Chapter 3

Retailing in Electronic Commerce: Products and Services
Internet Marketing and Electronic Retailing

- **electronic retailing (e-tailing)**
  Retailing conducted online, over the Internet

- **e-tailers**
  Retailers who sell over the Internet

- ***the concept of retailing and e-tailing implies sales of goods and services to individual customers – B2C EC.***
What Sells Well on the Internet?

- Travel
- Computer Hardware and Software
- Consumer Electronics
- Office Supplies
- Sport and Fitness Goods
- Books and Music
- Toys
- Health and Beauty
- Entertainment
- Apparel and Clothing
- Jewelry
- Cars
- Services
- Pet Supplies
Characteristics of Successful E-Tailing

- High brand recognition
- A guarantee provided by highly reliable or well-known vendors
- Digitized format
- Relatively inexpensive items
- Frequently purchased items
- Commodities with standard specifications
- Well-known packaged items that cannot be opened even in a traditional store
E-Tailing Business Models

EXHIBIT 3.3 E-Tailing as an Enterprise EC System

Business Partner
Supplier
Supplier
Supplier
Business Partner

Distributor

Our Company

B2B and Supply Chain Management (SCM)

The E-Tailer Enterprise
Finance, Accounting, HRM, IT

Enterprise Resources Planning (ERP)
“The Backbone”

B2C Sales, Marketing, and CRM

Customer
Supplier
Supplier
Supplier

Facing Supplier/Distributor/Business Partner
Objective: Optimize relationships with business partners and reduce cost of goods sold

Internal Operations
Objective: Facilitate internal operations and increase productivity

B2C and Customer-Facing Applications
Objective: Optimize business relationships with customers; increase service effectiveness and sales
E-Tailing Business Models

Classification by Distribution Channel

- Mail-order retailers that go online: *Most traditional mail-order retailers simply added another distribution channel—the Internet.*
- Direct marketing from manufacturers: *Manufacturers such as DELL, SONY market directly online from company sites to individual customers.*
- Pure-play e-tailers: *These e-tailers don’t have physical stores, only an online sales presence. Eg: Amazon*
- Click-and-mortar retailers: *These are traditional retailers with a supplementary website.*
- Internet (online) malls: *These malls include large numbers of independent storefronts.*
E-Tailing Business Models

- **direct marketing**
  Broadly, marketing that takes place without intermediaries between manufacturers and buyers; in the context of this book, marketing done online between any seller and buyer

- **virtual (pure-play) e-tailers**
  Firms that sell directly to consumers over the Internet without maintaining a physical sales channel
E-Tailing Business Models

- CLICK AND MORTAR RETAILERS:
  1. click-and-mortar retailers
     Brick-and-mortar retailers that offer a transactional Web site from which to conduct business
  2. brick-and-mortar retailers
     Retailers who do business in the non-Internet, physical world in traditional brick-and-mortar stores
  3. multichannel business model
     A business model where a company sells in multiple marketing channels simultaneously (e.g., both physical and online stores)
E-Tailing Business Models

Retailing in Online Malls

1. Referring directories – this mall is basically a directory organized by product type.

2. Malls with shared services – in online malls with shared services, a consumer can find a product, order and pay for it and arrange for shipment.
E-Tailing Business Models

- Other B2C Models and Special Retailing
  - Representative special B2C services
    - Postal services
    - Services and products for adults
    - Wedding channels
    - Gift registries
### EXHIBIT 3.5 Traditional Versus Online Job Markets

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Traditional Job Market</th>
<th>Online Job Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>Expensive, especially in prime space</td>
<td>Can be very inexpensive</td>
</tr>
<tr>
<td>Life cycle</td>
<td>Short</td>
<td>Long</td>
</tr>
<tr>
<td>Place</td>
<td>Usually local and limited if global</td>
<td>Global</td>
</tr>
<tr>
<td>Context updating</td>
<td>Can be complex, expensive</td>
<td>Fast, simple, inexpensive</td>
</tr>
<tr>
<td>Space for details</td>
<td>Limited</td>
<td>Large</td>
</tr>
<tr>
<td>Ease of search by applicant</td>
<td>Difficult, especially for out-of-town applicants</td>
<td>Quick and easy</td>
</tr>
<tr>
<td>Ability of employers to find applicants</td>
<td>May be very difficult, especially for out-of-town applicants</td>
<td>Easy</td>
</tr>
<tr>
<td>Matching of supply and demand</td>
<td>Difficult</td>
<td>Easy</td>
</tr>
<tr>
<td>Reliability</td>
<td>Hard copy material is easily lost or misplaced</td>
<td>High</td>
</tr>
<tr>
<td>Communication speed between employees and employers</td>
<td>Can be slow</td>
<td>Fast</td>
</tr>
<tr>
<td>Ability of employees to compare jobs</td>
<td>Limited</td>
<td>Easy, fast</td>
</tr>
</tbody>
</table>
THE INTERNET JOB MARKET

The Internet offers a rich environment for job seekers and for companies searching for hard-to-find employees. The following parties use the Internet job market:

1. **Job seekers:** job seekers can reply to employment ads. Or they can take the initiative and place their resumes on their own homepages or on others’ website, use the sites of recruiting firms.

