point of view, being able to shop without leaving home, getting their orders safely delivered on schedule with guaranteed satisfaction heralded the arrival of a new age. Aside
from that the number of clients kept growing, reaching 4000 registered consumers in the first year of activity, while 2000 of them were doing their shopping already on a regular basis. There was a high perspective of growth, the access to the site getting more and more frequent. This fact should have generated a large-scale economy for the enterprise.

The great trigger of the business was a high average ticket value, which oscillated around R$ 90,000.00. With operations evolution, the virtual business reached a monthly invoicing of R$ 130,000.00, already very close to the balancing point, where expenses covered the costs. However it was stated that these peaks were not regular and that the average invoicing was around R$ 90,000.00, which still was a good result. Financial results were generating optimism since its invoicing was high with a tendency to grow, the fixed costs being favourable generating optimism since its invoicing was high with a good result. Financial results were still a good result. Financial results were generating optimism since its invoicing was high with a tendency to grow, the fixed costs being favourable producing satisfactory profit levels. However for a sustained positive aspect to be kept, a high financial backing was necessary which could face possible negative results, usually common in this kind of business, like the case of the american e-commerce enterprise Amazon.com, which obtained satisfactory results only after some years of operation.

Finally, another aspect that can be favourably taken into consideration is its structure, which was simple and efficient. The business structure was ready after some small initial adjustments. A storage facility was enough with a structure for pallets, a well-adapted information system and investments in logistics and distribution. But this meant an expensive structure.

These were tough the advantages considered as triggers for growth and consolidation of the service. However, adversities encountered over time hampered the health of the business, making a perpetration of virtual supermarket activities impossible.

4.5 Weak points of the business: possible failure causes

A first aspect that can be considered as a hindrance for satisfactory development of virtual activities is the question of competence regarding an adequate delivery procedure considered satisfactory by the customer. A good knowledge of the streets and neighbourhoods of the city is fundamental. But inadequate street signalization and identification in Salvador were producing considerable delays in delivery. This aspect was corrected after a certain period of time based on experience, but this could have been smoothed out through formal systematization of itineraries with the help of new technologies. Grönroos (1997) states that if there is an intention of establishing a marketing perspective based on relationship with the purpose of developing the perceived value by the customer, the effort should not only be directed to the product or the service that is to be delivered to him. All resources (personnel, technology, time and the consumer) should be employed that make a development of a relationship possible.

It can also be said that dominating the supermarket segment is not an easy task. It is an activity with many particularities and very small profit margins that must be rigorously managed. Lack of experience of the associates with this branch who were unfamiliar with this kind of business generated additional learning costs which finally jeopardized the final results. One example is the question of acquisition and storage of perishable products who needed special attention particularities in face of their limited expiration dates, which was learned only after suffering some losses.

An important consideration which at the beginning was incorrectly estimated was the aspect of the public variety which was to be served. Class A and B shoppers were expected to be the most frequent buyers, but in fact the virtual business ended up serving the whole range, from public class A through D. Meeting the demands and expectations of such a varied public was not an easy task to be carried out. The business was not able to meet all these demands at a certain point, mainly regarding the demanded variety of brands and products. Products and brands consumed by class A public are not the same consumed by class C or D. There are many particularities. A virtual business in its initial stages is complex and cannot meet every demand.

The social and cultural aspects of Salvador also were not beneficial for the good development of MariaMercado. Overall the city can be considered as being very poor. Novelties are generally not well accepted, the public being very traditional and having a high degree of resistance towards new products and services which appear on the market. Going to a ‘real’ supermarket is considered by the inhabitants of Bahia as being a leisure, a pleasant activity. Thus virtual shopping was just a quick complementation to what was needed at home and was not considered as being a whole new way of shopping. This would change over time, as habit changes only occur when new benefits, derived from transformations and new behavioural tendencies, are being transmitted and becoming clear.
It can be stated that the biggest hindrance for service continuity was the lack of commitment of the logistic partner. The logistic enterprise, owner of the storage facility and distribution trucks, was just starting to initiate its activities in this segment of furnishing and managing storage desks. Thus the employees responsible for storage and collection of the products, hired by the logistic enterprise, were not adapted to this new activity.

A three to four month adaptation period went by for complete adaptation to the new routine, a fact that produced serious consequences. At the beginning of its activities the lack of preparation of the employees led to losses of many products that were kept on stock. As a consequence placed orders could not be processed. This had endangered the financial health of the virtual business from the beginning of operations. A good personnel management, committed not only to recruiting and selection but also to capacitation and motivation with the purpose of establishing a good relationship would have avoided a high turnover index, which would have eventually lead to cost and loss reduction and thus to customer satisfaction and fidelization.

Lastly the intitial success itself can be appointed as the cause for failure. With MariaMercado’s growth, the initially conceived structure had to be modified to keep pace with the evolution of the business by carrying more products and needing more employees, therefore raising operative costs. The employee’s desire for finding a larger selection of products and brands, especially considering the profile of variety of the public, made carrying a larger amount of items necessary. The storage facility already carried 4000 registered items and customer demands were indicating that 5000 items would have to be carried. With a more costly structure and with customer evasion the financial balance of the business started being affected in a geometrical progression, which lead to the need of a capitalist partner who could invest more resources in the business. A good strategical planning with a realistic vision could have avoided these unexpected facts.

