

Chapter 3

Retailing in Electronic Commerce: Products and Services

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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.

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Internet Marketing and Electronic Retailing

- **electronic retailing (e-tailing)**

Retailing conducted online, over the Internet

- **e-tailers**

Retailers who sell over the Internet

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Internet Marketing and Electronic Retailing

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

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Internet Marketing and Electronic Retailing

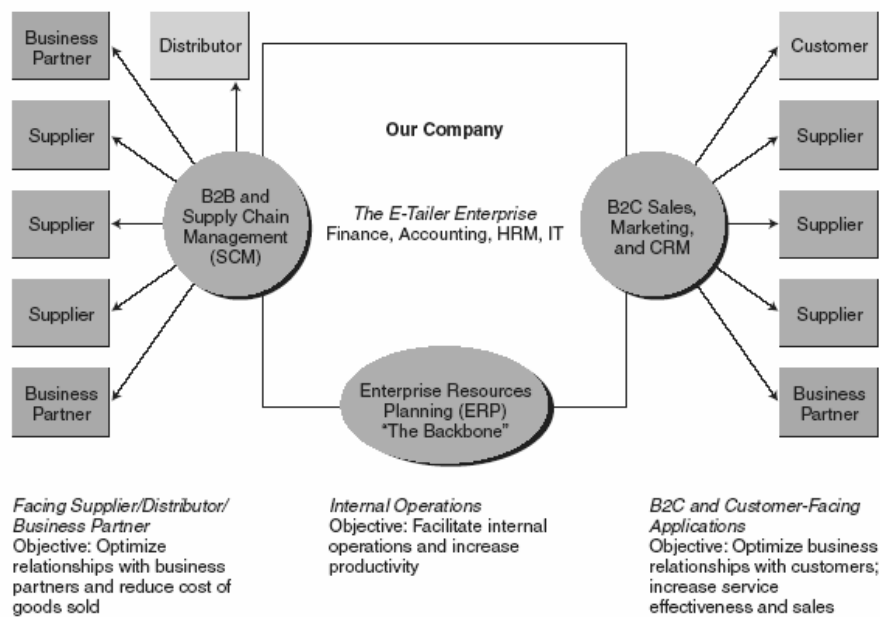
● Characteristics of Successful E-Tailing

- 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

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E-Tailing Business Models

EXHIBIT 3.3 E-Tailing as an Enterprise EC System



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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

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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

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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

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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

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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

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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

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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

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Travel and Tourism Services Online

● **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

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Employment, Placement, and the Job Market Online

EXHIBIT 3.5 Traditional Versus Online Job Markets

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

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Employment, Placement, and the Job Market Online

● 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

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Employment, Placement, and the Job Market Online

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

Advantages for Job Seekers	Advantages for Employers
<ul style="list-style-type: none">• Can find information on a large number of jobs worldwide• Can communicate quickly with potential employers• Can market themselves directly to potential employers (e.g., <i>quintcareers.com</i>)• Can write and post resumes for large-volume distribution (e.g., Personal Search Agent at <i>careerbuilder.com</i>, <i>brassring.com</i>)• Can search for jobs quickly from any location• Can obtain several support services at no cost (e.g., <i>hotjobs.yahoo.com</i> and <i>monster.com</i> provide free career-planning services)• Can assess their market value (e.g., <i>wageweb.com</i> and <i>rileyguide.org</i>; look for salary surveys)• Can learn how to use their voice effectively in an interview (<i>greatvoice.com</i>)• Can access newsgroups that are dedicated to finding jobs (and keeping them)	<ul style="list-style-type: none">• Can advertise to large numbers of job seekers• Can save on advertisement costs• Can reduce application-processing costs by using electronic application forms• Can provide greater equal opportunity for job seekers• Increased chance of finding highly skilled employees• Can describe positions in great detail• Can conduct interviews online (using video teleconferencing)• Can arrange for testing online• Can view salary surveys for recruiting strategies

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Employment, Placement, and the Job Market Online

- **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

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Employment, Placement, and the Job Market Online

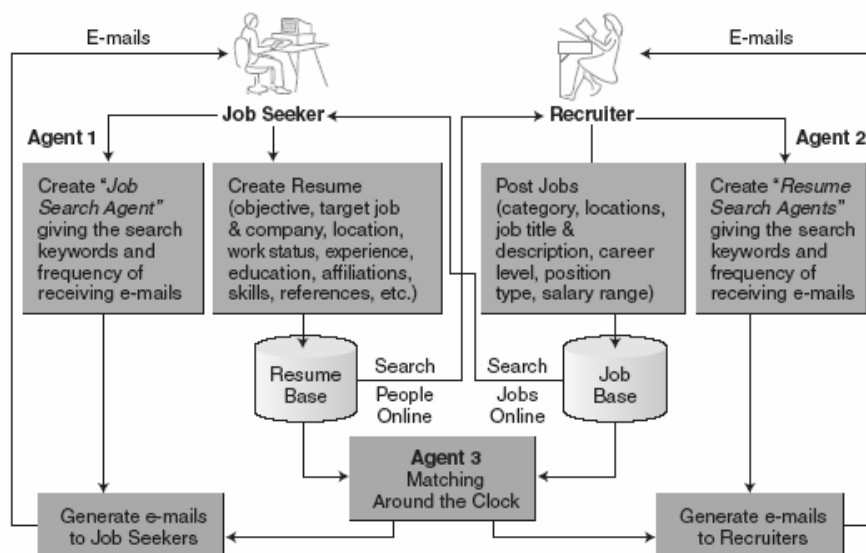
● Intelligent Agents in the Electronic Job Market