2. **Employers seeking employees:** many org. advertise openings on their websites. Others advertise job openings on popular public portals, online newspapers, bulletin boards etc.

3. **Job agencies:** job agencies use their own web pages to post available job descriptions and advertise their services in emails and at other websites.

4. **Government agencies and institutions:** many govt. agencies advertise openings for govt. positions on their websites and on other sites.
# Employment, Placement, and the Job Market Online

## EXHIBIT 3.6 Advantages of the Electronic Job Market for Job Seekers Employers

<table>
<thead>
<tr>
<th>Advantages for Job Seekers</th>
<th>Advantages for Employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can find information on a large number of jobs worldwide</td>
<td>Can advertise to large numbers of job seekers</td>
</tr>
<tr>
<td>Can communicate quickly with potential employers</td>
<td>Can save on advertisement costs</td>
</tr>
<tr>
<td>Can market themselves directly to potential employers (e.g., quintcareers.com)</td>
<td>Can reduce application-processing costs by using electronic application forms</td>
</tr>
<tr>
<td>Can write and post resumes for large-volume distribution</td>
<td>Can provide greater equal opportunity for job seekers</td>
</tr>
<tr>
<td>(e.g., Personal Search Agent at careerbuilder.com, brassring.com)</td>
<td>Increased chance of finding highly skilled employees</td>
</tr>
<tr>
<td>Can search for jobs quickly from any location</td>
<td>Can describe positions in great detail</td>
</tr>
<tr>
<td>Can obtain several support services at no cost (e.g., hotjobs.yahoo.com and monster.com provide free career-planning services)</td>
<td>Can conduct interviews online (using video teleconferencing)</td>
</tr>
<tr>
<td>Can assess their market value (e.g., wageweb.com and rileyguide.org; look for salary surveys)</td>
<td>Can arrange for testing online</td>
</tr>
<tr>
<td>Can learn how to use their voice effectively in an interview (greatvoice.com)</td>
<td>Can view salary surveys for recruiting strategies</td>
</tr>
<tr>
<td>Can access newsgroups that are dedicated to finding jobs (and keeping them)</td>
<td></td>
</tr>
</tbody>
</table>
Limitations of the Electronic Job Market

- The gap between those with skills and access to the Internet and those without
- Companies find that they are flooded with applicants when they advertise online, screening is a time-consuming and costly process
- Security and privacy
- High turnover costs for employers by accelerating employees’ movement to better jobs
Employment, Placement, and the Job Market Online

- Intelligent Agents in the Electronic Job Market
  1. **Intelligent agents for job seekers**: a free service that uses intelligent agents to search the internet’s top job sites and databases for job postings based on users’ profiles.
  2. **Intelligent agents for employers**: a special search engine powered by an intelligent agent can help employers find resumes that match specific job descriptions.
Real Estate, Insurance, and Stock Trading Online

- **Real Estate**
  - E-commerce and the Internet are slowly but surely having an ever increasing impact on the real estate industry

- **Real Estate Applications**
  - Advice for consumers on buying or selling
  - Commercial real estate listings
  - Links to house listings in all major cities
  - Maps
  - Information on current mortgage rates
Real Estate, Insurance, and Stock Trading Online

Insurance Online

- Standard insurance policies, such as auto, home, life, or health are offered at a substantial discount.
- Third-party aggregators offer free comparisons of available policies.
- Several large insurance and risk-management companies offer comprehensive insurance contracts online.
Banking and Personal Finance Online

- **electronic (online) banking (e-banking)**

  Various banking activities conducted from home or the road using an Internet connection; also known as *cyberbanking*, *virtual banking*, *online banking*, and *home banking*
International and Multiple-Currency Banking

International banking and the ability to handle trades in multiple currencies are critical for international trading. Some international retail purchasing can be done by providing a credit card number, other transactions may require international banking support.
Online Financial Transaction Implementation Issues

1. **Securing financial transactions**: financial transactions for home banking and online trading must be very secure.

2. **Access to banks’ intranets by outsiders**: many banks provide their large business customers with personalized service by allowing them access to the bank’s intranet.

3. **Imaging systems**: several financial institutions allow customers to view images of all of their incoming checks, invoices and other related online correspondence.

4. **Pricing online versus offline services**: computer based banking services are offered free by some banks, whereas others charge.

