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.

Learning Objectives

4. Discuss the online employment market, including its participants, benefits, and limitations.

5. Describe online real estate services.

6. Discuss online stock-trading services.

7. Discuss cyberbanking and online personal finance.

8. Describe on-demand delivery by
   e-grocers.

Learning Objectives

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

- Overview of Electronic Retailing

  electronic retailing (e-tailing)

  Retailing conducted online, over the Internet

  e-tailers

  Retailers who sell over the Internet

Internet Marketing and Electronic Retailing

- **Size and Growth of the B2C Market**
  - Reported amounts of online sales *deviate substantially* based on how the numbers are derived
    - Annual online 2004 sales were estimated to be over $70 billion
    - The average online shopper spent over $350 per quarter
    - Forrester Research estimates that e-tailing will reach $316 billion by 2010

Internet Marketing and Electronic Retailing

What Sells Well on the Internet?

- Computer hardware and software
- Consumer electronics
- Office supplies
- Sporting goods
- Books and music

- Toys
- Health and beauty
- Apparel and clothing
- Jewelry
- Cars
- Services
- Others

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

E-Retailing Business Models

- Classification by Distribution Channel
    1. Mail-order retailers that go online
    2. Direct marketing from manufacturers
    3. Pure-play e-tailers
    4. Click-and-mortar retailers
    5. Internet (online) malls

E-Retailing 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

E-Retailing Business Models

- **Direct Sales by Manufacturers**
  - Sellers can understand their markets better because of the direct connection to consumers
  - Consumers gain greater information about the products through their direct connection to the manufacturers

E-Retailing Business Models

virtual (pure-play) e-tailers

Firms that sell directly to consumers over the Internet without maintaining a physical sales channel

click-and-mortar retailers

Brick-and-mortar retailers that offer a transactional Web site from which to conduct business

E-Retailing Business Models

brick-and-mortar retailers

Retailers who do business in the non-Internet, physical world in traditional brick-and-mortar stores

multichannel business model

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

E-Retailing Business Models

- Retailing in Online Malls
  - Referring Directories
  - Malls with Shared Services

Travel and Tourism Services Online

- Online travel is probably the most successful e-commerce implementation

- Services provided include:
  - General information
  - Reserving and purchasing tickets, accommodations, and entertainment
  - Travel tips
  - Electronic travel magazines
  - Fare comparisons

Travel and Tourism Services Online

- **Benefits of Online Travel Services**
  - Benefits to consumers
    - Large amount of free information available 24/7
    - Substantial discounts can be found
  - Benefits to providers
    - Airlines, hotels, and cruise lines are selling 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
  - Complex trips or those that require stopovers may not be available online because they require specialized knowledge and arrangements

