Chapter 3

Retailing in Electronic Commerce: Products and Services

Learning Objectives

1. Describe electronic retailing (e-tailing) and its characteristics.
2. Define and describe the primary e-tailing business models.
3. Describe how online travel and tourism services operate and their impact on the industry.
4. Discuss the online employment market, including its participants, benefits, and limitations.
5. Describe online real estate services.
6. Discuss online stock-trading services.
Learning Objectives

7. Discuss cyberbanking and online personal finance.
8. Describe on-demand delivery by e-grocers.
9. Describe the delivery of digital products and online entertainment.
10. Discuss various e-tail consumer aids, including comparison-shopping aids.
11. Identify the critical success factors and failure avoidance tactics for direct online marketing and e-tailing.
12. Describe reintermediation, channel conflict, and personalization in e-tailing.

Internet Marketing and Electronic Retailing

- **electronic retailing (e-tailing)**
  Retailing conducted online, over the Internet
- **e-tailers**
  Retailers who sell over the Internet
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

Classification by Distribution Channel

- Mail-order retailers that go online
- Direct marketing from manufacturers
- Pure-play e-tailers
- Click-and-mortar retailers
- Internet (online) malls
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**
  Brick-and-mortar retailers that offer a transactional Web site from which to conduct business.

- **brick-and-mortar retailers**
  Retailers who do business in the non-Internet, physical world in traditional brick-and-mortar stores.
E-Tailing Business Models

- **multichannel business model**
  A business model where a company sells in multiple marketing channels simultaneously (e.g., both physical and online stores)

- **Retailing in Online Malls**
  - Referring directories
  - Malls with shared services

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
Travel and Tourism Services Online

- **Special Services**
  - Wireless services
  - Direct marketing
  - Alliances and consortia

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Travel and Tourism Services Online

- **Benefits of Online Travel Services**
  - **To travelers**
    - Free information accessible at any time from any place
    - Substantial discounts are available
  - **To travel services providers**
    - Airlines, hotels, and cruise lines sell otherwise-empty spaces
    - Direct selling saves the provider’s commission and its processing
Travel and Tourism Services Online

- **Limitations of Online Travel Services**
  - Many people do not use the Internet
  - The amount of time and the difficulty of using virtual travel agencies may be significant, especially for complex trips and for inexperienced Internet surfers
  - Complex trips or those that require stopovers may not be available online because they require specialized knowledge and arrangements

- **Corporate Travel**
  - To reduce corporate travel costs, companies can make arrangements that enable employees to plan and book their own trips

- **Impact of EC on the Travel Industry**
  - The Internet may be contributing to a sharp reduction in the number of travel agents
  - It has also driven the rise of intermediaries—third-party online sellers and portals provide price comparisons and a range of other value-adding services for the consumer
Employment, Placement, and the Job Market Online

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</td>
<td>Can be slow</td>
<td>Fast</td>
</tr>
<tr>
<td>employees and employers</td>
<td>Limited</td>
<td>Easy, fast</td>
</tr>
<tr>
<td>Ability of employees to compare jobs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

THE INTERNET JOB MARKET

- Job seekers
- Employers seeking employees
- Job agencies
- Government agencies and institutions
- A consortium of large employers and college careers advisors
- Global online portals
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
  - Intelligent agents for job seekers
  - Intelligent agents for employers
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 Mortgages
- Many sites offer loan calculators
- Mortgage brokers can pass loan applications over the Internet and receive bids from lenders that want to issue mortgages
- “Name your own price” model
- Aggregation of loan seekers package placed for bid on the Internet
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

**Online Stock Trading**
- Investment information
- Related financial markets
- The risk of having an online stock account
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

Some international retail purchasing can be done by providing a credit card number, other transactions may require international banking support.
Banking and Personal Finance Online

Online Financial Transaction Implementation Issues
- Securing financial transactions
- Access to banks’ intranets by outsiders
- Imaging systems
- Pricing online versus offline services
- Risks

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
- Taxes
On-Demand Delivery Systems and E-Grocers

● 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>EXHIBIT 3.10 Distribution of Digital Versus Physical Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Product</td>
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<tr>
<td>-----------------</td>
</tr>
<tr>
<td>Software</td>
</tr>
<tr>
<td>Newspapers, magazines</td>
</tr>
<tr>
<td>Greeting cards</td>
</tr>
<tr>
<td>Images (e.g., clip-art, graphics)</td>
</tr>
<tr>
<td>Movies</td>
</tr>
<tr>
<td>Music</td>
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</tbody>
</table>
Online Delivery of Digital Products, Entertainment, and Media

- **Online Entertainment**
  - Examples of online entertainment
    - Web browsing
    - Internet gaming
    - Fantasy sports games
    - Single and multiplayer games
    - Adult entertainment
    - Card games
    - Social networking sites
    - Participatory Web sites
    - Reading
    - Live events

- **Entertainment-related services**
  - Event ticketing
  - Restaurants
  - Information retrieval
  - Retrieval of audio and video entertainment
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
- Trust Verification Sites
- Other Shopping Tools
  - Amazon.com’s A9 Search Engine
  - 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

- Successful Click-and-Mortar Strategies
  - Speak with one voice
  - Leverage the multichannels
  - Empower the customer
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

- **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

- **Unbundling**

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Issues in E-Tailing

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

- Determining the Right Price
- Personalization
- Fraud and Other Illegal Activities
- How to Make Customers Happy

Managerial Issues

1. What should our strategic position be?
2. Are we financially viable?
3. How should we introduce wireless shopping?
4. Are there international legal issues regarding online recruiting?
Managerial Issues

5. Do we have ethics and privacy guidelines?
6. How will intermediaries act in cyberspace?
7. Should we set up alliances?