Not willing to risk anymore, the partners did not invest more money at the crucial moment for MariaMercado’s survival. The lack of an investor for keeping the business alive until it started to yield satisfactory profits was now hampering the service’s financial health. As the incentive market in Brazil has huge financial charges which are difficult to bear the associates decided not to use this resource and this situation therefore started to weaken the business. The main cause of MariaMercado’s failure is therefore the lack of undertaking initiative.

The service had reached unexpected levels which would have required more investment for staying on the market.

“Undertaking is a complex activity that requires preparation of the involved persons. This was missing at the time of dealing with troubles”. (Arthur, marketing director)

4.5.1 Possible emotional reasons

Emotional and psychological reasons may also be determinant, many people find pleasure and excitement when they socialize in the traditional shopping malls.

They go shopping not only for the products or services they need, shopping is a reason to leave home and see other people, take a ride and go somewhere. So how could the internet provide similar or maybe even different good feelings? Technology, movement, colors, sounds and challenge has to be continuously offered, this is a problem when you consider lower income families that don’t have very modern and powerful equipment to receive big size internet files that would provide more interactivity. Even medium class families of the northern part of Brazil, living in cities like Salvador, don’t have computers that afford receiving the kind of interactive sites that would cause flow and emotion. Creativity is the only possible way to change this reality, virtual supermarkets would have to find the right combination to capture the attention, and make the potential buyer into a real virtual one. Emotion may be one of the keys, combined with the proper infrastructure for the success of future enterprises.

5 CONCLUSIONS

Talking about e-commerce is not possible without mentioning the effects provided by this tool in retailing activities. It’s a new way of doing business without the physical presence of the actors, providing more convenience and speed for those involved. This modality faces cultural, economical and social particularities in Bahia, which modify the choices of managing a virtual undertaking. The Web Shoppers report (2004) shows that today people are searching for services that rationalize their already short available time. Thus the virtual supermarket arises from this context as a differentiated service from traditional retailing because it allows shopping to be done conveniently without leaving home, therefore making time available which can be spend on other activities.

The purpose of this research was therefore
establishing which causes were held responsible for the fragility of insertion and consolidation of a virtual market service, a modality of electronic trade, in the city of Salvador. The first step of this study was a revision of the available theoretical material about supermarket evolution in Brazil, about virtual trade and about consumer behaviour. The second step consisted in the field research per se, characterized by the case study of the extinct MariaMercado virtual supermarket. Two interviews with two of the former owners, personally conducted by the researchers, were carried out. During this exploratory phase, the interviews aimed to understand the history of the MariaMercado virtual supermarket while being in business, as well as the causes which lead to the shutdown of its activities. Several informations were produced, resulting from these interviews.

The MariaMercado supermarket was a planned birth of a business with adequate structure destined to materialize virtually demanded services with quality. In this context heavy investments were made in logistics through hiring of a locally known partner along with investments in automation systems for order processing, product collection in the storage facility, accounting registry and delivery, which produced high initial operational costs. At that time, the logistics partner’s lack of experience in dealing with supermarket products produced losses, delivery delays, buying cancellations and consequently consumer insatisfaction. Thus MariaMercado was accumulating losses in the first three months of business life, demanding higher middle-term rolling stock. Aside from these factors, initial forecasts pointed to a public composed of single people, young couples and liberal professionals who seeked comfort and convenience and had no time to go shopping in a real store. Practice had shown that MariaMercado’s public consisted mainly of housewives, which demanded the goods to be delivered at a time where their maids were present, concentrated between 2 and 3 PM. With this incorrect positioning a change in market communication became necessary, as well distribution time modification which concentrated in nighttime deliveries, and also the availability of the physical and technological structure to meet the public’s demands within their expectations. This modification produced many impacts on logistic and financial operations. Adding to this aspect, the public of the virtual business had been identified as being highly diversifed, demanding a higher selection of products and brands that increased business costs and delayed the reaching of the financial balancing point. In this context the research states that with the simultaneous occurrence of all those factors and with a longer investment return period than had been planned an early depletion of financial resources ended up weakening the virtual business. To attain the expected financial return more investments would have to be done. As this was not possible at that time, the domino effect of the enterprises’ problems made the business unsustainable, thus ruling out resource investments which would have been needed for MariaMercado’s continuity.

It is worth noticing that the research considered only one case for analysis, the MariaMercado, although other virtual business existed in the market of Bahia which also couldn’t manage to survive. It would have been more adequate to conduct this research with other undertakings of this branch in order to being able to affirm the causes of a virtual business fragility. Apart from that, another limitation of the study is the fact that only owners of the virtual supermarket had been interviewed, not confronting their opinions with those of the customers’ on factors that caused the latter’s insatisfaction.
RATIONAL AND EMOTIONAL REASONS WHY VIRTUAL SUPERMARKETS DON’T TAKE OFF IN THE MARKET OF BAHIA: HOW COULD WE MANAGE TO CHANGE THIS REALITY? A CASE STUDY OF THE EXTINCT “MARIAMERCADO”

References