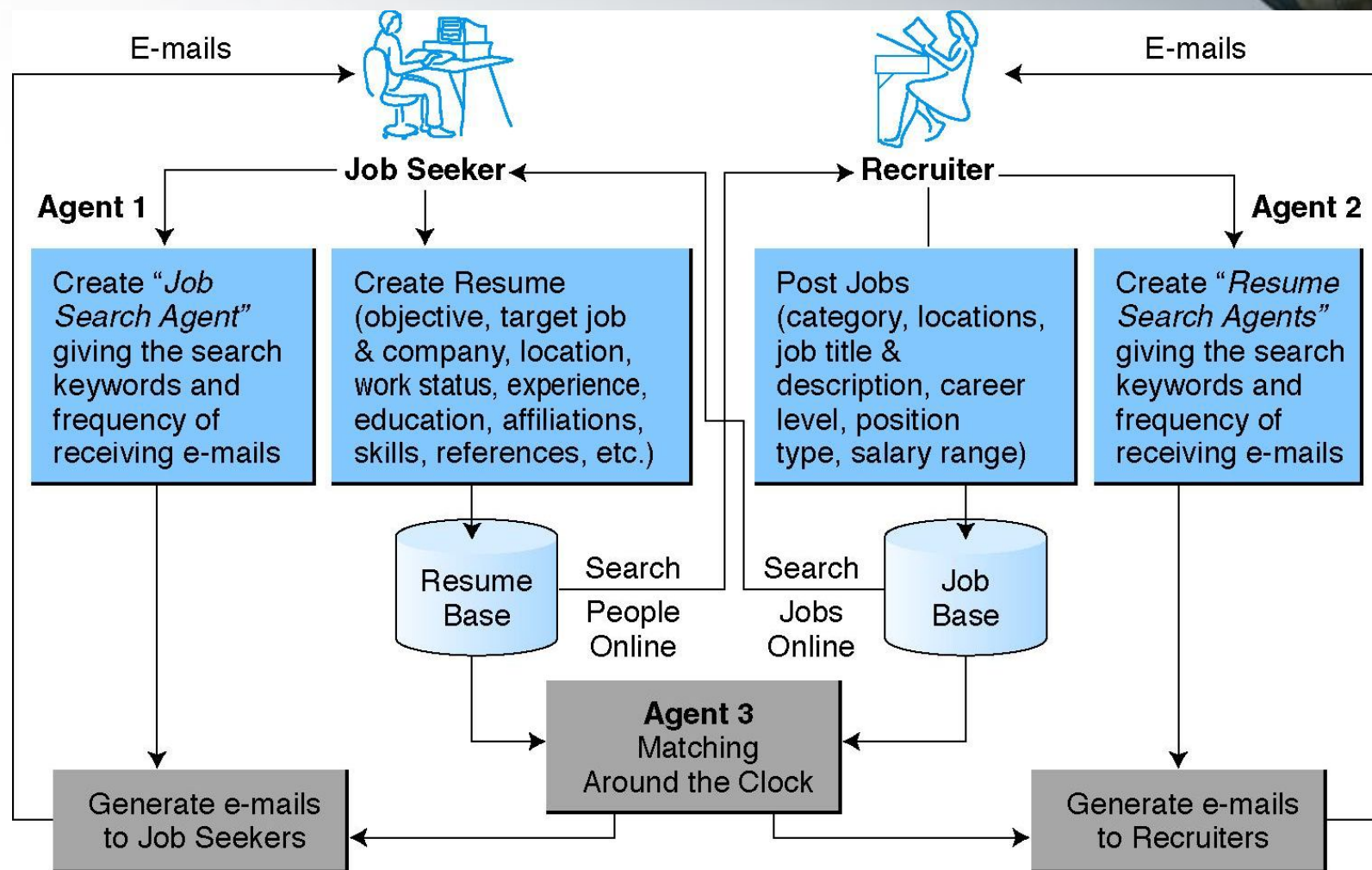# Employment Placement and the Job Market Online

- The Internet Job Market
  - Job seekers
  - Employers seeking employees
  - Job agencies
  - Government agencies and institutions
- The Internet is a global online portal for job seekers

Employment Placement and the Job Market Online

- **Limitations of the Electronic Job Market**
  - Many people do not use the Internet. This limitation is even more serious with non-technology-oriented jobs
  - Security and privacy: resumes and other online communications are usually not encrypted, so one's job-seeking activities may not be secure

Exhibit 3.7 Intelligent Agents Match Resumes with Available Jobs

E-mails   E-mails

Job Seeker   **Recruiter**

Agent 1   **Agent 2**

Create "*Job Search Agent*" giving the search keywords and frequency of receiving e-mails

Create Resume (objective, target job & company, location, work status, experience, education, affiliations, skills, references, etc.)