5. **Risks**: online banks and click-and-mortar banks may carry some risks and problems especially in international banking. The 1st risk is the risk of hackers getting into their account.
Banking and Personal Finance Online

- **Personal Finance Online**
  - **Online Billing and Bill Paying**
    - Automatic transfer of mortgage payments
    - Automatic transfer of funds to pay monthly utility bills
    - Paying bills from online banking accounts.
    - Merchant-to-customer direct billing
    - Using an intermediary for bill consolidation
    - Person-to-person direct payment
    - Pay bills at bank kiosks
e-grocer
A grocer that takes orders online and provides deliveries on a daily or other regular schedule or within a very short period of time

on-demand delivery service
Express delivery made fairly quickly after an online order is received
Online Delivery of Digital Products, Entertainment, and Media

<table>
<thead>
<tr>
<th>Type of Product</th>
<th>Physical Distribution</th>
<th>Digital Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software</td>
<td>Boxed, shrink-wrapped</td>
<td>FTP, direct download, e-mail</td>
</tr>
<tr>
<td>Newspapers, magazines</td>
<td>Home delivery, postal mail</td>
<td>Display on Web, “e-zines”</td>
</tr>
<tr>
<td>Greeting cards</td>
<td>Retail stores</td>
<td>E-mail, URL link to recipient</td>
</tr>
<tr>
<td>Images (e.g., clip-art, graphics)</td>
<td>CD-ROM, magazines</td>
<td>Web site display, downloadable</td>
</tr>
<tr>
<td>Movies</td>
<td>DVD, VHS, NTSC, PAL</td>
<td>MPEG3, streaming video, RealNetwork, AVI, QuickTime, etc.</td>
</tr>
<tr>
<td>Music</td>
<td>CD, cassette tape</td>
<td>MP3, WAV, RealAudio downloads, wireless devices, iTunes</td>
</tr>
</tbody>
</table>
Online Entertainment

Internet entertainment can be broadly categorized into 2 types: interactive and non-interactive.

Examples of interactive entertainment
1. Web browsing
2. Internet gaming
3. Fantasy sports games
4. Single and multiplayer games
5. Adult entertainment
6. Card games
7. Social networking sites
8. Participatory Web sites
9. Reading
10. Live events
Non-interactive Entertainment:

1. Event ticketing
2. Restaurants
3. Information retrieval
4. Retrieval of audio and video entertainment
5. Live events
Online Delivery of Digital Products, Entertainment, and Media

● Developments in the Delivery of Digital Products
  ● CD customization sites
  ● The disintermediation of traditional print media
  ● Digital delivery may replace or enhance traditional delivery methods for various types of digital content
Online Purchase-Decision Aids

- **shopping portals**
  Gateways to e-storefronts and e-malls; may be comprehensive or niche oriented

- **shopping robots (shopping agents or shopbots)**
  Tools that scout the Web on behalf of consumers who specify search criteria
  - “Spy” services
  - Wireless Shopping comparisons
Online Purchase-Decision Aids

- **Business Ratings Sites [Bizrate.com]**
  Many websites rate various e-tailers and online products based on multiple criteria.

- **Trust Verification Sites [VeriSign]**
  1. With so many sellers online, many consumers are not sure whom they should trust.
  2. A number of companies purport to evaluate and verify the trustworthiness of various e-tailers.

- **Other Shopping Tools**
  Other digital intermediaries assist buyers or sellers or both with the research and purchase processes.
  1. Amazon.com’s A9 Search Engine
  2. Answers.com
Problems with E-Tailing and Lessons Learned

- The reasons that retailers give for not going online include:
  - Their product is not appropriate for Web sales
  - Lack of significant opportunity
  - High cost
  - Technological immaturity
  - Online sales conflict with core business
Problems with E-Tailing and Lessons Learned

- **Lessons Learned**
  - Don’t ignore profitability
  - Manage new risk exposure
  - Watch the cost of branding
  - Do not start with insufficient funds
  - The web site must be effective
  - Keep it interesting
Issues in E-Tailing

1. Disintermediation & Reintermediation
   1. Cybermediation
   2. Hypermediation
   3. Unbundling

2. Channel Conflict

3. Determining the Right Price

4. Personalization

5. Fraud and Other Illegal Activities

6. How to Make Customers Happy
Issues in E-Tailing

- **disintermediation**
  The removal of organizations or business process layers responsible for certain intermediary steps in a given supply chain

- **reintermediation**
  The process whereby intermediaries (either new ones or those that had been disintermediated) take on new intermediary roles
Issues in E-Tailing

EXHIBIT 3.12  Disintermediation and Reintermediation in the B2C Supply Chain

A. Simple Traditional Supply Chain
- Supplier
- Producer
- Distributor
- Retailer
- End Consumer

B. Supply Chain, with Examples of Disintermediation
- Supplier
- Producer
- Distributor
- Retailer
- End Consumer

C. Supply Chain, with Examples of Reintermediation
- Supplier
- Producer
- Distributor
- Retailer
- End Consumer

Key:
- Disintermediation
- Reintermediation
Issues in E-Tailing

- **cybermediation** *(electronic intermediation)*
  The use of software (intelligent) agents to facilitate intermediation

- **hypermediation**
  Extensive use of both human and electronic intermediation to provide assistance in all phases of an e-commerce venture

- **channel conflict**
  Situation in which an online marketing channel upsets the traditional channels due to real or perceived damage from competition