- Intelligent agents for job seekers
- Intelligent agents for employers

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Employment, Placement, and the Job Market Online

**EXHIBIT 3.7 Intelligent Agents Match
Resumes with Available Jobs**



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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

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Real Estate, Insurance, and Stock Trading Online

- **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

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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

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Real Estate, Insurance, and Stock Trading Online

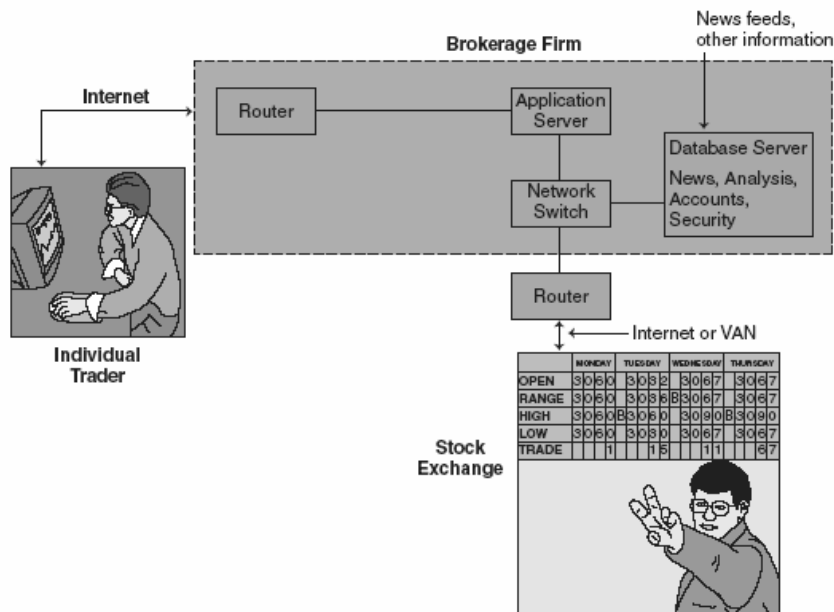
● Online Stock Trading

- Investment information
- Related financial markets
- The risk of having an online stock account

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Real Estate, Insurance, and Stock Trading Online

EXHIBIT 3.8 Online Electronic Stock Trading



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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

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Banking and Personal Finance Online

EXHIBIT 3.9 Online Banking Capabilities

Informational	General bank information and history Financial education information Employment information Interest rate quotes Financial calculators Current bank and local news
Administrative	Account information access Open new account online Applications for services Move all banking online Personal finance software applications
Transactional	Account transfer capabilities Transfer funds housed at different financial institutions Bill-pay services Corporate services(e.g., cash management, treasury) Online insurance services Online brokerage services Real-time funds transfer Online trust services
Portal	Links to financial information Links to community information Links to local business Links to nonlocal business (and/or advertisers)
other	Wireless capabilities Search function

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Banking and Personal Finance Online

● 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

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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

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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

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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

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Online Delivery of Digital Products, Entertainment, and Media

EXHIBIT 3.10 Distribution of Digital Versus Physical Products

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

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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

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Online Delivery of Digital Products, Entertainment, and Media

- **Entertainment-related services**

- Event ticketing
 - Restaurants
 - Information retrieval
 - Retrieval of audio and video entertainment

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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

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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**

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Online Purchase-Decision Aids

- **Business Ratings Sites**
- **Trust Verification Sites**
- **Other Shopping Tools**
 - Amazon.com's A9 Search Engine
 - Answers.com

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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

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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

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Problems with E-Tailing and Lessons Learned

● **Successful Click-and-Mortar Strategies**

- Speak with one voice
- Leverage the multichannels
- Empower the customer

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Issues in E-Tailing

- **disintermediation**

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

- **reintermediation**

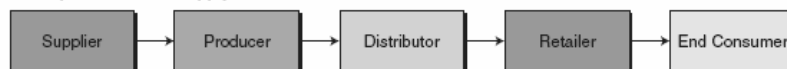
The process whereby intermediaries (either new ones or those that had been disintermediated) take on new intermediary roles

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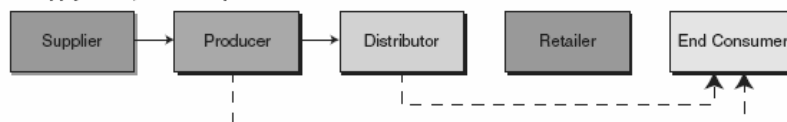
Issues in E-Tailing

EXHIBIT 3.12 Disintermediation and Reintermediation in the B2C Supply Chain

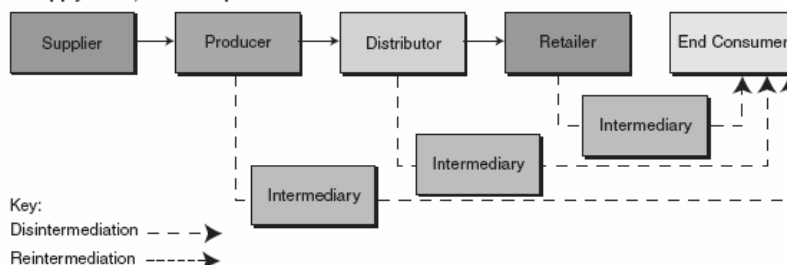
A. Simple Traditional Supply Chain



B. Supply Chain, with Examples of Disintermediation



C. Supply Chain, with Examples of Reintermediation



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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

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Issues in E-Tailing

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

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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?

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Managerial Issues

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