Post Jobs (category, locations, job title & description, career level, position type, salary range)

Create "*Resume Search Agents*" giving the search keywords and frequency of receiving e-mails

Resume Base   Search People Online   Search Jobs Online   Job Base

Agent 3 Matching Around the Clock

Generate e-mails to Job Seekers

Generate e-mails to Recruiters

Banking and Personal Finance Online

electronic 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

Banking and Personal Finance Online

- ## Virtual Banks
  - *Virtual banks* have no physical location, but only conduct online transactions

- ## International and Multiple-Currency Banking
  - Hong Kong and Shanghai Banking Corporation (*hsbc.com.hk*)
  - Tradecard and MasterCard for global transactions (see *tradecard.com*)
  - Bank of America and most other major banks
  - *Fxall.com* is a multidealer foreign exchange service

On-Demand
Delivery Services and E-grocers

on-demand delivery service

Express delivery made fairly quickly after an online order is received

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

Online Delivery of Digital Products, Entertainment, and Media

- Certain goods, (software, music, or news stories) may be distributed in a physical form or they may be digitized and delivered over the Internet

- For sellers, the costs associated with the manufacture, storage, and distribution of physical products can be enormous

- Inventory management also becomes a critical cost issue, and so does delivery and distribution

Online Delivery of Digital Products, Entertainment, and Media

- **Interactive Entertainment**
  - Web browsing
  - Internet gaming
  - Fantasy sport games
  - Single and multiplayer games
  - Adult entertainment
  - Card games
  - Participatory Web sites
  - Reading

Online Delivery of Digital Products, Entertainment, and Media

- **Noninteractive Entertainment**
  - Event ticketing
  - Restaurants
  - Information retrieval
  - Retrieval of audio and video entertainment
  - Live events

Problems with E-tailing and 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

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
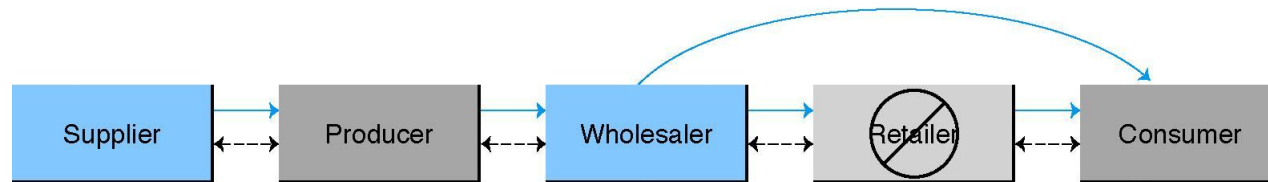
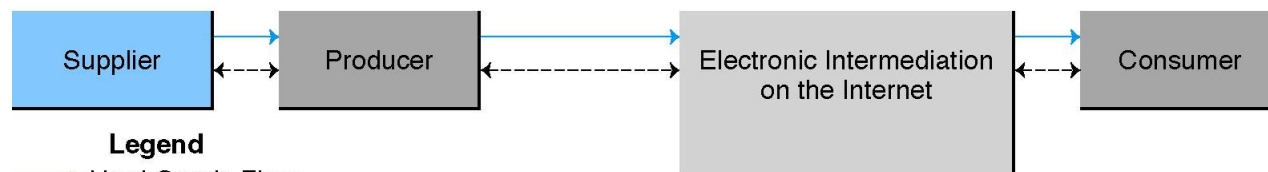# Exhibit 3.12 Disintermediation and Reintermediation in the B2C Supply Chain

| Supplier | Producer | Wholesaler | Retailer | Consumer |

(a) Traditional Supply Chain

| Supplier | Producer | Wholesaler | Retailer | Consumer |

(b) Disintermediation in Direct Marketing (eliminate all intermediaries)

| Supplier | Producer | Wholesaler | Retailer | Consumer |

(c) Disintermediation of the Retailer

| Supplier | Producer | Electronic Intermediation on the Internet | Consumer |

Legend
→ Hard Goods Flow
←--→ Information Flow
⊘ Disintermediated Function

(d) Reintermediation

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

- Determining the right price
- Personalization
- Fraud and illegal activities
- How to make customers happy